

Investment Objectives & Approach

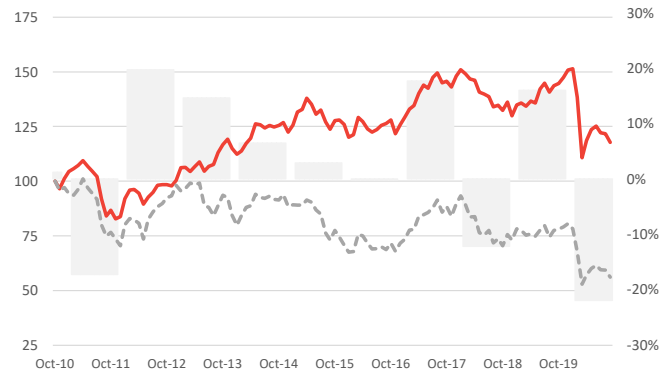
The Fund invests actively in listed equities of European Union new member states and accession countries (Emerging Europe, ex Russia). Benchmark agnostic, it emphasizes bottom-up, value oriented stock picking with a strong small and mid-cap bias. The Fund's investment objective is to maximise upside 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

Fund Manager's Comment, September 2020

Emerging Europe posted -5.4% return in € as all larger regional markets and currencies lost ground alongside with diving global markets. Turkish equities outperformed delivering a strong rebound in local currency supported by the central bank's 200 bps hike in policy rate to 10.25%. However, it did not stop the bleeding in lira (-3% to euro) amid global risk-off mood. In Q3 Emerging Europe underperformed and remains a laggard on YTD basis (-30.4% vs. -4.0% for MSCI World in €). Although, the performance gap to European equities (-13.4% YTD) is somewhat smaller we find it hard to justify given the regional macroeconomic fundamentals. The valuation of Emerging Europe seems very compelling to us. Our region is significantly cheaper without compromising on meaningfully lower expected ROE or earnings growth. Avaron Emerging Europe Fund lost 3.2% in September, outperforming the benchmark amid lower exposure to Poland. The aggregated Fund portfolio trades at 11.3x 1YR FWD P/E and 0.87x 12 month trailing P/B. Current 12-month trailing cash flow yield is at 5-6%.

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

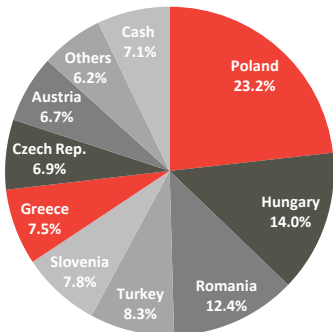
Performance, E Unit



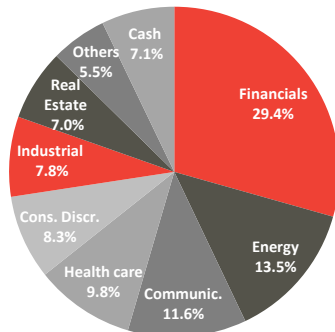
Perf overview	E Unit return	Index return*	Year	E Unit return	Index return*
1 month	-3.2%	-5.4%	2019	16.0%	10.3%
YTD	-21.9%	-30.4%	2018	-12.2%	-18.6%
3 months	-6.0%	-8.8%	2017	17.7%	25.3%
6 months	6.4%	5.9%	2016	-0.1%	1.2%
1 year	-18.0%	-27.7%	2015	2.9%	-20.0%
3 years	-18.7%	-34.6%	CAGR of calendar years		
5 years	-4.9%	-23.3%	Years	Fund	Index*
7 years	4.2%	-36.8%	2015-2019	4.3%	-1.8%
8 years	19.7%	-37.5%	2017-2019	6.2%	4.0%
			2018-2019	0.9%	-5.2%

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

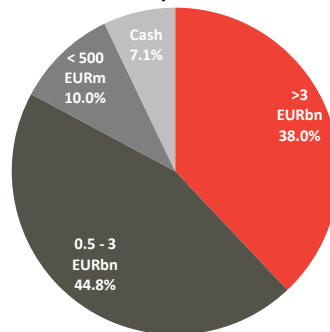
Geographic breakdown



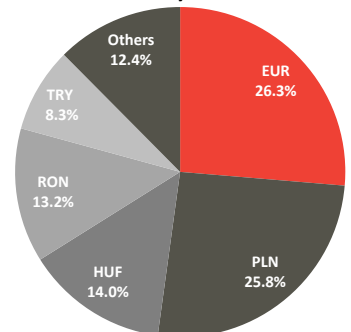
Sector breakdown



Market Cap breakdown



Net currency breakdown



Country allocation

	Sep-20	Change					Contribution analysis					
		1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Poland	23.2%	-0.1%	0.7%	1.1%	7.1%	13.0%	-0.6%	-0.1%	-6.7%	-7.1%	-6.2%	-2.9%
Hungary	14.0%	-0.1%	2.5%	9.7%	13.3%	12.8%	-0.9%	-0.9%	-0.8%	-1.9%	-1.2%	-0.4%
Romania	12.4%	-0.8%	1.2%	-7.6%	-4.2%	-6.6%	-0.4%	0.6%	-1.9%	-2.4%	4.8%	8.8%
Turkey	8.3%	0.4%	-4.3%	-2.0%	-13.6%	-2.2%	0.2%	-1.7%	-1.0%	-2.4%	-8.1%	-5.0%
Slovenia	7.8%	-0.2%	0.7%	1.6%	4.7%	4.4%	-0.4%	0.0%	1.1%	0.3%	1.9%	1.8%
Greece	7.5%	0.6%	1.1%	6.0%	7.5%	7.5%	0.4%	0.5%	0.7%	0.6%	0.9%	0.9%
Czech Rep.	6.9%	-0.5%	-0.3%	-0.4%	-1.1%	-3.4%	-0.7%	-0.7%	-2.5%	-2.7%	-2.5%	-1.5%
Austria	6.7%	-0.1%	-0.2%	-1.3%	-2.9%	-11.6%	-0.2%	-0.9%	-3.2%	-3.1%	-2.0%	4.1%
Croatia	2.5%	0.2%	0.3%	0.5%	0.6%	2.5%	0.1%	0.2%	-0.1%	-0.1%	-0.3%	0.0%
Others	3.7%	0.0%	0.0%	0.2%	0.5%	-1.0%	-0.1%	-0.4%	-0.7%	-0.8%	-0.4%	1.2%

Sector allocation

	Sep-20	Change					Contribution analysis					
		1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Financials	29.4%	-1.1%	0.4%	2.4%	-2.3%	-0.2%	-1.9%	-2.1%	-12.1%	-13.4%	-16.9%	-8.7%
Energy	13.5%	-1.1%	0.2%	5.6%	6.6%	4.1%	-0.7%	-0.3%	-1.8%	-2.1%	1.4%	4.3%
Communication	11.6%	1.8%	3.8%	6.0%	8.3%	11.1%	0.5%	1.1%	1.3%	0.7%	1.9%	2.0%
Health care	9.8%	-1.1%	0.5%	1.2%	6.0%	5.3%	-0.9%	0.3%	2.4%	0.8%	2.7%	3.3%
Cons. Discr.	8.3%	0.5%	-2.5%	2.4%	5.4%	3.6%	0.3%	-0.8%	-0.8%	-1.5%	-1.4%	1.0%
Industrial	7.8%	0.5%	0.4%	3.7%	5.3%	5.8%	0.2%	-0.1%	0.1%	-0.2%	0.3%	0.8%
Real Estate	7.0%	0.0%	0.0%	-2.0%	-5.6%	-3.9%	-0.1%	-0.8%	-3.0%	-2.7%	-1.8%	0.8%
Utilities	3.0%	-0.1%	-0.2%	-6.7%	-5.8%	-10.7%	-0.2%	-0.3%	-0.9%	-0.8%	1.9%	3.1%
Others	2.5%	0.1%	-0.8%	-4.7%	-6.3%	0.3%	0.0%	-0.3%	-0.4%	-0.4%	-1.1%	0.1%

Style allocation

	Sep-20	Change					Contribution analysis					
		1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Cyclical	61.3%	-1.2%	-1.2%	14.7%	17.3%	24.4%	-2.1%	-3.2%	-14.4%	-17.2%	-16.7%	-4.9%
Non-cyclical	24.6%	0.6%	3.0%	2.2%	7.4%	5.6%	-0.5%	0.6%	2.8%	0.8%	3.9%	6.7%
Asset play	7.0%	0.0%	0.0%	-9.1%	-10.3%	-9.1%	-0.1%	-0.8%	-3.5%	-3.2%	0.0%	3.7%
Cash	7.1%	0.6%	-1.8%	-7.8%	-11.6%	-15.3%	-0.1%	-0.1%	-0.3%	-0.4%	-0.6%	-0.8%

Risk metrics

	5Y risk*
Alpha	2%
Volatility & stand. deviation	12.5%
Beta	0.57
Sharpe ratio	-0.05
Information ratio	0.42
Tracking error	10.0%

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

Turnover

	Adj*
FY 2019	26.1%
	32.9%

* Adjusted for fund flows

Fund statistics

Number of positions	42
Top10	46.8%
Top20	71.5%
Gross exposure	92.9%
Net exposure	92.9%
Concentration coefficient	31
Median market cap MEUR	1512
Average market cap MEUR	2211

Liquidity analysis*

	20%	50%
3 days	69.1%	79.3%
2 weeks	86.3%	98.2%
4 weeks	96.6%	99.0%

* 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	Cut-off	10am CET
Fund type	UCITS V	NAV frequency	Daily dealing, T+3
Launch date	April 23, 2007	Supervised by	Estonian FSA
Domicile	Estonia	Custodian	Swedbank AS
Currency	EUR	Transfer agent	Swedbank AS
Dividends	reinvested	NAV calculation	Swedbank AS
Fund size, MEUR	40.9	External auditor	KPMG
Total AUM, MEUR	250+	Internal auditor	PWC

Unit class	D (Retail)	C (Institutional)	E (Institutional)
Min. initial investment	-	500,000 EUR	500,000 EUR

Front-end load	-	-	-
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Management fee	2%	1.15%	0.85%
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Performance fee (unit based)	-	-	15% over MSCI EFM EUROPE + CIS (E+C) ex RU index, annual reset (June 30)
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Back-end load	-	-	-
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NAV			
	30-Sep-2020	ISIN code	TER 2019
B unit	4.2015 EUR	EE3600090056	1.63%
C unit	14.2417 EUR	EE3600102901	1.53%
D unit	11.7132 EUR	EE3600108866	2.38%
E unit	11.7719 EUR	EE3600108874	1.25%

Public offering France, Switzerland, Germany, United Kingdom, Finland, Sweden, Estonia, Latvia, Lithuania, Norway (units C, E)

Tax transparency Germany, Switzerland

Platforms & execution Allfunds, MFEX, Clearstream AFS, SIX SIS AG, RBC Investor Services

Morningstar rating Yes, four stars (5 years)

Fund documents & prospectus www.avaron.com/documents

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

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About Avaron Asset Management

Avaron Asset Management (founded in 2007) is an independent management-owned investment manager with a clear focus on stock-picking (bottom-up) and value investing in Emerging Europe region. We aim to deliver positive risk-adjusted return to our clients over the market cycle. Our portfolios are long-only and invest in listed stocks. Investment ideas are generated through in-house proprietary research of approximately 250 Emerging Europe companies, backed by regular on the ground visits and meetings. Our stock selection is primarily driven by the upside to internally set target prices on single company level. We invest only in business models that we understand and can model ourselves focusing on companies with leading market positions and strong recurring revenue streams. In addition, we have integrated ESG analysis into our investment process and adhere to the UN Principles for Responsible Investment (UN PRI). Our team of 18 professionals (including 10 in the investment team), based in Estonia and Poland, takes care of around 250 million euros of mainly professional investor assets. We adhere to the *UN Principles for Responsible Investment* (PRI) and are supervised by the Estonian Financial Supervision Authority.



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Rain Leesi, CFA
Investment Manager

Signatory of:



Principles for
Responsible
Investment



RESPONSIBLE
BUSINESS INDEX
GOLD LEVEL 2020

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