



Avaron Emerging Europe Fund

SEMI-ANNUAL REPORT FOR THE FINANCIAL YEAR 2018

UNAUDITED

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FUND FACTS

Avaron Emerging Europe Fund is a public common investment fund registered in the Republic of Estonia. The Fund complies with the requirements set out in the Directive 2009/65/EC of the European Parliament and of the Council.

Name of the Fund	Avaron Emerging Europe Fund
Fund Management Company	AS Avaron Asset Management (reg. no. 11341336)
Registered address and contact details of the Fund Management Company	Address: Narva mnt 7d, 10117 Tallinn, Estonia Phone: +372 664 4200 Facsimile: +372 664 4201 E-mail: avaron@avaron.com www.avaron.com
Depository & Custody Bank	Swedbank AS (reg. no. 10060701)
Fund Administration (NAV calculation) & Transfer Agent services	Swedbank AS (reg. no. 10060701)
Auditor	KPMG Baltics OÜ (reg. no. 10096082)
Supervisor	Estonian Financial Supervision Authority
Investment Managers	Kristel Kivinurm-Priisalm, Valdur Jaht, Peter Priisalm
Fund established	3 April 2007
Start of the Fund's activities	23 April 2007
Reporting period	1 January 2018–30 June 2018

INVESTMENT MANAGERS' REPORT

Avaron Emerging Europe Fund (hereinafter: “the Fund”) invests actively in listed equities of Emerging Europe ex-Russia region. 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 maximize 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.

Avaron Emerging Europe Fund lost 5.4-5.8% (depending upon a share class) in the first half of 2018, outperforming the benchmark MSCI EFM Central and Eastern Europe & CIS ex Russia Index (down 11.9%) due to relatively high cash position and underweight in Poland (down 16% YTD). In 5 years the Fund has returned +38.5% compared to +20.6% for the index with lower volatility (9.1% vs. 15.4% for the index), resulting in 5.3% alpha for our investors. Total net assets of the Fund decreased from €80.6 million to €70.8 million during the first half of the 2018.

As of 1 July 2018 the benchmark of the Fund was changed from MSCI EFM CEEC ex Russia (net return) to MSCI EFM EUROPE + CIS (E+C) ex Russia (net return) to better reflect our internal coverage universe. All historical comparisons will refer to the new benchmark from 1 July 2018.

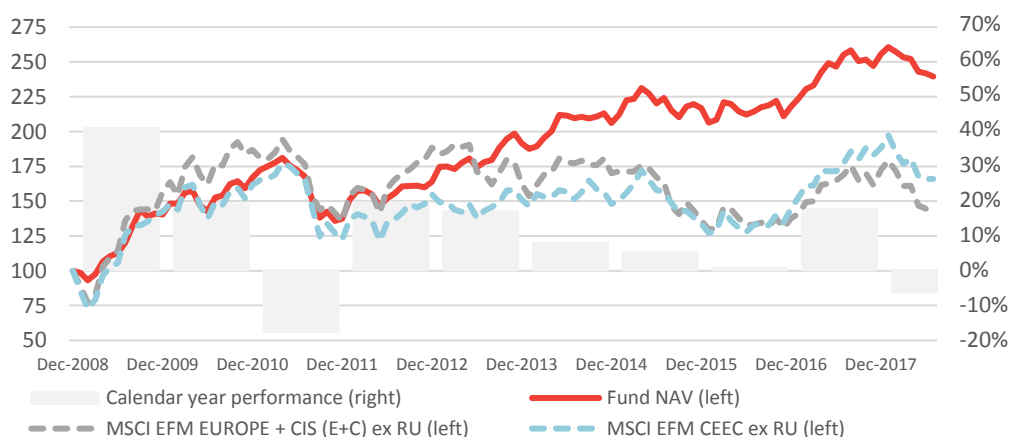
Table 1. Cumulative rate of net return of Fund’s NAV, in EUR

	2018 HY1	1 year	3 years	5 years	7 years	10 years
A unit	-5.7%	-2.4%	8.0%	34.9%	35.4%	4.3%
B unit	-5.4%	-1.9%	9.8%	38.5%	40.5%	9.9%
C unit	-5.5%	-2.4%	8.4%	33.5%	35.5%	
D unit	-5.8%	-2.7%	7.2%	33.1%	32.9%	
E unit	-5.5%	-1.8%	7.1%	33.7%	33.7%	
Index*	-11.9%	-3.2%	5.0%	20.6%	-2.2%	-9.7%
Index**	-16.1%	-12.2%	-13.4%	-15.4%	-20.4%	-15.6%

*MSCI EFM Central and Eastern Europe & CIS ex Russia

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

Graph 1. Performance of Fund’s NAV vs. the market (2009-HY1 2018, B unit)



14 August 2018

Kristel Kivinurm-Priisalm

Investment Manager and Member of the Management Board

CONFIRMATION OF SEMI-ANNUAL FINANCIAL STATEMENTS OF 2018

The Management Board of the Fund Management Company has prepared the semi-annual Financial Statements of Avaron Emerging Europe Fund on 14/08/2018.

The Financial Statements have been prepared in accordance with the requirements stipulated in the regulation no 1606/2002/EU of the European Parliament and of the Council on the application of International Financial Reporting Standards (hereinafter “IFRS”) as adopted by the European Commission, the Investment Funds Act, Minister of Finance Regulation no 8 of 18/01/2017 “Requirements for the reports of investment funds to be published” and no 11 of 31/01/2017 “Procedure for Determination of Net Asset Value of Investment Funds” as established on the basis of the Investment Funds Act.

It gives a true and fair view of the assets, liabilities, net asset value and performance results of Avaron Emerging Europe Fund. The Management Board considers Avaron Emerging Europe Fund to carry its activities as a going concern.

The semi-annual Financial Statements of Avaron Emerging Europe Fund have been approved by the Fund Management Company and the Investment Managers.

Name	Date	Signature
Kristel Kivinurm-Priisalm Member of the Management Board of the Fund Management Company / Investment manager	14/08/2018	/Signed digitally/
Valdur Jaht Member of the Management Board of the Fund Management Company / Investment manager	14/08/2018	/Signed digitally/
Peter Priisalm Investment manager	14/08/2018	/Signed digitally/

FINANCIAL STATEMENTS**BALANCE SHEET**

In EUR

ASSETS	Note	30/06/2018	31/12/2017
Cash and cash equivalents	3	12,652,614	23,515,538
Financial assets at fair value through profit or loss:	4		
Shares and units		58,265,818	57,170,202
Receivables and prepayments	4; 6	148,771	42,066
TOTAL ASSETS		71,067,203	80,727,806
LIABILITIES			
Financial assets at fair value through profit or loss:			
Derivatives	7	-	18,228
Other financial liabilities	4		
Payables to the management company	8	211,619	63,790
Payables to the depository		40,465	41,132
Other liabilities		9,450	13,917
TOTAL LIABILITIES		261,534	137,067
NET ASSETS ATTRIBUTABLE TO HOLDERS		70,805,669	80,590,739

STATEMENT OF INCOME AND EXPENSES

In EUR

	Note	01/01/2018- 30/06/2018	01/01/2017- 30/06/2017
INCOME			
Interest income		10,613	88,112
From bonds		-	87,668
From deposits		10,613	444
 Dividend income		 1,983,523	 2,023,733
From shares and units		1,983,523	2,023,733
 Net gain/loss from financial assets at fair value through profit or loss		 -3,402,217	 6,980,870
From shares and units	5	-3,406,489	6,537,460
From bonds	5	-	300,204
From derivative instruments	5	4,272	143,206
 Net gain/loss from foreign exchange		 -2,545,750	 -561,603
 TOTAL INCOME		<hr/> -3,953,831	<hr/> 8,531,112
 OPERATING EXPENSES			
Management fees	8	410,580	345,869
Performance fees	8	153,092	3,143
Custodian fees		123,924	110,571
Transaction fees		1,996	2,731
Other operating expenses		16,902	20,013
 TOTAL OPERATING EXPENSES		<hr/> 706,494	<hr/> 482,327
 NET INCOME		 -4,660,325	 8,048,785

STATEMENT OF CHANGES IN NET ASSETS

In EUR

	01/01/2018- 30/06/2018	01/01/2017- 30/06/2017	01/01/2016- 30/06/2016
NET ASSET VALUE AT THE BEGINNING OF THE PERIOD	80,590,739	63,112,459	44,190,430
Cash received for fund units issued	7,601,885	2,139,376	15,437,669
Cash paid for fund units redeemed	-12,726,630	-5,268,564	-6,556,448
Net result of the Fund	-4,660,325	8,048,785	-1,603,051
NET ASSET VALUE AT THE END OF THE PERIOD	70,805,669	68,032,056	51,468,600
	30/06/2018	30/06/2017	30/06/2016
NUMBER OF THE UNITS IN CIRCULATION AT THE END OF REPORTING PERIOD			
Number of A units in circulation:	140,383.755	160,305.508	204,310.145
Number of B units in circulation:	396,121.279	483,429.051	579,930.812
Number of C units in circulation:	17,782.851	27,557.687	57,048.694
Number of D units in circulation:	496,392.613	687,939.694	666,841.827
Number of E units in circulation:	<u>4,357,170.987</u>	<u>3,822,299.391</u>	<u>3,181,916.677</u>
NET ASSET VALUE OF AN UNIT AT THE END OF REPORTING PERIOD			
Net asset value of the A unit:	4.6474	4.7630	4.1254
Net asset value of the B unit:	4.9387	5.0362	4.3330
Net asset value of the C unit:	16.7075	17.1164	14.8524
Net asset value of the D unit:	14.0063	14.3936	12.5002
Net asset value of the E unit:	<u>13.9878</u>	<u>14.2480</u>	<u>12.2347</u>
TOTAL NET ASSET VALUE OF THE FUND UNITS			
Total net asset value of the A units:	652,425	763,533	842,869
Total net asset value of the B units:	1,956,315	2,434,629	2,512,844
Total net asset value of the C units:	297,107	471,687	847,310
Total net asset value of the D units:	6,952,641	9,901,938	8,335,627
Total net asset value of the E units:	<u>60,947,181</u>	<u>54,460,269</u>	<u>38,929,950</u>
TOTAL NET ASSET VALUE	70,805,669	68,032,056	51,468,600

STATEMENT OF CASH FLOWS

In EUR

	01/01/2018- 30/06/2018	01/01/2017- 30/06/2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	10,977	33,839
Dividends received	1,856,528	1,587,217
Net result from foreign exchange	-98,472	-23,940
Sale of investments	6,151,945	18,786,942
Purchase of investments	-13,047,549	-19,552,284
Operating expenses paid	-563,633	-471,621
	-5,690,204	360,153
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of units	7,618,672	2,138,475
Payments on redemption of units	-12,726,796	-5,268,564
	-5,108,124	-3,130,089
TOTAL CASH FLOWS	-10,798,328	-2,769,936
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at the beginning of the period	23,515,538	12,019,662
Effect of exchange rate fluctuations on cash and cash equivalents	-64,596	-10,388
Cash and cash equivalents at the end of the period	12,652,614	9,239,338

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. ACCOUNTING POLICIES AND ASSESSMENTS USED

The semi-annual financial statements of Avaron Emerging Europe Fund for 2018 have been prepared in compliance with the valid Investment Funds Act as supplemented by the regulations of the Minister of Finance. The financial statements have been prepared, as stipulated in the Minister of Finance Regulation 8 of 18/01/2017 “Requirements for the reports of investment funds to be published” in accordance with the accounting policies and information presentation principles of the International Financial Reporting Standards (hereafter: “IFRS”) as approved by the European Commission while taking into account the specifications of the regulation and Rules for Calculating Net Asset Value of Funds.

The financial statements have been prepared in EUR, which is also Fund’s functional and presentation currency.

The main accounting principles used when preparing the financial statements have been set out below.

The following standards and interpretations have been used for the current period

The following amendments to the existing standards issued by the International Accounting Standards Board and adopted by the EU are effective for the current period:

- IFRS 9 “Financial Instruments” (2014) (effective for annual periods beginning on or after 1 January 2018),
- IFRS 15 “Revenue from Contracts with Customers” (effective for annual periods beginning on or after 1 January 2018),
- IFRIC 22 “Foreign Currency Transactions and Advance Consideration” (effective for annual periods beginning on or after 1 January 2018),
- IAS 40 “Transfers of Investment Property” (effective for annual periods beginning on or after 1 January 2018),
- IFRS 2 “Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018),
- Amendments to various standards “Improvements to IFRSs (cycle 2014-2016)” resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments in IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017 and for IFRS 1 and IAS 28 on or after 1 January 2018),
- Amendments to IFRS 4 “Insurance Contracts”, applying IFRS 9 “Financial Instruments” with IFRS 4 (effective for annual periods beginning on or after 1 January 2018).

The adoption of these amendments to the existing standards has not led to any significant changes in the Fund’s accounting policies. IFRS 9 implementation had no significant impact on the Fund, since the Fund’s assets were recognized in the balance sheet at fair value, and the use of this principle will continue in the future.

Standards and Interpretations issued by IASB that are adopted by the EU but have not yet been implemented

At present EU has approved the following standards, amendments to the existing standards and interpretations, which were not yet applicable:

- Amendments to IFRS 9 “Prepayment Features With Negative Compensation” (effective for annual periods beginning on or after 1 January 2019),
- IFRS 16 “Leases” (2017) (effective for annual periods beginning on or after 1 January 2019).

The Fund has not applied the new standards or amendments before deadline. Even though the new standards and amendments listed above may have an impact on Fund’s effective accounting principles, the Fund has not yet measured the potential impact on its financial reports.

Standards and interpretations issued by IASB but not yet adopted by the EU

At present, the IFRS’ as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except the following standards, amendments to the existing standards and interpretations, which were not endorsed for use as at date of publication of the financial statements:

- IFRS 17 “Insurance Contracts” was issued on May 2017 and will replace IFRS 4 “Insurance Contracts” and is effective for annual periods beginning on or after 1 January 2021,
- Amendments to IFRIC 23 “Uncertainty over Income Tax Treatments” (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IAS 28 “Investments in Associates and Joint Ventures” (effective for annual periods beginning on or after 1 January 2019),
- Amendments to various standards “Improvements to IFRSs (cycle 2015-2017)” resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording,
- Amendments to IAS 19 „Plan Amendment, Curtailment or Settlement“ (effective for annual periods beginning on or after 1 January 2019),
- Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020).

The Fund has not estimated the impact on the new standards and amendments on its accounting principles and semi-annual report.

At the same time the hedge accounting principles for the portfolio of financial assets and liabilities that have not been adopted by the EU, are still unregulated. According to the Fund’s estimates, the application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: “Financial Instruments: Recognition and Measurement”, would not significantly impact the financial statements, if applied as at the balance sheet date.

Use of estimates and judgements

The preparation of the financial statements calls for the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and judgements have been used according to the best knowledge based on prior experience and other factors that the management considers reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis.

Financial instruments are recognized in the balance sheet at fair value taking into account the principles stipulated in the Rules for Calculating Net Asset Value of Funds approved by the Management Board. The fair value of financial instruments quoted on actively traded markets is determined by the quoted prices. If the prices in active markets are not available other valuation models are being used according to the Rules for Calculating Net Asset Value of Funds. Main risks involved with the estimates and judgements that may affect the value of the Fund’s assets and liabilities are related to measuring the fair value of financial instruments based on valuation models that use unobservable inputs.

Foreign currency transactions

Foreign currency transactions are recorded using the last bid rate established by the depository for the funds managed by AS Avaron Asset Management on the transaction date (hereinafter referred to as the depository bid rate). This rate is based on market inputs. The assets and liabilities quoted in foreign currency are translated into EUR based on the depository bid rate applicable on the balance sheet date.

Gains and losses from foreign currency transactions are recorded in the statement of income and expenses under “Gain/ (loss) from transactions in foreign currencies” on a net basis.

Financial instruments

Financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets include cash, contractual right to receive cash or another financial assets (for example receivables) from another entity, equity instruments of another entity and contractual rights to exchange financial assets with another entity under potentially favourable conditions. Financial liabilities include contractual obligation to deliver cash or other financial assets to another entity or to exchange financial assets with another entity under potentially unfavourable conditions.

Financial assets and liabilities are initially recorded at cost, which is the fair value of the consideration paid or received to acquire the financial asset or liability. Financial instruments are later divided into four categories in accordance to the principles of IAS 39 taking into account the purpose of their acquisition:

1. financial assets at fair value through profit or loss,
2. financial assets held to maturity,
3. loans and receivables,
4. financial assets available for sale.

The Fund does not hold financial assets held to maturity or available for sale.

Financial instruments at fair value through profit and loss

Classification

The Fund classifies its investments into debt, equity and derivative instruments as financial assets or liabilities at fair value through profit or loss. This category has two sub-categories: held for trading and financial assets and liabilities through profit and loss – designation upon initial recognition. The Fund reports all the investments under the second category, that is, recorded at fair value through profit and loss upon initial recognition. The performance of these investments is evaluated based on the fair value according to the Fund’s investment strategy.

Recognition

In the course of normal business activities investments into shares or units of funds, bonds and derivative instruments are recognised using the trade date accounting principles. Trade date is defined as the date when the Fund takes the obligation to buy or sell the financial instrument. Financial assets and liabilities are initially recognised at acquisition cost, which is the fair value of the consideration paid for the financial asset. Initial acquisition cost of financial assets at fair value through profit or loss includes direct expenses related to financial asset or liability (commission). According to IFRS 13 these commissions should be recognized directly in the statement of income and expenses. Commissions recognized as acquisition cost are insignificant and have no impact on Fund’s assets or net income. Commissions are shown in the semi-annual report under “Net

gain/loss from financial assets at fair value through profit and loss” through revaluation. If the commissions were directly expensed, they would have been reported under operating expenses.

After initial recognition all the financial assets and liabilities are measured at fair value in the category “At fair value through profit or loss”. Gains/ (losses) from the revaluation of securities are recorded in the statement of income and expenses under “Net gain/loss from financial assets at fair value through profit or loss”.

Dividend income from the financial assets at fair value through profit or loss are recorded in the statement of income and expenses under “Dividends” at the moment when the Fund’s right to the dividend is fixed.

Fair value of financial instruments

Fair value is the price that would be received upon selling an asset or paid upon transferring a liability in an orderly transaction in the principal market (or the most advantageous market) (i.e. exit price) between market participants at the measurement date, irrespective if the price is easily traceable or shall be determined using other valuation techniques. According to the fair value hierarchy stipulated in IFRS 13 the financial instruments at fair value shall be divided into three levels depending on the rate of observable inputs used:

- level 1 – unadjusted quoted prices in active market for identical assets or liabilities,
- level 2 – inputs other than quoted prices in level 1 that are observable directly or indirectly,
- level 3 – unobservable inputs for an asset or liability.

Observable inputs are inputs that are determined based on the market data (such as publicly available information about actual events or transactions) and that reflect assumptions which market participants would use when pricing an asset or a liability. When a fair value measurement is developed using inputs from multiple levels of the fair value hierarchy, the fair value measurement of that instrument shall fall entirely into the lowest level from which the inputs have been used.

If an instrument is traded on multiple regulated markets, based on professional judgement, the one that is most liquid and most representative is considered as the principal market.

Measuring the fair value of financial instruments is based on the Rules for Calculating Net Asset Value of Funds approved by the Management Board. General principles are the following:

- The market value of shares traded on a regulated market is determined on the basis of the official closing price on the balance sheet date. If the closing price is unavailable, the official mid price is used. If the mid price is also unavailable, the last official bid price is used.
- In Avaron’s opinion the market price of bonds may not reflect the fair value of the securities even when the market price is available. The value of bonds not traded on a regulated market is determined based on the average of the bid and ask quotes as provided by the price feed service provider being used. If the quotes are not available or if the quotes do not reflect the fair value of the bond in the opinion of the Fund Management Company, the price is determined based on the yield curve.
- The value of options not traded on a regulated market is determined based on the Black & Scholes valuation model. The inputs that are necessary for the calculation are determined by the Fund Management Company after consulting with the counterparty of the option.

Derecognition

Securities are removed from the balance sheet when the Fund has lost control over the corresponding financial assets either as a result of selling them or expiry of their term. FIFO method

is used in accounting for the realised gains/ (losses) from securities transactions. The line “Sales profit/ (loss)” in the statement of income and expenses indicates the difference between the sales amount of an instrument and the corresponding acquisition cost. The sales amount of securities includes the commissions related to the transaction.

Offsetting

Financial assets and liabilities at fair value through profit and loss are offset only when the Fund has a legal right to offset the amounts and it intends to use the right.

Cash and cash equivalents and cash flows

Cash and cash equivalents comprise of the Fund’s current accounts and over-night deposits that are subject to an insignificant risk of changes in their fair value.

Cash flows from operating activities are reported using the direct method.

Deposits

Deposits comprise term deposits of credit institutions given that their maturity is less than 12 months. Deposits are initially recognised at acquisition cost and subsequently measured at amortized cost using the effective interest rate method.

Receivables

Receivables include revenues calculated on the accrual basis but not yet collected, including dividend receivables and other accrued income. Miscellaneous receivables include receivables from unsettled sales transactions.

Receivables are initially recognised at fair value and subsequently recorded at amortized cost using the effective interest rate method from which any possible impairment loss has been deducted.

Other financial liabilities

Other financial liabilities include management fee and performance fee payables to the Fund Management Company; depository fee, safekeeping fee and transaction fee payables to the depository. Liabilities also include payables to Fund unit holders for redeemed units. Miscellaneous liabilities include payables for securities purchase transactions.

Other financial liabilities are initially recognised at fair value and subsequently recorded at amortized cost using the effective interest rate method.

Fund units

The Fund has five classes of units which are redeemable at demand of the unit-holder. Different rights are attached to different unit classes. All the unit classes are reported as financial liabilities. Units shall be issued, redeemed and switched on every banking day according to the Fund rules. The redemption price of a unit is equal to the net asset value of the unit as of the trade date from which the redemption fee and penalty charge may be deducted.

The net asset value of a Unit is determined by dividing the total net asset value of a class of Units by the number of Units of that class that have been issued and not redeemed (adjusted by the number of Units from unsettled subscription and redemption orders that have been received by the Management Company). The income of the Fund shall not be distributed to unit holders but shall be reinvested. A unit holder’s profit or loss is reflected in the Unit’s net asset value change.

Interest and dividend income

Interest income is recognised on accrual basis using the effective interest rate method. It comprises reported interest from cash and cash equivalents, deposits and debt instruments at fair value through profit or loss.

Received dividends are recorded under “Dividends” at the moment when the shareholder’s right to the dividend is fixed.

Operating expenses

The operating expenses of the Fund include the management fee and performance fee payable to the management company, the depository fee payable to the Fund’s depository, fund administration fees, fees to the registrar of fund units, transaction fees and other operating expenses stated in the Fund rules. Transaction fees related to security purchase and sales transactions are recorded under “Transaction fees” in the statement of income and expenses. Commissions which arose and were paid in acquisition of securities, but are not clearly identifiable are included within the acquisition cost of securities.

Related parties

Parties that are considered as related parties to the Fund are the Management Company AS Avaron Asset Management, other investment funds managed by the management company, all the group companies, the Management Board of the Fund Management Company and their related parties. According to the Fund rules the Fund pays management fees to the Management Company on a monthly basis. Transactions with group companies have been made based on market conditions.

NOTE 2. RISK MANAGEMENT

Short Overview of Investment and Risk Management Techniques

The Fund Management Company deploys value investing and stock-picking investment style with focus on company-specific analysis. Company analysis comprises 3 phases: quantitative screening, qualitative analysis and valuation work. During the quantitative phase we conduct analysis of company liquidity and basic financial statements. Should a company fulfil our criteria, we will interview the management during qualitative analysis phase. During a management interview, among other things, we study the company's business model, strategy, growth prospects, transparency, dividend policy and compliance to the UN Principles for Responsible Investing. If a company has successfully passed the qualitative phase, we develop a financial model on the company and determine its target price. Companies with highest upside to target price adjusted to liquidity, transparency, business model cyclicalities and other risk parameters are invested in.

Portfolio liquidity analysis and diversification among sectors, countries, currencies and instruments are the main risk management tools used. In addition, the Fund Management Company may use derivatives to hedge or take directional exposure in currencies. The Fund Management Company actively follows financial results of companies and makes relevant changes in the Fund portfolio based on companies' upside to target prices.

The Fund Management Company has established procedures for internal risk management in order to identify, monitor, measure and hedge the risks associated to the Fund's investments. The Fund Management Company regularly examines that the Fund is in compliance with its investment restrictions.

Credit risk

Credit risk is the risk that the issuer of securities where the Fund has invested or the counterparty to a transaction on account of the Fund fails to perform its obligations either fully or partially (e.g. an issuer fails to redeem issued debt obligations, a counterparty to a trade does not deliver securities or cash during the settlement, a counterparty defaults on a loan granted by the Fund) cause damage to the Fund.

Maximum exposure to credit risk as of the end of the period in EUR:

	30/06/2018	% of NAV	31/12/2017	% of NAV
Cash and cash equivalents	12,652,614	17.87%	23,515,538	29.18%
Receivables and prepayments	148,771	0.21%	42,066	0.05%
TOTAL	12,801,385	18.08%	23,557,604	29.23%

Fund's assets can be invested in bonds that are liquid and transferable. Basic financial data of the issuer and terms of the issue (prospectus) will be analysed in case of debt securities with investment grade rating by S&P (or Moody's equivalent) of BBB- or higher. In case of debt securities with no rating / non-investment grade rating, higher due diligence requirements apply.

The Fund had no investments in bonds as at 30 June 2018 nor 31 December 2017.

The Fund's cash and cash equivalents are held with Fund's depository Swedbank AS, which parent company Swedbank AB is rated AA- as of 27/06/2018 by Standard & Poor's, with AS SEB Bank, which parent company Skandinaviska Enskilda Banken AB is rated AA as of 02/05/2018 (Moody's) and with Luminor Bank AS. Luminor Estonia is currently in the process of acquiring a credit rating. Nordea Bank AB and DNB Bank ASA are the ultimate owners of the holding company Luminor Group AB. Nordea Bank AB owns 56.2% and DNB Bank ASA owns 43.6% of proprietary rights. DNB Bank ASA has a credit rating (Standard & Poor's A+, Moody's Aa2). Nordea Bank AB has a credit rating (Standard & Poor's AA-, Fitch AA-, Moody's Aa3).

Liquidity risk

Liquidity risk is the risk that a financial instrument cannot be sold due to low liquidity at the time desired or at a reasonable price, or there is no market (buyer) at all. Liquidity risk is particularly relevant in case of investing into small cap companies and in instruments not traded on a regulated securities market.

Liquidity risk is managed through regular liquidity analysis and limitations on estimated exit times from positions and share capital/ free float ownership.

The Fund maintains the credit lines of 3,000,000 EUR that it can access to meet short-term liquidity needs. These resources have not been used as of 30/06/2018.

Maximum exposure of financial liabilities according to the maturity as of the end of the period in EUR:

	Up to 3 days		Up to 1 month		Over 1 month	
	30/06/2018	31/12/2017	30/06/2018	31/12/2017	30/06/2018	31/12/2017
Payables to the management company	-	-	211,619	63,790	-	-
Payables to the depository	-	-	40,465	41,132	-	-
Payables for redeemed units	4,620	4,786	-	-	-	-
Derivatives	-	-	-	18,228	-	-
Other liabilities	-	-	-	-	4,830	9,131
Assets attributable to holders	-	-	-	-	70,805,669	80,590,739
TOTAL	4,620	4,786	252,084	123,150	70,810,499	80,599,870

Positions that may take more than 10 business days to liquidate based on six months average trading volume (30% of trading volume).

Instrument	Country	Sector	% of NAV	
			30/06/2018	31/12/2017
OMV PETROM SA	Romania	Energy	5.06%	3.95%
SC FONDUL PROPRIETATEA SA	Romania	Utilities	4.57%	-
KRKA	Slovenia	Health Care	3.37%	2.94%
ATRIUM EUROPEAN REAL ESTATE	Austria	Real Estate	2.91%	2.74%
ANADOLU HAYAT EMEKLILIK SHARE	Turkey	Financials	2.57%	2.55%
TALLINK GRUPP	Estonia	Consumer Discretionary	1.75%	1.79%
NUCLEARELECTRICA SA	Romania	Utilities	1.27%	1.07%
WIRTUALNA POLSKA HOLDING SA	Poland	IT	1.21%	1.06%
ARENA HOSPITALITY GROUP DD	Croatia	Consumer Discretionary	1.11%	1.00%
AKCANSА CIMENTO SANAYI VE TICA	Turkey	Materials	0.91%	-
HRVATSKI TELEKOM DD	Croatia	Telecom	0.66%	-
SPHERA FRANCHISE GROUP SA	Romania	Consumer Discretionary	0.65%	-
ADVANCE TERRAFUND SHARE	Bulgaria	Real Estate	0.63%	0.56%
BULGARIA REAL ESTATE FUND	Bulgaria	Real Estate	0.50%	0.51%
TELEKOM SPRSKE AD BANJA LUKA	Bosnia & Herzegovina	Telecom	0.14%	0.16%
BRD GR SOCIETE GENERALE SA	Romania	Financials	-	3.37%
PRIME CAR MANAGEMENT SA	Poland	Industrial	-	0.36%
KOMERCIJALNA BANKA AD SKOPJE S	Macedonia	Financials	-	0.18%
TOTAL			27.31%	22.24%

Positions that may take more than 20 business days to liquidate based on six months average trading volume (30% of trading volume).

Instrument	Country	Sector	% of NAV	
			30/06/2018	31/12/2017
KRKA	Slovenia	Health Care	3.37%	-
ANADOLU HAYAT EMEKLILIK SHARE	Turkey	Financials	2.57%	2.55%
TALLINK GRUPP	Estonia	Consumer Discretionary	1.75%	-
WIRTUALNA POLSKA HOLDING SA	Poland	IT	1.21%	-
ARENA HOSPITALITY GROUP DD	Croatia	Consumer Discretionary	1.11%	1.00%
HRVATSKI TELEKOM DD	Croatia	Telecom	0.66%	-
ADVANCE TERRAFUND SHARE	Bulgaria	Real Estate	0.63%	0.56%
BULGARIA REAL ESTATE FUND	Bulgaria	Real Estate	0.50%	0.51%
TELEKOM SPRSKE AD BANJA LUKA	Bosnia & Herzegovina	Telecom	0.14%	0.16%
OMV PETROM SA	Romania	Energy	-	3.95%
NUCLEARELECTRICA SA	Romania	Utilities	-	1.07%
TOTAL			11.94%	9.80%

Market risk

Market risk is the risk of suffering losses due to adverse price movements at a specific securities market or at a market for other assets. Adverse price movements may be caused by a country's weak macroeconomic data, poor financial results of an industry sector, unstable securities market, investor behaviour and psychology and other factors.

Diversification among sectors, countries, currencies and instruments are the main risk management tools used.

Currency risk

The Fund is open to foreign currency risk. Currency breakdown of Fund's assets in EUR:

	% of Fund's		% of Fund's	
	30/06/2018	assets	31/12/2017	assets
RON	16,141,029	22.71%	14,501,428	17.96%
EUR	14,384,163	20.24%	23,917,224	29.63%
TRY	14,251,515	20.06%	15,040,758	18.63%
PLN	11,810,676	16.62%	13,654,635	16.91%
CZK	8,385,756	11.80%	8,223,711	10.19%
USD	1,985,171	2.79%	1,923,431	2.38%
HUF	1,540,052	2.17%	898,633	1.11%
HRK	1,275,180	1.79%	1,319,996	1.64%
BGN	886,452	1.25%	946,516	1.17%
MKD	277,788	0.39%	147,330	0.18%
BAM	100,570	0.14%	125,414	0.16%
RSD	28,851	0.04%	28,730	0.04%
TOTAL	71,067,203	100.00%	80,727,806	100.00%

Taking into account the derivatives contracts, the net open positions as per foreign currency were following:

	% of Fund's		% of Fund's	
	30/06/2018	assets	31/12/2017	assets
RON	16,141,029	22.71%	14,501,428	17.96%
TRY	14,251,515	20.06%	12,558,986	15.56%
PLN	11,810,676	16.62%	13,654,635	16.91%
CZK	8,385,756	11.80%	8,223,711	10.19%
USD	1,985,171	2.79%	1,923,431	2.38%
HUF	1,540,052	2.17%	898,633	1.11%
HRK	1,275,180	1.79%	1,319,996	1.64%
BGN	886,452	1.25%	946,516	1.17%
MKD	277,788	0.39%	147,330	0.18%
BAM	100,570	0.14%	125,414	0.16%
RSD	28,851	0.04%	28,730	0.04%
TOTAL	56,683,040	79.76%	54,328,810	67.30%

Currency risk sensitivity analysis

Fund's net asset value would have been affected by the weakening of foreign currencies against EUR on 30 June 2018. The sensitivity analysis uses the weakening of foreign currency rates against EUR during the last ten years from the highest value to the lowest. The analysis assumes that all

other variables remain constant. Analysis for 31 December 2017 has been made with using the same assumptions.

Derivatives contracts have been taken into account and net open positions as per foreign currency were used. The impact on net assets attributable to holders and net income:

	30/06/2018			31/12/2017		
	Currency wakening	Possible impact	Currency's % of Fund's assets	Currency wakening	Possible impact	Currency's % of Fund's assets
TRY	-71%	-1,760,603	20.06%	-65%	-3,298,506	15.56%
RON	-26%	-744,276	22.71%	-26%	-1,109,280	17.96%
PLN	-35%	-727,151	16.62%	-35%	-1,394,626	16.91%
CZK	-23%	-336,512	11.80%	-23%	-542,109	10.19%
USD	-36%	-123,348	2.79%	-36%	-198,262	2.38%
HUF	-31%	-83,640	2.17%	-30%	-79,003	1.11%
HRK	-13%	-28,992	1.79%	-13%	-49,786	1.64%
BGN	-7%	-11,064	1.25%	-7%	-19,598	1.17%
MKD	-14%	-6,872	0.39%	-14%	-6,046	0.18%
RSD	-40%	-2,042	0.04%	-40%	-3,373	0.04%
BAM	-10%	-1,714	0.14%	-10%	-3,704	0.16%
TOTAL		-3,826,214	79.76%		-6,704,293	67.30%

Instrument's price risk

Price risk is closely related to market risk but mainly affects a specific security or investment. Price risk is the risk of suffering losses due to adverse price movements of a specific stock or another investment. The price of an issuer's securities is affected by developments in the issuer's financial results, changes in competitive environment, analyst estimates and commentaries, etc.

Concentration of risk of Fund's investments based on sectors as of the end of the period in EUR:

	30/06/2018	% of NAV	31/12/2017	% of NAV
Financials	20,646,934	29.15%	24,484,229	30.38%
Real Estate	7,344,977	10.37%	7,783,540	9.66%
Utilities	6,169,536	8.72%	6,494,732	8.06%
Energy	5,607,928	7.92%	4,877,888	6.05%
Consumer Discretionary	5,120,676	7.23%	2,760,028	3.42%
Industrial	4,193,060	5.93%	2,043,622	2.54%
Health Care	3,903,299	5.52%	2,856,120	3.54%
Consumer Staples	2,086,145	2.95%	2,167,261	2.69%
Telecom	1,327,094	1.87%	1,683,072	2.09%
IT	1,218,522	1.72%	1,452,262	1.80%
Materials	647,647	0.91%	567,448	0.71%
TOTAL	58,265,818	82.29%	57,170,202	70.94%

Concentration of risk of Fund's investments based on emitent's geographic location as of the end of the period in EUR:

	30/06/2018	% of NAV	31/12/2017	% of NAV
Turkey	14,251,515	20.12%	13,539,950	16.81%
Romania	12,974,498	18.32%	12,388,714	15.37%
Poland	10,015,143	14.14%	10,720,433	13.30%
Austria	6,542,298	9.24%	6,920,798	8.59%
Czech Rep.	5,117,768	7.23%	5,798,161	7.19%
Slovenia	2,383,325	3.37%	2,370,955	2.94%
Estonia	2,265,718	3.21%	1,445,279	1.79%
Hungary	1,519,974	2.15%	485,165	0.60%
Croatia	1,258,721	1.77%	1,319,996	1.64%
Bulgaria	802,678	1.13%	862,742	1.07%
Luxembourg	755,822	1.07%	1,045,265	1.30%
Macedonia	277,788	0.40%	147,330	0.18%
Bosnia & Herzegovina	100,570	0.14%	125,414	0.16%
TOTAL	58,265,818	82.29%	57,170,202	70.94%

Instrument's price risk sensitivity analysis

Sensitivity analysis is based on standard deviation of the Fund since launch, whereas the Fund's risk profile has been calculated based on normal distribution. The analysis assumes that all the other variables remain constant. Analysis as per 31 December 2017 has been made with using the same assumptions.

	probability	+/- possible change of Fund's NAV during year	
		2018	2017
σ	68.27%	13.23%	13.45%
2σ	95.45%	26.46%	26.90%
3σ	99.73%	39.69%	40.35%

NOTE 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents (incl. overnight deposits) by credit institution and currency

	30/06/2018	% of NAV, converted into EUR	31/12/2017	% of NAV, converted into EUR
Swedbank AS		14.48%		13.85%
CZK	84,908,865	4.62%	61,989,794	3.01%
RON	14,776,933	4.47%	9,892,147	2.62%
USD	2,320,070	2.80%	2,308,057	2.39%
PLN	4,548,113	1.47%	7,891,035	2.34%
EUR	638,827	0.90%	780,589	0.97%
BGN	163,854	0.12%	163,854	0.10%
RSD	3,407,310	0.04%	3,407,310	0.04%
HUF	6,615,393	0.03%	128,538,788	0.51%
HRK	121,583	0.02%	-	-
TRY	-	-	6,830,175	1.87%
Luminor Bank AS		1.98%		15.33%
EUR	1,405,269	1.98%	12,357,587	15.33%
AS SEB Pank		1.41%		-
EUR	999,995	1.41%	-	-
TOTAL		17.87%		29.18%

The Fund's cash and cash equivalents are held with Fund's depository Swedbank, which parent company Swedbank AB is rated AA- as of 27/06/2018 by Standard & Poor's, with AS SEB Bank, which parent company Skandinaviska Enskilda Banken AB is rated AA as of 02/05/2018 (Moody's) and with Luminor Bank AS. Luminor Estonia is currently in the process of acquiring a credit rating. Nordea Bank AB and DNB Bank ASA are the ultimate owners of the holding company Luminor Group AB. Nordea Bank AB owns 56.2% and DNB Bank ASA owns 43.6% of proprietary rights. DNB Bank ASA has a credit rating (Standard & Poor's A+, Moody's Aa2). Nordea Bank AB has a credit rating (Standard & Poor's AA-, Fitch AA-, Moody's Aa3).

NOTE 4. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES TO CATEGORIES AND LEVELS

In EUR
30/06/2018

	Designated as at fair value			Loans and receivables			Other financial liabilities		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS									
Cash and cash equivalents	-	-	-	12,652,614	-	-	-	-	-
Shares and units	58,265,818	-	-	-	-	-	-	-	-
Dividend receivable	-	-	-	-	124,868	-	-	-	-
Dividend tax reclaims	-	-	-	-	23,863	-	-	-	-
Interest receivable	-	-	-	-	40	-	-	-	-
LIABILITIES									
Payables to the management company	-	-	-	-	-	-	-	211,619	-
Payables to the depository	-	-	-	-	-	-	-	40,465	-
Payments on redemption of units*	-	-	-	-	-	-	-	4,620	-
Other liabilities	-	-	-	-	-	-	-	4,830	-
Net assets attributable to holders	-	-	-	-	-	-	70,805,669	-	-
TOTAL	58,265,818	-	-	12,652,614	148,771	-	70,805,669	261,534	-

* Liabilities are carried in the balance sheet under "Other liabilities"

According to the estimates of the Fund Management Company the carrying value of financial instruments "Loans and receivables" and other financial liabilities amounts approximate fair value.

There have been no transfers of the assets designated as at fair value from one level to another as of the end of the period.

In EUR
31/12/2017

	Designated as at fair value			Loans and receivables			Other financial liabilities		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS									
Cash and cash equivalents	-	-	-	23,515,538	-	-	-	-	-
Shares and units	57,170,202	-	-	-	-	-	-	-	-
Dividend receivable	-	-	-	-	5,562	-	-	-	-
Dividend tax reclaims	-	-	-	-	19,668	-	-	-	-
Receivables for units subscribed	-	-	-	-	16,786	-	-	-	-
Interest receivable	-	-	-	-	50	-	-	-	-
LIABILITIES									
Payables to the management company	-	-	-	-	-	-	-	63,790	-
Payables to the depository	-	-	-	-	-	-	-	41,132	-
Payments on redemption of units*	-	-	-	-	-	-	-	4,786	-
Derivative instruments	-	18,228	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	9,131	-
Net assets attributable to holders	-	-	-	-	-	-	80,590,739	-	-
TOTAL	57,170,202	18,228	-	23,515,538	42,066	-	80,590,739	118,839	-

* Liabilities are carried in the balance sheet under "Other liabilities"

According to the estimates of the Fund Management Company the carrying value of financial instruments "Loans and receivables" and other financial liabilities amounts approximate fair value.

There have been no transfers of the assets designated as at fair value from one level to another as of the end of the period.

NOTE 5. NET GAIN/LOSS FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

In EUR

	01/01/2018- 30/06/2018	01/01/2017- 30/06/2017
Net gain/loss from financial assets at fair value through profit or loss		
From shares and units		
Sales profit/(-loss)	1,316,702	2,274,471
Unrealised profit /(-loss)	-4,723,191	4,262,989
From bonds		
Sales profit/(-loss)	-	555,890
Unrealised profit /(-loss)	-	-255,686
From derivative instruments		
Sales profit/(-loss)	-13,956	143,206
Unrealised profit /(-loss)	18,228	-
Total net gain/(-loss)	-3,402,217	6,980,870

Sales profit/loss and unrealised profit/loss include commissions paid to brokers on acquisition and disposal of securities. According to the principles of IAS 39 and IFRS 13 the commissions should be reflected in the statement of income and expenses under transaction costs. According to the estimates of the Fund Management Company the effect of commissions to net gain/loss from financial assets is not significant.

NOTE 6. RECEIVABLES AND PREPAYMENTS

In EUR

	30/06/2018	31/12/2017
Dividend receivable	124,868	5,562
Dividend tax reclaims	23,863	19,668
Interest receivable	40	50
Receivables for units subscribed	-	16,786
TOTAL	148,771	42,066

NOTE 7. DERIVATIVE INSTRUMENTS

There were no derivative instruments at the end of 30/06/2018.

in EUR

31/12/2017

Type of Instrument	Issuer of Instrument	Quantity of underlying	The underlying	Exercise date	Price of Instrument /premium	Exercise price		Market value		Equity of the issuer of the instrument
						Per unit	Total	Date	Total	
Forward	Swedbank AS	11,356,250	TRY	12/01/2018	0.2185	0.2201	2,500,000	29/12/2017	-18,228	EUR 1,658,718,000
		2,500,000	EUR	12/01/2018	1.0000	1.0000	2,500,000	29/12/2017	-	EUR 1,658,718,000
TOTAL									-18,228	

NOTE 8. TRANSACTIONS WITH RELATED PARTIES

In addition to the Fund Management Company related parties to the Fund are considered to be the companies belonging to the same group, other investment funds managed by the Management Company and shareholders of the management company.

The transactions with related parties were as follows in EUR:

	01/01/2018- 30/06/2018	01/01/2017- 30/06/2017
Fund Management Company		
Paid management and performance fees	563,672	349,012
Units bought	5,915	14,205
Units sold	5,915	14,205
TOTAL	575,502	377,422

The balances outstanding with related parties were as follows in EUR:

	30/06/2018	31/12/2017
Fund Management Company		
Management and performance fee payable	211,619	63,790

Shareholders of the Fund Management Company owned the units of Avaron Emerging Europe Fund 48,484 EUR in market value as of 30/06/2018 (31/12/2017: 51,271 EUR).

NOTE 9. OTHER INFORMATION

Total expense ratio (TER)

The total expense ratios (including management, performance fees, depository fees and other fees) of different unit classes are set out below. Total expense ratios are on annual basis.

	TER without performance fees	TER with performance fees
A units	2.09%	2.09%
B units	1.59%	1.59%
C units	1.59%	1.68%
D units	2.34%	2.34%
E units	1.19%	1.41%

Portfolio turnover rate

The Fund's portfolio turnover ratio calculated by taking the lesser of purchases or sales and dividing by average monthly net assets amounted to 7.6% in the first six months of 2018 (19.6% in 2017).

Adjusted to the Fund inflows and outflows the Fund's portfolio turnover rate amounted to -1.5% in the first six months of 2018 (32.9% in 2017).

$$\text{Portfolio Turnover Rate}\% = \frac{(\text{Total 1 EUR} - \text{Total 2 EUR})}{\text{Average net assets in EUR}} * 100$$

Where

$$\text{Total 1} = \sum \text{securities purchases} + \sum \text{securities sales}$$

$$\text{Total 2} = \sum \text{units issued} + \sum \text{units redeemed}$$

STATEMENT OF INVESTMENTS

In EUR as of 30/06/2018

Name	ISIN	Emitent country	Rating agency	Rating	FX	Average acquisition cost per unit	Average acquisition cost	Market value per unit	Total market value	Share of market value of fund's net assets
SHARES										
SHARES LISTED ON STOCK EXCHANGE:										
IMMOFINANZ AG	AT0000A21KS2	AT			EUR	19.97	4,385,819	20.40	4,480,350	6.33%
OMV PETROM SA	ROSNPPACNOR9	RO			RON	0.06	2,977,090	0.07	3,582,195	5.06%
KOMERCNI BANKA	CZ0008019106	CZ	S&P	A	CZK	33.35	3,299,057	36.01	3,562,223	5.03%
SC FONDUL PROPRIETATEA SA	ROFPTAACNOR5	RO			RON	0.18	3,115,211	0.19	3,231,776	4.57%
KOC HOLDING AS	TRAKCHOL91Q8	TR			TRY	2.70	3,102,825	2.65	3,050,933	4.31%
BANK PEKAO SA	PLPEKAO00016	PL	S&P	BBB+	PLN	30.59	3,330,177	25.83	2,811,903	3.97%
BRD GR SOCIETE GENERALE SA RON	ROBRDBACNOR2	RO	Fitch	BBB+	RON	2.26	2,230,078	2.81	2,770,728	3.91%
KRKA	SI0031102120	SI			EUR	59.27	2,443,758	57.80	2,383,325	3.37%
ATRIUM EUROPEAN REAL ESTATE	JE00B3DCF752	AT	S&P	BBB-	EUR	3.85	2,043,639	3.88	2,061,948	2.91%
SNGN ROMGAZ SA	ROSNGNACNOR3	RO			RON	7.42	1,877,269	8.00	2,025,733	2.86%
YAPI VE KREDI BANKASI SHARE	TRAYKBNK91N6	TR	S&P	BB	TRY	0.65	2,822,075	0.46	2,005,869	2.83%
TURKIYE GARANTI BANKASI	TRAGARAN91N1	TR	S&P	BB	TRY	2.26	2,734,813	1.56	1,888,846	2.67%
ANADOLU HAYAT EMEKLILIK SHARE	TRAANHYT91O3	TR			TRY	1.51	1,705,335	1.61	1,820,962	2.57%
PKO BANK POLSKI	PLPKO0000016	PL			PLN	8.61	1,844,729	8.46	1,811,059	2.56%
CESKE ENERGETICKE ZAVODY AS	CZ0005112300	CZ	S&P	A-	CZK	22.29	1,709,505	20.28	1,555,544	2.20%
RICHTER GEDEON NYRT	HU0000123096	HU			HUF	16.55	1,609,162	15.63	1,519,974	2.15%
TOFAS TURK OTOMOBIL FABRIKA	TRATOASO91H3	TR			TRY	5.04	1,639,505	4.49	1,458,862	2.06%
POWSZECHNY ZAKLAD UBEZP SHARE	PLPZU0000011	PL			PLN	10.82	1,730,882	8.91	1,425,750	2.01%
TALLINK GRUPP	EE3100004466	EE			EUR	0.95	1,100,526	1.07	1,237,159	1.75%
CYFROWY POLSAT SA	PLCFRPT00013	PL			PLN	5.68	1,261,028	5.29	1,174,351	1.66%
BIM BIRLESIK MAGAZALAR AS	TREBIMM00018	TR			TRY	14.33	1,244,334	12.53	1,088,131	1.54%
TALLINNA SADAM AKTSIA	EE3100021635	EE			EUR	1.70	896,692	1.95	1,028,559	1.46%
COCA-COLA ICECEK AS	TRECOLA00011	TR	Fitch	BBB	TRY	9.86	1,554,872	6.33	998,014	1.41%
AKBANKS T.A.S	TRAAKBNK91N6	TR	Fitch	BB+	TRY	2.26	1,495,376	1.40	929,562	1.31%
NUCLEARELECTRICA SA	ROSNNEACNOR8	RO			RON	2.04	1,145,179	1.61	901,781	1.27%
WIRTUALNA POLSKA HOLDING SA	PLWRTPL00027	PL			PLN	11.27	830,460	11.61	855,833	1.21%
ARENA HOSPITALITY GROUP DD	HRARNTRA0004	HR			HRK	57.94	795,457	57.40	788,019	1.11%
BANK HANDLOWY W WARSZAWIE	PLBH00000012	PL	Fitch	A-	PLN	17.56	833,243	16.19	768,079	1.08%
PLAY COMMUNICATIONS SA	LU1642887738	LU	S&P	BB	PLN	8.52	1,100,706	5.85	755,822	1.07%
AKCANS A CIMENTO SANAYI VE TICA	TRAAKCN91F3	TR			TRY	2.73	990,767	1.79	647,647	0.91%
ALIOR BANK SA	PLALIOR00045	PL	Fitch	BB	PLN	11.78	442,158	15.29	574,165	0.81%
ENERGA SA	PLENERG00022	PL	Fitch	BBB	PLN	3.09	726,709	2.04	480,435	0.68%

Statement of investments as of 30/06/2018 (continued)

Name	ISIN	Emitent country	Rating agency	Rating	FX	Average acquisition cost per unit	Average acquisition cost	Market value per unit	Total market value	Share of market value of fund's net assets
HRVATSKI TELEKOM DD	HRHT00RA0005	HR			HRK	18.79	432,588	20.44	470,702	0.66%
SPHERA FRANCHISE GROUP SA	ROSGPACNOR4	RO			RON	6.64	530,420	5.79	462,285	0.65%
LOGO YAZILIM SANAYI VE TICAR	TRALOGOW91U2	TR			TRY	14.25	658,464	7.85	362,689	0.51%
KOMERCIJALNA BANKA AD SKOPJE S	MKKMBS101019	MK			MKD	62.23	204,491	84.54	277,788	0.40%
PRIME CAR MANAGEMENT SA	PLPRMCM00048	PL			PLN	10.44	446,972	2.65	113,568	0.16%
TELEKOM SPRSKE AD BANJA LUKA	BA100TLKMRA2	BA			BAM	0.74	172,174	0.43	100,570	0.14%
SHARES TOTAL							61,463,545		57,463,139	81.16%

Name	ISIN	Fund country	Fund Management Company	FX	Average acquisition cost per unit	Average acquisition cost	Market value per unit	Total market value	Share of market value of fund's net assets
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FUNDS:

CLOSED-END FUNDS LISTED ON STOCK EXCHANGE:

ADVANCE TERRAFUND SHARE	BG1100025052	BG	KAROLL FINANCE	BGN	0.66	265,179	1.12	448,541	0.63%
BULGARIA REAL ESTATE FUND	BG1100001053	BG	REAL ESTATE MANAGEMENT LTD	BGN	0.52	189,792	0.98	354,138	0.50%

CLOSED-END FUNDS TOTAL

454,971 **802,679** **1.13%**

SHARES AND FUNDS TOTAL

61,918,516 **58,265,818** **82.29%**

Credit Institution	Deposit type	Credit Institution's country	Rating agency	Rating	FX	Interest rate	Start date	Maturity	Average acquisition cost	Total market value	Share of market value of fund's net assets
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DEPOSITS*

Swedbank AS	Overnight deposit	EE	S&P	AA-	USD	0.7290%	29/06/2018	30/06/2018	1,985,131	1,985,171	2.80%
DEPOSITS TOTAL									1,985,131	1,985,171	2.80%

*Accrued interest in the amount of 40.20 EUR has been added to the value of deposits

Statement of investments as of 30/06/2018 (continued)

Name	ISIN	Credit Institution's country	Credit institution	FX	Interest rate	Average acquisition cost per unit	Average acquisition cost	Market value per unit	Total market value	Share of market value of fund's net assets
CASH										
CURRENT ACCOUNT		EE	Swedbank	CZK			3,267,988		3,267,988	4.62%
CURRENT ACCOUNT		EE	Swedbank	RON			3,166,531		3,166,531	4.47%
CURRENT ACCOUNT		EE	Luminor	EUR			1,405,269		1,405,269	1.98%
CURRENT ACCOUNT		EE	Swedbank	PLN			1,039,711		1,039,711	1.47%
CURRENT ACCOUNT		EE	SEB	EUR			999,995		999,995	1.41%
CURRENT ACCOUNT		EE	Swedbank	EUR			638,827		638,827	0.91%
CURRENT ACCOUNT		EE	Swedbank	BGN			83,774		83,774	0.12%
CURRENT ACCOUNT		EE	Swedbank	RSD			28,851		28,851	0.04%
CURRENT ACCOUNT		EE	Swedbank	HUF			20,078		20,078	0.03%
CURRENT ACCOUNT		EE	Swedbank	HRK			16,459		16,459	0.02%
CURRENT ACCOUNT TOTAL							10,667,483		10,667,483	15.07%
DEPOSITS AND CASH TOTAL							10,667,483		12,652,654	17.87%
INVESTMENTS TOTAL							74,571,080		70,918,472	100.16%
OTHER ASSETS										
DIVIDEND RECEIVABLE				EUR					124,868	0.18%
DIVIDEND TAX RECLAIMS				EUR					23,863	0.03%
OTHER ASSETS TOTAL									148,731	0.21%
TOTAL ASSETS OF THE FUND							74,571,080		71,067,203	100.37%
LIABILITIES									-261,534	-0.37%
NET ASSETS OF THE FUND									70,805,669	100.00%

In EUR as of 31/12/2017

Name	ISIN	Emitent country	Rating agency	Rating	FX	Average acquisition cost per unit	Average acquisition cost	Market value per unit	Total market value	Share of market value of fund's net assets
SHARES										
SHARES LISTED ON STOCK EXCHANGE:										
IMMOFINANZ AG	AT0000809058	AT			EUR	2.00	4,385,819	2.15	4,715,364	5.85%
KOMERCNI BANKA	CZ0008019106	CZ	S&P	A	CZK	33.46	4,026,534	35.80	4,308,272	5.35%
PKO BANK POLSKI	PLPKO0000016	PL			PLN	8.85	3,310,680	10.61	3,968,797	4.92%
SC FONDUL PROPRIETATEA SA	ROFPTAACNOR5	RO			RON	0.17	3,220,369	0.18	3,425,664	4.25%
OMV PETROM SA	ROSNPPACNOR9	RO			RON	0.06	2,977,090	0.06	3,185,942	3.95%
TURKIYE GARANTI BANKASI	TRAGARAN91N1	TR	S&P	BB	TRY	2.26	2,734,813	2.36	2,845,806	3.53%
BRD GR SOCIETE GENERALE SA	ROBRDBACNOR2	RO	Fitch	BBB+	RON	2.26	2,230,078	2.76	2,715,191	3.37%
BANK PEKAO SA KRKA	PLPEKAO00016	PL	S&P	BBB+	PLN	29.98	2,363,765	31.00	2,444,396	3.03%
SI0031102120	SI				EUR	59.27	2,443,758	57.50	2,370,955	2.94%
ATRIUM EUROPEAN REAL ESTATE	JE00B3DCF752	AT	S&P	BBB-	EUR	3.85	2,043,639	4.15	2,205,435	2.74%
YAPI VE KREDI BANKASI SHARE	TRAYKBNK91N6	TR	S&P	BB	TRY	1.09	2,437,985	0.95	2,127,592	2.64%
ANADOLU HAYAT EMEKLILIK SHARE	TRAANHYYT91O3	TR			TRY	1.51	1,705,335	1.81	2,050,227	2.55%
TAV HAVALIMANLARI HOLDING	TRETAVH00018	TR			TRY	4.33	1,537,909	4.94	1,750,932	2.17%
SNGN ROMGAZ SA	ROSNGNACNOR3	RO			RON	7.42	1,877,269	6.68	1,691,946	2.10%
BANK HANDLOWY W WARSZAWIE	PLBH00000012	PL	Fitch	A-	PLN	17.60	1,391,113	19.60	1,549,517	1.92%
CESKE ENERGETICKE ZAVODY AS	CZ0005112300	CZ	S&P	A-	CZK	22.29	1,709,505	19.43	1,489,888	1.85%
TALLINK GRUPP	EE3100004466	EE			EUR	0.95	1,100,526	1.25	1,445,279	1.79%
AKBANKS T.A.S	TRAAKBNK91N6	TR	Fitch	BB+	TRY	2.26	1,495,376	2.16	1,434,018	1.78%
COCA-COLA ICECEK AS	TRECOLA00011	TR	Fitch	BBB	TRY	9.86	1,554,872	7.52	1,185,820	1.47%
PLAY COMMUNICATIONS SA	LU1642887738	LU	S&P	BB	PLN	8.52	1,100,706	8.09	1,045,265	1.30%
BIM BIRLESIK MAGAZALAR AS	TREBIMM00018	TR			TRY	15.45	883,467	17.16	981,441	1.22%
ALIOR BANK SA	PLALIOR00045	PL	Fitch	BB	PLN	11.75	551,278	19.03	893,083	1.11%
NUCLEARELECTRICA SA	ROSNNEACNOR8	RO			RON	2.04	1,145,179	1.54	862,825	1.07%
WIRTUALNA POLSKA HOLDING SA	PLWRTPL00027	PL			PLN	11.27	830,460	11.61	855,597	1.06%
ARENA HOSPITALITY GROUP DD	HRARNTRA0004	HR			HRK	57.90	772,424	60.54	807,604	1.00%
ENERGA SA	PLENERG00022	PL	Fitch	BBB	PLN	3.09	726,709	3.05	716,354	0.89%
LOGO YAZILIM SANAYI VE TICAR	TRALOGOW91U2	TR			TRY	14.25	658,464	12.91	596,666	0.74%
AKCANS A CIMENTO SANAYI VE TICA	TRAAKCMS91F3	TR			TRY	2.89	685,232	2.39	567,448	0.71%
HRVATSKI TELEKOM DD	HRHT00RA0005	HR			HRK	18.79	432,588	22.25	512,393	0.64%
SPHERA FRANCHISE GROUP SA	ROSGFPACNOR4	RO			RON	6.55	382,125	8.69	507,146	0.63%
RICHTER GEDEON NYRT	HU0000123096	HU			HUF	12.06	268,193	21.81	485,165	0.60%
PRIME CAR MANAGEMENT SA	PLPRMCM00048	PL			PLN	10.44	446,972	6.83	292,690	0.36%
KOMERCIJALNA BANKA AD SKOPJE S	MKKMBS101019	MK			MKD	62.23	204,491	44.84	147,330	0.18%
TELEKOM SPRSKE AD BANJA LUKA	BA100TLKMRA2	BA			BAM	0.74	172,174	0.54	125,414	0.16%
SHARES TOTAL							53,806,898		56,307,462	69.87%

Statement of investments as of 31/12/2017 (continued)

Name	ISIN	Fund country	Fund Management Company	FX	Average acquisition cost per unit	Average acquisition cost	Market value per unit	Total market value	Share of market value of fund's net assets
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FUNDS:

CLOSED-END FUNDS LISTED ON STOCK EXCHANGE:

ADVANCE TERRAFUND SHARE	BG1100025052	BG	KAROLL FINANCE	BGN	0.66	265,179	1.12	450,384	0.56%
BULGARIA REAL ESTATE FUND	BG1100001053	BG	REAL ESTATE MANAGEMENT LTD	BGN	0.52	189,792	1.14	412,358	0.51%

CLOSED-END FUNDS TOTAL						454,971		862,742	1.07%
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SHARES AND FUNDS TOTAL						54,261,869		57,170,202	70.94%
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Name	ISIN	Emitent country	Rating agency	Rating	FX	Maturity	Average acquisition cost	Market value per unit	Total market value	Share of market value of fund's net assets
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DERIVATIVES

Currency Forward TRY/EUR Swedbank AS		EE	S&P	AA- (Swedbank AB)	TRY	12/01/2018			-18,228	-0.02%
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DERIVATIVES TOTAL									-18,228	-0.02%
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Credit Institution	Deposit Type	Credit Institution's country	Rating agency	Rating	FX	Interest rate	Start date	Maturity	Average acquisition cost	Total market value	Share of market value of fund's net assets
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DEPOSITS*

Swedbank AS	Overnight deposit	EE	S&P	AA-	USD	0.9304%	29/12/2017	30/12/2017	1,923,381	1,923,431	2.39%
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DEPOSITS TOTAL									1 923 381	1,923,431	2.39%
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*Accrued interest in the amount of 49.71 EUR has been added to the value of deposits

Statement of investments as of 31/12/2017 (continued)

Name	ISIN	Credit Institution's country	Credit institution	FX	Interest rate	Average acquisition cost per unit	Average acquisition cost	Market value per unit	Total market value	Share of market value of fund's net assets
CASH										
CURRENT ACCOUNT		EE	Luminor	EUR			12,357,587		12,357,587	15.33%
CURRENT ACCOUNT		EE	Swedbank	CZK			2,425,550		2,425,550	3.01%
CURRENT ACCOUNT		EE	Swedbank	RON			2,112,714		2,112,714	2.62%
CURRENT ACCOUNT		EE	Swedbank	PLN			1,888,937		1,888,937	2.34%
CURRENT ACCOUNT		EE	Swedbank	TRY			1,500,808		1,500,808	1.87%
CURRENT ACCOUNT		EE	Swedbank	EUR			780,589		780,589	0.97%
CURRENT ACCOUNT		EE	Swedbank	HUF			413,468		413,468	0.51%
CURRENT ACCOUNT		EE	Swedbank	BGN			83,774		83,774	0.10%
CURRENT ACCOUNT		EE	Swedbank	RSD			28,730		28,730	0.04%
CURRENT ACCOUNT TOTAL							21,592,157		21,592,157	26.79%
DEPOSITS AND CASH TOTAL							23,515,538		23,515,588	26.79%
INVESTMENTS TOTAL							77,777,407		80,667,562	100.10%
OTHER ASSETS										
DIVIDEND TAX RECLAIMS				EUR					19,668	0.02%
RECEIVABLES FOR UNITS SUBSCRIBED				EUR					16,786	0.02%
DIVIDEND RECEIVABLE				EUR					5,562	0.01%
OTHER ASSETS TOTAL									42,016	0.05%
TOTAL ASSETS OF THE FUND							77,777,407		80,709,578	100.15%
LIABILITIES									-118,839	-0.15%
NET ASSETS OF THE FUND									80,590,739	100.00%

STATEMENT OF COMMISSIONS

In EUR

01/01/2018-30/06/2018

	Number of transactions	Volume of transactions	Total commissions paid	Weighted average fee
Regulated securities market transactions*				
Shares				
Dom Maklerski mBanku	13	4,478,802	3,582	0.08%
Patria Finance A.S.	5	2,321,888	1,315	0.06%
Swedbank AS	1	896,692	-	-
Patria Finance A.S. (KBC Securities NV)	1	890,400	489	0.05%
Erste Group Bank AG	6	765,723	1,376	0.18%
Wood and Company Financial Services a.s.	9	597,361	656	0.11%
Raiffeisen Centrobank AG	1	450,568	315	0.07%
Intercapital (Swiss Capital S.A.)	1	60,999	140	0.23%
Third country securities market transactions				
Shares				
BGC Partners Turkey	22	6,741,886	4,044	0.06%
TEB Yatirim Menkul Degerler A.S.	1	412,405	310	0.08%
OTC trades				
Corporate Action	4	384,090	-	-
Exchange offer	1	1,121,578	2,586	0.23%
TOTAL	65	19,122,393	14,813	0.08%

* Contracting Party to the EEA Agreement (European Economic Area countries)

Fund executes all securities transactions at net price. In acquisition the commission fee is included in the acquisition cost and in disposal the commission is deducted from the sale amount.

	Number of transactions	Volume of transactions	Total commissions paid	Weighted average fee
Regulated securities market transactions*				
Shares				
Erste Group Bank AG	8	6,595,975	6,598	0.10%
Raiffeisen Centrobank AG	22	3,603,922	8,312	0.23%
PKO Bank Polski	5	1,698,055	3,102	0.18%
Wood and Company Financial Services a.s.	8	781,805	2,215	0.28%
Interkapital vrijednosni papiri d.o.o.	2	772,424	852	0.11%
Dom Maklerski mBanku	4	287,461	287	0.10%
Third country securities market transactions				
Shares				
TEB Yatirim Menkul Degerler A.S.	6	2,998,193	3,894	0.13%
BGC Partners Turkey	6	2,506,070	3,011	0.12%
OTC trades				
Stock dividend	1	-	-	-
Derivatives				
Swedbank AS	1	2,500,000	-	-
Exchange offer	2	3,834,045	-	-
Bonds				
AS SEB Pank	2	2,732,011	-	-
Citigroup Global Markets Ltd	1	1,862,940	-	-
TOTAL	68	30,172,901	28,271	0.09%

* Contracting Party to the EEA Agreement (European Economic Area countries)

Fund executes all securities transactions at net price. In acquisition the commission fee is included in the acquisition cost and in disposal the commission is deducted from the sale amount.