

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.

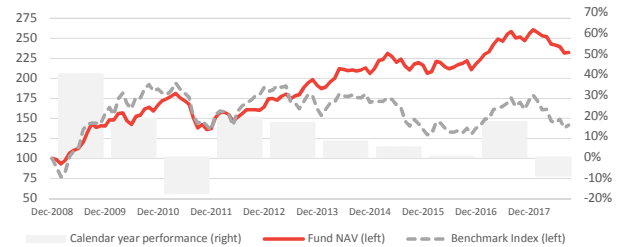
Fund Manager's Comment, September 2018

Emerging Markets continued to underperform global markets with MSCI EM losing 0.8% in September in \$ terms (-2.0% in Q3) as the US imposed a new round of import tariffs on Chinese goods. Performance of Emerging Markets currencies turned positive as central banks in several EM countries tightened monetary policies. Emerging Europe ex-Russia region gained 2.5% in € in September as Turkish equities rebounded 7.8% in local currency and lira 8.2% against the €. Regional performance was mixed with Poland and Greece ending the month in red. In Q3 Emerging Europe underperformed the developed and broad Emerging markets losing 2.1% on the back of the collapse of Turkish lira (-24% to €). In September Turkish asset prices and currency retraced part of the losses incurred over the summer as local central bank delivered a 625bps rate hike (to 24%) in an attempt to tame the soaring inflation and bleeding lira. The announcement of the New Economic Program by the government also supported the market as it identified the need for a slowdown in the economy and tighter fiscal policy.

Avaron Emerging Europe Fund gained 0.5% in September, underperforming the benchmark due to UW in Turkey. YTD the Fund is down 9.0% compared to -17.9% of the benchmark. Our portfolio construction process is benchmark agnostic and fully bottom-up. In comparison to the regional index (MSCI EFM EUROPE + CIS (E+C) ex Russia) the Fund is currently OW in Romania, and UW in Poland, Turkey, Greece and Hungary. Besides the large cash position the majority of the difference is partially balanced by off-benchmark exposure in Vienna-listed regional real estate companies. The Fund's largest allocations are to Poland and Romania. The selection of companies in the Fund portfolio trade at 10.5x 1YR FWD P/E and provide 5% dividend yield.

To receive full monthly report please send a request to info@avaron.com.

Performance



Past performance is not a guarantee or indicative of future results.

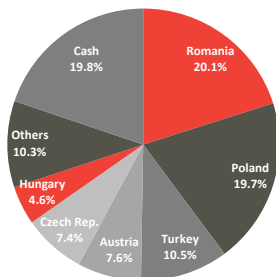
The benchmark of the Fund (E Unit) was changed from MSCI EFM CEEC ex Russia (net return) to MSCI EFM EUROPE + CIS (E+C) ex Russia (net return) as of July 2018 to better reflect our internal coverage universe. All historical comparisons refer to the new benchmark.

Perf overview	Fund net return	Index return*
1 month	0.5%	2.5%
YTD	-9.0%	-17.9%
3 months	-3.8%	-2.1%
6 months	-8.2%	-12.0%
1 year	-7.1%	-14.2%
3 years	10.6%	0.7%
5 years	23.4%	-17.1%
7 years	68.4%	-1.6%
10 years	38.1%	-11.1%

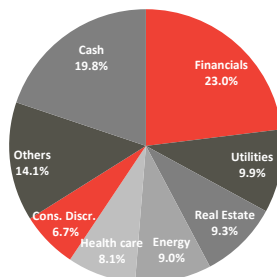
* MSCI EFM EUROPE + CIS (E+C) ex Russia

Year	Calendar year return		
	Gross	Net	Index*
2017	19.2%	17.3%	25.3%
2016	2.1%	0.6%	1.2%
2015	6.7%	5.0%	-20.0%
2014	9.4%	7.8%	4.7%
2013	18.5%	16.7%	-13.9%
2012	21.1%	19.2%	39.3%
2011	-16.3%	-17.6%	-27.5%
2010	20.8%	18.9%	19.2%

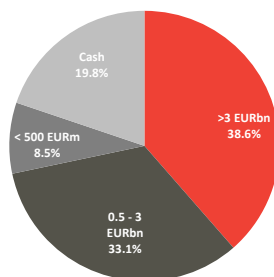
Geographic breakdown



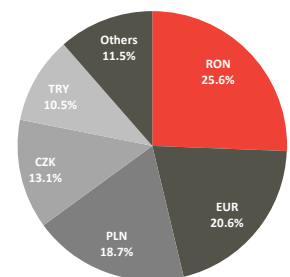
Sector breakdown



Market Cap breakdown



Net currency breakdown



Country allocation

	Sep-18	1 mo	3 mo	12 mo	3 years	5 years
Romania	20.1%	-0.1%	1.8%	3.6%	1.1%	-3.1%
Poland	19.7%	-0.9%	4.5%	3.5%	9.5%	19.7%
Turkey	10.5%	1.2%	-9.7%	-11.4%	0.0%	-0.9%
Austria	7.6%	-0.2%	-1.7%	-2.0%	-10.7%	-4.0%
Czech Rep.	7.4%	-0.1%	0.2%	-0.5%	-2.8%	1.2%
Hungary	4.6%	-0.3%	2.5%	4.0%	3.5%	-7.9%
Slovenia	3.5%	-0.1%	0.1%	0.3%	0.1%	-2.6%
Baltics	3.1%	-0.1%	-0.1%	1.4%	0.9%	-5.3%
Croatia	1.8%	0.0%	0.0%	-0.1%	1.8%	1.8%
Others	1.9%	3.8%	2.8%	3.0%	4.0%	9.4%

Contribution analysis

	1 mo	3 mo	12 mo	YTD	3 years	5 years
1 mo	0.6%	1.2%	3.2%	3.0%	7.6%	11.7%
3 mo	-0.7%	0.4%	-0.5%	-2.3%	3.2%	4.4%
12 mo	1.3%	-5.5%	-8.9%	-8.9%	-5.6%	-1.8%
YTD	-0.1%	0.6%	0.6%	0.5%	7.2%	7.2%
3 years	-0.1%	0.1%	0.6%	0.5%	1.6%	3.7%
5 years	-0.2%	0.1%	-0.2%	-0.2%	0.6%	3.0%
12 mo	-0.1%	0.0%	0.1%	0.0%	0.0%	0.8%
YTD	0.0%	-0.1%	0.2%	-0.1%	1.1%	1.3%
3 years	0.0%	-0.1%	-0.3%	-0.2%	0.0%	0.0%
5 years	0.0%	0.0%	-0.1%	0.1%	0.8%	3.9%

Risk metrics

	3Y risk*
Alpha	4%
Volatility & stand. deviation	9.1%
Beta	0.45
Sharpe ratio	0.41
Information ratio	0.30
Tracking error	10.6%

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

Sector allocation

	Sep-18	1 mo	3 mo	12 mo	3 years	5 years
Financials	23.0%	-1.7%	-6.1%	-8.6%	-6.5%	-13.6%
Utilities	9.9%	0.1%	1.2%	1.1%	-3.8%	-5.4%
Real Estate	9.3%	-0.2%	-1.1%	-3.2%	-1.6%	-2.3%
Energy	9.0%	0.6%	1.1%	2.2%	-0.4%	5.7%
Health care	8.1%	-0.4%	2.6%	4.3%	3.6%	-0.4%
Cons. Discr.	6.7%	-0.2%	-0.5%	3.9%	2.0%	-0.9%
Industrial	5.8%	0.9%	-0.1%	3.3%	3.7%	5.8%
Consumer Staples	4.8%	0.5%	1.8%	-2.4%	2.5%	2.7%
Others	3.5%	3.4%	4.3%	3.9%	3.1%	4.3%

Contribution analysis

	1 mo	3 mo	12 mo	YTD	3 years	5 years
1 mo	-0.9%	-3.0%	-4.6%	-6.2%	4.5%	10.8%
3 mo	0.1%	0.4%	1.1%	0.8%	2.4%	6.5%
12 mo	-0.1%	0.6%	0.5%	0.5%	3.3%	3.7%
YTD	0.7%	0.8%	1.9%	1.9%	5.1%	3.6%
3 years	-0.4%	0.1%	-0.9%	-0.3%	0.6%	2.1%
5 years	-0.1%	-1.1%	-1.4%	-1.8%	1.2%	5.2%
12 mo	0.9%	-0.2%	0.1%	-0.3%	0.6%	0.5%
YTD	0.5%	-0.5%	-1.1%	-0.9%	0.3%	2.0%
3 years	-0.2%	-0.6%	-1.6%	-1.3%	-1.4%	-0.1%

Fund statistics

Number of positions	36
Top10	45.3%
Top20	66.3%
Gross exposure	80.2%
Net exposure	80.2%
Concentration coefficient	36
Median market cap MEUR	1742
Average market cap MEUR	2791

Style allocation

	Sep-18	1 mo	3 mo	12 mo	3 years	5 years
Cyclical	44.5%	-0.4%	-6.7%	0.5%	7.6%	16.2%
Non-cyclical	21.1%	-0.1%	5.0%	3.8%	2.1%	-1.7%
Asset play	14.5%	-0.1%	-0.4%	-2.7%	-1.5%	-4.4%
Convertible bonds	0.0%	0.0%	0.0%	0.0%	0.0%	-15.9%
High yield bonds	0.0%	0.0%	0.0%	-2.7%	-5.6%	-1.8%
FX Derivatives	0.0%	0.0%	0.0%	-0.1%	0.0%	0.0%
Cash	19.8%	0.6%	2.1%	1.1%	-2.6%	7.6%

Contribution analysis

	1 mo	3 mo	12 mo	YTD	3 years	5 years
1 mo	0.5%	-3.8%	-4.7%	-7.1%	8.0%	11.3%
3 mo	0.0%	-0.5%	-1.6%	-1.7%	1.8%	9.4%
12 mo	0.0%	0.9%	1.1%	1.1%	5.2%	9.0%
YTD	0.0%	0.0%	0.0%	0.0%	0.0%	1.4%
3 years	0.0%	0.0%	0.0%	0.0%	1.4%	2.5%
5 years	0.0%	0.0%	-0.1%	0.0%	0.0%	0.6%
12 mo	0.0%	0.0%	-0.4%	-0.3%	-0.5%	-0.5%

Turnover

		Adj*
FY 2017	28.5%	29.1%
FY 2016	17.7%	-13.0%
FY 2015	22.2%	-10.5%

* Adjusted for fund flows

Liquidity analysis*

	20%	50%
3 days	66.9%	75.7%
2 weeks	79.7%	92.9%
4 weeks	89.6%	97.4%

*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

Investment Manager	AS Avaron Asset Management
Fund type	UCITS, public common investment fund
Launch date	April 23, 2007
Domicile	Estonia
Currency	EUR
Dividends	reinvested
Fund size, MEUR	65.2
Total AUM, MEUR	400+

TER 2017 0.39% (excluding management and performance fees)

	ISIN Code	NAV 30-Sep 2018
A unit	EE3600090049	4.4656 EUR
B unit	EE3600090056	4.7514 EUR
C unit	EE3600102901	16.0742 EUR
D unit	EE3600108866	13.4492 EUR
E unit	EE3600108874	13.4697 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, 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

Unit class	D (Retail)	C (Institutional)	E (Institutional)
Min. initial investment	-	500,000 EUR	500,000 EUR
Front-end load	2%	-	-
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	-	-	-

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.

Signatory of:



**RESPONSIBLE
 BUSINESS INDEX
 GOLD LEVEL 2018**



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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