capital
asset
management

CAMAVOR 2 PENSION FUND
INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED JUNE 30, 2014

Yerevan-2014

Statement of financial position

In thousands of dram	Note	30 June 2013	31 December 2013
Assets			
Cash and cash equivalents		247	841
Financial assets at fair value through profit or loss	7	3,795	1,849
Total assets		**4,042**	**2,690**
Liabilities			
Other payables		6	3
Total liabilities (excluding net assets attributable to shareholders)		**6**	**3**
Net assets attributable to shareholders	8	**4,036**	**2,687**

Hayk Voskanyan
Fund manager
Chief executive officer

Karen Khachatryan
"AN Audit" CJSC
Prepared by authorised representative

10 July 2014

In thousands of dram		01.04.14-30.06.14	01.01.14-30.06.14	01.04.13-30.06.13	01.01.13-30.06.13
Interest income	5	84	148	8	8
Net gain from financial instruments at fair value through profit or loss	6	19	(14)	23	23
Total revenue		**103**	**134**	**31**	**31**
Investment management fees		(19)	(35)	(2)	(2)
Custodian fees		(1)	(3)	(-)	(-)
Interest expense		-	-	-	-
Fees		(2)	(4)	-	-
Total operating expenses		**(22)**	**(42)**	(2)	(2)
Operating Profit		**81**	**92**	**29**	**29**
Increase in net assets attributable to shareholders		**81**	**92**	29	29

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Statement of changes in net assets attributable to shareholders

For the quarter ended 31 March

In thousands of dram		30 June 2014	31 December 2013
Balance at 01 April	8	**3,417**	-
Increase in net assets attributable to shareholders		81	365
Contributions and redemptions by shareholders:			
Issue of shares during the period		538	2,322
Redemption of shares during the period		(-)	(-)
Total contributions and redemptions by shareholders		**538**	2,322
Balance at 30 June	8	**4,036**	**2,687**

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In thousands of dram	Note	For the quarter ended 30 June 01.01.14-30.06.14	01.01.13-30.06.13
Cash flows from operating activities			
Interest received		139	-
Interest paid		(-)	-
Proceeds from sale of investments		-	-
Purchase of investments		(1,949)	(906)
Operating expenses paid		(40)	-
Net cash from/(used in) operating activities		**(1,061)**	**(906)**
Cash flows from financing activities			
Proceeds from issue of shares		1,256	1,108
Payments on redemptions of shares		-	-
Net cash (used in)/from financing activities		**1,256**	**1,108**
Net (decrease)/increase in cash and cash equivalents		(594)	202
Cash and cash equivalents at the beginning of the period		841	-
Effect of exchange rate fluctuations on cash and cash equivalents		-	-
Cash and cash equivalents at 30 June		247	202

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1. Reporting entity

Rules of "CAMavor 2" pension fund (from here on Fund) have been registered on April 30, 2013 by decision 123-A 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.

The financial statements have been signed on July 10, 2014.

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 fair value basis except for held-to-maturity financial assets and financial liabilities not revalued at fair value which are measured at amortised cost.

(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

Pension funds of the Republic of Armenia are not considered taxable entities.

(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 fromthese 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

. Transactions in foreign currencies are translated into the functional currency at the appropriate exchange closing rate at the dates of the transactions. In the absence of exchange closing rates, average daily exchange rate published by Central Bank of RA is used. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognized in profit or loss as net foreign exchange profit (loss), except for those arising on financial instruments at fair value through profit or loss, which are recognised as a component of net gain or loss from financial instruments at fair value through profit or loss.

(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.
All expenses including expenses of the fund manager and expenses related to fulfillment of obligations associated with CAMavor 1 pension fund may be deducted as a fund expense.
The management fee of the Fund is 2.0% of fair value of fund assets.

(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 party to the contractual provisions of the instrument. 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

Repurchase securities are accounted as financial instruments 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 repurchase transactions as applicable. 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 repurchase agreement, applying the effective interest method.

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

If assets purchased under a repurchase agreement 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, June 30, 2014	Cash and cash equivalents	Debt securities	Total
Assets			
Cash and cash equivalents in RA banks	247	-	**247**
RA government securities	-	2,215	**2,215**
RA non-government securities	-	1,580	**1,580**
	247	**3,795**	**4,042**

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 shares (in cases set forth by law) 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 age of Fund participants and expected redemptions. Nevertheless, the impact of interest rate risk can be high due to fluctuations in the prevailing levels of market interest rates.

Currency risk

As of the reporting date, fund's exposure to currency risk is due to USD-denominated corporate bonds which are managed according to fund rules (currency diversification). As for specific assets, given the size of foreign currency assets, no special risk minimization mechanisms have been used.

In thousands of drams, June 30, 2014	**Cash and cash equivalents**	**Debt securities**	**Total**
Assets			
Cash and cash equivalents in RA banks	-	-	-
RA government securities	-	-	-
RA non-government securities	-	562	**562**
	-	562	**562**

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.

c) Capital risk management

The Fund's capital is represented by the net assets attributable to unitholders. The Fund strives to invest the subscriptions in investments that meet the Fund's investment objectives while maintaining sufficient liquidity to meet unitholder redemptions. The Management may a) redeem and issue new units in accordance with the constitutive documents of the Fund, b) follow their own judgment when determining the amounts to be distributed to fund participants.

d) Non-financial risk management

Technology and operating risk

The Manager, and respectively the Fund, face technology and operating risk which is the potential for loss due to deficiencies in control processes or technology systems of the Manager, its vendors or its outsourced service providers that constrain the ability to gather, process, and communicate information and process own and unitholder transactions efficiently and securely, without interruptions. This risk also includes the risk of human error, employee misconduct, external fraud, computer viruses, distributed denial of service attacks, terrorist attacks, and natural disaster. The Manager's operations are highly dependent on the integrity of its technology systems and success depends, in part, on the ability to make timely enhancements and additions to its technology in anticipation of evolving client needs. To the extent the Fund experiences system interruptions, errors or downtime, business and operations could be significantly negatively impacted. To minimize business interruptions, the Fund maintains backup and recovery functions, including facilities for backup and communications, and conducts testing of disaster recovery plans.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. The Manager maintains policies and procedures regarding the standard of care expected with data, whether the data is internal information, employee information, or non-public client information. The Manager clearly defines for employees, contractors, and vendors the expected standards of care for confidential data. Regular training is provided in regard to data security.

Despite risk management efforts, it is not always possible to deter or prevent technological or operational failure, or fraud or other misconduct, and the precautions taken by the Manager may not be effective in all cases. The Manager and the Fund may be subject to litigation, losses, and regulatory actions in such cases, and may be required to expend significant additional resources to remediate vulnerabilities or other exposures.

Regulatory risks

As a participant in the securities, asset management markets, the Manager is subject to extensive regulation by governmental agencies, supervisory authorities, primarily by the RA Central Bank. These regulatory agencies generally have broad discretion to prescribe greater limitations on the operations of a regulated entity for the protection of investors or public interest. As investment adviser the Manager is also subject to regulatory requirements relating to fiduciary duties to clients, performance fees, maintaining an effective compliance program, solicitation arrangements, conflicts of interest, advertising, limitations on agency cross and principal transactions between the advisor and advisory clients, recordkeeping and reporting requirements, disclosure requirements and general anti-fraud provisions.

Financial institutions generally must have anti-money laundering procedures in place, implement specialized employee training programs, designate an anti-money laundering compliance officer. Further, regulatory activity in the areas of privacy and data protection continues to grow worldwide and is generally being driven by the growth of technology and related concerns about the rapid and widespread dissemination and use of information. To the extent they are applicable to the Fund/Manager, compliance with these requirements has to be ensured.

Management has invested heavily in compliance functions to monitor its compliance with the numerous legal and regulatory requirements applicable to its business. Despite efforts to comply with applicable regulations, there are a number of risks, particularly in areas where applicable regulations may be unclear or where regulators revise their previous guidance. Any enforcement actions or other proceedings brought by the regulators against the Manager or its affiliates, officers or employees could result in fines, penalties, cease and desist orders, enforcement actions, suspension or expulsion, or other disciplinary sanctions, including limitations on business activities, any of which could harm the Manager's and the Fund's reputation and adversely affect the results of operations and financial condition. The consequences of noncompliance can include substantial monetary and non-monetary sanctions.

5. Interest income

In thousands of dram	01.04.14-30.06.14	01.01.14-30.06.14	01.04.13-30.06.13	01.01.13-30.06.13
Interest income on financial instruments designated as at fair value through profit or loss:				
Government debt securities	54	101	8	8
Non-government debt securities	30	47	-	-
	84	**148**	**8**	**8**

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

In thousands of dram	01.04.14-30.06.14	01.01.14-30.06.14	01.04.13-30.06.13	01.01.13-30.06.13
Net gain from financial assets designated as at fair value through profit or loss:				
Government debt securities	23	(13)	23	23
Non-government debt securities	4	-	-	-
	27	(13)	**23**	**23**

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

In thousands of dram	30.06.2014	31.12.2013
Financial assets at fair value through profit or loss		
Financial assets designated as at fair value through profit or loss:		
Government debt securities	2,215	1,488
Non-government debt securities	1,580	361
	3,795	**1,849**

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	2014 Total
Balance at 01 April	**2,832**
Issue of shares during the quarter	442
Redemption of shares during the quarter	(-)
Balance at 30 June	**3,274**

In thousands of dram	Total
Balance at 01 April	**3,417**

Increase in net assets attributable to shareholders	81
Issue of shares during the quarter	538
Redemption of shares during the year	(-)
Balance at 30 June	**4,036**
Net assets value per share (in dram)	**1,233**

Units in the Fund are offered at their net asset value per Unit ("NAV") on each business day as of information available at 03.00 of the following day ("NAV Determination Time"). A business day shall mean a day on which the Armenian Stock Exchange is open. Units will be redeemed at the NAV as of the relevant NAV Determination Time. Investment income earned by the Fund is accumulated and reinvested in the Fund and included in the determination of unit values.

Net assets attributable to unitholders represent a liability in the statement of financial position, carried at the redemption amount (excluding commission or other unitholder fees) that would be payable at the statement of financial position date if the unitholders exercised the right to redeem the units. Unitholders have the right to request on any business day the redemption of those units for which two years have passed since purchase and the Fund is obligated to fulfil such request within 3 days.

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Fund manager's	"AN Audit" CJSC
Chief executive officer	Prepared by authorised representative

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