

Fund Facts

- Suitable as an investment vehicle for a family or corporate, with investment horizon of at least 3 years.
- Attractive solution for an investor with an objective to preserve invested capital through business cycles and earn moderate returns.
- Actively managed portfolio, flexible risk level and allocation by asset class in accordance with view of Avaron investment managers.
- An alternative to discretionary portfolio management services: lower fees (in terms of brokerage fees, custody fees and management fees). Management fees are charged directly from the Fund.
- No subscription fees (no redemption fees for long-term investors).
- In case the Fund invests in other funds managed by Avaron, all management and success fees shall be paid back (double fees are not charged).
- Operations of the Fund are transparent for investors. All investors receive monthly reports including full portfolio of the fund, main changes in the portfolio during the month and our view of the markets.

Asset class Flexible, all asset classes (incl. cash, bonds, equities, funds, derivatives)

Investment region Global with Emerging Europe bias

Fund type Public closed-end fund

Quoted Daily

Dealing Subscriptions daily (cut off 3pm CET)
Redemptions with 1-3 month notice (cut off last banking day of month at 3 pm CET)

Domicile Estonia

Management company AS Avaron Asset Management

Supervised by Estonian FSA

Custodian Swedbank AS

Auditor Deloitte

Base currency EUR

Inception date December 17, 2008

Fund size, EUR 3,556,266

Distributions None

Fees and expenses

Minimum investment None

Subscription fee None

Annual management fee 1.25%

Success fee 10% over 12-mo Euribor

Redemption fee Rate depends on advance notice period
- Advance notice 1 month: 1.5%
- Advance notice 3 months: 0%

Other information

NAV published www.avaron.com, Bloomberg

ISIN code EE3500100922

Bloomberg AVFLXSB ET

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Avaron Flexible Strategies Fund

Jan 2012

Investment Objective

The Fund is targeted to private individuals and corporate investors who wish to preserve their capital through business cycles but are willing to accept risk in order to earn moderate returns. The assets of the Fund may be invested in any liquid financial asset (cash, deposits, bonds, equities, other investment funds, derivatives). The Fund's assets shall be invested globally, with a focus on Central and Eastern Europe. The Fund's risk level and portfolio allocation shall vary over time in accordance with the views of Avaron investment managers. If we predict positive trends in the economy, we would increase the risk level of the Fund. In the opposite case, we would reduce the riskiness of the Fund's investments. However, overall investors should accept that relatively high risk is associated with investing into the Fund. There is no guarantee that investors will get back the amount invested.

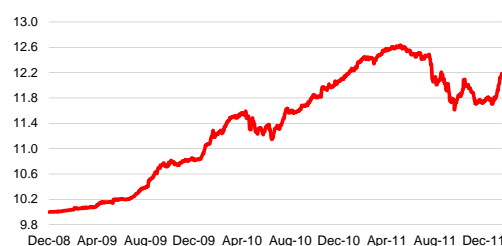
Investor Profile

The Fund is suited to an investor who does not want to follow the markets daily himself or herself and wishes the Avaron investment team to decide the allocation of each asset class (equities, bonds, deposits). Fund units can be redeemed with 1-3 month prior notice. However, arising from the Fund's investment strategy an investor should have an investment horizon of at least 3 years. Should the horizon fall below three years, investor should consider exiting the Fund.

Monthly performance, net-of-fees

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	FY
2009	0.2%	0.3%	0.3%	0.7%	0.3%	0.1%	1.3%	1.9%	2.3%	0.0%	0.4%	0.3%	8.3%
2010	3.2%	0.7%	2.2%	0.0%	-1.5%	-1.5%	2.9%	0.8%	1.2%	1.0%	1.2%	1.4%	12.1%
2011	1.1%	1.4%	0.4%	0.9%	0.0%	-1.1%	0.1%	-2.2%	-3.4%	2.3%	-2.5%	0.3%	-3.1%
2012	3.5%												

Performance since launch, EUR



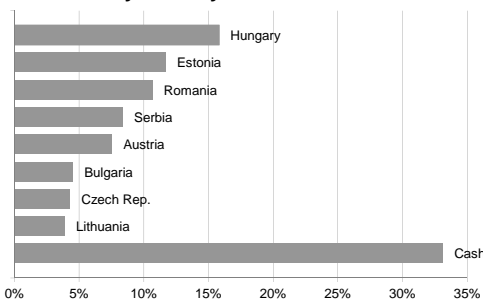
Past performance is not a guarantee or indicative of future results

NAV and Performance Overview

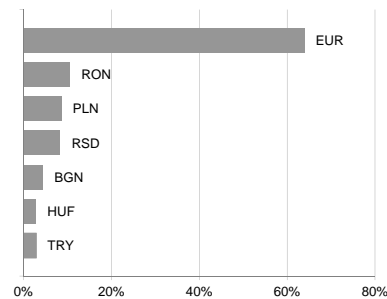
Unit NAV, EUR	12.18
1 month	3.5%
YTD	3.5%
3 months	1.2%
6 months	-2.3%
1 year	-0.8%
2 years	9.0%
3 years	21.5%
2 years avg*	4.3%
3 years avg*	5.9%
Since inception	21.8%

* Annualised return of calendar years

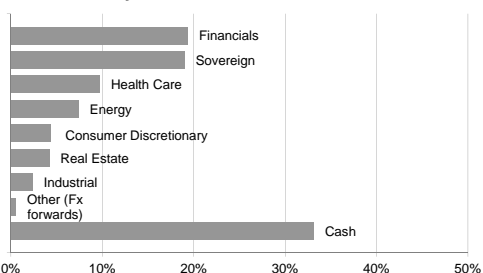
Allocation by Country



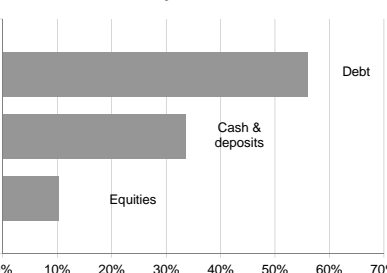
Net FX Breakdown



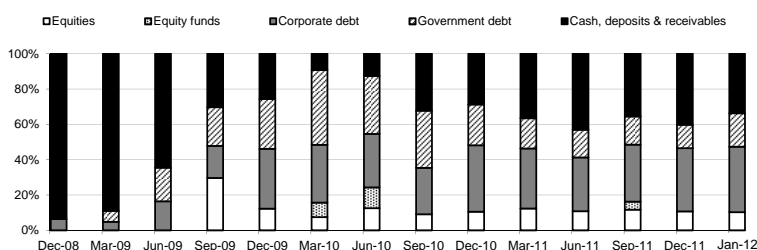
Allocation by Sector



Allocation by Asset Class



Historic Portfolio Allocation by Asset Class

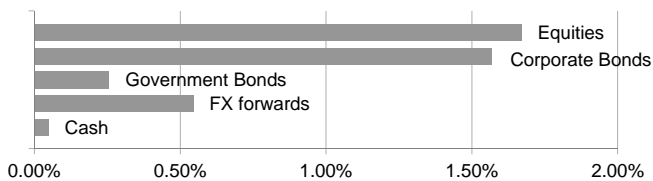


Fund Manager's Comment

2012 started extremely positively for global equities, especially for emerging markets, given the immense uncertainty on the European and global growth outlook. Avaron Flexible Strategies Fund recorded the best monthly return in its history with 3.5% return. Fund's performance for one year is -0.8% and for two years +9.0%.

Emerging Europe (up 12.8%) was the outperformer this month, something we have not been able to say for quite a long time, with the more liquid regional markets rallying, while smaller ones lagged behind. Emerging Europe returns were supported by the appreciation of regional currencies, recouping some of the losses born since the end of the summer. European equity markets were up 4.6%, while MSCI World index was up 4.0%.

As equity markets rallied in January, then equities, despite the smallest allocation, were the largest gross contributors to the fund's performance in January with 1.7% contribution. Corporate bonds contributed 1.6% and government bonds 0.3% and foreign currency forwards contributed 0.5%.



January was rather active month for the fund, as we made several changes in positioning. We repositioned some of our equity holdings, added to some of the bond positions on price weakness and introduced new bonds and FX instruments to the portfolio. We also added to the portfolio money market instruments to diversify the risk of holding too high cash positions.

Last month we stated that we do not see immediate improvement in economic outlook unless there will be larger quantitative easing by the ECB or stimulus by European governments. In January the markets greeted the ECB decision to provide 3-year loans to banks at 1% interest, which has eliminated the liquidity risk in European banking sector. ECB announced that total long term funding to banks will form at least €1 trillion.

As we learned from the effects of quantitative easing in 2009, then liquidity can drive economic growth and market performance. However, the concept of diminishing margins seems to apply to quantitative easing as well. With most European governments in need of implementing austerity measures it remains questionable how much of this long term liquidity will be transferred to the real economy. For this reason we continue with our yield-focused portfolio and try to find instruments with attractive upside, e.g. convertible bonds.

Debt instruments, the core of our portfolio, make up 67% of the assets, including the exposure from Polish zloty and Turkish lira forwards. Bond portfolio has on average 1.9 year maturity¹ and currently trades at 8.7% YTM. Just for

comparison, in May 2010 we had similar maturity of the bond portfolio, but then the YTM was just 5.3%. This reflects some changes in the portfolio, but also a considerable expansion in yields during the recent sell-off. Bonds together with deposits (27.7% of portfolio) make up almost 95% of the portfolio and currently carry weighted average YTM of 6.7%. Equities make up 10.3% of the assets of the fund. Please note that in case of forwards the portfolio reflects only the gain or loss from appreciation or depreciation of currency, but we include the exposure in the calculation of the yield of bond portfolio.

Should you have further interest in Avaron Flexible Strategies Fund please send an email to info@avaron.com to request more detailed fund factsheet. Namely, fund investors receive on monthly basis overview of all trades, our comment on portfolio company quarterly results and list of all portfolio holdings.

¹ Perpetuals accounted as if maturing at the first date the issuer has the right to recall them



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