



capital
asset
management

**CAMavor 2 Pension 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 *CAMavor 2 Pension Fund*

Opinion

We have audited the accompanying financial statements of CAMavor 2 Pension 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 10 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.

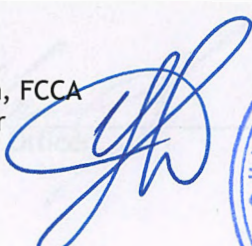
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Among other issues, we inform those charged with governance/management about the scope and timing of the audit, as well as significant findings identified during the audit, including any significant deficiencies in the internal control.

"BDO Armenia" CJSC

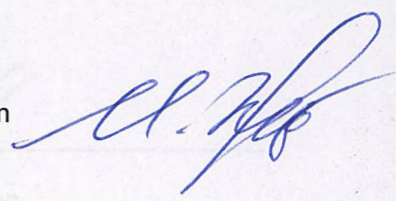
Vahagn Sahakyan, FCCA
Managing Partner



25 March, 2020
Yerevan



Silvie Hyusyan
Auditor



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	8,762	7,637
Net gain/(loss) from financial assets at fair value through profit or loss	6	1,671	(259)
Total operating income		10,433	7,378
Investment management fees	7	(2,423)	(2,080)
Custodian fees		(182)	(156)
Commission expense		(44)	(40)
Total operating expenses		(2,649)	(2,276)
Operating profit		7,784	5,102
Other comprehensive income		-	-
Total comprehensive income		7,784	5,102
Increase in net assets attributable to unitholders		7,784	5,102

The financial statements from pages 5 to 21 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

CAMavor 2 Pension Fund

Statement of financial position As at 31 December 2019

	Note	2019 AMD'000	2018 AMD'000
Assets			
Cash and cash equivalents		10,433	5,961
Financial assets at fair value through profit or loss	8	<u>120,235</u>	<u>106,055</u>
Total assets		<u>130,668</u>	<u>112,016</u>
Liabilities			
Payables		<u>262</u>	<u>490</u>
Total liabilities		<u>262</u>	<u>490</u>
Net assets attributable to unitholders	9	130,406	111,526
Total liabilities and net assets attributable to unitholders		<u>130,668</u>	<u>112,016</u>

CAMavor 2 Pension Fund

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	8,242	8,118
Purchase of financial assets at fair value through profit or loss	(52,795)	(45,279)
Proceeds from sale of financial assets at fair value through profit or loss	40,804	31,937
Operating expenses paid	(2,875)	(2,706)
Net cash used in operating activities	(6,624)	(7,930)
<i>Cash flows from financing activities</i>		
Proceeds from issue of units	24,576	24,213
Payments on redemptions of units	(13,480)	(13,814)
Net cash from financing activities	11,096	10,399
Net increase in cash and cash equivalents	4,472	2,482
Cash and cash equivalents at beginning of the year	5,961	3,492
Cash and cash equivalents at the end of the year	10,433	5,961

CAMavor 2 Pension Fund

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>111,526</u>
Issuance and redemptions by unitholders:		
Subscription of units	9	24,576
Redemption of units	9	<u>(13,480)</u>
Net increase from unit transactions		<u>11,096</u>
Increase in net assets attributable to unitholders for the year		<u>7,784</u>
Balance as at December 31, 2019	9	<u>130,406</u>

	Note	Net assets attributable to unitholders AMD'000
Balance as at January 01, 2018		<u>96,025</u>
Issuance and redemptions by unitholders:		
Subscription of units	9	24,213
Redemption of units	9	<u>(13,814)</u>
Net increase from unit transactions		<u>10,399</u>
Increase in net assets attributable to unitholders for the year		<u>5,102</u>
Balance as at December 31, 2019	9	<u>111,526</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

CAMavor 2 Pension Fund (the CAMavor 2 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), licence number - 1. The Fund's registered office is 7 Argishti, 1st floor office 101, Yerevan, Republic of Armenia. The only shareholder of the Manager 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 fixed-income securities including bonds issued by governments, corporations and municipalities as well as in equity securities up to 25% of fund assets. Fund investments may also include bank deposits up to 50% of the Fund assets, investment fund units up to 50% of fund assets, derivative instruments only for hedging purposes. Fund investments may include foreign securities up to 50% of the Fund assets and foreign currency-denominated securities up to 50% of the Fund assets.

The Fund's units are redeemable at the holder's option subject to minimum holding period of two years. The units cannot be traded on the stock exchange.

CAMavor 2 Pension 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	11%	semi-annual	29/10/2025	12,000	14,254	10,000	11,202
Government bond	AMD	10%	semi-annual	29/10/2027	12,000	13,726	-	-
Government bond	AMD	10%	semi-annual	29/04/2020	12,000	12,369	12,000	12,676
Government bond	AMD	13%	semi-annual	17/02/2032	9,000	12,125	9,000	11,440
Government bond	AMD	8%	semi-annual	29/04/2020	8,000	8,170	8,000	8,202
Government bond	AMD	12%	semi-annual	17/02/2021	5,000	5,545	5,000	5,678
Government bond	AMD	10%	semi-annual	29/10/2023	3,000	3,363	3,000	3,233
Government bond	AMD	8%	semi-annual	29/04/2019	-	-	6,000	6,115
Armswissbank cjsc	USD	6.75%	semi-annual	15/06/2024	9,594	10,065	9,675	10,021
ID bank cjsc	USD	5.25%	quarterly	22/01/2021	9,114	9,170	-	-
Conversebank cjsc	AMD	9.5%	semi-annual	26/04/2021	9,000	9,150	-	-
Unibank cjsc	USD	5.75%	semi-annual	11/09/2020	7,675	7,724	7,740	7,767
ACBA-CREDIT AGROCOL BANK cjsc	USD	5.5%	semi-annual	18/02/2020	6,956	7,114	7,014	7,221
Inecobank cjsc	USD	5.25%	semi-annual	11/06/2021	5,948	5,966	5,999	6,003
Fast Credit UCO cjsc	USD	6.9%	semi-annual	20/07/2020	1,439	1,494	1,451	1,505
Conversebank cjsc	USD	5.75%	semi-annual	05/05/2019	-	-	9,675	9,790
ID bank cjsc	USD	6.75%	semi-annual	12/12/2018	-	-	5,079	5,202
						120,235		106,055

2. Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out in note 11. 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 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.

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

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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
- Foreign Currency 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
- Cash and cash equivalents
- Payables.

(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	-	-	10,433	5,961
Financial assets at fair value through profit or loss	120,235	106,055	-	-
Total	120,235	106,055	10,433	5,961

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Financial liabilities

	2019 AMD'000	2018 AMD'000	2019 AMD'000	2018 AMD'000
Payables	-	-	<u>218</u>	<u>151</u>
Total	<u>-</u>	<u>-</u>	<u>218</u>	<u>151</u>

(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

	Level 2	
December 31	2019 AMD'000	2018 AMD'000
Financial assets at fair value through profit or loss	<u>120,235</u>	<u>106,055</u>

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 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.

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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	10,433	5,961
Financial assets at fair value through profit or loss	120,235	106,055
Total	130,668	112,016

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
Payables	218	151

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.

Foreign currency risk

Foreign currency risk arises in respect of those recognized monetary financial assets and liabilities that are not in the functional currency of the Fund. The Manager has a policy to manage Fund's exposure to currency risk in line with the currency diversification rules set in the Fund Rules. As of the reporting date, Fund's exposure to currency risk is originated through USD denominated corporate bonds held in the investment portfolio.

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The table below summarizes the exposure to foreign currency exchange rate risk at the end of the reporting period.

	31 December 2019 AMD'000	31 December 2018 AMD'000
Financial assets at fair value through profit or loss		
USD	41,533	47,509
Open balance sheet position	<u>41,533</u>	<u>47,509</u>

The effect of a 10% strengthening of USD against AMD at the reporting date on the USD-denominated financial instruments, all other variables held constant, would have resulted in a decrease in post-tax profit for the year and decrease of net assets of AMD 4,153 thousand (2018: AMD 4,751 thousands). A 10% weakening in the exchange rate would, on the same basis, have increased post-tax profit and net assets by the same amounts.

5. Interest income

	2019 AMD'000	2018 AMD'000
Government bonds	5,813	4,903
Corporate bonds	2,949	2,734
	<u>8,762</u>	<u>7,637</u>

6. Net (loss)/gain from financial assets at fair value through profit or loss

	2019 AMD'000	2018 AMD'000
Government bonds	2,182	28
Corporate bonds	(511)	(287)
	<u>1,671</u>	<u>(259)</u>

7. Investment management fees

The Manager is entitled to receive a management fee of up to 2% per annum of the net asset value of the Fund, calculated and accrued on each dealing day and payable monthly in arrears. Management fee charged for the year was AMD 2,423 thousand (2018: AMD 2,080 thousand) of which AMD 171 thousand was outstanding at December 31, 2019 (December 31, 2018: AMD 110 thousand).

8. Financial assets at fair value through profit or loss

	2019 AMD'000	2018 AMD'000
Government bonds	69,552	58,546
Corporate bonds	50,683	47,509
	<u>120,235</u>	<u>106,055</u>

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9. Net assets attributable to unitholders

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

	2019		2018	
	Number of units	Units in AMD'000	Number of units	Units in AMD'000
Balance at the beginning of the year	63,059	111,526	57,005	96,025
Issue of units during the year	13,573	24,576	14,028	24,213
Redemption of units during the year	(7,454)	(13,480)	(7,974)	(13,814)
Increase in net assets attributable to unitholders	-	7,784	-	5,102
Balance at December 31	69,178	130,406	63,059	111,526
Net assets value per unit in AMD		1,885		1,769

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.

10. 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.

11. 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.

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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 CAMavor 2 Pension Fund Rules may be charged to the Fund. The management fees charged to the Fund is 2%

Management fees charged from the Fund are set out in Note 7.

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.

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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 FVPOL, 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 derecognises 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.

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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.

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 Fund in Armenia, the Fund is not subject to tax on income, profits or capital gains or other taxes payable. The unitholders of the Fund are individually liable for their share of the Funds' income.

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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:	120,235	Quoted prices	Level 2	Not applicable
Payables	218	The carrying amount of short term (less than 12 months) payable approximates its fair values.	Level 3	None