

Changes to AVARON EMERGING EUROPE FUND Rules and Prospectus

30 April 2018

On 30 April 2018 Avaron Management Board approved the changes to Avaron Emerging Europe Fund (hereinafter the “Fund”) Rules and Prospectus. The changes will become effective as of 1 June 2018. Until this date, investors are entitled to exit the Fund at NAV, i.e. without paying any redemption fee (no unit class of the Fund carries any redemption fees).

The changes to the Fund’s Rules:

- For the sake of simplicity and in order to avoid duplication, the list of countries belonging to the Emerging Europe region is deleted from the Rules and presented in the Prospectus only. The list of countries in the Prospectus is as follows: „Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Macedonia, Malta, Moldova, Montenegro, Poland, Romania, Serbia, Slovakia, Slovenia, Turkey, Ukraine and all European countries of MSCI Emerging Markets and Frontier Markets indices, excluding Russia“.

The changes to the Fund’s Prospectus:

- Cyprus and Malta were added to the investment region list – these countries are inherently part of Emerging Europe region. At present we have no immediate plans to invest in Cyprus or Malta.
- We added EBITDA and assets into the definition of an Emerging Europe Company (to unify the wording across all Avaron run portfolios) with the following wording: „An Emerging Europe company is a company who has its registered office in an Emerging Europe country, or has substantial business interests in Emerging Europe countries, or whose securities are issued in the currencies of Emerging Europe countries, or listed in the regulated markets of Emerging Europe countries. Substantial business interests shall be deemed to exist if more than 40% of the company’s turnover, EBITDA, assets, cost base, number of employees, operating profit or net profit is derived from Emerging Europe countries.“
- We updated the wording of the depositary fee to reflect the changes made in the Depositary Agreement signed between Avaron and Swedbank, the Fund’s Depositary Bank. Earlier the Fund paid a fixed percentage depositary fee for its aggregate assets while based on the amended agreement the fee is based on each market separately. The new methodology does not increase the fee paid by the Fund.
- We will replace the current benchmark index for E Unit with a wider MSCI Eastern Europe ex-Russia index starting from 1 July 2018 to ensure alignment with the Fund’s investment portfolio with the following wording: “The benchmark index is MSCI EFM Central and Eastern Europe & CIS (CEEC) ex Russia Index until 30 June 2018 and MSCI EFM Europe + CIS (E+C) ex Russia Net Return EUR Index from 1 July 2018.” The current index has a substantial weight on Poland and does not include Turkey at all while the new index is better balanced across the Fund’s investment region.

Current Benchmark EFM CEEC ex RU (Net)		New Benchmark MSCI EFM EUROPE + CIS (E+C) ex RU	
Country	%	Country	%
Poland	64.39%	Poland	38.70%
Hungary	15.70%	Turkey	29.97%
Czech Republic	8.61%	Greece	9.93%
Romania	4.25%	Hungary	9.44%
Kazakhstan	2.56%	Czech Republic	5.18%
Other*	4.49%	Other**	6.79%

*Croatia, Estonia, Lithuania, Serbia and Slovenia and Ukraine

**Croatia, Estonia, Kazakhstan, Lithuania, Romania, Serbia, Slovenia and Ukraine

The Fund’s new Rules and Prospectus are available at <http://www.avaron.com/documents>. For any questions or comments, please do not hesitate to contact us at phone: +372 664 4214 or e-mail: invest@avaron.com.

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