

Part 2A of Form ADV

FIRM BROCHURE



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This brochure provides information about the qualifications and business practices of AS Avaron Asset Management. If you have any questions about the contents of this brochure, please contact us at +372 664 4205 or at avaron@avaron.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Although AS Avaron Asset Management is a registered investment adviser, registration itself does not require and should not be interpreted to imply a certain level of skill or training. Additional information about AS Avaron Asset Management is available on the SEC's website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. The CRD number for AS Avaron Asset Management is 282350.

Item 2. Material Changes

The information in this Brochure reflects the following material change from previous version of the brochure as of December 2018.

There has been no material change.

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Item 4. Advisory Business

AS Avaron Asset Management (hereinafter “**Avaron**”, “**the Company**” or “**we**”) is an independent management-owned asset management company and an investment adviser registered with the Estonian Financial Supervision Authority (hereinafter “**Estonian FSA**”). Our principal place of business is Tallinn, Estonia. We are authorized under the Estonian FSA to provide fund management, portfolio management and investment advisory services.

Avaron was incorporated in January 2007 under the laws of Estonia. Avaron is a limited liability company. 82.41% of the company is owned by the holding company OÜ Avaron Partners and 17.6% of the share capital is issued as preferred shares to Avaron key employees (senior analyst team). OÜ Avaron Partners is equally owned by Avaron’s founders: 65.9% owned by OÜ Princo which is 50:50 owned by Kristel Kivinurm-Priisalm (Avaron CEO & COO) and Peter Priisalm (Avaron CIO) and 32.95% owned by Drusba Investments OÜ which is owned 50:50 by Valdur Jaht (Avaron CIO) and his wife Maris Jaht (not active in Avaron). 1.15% of OÜ Avaron Partners is held as treasury shares.

Avaron is an investment adviser to one UCITS V compliant investment fund and one non-UCITS compliant public common alternative investment fund registered with the Estonian FSA in Europe. The funds invest into Emerging Europe listed securities but have two distinct strategies. Avaron Emerging Europe Fund invests into listed equities of Emerging Europe and Avaron Flexible Strategies Fund is an asset allocation fund mainly to the region but can additionally invest globally. Avaron Emerging Europe Fund is publicly marketed in Estonia, France, Switzerland, UK, Germany, Finland, Sweden, Estonia and Latvia. Avaron Flexible Strategies Fund is marketed exclusively in Estonia. In addition to Estonia-registered investment funds (hereinafter “**Avaron Funds**”) we manage money in the form of segregated accounts for US and non-US institutional professional investors (hereinafter “**Managed Accounts**”). Managed Accounts invest all in Emerging Europe listed equities. Although all Managed Accounts follow a similar investment strategy, each account is tailored and different as investors impose restrictions on investing in certain countries, securities or types of securities. As of the date of this brochure, we manage money for one U.S. institutional investor (hereinafter “**Investor**”) via Avaron Emerging Europe Fund LP (hereinafter “**AEF LP**”), a Delaware based limited partnership targeted to institutional investors in the U.S. Avaron Emerging Europe Fund LP invests in listed equities in Emerging Europe ex-Russia region.

We are value-driven stock pickers with focus on fundamental analysis. We invest in listed all-cap companies (equities and high yield bonds) and take opportunities in the small and mid-cap market segments whenever these offer attractive risk-return patterns. Since 2011, we adhere to the United Nations’ Principles for Responsible Investment (UN PRI), as environmental, social and governance principles (hereinafter “**ESG**”) are an integral part of our investment process.

As of December 31st 2019, we managed \$438M in clients’ assets on a discretionary basis, including both Avaron Funds, Managed Accounts and Investor assets. We do not manage any assets on non-discretionary basis.

Item 5. Fees and Compensation

Fees paid to us by any Investor are negotiable and may include management fees and/or performance-based fees. For Investors in respect of whom a performance fee is charged, such fee generally equals a percentage of the outperformance compared to a pre-agreed benchmark index. Management fees are payable on quarterly basis for an average assets under management for a previous quarter and performance-based fees are payable on an annual basis. We generally bill Investors for fees incurred and do not deduct the fees from clients' assets ourselves, except for AEF LP. Each Investor will bear the actual transaction costs associated with its investments, such as brokerage commissions and transaction taxes. We do not provide securities' safekeeping or fund administration services. Therefore, securities' safekeeping and fund administration services and associated costs will be governed by an Investor's separate agreement with a custodian bank.

Item 6. Performance-Based Fees and Side-By-Side Management

With respect to Investors, we may receive performance-based fees described in Item 5 of this brochure.

Performance-based fees create an incentive for us to make investments which may be riskier or more speculative than those we would recommend under a different fee arrangement. Also, because any performance-based fee is calculated on a basis which includes unrealized as well as realized appreciation of assets, the performance-based fee may be greater than if such compensation were based solely on realized appreciation.

Different client accounts we manage are solely subject to management fee arrangements or different performance-based compensation arrangements. If we are entitled to receive a performance-based fee from one client and an asset-based management fee from another, or a higher percentage of the net profits of the account of one client than another client, then this may create a conflict of interest and we may have an incentive to favor, or to allocate certain riskier or more speculative investments to the client that may generate higher fees for us. However, we have implemented policies and procedures to allocate all investment opportunities among our clients in a manner that we consider fair and equitable to all clients, considering all material factors potentially applicable to each client. We also periodically compare holdings and performance of all client accounts with similar strategies to identify significant performance disparities indicative of possible favorable treatment.

Item 7. Types of Clients

Avaron mainly manages the assets of qualified (professional institutional) investors, such as pension funds, licensed asset management firms, investment funds and licensed family offices from Europe, Canada and the U.S. We accept only professional investors as Investors. We generally require an initial account balance of \$25 million for a managed account and charge a minimum of \$150,000 annual management fee. For AEF LP minimum investment sum is \$3 million. We may waive these minimum amounts, in whole or in part, at our discretion.

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

General. Investors should keep in mind that all Avaron managed Investor portfolios are very high risk portfolios as they invest a) into equities; b) in Emerging Markets (Emerging Europe); c) into securities that are nominated in currencies other than the US dollar and that can be volatile at times.

Avaron focuses on Emerging Europe listed equity asset class with an objective to deliver positive risk-adjusted return to our clients over the market cycle. This is achieved by constructing a portfolio of companies that maximizes the aggregate upside to internally set target prices of individual companies in our investment universe taking into account the quality and ESG profile of a company, liquidity of an instrument, and where relevant also FX outlook.

Investment strategies. Our investment philosophy is based on value investing principles. Over time stock prices tend to over or underreact to market news and thus deviate from fundamental value of a company. In order to take advantage of such occurrences our portfolio construction is fully bottom-up, assessing every investment case on a standalone basis. Our idea generation is proprietary, driven predominantly by upside to internally set fair value targets. We tend to have long term holding periods but our upside oriented investment process also allows us to take advantage of short-term market volatility without losing focus of the underlying fundamental value of the company. We search for well managed companies with leading market positions, identifiable competitive advantage(s) and strong recurring revenue based business models that we understand and are able to model ourselves. Within our investment process we put strong emphasis on company quality that is assessed by using an internal Quality Score focusing on management team and business model quality, and financial strength of the company. Besides conventional financial and non-financial aspects we have integrated ESG analysis into our investment process leveraging upon our bottom-up regional expertise with an aim to identify material ESG risks and value creation opportunities. Our investment team has been following vast majority of our current listed equity universe for more than a decade, which serves as an important strength in assessing the companies' future potential. In order to have an extensive knowledge base of the companies in our universe we have taken a strategic decision not to outsource ESG analysis to third party providers but rather to educate our research team and add an ESG specific layer within our investment process.

We invest in attractively valued listed companies and their high yield bonds in Emerging Europe region. The region encompasses countries that joined the European Union in 2004 and later (Estonia, Latvia, Lithuania, Poland, Hungary, the Czech Republic, Slovakia, Slovenia, Bulgaria, Romania and Croatia), potential European Union accession countries (such as but not limited to Turkey, Bosnia and Herzegovina, Serbia), Russia and CIS countries, and any other country that is part of MSCI Emerging Europe region indices, such as Greece. We also consider developed Europe companies that have substantial business interest in Emerging Europe as part of our investment universe. We manage assets in a benchmark agnostic way, emphasizing on bottom-up analysis and value oriented stock-picking with a strong small and mid-cap bias. Our portfolios usually comprise of 25-40 stocks. Usually we do not use any derivatives. However, in some portfolios we might use FX derivatives to hedge an FX risk should we deem respective FX to be overvalued compared to portfolio hard currency (usually USD or EUR). By implementing our investment process, we aim to outperform the market at lower volatility. As we do not follow any indices in our investment process, Avaron returns might deviate significantly from any Emerging Europe or Emerging Market benchmark or index.

Methods of analysis. To achieve our goal we focus on fundamental bottom-up research of each company we consider for inclusion in our investment universe. Our analysis is conducted at the desk and in the field, and our investment managers and analysts spend considerable time and

energy meeting company managements as well as participating in onsite visits, conferences and the like, in order to ensure that we understand the business models and the business environments of the companies in our investment universe of roughly 280 entities.

There are approximately 6,000 companies listed in Central and Eastern Europe stock exchanges. By applying quantitative screen of minimum \$100m market cap and daily stock liquidity of \$100,000, we are left with roughly 320 companies. In the framework of qualitative part of the investment process we have visited most of these 320 companies over the 15+ years the team has been investing into Emerging Europe. It is our core principle not to make an investment into a company without prior direct contact with the management, preferably at the investee company's premises. The main aim of such meetings is to be assured of the quality of the company. If the company does not meet our expectations in terms of quality, e.g. poor corporate governance, poor managerial track of the board etc., we will cease analyzing the case immediately after the meeting. If we find the quality of a company acceptable, then we will move forward with the investment process.

For assessing a company quality, we have developed an in-house tool – a quality score that enables to rank the companies in our investment universe on a scale from 0 to 100. The quality score comprises of 3 sections: management quality, competitiveness of the business model and the company's financial strength. In-depth analysis of ESG criteria using an internally developed ESG Score is also part of our company quality analysis and enables to assess the ESG performance of companies in our investment universe. ESG score assesses company's ESG performance comprising over 90 qualitative and quantitative criteria covering environment, society, supply chain and governance.

In the valuation phase of the investment process we develop a financial forecasting model for a company and finalize the estimates for the next 2-3-year period. We analyze the financial potential of a company and take a look at historic through the cycle margins to make sure that we do not get carried away into any extremes based on current sentiment. For valuation we typically use multiples based approach, however, we do not rely on relative valuation. The applied multiples are our estimates of the fair value levels based on the historical averages and/or regional M&A activity. Next we measure the potential return on a 2-year perspective, which is a longer period than for an average investor on the market, while forecasting horizon remains short enough to have a certain degree of confidence towards our estimates.

Our key criterion in including or divesting companies from the portfolio is the upside to internally set target prices. Upside is constantly changing due to changes in the market price of companies and changes to the target price based on renewed fundamental assumptions. As a minimum, the target price is reviewed every time a company reports its (quarterly) financial results, but it is also reviewed in case of changes in our views on company's outlook. As the upside is constantly changing, this is the main source of our investment decisions.

The second important criteria in portfolio construction are the above described quality score and ESG score. From companies with lower quality and ESG score we require higher upside to be considered into the portfolio. In addition, we take into account the liquidity of a company on a stock market. Companies with lower liquidity have to offer higher upside to target price at the time of entry. In case of a prospective risk for more than 5% depreciation of the local currency, we adjust the target prices of relevant companies for the potential currency risk. Generally, we do not hedge the currency risk due to high cost of hedging.

As a result of our investment process, the portfolio construction is fully bottom up as every investment case has to make sense on a standalone basis. However, we do pay attention to concentration risk on sector and country level. We have very high exit discipline as we do not tolerate companies with negative upside in our portfolio.

Risks and Risk of Loss. The information included in this brochure does not include every potential risk for Investors associated with investing money in Avaron managed accounts. However, we have presented below the main risks.

Investment risks in general and market risk. The prices of the securities that we cover may be volatile. Market movements are difficult to predict and are influenced by, among other things: government trade, fiscal, monetary and exchange control programs and policies; changing supply and demand relationships; national and international political and economic events; changes in interest rates; and the inherent volatility of the marketplace. Thus, investment returns of Investors may or may not be profitable. In case risk factors materialize, it is possible that an Investor loses a substantial part of the initial investment. Investors should bear in mind that securities investments are not guaranteed. Therefore, Investors should carefully review all information and any documents related to their investment account with Avaron for a detailed explanation of many of the risks associated with the investment prior to making an investment decision.

Equity securities and issuer specific risks. Investments may include long positions in U.S. dollar denominated and non-U.S. dollar denominated non-U.S. securities. Equity securities fluctuate in value, often based on factors unrelated to the value of the issuer of the securities, and such fluctuations can be pronounced. 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. The prices of the securities of smaller companies may be subject to more abrupt or erratic market movements than the securities prices of larger, more established companies because small company securities typically are traded in lower volume and the issuers typically are more subject to changes in earnings and prospects. On behalf of an Investor, we may at our discretion purchase securities of any Emerging Europe company (other than companies defined as black list companies by an Investor or which are exposed to sanctions) and an Investor should be able to bear such risk. We may invest an Investor's capital among others into common stocks, preferred stocks or high yield bonds. Common stocks are shares of a corporation or other entity that entitle the holder to a pro rata share of the profits, if any, of the entity without preference over any other shareholder or claim of shareholders, after making required payments to holders of the entity's preferred stock and other senior securities. Common stock usually carries with it the right to vote and frequently an exclusive right to do so.

Concentration; limited diversification. At any given time, an Investor's assets may become highly concentrated within a particular company, industry, and asset category, financial or economic market. In addition, our anticipated investment strategy may result in an Investor's portfolio containing the securities of twenty-five or fewer companies. In such event, that Investor's portfolio will be more susceptible to fluctuations in value resulting from adverse economic conditions affecting the performance of that particular company, industry, asset category, financial or economic market, than a less concentrated portfolio would be. As a result, if an Investor's investment portfolio is concentrated, its aggregate return may be volatile and may be affected substantially by the performance of only one or a few holdings. We do not hedge any of the positions in an Investor portfolio.

Investments in less-established issuers. We may invest in securities of smaller, less seasoned companies. Such securities are generally subject to greater price fluctuations, limited liquidity, wider bid/ask spread, higher transaction costs and higher investment risk. Smaller companies may have limited product lines, markets or financial resources, may be dependent on a limited management group or lack substantial capital reserves and do not have established performance records. There is generally less publicly available information about such companies than larger, more established companies.

Foreign investment risks generally. We may invest an Investor's capital in the securities of

foreign issuers. Investment in foreign issuers or securities principally traded overseas may involve certain special risks due to foreign economic, political and legal developments, including favorable or unfavorable changes in currency exchange rates, exchange control regulations (including currency blockage), expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments, and possible difficulty in obtaining and enforcing judgments against foreign entities. Furthermore, issuers of foreign securities are subject to different, often less comprehensive accounting, reporting and disclosure requirements than domestic issuers. The securities of some foreign governments and companies and foreign securities markets are less liquid and at times more volatile than comparable U.S. securities and securities markets. Foreign brokerage commissions and other fees are also generally higher than in the United States. There are also special tax considerations which apply to securities of foreign issuers and securities principally traded overseas. Since foreign securities often are purchased with and payable in currencies of foreign countries, the value of these assets as measured in U.S. dollars may be affected favorably or unfavorably by the changes in currency rates and exchange control regulations. Currency exchange costs will incur when an Investor's investments change from one country to another should these countries use different currencies. Currency exchange rates may fluctuate significantly over short periods of time. They generally are determined by the forces of supply and demand in the foreign markets and the relative merits of investments in different countries, actual or perceived changes in interest rates and other complex factors, as seen from an international perspective. Currency exchange rates can also be affected unpredictably by intervention by U.S. or foreign governments or central banks (or the failure to intervene) or by currency controls or political developments in the United States or abroad.

Investing in Emerging Markets. When investing into Emerging Europe markets, Investors should take into account that any risk factor listed in this document is more likely to materialize compared to investing into developed markets. The legal, political and economic infrastructure of Emerging Europe countries is still at an early stage of development. In such countries it is more likely that social, economic or political instability will occur. As a result, investing in the Emerging Europe region is accompanied by higher risks compared to investing in developed markets. Investors should accept that the positive developments and successful reforms that have taken place in some countries may not necessarily happen also in other countries.

In addition the following risks may occur in Emerging Europe region: countries may have restrictive national policies that would effectively limit the investment opportunities; limited information about their issuers; a general lack of uniform accounting, auditing and financial reporting standards, auditing practices and requirements compared to the standards of OECD countries (Organization for Economic Co-operation and Development that hosts 36 member countries that are more developed, including the United States); less governmental supervision and regulation of business and industry practices, stock exchanges, brokers and listed companies; favorable economic developments that may be slowed or reversed by unanticipated political or social events in such countries; or a lack of capital market structure or market-oriented economy. Systemic and market factors may affect the acquisition, payment for or ownership of investments including: (a) the prevalence of crime and corruption; (b) the inaccuracy or unreliability of business and financial information; (c) the instability or volatility of banking and financial systems, the absence or inadequacy of an infrastructure to support such systems; (d) custody and settlement infrastructure of the market in which such investments are transacted and held; (e) the acts, omissions and operation of any securities depository; (f) the risk of the bankruptcy or insolvency of banking agents, counterparties to cash and securities transactions, registrars, custody banks or transfer agents; and (g) the existence of market conditions that prevent the orderly execution and settlement of transactions or that affect the value of assets. Different clearance and settlement procedures may prevent us from making

intended security purchases for an Investor, causing that Investor to miss attractive investment opportunities and possibly resulting in either losses to or contract claims against that Investor.

Market capitalization of Emerging Europe markets is relatively small. These markets are often volatile and have low liquidity. Also, corporate transparency and protection of minority shareholder rights is of lower level compared to developed markets.

Systemic risk. Investors should bear in mind that overall securities' safekeeping at depositaries and sub-custody houses (custody) and settlement infrastructure and support systems are of lower level compared to developed markets. Risks that affect the overall market also impose a risk of loss to Avaron. This involves risks that the non-performance of securities depositaries, stock exchanges, and market places, clearing houses, custody banks or other counterparties could cause losses due to failed trades, delayed settlement, mistakes in recorded transactions etc.

Currency risk. Currency exchange rates of the investment region may substantially fluctuate against Investor's reference currency and this may have a significant impact on the investment, either favorably or unfavorably affecting an investment in USD. Thus, an increase in the value of the U.S. dollar compared to the other currencies in which the assets of an Investor are invested reduces the effect of increases and magnifies the U.S. dollar equivalent of the effect of decreases in the prices of the securities invested in by an Investor in non-U.S. markets. Conversely, a decrease in the value of the U.S. dollar has the opposite effect of magnifying the effect of increases and reducing the effect of decreases in the prices of the non-U.S. dollar securities held by an Investor. Avaron does not generally hedge foreign currency exchange rate risks but in some cases might use forwards or puts to hedge the risk. Also, Investors should bear in mind that FX spreads are much wider in Emerging Europe currencies compared to hard currencies.

Political risk. The risk that unfavorable trends or (political) events (e.g. changes in economic policy or legal environment, nationalizations, riots, war) take place in a country where the assets have been invested that affect the country's political or economic stability or future development thereby causing the loss of the investments in the country or diminishing the value of such investments for an Investor.

Non-U.S. investments, exchanges and market risk. We will engage in trading of non-U.S. investments and on non-U.S. exchanges and markets on behalf of Investors. Trading of such investments and on such exchanges and markets may involve certain risks not applicable to trading of U.S. investments or on U.S. exchanges, including, but not limited to, special risks due to economic, political and legal developments, including favorable or unfavorable changes in currency exchange rates, exchange control regulations (including currency blockage), expropriation of assets or nationalization, changes in governmental administration or economic or monetary policy (in the U.S. or abroad) or changed circumstances in dealings between nations, imposition of withholding taxes on dividend or interest payments, volatility of markets and issuers that causes liquidity problems, lack of uniform accounting and auditing standards, and possible difficulty in obtaining and enforcing judgments against non-U.S. entities. Certain exchanges and issuers may not provide the same assurances of the integrity (financial and otherwise) of the marketplace and its participants as do U.S. exchanges and issuers and may be less liquid and more volatile. There also may be less regulatory oversight and supervision by the exchanges themselves over transactions and participants in such transactions on those exchanges. Foreign brokerage commissions, custody fees and other fees are also generally higher than in the United States.

Credit risk. An Investor's portfolio is exposed to credit risk. That is the risk that the issuer of securities where an Investor has invested or the counterparty to a transaction on account fails

to perform its obligations either fully or partially causes damage. For example, an issuer fails to redeem issued debt obligations or a counterparty to a trade does not deliver securities or cash during the settlement.

Securities safekeeping (custody) risk. The risk that an Investor account suffers losses due to actions or inactions, fraud or bankruptcy of the depository (custody bank), sub-custodians or local depositories. Such losses may include losses due to the bankruptcy of a person holding securities, the person losing securities or its inability to fulfil orders.

Risks related to securities not traded on regulated markets. Part of the assets may be invested in securities not traded on regulated securities markets or in securities which are not traded on daily basis, i.e. such securities do not have daily quotes. In addition to ordinary investment risks, such investments entail higher liquidity risk and higher risk related to valuing such assets. Where market quotations are not readily available, valuation may require more research than for more liquid investments. In addition, elements of judgment may play a greater role in valuation in such cases.

Risks of investment selection. We select companies based on qualitative screening into our investment universe and based on upside to internally set target prices to an Investor portfolio. However, there can be no assurance that we will correctly evaluate the nature and magnitude of the various factors that could affect company target prices, value of and return on investments. Prices of investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of any Investor account activities and the value of its investments. No guarantee or representation is made that any Investor account investment objectives will be achieved.

Accuracy of public information. We select investments for Investors, in part, based on information and data filed by issuers via stock exchanges or made directly available to us by the issuers or through sources other than the issuers. Although we evaluate all such information and data and ordinarily seek independent corroboration when we consider it is appropriate and reasonably available, we are not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not available.

Reliance on management. We will have the exclusive power to make decisions regarding the management and operations of U.S. Segregated Accounts. Accordingly, no Investor should open an investment account with Avaron unless such person is willing to entrust us with all aspects of management of their assets.

Dependence on principals. Our investment activities and Avaron operations depend upon the expertise and continued employment of Avaron key employees. Avaron has three key employees - Peter Priisalm (co-CIO), Valdur Jaht (co-CIO) and Kristel Kivinurm-Priisalm (CEO, COO) - (hereinafter “**Supervised Persons**”). Only the Supervised Persons and an Investment Manager have the right to take investment decisions and place orders for Investors. The loss of their services or other key employees could have a material adverse effect on our investment strategy. No assurance can be given that suitable replacements could be found for any portfolio manager or other key employee in the event of his or her death, disability or separation from our firm.

Conflicts of interest. We currently serve as an investment adviser to non-U.S. institutional investor portfolios, which may have substantially the same investment program as Investors, and we will not devote our resources exclusively to the respective portfolios of the Investors. We and our affiliates, shareholders, members, managers, directors, officers or employees (collectively “**Related Persons**”) will not be precluded from engaging directly or indirectly in any

other business or other activity, including exercising investment advisory and management responsibility and buying, selling or otherwise dealing in securities and other investments for our own accounts, for the accounts of family members, for the accounts of other funds and for the accounts of individual and institutional clients. Any of the Related Persons may give advice and take action in the performance of his or her duties to his or her other clients, which advice could differ in timing and nature from those given or taken with respect to any Investor account. We will have no obligation to purchase or sell for any Investor account any investment that the Related Persons purchase or sell, or recommend for purchase or sale, for their own accounts, for the account of any other fund or for the account of any client. No Investor account will have any rights of first refusal, co-investment or other rights in respect of the investments made by Related Persons for other clients or accounts, or in any fees, profits or other income earned or otherwise derived from such investments. If a determination is made that an Investor account and another such person should purchase or sell the same investments at the same time, we will allocate these purchases and sales, as we consider equitable to each. No Investor will, by reason of that status, have any right to participate in any manner in any profits or income earned or derived by or accruing to us or our Related Persons from the conduct of any business (other than the applicable Investor business) or from any transaction in investments effected by us or any of our Related Persons for any account other than for the account of the applicable Investor account. In addition, we may have an incentive to favor the non-U.S. investors, by devoting resources or allocating investment opportunities to the non-US investors, because we may receive higher compensation from those funds, including payment of performance-based fees.

Liquidity risk. Investors might be exposed to the risk that a financial instrument cannot be sold due to low liquidity at the time desired, or at a reasonable price, or that it is not possible to sell the asset 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.

Interest rate risk. As we may invest Investor portfolios into fixed income instruments or bonds, such investments may be exposed to the risk that interest rates, yield curves or volatility of interest rates change in an adverse direction for Investors.

Legal risk. Investors are exposed to the risk that an Investor account suffers losses or that penalties are imposed due to the possibility that Avaron does not have a sufficient knowledge of the legislation and its statutory obligations that are applied in the target countries of the investments. Additionally, amendments in legislation after the investment has been made could result in restrictions for Investor account's activities or create additional obligations.

Tax risk. Investor should be aware that potentially tax could be imposed on an Investor profits and withholding taxes could be applied on income received by an Investor in the countries Avaron invests Investor assets.

Derivative instruments. If allowed by investment management agreement of an Investor, Avaron may invest the assets in derivative instruments for the purpose of hedging risks and/or for the purpose of achieving Investor's investment objectives. The market value of a derivative instrument depends on the price or value of another underlying asset (e.g. share, stock index, foreign exchange rate, currency). Using derivative instruments entails leverage, i.e. a small change in the price of the underlying asset may lead to a large change in the price of the derivative instrument. Therefore, an investment in derivative instruments leads to relatively larger profit or larger loss (higher risk) compared to a similar investment in the underlying asset. In case of certain derivative instruments, the potential loss is larger than the initial investment made. Since the value of the derivative instrument depends on the price of the underlying asset, the derivative instrument is subject to the same risks as the underlying. In addition, counterparty risk, interest rate risk and changes in the volatility of the underlying asset affect the value of the derivative. In order to determine the value of the derivative, complex valuation

models are often used. Thus, investing in derivatives is also accompanied by valuation risk.

Fees. Investor accounts will incur substantial fees and expenses whether or not any profits are realized.

Past performance. Please note that past performance of Avaron Funds, Managed Accounts and Investor accounts is not a guarantee or indicative of future results.

Item 9. Disciplinary Information

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Since incorporation of Avaron and throughout the careers of all Avaron' partners, directors and employees, we have never been subject to suspension, cancellation or revocation by regulatory authorities nor to disciplinary or legal action. No application made with any regulatory authority in relation to Avaron' business has ever been turned down.

Item 10. Other Financial Industry Activities and Affiliations

Neither Avaron nor any of its management persons is registered, or has an application pending to register, as a broker-dealer, registered representative of a broker-dealer, futures commission merchant, commodity pool operator, commodity trading advisor, or associated person of any of the foregoing entities.

Item 11. Code of Ethics, Participation in Client Transactions and Personal Trading

We have adopted a Code of Ethics in accordance with Rule 204A-1 under the Investment Advisers Act of 1940, as amended, which sets forth high ethical standards of the business conduct that we require of our employees, including compliance with applicable federal securities laws.

Our Code of Ethics includes provisions reminding employees of their obligations to clients and restrictions for personal transactions with equities of Emerging Europe region. Among other things, our Code of Ethics also requires all personal securities transactions made by employees to be reported promptly and holdings reported periodically to the Compliance Officer, and the review of such personal securities transactions by the Compliance Officer. Our Code of Ethics provides for personnel oversight, enforcement procedures and recordkeeping.

A copy of our Code of Ethics is available to our clients and prospective clients, including Investors and prospective investors in the U.S., upon request to the Compliance Officer via email at compliance@avaron.com, by phone at +372 664 4205, or by written request sent to our principal office address.

In order to avoid potential conflicts of interest, Avaron has implemented policies and procedures to monitor the personal trading activities of its employees, certain members of their immediate family, accounts in which employees have a beneficial interest and accounts which an employee exercises any investment discretion at.

In addition, Avaron's policies prohibit certain types of trading activity for employees. For example, Avaron employees are allowed to invest in Avaron Funds, but they are not allowed to invest in any stocks that are listed in Eastern Europe or part of our investment universe either personally, via their holding companies or family members' accounts.

All personal transactions on securities account have to be promptly reported to the Compliance Officer and all employees are required to submit annual holdings reports, including extracts from bank accounts. Compliance Officer keeps a register of the details on personal transactions, including any authorization or prohibition in connection with such transaction.

There have been neither potential conflicts of interest nor relationships threatening the organization.

We seek to allocate investment opportunities among Investors and Avaron Funds and Managed Accounts in the fairest possible way taking into account each client's best interests and their respective investment objectives and restrictions. We have implemented policies and procedures to help ensure that allocations do not reflect a practice of favoring or discriminating against any client.

Our Code of Ethics further includes a policy prohibiting the use of material nonpublic information. While we do not believe that we have any particular access to nonpublic information, all employees are reminded that such information may not be used in a personal or professional capacity.

Item 12. Brokerage Practices

Pursuant to our agreements with Investors, we have been or may be granted, as applicable, the authority to select a broker through which to place trades on behalf of such clients.

We work with and have worked historically with around 15 different external brokers for security execution purposes. Avaron portfolio managers may propose a new broker where after full due diligence (as discussed further below) shall be performed on the broker before opening lines with it. Every broker shall be approved by the Compliance Officer and the Management Board of Avaron. The brokers we use must have in place and adhere to a Best Execution Policy, which is subject to our initial and on-going review. We also review all brokers on annual basis.

We have a Best Execution Policy in place and according to that we take all reasonable steps to obtain the best possible result for Investors and Avaron clients. Regional broker selection is mainly based on cost, speed of execution, quality of settlement, potential conflict of interest and category of security traded (e.g. blue chip, small cap), in compliance with the provisions set out in the Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments (hereinafter “**MiFID II**”). We use both regional and country specific brokers to access the best service and blocks of stocks. We evaluate all brokers based on a number of criteria such as technical platform quality, communication effectiveness, settlement speed and efficiency, quality and timeliness of trade confirmations, execution of block trades and of trades in small cap securities. Thereafter, we select from this first evaluation round few brokers in each market on the basis of best execution and fees charged. However, this means that we may not always engage a broker offering the most favorable commission or spread to execute a particular transaction. We have no obligation to solicit competitive bids and do not have an obligation to seek the lowest available commission cost; however, we will select brokers on the basis of their ability to provide best execution at all times. In addition, our Management Board analyses and reviews broker commissions, operational effectiveness and financial situation on annual basis.

We do not use unpaid third party research in our investment process and we are not exposed to soft dollar commissions. Avaron has no commission sharing arrangements in place with third party brokers in order to receive monetary rebates. Avaron itself is not involved in brokerage services business either directly or indirectly through joint-ventures or affiliates. We confirm that we comply with Section 28(e) of the United States Securities and Exchange Act of 1934.

All companies in Avaron investment universe are screened and analyzed internally using our proprietary model. Avaron does not receive research from third parties in relation to the provision of fund management and portfolio management services. We are compliant with MiFID II Directive and have unbundled our execution and research services. As at the end of 2019 Avaron had four research agreements in place. Avaron does not use a Research Payment Account, i.e. such costs will not be billed to Investors, Managed Accounts or Avaron Funds, but to Avaron.

Brokerage for client referrals. We do not use client brokerage to compensate or otherwise reward brokers for client referrals.

Directed brokerage. With respect to the Investors we do not participate in any directed brokerage arrangements. However, in our discretion, an Investor may direct us to utilize a particular broker to execute some or all transactions for the Investor account. In such circumstances, the Investor is responsible for negotiating the terms and arrangements with that broker. In a directed brokerage situation, the Investor may pay higher brokerage commissions because we will not seek better execution services or prices from other brokers or be able to aggregate Investor’s transactions, for execution through other broker, with orders for any of

our other clients.

Trade aggregation. Avaron is entitled to aggregate the purchase or sale of securities for various client accounts when we have grounds to believe such aggregation will work to the advantage of each of the clients. We will batch client transactions to receive volume discounts and to obtain better and more uniform pricing across all clients participating in the blocked transaction. Aggregated orders shall be allocated to clients pro rata based on weighted average price. We will provide Investors with a written explanation of any exceptions to this pro rata allocation procedure upon request. Such exceptions usually occur due to partial execution of a trade to avoid settlement of very small lots as each trade costs Investors settlement related fees. However, in situations where we do not allocate trades pro rata, Avaron will still strictly follow the principle that all clients will be treated fairly.

Item 13. Review of Accounts

We perform various daily, monthly, quarterly and periodic reviews of each client account. Such reviews are conducted by our portfolio managers on a regular basis but can also be triggered by factors that may include changes in market conditions or investment objectives or other arrangements with a client. We only accept a limited number of Investors which ensures our portfolio managers are able to participate in client servicing activities without compromising their core responsibilities. On daily basis all accounts are reconciled and each account trading activity is also monitored periodically by Compliance Officer.

In addition to periodic reviews, Avaron may perform reviews as it deems appropriate or otherwise required. Additional reviews of client accounts may be triggered by client request, compliance monitoring, industry factors, market developments, statutory and regulatory changes and any issues that may have been identified with respect to a client account.

As a general practice, our portfolio managers meet with clients once or twice per year in person to review an Account's performance and typically conduct quarterly conference calls over Skype, or as otherwise reasonably requested. Clients receive regular monthly reports or other periodic reports as requested or required by the investment advisory agreement. These reports may include summaries of investment performance, market value, market outlook and commentary, portfolio holdings, transactions, portfolio characteristics. Our operations specialists, client relations and portfolio managers work together to meet our reporting commitments. We may provide certain clients with information on a more frequent and detailed basis in our discretion.

Item 14. Client Referrals and Other Compensation

It is our policy not to accept or allow our related persons to accept any form of economic benefit, including cash, other compensation, sales award or other prizes, from a non-client in conjunction with the advisory services we provide to our clients. It is prohibited to accept any monetary or non-monetary benefit (inducement) when providing investment or ancillary service if the provider or receiver of the benefit is not a client or the client's representative, the inducement is not strictly necessary for the provision of the service or the inducement creates a conflict of interests between Avaron and a client based on its nature.

Avaron does not use or plan to use any third-party marketing agents nor pay for any firms or private individuals for client referrals to receive Investors.

Item 15. Custody

Avaron does not have nor plans to have custody of Investor assets (i.e. to safekeep assets on behalf of an Investor). Actual safekeeping (custody) of all account assets will be with a custodian bank, and not with our firm. Avaron cannot maintain physical custody or possession of client assets or securities as we do not have a license for that service.

Investors receive account statements directly from their qualified custodian or fund administrator as well as account statements and performance reports from Avaron. Each client should carefully review this information and compare it with information provided by Avaron when they are evaluating account performance, securities holdings, and transactions. While Avaron reconciles trading information with custodians on daily basis, a client may experience differences in the information due to pending transactions, dividends, corporate actions, cash movements or withdrawals, FX rates or other activity.

Item 16. Investment Discretion

Avaron manages investor assets only on discretionary basis based on a written investment management contract that describes all investment restrictions and other portfolio metrics.

During on-boarding process any client will be categorized as a retail client, a professional client or an eligible counterparty. Such categories entail different level of regulatory protection in relation to the services rendered. The client is also informed of the possibility to request a different categorization, and of any limitations to the level of client protection that it would entail. In U.S. Avaron serves only professional clients and eligible counterparties.

As part of the KYC procedures, Avaron obtains necessary information regarding the client's investment objectives, experience and knowledge in the investment field relevant to specific type of products or services, as well as financial position in order to ensure that financial instruments suitable to the client are only recommended and/or dealt in on behalf of the client. With regard to professional clients and eligible counterparties, it is assumed that the client has necessary experience and knowledge for entering into such transaction and/or investing in such financial instruments in relation to which he is considered as a professional client or an eligible counterparty, and he is able to bear any related investment risk consistent with its investment objectives and mandate provided to Avaron.

Subject to the above, Avaron has a discretionary authority over Investor assets to determine which securities and amounts of securities will be bought or sold for an account consistent with the particular account's investment objectives. Avaron observes the investment policies, limitations and restrictions provided by the client when selecting securities and deciding amounts to invest. Investment guidelines and restrictions must be provided to Avaron in writing, signed by authorized persons.

Item 17. Voting Client Securities

If Avaron has been appointed as discretionary investment manager for a client, the investment management agreement will identify if Avaron is granted the authority to vote the proxies on the securities held in a client portfolio. Avaron exercises all voting rights attached to securities held by Investor and for which it is responsible for proxy voting unless exercising these rights is not in the interest of the Investor or is inconsistent with applicable laws, regulations, investment management agreement or respective prospectus. In case of disproportionate costs or impracticability, Avaron may refrain from exercising voting rights. We have adopted proxy voting policies and procedures as required by the Investment Advisers Act of 1940, as amended.

The guiding principle by which we vote on all matters submitted to security holders is the maximization of the ultimate economic value of a client holdings, as we determine in our sole discretion. It is our policy to avoid situations where there is any conflict of interest or perceived conflict of interest affecting our proxy voting decisions.

The client has the possibility to himself exercise voting rights attached to the financial instruments. This is subject to an arrangement and procedure agreed between the client and the custodian holding financial instruments on behalf of the client. The client can also provide specific instructions to Avaron for proxy voting. Therefore, Avaron may cast different votes in the same voting, subject to specific voting instructions of a client as attributable to shares owned by the particular client.

We maintain records of all proxies voted. Our proxy voting record and complete proxy voting policies and procedures are available for investors to review upon request to the Compliance Officer via email at compliance@avaron.com, by phone at +372 664 4205, or by mailing your request to our principal office address.

Item 18. Financial Information

Registered investment advisors are required in this item to provide the client with certain financial information or disclosure about our financial condition.

We do not require or solicit prepayment of any fees six months or more in advance, and as such, we are not required to include a balance sheet for our most recent fiscal year with this brochure.

We are not aware of any financial condition that is reasonably likely to impair our ability to meet our contractual commitments to Investors.

We have not been the subject of a bankruptcy petition at any time during the past ten years.

FIRM BROCHURE SUPPLEMENT



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March 17th, 2019

This brochure supplement provides information about certain AS Avaron Asset Management employees listed below that supplements the AS Avaron Asset Management brochure you should have received above. Please contact Avaron at +372 664 4205 or avaron@avaron.com if you did not receive AS Avaron Asset Management's brochure or if you have any questions about the contents of this supplement.

Avaron's discretionary investment advice is provided by a team comprised of three Supervised Persons, and Avaron has provided group supplementary information below for the three Supervised Persons.

Kristel Kivinurm-Priisalm - Managing Partner, CEO and COO

Mrs. Kivinurm-Priisalm is Avaron's Co-Founder and Managing Partner. She acts as the firm's CEO and COO.

Date of birth. October 10th, 1976

Education. Mrs. Kivinurm-Priisalm graduated summa cum laude from Concordia International University (now Tallinn University of Technology) in 1999, majoring in international business (M.A.). She has also studied at St. Petersburg University of Economics and Finance (in H2 1998).

Business Background. Her experience with equity markets started in 1997 when she joined Trigon Capital, a regional investment bank. She started as an Analyst in the corporate finance team (1997-1998), then worked as a Director in the Capital Markets division (1999-2001) and finally built up and headed the firm's asset management division (2002-2007). In 2007 she co-founded Avaron.

Aside from her daily work Mrs. Kivinurm-Priisalm has served as a Voting Member of Nasdaq OMX Baltic Stock Exchange Estonian Listing and Supervisory Committee (2000-2005), as Chairman of the Association of Estonia's Fund Management Companies (2007-2010), as a Member of the Supervisory Board of Estonia's State Bank Deposit Guarantee Fund (2004-2013) and a Member of the Board of the Estonian Service Industry Association (2010-2013). She is fluent in English, Russian, Finnish and Estonian, and has a reading knowledge of German. Her hobbies are value investing, yoga and healthy lifestyle.

Disciplinary Information. None

Other Business Activities. None

Additional compensation. None

Supervision. Mrs. Kivinurm-Priisalm is supervised by Avaron Compliance Officer Maris Viire (compliance@avaron.com and tel. +372 664 4205).

Valdur Jaht – Partner, co-CIO & Investment Manager

Mr. Jaht is Avaron's Co-Founder and Investment Manager. He is co-heading the investment team together with Peter Priisalm.

Date of birth. January 12th, 1981

Education. Mr. Jaht majored in finance at University of Tartu (M.A.) and has also studied in Jönköping International Business School in Sweden (in 2003).

Business Background. Mr. Jaht started his career in 2001 performing accounting and financial analysis services to Estonian SMEs. In 2003 he joined a regional investment bank Trigon Capital as a Buy-Side Analyst to build up the Balkan region listed equity know-how. During 2004-2007 he acted as Investment Manager in Trigon Capital, investing the funds' and managed accounts' assets into the Balkan region. In 2007 he co-founded Avaron.

Aside from his daily work Mr. Jaht has given lectures at the University of Tartu on finance and investments. Valdur has founded a non-profit organization Youth to Olympics which aims to support young athletes. He is fluent in English and Estonian. His hobbies are value investing and endurance sports (cross-country skiing and triathlon). Valdur has finished Hawaii Ironman triathlon twice, in 2014 and 2016.

Disciplinary Information. None

Other Business Activities. None

Additional compensation. None

Supervision. Mr. Jaht is supervised by Avaron Compliance Officer Maris Viire (compliance@avaron.com and tel. +372 664 4205).

Peter Priisalm – Partner, co-CIO & Investment Manager

Mr. Priisalm is Avaron's Co-Founder and Investment Manager. He is co-heading the investment team with Valdur Jaht. Peter has experience in corporate finance and general management.

Date of birth. January 31st, 1976

Education. Mr. Priisalm graduated summa cum laude from Concordia International University (now Tallinn University of Technology) in 1999, majoring in international business (M.A.).

Business Background. Mr. Priisalm started his career in 1995 as a Business Editor in the regional news agency Baltic News Service (BNS). During 1997-2000 he worked as Associate Director in the Corporate Finance team of Suprema Securities (now EVLI Group) focusing on M&A, privatizations and private placements. In 2000 he joined the largest Baltic IT company, MicroLink. His roles during the six years at MicroLink included in-house Corporate Finance Manager, CFO and Member of the Board of the Group, and CEO of Estonian operations. In 2007 Mr. Priisalm co-founded Avaron. He is fluent in English, Russian, Finnish and Estonian. His hobbies are markets, start-up investing and yoga.

Disciplinary Information. None

Other Business Activities. None

Additional compensation. None

Supervision. Mr. Priisalm is supervised by Avaron Compliance Officer Maris Viire (compliance@avaron.com and tel. +372 664 4205).