



capital
asset
management

**CAM Government Securities
Investment Fund**
Financial statements
and Independent Auditor's Report
For the year ended 31 December 2022

April 2023
Yerevan

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 2022, the statement of profit or loss and other comprehensive income, the statement of changes in net assets, the 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 2022, 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' *International Code of Ethics for Professional Accountants (including International Independence Standards) (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 a 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

CAM Government Securities Investment Fund

**Statement of profit or loss and other comprehensive income
for the year ended 31 December 2022**

	Note	2022 AMD'000	2021 AMD'000
Interest income	5	61,666	52,657
Interest expense	6	(15,573)	(4,967)
Net loss from financial assets at fair value through profit or loss	7	(47,824)	(30,557)
Investment management fees	8	(4,979)	(6,154)
Custodian fees		(793)	(958)
Commission expense		(344)	(34)
Gain from revaluation of foreign exchange		(15,819)	(9,753)
(Loss)/profit before tax		(23,666)	234
Income tax expense		(53)	(64)
(Loss)/profit for the year		(23,719)	170
Other comprehensive income		-	-
Total comprehensive (loss)/income		(23,719)	170
(Decrease)/increase in net assets attributable to unitholders		(23,719)	170

The financial statements from pages 5 to 24 were approved by the Management on 28 April 2023 and signed by:

Gedeon Kheboyan
Acting Chief Executive Officer

Gayane Vardanyan
Chief Accountant
«AN Audit» CJSC authorized representative

CAM Government Securities Investment Fund

**Statement of financial position
As at 31 December 2022**

	Note	2022 AMD'000	2021 AMD'000
Assets			
Cash and cash equivalents		3,940	110,779
Financial assets at fair value through profit or loss	9	659,173	619,459
Income tax prepayment		-	8
Total assets		<u><u>663,113</u></u>	<u><u>730,246</u></u>
Liabilities			
Repurchase agreements	10	166,640	120,354
Income tax liability		15	-
Other payables		556	716
Total liabilities		<u><u>167,211</u></u>	<u><u>121,078</u></u>
Net assets attributable to unitholders	11	<u><u>495,902</u></u>	<u><u>609,168</u></u>
Total liabilities and net assets attributable to unitholders		<u><u>663,113</u></u>	<u><u>730,238</u></u>

CAM Government Securities Investment Fund

**Statement of cash flows
for the year ended 31 December 2022**

	2022	2021
	AMD'000	AMD'000
<i>Cash flows from operating activities</i>		
Interest received	58,481	53,892
Interest paid	(15,079)	(4,880)
Purchase of financial assets at fair value through profit or loss	(314,449)	(202,956)
Proceeds from sale of financial assets at fair value through profit or loss	216,579	32,718
Operating expenses paid	(6,575)	(7,254)
Corporate income tax paid	(31)	(93)
Net cash flows from reverse repurchase agreements	45,793	75,590
Net cash flows from repurchase agreements	-	120,266
Net cash (used in)/from operating activities	(15,281)	67,283
<i>Cash flows from financing activities</i>		
Proceeds from issue of units	76,241	16,486
Payments on redemptions of units	(165,497)	(87,190)
Net cash used in financing activities	(89,256)	(70,704)
Net decrease in cash and cash equivalents	(104,537)	(3,421)
Cash and cash equivalents at beginning of the year	110,779	123,953
Effect of changes in exchange rates in cash and cash equivalents	(2,302)	(9,753)
Cash and cash equivalents at the end of the year	3,940	110,779

CAM Government Securities Investment Fund

**Statement of changes in net assets attributable to unitholders
for the year ended 31 December 2022**

	Note	Net assets attributable to unitholders AMD'000
Balance as at 1 January 2022		609,168
Issuance and redemptions by unitholders:		
Subscription of units	11	76,241
Redemption of units	11	(165,788)
Net increase from unit transactions		(89,547)
Increase in net assets attributable to unitholders for the year		(23,719)
Balance as at 31 December 2022	11	495,902

	Note	Net assets attributable to unitholders AMD'000
Balance as at January 1, 2021		679,795
Issuance and redemptions by unitholders:		
Subscription of units	11	16,487
Redemption of units	11	(87,284)
Net increase from unit transactions		(70,797)
Increase in net assets attributable to unitholders for the year		170
Balance as at December 31, 2021	11	609,168

CAM Government Securities Investment Fund

Index to notes forming part of the financial statements
For the year ended 31 December 2022

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CAM Government Securities Investment Fund

Notes forming part of the financial statements for the year ended 31 December 2022

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 a short and long-term growth objective. The Fund was incorporated on the 30 April 2013 for an unlimited duration as an open-ended investment company under the laws of RA and under the decision 123-A of Central Bank of Armenia (CBA). The Fund's investment activities are managed by "Capital Asset Management" cjsc (the Manager) which was founded on 18 October 2012, and registered with CBA as an investment fund manager with granted license number 1. 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, developments, and the effectiveness of the 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.

The legal, tax, and regulatory frameworks continue to develop, although are subject to different interpretations and frequent changes, which, together with other legal and financial obstacles, creates extra difficulties for companies operating in Armenia.

The geographical spread of the new type of coronavirus (COVID-19), the war in the Republic of Artsakh, and the political developments surrounding the regulation of the conflict have had a significant impact on Armenia's economy. However, during the reporting period, Armenia's economy, especially the financial sector, had a significant impact on the ongoing Russian-Ukrainian war, which has led to an unprecedented influx of human capital and financial resources, which in turn contributed greatly to the two-dimensional growth of Armenia's economy. Such a practical environment has a significant impact on the functioning and financial situation of the Fund.

The fund manager undertakes necessary activities to ensure the stability of the Fund's activities. Nevertheless, because of the unpredictability of events, the administrator of the Fund has no opportunity to give a reliable assessment of the impact such circumstances will have on the financial situation of the Fund for years to come.

Financial statements reflect the Fund Manager's assessment of the impact of the business environment on the functioning and the financial situation of the Fund. The future business environment may differ from the management assessment.

In view of the foregoing factors, the Fund Manager has adopted a moderate-active strategy to avoid excessive risks.

CAM Government Securities Investment Fund

Notes forming part of the financial statements
for the year ended for the year ended 31 December 2022
(continued)

Investments structure

Bonds description	Currency	Coupon yield annual	Repayments schedule	Maturity date	31 December 2022		31 December 2021	
					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	227,145	200,000	246,836
Government bond	AMD	9%	semi-annual	29/10/2029	10,000	9,072	10,000	9,633
Government bond	AMD	8%	semi-annual	29/10/2023	100,000	100,294	100,000	99,893
Government bond	AMD	13%	semi-annual	29/10/2036	20,000	21,458	20,000	24,851
Government bond	AMD	9%	semi-annual	29/04/2022	-	-	52,000	52,896
Government bond	AMD	8%	semi-annual	29/10/2031	150,000	152,566	150,000	133,847
Government bond	AMD	7%	semi-annual	29/04/2025	-	-	55,000	51,503
Government bond	USD	4%	semi-annual	26/09/2029	78,714	66,509	-	-
Government bond	AMD	7%	semi-annual	29/04/2026	30,000	26,374	-	-
Government bond	AMD	9%	semi-annual	29/04/2027	60,000	55,755	-	-
						659,173		619,459

CAM Government Securities Investment Fund

Notes forming part of the financial statements for the year ended for the year ended 31 December 2022 (continued)

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) Standards and amendments mandatorily effective from 1st of January 2022

1) Annual Improvements to IFRS 2018-2020 Cycle

In May 2020, the IASB issued minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

2) IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment - Onerous Contracts - Cost of Fulfilling a Contract)

In May 2020, the IASB issued amendments to IAS 37, added paragraph 68A to specify which costs an entity includes in determining the cost of fulfilling a contract for the purposes of assessing whether the contract is onerous. These amendments are expected to result in more contracts being accounted for as onerous contracts because they increase the scope of costs that are included in the onerous contract assessment.

3) IAS 16 Property, Plant and Equipment (Amendment - Proceeds before Intended Use)

In May 2020, the IASB issued amendments to IAS 16, which prohibit a company from deducting amounts received from selling items produced while the company is preparing the asset for its intended use from the cost of property, plant, and equipment. Instead, a company will recognize such sales proceeds and any related costs in profit or loss rather than offset it against the cost of the property.

New standards and amendments which have become effective after 01.01.2022 do not have a significant influence on the financial statements of the Company for the year.

b) Standards and amendments issued, but not yet effective

CAM Government Securities Investment Fund

Notes forming part of the financial statements for the year ended for the year ended 31 December 2022 (continued)

1) IFRS 17 Insurance Contracts

IFRS 17 introduces an internationally consistent approach to accounting for insurance contracts. Prior to IFRS 17, significant diversity existed worldwide relating to the accounting for and disclosure of insurance contracts, with IFRS 4 permitting many previous (non-IFRS) accounting approaches to continue to be followed. IFRS 17 will result in significant changes for many insurers, requiring adjustments to existing systems and processes. The new standard takes the view that insurance contracts combine features of a financial instrument and a service contract, and that many generate cash flows that vary substantially over time. It therefore takes the approach of:

- Combining current measurement of future cash flows with recognizing profit over the period that services are provided under the contract
- Presenting insurance service results (including insurance revenue) separately from insurance finance income or expenses, and
- Requiring an entity to make an accounting policy choice for each portfolio whether to recognize all insurance finance income or expenses for the reporting period in profit or loss, or to recognize some in other comprehensive income.

After the issue of IFRS 17, amendments to the standard and deferral of effective dates have been made.

2) Disclosure of Accounting Policies (Amendment to IAS 1 and IFRS Practice Statement 2)

In February 2021, the IASB issued amendments to IAS 1, which change the disclosure requirements with respect to accounting policies from 'significant accounting policies' to 'material accounting policy information'. The amendments provide guidance on when accounting policy information is likely to be considered material. The amendments to IAS 1 are effective for annual reporting periods beginning on or after 1st of January 2023, with earlier application permitted. As IFRS Practice Statements are non-mandatory guidance, no mandatory effective date has been specified for the amendments to IFRS Practice Statement 2.

3) Definition of Accounting Estimates (Amendment to IAS 8)

In February 2021, the IASB issued amendments to IAS 8, which added the definition of Accounting Estimates in IAS 8. The amendments also clarified that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from correction of prior period errors.

4) Lease Liability in a Sale and Leaseback (Amendment to IFRS 16)

The IFRS Interpretations Committee issued an agenda decision in June 2020 - Sale and leaseback with Variable Payments. This matter was referred to the IASB for standard setting for some aspects. The IASB issued the final amendments in September 2022. The Amendments provide a requirement for the seller-lessee to determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee.

5) IAS 1 Presentation of Financial Statements (Amendment - Classification of Liabilities as Current or Non-Current)

The IASB issued amendments to IAS 1 - Classification of Liabilities as Current or Non-current in January 2020, which have been further amended partially by amendments to non-current liabilities with covenants, issued in October 2022. The amendments require that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period.

CAM Government Securities Investment Fund

Notes forming part of the financial statements for the year ended for the year ended 31 December 2022 (continued)

Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement for at least twelve months after the reporting period. As a result of the COVID-19 pandemic, the Board deferred the effective date of the amendments by one year to annual reporting periods beginning on or after 1 January 2024.

6) IAS 1 Presentation of Financial Statements (Amendment - Non-current Liabilities with Covenants)

Subsequent to the release of amendments to IAS 1 Classification of Liabilities as Current or Non-Current, the IASB amended IAS 1 further in October 2022. If an entity's right to defer is subject to the entity complying with a specified condition, such conditions affect whether that right exists at the end of the reporting period, if the entity is required to comply with the condition on or before the end of the reporting period and not if the entity is required to comply with the conditions after the reporting period. The amendments also provide clarification on the meaning of 'settlement' for the purpose of classifying a liability as current or non-current.

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.

Fair value measurement

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,
- Foreign exchange risk.

CAM Government Securities Investment Fund

**Notes forming part of the financial statements
for the year ended for the year ended 31 December 2022
(continued)**

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 6 December 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 by 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	
	2022 AMD'000	2021 AMD'000	2022 AMD'000	2021 AMD'000
Cash and cash equivalents	-	-	3,940	110,779
Financial assets at fair value through profit or loss	659,173	619,459	-	-
Reverse repurchase agreement	-	-	-	-
Total	659,173	619,459	3,940	110,779
Financial liabilities	2022 AMD'000	2021 AMD'000	2022 AMD'000	2021 AMD'000
Payables on repurchase agreements	166,640	120,354	-	-
Other payables	-	-	556	716
Total	166,640	120,354	556	716

(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 approximate their fair value.

CAM Government Securities Investment Fund

**Notes forming part of the financial statements
for the year ended for the year ended 31 December 2022
(continued)**

(d) Financial instruments measured at fair value

Financial Instruments fair value hierarchy is presented below

December 31	Level 2	
	2022 AMD'000	2021 AMD'000
Financial assets at fair value through profit or loss	659,173	619,459
Repurchase agreements	166,640	120,354

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.

The amount of exposure of financial assets to debt risk as of the reporting date is presented below:

	2022 AMD'000	2021 AMD'000
Cash and cash equivalents	3,940	110,779
Financial assets at fair value through profit or loss	659,173	619,459
Total	<u>663,113</u>	<u>730,238</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.

CAM Government Securities Investment Fund

**Notes forming part of the financial statements
for the year ended for the year ended 31 December 2022
(continued)**

The factors which have an effect on the position of the cash and cash flows include investment activities with securities, terms of subscriptions, and maturity of shares. The combination of other factors can cause essential fluctuations in the 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 a reasonable timeframe.

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

Up to 3 months	31 December 2022	31 December 2021
	AMD'000	AMD'000
Repurchase agreements	166,640	120,354
Payables	556	716
	<u>167,196</u>	<u>121,070</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 the 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 Exchange risk

Foreign currency risk arises from recognized financial assets and liabilities that are not denominated in the Fund's functional currency.

As of the reporting date, the Fund's exposure to foreign currency risk is due to its USD-denominated funds.

The table below shows the effect of changes in foreign exchange rates as of the reporting date.

Financial assets measured at fair value through profit and loss	31.12.2022	31.12.2021
	AMD'000	AMD'000
USD	66,509	110,051
Net currency position	<u>66,509</u>	<u>110,051</u>

As of the reporting date, the impact of a 10% devaluation of the US dollar against the AMD on financial instruments denominated in US dollars (if other data remain unchanged) would lead to an increase in annual profit (after tax) and net assets by 5,454 thousand AMD (9,024 thousand AMD in 2021), while the effect of a 10 % impairment on profit for the year (after tax) and decrease in net assets by the same amounts.

CAM Government Securities Investment Fund

**Notes forming part of the financial statements
for the year ended for the year ended 31 December 2022
(continued)**

5. Interest income

	2022	2021
	AMD'000	AMD'000
Government bonds	61,642	52,153
Reverse repurchase agreements	-	454
Interest income on bank accounts	24	50
	61,666	52,657
	61,666	52,657

6. Interest expense

	2022	2021
	AMD'000	AMD'000
Repurchase agreements	15,573	4,967
	15,573	4,967
	15,573	4,967

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

	2022	2021
	AMD'000	AMD'000
Government treasury bonds	47,824	30,557
	47,824	30,557
	47,824	30,557

8. Investment management fees

The Manager is entitled to receive an annual fee of 0.4% for Class A, 1.0% for Class B and 1.85% for Class C of the net asset value of the Fund calculated and accrued for each operating day, payable in monthly installments. The manager's bonus calculated for the reporting year was AMD 4,979 thousand (2021: AMD 6,154 thousand), of which AMD 373 thousand was payable in 2022, as of December 31 (2021: AMD 497 thousand).

9. Financial assets at fair value through profit or loss

	2022	2021
	AMD'000	AMD'000
Government treasury bonds	659,173	619,459
	659,173	619,459
	659,173	619,459

10. Repurchase agreements

As at 31 December 2022, 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 11.6% 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 for the year ended 31 December 2022
(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>	2022			Total
	A	Class B	C	
Balance at January 1	51,260	110,122	38,796	200,178
Issue of units during the year	25,570		-	25,570
Redemption of units during the year	(30,430)	(6,584)	(20,143)	(57,157)
Balance at December 31	46,400	103,538	18,653	168,591

<i>Number of units</i>	2021			Total
	A	Class B	C	
Balance at January 1	72,522	111,764	37,733	222,019
Issue of units during the year	-	65	5,667	5,732
Redemption of units during the year	(21,262)	(1,707)	(4,604)	(27,573)
Balance at December 31	51,260	110,122	38,796	200,178

<i>in AMD'000</i>	2022			Total
	A	Class B	C	
Balance at January 1	164,224	334,973	109,971	609,168
Issue of units during the year	76,241	-	-	76,241
Redemption of units during the year	(92,277)	(18,701)	(54,810)	(165,788)
Increase in net assets attributable to unitholders	(4,723)	(14,132)	(4,864)	(23,719)
Balance at December 31	143,465	302,140	50,297	495,902

<i>in AMD'000</i>	2021			Total
	A	Class B	C	
Balance at January 1	231,292	340,473	108,030	679,795
Issue of units during the year	-	200	16,286	16,486
Redemption of units during the year	(68,786)	(5,093)	(13,404)	(87,283)
Increase in net assets attributable to unitholders	1,718	(607)	(941)	170
Balance at December 31	164,224	334,973	109,971	609,168

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.

CAM Government Securities Investment Fund

Notes forming part of the financial statements for the year ended for the year ended 31 December 2022 (continued)

As of the closing of the last operating day of 2022 the NAVs per unit at which redemptions and subscriptions were available for transactions were as follows:

Class	2022 AMD	2021 AMD
A	3,091.97	3,203.74
B	2,918.16	3,041.84
C	2,696.30	2,834.57

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 the reporting period.

Non-monetary assets and liabilities in foreign currencies that are measured at fair value are recalculated at the current exchange rate, on 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 a 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 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.

CAM Government Securities Investment Fund

Notes forming part of the financial statements for the year ended for the year ended 31 December 2022 (continued)

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 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 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".

CAM Government Securities Investment Fund

Notes forming part of the financial statements for the year ended for the year ended 31 December 2022 (continued)

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
- 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
- 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, financial liabilities, or the group of assets and liabilities, all of 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 contracts for the sale and repurchase of financial assets, as well as contracts for the purchase and resale of financial assets. The Fund uses repurchase and reverse repurchase agreements as an element of its treasury management. A repo agreement is a transfer of a financial asset to another party for a fee or other consideration and a corresponding obligation to repurchase that financial asset at a future date for the amount of cash or other consideration used in the exchange, plus interest. These contracts are accounted for as financial transactions. Financial assets that are sold under repurchase agreements continue to be presented in the financial statements, and the consideration received for these agreements is recorded as a security deposit in deposit instruments with banks.

The Fund enters repurchase agreements under which it receives or transfers collateral in accordance with market practice. A transfer of securities to counterparties is only reflected in the statement of financial position if the risks and rewards of ownership are also transferred.

CAM Government Securities Investment Fund

**Notes forming part of the financial statements
for the year ended for the year ended 31 December 2022
(continued)**

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 for the year ended 31 December 2022
(continued)**

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	659,173	Quoted prices	Level 2	None
Repurchase agreements	166,640	Quoted prices	Level 2	None
Payables	556	The carrying amount of short term (less than 12 months) payable approximates its fair values.	Level 3	Not applicable