



capital  
asset  
management

CAM Government Securities  
Investment Fund  
Financial statements  
and Independent Auditor's Report  
For the year ended 31 December 2020

## CAM Government Securities Investment Fund

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## INDEPENDENT AUDITOR'S REPORT

*To the unitholders of CAM Government Securities Investment Fund*

### Opinion

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 2020, 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 2020, 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.

### 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 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.

30 March, 2021  
"BDO Armenia" CJSC

Vahagn Sahakyan,  
Managing Partner



Gnel Khachatryan, FCCA  
Engagement Partner

CAM Government Securities Investment Fund

Statement of profit or loss and other comprehensive income  
for the year ended 31 December, 2020

	Note	2020 AMD'000	2019 AMD'000
Interest income	5	65,022	106,679
Interest expense	6	(336)	(10,096)
Net gain/(loss) from financial assets at fair value through profit or loss	7	(10,540)	62,146
Investment management fees	8	(8,280)	(10,111)
Custodian fees		(1,262)	(1,578)
Commission expense		(8,676)	(77)
Gain from revaluation of foreign exchange		8,301	-
Profit before tax		44,229	146,963
Income tax expense		(84)	(105)
Profit for the year		44,145	146,858
Other comprehensive income		-	-
Total comprehensive income		44,145	146,858
Increase in net assets attributable to unitholders		44,145	146,858

*The financial statements from pages 5 to 22 were approved by the Management of CJSC on 30 March 2021 and signed by:*

\_\_\_\_\_  
Alik Araqelyan  
Chief Executive Officer

\_\_\_\_\_  
Gayane Vardanyan  
Chief Accountant  
«AN Audit» CJSC authorised  
representative

CAM Government Securities Investment Fund

Statement of financial position  
As at 31 December 2020

	Note	2020 AMD'000	2019 AMD'000
<b>Assets</b>			
Cash and cash equivalents		123,953	1,268
Financial assets at fair value through profit or loss	9	480,989	902,436
Reverse repurchases agreements	10	75,612	-
<b>Total assets</b>		<u>680,554</u>	<u>903,704</u>
<b>Liabilities</b>			
Repurchase agreements		-	66,223
Other payables		759	837
<b>Total liabilities</b>		<u>759</u>	<u>67,060</u>
<b>Net assets attributable to unitholders</b>	11	<u>679,795</u>	<u>836,644</u>
<b>Total liabilities and net assets attributable to unitholders</b>		<u>680,554</u>	<u>903,704</u>

CAM Government Securities Investment Fund

Statement of cash flows  
for the year ended 31 December 2020

	2020 AMD'000	2019 AMD'000
<i>Cash flows from operating activities</i>		
Interest received	59,936	99,208
Interest paid	(379)	(10,052)
Purchase of financial assets at fair value through profit or loss	(81,314)	(193,102)
Proceeds from sale of financial assets at fair value through profit or loss	497,284	562,277
Operating expenses paid	(18,537)	(12,310)
Net increase (decrease) in reverse repurchase agreements	(75,588)	223,999
Net increase/(decrease) in repurchase agreements	(66,180)	66,180
Net cash from operating activities	<u>315,222</u>	<u>736,200</u>
<i>Cash flows from financing activities</i>		
Proceeds from issue of units	161,235	46,474
Payments on redemptions of units	(362,073)	(781,860)
Net cash (used in)/ from financing activities	<u>(200,838)</u>	<u>(735,386)</u>
Net increase/(decrease) in cash and cash equivalents	<u>114,384</u>	<u>814</u>
Cash and cash equivalents at beginning of the year	<u>1,268</u>	<u>454</u>
Effect of changes in exchange rates in cash and cash equivalents	<u>8,301</u>	<u>-</u>
Cash and cash equivalents at the end of the year	<u>123,953</u>	<u>1,268</u>

CAM Government Securities Investment Fund

Statement of changes in net assets attributable to unitholders  
for the year ended 31 December 2020

	Note	Net assets attributable to unitholders AMD'000
Balance as at January 1, 2020		<u>836,644</u>
Issuance and redemptions by unitholders:		
Subscription of units	11	161,235
Redemption of units	11	<u>(362,229)</u>
Net increase from unit transactions		<u>(200,994)</u>
Increase in net assets attributable to unitholders for the year		<u>44,145</u>
Balance as at December 31, 2020	11	<u>679,795</u>
	Note	Net assets attributable to unitholders AMD'000
Balance as at January 1, 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>



CAM Government Securities Investment Fund

Index to notes forming part of the financial statements  
For the year ended 31 December 2020

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## CAM Government Securities Investment Fund

### Notes forming part of the financial statements for the year ended December 31, 2020

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#### 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 an investment fund which has short- and long-term growth objectives. 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.

#### Armenian business environment

The Company's operations are located in Armenia. Consequently, the Company is exposed to the effects of changes of economic and financial markets of Armenia. Armenia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Armenian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government. The financial statements reflect the Company's assessment of the impact of the Company's operations on the financial condition of the business environment. The future business environment may differ from management's assessment

Widespread geographical spread of the new type of coronavirus (COVID-19) during the reporting period; its expansion into the territory of the Republic of Armenia, as well as lockdown imposed throughout Armenia from March 16 to April 14 had a significant impact on the Armenian economy. Many companies and individuals are forced to take measures to prevent the epidemic, including travel bans, quarantines, and temporary bans on non-essential services. The Government of the Republic of Armenia has undertaken programs of economic measures in order to neutralize the economic impact of the epidemic. The severity of the epidemic continues to impact as well as the effectiveness of the measures taken to address the problem remain uncertain at this time.

In addition, in 2020 The war unleashed by Azerbaijan against the Artsakh Republic on September 27, 2020, created significant preconditions for political and economic crises, which in turn led to a decrease in the general mood of investors against the dram, an increase in volatility and fluctuations in financial markets.

Such operating environment has a significant impact on the Company financial situation. The Company takes the necessary measures to ensure the stability of the Company's operations, however, due to the unpredictability of developments, the Management does not able to make a reliable assessment of how such circumstances will affect the financial condition of the Company in the coming years.

CAM Government Securities Investment Fund

Notes forming part of the financial statements  
for the year ended December 31, 2020 (continued)

*Investments structure*

Bonds description	Currency	Coupon yield annual	Repayments schedule	Maturity date	31 December 2020		31 December 2019	
					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	267,198	200,000	269,438
Government bond	AMD	9%	semi-annual	29/10/2029	10,000	10,364	200,000	213,477
Government bond	AMD	8%	semi-annual	29/10/2023	100,000	102,624	200,000	209,689
Government bond	AMD	13%	semi-annual	29/10/2036	20,000	27,754	100,000	134,970
Government bond	AMD	9%	semi-annual	29/04/2022	70,000	73,049	70,000	74,862
						<u>480,989</u>		<u>902,436</u>

## CAM Government Securities Investment Fund

### Notes forming part of the financial statements for the year ended December 31, 2020 (continued)

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#### 2. Basis of preparation

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

The principal accounting policies adopted in the preparation of the financial statements are set out in note 12. 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.

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 2020*

There are no new standards, interpretations, and amendments, entered into force from 1 January 2020 and which had significant effect on the Company's financial statements.

##### *b) New standards, interpretations and amendments not yet effective*

There were no new standards, interpretations and amendments that are issued but not yet effective that will have or may have an impact on the Company'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 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).

CAM Government Securities Investment Fund

Notes forming part of the financial statements  
for the year ended December 31, 2020 (continued)

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 exchange 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
- Payables on repurchase agreements
- Other payables.

*(b) Financial instruments by category*

Financial assets	Fair value		Amortized cost	
	2020 AMD'000	2019 AMD'000	2020 AMD'000	2019 AMD'000
Cash and cash equivalents	-	-	123,953	1,268
Financial assets at fair value through profit or loss	480,989	902,436	-	-
Reverse repurchase agreement	75,612	-	-	-
<b>Total</b>	<b>556,601</b>	<b>902,436</b>	<b>123,953</b>	<b>1,268</b>

CAM Government Securities Investment Fund

Notes forming part of the financial statements  
for the year ended December 31, 2020 (continued)

Financial liabilities	2020 AMD'000	2019 AMD'000	2020 AMD'000	2019 AMD'000
Payables on repurchase agreements	-	66,223	-	-
Other payables	-	-	738	837
<b>Total</b>	<b>-</b>	<b>66,223</b>	<b>738</b>	<b>837</b>

*(c) Financial instruments not measured at fair value*

Financial instruments not measured at fair value include amounts receivable on reverse repurchase agreements, cash and cash equivalents, payable on repurchase agreements, other payables.

Due to their short-term nature, the carrying value of amounts receivable on reverse repurchase agreements, cash and cash equivalents, payable on repurchase agreements, other payables approximates their fair value.

*(d) Financial instruments measured at fair value*

Financial Instruments fair value hierarchy is presented below

December 31	Level 2 2020 AMD'000	2019 AMD'000
Financial assets at fair value through profit or loss	480,989	902,436
Reverse repurchase agreements	75,612	-
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.

*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 unrecognized contractual commitments. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

As at December 31, 2020 and 2019 credit risk exposure of financial assets are presented in the table below:

CAM Government Securities Investment Fund

Notes forming part of the financial statements  
for the year ended December 31, 2020 (continued)

	2020 AMD'000	2019 AMD'000
Cash and cash equivalents	123,953	1,268
Financial assets at fair value through profit or loss	480,989	902,436
Receivable on reverse repurchase agreement	75,612	-
Total	<u>680,554</u>	<u>903,704</u>

*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. Cash and cash equivalents are kept in one financial institution.

*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 factors which affects on the position of the cash and cash flows are including investment activities with securities, temps of subscriptions and maturity of shares. The combination of other factors can cause essential fluctuations on cash position of a certain period of time.

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 2020 AMD'000	31 December 2019 AMD'000
Repurchase agreements	-	66,223
Payables	738	837
	<u>738</u>	<u>67,060</u>

*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.

CAM Government Securities Investment Fund

Notes forming part of the financial statements  
for the year ended December 31, 2020 (continued)

5. Interest income

	2020 AMD'000	2019 AMD'000
Government bonds	55,684	101,694
Reverse repurchase agreements	9,228	4,909
Interest income on bank accounts	110	76
	<u>65,022</u>	<u>106,679</u>

6. Interest expense

	2020 AMD'000	2019 AMD'000
Reverse repurchase agreements	<u>336</u>	<u>10,096</u>
	<u>336</u>	<u>10,096</u>

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

	2020 AMD'000	2019 AMD'000
Government treasury bonds	<u>(10,540)</u>	<u>62,146</u>
	<u>(10,540)</u>	<u>62,146</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 8,280 thousand (2019: AMD 10,111 thousand) of which AMD 447 thousand was outstanding at December 31, 2020 (December 31, 2019: AMD 540 thousand).

9. Financial assets at fair value through profit or loss

	2020 AMD'000	2019 AMD'000
Government treasury bonds	<u>480,989</u>	<u>902,436</u>
	<u>480,989</u>	<u>902,436</u>

10. Repurchase agreements

As at 31 December 2020 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 5.35% at the end of the reporting period, have a maturity of up to one month.



CAM Government Securities Investment Fund

Notes forming part of the financial statements  
for the year ended December 31, 2020 (continued)

11. Net assets attributable to unitholders

The Fund has Class A, Class B and Class C units in issue. 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

<i>Number of units</i>	2020			Total
	A	Class B	C	
Balance at January 1	100,466	113,856	74,082	288,404
Issue of units during the year	6	1,048	55,740	56,794
Redemption of units during the year	(27,950)	(3,140)	(92,089)	(123,179)
Balance at December 31	72,522	111,764	37,733	222,019

<i>Number of units</i>	2019			Total
	A	Class 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

<i>in AMD'000</i>	2020			Total
	A	Class B	C	
Balance at January 1	303,065	330,038	203,541	836,644
Issue of units during the year	20	3,228	157,978	161,235
Redemption of units during the year	(89,766)	(9,626)	(262,837)	(362,229)
Increase in net assets attributable to unitholders	17,973	16,833	9,348	44,145
Balance at December 31	231,292	340,473	108,030	679,795

<i>in AMD'000</i>	2019			Total
	A	Class 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

## CAM Government Securities Investment Fund

### Notes forming part of the financial statements for the year ended December 31, 2020 (continued)

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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 2020 the NAVs per unit at which redemptions and subscriptions were available for transactions were as follows:

Class	2020 AMD	2019 AMD
A	3,189.27	3,016.59
B	3,046.33	2,898.73
C	2,863.01	2,747.52

#### 12. 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.

Monetary assets and liabilities in foreign currency are converted into the functional currency at the exchange rate as of the last day of reporting period.

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.

##### *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.

Short-term and fixed return investments, discounts and commission charges are amortised and classified as investment income. Cost of sold securities are measured by amortised value.

##### *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

## CAM Government Securities Investment Fund

### Notes forming part of the financial statements for the year ended December 31, 2020 (continued)

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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 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 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

## CAM Government Securities Investment Fund

### Notes forming part of the financial statements for the year ended December 31, 2020 (continued)

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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 as measured "at amortized cost".

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.

#### *Financial liabilities measured at amortized cost*

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.

#### *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

## CAM Government Securities Investment Fund

### Notes forming part of the financial statements for the year ended December 31, 2020 (continued)

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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 repurchase 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 depository 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

Notes forming part of the financial statements  
for the year ended December 31, 2020 (continued)

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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.

Item	Fair value, AMD'000	Valuation technique	Fair value hierarchy level	Significant unobservable inputs
Financial assets at fair value through profit or loss	480,989	Quoted prices	Level 2	None
Repurchase agreements	75,612	Quoted prices	Level 2	None
Payables	738	The carrying amount of short term (less than 12 months) payable approximates its fair values.	Level 3	Not applicable