

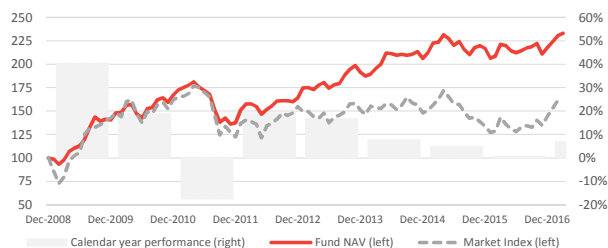
## Investment Objectives & Approach

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
Komerční Banka AS	CZ	Financials	6607	6.6%	2.5%	0.2%
ImmoFinanz AG	AT	Real Estate	1748	6.1%	4.2%	0.0%
SC Fondul Proprietatea SA	RO	Utilities	1963	5.7%	2.6%	0.2%
PKO Bank Polski SA	PL	Financials	9468	4.5%	-1.9%	-0.1%
BRD-Groupe Societe Generale	RO	Financials	1884	4.4%	2.3%	0.1%
OMV Petrom SA	RO	Energy	3761	4.1%	0.6%	0.0%
Türkiye Garanti Bankası	TR	Financials	9598	3.7%	2.0%	0.1%
Bank Pekao SA	PL	Financials	8192	3.5%	-3.9%	-0.1%
Yapi Ve Kredi Bankası	TR	Financials	4261	3.4%	-2.0%	-0.1%
KRKA	SI	Health Care	1710	3.4%	0.3%	0.0%
10 largest positions total				45.4%		0.3%

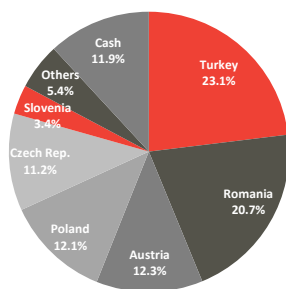
Perf overview	Fund net return	Index return*
1 month	1.2%	0.0%
YTD	7.0%	11.4%
3 months	7.0%	11.4%
6 months	6.5%	21.5%
1 year	5.4%	12.6%
2 years	4.3%	-0.8%
3 years	19.2%	5.3%
4 years	34.8%	11.9%
5 years	47.8%	16.2%
7 years	49.3%	0.7%

\* MSCI EFM Central and Eastern Europe & CIS ex Russia

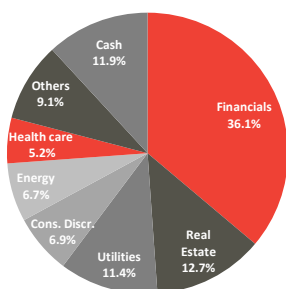
Calendar year return	Gross	Net	Index*
2016	2.1%	0.6%	8.2%
2015	6.7%	5.0%	-9.6%
2014	9.4%	7.8%	-2.1%
2013	18.5%	16.7%	-2.4%
2012	21.1%	19.2%	26.5%
2011	-16.3%	-17.6%	-24.3%
2010	20.8%	18.9%	13.4%
2009	42.6%	40.4%	42.6%

CAGR of calendar years	Fund	Index*
2015-2016	2.8%	-1.1%
2014-2016	4.4%	-1.4%
2012-2016	9.7%	3.4%

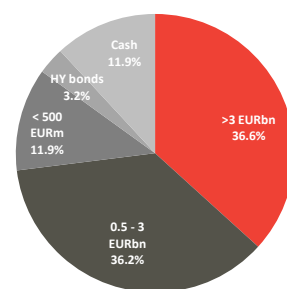
## Geographic breakdown



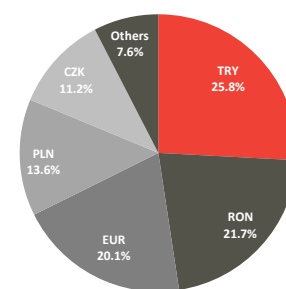
## Sector breakdown



## Market Cap breakdown



## Net currency breakdown



## Country allocation

	Mar-17	1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Turkey	23.1%	0.0%	4.2%	4.5%	-1.7%	18.2%	0.2%	1.5%	-2.7%	1.5%	7.0%	9.9%
Romania	20.7%	0.4%	4.1%	4.7%	6.2%	2.9%	0.5%	2.7%	4.3%	2.7%	6.2%	13.3%
Austria	12.3%	-0.3%	-4.2%	-4.5%	1.9%	6.2%	0.7%	0.5%	4.0%	0.5%	4.0%	7.2%
Poland	12.1%	0.4%	1.6%	-1.7%	7.9%	3.2%	-0.1%	1.7%	0.4%	1.7%	2.9%	2.1%
Czech Rep.	11.2%	0.5%	1.2%	1.2%	5.2%	-6.1%	0.1%	0.6%	0.3%	0.6%	1.3%	3.6%
Slovenia	3.4%	0.2%	-0.1%	0.3%	-0.4%	-0.7%	0.0%	-0.1%	-0.5%	-0.1%	-0.2%	1.2%
Baltics	1.7%	0.1%	0.1%	-0.6%	-3.8%	-1.8%	0.0%	0.1%	0.2%	0.1%	1.2%	2.5%
Bulgaria	1.3%	0.0%	0.0%	-0.3%	-1.0%	-8.7%	0.0%	0.0%	0.3%	0.0%	0.2%	9.1%
Croatia	0.8%	0.0%	0.0%	0.8%	0.8%	0.7%	-0.1%	0.0%	0.2%	0.0%	0.2%	0.0%
Others	1.5%	2.2%	2.5%	2.8%	7.5%	12.1%	0.0%	0.3%	0.5%	0.3%	2.3%	11.1%

## Contribution analysis

Risk metrics	3Y risk*
Alpha	5%
Volatility & stand. deviation	9.9%
Beta	0.44
Sharpe ratio	0.63
Information ratio	0.38
Tracking error	11.3%

\* MSCI EFM Central and Eastern Europe & CIS ex Russia

## Sector allocation

	Change	1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Financials	36.1%	0.0%	1.5%	1.3%	14.3%	9.8%	0.9%	3.9%	2.3%	3.9%	9.6%	24.1%
Real Estate	12.7%	0.4%	0.9%	-1.5%	1.4%	4.1%	0.0%	-0.4%	-0.1%	-0.4%	0.9%	8.9%
Utilities	11.4%	-0.4%	0.6%	-0.7%	-2.6%	-0.5%	0.1%	1.8%	2.0%	1.8%	3.3%	7.5%
Cons. Discr.	6.9%	0.2%	1.2%	1.2%	-5.5%	-5.4%	-0.1%	0.5%	0.3%	0.5%	5.7%	9.6%
Energy	6.7%	0.5%	1.9%	-1.8%	1.8%	2.1%	0.2%	0.9%	2.5%	0.9%	2.1%	3.0%
Health care	5.2%	0.3%	0.4%	1.2%	-0.9%	1.1%	0.0%	0.1%	-0.2%	0.1%	0.4%	2.7%
Consumer Staples	2.6%	0.3%	0.2%	2.6%	0.7%	1.0%	0.1%	0.2%	-0.2%	0.2%	1.8%	2.2%
IT	2.6%	0.2%	0.1%	2.6%	2.6%	2.6%	0.1%	0.1%	0.2%	0.1%	0.3%	0.3%
Others	3.9%	5.4%	5.8%	7.9%	-1.2%	0.7%	-0.1%	0.4%	0.1%	0.4%	1.0%	1.7%

## Contribution analysis

## Fund statistics

Number of positions	37
Top10	45.4%
Top20	71.6%
Gross exposure	88.1%
Net exposure	87.9%
Concentration coefficient	32
Median market cap MEUR	1666
Average market cap MEUR	2747

## Style allocation

	Change	1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Cyclical	49.2%	-1.1%	3.2%	0.7%	13.9%	16.4%	0.8%	4.2%	3.5%	4.2%	14.0%	21.1%
Non-cyclical	17.1%	0.7%	2.2%	2.3%	-6.3%	-4.6%	0.2%	1.8%	0.8%	1.8%	5.4%	8.0%
Asset play	18.4%	2.8%	2.4%	3.2%	6.1%	-1.9%	0.1%	0.6%	1.4%	0.6%	3.9%	18.6%
Convertible bonds	0.0%	0.0%	0.0%	0.0%	-6.7%	-1.9%	0.0%	0.0%	0.0%	0.0%	-0.8%	7.1%
High yield bonds	3.2%	-1.1%	-1.0%	-2.1%	3.2%	-5.8%	0.0%	0.5%	1.0%	0.5%	2.3%	4.3%
FX Derivatives	0.3%	0.0%	0.3%	0.3%	0.3%	0.3%	0.0%	0.3%	0.3%	0.3%	0.3%	0.9%
Cash	11.9%	-1.4%	-7.1%	-4.2%	-10.3%	-2.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

## Turnover

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

\* Adjusted for fund flows

Liquidity analysis*	20%	50%
3 days	67.1%	79.6%
2 weeks	84.2%	96.2%
4 weeks	93.2%	98.4%

\* 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

<b>Investment Manager</b>	AS Avaron Asset Management
<b>Fund type</b>	Open-ended, UCITS-IV
<b>Launch date</b>	April 23, 2007
<b>Domicile</b>	Estonia
<b>Currency</b>	EUR
<b>Dividends</b>	reinvested
<b>Fund size, MEUR</b>	63.5
<b>Total AUM, MEUR</b>	471.2
<b>Strategy size, MEUR</b>	451.8

**TER 2016** 0.28% (excluding management and performance fees)

	<b>ISIN Code</b>	<b>NAV 31-Mar 2017</b>
<b>A unit</b>	EE3600090049	4.5087 EUR
<b>B unit</b>	EE3600090056	4.7614 EUR
<b>C unit</b>	EE3600102901	16.2871 EUR
<b>D unit</b>	EE3600108866	13.6347 EUR
<b>E unit</b>	EE3600108874	13.4587 EUR

**A & B units** only for investors who owned units as of May 30, 2009

**C, D & E units** for all investors

<b>Cut-off</b>	10am CET
<b>NAV frequency</b>	Daily dealing, T+3
<b>Public offering</b>	France, Switzerland, Germany, Finland, Sweden, Estonia, Latvia
<b>Morningstar rating</b>	Yes, five stars (3 years & 5 years)
<b>Tax transparency</b>	Germany
<b>Supervised by</b>	Estonian FSA
<b>Custodian</b>	Swedbank AS
<b>Transfer agent</b>	Swedbank AS
<b>NAV calculation</b>	Swedbank AS
<b>External auditor</b>	Deloitte
<b>Internal auditor</b>	PWC
<b>Fund documents &amp; prospectus</b>	<a href="http://www.avaron.com/documents">www.avaron.com/documents</a>

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

#### 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](http://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 8 investment professionals, in Estonia and Poland, focus on active investment management. In total 14 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

#### Important Legal Information

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*Subscription of Avaron funds should be made on the basis on the funds' prospectus and key investor information, the relevant fund rules and the latest available annual or semi-annual reports. These documents can be obtained from Avaron. Past performance is not indicative of future results. The value of investments and any income derived from the funds may fall as well as rise and investors may not get back the amount invested. An investment in the funds entails risks, some of which are described in the prospectuses of the funds. Investors should be aware of the high risks associated with investments in emerging markets such as Central and Eastern Europe. This material may include forward looking statements which are based on Avaron's current opinions, expectations and projections. We undertake no obligation to update or revise any forward looking statements. Actual results could differ materially from those anticipated in the forward looking statements. Any dispute, controversy or claim arising out of or in connection with the information provided in this material shall be settled in accordance with Estonian law exclusively in Estonian courts.*

### Short overview of the month

Global equities edged slightly higher in March with MSCI World up 0.8% in \$ and 0.4% in €. Emerging Market equities continued to rally, up 2.3% in March and 11.1% YTD in \$ (+1.9% and +9.7% in €, respectively).

**Emerging Europe (MSCI EFM CEEC ex-RU) was flat in € terms.** Notable weakness was seen in Croatia as the largest South Eastern European company, food and retail conglomerate Agrokor, faces financial difficulties. Among several listed subsidiaries three are part of the local equity index with 6.9% combined weight. Ice cream and frozen foods producer Ledo, 50.5% owned by Agrokor, 6.3% of the local market index, lost 46% of its market value in a month. Other food sector companies also nosedived given Agrokor's size (revenues equivalent to 15% of Croatian GDP) and importance in the regional food sector (€2bn+ payables outstanding).

Among Emerging Europe currencies Polish zloty rallied amid continuing improvement in investor sentiment towards Polish assets and potential rate hike expectations. Rest of the regional currencies showed minor weakening against the euro in March.

Country / Returns	1 month in local FX	1 month in euros	Year to date in euros	1 year in euros	3 years in euros	5 years in euros
US	0.0%	-0.5%	4.2%	22.6%	63.2%	110.1%
Europe	5.6%	5.6%	6.8%	20.1%	20.2%	63.8%
Emerging Markets	2.3%	1.9%	9.7%	22.4%	24.6%	15.3%
Emerging Europe*	0.0%	0.0%	11.4%	12.6%	5.3%	16.2%
Poland	-0.7%	1.1%	16.5%	18.5%	8.8%	37.6%
Czech Republic	2.9%	2.8%	6.4%	9.1%	-1.0%	-7.5%
Hungary	-1.3%	-1.5%	-1.0%	21.5%	79.6%	61.9%
Baltics	1.5%	1.5%	2.7%	9.1%	22.3%	44.4%
Romania	1.2%	0.6%	13.5%	17.5%	25.0%	44.7%
Bulgaria	3.7%	3.7%	8.1%	42.0%	5.6%	105.2%
Croatia	-10.4%	-10.6%	1.2%	20.3%	16.2%	9.4%
Slovenia	-2.1%	-2.1%	8.0%	6.7%	8.1%	29.3%
Serbia	1.9%	2.1%	1.9%	20.1%	21.3%	24.2%
Macedonia	-2.0%	-2.0%	5.3%	26.4%	30.6%	11.0%
Bosnia & H	-4.5%	-4.5%	-11.5%	-10.0%	-12.6%	-19.9%
Turkey	1.7%	1.2%	8.9%	-11.5%	-3.1%	-12.5%
Austria	3.0%	3.0%	8.0%	24.6%	12.1%	31.0%

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

Local currencies to euro	Last month	Year to date	1 year	2 years	3 years	5 years
Poland	1.8%	4.0%	0.3%	-3.7%	-1.5%	-1.6%
Hungary	-0.2%	0.3%	1.8%	-2.7%	-0.3%	-4.5%
Czech	-0.1%	-0.1%	0.1%	1.9%	1.5%	-8.2%
Romania	-0.7%	-0.4%	-1.8%	-3.1%	-2.1%	-3.7%
Croatia	-0.1%	1.4%	1.1%	2.8%	2.8%	0.9%
Serbia	0.1%	-0.5%	-0.9%	-3.1%	-6.8%	-10.3%
Turkey	-0.4%	-4.2%	-17.2%	-28.0%	-23.8%	-38.5%

Source: Thomson Reuters

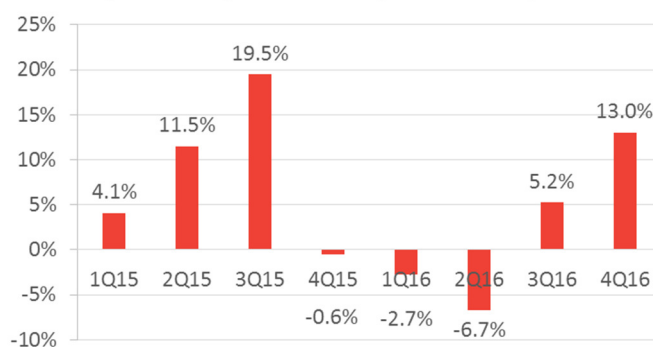
**Avaron Emerging Europe Fund gained 1.2% in March**, outperforming the regional index due to solid returns across off-benchmark positions. In 5 years the Fund has delivered +47.8% return vs. +16.2% for the index with lower volatility (9.3% vs. 16.3% for the index), resulting in 6.9% alpha.

### Review of Q4 earnings

Q4 earnings season in Emerging Europe brought strong figures from our portfolio companies. **Excluding the revaluation affected asset driven companies** (real estate investments and

Romanian restitution fund Fondul Proprietatea that account for 18.4% of the portfolio) **the aggregate adjusted earnings of our portfolio companies advanced 16.5% yoy in €**. Financials in our portfolio (36.1% of the Fund) delivered another solid quarter posting 10.4% yoy earnings growth in €. Non-financials (33.3% of the portfolio) reported 16.8% yoy earnings growth in € terms after four quarters of contraction reflecting the cyclical upswing we are seeing in several Emerging Europe countries.

Adj. YoY EPS growth of the portfolio companies



**Our Polish holdings recorded, after several quarters of contraction, 0.6% yoy earnings growth in € terms** with PKO bank (4.5% of the portfolio) being the main driver. PKO posted +30% lcyoy in adjusted EPS on the back of 9% growth in net interest income. Net fees and commissions increased 2% yoy, the first positive quarter in terms of growth since 2Q14, pushed by payment card fees. OPEX containment and normalized cost of risk contributed alongside to the solid earnings performance. Bank PKO trades at 14.8x 2018f P/E, 1.1x P/B with 8% expected ROE and 3% DY. For 2017-18 we expect around 5% p.a. earnings growth for the bank.

**Romanian companies excluding Fondul posted another quarter of very strong earnings development, almost doubling their net profit.** Energy sector companies are enjoying the rebound of crude and gas prices, while bank BRD-GSG (4.4% of the portfolio) net earnings (+50% yoy in lcy) surged on the continuing normalization of risk costs (-40% yoy). With loan-deposit ratio at 0.74 and a strong retail franchise, the bank is poised to show solid growth going forward in the robust Romanian macro environment (GDP growth outlook of 4%). BRD-GSG is trading at 9.9x 2018f P/E, 1.2x P/B with expected ROE of 12% and DY of 6-7%. For 2017-18 we expect 2% and 12% earnings growth, respectively.

**Turkish companies posted 18.7% aggregate earnings growth in local currency (lcy)** on ex real estate basis (we hold 2.1% in Is REIT), while lower Turkish lira pushed the bottom line into red in € terms (-8.0% yoy). Is REIT delivered solid operating performance with rental income up 42% in lcy driven by new yielding properties added to the portfolio over the course of 2016. EBITDA of the company was up 66%, while revaluation adjusted bottom line dropped into red in Q4 (TL -3.8mil). The company is trading at 60% discount to NAV.

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Authorised and regulated by Estonian Financial Supervision Authority

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An investor initiative in partnership with  
UNEP FI and the UN Global Compact

Among our largest holdings in the Fund Czech bank Komerční (6.6% of the portfolio) posted stable results with total banking revenues up 1% yoy in 1c, while OPEX was down 3% yoy. Increase in cost of risk from the ultra-low levels we saw last year in Q4 resulted in flat net earnings for the bank. For 2017-18 we maintain roughly flattish earnings expectations, while additional upside could be seen from the monetary policy angle as the local central bank is expected to lift the floor of the EURCZK exchange rate. The bank trades at 14.5x 2018f P/E, 1.6x P/B with expected ROE of 11% and DY of 4%.

Regional real estate company Immofinanz (6.1% of the portfolio) reported operationally solid quarter but negative revaluations continue to be a burden. Rental income and EBITDA were up 1% yoy, while additional revaluation losses in Russia and mark-to-market driven losses from the 26.5% stake in another regional real estate company CA Immo drove the NAV per share lower (-25% yoy). We expect Immofinanz to finalise the sale of its Russian assets in upcoming quarters, which would pave way for the merger with CA Immo, and should significantly narrow the discount to NAV that currently stands at 47%.

The financials of the Romanian restitution fund Fondul Proprietatea (5.7% of the portfolio) in Q4 were burdened by the loss related to the SPO of 6.4% stake in OMV Petrom that was done at a discount to market and the related costs. However, the NAV of Fondul was up 1.4% in Q4 and is up additional 3.0% in Jan-Feb on positive revaluations of a few operationally improving non-listed holdings (e.g. Hidroelectrica, Bucharest Airport) and share price rallies of listed holdings. Fondul trades at 27% discount to NAV and in the form of capital reduction pays 5-6% yield on the current share price. After concluding the recent tender Fondul still had 2.45% of the issued share capital to repurchase, as allowed by the 7th buy-back program and the company is actively participating on the market, trying to further reduce the discount to NAV by this way.

### Key changes in the portfolio

In March we **exited Raiffeisen International 2023 subordinated debt** instrument as the pricing of the bond had dropped below our fair value level of 3.5% YTM. The investment delivered 22.6% annualized return for the holding period of 2.1 years. Early month we **exited Turkish Halkbank** finishing the switch to Garanti bank we initiated a month before.

We **significantly reduced our exposure to the regional bank Erste Group** following the strong performance since mid-2016 and limited upside to our fair value target. At the same time we **added to the position in the real estate company Immofinanz** on depressed share price following another round of revaluations in Q4 report. We believe that the stock is overly punished and holds a potential to re-rate should the Russian part of the assets be sold.

In March we **participated in Fondul Proprietatea's tender offer to buy back 6.6% of shares** at RON 0.91 and sold ca 10% of the shares at 3.5% premium to market.

### Outlook

**Economic expansion in the Eurozone economy continued in March** as the flash composite PMI surged to a 6-year high of 56.7 (February: 56.0). Growing output and new orders are accompanied by the rising employment. **The data indicates an uptick in quarterly GDP growth level from 0.4% to 0.6%.** Rising inflationary pressures reflect higher commodity prices and weak euro, however there are increased signs of improving pricing power among sellers. If such robust demand conditions prevail the risks of tightening by ECB increase.

**March manufacturing PMIs in the Czech Republic, Hungary and Poland remained strong** driven by broad based growth in output, new orders and employment. **Conditions in the Greek manufacturing sector continue to deteriorate** as output and new business contracted for the seventh consecutive month due to the inability of the government to close the 2<sup>nd</sup> review of the bailout program.

**PMI in Turkey rose sharply** to 52.4, signalling the strongest improvement in more than 2 years. Inflationary pressures in the manufacturing sector also showed signs of easing. Turkish Q4 GDP figure was also released in March and surprised the investor community positively. Economic growth in Q4 reached 3.5% yoy, higher than 1.9% consensus, while full year growth reached 2.9%. Main driver in Q4 was private consumption thanks to the revival of consumer lending boosted by the government's supportive measures.

European Commission Economic Sentiment Indicators (ESI) of Emerging European countries in March showed improvement in Greece, Hungary, Poland and Romania, while in the Czech Republic ESI dropped for the 5<sup>th</sup> month in row. Consumer-related sectors remain the main driver of the regional economies based on the ESI data. **Looking ahead we expect the regional growth to remain steady at around 3%** on tightening labour market conditions and eased fiscal conditions, and do not see major risks on growth based on the Q1 data.

### Positioning

At the end of March the cash position in the Fund stood at 12%, marginally lower vs. the previous month. **In terms of positioning in Q1 the cash level has come down from 19% and the equity weight increased to 85% from 77%.** As a result of our repositioning the exposure to Vienna-listed stocks and bonds is 4% lower as we exited Raiffeisen subordinated debt, while Turkish weight is higher by 4% as we introduced Turkish Vakıfbank subdebt into the portfolio. Over the quarter cash has been deployed in Romania, Poland and the Czech Republic.

**We maintain our constructive view on Turkey** despite high uncertainty on the economic and currency outlook as the valuations of certain companies are appealing and already reflect significant economic slowdown risks. On an index basis (MSCI Turkey) local equities trade at 8.5x 2017f P/E, while banks are valued at 6.2x P/E.

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An investor initiative in partnership with UNEP FI and the UN Global Compact



Similarly, we hold our conviction towards Romanian investments on solid valuations (MSCI Romania at 10.0x 2017f P/E) and optimistic macro outlook, but remain constrained by the relative illiquidity. In Poland we are invested predominantly in financials, while overall the valuations are somewhat demanding (WIG Index at 12.5x 2017f P/E) and large part of blue chips being controlled by the government. Among Austrian-listed companies we hold names focused on Emerging Europe real estate and banking sectors, which offer attractive valuations and high liquidity. In the Czech Republic and Hungary we find only a very select list of attractive names in banking, energy, pharma and manufacturing. On an index basis Hungary is trading at 11.2x and the Czech market at 12.6x 2017f P/E.

The selection of companies in the Fund portfolio trade at 11.4x 2017f P/E, below the 11.6x of the benchmark index, and 5.4x EV/EBITDA. Our value driven bottom-up approach favours companies with strong balance sheets and solid sustainable dividend pay-out capacity. The aggregate net gearing of our portfolio companies stands below 20% and sustainable dividend yield around 4-5%.

	% of the Fund	P/E adj			EPS adj growth		EV/EBITDA		Div yield	P/NAV	P/B
		12M	2017	2018	2017	2018	2017	2018	2016	12M	12M
Cyclical	49.2%	11.6	10.6	9.4	4.5%	12.5%	4.6	4.1	3.9%	-	1.20
Non-cyclical	17.1%	14.1	14.4	13.4	3.4%	6.8%	6.2	5.9	4.3%	-	1.01
Asset play	18.4%	-	-	-	-	-	-	-	7.4%	0.61	0.66
Total equity	84.7%	12.2	11.4	10.2	4.2%	11.3%	5.4	4.9	4.7%	-	0.98
		CY* YTM**									
Bonds	3.2%	7.9%	7.9%								

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

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### Responsible investment activities

In Q1 Avaron decided to support the Global Witness ([www.globalwitness.org](http://www.globalwitness.org)) led investor initiative via UN PRI collaboration platform on increased transparency on corporate ownership. Avaron signed the letter that will be sent to the European Council and the European Commission expressing support to amend the fourth Anti-Money Laundering Directive to enable public access to beneficial ownership information. Such transparency is critical for investors like us as it enhances our ability to identify and manage ownership related risks in the companies we invest in.

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Signatory of:



An investor initiative in partnership with  
UNEP FI and the UN Global Compact