

Investment Objectives & Approach

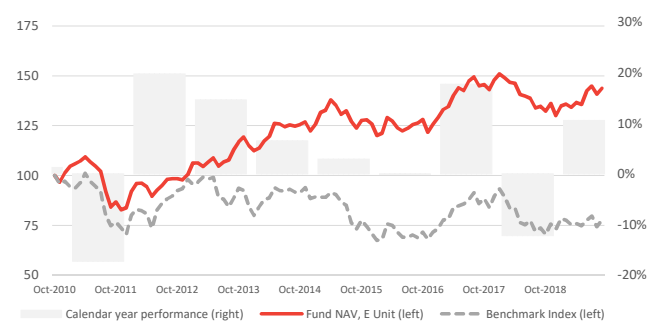
The Fund invests actively in listed equities of European Union new member states and accession countries (Emerging Europe, ex Russia). Benchmark agnostic, it emphasizes bottom-up, value oriented stock picking with a strong small and mid-cap bias. The Fund's investment objective is to maximise upside to internally set target prices, taking into account company quality, liquidity and FX outlook. By implementing our investment process we aim to outperform the market with lower volatility. The Fund typically invests in 30-40 regional companies, who generally demonstrate a competitive advantage or attractive risk/return features. It adheres to the UN Principles for Responsible Investment. Suitable for investors seeking a stock picking portfolio in Emerging Europe, it acts as medium to long term diversifier in a global Emerging Markets, European or Global Equity portfolio.

Fund Manager's Comment, September 2019

Global equities rebounded in September on the back of supportive central banks' rhetoric and hopes for easing trade tensions. MSCI World gained 1.9% in \$ (+2.7% in €) while Emerging Markets added 1.7% in \$ (+2.5% in €). Emerging Europe ex-Russia outperformed, up 4.3% in € terms driven by a strong rally in Turkish equities that posted 8.6% return in local currency while lira strengthened 4.0% against the euro. In Turkey the market has reacted positively to the subsiding inflation (15% in August vs. 20.3% end-2018), which has allowed local central bank to cut rates aggressively (325bps to 16.5%). Lower rates should boost the margins of local banks and allow them to absorb higher cost of risk in the process of balance sheet clean up. Avaron Emerging Europe Fund delivered +2.0% return, underperforming the benchmark due to UW in Turkey and high cash level. Year-to-date the Fund is up 10.5% compared to +6.2% of the benchmark. Only in September we got the Q2 earnings season wrapped up in Emerging Europe. The aggregate earnings of the companies we hold in the portfolio showed 20% YoY growth on FX adjusted basis (+17% YoY in € terms) driven by the continuously strong performance of non-financial holdings (+31% YoY in € terms). Fund portfolio companies trade at 10.3x 1YR FWD P/E, 9% cash flow yield and 5%+ dividend yield.

To receive detailed fund manager comment please send a request to info@avaron.com.

Performance, E Unit



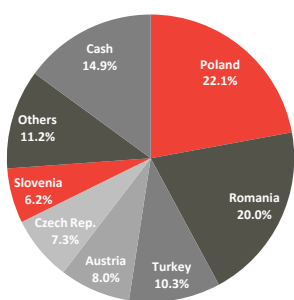
Perf overview	Net return E Unit	Index return*
1 month	2.0%	4.3%
YTD	10.5%	6.2%
3 months	1.0%	0.0%
6 months	7.0%	3.0%
1 year	6.6%	5.3%
3 years	13.7%	12.9%
5 years	15.1%	-15.4%
7 years	46.1%	-13.6%
8 years	70.9%	3.7%

* MSCI EFM EUROPE + CIS (E+C) ex Russia

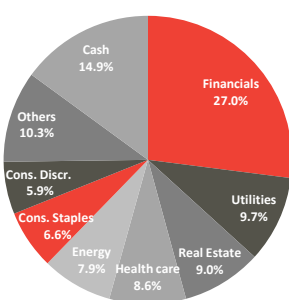
Calendar year return, E Unit

Year	Gross	Net	Index*
2018	-10.9%	-12.2%	-18.6%
2017	19.2%	17.7%	25.3%
2016	2.1%	-0.1%	1.2%
2015	6.7%	2.9%	-20.0%
2014	9.4%	6.5%	4.7%
2013	18.5%	14.6%	-13.9%
2012	21.1%	19.7%	39.3%
2011	-16.3%	-17.3%	-27.5%

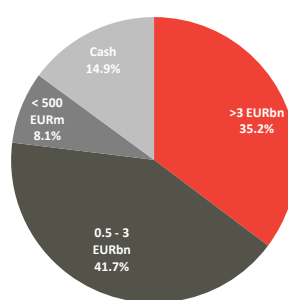
Geographic breakdown



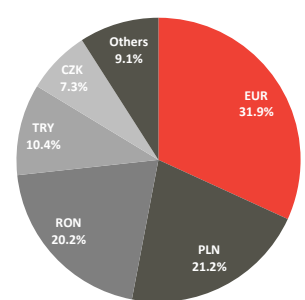
Sector breakdown



Market Cap breakdown



Net currency breakdown



Country allocation

	Sep-19	1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Poland	22.1%	-0.8%	-0.3%	2.4%	13.5%	13.6%	0.0%	-1.7%	1.0%	1.4%	4.2%	3.8%
Romania	20.0%	0.3%	0.9%	-0.1%	6.4%	1.1%	0.7%	1.8%	4.4%	7.1%	12.4%	12.3%
Turkey	10.3%	1.0%	2.3%	-0.1%	-9.3%	-1.6%	1.2%	1.7%	1.3%	1.0%	-7.1%	-5.2%
Austria	8.0%	-0.1%	0.5%	0.4%	-11.6%	-6.8%	0.0%	0.8%	0.8%	1.7%	5.2%	10.2%
Czech Rep.	7.3%	-0.3%	-0.2%	-0.2%	-2.5%	2.8%	-0.2%	-0.7%	-0.6%	-0.1%	2.7%	2.4%
Slovenia	6.2%	0.0%	0.3%	2.7%	2.1%	2.5%	0.1%	0.0%	0.9%	0.4%	0.5%	0.5%
Hungary	4.2%	-0.2%	-0.1%	-0.4%	3.4%	1.0%	-0.1%	-0.4%	-0.2%	-0.5%	-0.3%	0.7%
Baltics	2.5%	0.0%	-0.3%	-0.6%	0.8%	-1.8%	0.0%	0.0%	0.2%	0.1%	0.7%	2.3%
Croatia	2.0%	0.0%	0.1%	0.2%	1.2%	2.0%	0.1%	0.1%	0.1%	0.2%	0.0%	0.1%
Others	2.5%	0.0%	-0.1%	0.6%	0.8%	-1.8%	0.0%	0.0%	0.3%	0.3%	0.7%	1.6%

Sector allocation

	Change	Contribution analysis											
	Sep-19	1 mo	3 mo	12 mo	YTD	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Financials	27.0%	0.0%	1.1%	4.0%	-4.5%	6.4%	0.5%	-1.4%	-0.8%	0.1%	1.2%	4.1%	
Utilities	9.7%	0.1%	1.0%	-0.2%	-1.3%	-8.3%	0.3%	0.7%	2.1%	2.4%	5.6%	3.1%	
Real Estate	9.0%	-0.1%	0.2%	-0.3%	-6.3%	-5.0%	0.0%	0.8%	0.9%	1.8%	2.2%	5.0%	
Health care	8.6%	-0.1%	0.2%	0.5%	3.7%	2.8%	0.0%	-0.2%	0.4%	0.0%	0.4%	0.9%	
Energy	7.9%	0.0%	-0.9%	-1.1%	2.4%	-0.4%	0.2%	0.5%	1.8%	3.5%	6.5%	6.3%	
Consumer Staples	6.6%	0.2%	1.5%	1.9%	3.9%	6.2%	0.3%	1.0%	1.5%	1.4%	1.8%	4.1%	
Cons. Discr.	5.9%	0.4%	0.7%	0.9%	0.3%	-0.5%	0.5%	0.4%	0.6%	0.9%	1.1%	4.5%	
Communication	5.6%	-0.8%	-1.0%	0.7%	4.6%	5.1%	-0.4%	-0.6%	1.3%	1.3%	0.8%	1.0%	
Others	4.7%	0.3%	0.2%	-1.5%	2.0%	4.7%	0.4%	0.4%	0.3%	0.5%	-0.5%	-0.2%	

Style allocation

	Change	Contribution analysis	Contribution analysis										
	Sep-19	1 mo	3 mo	12 mo	YTD	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Cyclical	46.6%	0.5%	0.5%	2.0%	2.3%	15.0%		1.6%	-0.1%	2.3%	5.3%	7.3%	10.4%
Non-cyclical	22.5%	-0.6%	1.5%	1.4%	7.1%	1.2%		-0.2%	0.1%	2.9%	2.3%	5.3%	7.4%
Asset play	16.0%	0.0%	1.2%	1.5%	-0.6%	3.8%		0.3%	1.6%	2.9%	4.1%	5.9%	8.3%
Convertible bonds	0.0%	0.0%	0.0%	0.0%	0.0%	-9.1%		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
High yield bonds	0.0%	0.0%	0.0%	0.0%	-4.0%	0.0%		0.0%	0.0%	0.0%	0.0%	0.7%	2.5%
FX Derivatives	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Cash	14.9%	0.1%	-3.1%	-4.9%	-4.8%	-11.0%		0.0%	-0.1%	0.0%	0.0%	-0.7%	-0.5%

Risk metrics

	5Y risk*
Alpha	5%
Volatility & stand. deviation	9.2%
Beta	0.46
Sharpe ratio	0.34
Information ratio	0.59
Tracking error	10.4%

* MSCI EFM EUROPE + CIS (E+C) ex Russia

Fund statistics

Number of positions	37
Top10	49.3%
Top20	70.3%
Gross exposure	85.1%
Net exposure	85.1%
Concentration coefficient	31
Median market cap MEUR	1647
Average market cap MEUR	2887

Turnover

	Adj*
FY 2018	20.7%
FY 2017	29.1%
FY 2016	-13.0%

*Adjusted for fund flows

Liquidity analysis*

	20%	50%
3 days	59.8%	69.9%
2 weeks	74.6%	88.3%
4 weeks	85.2%	91.6%

*Proportion of portfolio that can be turned into cash based on past 6 month average trading volume if fund accounted for 20% & 50% of trading volume

Fund Facts - Avaron Emerging Europe Fund

Investment Manager	AS Avaron Asset Management
Fund type	UCITS V, public common investment fund
Launch date	April 23, 2007
Domicile	Estonia
Currency	EUR
Dividends	reinvested
Fund size, MEUR	58.5
Total AUM, MEUR	370+

TER 2018 0.37% (excluding management and performance fees)

	NAV 30-Sep-2019	TER 2018 excl. perf fee	TER 2018 incl. perf fee
B unit	5.0565 EUR		
C unit	17.1223 EUR	1.58%*	1.67%*
D unit	14.2036 EUR	2.37%	2.37%
E unit	14.3635 EUR	1.22%	1.46%

* C unit management fee lowered to 1.15% and performance fee cancelled as of 06.09.2018

Cut-off	10am CET
NAV frequency	Daily dealing, T+3
Public offering	France, Switzerland, Germany, United Kingdom, Finland, Sweden, Estonia, Latvia
Morningstar rating	Yes, three stars (5 years)
Tax transparency	Germany, Switzerland
Supervised by	Estonian FSA
Custodian	Swedbank AS
Transfer agent	Swedbank AS
NAV calculation	Swedbank AS
External auditor	KPMG
Internal auditor	PWC
Fund documents & prospectus	www.avaron.com/documents

	ISIN code	WKN code	Bloomberg ticker	Reuters RIC	Telekurs ID
C unit	EE3600102901	A0PEFO	AVAEESC ET	LP68063797	CH10799792
D unit	EE3600108866	A1W7P0	AVEMEUD ET	LP68083763	CH12407332
E unit	EE3600108874	A113GN	AVEMUEU ET	LP68083764	CH12414216

Unit class	D (Retail)	C (Institutional)	E (Institutional)
Min. initial investment	-	500,000 EUR	500,000 EUR
Front-end load	-	-	-
Management fee	2%	1.15%	0.85%
Performance fee (unit based)	-	-	15% over MSCI EFM EUROPE + CIS (E+C) ex RU index, annual reset (June 30)
Back-end load	-	-	-

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About Avaron Asset Management

Avaron Asset Management (founded in 2007) is an independent management-owned investment manager with a clear focus on stock-picking (bottom-up) and value investing in Emerging Europe region. We aim to deliver positive risk-adjusted return to our clients over the market cycle. Our portfolios are long-only and invest in listed stocks.

Investment ideas are generated through in-house proprietary research of approximately 250 Emerging Europe companies, backed by regular on the ground visits and meetings. Our stock selection is primarily driven by the upside to internally set target prices on single company level. We invest only in business models that we understand and can model ourselves focusing on companies with leading market positions and strong recurring revenue streams. In addition, we have integrated ESG analysis into our investment process and adhere to the UN Principles for Responsible Investment (UN PRI). Our team of 17 professionals (including 10 in the investment team), based in Estonia and Poland, takes care of around 400 million euros of mainly professional investor assets.

We adhere to the *UN Principles for Responsible Investment* (PRI) and are supervised by the Estonian Financial Supervision Authority.



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