capital
asset
management

CAM GSF INVESTMENT FUND INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2013

Yerevan-2013

Statement of financial position

In thousands of dram	Note	30 September 2013	31 December 2012
Assets			
Cash and cash equivalents		138	-
Non-pledged financial assets at fair value through profit or loss	7	58,590	-
Pledged financial assets at fair value through profit or loss	7	-	-
Total assets		58,728	-
Liabilities			
Other payables		61	-
Total liabilities (excluding net assets attributable to shareholders)		61	-
Net assets attributable to shareholders	8	58,667	-

Hayk Voskanyan
Fund manager
Chief executive officer

Karen Khachatryan
“AN Audit” CJSC
Prepared by authorised representative

18 October 2013

For the quarter ended 30 September

In thousands of dram	Note	01.07.13-30.09.13	01.01.13-30.09.13	01.07.12-30.09.12	01.01.12-30.09.12
Interest income	5	1,016	1,159	-	-
Net gain from financial instruments at fair value through profit or loss	6	320	761	-	-
Total revenue		1,336	1,920	-	-
Investment management fees		(115)	(128)	-	-
Custodian fees		(12)	(14)	-	-
Interest expense		-	-	-	-
Commission		(3)	(3)	-	-
Withholding tax expense		(1)	(1)	-	-
Total operating expenses		(131)	(146)	-	-
Operating Profit		**1,205**	**1,774**	-	-
Increase in net assets attributable to shareholders		**1,205**	**1,774**	-	-

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18 October, 2013

		For the quarter ended 30 September	
In thousands of dram		**30 September 2013**	**31 December 2012**
Balance at 01 July	8	17,551	-
Increase in net assets attributable to shareholders		1,205	-
Contributions and redemptions by shareholders:			
Issue of shares during the period		39,911	-
Redemption of shares during the period		(-)	-
Total contributions and redemptions by shareholders		**39,911**	-
Balance at 30 September	8	**58,667**	-

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In thousands of dram	Note	For the quarter ended 30 September 01.01.13-30.09.13	01.01.12-30.09.12
Cash flows from operating activities			
Interest received		1,834	-
Interest paid		-	-
Proceeds from sale of investments		6,828	-
Purchase of investments		(65,331)	(-)
Operating expenses paid		(85)	(-)
Net cash from/(used in) operating activities		**(56,754)**	-
Cash flows from financing activities			
Proceeds from issue of shares	8	56,892	-
Payments on redemptions of shares	8	-	-
Net cash (used in)/from financing activities		**56,892**	-
Net (decrease)/increase in cash and cash equivalents		138	-
Cash and cash equivalents at the beginning of the period		-	-
Effect of exchange rate fluctuations on cash and cash equivalents		-	-
Cash and cash equivalents at 30 September		138	-

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1. Reporting entity

Rules of "CAM GSF" investment fund (from here on Fund) have been registered on April 30, 2013 by decision 123A by Central Bank of RA.

The investment activities of the Fund are managed by "Capital Asset Management" CJSC which was founded on October 18, 2012 and registered with Central Bank of RA as an investment fund manager receiving license number 1.

2. Basis of preparation

(a) Statement of compliance

The financial satements of the Fund have been prepared in accordance with International Financial Reporting Standards (IFRSs), corresponding normative legal acts (within IFRS framework) approved by Central Bank of RA.

(b) Basis of measurement

The financial satements have been prepared on the historical cost basis except for financial instruments at fair value through profit or loss, which are measured at fair value.

(c) Functional and presentation currency

Armenian dram is the currency of the Republic of Armenia, which is the Fund's functional and presentation currency. All financial information is presented in thousands of dram without the decimal place after the comma.

(d) Tax

The Fund pays a profit tax equal to 0.01 percent of net assets on annual basis from fund assets.

(e) Use of estimates and judgments

The preparation of the financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment is included in notes 3 and 4.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Foreign currency

According to its rules, the fund does not enter into transactions in foreign currency.

(b) Interest

Interest income and expense, including interest income from non-derivative financial assets at fair value through profit or loss, are recognised in profit or loss, using the effective interest method.

When calculating the effective interest rate, the Fund estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. Interest received or receivable, and interest paid or payable are recognised in profit or loss as interest income and interest expense, respectively.

(c) Net gain from financial instruments at fair value through profit or loss

Net gain from financial instruments at fair value through profit or loss includes all realised and unrealised fair value changes and foreign exchange differences, but excludes interest and dividend income.

(d) Fees and commission expenses

Fees and commission expenses are recognised in profit or loss as related services are performed.

(e) Financial assets and financial liabilities

I. Recognition and initial measurement

Financial assets and liabilities at fair value through profit or loss are recognised initially on the trade date, which is the date that the Fund becomes a counterparty to transaction.

Other financial assets and liabilities are recognised on the date they are originated.

Financial assets and financial liabilities at fair value through profit or loss are recognised initially at fair value, with transaction costs recognised in profit or loss.

II. Classification

The Fund classifies financial assets and financial liabilities into the following categories:
Financial assets at fair value through profit or loss:

- Held for trading
- Designated as at fair value through profit or loss

A financial instrument is classified as held for trading, if:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition it is part of a portfolio that is managed together and for which there is evidence of a recent pattern of short-term profit taking; or
- it is a derivative, other than a designated and effective hedging instrument.

The Fund has designated certain financial assets as at fair value through profit or loss if one of the following conditions is met:

- assets or liabilities are managed, evaluated and reported annually on a fair value basis,
- designation eliminates or significantly reduces accounting inconsistencies which would have otherwise occurred, or
- an asset or a liability contains an embedded derivative instrument that significantly modifies the cash flows that would otherwise be required under the contract.

All held for trading derivative instruments that can assume potentially favorable conditions (positive fair value) as well as purchased options are presented as assets. All held for trading derivative instruments that can assume potentially non-favorable conditions (negative fair value) as well as written options, are presented as liabilities.

The Fund Manager determines corresponding classification of financial instruments during initial recognition. Derivative financial instruments, as well as financial instruments at fair value through profit or loss, during initial recognition are not later reclassified from class of financial instruments measured at fair value through profit or loss. Financial asset, which corresponds to the definition of loans and receivables, can be reclassified from financial instruments at fair value through profit or loss or available-for-sale financial assets, if the Fund intends and is able to hold these instruments in the near future or until maturity. Other financial instruments can be reclassified from financial instruments at fair value through profit or loss only in rare circumstances. Rare circumstances present themselves as a result of unique and unusual event when it is almost unlikely that it will take place again in the near future.

III. Measurement

A financial asset or liability is initially measured at fair value. In case of financial assets and liabilities not classified as financial instruments at fair value through profit or loss, expenses related to transactions which are directly attributable to purchase or issue of financial assets or liabilities are added to fair value. After initial recognition, financial assets, including derivative instruments considered as assets, are measured at fair value without deduction of expenses related to the transaction, which may occur as a result of sale or other alienation.

Financial liabilities are measured at amortised value, except those that are designated as financial liabilities measured at fair value through profit or loss, which occur when the transfer of financial asset at fair value does not meet the derecognition requirements.

IV. Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the redemption amount, minus any reduction for impairment. Additional fees and discounts including initial expenses related to the transaction are included in the carrying value of the corresponding instrument and are amortised using the effective interest method.

V. Derecognition

The Fund derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset. Any interest in such transferred financial assets that is created or retained by the Fund is recognised as a separate asset or liability in the statement of financial position.

The fund derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. The Fund enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

Transactions where the fund neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it derecognises the asset if it loses control of the financial asset. In transactions involving transfers where the Fund retains control of the financial asset, the fund continues to recognise the financial asset to the extent that it continues its involvement in the financial asset which is the amount that it is subject to the impact of changes in value of transferred assets.

The fund writes off assets deemed uncollectible.

VI. Repurchase and reverse repurchase agreements

Repo securities are accounted as financial transactions secured by a pledge, as a result of which the securities are reflected in the statement of financial position, while the obligation of contractual party is included in the payables related to repo transactions according to applicability. The difference between sell and repurchase prices is considered as an interest expense and recognised in the profit or loss during the term of a repo contract, applying the effective interest method.

Securities purchased for reselling based on a reverse repurchase contract are entered in the items such as receivables related to reverse repo contract: extended loans and credits to banks or extended loans to customers according to applicability. The difference between purchase and resell prices is considered as an interest income and recognised in the profit or loss during the term of a repo contract, applying the effective interest method.

If under a repo contract purchased assets are sold to third parties, then the obligation for returning the securities is reflected as a liability held for trading and valued at fair value.

VII. Derivative financial instruments

Derivative financial instruments include swaps, forwards, spot, futures and options on interest rate, foreign currency, precious metal markets as well as any combination of these instruments. Derivative instruments are initially recognised at fair value at the date when a derivative instrument contract is entered. Subsequently derivative instruments are revalued at fair value. All derivative instruments are accounted as assets in case of positive fair value and as liabilities in case of negative fair value. Changes in the fair value of derivative instruments are immediately recognised in the profit or loss.

VIII. Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund has a legal right to offset the amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4. Financial risk management

a) Introduction and overview

The Fund has exposure to the following risks from financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk.

Risk management framework

The Fund maintains positions in a variety of derivative and non-derivative financial instruments in accordance with its investment management strategy. The Fund's investment portfolio comprises entirely of government debt securities. The restrictions on the investment portfolio of the Fund are also regulated by the decision 337-N of the Board of Central Bank of RA on December 6, 2011.

b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation resulting in a financial loss to the Fund. It arises principally from debt securities held, and also from derivative financial assets, cash and cash equivalents, receivables from reverse repurchase agreements. For risk management reporting purposes the Fund considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

Management of credit risk

Credit risk is monitored by the investment manager with sufficient frequency in order to manage all possible risks. In selecting partners the Fund undertakes monitoring as well as asset diversification based on different partners.

Credit risk exposure is presented in the table below:

In thousands of drams, September 30, 2013	Cash and cash equivalents	Debt securities	Total
Assets			
Cash and cash equivalents in RA banks	138	-	**138**
RA government securities	-	58,590	**58,590**
	138	**58,590**	**58,728**

Derivative financial instruments

At the reporting date the Fund did not hold any derivative financial instruments.

Cash and cash equivalents

The Fund's cash and cash equivalents are held only with "VTB-Armenia Bank" CJSC, which is rated BB, stable outlook, based on rating agency Fitch Ratings.

Investment manager monitors financial situation of "VTB-Armenia Bank" CJSC on a quarterly basis and as necessary.

Receivables from reverse repurchase agreements

The Fund enters into reverse repurchase agreements that may result in credit loss in the event that the counterparty to the transaction is unable to fulfill its contractual obligations to the Fund, and the collateral value decreases rapidly and is insufficient to cover the amount due. At the reporting date the Fund did not have any receivables from reverse repurchase agreements.

Past due and impaired assets

At the reporting date none of the financial assets was past due or impaired.

c) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Management of liquidity risk

The Fund's policy and the investment manager's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, including estimated redemptions of shares, without incurring unacceptable losses or risking damage to the Fund's reputation.

According to its rules the Fund is obligated to redeem units within three days after receiving the corresponding notice. Consequently, for managing liquidity the Fund takes into account already received and expected unit redemption notices, if there are any.

d) Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads will affect the Fund's income or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Management of market risk

The Fund's strategy for the management of market risk is driven by the Fund's investment objective. The Fund's market risk is managed on a daily basis by the fund manager in accordance with policies and procedures in place.

Interest rate risk

The Fund is exposed to the risk that the fair value or future cash flows of its financial instruments will fluctuate as a result of changes in market interest rates. In respect of the Fund's interest-bearing financial instruments, the Fund's policy is to transact in financial instruments that mature such that they best correspond to the Fund's share class maturity structure. Nevertheless, the impact of interest rate risk can be high due to fluctuations in the prevailing levels of market interest rates.

Currency risk

At the reporting date the Fund is not subject to currency risk, as it does not carry financial assets and liabilities held in individual foreign currencies according to its rules.

e) Operational risk

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation.

The primary responsibility for the development and implementation of controls over operational risk rests with the Fund manager. Fund management process follows general standards, which includes control of business processes.

5. Interest income

In thousands of dram	01.07.13-30.09.13	01.01.13-30.09.13	01.07.12-30.09.12	01.01.12-30.09.12
Interest income on financial instruments designated as at fair value through profit or loss:				
Government debt securities	1,016	1,159	-	-
	1,016	**1,159**	-	-

6. Net gain from financial instruments at fair value through profit or loss

In thousands of dram	01.07.13-30.09.13	01.01.13-30.09.13	01.07.12-30.09.12	01.01.12-30.09.12
Net gain from financial assets designated as at fair value through profit or loss:				
Government debt securities	320	761	-	-
	320	**761**	-	-

7. Financial assets and liabilities designated as at fair value through profit or loss

In thousands of dram	**30.09.2013**	**31.12.2012**
Pledged financial assets at fair value through profit or loss		
Financial assets designated as at fair value through profit or loss:	-	-
Government debt securities	-	-
Non-pledged financial assets at fair value through profit or loss		
Financial assets designated as at fair value through profit or loss:		
Government debt securities	58,590	-
	58,590	-
Financial liabilities at fair value through profit or loss		
Liabilities held for trading:	-	-
Loans	-	-
	-	-

8. Net assets attributable to shareholders

The analysis of movements in the number of shares and net assets attributable to holders of shares during the quarter were as follows:

Number of shares	2013 Class A	Class B	Class C	Total
Balance at 01 July	4,982	5,993	5,994	**16,969**
Issue of shares during the quarter	823	-	36,885	**37,708**
Redemption of shares during the quarter	(-)	(-)	(-)	(-)
Balance at 30 September	**5,805**	**5,993**	**42,879**	**54,677**

	2013 Class A	Class B	Class C	Total
Balance at 01 July	5,156	6,199	6,196	17,551
Increase in net assets attributable to shareholders	217	230	758	1,205
Issue of shares during the quarter	865	-	39,046	39,911
Redemption of shares during the year	(-)	(-)	(-)	(-)
Balance at 30 September	**6,238**	**6,429**	**46,000**	**58,667**
Net assets value per share (in dram)	**1,075**	**1,072**	**1,072**	**1,073**

Shareholders have the right to request the redemption of their shares any business day and the Fund is obligated to fulfill such request within 3 days.

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18 October, 2013