



capital
asset
management

**CAM Government Securities
Investment Fund
Financial statements
and Independent Auditor's Report
For the year ended 31 December 2019**

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Independent Auditor's Report

To the unitholders of *CAM Government Securities Investment Fund*

We have audited the accompanying financial statements of CAM Government Securities Investment Fund ("the Fund") which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2019, and its financial performance and its cash flows for the year ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Without qualifying our opinion we draw attention to Note 12 to the financial statements which describes the potential impact on Fund's financial statements related to events after reporting period. Our opinion is not modified in respect of this matter.

Other Matter - Scope of the Audit

The financial statements of the Fund for the year ended on December 31, 2018 were audited by another company, who expressed an unmodified opinion on those statements on 30 April 2019.

Responsibilities of the management and those charged with governance for the Financial Statements

Management of the Fund is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operation, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is high level of assurance, but is not a guaranty that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements arise from fraud and error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**Statement of profit or loss and other comprehensive income
for the year ended 31 December, 2019**

	Note	2019 AMD'000	2018 AMD'000
Interest income	5	106,679	116,906
Interest expense	6	(10,096)	(212)
Net gain from financial assets at fair value through profit or loss	7	62,146	24,360
Investment management fees	8	(10,111)	(12,930)
Custodian fees		(1,578)	(2,024)
Commission expense		(77)	(175)
Profit before tax		<u>146,963</u>	<u>125,925</u>
Income tax expense		(105)	(135)
Profit for the year		<u>146,858</u>	<u>125,790</u>
Other comprehensive income		-	-
Total comprehensive income		<u>146,858</u>	<u>125,790</u>
Increase in net assets attributable to unitholders		<u>146,858</u>	<u>125,790</u>

The financial statements from pages 5 to 22 were approved by the Management on 25 March 2020 and signed by:

Chief Executive Officer
Alik Araqelyan

Chief Accountant
Argam Abrahamyan
«AN Audit» CJSC authorised
representative

Statement of financial position
As at 31 December 2019

	Note	2019 AMD'000	2018 AMD'000
Assets			
Cash and cash equivalents		1,268	454
Financial assets at fair value through profit or loss	9	902,436	1,201,920
Reverse repurchase agreements		-	224,072
Total assets		903,704	1,426,446
Liabilities			
Repurchase agreements	10	66,223	-
Payables		837	1,273
Total liabilities		67,060	1,274
Net assets attributable to unitholders	11	836,644	1,425,172
Total liabilities and net assets attributable to unitholders		903,704	1,426,446

**Statement of cash flows
for the year ended 31 December 2019**

	2019 AMD'000	2018 AMD'000
<i>Cash flows from operating activities</i>		
Interest received	99,208	121,263
Interest paid	(10,052)	(236)
Purchase of financial assets at fair value through profit or loss	(193,102)	(412,089)
Proceeds from sale of financial assets at fair value through profit or loss	562,277	245,144
Operating expenses paid	(12,310)	(14,843)
Net increase (decrease) in reverse repurchase agreements	223,999	(223,999)
Net increase/(decrease) in repurchase agreements	66,180	(32,564)
Net cash from operating activities	736,200	(317,324)
<i>Cash flows from financing activities</i>		
Proceeds from issue of units	46,474	433,861
Payments on redemptions of units	(781,860)	(116,824)
Net cash (used in)/ from financing activities	(735,386)	317,037
Net increase/(decrease) in cash and cash equivalents	814	(287)
Cash and cash equivalents at beginning of the year	454	741
Cash and cash equivalents at the end of the year	1,268	454

**Statement of changes in net assets attributable to unitholders
for the year ended 31 December 2019**

	Note	Net assets attributable to unitholders AMD'000
Balance as at January 01, 2019		<u>1,425,172</u>
Issuance and redemptions by unitholders:		
Subscription of units	11	46,474
Redemption of units	11	<u>(781,860)</u>
Net increase from unit transactions		<u>(735,386)</u>
Increase in net assets attributable to unitholders for the year		<u>146,858</u>
Balance as at December 31, 2019	11	<u>836,644</u>
	Note	Net assets attributable to unitholders AMD'000
Balance as at January 01, 2018		<u>982,345</u>
Issuance and redemptions by unitholders:		
Subscription of units	11	433,861
Redemption of units	11	<u>(116,824)</u>
Net increase from unit transactions		<u>317,037</u>
Increase in net assets attributable to unitholders for the year		<u>125,790</u>
Balance as at December 31, 2019	11	<u>1,425,172</u>

Index to notes forming part of the financial statements
For the year ended 31 December 2019

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Notes forming part of the financial statements for the year ended December 31, 2019

1. About the Fund

CAM Government Securities Investment Fund (the CAM GSF or the Fund) is an open-ended contractual investment fund. The Fund represents a voluntary pension fund incorporated in the Republic of Armenia (RA). The Fund was incorporated on 30 April 2013 for an unlimited duration as an open-ended investment company under the laws of RA and under the decision 123-A by Central Bank of Armenia (CBA). The Fund's investment activities are managed by "Capital Asset Management" cjsc (the Manager) which was founded on October 18, 2012 and registered with CBA as an investment fund manager with granted license number1. The Fund's registered office is 7 Argishti, 1st floor office 101, Yerevan, Republic of Armenia. The only shareholder of the "Capital Asset Management" CJSC is Tigran Karapetyan

The investment objective of the Fund is to achieve consistent medium-term returns while safeguarding capital by investing in a diversified portfolio of equity securities, interest bearing securities and related derivatives in several currencies in domestic markets.

Fund assets may be invested in government bonds, fixed-income securities and derivatives with government bonds, including derivatives outside the regulated market provided the transactions are with regulated counterparties and the instrument provides sufficient liquidity and fair value determination opportunity.

The Fund's units are redeemable at the holder's option. The units cannot be traded on the stock exchange.

CAM Government Securities Investment Fund

Investments structure

Bonds description	Currency	Coupon yield annual	Repayments schedule	Maturity date	31 December 2019		31 December 2018	
					Nominal value AMD'000	Fair value AMD'000	Nominal value AMD'000	Fair value AMD'000
Government bond	AMD	13%	semi-annual	17/02/2032	200,000	269,438	200,000	254,218
Government bond	AMD	9%	semi-annual	29/10/2029	200,000	213,477	-	-
Government bond	AMD	8%	semi-annual	29/10/2023	200,000	209,689	250,000	251,614
Government bond	AMD	13%	semi-annual	29/10/2036	100,000	134,970	100,000	122,554
Government bond	AMD	9%	semi-annual	29/04/2022	70,000	74,862	170,000	177,231
Government bond	AMD	8%	semi-annual	29/04/2020	-	-	150,000	153,789
Government bond	AMD	10%	semi-annual	29/04/2020	-	-	107,500	113,554
Government bond	AMD	10%	semi-annual	21/03/2021	-	-	121,000	128,960
						902,436		1,201,920

2. Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out in note 13. The policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements are presented in Armenian Drams (AMD), which is also the Fund's functional currency. Amounts are rounded to the nearest thousand, unless otherwise stated.

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs).

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates and judgments. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

Basis of measurement

The financial statements have been prepared on historical cost basis, except for financial assets at fair value through profit or loss that are measured at fair value.

Changes in accounting policies

a) New standards, interpretations and amendments effective from 1 January 2019

- IFRS 16 Leases (IFRS 16);
- IFRIC 23 Uncertainty over income tax treatment (IFRIC 23).

None of the above mentioned had significant effect on the Fund's financial statements.

b) New standards, interpretations and amendments not yet effective

There were no new standards, interpretations and amendments that are not yet effective that will have or may have an impact on the Fund's future financial statements.

3. Critical Accounting Estimates and Judgements

The Fund makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual outcome may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimates and assumptions

The Fund's management makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

A number of assets and liabilities included in the Fund's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Fund's financial and non-financial assets and liabilities utilizes market observable inputs and data as far as possible. Inputs used in determining fair value

measurements are categorized into different levels based on how observable the inputs used in the valuation technique utilized are (the 'fair value hierarchy'):

- *Level 1:* Quoted prices in active markets for identical items (unadjusted)
- *Level 2:* Observable direct or indirect inputs other than Level 1 inputs
- *Level 3:* Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognized in the period they occur.

The Fund measures assets at fair value (Note 9).

4. Financial instruments - Risk Management

The Fund is exposed through its operations to the following financial risks:

- Credit risk,
- Fair value or cash flow interest rate risk,
- Liquidity risk

The Fund is exposed to risks that arise from its use of financial instruments. This note describes the Fund's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

The Fund may maintain positions in a variety of derivative and non-derivative financial instruments in accordance with its investment management strategy. The Fund's rules detail its investment policy and guidelines that encompass its overall investment strategy, tolerance to risk and its general risk management philosophy. The restrictions on the investment portfolio of the Fund are also regulated by the decision 337-N of the Board of CBA on December 6, 2011.

There have been no substantive changes in the Fund's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods.

(a) Principal financial instruments

The principal financial instruments used the Fund, from which financial instrument risks arise, are as follows:

- Financial assets at fair value through profit or loss
- Reverse repurchase agreements
- Cash and cash equivalents
- Repurchase agreements
- Payables.

CAM Government Securities Investment Fund

(b) Financial instruments by category

Financial assets	Fair value measurement		Amortized cost	
	2019 AMD'000	2018 AMD'000	2019 AMD'000	2018 AMD'000
Cash and cash equivalents	-	-	1,268	454
Financial assets at fair value through profit or loss	902,436	1,201,920	-	-
Reverse repurchase agreements	-	224,072	-	-
Total	902,436	1,425,992	1,268	454

Financial liabilities	2019	2018	2019	2018
	AMD'000	AMD'000	AMD'000	AMD'000
Repurchase agreements	66,223	-	-	-
Payables	-	-	837	1,197
Total	66,223	-	837	1,197

(c) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, receivables and payables.

Due to their short-term nature, the carrying value of cash and cash equivalents, receivables and payables approximates their fair value

(d) Financial instruments measured at fair value

Financial Instruments fair value hierarchy is presented below

December 31	Level 2	
	2019 AMD'000	2018 AMD'000
Financial assets at fair value through profit or loss	902,436	1,201,920
Reverse repurchase agreements	-	224,072
Repurchase agreements	66,223	-

Appendix A details the fair value hierarchy and significant unobservable inputs relating to valuation techniques that are included in Level 3 of the fair value hierarchy.

During the reporting period there were no changes in the levels. The valuation techniques and significant observable inputs used in determining the fair value of investment property, as well as the primary observable inputs and fair value relationships are presented below.

Credit Risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Fund bears credit risk primarily on investing

CAM Government Securities Investment Fund

activities and bank balances. The Fund seeks to control its credit risks by applying monitored investment strategy as well as sound selecting of servicing banking partners. The Fund may enter into secured financing transactions such as sale and repurchase agreements or purchase and resale agreements. For secured transactions involving repurchase and resale agreements the Fund is permitted to sell or repledge the securities held as collateral and use these securities to enter into securities lending arrangements or to deliver to counterparties to cover any short positions.

The Fund has policies and procedures for the management of credit exposures. The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the statement of financial position and in unrecognised contractual commitments. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

As at December 31, 2019 and 2018 credit risk exposure of financial assets are presented in the table below:

	2019 AMD'000	2018 AMD'000
Cash and cash equivalents	1,268	454
Financial assets at fair value through profit or loss	902,436	1,201,920
Reverse repurchase agreements	-	224,072
Total	903,704	1,426,446

Cash at bank

The Fund believes that the risk of cash at bank can be deemed as insignificant, since the financial institutions selected for investment of the funds are reliable and authoritative.

Liquidity risk

Liquidity risk arises from the Fund's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Fund will encounter difficulty in meeting its financial obligations as they fall due.

The Fund's policy is to ensure that it will always have sufficient cash available to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements in reasonable timeframe.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

Up to 3 months	31 December 2019 AMD'000	31 December 2018 AMD'000
Repurchase agreements	66,253	-
Payables	837	1,197
	67,090	1,197

Fair value or cash flow interest rate risk

The Fund is exposed to the risk that the fair value or income / future cash flows of its financial instruments portfolio will fluctuate as a result of fluctuations 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 maturity of financial liabilities. Nevertheless, the impact of interest rate risk can be high due to fluctuations in the prevailing levels of market interest rates.

5. Interest income

	2019 AMD'000	2018 AMD'000
Government bonds	101,694	100,318
Reverse repurchase agreements	4,909	16,533
Interest income on bank accounts	76	55
	<u>106,679</u>	<u>116,906</u>

6. Interest expense

	2019 AMD'000	2018 AMD'000
Reverse repurchase agreements	<u>10,096</u>	212
	<u>10,096</u>	<u>212</u>

7. Net gain from financial assets at fair value through profit or loss

	2019 AMD'000	2018 AMD'000
Government bonds	<u>62,146</u>	24,360
	<u>62,146</u>	<u>24,360</u>

8. Investment management fees

The Manager is entitled to receive a management fee 0.4%, 1.0% and 1.85% of per annum of the net asset value of the Fund for Class A, Class B and Class C units, respectively. Management fee is calculated and accrued on each dealing day and payable monthly in arrears. Management fees charged for the year was AMD 10,111 thousand (2018: AMD 12,930 thousand) of which AMD 540 thousand was outstanding at December 31, 2019 (December 31, 2018: AMD 658 thousand).

9. Financial assets at fair value through profit or loss

	2019 AMD'000	2018 AMD'000
Government bonds	<u>902,436</u>	1,201,920
	<u>902,436</u>	<u>1,201,920</u>

As at 31 December 2019 financial assets at fair value through profit or loss of AMD 68,149 thousand were pledged against repurchase agreements, the nominal value of which amounts AMD 65,000 thousand.

10. Repurchase agreements

As at 31 December 2019 the amounts received from the financial institutions of the Republic of Armenia under the repurchase agreement and the interest accrued thereon, with an average interest rate of 6.5% at the end of the reporting period, have a maturity of up to one month.

11. Net assets attributable to unitholders

The Fund has Class A, Class B and Class C units in issue. All classes are the most subordinate classes of financial instruments in the Fund and rank pari passu in all material respects and have the same terms and conditions other than management fee rate, issue and redemption fee arrangements. Net asset values per class of units are determined on a daily basis (after deduction of general expenses from total fund assets) in proportionate to net asset values of the prior day and application of management fees at rates attributable to each class of units. Redeemable shares can be put back to the fund at any time for cash equal to a proportionate share of the Fund's net asset value attributable to the unit. The redeemable shares are classified as financial liabilities and are measured at the redemption amounts.

The movements in the number of units and net assets attributable to unitholders was as follows

2019				
<u>Number of units</u>	Class			Total
	A	B	C	
Balance at January 1	265,955	153,758	157,236	576,949
Issue of units during the year	3	4,102	9,053	13,158
Redemption of units during the year	(165,492)	(44,004)	(92,207)	(301,703)
Balance at December 31	100,466	113,856	74,082	288,404

2018				
<u>Number of units</u>	Class			Total
	A	B	C	
Balance at January 1	227,007	104,344	106,118	437,469
Issue of units during the year	42,208	50,452	97,127	189,787
Redemption of units during the year	(3,259)	(1,038)	(46,010)	(50,307)
Balance at December 31	265,955	153,758	157,236	576,949

2019				
<u>in AMD'000</u>	Class			Total
	A	B	C	
Balance at January 1	676,947	378,348	369,877	1,425,172
Issue of units during the year	9	11,263	35,202	46,474
Redemption of units during the year	(433,963)	(112,662)	(235,235)	(781,860)
Increase in net assets attributable to unitholders	60,072	53,089	33,697	146,858
Balance at December 31	303,065	330,038	203,541	836,644

2018				
<u>in AMD'000</u>	Class			Total
	A	B	C	
Balance at January 1	521,042	232,919	228,384	982,345
Issue of units during the year	100,700	117,373	215,788	433,861
Redemption of units during the year	(8,003)	(2,492)	(106,329)	(116,824)
Increase in net assets attributable to unitholders	63,208	30,548	32,034	125,790
Balance at December 31	676,947	378,348	369,877	1,425,172

CAM Government Securities Investment Fund

Units in the Fund are offered at their net asset value per Unit (“NAV”) on each business day, information available at 15.00 of the preceding 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.

As of the closing of the last operating day of 2019 the NAVs per unit at which redemptions and subscriptions were available for transactions were as follows:

Class	2019 AMD	2018 AMD
A	3,016.59	2,545.34
B	2,898.73	2,460.67
C	2,747.52	2,352.37

12. Events after the reporting period

Taking into consideration the wide geographical spread of the new type of coronavirus (COVID-19), especially after the reporting period in the territory of the Republic of Armenia, as well as the RA Government’s decision of the state of emergency from March 16 to April 14, the Fund Manager consider that the created situation could negatively impact on net assets attributable to unitholders, in particular, it can lead:

- Reduction of Investor sentiments,
- increase in interest rates and decrease in the fair values of securities.

In such conditions of the unpredictability of events, the Fund Manager is unable to give a reliable estimate of the impact of such circumstances on the Fund's financial statements. The Fund's financial statements do not include the effect of adjustments that could have been considered necessary if the above circumstances were observable and measurable in the Republic of Armenia.

13. Accounting policy

Foreign currency transactions

Transactions in foreign currency are converted into the functional currency at the closing exchange rate as of the day of the transaction, and at the average exchange rate announced by the CBA in case of closing price absence.

Non-monetary assets and liabilities in foreign currencies that are measured at fair value are recalculated at the current exchange rate at the date the fair value of the functional currency is determined.

Exchange differences arising from the foreign currency items account are recognized in profit or loss as net gains/losses on foreign exchange differences, except for financial instruments measured at fair value through profit or loss that are recognized at fair value, the element of net profit or loss arising from the revaluation of financial instruments measured through profit or loss.

Interest income and expense

Interest income and expense, including interest income from non-derivative financial assets measured at fair value through profit or loss, are recognized in profit or loss, respectively, as interest income or expense.

Stock transactions and investment income

Stock transactions are accounted for at the date of the transaction (sale or purchase of securities). Interest income is accounted on an accrual basis. Dividends are accounted on the date of the previous dividends. Value of securities is calculated based on weighted average cost.

Expenses

All expenses, proper charges and disbursements of the Manager in the performance of its duties under the CAM Government Securities Investment Fund Rules may be charged to the Fund. The management fee charged from the Fund is set out in Note 8.

Financial instruments

The Fund recognizes the financial assets and liabilities in the statement of financial position when it becomes a party to the financial instrument contract. Regular way purchases and sales of financial assets and liabilities are accounted for at the end of the reporting period. Regular way purchases or sales of financial instruments are the purchase or sale of financial assets that require delivery of the assets within the time frame established generally by regulation or convention in the marketplace concerned.

Financial assets or liabilities are initially measured at fair value. In the case of financial assets or liabilities that are not classified in the group of financial instruments measured at fair value through profit or loss, the transaction costs are added (or removed) to the fair value, which are directly attributable to the purchase or issue of a financial asset or liability. Transaction costs that are directly attributable to acquisition of financial assets or financial liabilities "measured at fair value through profit or loss" are recognized immediately in profit or loss.

Financial assets

Financial assets are classified in the following categories: (a) financial assets measured at fair value through profit or loss (FVTPL); (b) financial assets measured at fair value through other comprehensive income (FVOCI); c) financial assets measured at amortized cost. The classification depends on the nature of the cash flows resulting from the financial assets and the business model, under which the asset is held and designated at the time of initial recognition.

Financial assets measured at fair value through profit or loss. Financial asset is classified as "measured at fair value through profit or loss" if it is classified neither as measured at amortized cost (as described below) nor as measured at FVOCI (as described below). Additionally, at initial recognition, the Fund may irrevocably designate any financial asset (which meets the criteria for being measured at amortized cost or at FVOCI) as measured at FVTPL, if this eliminates or essentially reduces the accounting mismatch that could otherwise have arisen.

A financial asset is classified as measured "at fair value through other comprehensive income" (FVOCI) if:

- It is held under a business model, which aims at collecting contractual cash flows and selling financial assets; and
- At initial recognition, it forms a part of the portfolio of certain financial instruments managed jointly by the Fund and has a realistic possibility of short-term profit making; or
- Its contractual terms give rise to cash flows on the specified dates, which are solely interest payments on principal and outstanding principal.

A financial asset is classified as measured "at amortized cost" if it complies with the following two conditions and has not been designated as measured at FVTPL:

- It is held under a business model, which aims at holding assets to collect contractual cash flows; and
- Its contractual terms give rise to cash flows on the specified dates, which are solely interest payments on principal and outstanding principal.

Financial assets, which are debt instruments and are not classified as measured at FVTPL, are subject to impairment test using the expected credit loss model. According to this model, a credit loss provision should be recognized in the amount of expected credit losses (ECL) during 12 months after the reporting date. However, if the instrument's credit risk has significantly increased since its initial recognition, the provision should be recognized for the whole life of the instrument in the amount of ECL.

Derecognition of financial assets

The Fund derecognizes financial assets when the contractual rights with respect to cash flows resulting from the financial asset become void, or when these rights are transferred to a third party. If the Fund substantially neither transfers nor retains all the risks and returns related to ownership of the financial asset, but retains control over the transferred asset, the Fund continues to recognize the financial asset, as well as its associated liability to the extent that its involvement in the financial asset is kept. If the Fund substantially retains all the risks and returns related to ownership of the financial asset, the Fund shall continue to recognize the financial asset, as well as the borrowing pledged as collateral for the received return.

Financial liabilities

Financial liabilities are classified as measured "at fair value through profit or loss" (FVTPL) or other financial liabilities.

Financial liabilities measured at fair value through profit or loss. Financial liabilities are classified as measured at fair value through profit or loss when the financial liability is held for sale or classified as measured at fair value through profit or loss.

A financial liability is classified as held for sale if:

- it has been acquired primarily for a short-term repurchase; or
- initial recognition, it forms a part of the portfolio of certain financial instruments managed jointly by the Fund and has a realistic possibility of short-term profit making; or
- it is a derivative instrument that is not intended or used as a hedging tool.

A financial liability not held for trading purposes may be classified as measured at FVTPL at the time of recognition, if:

- such classification excludes or significantly reduces the measurement or recognition mismatch that would otherwise have occurred; or
- a financial liability forms a part of financial assets or financial liabilities or the group of assets and liabilities, which is managed and whose performance is evaluated on a fair value basis in accordance with the Fund's documented risk management or investment strategy, and the grouping information is provided internally on these grounds; or
- It is a part of the contract, that contains one or more of the embedded derivatives, and the entire contract (assets or liabilities) is classified as measured at FVTPL.

Financial liabilities measured at FVTPL are presented at fair value, and the gain or loss arising from their remeasurement is recognized in profit or loss except for the change in the fair value from the part attributable to the credit risk, which is presented in other comprehensive income.

Other financial liabilities

Other financial liabilities are initially measured at fair value, less transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, recognizing the interest expense on the basis of efficiency.

Derecognition of financial liabilities

The Fund derecognizes a financial liability only when the Fund's obligations are repaid, canceled, or become void. When a financial liability to the same lender is replaced by another financial liability (the terms of which substantially vary from the previous one), or there has been a material change in the terms of the present liability, such replacement or change is recognized as derecognition of the original liability and recognition of a new liability. The difference between the carrying amount of the derecognized financial liability and compensation paid and payable is recognized in the statement of comprehensive income.

CAM Government Securities Investment Fund

Redeemable units and net assets attributable to holders of redeemable units

The Fund has three classes of units in issue: Class A, Class B and Class C. All classes are the most subordinate classes of financial instruments in the Fund and rank pari passu in all material respects and have the same terms and conditions other than management fee rate, issue and redemption fee arrangements and investment policies. Redeemable shares can be put back to the fund at any time for cash equal to a proportionate share of the Fund's net asset value attributable to the unit. The redeemable shares are classified as financial liabilities and are measured at the redemption amounts. Redeemable units are issued and redeemed based on the Fund's net asset value per unit class, calculated by dividing the net assets of the Fund, calculated in accordance with Fund's rules. All proceeds and payments for units issued and redeemed are shown as movements in the statement of changes in net assets attributable to unitholders.

Securities purchased and redeemed under the REPO agreement

The Fund enters into financial assets sale and purchase back agreements ("repos") and financial assets purchase and sale back agreements ("reverse repos"). Repos and reverse repos are utilized by the Fund as an element of its treasury management. A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as financing transactions. Financial assets sold under repo are retained in the financial statements and consideration received under these agreements is recorded as collateralized deposit received within depositary instruments with banks. The Fund enters into securities repurchase agreements under which it receives or transfers collateral in accordance with normal market practice. The transfer of securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred.

Tax

Under present law governing the Investment Fund in Armenia, the Fund is not subject to tax on income, profits or capital gains or other taxes payable. The Fund is taxed at 0.01% based on total net assets annually.

CAM Government Securities Investment Fund

Annex A. Fair Value measurement disclosures

The following table sets out the valuation techniques used in the determination of fair values including the key unobservable inputs used and the relationship between unobservable inputs to fair value.

<u>Item</u>	<u>Fair value, AMD'000</u>	<u>Valuation technique</u>	<u>Fair value hierarchy level</u>	<u>Significant unobservable inputs</u>
Financial assets at fair value through profit or loss	902,436	Quoted prices	Level 2	None
Repurchase agreements	66,223	Quoted prices	Level 2	None
Payables	837	The carrying amount of short term (less than 12 months) payable approximates its fair values.	Level 3	Not applicable