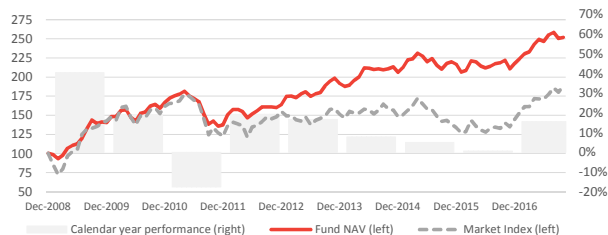


Investment Objectives & Approach

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.

Performance

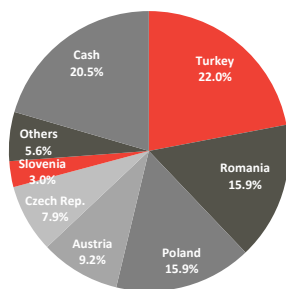


Past performance is not a guarantee or indicative of future results. The Fund was launched in 2007 as a small cap fund. From 2009 it operates as an all cap fund with small and mid-cap bias.

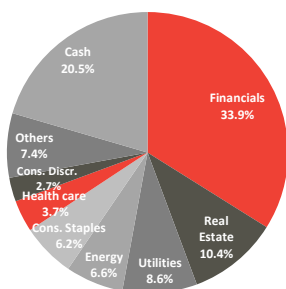
Top 10 positions	Country	Sector	Market Cap MEUR	% of assets	Perf EUR 1 mo	Contr to return
Immofinanz	AT	Real Estate	2423	6.4%	-0.6%	0.0%
Komerční Banka	CZ	Financials	7014	5.9%	-0.1%	0.0%
PKO Bank Polski	PL	Financials	11424	4.6%	11.5%	0.5%
SC Fondul Proprietatea	RO	Utilities	1849	4.5%	-0.1%	0.0%
OMV Petrom	RO	Energy	3519	4.3%	-1.2%	-0.1%
Türkiye Garanti Bankası	TR	Financials	9912	3.8%	2.5%	0.1%
BRD-Groupe Societe Generale	RO	Financials	1883	3.6%	-0.1%	0.0%
Yapi Ve Kredi Bankası	TR	Financials	4525	3.1%	1.3%	0.0%
KRKA	SI	Health Care	1800	3.0%	-0.5%	0.0%
Bank Pekao	PL	Financials	7360	3.0%	-5.6%	-0.2%
10 largest positions total				42.2%		0.4%

Perf overview	Fund net return	Index return*	Calendar year return			
			Year	Gross	Net	Index*
1 month	0.5%	4.6%	2016	2.1%	0.6%	8.2%
YTD	15.5%	30.1%	2015	6.7%	5.0%	-9.6%
3 months	-1.3%	6.3%	2014	9.4%	7.8%	-2.1%
6 months	3.8%	9.6%	2013	18.5%	16.7%	-2.4%
1 year	13.4%	34.4%	2012	21.1%	19.2%	26.5%
3 years	19.5%	18.8%	2011	-16.3%	-17.6%	-24.3%
5 years	56.3%	29.6%	2010	20.8%	18.9%	13.4%
7 years	53.3%	18.2%	2009	42.6%	40.4%	42.6%
* MSCI EFM Central and Eastern Europe & CIS ex Russia						
CAGR of calendar years						
			Years	Fund	Index*	
			2015-2016	2.8%	-1.1%	
			2014-2016	4.4%	-1.4%	
			2012-2016	9.7%	3.4%	

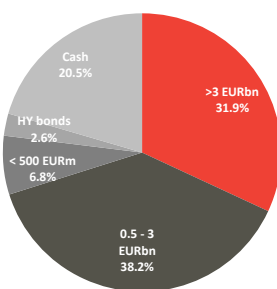
Geographic breakdown



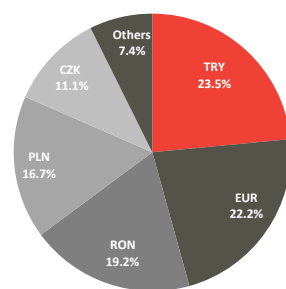
Sector breakdown



Market Cap breakdown



Net currency breakdown



Country allocation

	Change						Contribution analysis					
	Oct-17	1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Turkey	22.0%	0.1%	-0.2%	3.3%	9.0%	19.8%	0.0%	-1.2%	1.3%	3.3%	1.5%	10.8%
Romania	15.9%	-0.6%	-2.0%	1.8%	-1.5%	-3.0%	0.0%	-0.9%	4.6%	3.9%	5.1%	18.4%
Poland	15.9%	-0.3%	-0.2%	7.9%	6.8%	13.1%	0.6%	0.5%	4.0%	3.9%	4.2%	5.6%
Austria	9.2%	-0.3%	-0.2%	-10.1%	-8.0%	-0.3%	0.0%	0.4%	2.8%	2.7%	8.1%	10.1%
Czech Rep.	7.9%	-0.1%	-3.0%	-2.1%	3.8%	-9.7%	0.2%	0.4%	2.0%	2.4%	2.8%	3.1%
Slovenia	3.0%	-0.1%	-0.2%	-0.7%	-0.5%	-1.3%	0.0%	0.0%	-0.2%	0.3%	-0.2%	1.8%
Croatia	1.8%	-0.1%	-0.2%	1.0%	1.8%	-4.1%	0.0%	-0.1%	0.2%	0.1%	0.3%	0.3%
Baltics	1.6%	-0.1%	-0.1%	0.0%	-2.7%	-3.3%	0.0%	0.0%	0.3%	0.3%	1.8%	2.8%
Bulgaria	1.2%	0.0%	-0.1%	-0.1%	-0.6%	-11.8%	0.0%	0.0%	0.2%	0.1%	0.4%	6.3%
Others	1.0%	1.5%	1.6%	1.8%	5.2%	7.9%	-0.1%	-0.1%	0.2%	0.2%	1.7%	10.3%

Risk metrics	3Y risk*
Alpha	4%
Volatility & stand. deviation	9.7%
Beta	0.43
Sharpe ratio	0.65
Information ratio	0.02
Tracking error	11.5%

* MSCI EFM Central and Eastern Europe & CIS ex Russia

Sector allocation

	Change						Contribution analysis					
Financials	33.9%	2.2%	0.1%	3.2%	13.0%	8.3%	0.6%	-0.6%	5.9%	7.2%	9.5%	27.4%
Real Estate	10.4%	-2.1%	-2.2%	-4.5%	-3.7%	-5.0%	0.0%	0.3%	1.1%	1.4%	3.0%	7.0%
Utilities	8.6%	-0.2%	-0.4%	-2.0%	-8.7%	-7.1%	0.2%	0.2%	2.4%	2.6%	0.3%	10.3%
Energy	6.6%	-0.3%	-0.3%	0.3%	-3.0%	2.6%	0.0%	-0.2%	2.2%	1.3%	2.8%	3.6%
Consumer Staples	6.2%	-1.0%	0.5%	3.6%	5.7%	3.4%	0.1%	0.5%	1.6%	1.9%	3.8%	4.1%
Health care	3.7%	-0.1%	-0.4%	-0.8%	-1.9%	-0.7%	0.0%	0.0%	0.3%	0.7%	0.8%	3.8%
Cons. Discr.	2.7%	-0.1%	-3.2%	-2.6%	-3.8%	-4.9%	0.0%	-0.1%	1.8%	2.0%	4.8%	10.0%
Telecom	2.4%	0.2%	0.6%	1.4%	1.9%	-9.1%	0.0%	0.0%	0.1%	0.1%	0.2%	-0.6%
Others	5.0%	5.2%	4.8%	2.4%	5.0%	4.1%	-0.2%	-0.9%	0.1%	0.0%	0.5%	3.8%

Fund statistics

Number of positions	37
Top10	42.2%
Top20	64.5%
Gross exposure	79.5%
Net exposure	79.5%
Concentration coefficient	39
Median market cap MEUR	1849
Average market cap MEUR	2798

Style allocation

	Change						Contribution analysis					
Cyclical	45.7%	1.7%	-1.3%	1.7%	12.3%	24.5%	0.5%	-1.8%	7.8%	8.2%	12.8%	27.9%
Non-cyclical	16.3%	-1.0%	-2.1%	1.5%	-4.4%	-13.3%	0.3%	0.9%	5.0%	6.0%	6.6%	13.2%
Asset play	14.9%	-2.3%	-2.6%	-1.0%	-0.1%	-12.9%	-0.1%	0.1%	2.1%	2.6%	3.6%	18.2%
Convertible bonds	0.0%	0.0%	0.0%	0.0%	-6.0%	-5.3%	0.0%	0.0%	0.0%	0.0%	0.0%	6.3%
High yield bonds	2.6%	-0.1%	-0.1%	-1.4%	2.6%	-1.3%	0.0%	0.0%	0.5%	0.4%	2.5%	3.0%
FX Derivatives	0.0%	-0.1%	-0.1%	0.0%	0.0%	0.0%	-0.1%	-0.1%	0.1%	0.1%	0.1%	0.8%
Cash	20.5%	1.8%	6.3%	-0.8%	-4.5%	8.4%	0.0%	0.0%	-0.3%	-0.1%	-0.1%	-0.1%

Turnover

	Adj*
FY 2016	17.7%
FY 2015	22.2%
FY 2014	47.9%

* Adjusted for fund flows

Liquidity analysis*	20%	50%
3 days	67.0%	80.0%
2 weeks	83.3%	93.4%
4 weeks	91.6%	97.9%

* 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	Open-ended, UCITS-IV
Launch date	April 23, 2007
Domicile	Estonia
Currency	EUR
Dividends	reinvested
Fund size, MEUR	74.9
Total AUM, MEUR	488.0
Strategy size, MEUR	466.8

TER 2016 0.28% (excluding management and performance fees)

	ISIN Code	NAV 31-Oct 2017
A unit	EE3600090049	4.8557 EUR
B unit	EE3600090056	5.1429 EUR
C unit	EE3600102901	17.4162 EUR
D unit	EE3600108866	14.6603 EUR
E unit	EE3600108874	14.5667 EUR

A & B units only for investors who owned units as of May 30, 2009
C, D & E units for all investors

Cut-off	10am CET
NAV frequency	Daily dealing, T+3
Public offering	France, Switzerland, Germany, Finland, Sweden, Estonia, Latvia
Morningstar rating	Yes, four stars (3 & 5 years)
Tax transparency	Germany
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

Unit class	D (Retail)	C (Institutional)	E (Institutional)
Min. initial investment	-	125,000 EUR	1M EUR
Front-end load	2%	-	-
Management fee	2%	1.25%	0.85%
Performance fee (unit based)	-	10% over 12-month EURIBOR, HWM	15% over MSCI EFM CEEC ex-Russia Index, annual reset (June 30)
Back-end load	-	-	-

Bloomberg tickers

A unit: AVAEESA
 B unit: AVAEESB
 C unit: AVAEESC
 D unit: AVEMEUD
 E unit: AVEMEUE

See Lipper, TK Valoren tickers:
www.avaron.com/fundfacts_aef

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About Avaron Asset Management

Avaron Asset Management is an independent management-owned asset manager with a clear focus on Emerging Europe listed equities and fixed income. Our 11 investment professionals, in Estonia and Poland, focus on active investment management. In total 17 professionals are employed by Avaron.

We combine top down macroeconomic and sector analysis with bottom-up research. We source investment ideas through in-house proprietary research on approximately 300 companies, backed by regular visits and meetings. We seek inefficiencies in the valuation of companies' equity and debt with the aim to invest in well managed companies with leading market positions, highly motivated and dynamic management teams and competitive edge. Our preference goes to investments with attractive risk/return.

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



Kristel Kivimurm-Priisalm
 Managing Partner,
 CEO & COO



Peter Priisalm
 Partner, co-CIO,
 Investment Manager



Valdur Jaht
 Partner, co-CIO,
 Investment Manager

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Short overview of the month

Rally in global equities continued in October on strong investor sentiment and prevailing risk-on mood. Main sentiment gauges are close to or at historic highs and cash levels of money managers at or close to record lows. Missing the rally has become the main risk institutional money managers seem to worry about these days. During the month MSCI World gained 1.8% in \$. Turnaround in the euro dollar exchange rate continued as the dollar gained 1.5% in October (-9.7% YTD).

Emerging markets performance regained momentum after a sluggish September delivering 3.5% return in \$ (+4.9% in €). **Emerging Europe stocks (MSCI EFM CEEC ex-RU) posted similar performance, up 4.6% in €.** However, the rally was rather narrow as strong returns were concentrated to a small number of CE3 (Central Europe) index-heavy blue-chips. Most evident was this in Poland where the narrow WIG20 rallied 2.9% in local currency, while broader WIG was up a mere 0.9% and small and mid-cap indices closed the month with 2-5% losses. Among regional currencies Polish zloty and the Czech koruna gained on top-down flows, while Turkish lira took a strong hit amid the emerged visa crisis with the US.

On October 8 US suspended all Turkish non-immigration visa applications from Turkey after a staff member was charged with espionage and arrested. According to the announcement US is reassessing Turkey's commitment to the security of the US mission in the country. Turkey responded in similar manner, and announced that it will not be receiving any visa applications from its US offices for the exact same reason cited by the US. As of end month the visa services between the two countries remain suspended.

Country / Returns	1 month in local FX	1 month in euros	YTD in euros	1 year in euros	3 years in euros	5 years in euros
US	2.2%	3.7%	3.9%	14.2%	37.2%	102.9%
Europe	2.3%	2.3%	14.3%	23.3%	27.8%	68.0%
Emerging Markets	3.5%	4.9%	17.2%	16.6%	18.5%	25.1%
Emerging Europe*	4.6%	4.6%	30.1%	34.4%	18.8%	29.6%
Poland	0.9%	2.7%	30.2%	34.1%	19.9%	46.5%
Czech Republic	2.0%	3.3%	21.7%	21.8%	17.6%	7.3%
Hungary	6.2%	6.3%	23.0%	31.6%	126.3%	87.6%
Baltics	1.0%	1.0%	13.3%	15.9%	44.0%	55.8%
Romania	-0.4%	-0.6%	9.1%	12.7%	6.8%	57.2%
Bulgaria	-2.4%	-2.4%	14.5%	26.2%	29.0%	103.6%
Croatia	3.5%	3.1%	-5.6%	-4.5%	3.9%	6.8%
Slovenia	0.0%	0.0%	11.1%	6.7%	-1.8%	34.3%
Serbia	1.4%	1.4%	5.5%	11.4%	4.0%	55.4%
Macedonia	-2.4%	-2.4%	22.8%	26.2%	41.2%	50.4%
Bosnia & Herzeg.	-1.4%	-1.4%	-10.4%	-12.5%	-11.0%	-13.6%
Turkey	7.0%	2.0%	18.3%	7.9%	-13.8%	-20.1%
Austria	2.7%	2.7%	30.1%	37.7%	53.8%	55.9%

Source: Thomson Reuters. * MSCI EFM Central and Eastern Europe & CIS (CEEC) ex Russia

Local currencies to euro	Last month	YTD	1 year	2 years	3 years	5 years
Poland	1.7%	3.8%	1.6%	0.2%	-0.3%	-2.4%
Hungary	0.1%	-0.6%	-0.9%	-0.2%	-1.0%	-8.9%
Czech	1.4%	5.3%	5.3%	5.6%	8.3%	-2.2%
Romania	0.0%	-1.4%	-2.1%	-3.6%	-4.1%	-1.2%
Croatia	-0.4%	0.3%	-0.2%	0.8%	1.9%	-0.3%
Serbia	-0.2%	3.2%	3.0%	0.7%	-0.5%	-5.0%
Turkey	-4.7%	-16.0%	-23.1%	-27.4%	-36.9%	-47.3%

Source: Thomson Reuters

Avaron Emerging Europe Fund gained 0.5% in October strongly underperforming the benchmark. Main reason lies in our limited exposure in Poland and Hungary (16.5% of the portfolio) that together account for 80% of the index. At the same time sluggish performance of off-benchmark Austrian, Romanian and Turkish positions (47.1% of the portfolio) accompanied with elevated cash level (20.5%) were a considerable drag on the monthly performance. In 5 years the Fund has delivered +56.3% return vs. +29.6% for the index with lower volatility (9.1% vs. 15.4% for the index), resulting in 7.3% alpha.

Czech general elections

On October 20-21 general elections took place in the Czech Republic that resulted in a surprisingly strong victory for multi-millionaire entrepreneur and former Minister of Finance Andrej Babis and his populist ANO (Action of Dissatisfied Citizens) party gathering 30% of the votes and securing 78 seats out of 200 in the parliament. Former leading coalition partner of ANO, social democratic CSSD, was the biggest loser with only 7% support, some 13ppt lower than in 2013 elections. Over the course of 2017 the relations between the two party leaders deteriorated markedly leading to an attempt by the PM Sobotka (CSSD) to fire Mr. Babis as Finance Minister in June and subsequently putting forward a successful motion to lift Mr. Babis' immunity to allow the investigation of the alleged financial abuse of some EU funds. At the same time an ongoing investigation was conducted in Slovakia about Mr. Babis' cooperation with the former Czechoslovak communist secret police. This in a way strengthened the position of ANO in the period leading to elections as it catered well the anti-establishment resurgence among voters. This also enabled two new political parties from the different ends of the spectrum, liberal Pirates party and Eurosceptic and anti-immigration SPD (Freedom and Direct Democracy) to secure 11% of popular vote and 22 seats each, scoring 3rd and 4th behind ANO and the conservative Civic Democrats (11% of popular vote and 25 seats). The elections resulted in the most fragmented parliament in modern Czech history with 9 political parties represented.

In terms of economic policy agenda the campaign focused on three main topics: 1) Euro adoption; 2) taxation changes, primarily VAT cut and replacing current flat taxation with progressive; and 3) wage growth stimulation. Given that Czechs are one of the most Eurosceptic in the EU it is no surprise that ANO and Civic Democrats that are firmly against the EU did well. Both support the VAT tax cuts, whereas the views on changing personal and corporate income taxation system diverge.

Currently the most likely outcome is that the populist Mr. Babis will attempt to form a minority government as other parties have rejected an invitation from his anti-establishment ANO movement to form a ruling coalition. ANO may find support for the minority government from SPD and Communist Party of Bohemia and Moravia (KSCM; 8% of votes, 15 seats), which would clearly carry significant risks in regards to the relationship with the EU. In essence it would mean not so good news for the business community that do support the euro adoption down the

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line, seek for further integration to Europe and liberalize labour market laws. There is still likelihood that cooperation could emerge between ANO, CSSD and Christian and Democratic Union (KDU-CSL; 6% of votes, 10 seats) based on the previous coalition agreement. Most business friendly, but at the same time very unlikely, would be the coalition of ANO and Civic Democrats.

Post-election negotiations may take some time but we do not expect immediate notable impact on the economy nor on the Czech koruna. VAT cuts and taxation system changes are supportive for consumption as well as any incentives to boost wages, which on the other hand will curb some competitiveness. Sector taxes are unlikely as ANO has been against it. From our portfolio perspective the biggest risk is for electric utility CEZ that may have to carry the costs of building a new nuclear plant.

Key changes in the portfolio

In October we **exited Turkish Is REIT** due to the gradual change in the business structure. We dislike the increasing share of residential development projects in the portfolio at the expense of yielding office and retail investments. At the same time we **added the 4th largest bank in Turkey, Akbank** to the portfolio. It commands 10% market share in loans and 11% in deposits. Akbank's business profile is tilted towards corporate segment, it accounts 77% of the loan book. Since 2015 the bank has switched from growth focus to profitability delivering notable headcount cuts and branch closedowns. This has brought down cost/income ratio from 40% to 35%. The bank is owned by the local conglomerate Sabanci Holding (41%) and Citibank (20%). Akbank trades at 6.9x 2018f P/E, 0.9x P/B with expected ROE of 14%.

Outlook

Eurozone leading indicators continue to signal that the economy is in a boom phase. September flash composite PMI slightly eased to 55.9 (September: 56.7) but remained at historically high levels on the back of notable improvement in new orders. The index suggests a steady quarterly GDP growth of 0.7%. Inflationary pressures continue to build as input costs rose the fastest in 6 months. Rising demand enables more and more the firms to pass on the rising cost burden to the end-client. Output price inflation accelerated at a pace last seen in June 2011. On the back of this ECB announced it would halve its bond-buying programme from €60bn to €30bn a month starting from January, and pledged a gradual withdrawal of QE.

Macro environment in Emerging Europe remains strong as business sentiment is robust, while regional consumer continues to be supported by tightening labour markets. September leading indicators reinforce the recent trend of rising growth momentum in the region. Inflation rates in the region remain still relatively modest, though inflationary pressures in several countries are building up, leading to monetary tightening in the upcoming 12 months. In Greece another bailout programme review is looming that is unlikely to be a smooth process but we believe that the general improvement trend in the local economy will remain intact. Growth in Turkey has likely accelerated further in Q3 close to 10% and should remain strong ahead of the 2019 presidential elections. We expect inflation currently running at

11.9% to ease at the beginning of 2018 that could enable subject to the currency developments the central bank to lower local rates standing at around 12%.

Positioning

At the end of October the cash position in the Fund stood at 20%, marginally higher month-on-month. Given the prevailing exuberance and relatively fair regional valuation we maintain cautiousness and higher than average cash buffer to take advantage of potential market correction once the sentiment turns. **We hold our conviction towards Romanian investments** (15.9% in the portfolio vs. 4.3% in the index) on reasonable valuations (MSCI Romania at 9.2x 2017f P/E) and strong macro environment but highlight the rising risks stemming from pro-cyclical fiscal policy. In mid-term the upgrade to Emerging Market status (from frontier market status) should serve as a trigger for re-rating. We expect the announcement to take place over 2018, resulting in additional inflows to the Romanian equities from global emerging market funds as GEM funds are much larger compared to frontier market funds. **Compared to the benchmark index the portfolio is significantly UW** (15.9% vs. 64.1%) **in Poland** as the valuations are somewhat demanding, especially among small and mid-caps. Poland (WIG Index) trades at 12.8x 2017f P/E being the most expensive market in the region on an index basis. In **the Czech Republic and Hungary** we find only a select list of attractive names in banking, energy, pharma and manufacturing. On an index basis Hungary is trading at 11.1x, the Czech market at 12.5x 2017f P/E. Compared to the benchmark the Fund is UW in Hungary (0.6% vs. 16.3%) and has neutral weight in the Czech Republic (7.9% vs. 8.8%).

We remain relatively constructive on Turkey (off-benchmark, 22.0% of the portfolio) despite the strong YTD market performance, somewhat uncertain currency outlook and deteriorating relations with western countries. On a selective basis we find companies of high quality in Turkey that offer decent value and growth. On an index basis (MSCI Turkey) local equities trade at 8.8x 2017f P/E and banks at 6.0x P/E with expected EPS growth of 10-12% p.a. for 2018-19. Among **Austrian-listed companies** (off-benchmark, 9.2% of the portfolio) we hold Emerging Europe real estate companies, which **offer attractive valuations and high liquidity**.

The selection of companies in the Fund portfolio trade at 11.3x 2017f P/E, slightly below the benchmark index (11.7x). Despite the cyclical upturn in the markets we hold true to our value driven bottom-up approach favouring companies with strong balance sheets and solid sustainable free cash flow generation. The aggregate net gearing of our portfolio companies stands at 17%, free cash flow yield at 8% and dividend yield between 4-5% on average pay-out rate of 73%.

	% of the Fund	P/E adj 12M	P/E adj 2017	P/E adj 2018	EPS adj growth 2017	EPS adj growth 2018	EV/EBITDA 2017	EV/EBITDA 2018	Div yield 2016	P/NAV 12M	P/B 12M
Cyclical	45.7%	10.8	10.3	9.7	13.6%	6.1%	4.4	4.0	4.1%	-	1.19
Non-cyclical	16.3%	17.4	15.7	13.7	21.3%	14.8%	7.2	6.5	3.3%	-	1.27
Asset play	14.9%	-	-	-	-	-	-	-	7.2%	0.74	0.78
Total equity	76.9%	12.0	11.3	10.5	15.0%	7.7%	5.7	5.1	4.5%	-	1.09
CY*											
YTM**											
Bonds	2.6%	7.8%	7.6%								

* CY - Current yield, ** YTM - Yield to maturity

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GOLD LEVEL 2017**

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