



GLOCAL PROFIX USD FUND

Financial Statements for the Period from
September 1, 2017 (date of inception)
to December 31, 2017

GLOCAL PROFIX USD FUND

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Statement of Management's Responsibilities for the Preparation and Approval of the Financial Statements for the Period from September 1, 2017 (date of inception) to December 31, 2017

Management is responsible for the preparation of the financial statements that present fairly the financial position of GLOCAL PROFIX USD FUND (the Fund) as of December 31, 2017, and the results of its operations, cash flows and changes in net assets attributable to unitholders for the period from September 1, 2017 (date of inception) to December 31, 2017, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the fund's financial position and financial performance;
- Making an assessment of the fund's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Fund;
- Maintaining adequate accounting records that are sufficient to show and explain the Fund's transactions and disclose with reasonable accuracy at any time the financial position of the Fund, and which enable them to ensure that the financial statements of the Fund comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of the Republic of Armenia;
- Taking such steps that are reasonably available to them to safeguard the assets of the Fund; and
- Preventing and detecting fraud and other irregularities.

The financial statements of the Fund for the period from September 1, 2017 (date of inception) to December 31, 2017 were approved by management on May 2, 2018.

Signed on behalf of the Management:

Marine Zakharyan
Chief Executive Officer

Hayk Manaselyan
Chief Accountant

May 2, 2018
Yerevan, Republic of Armenia

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of GLOCAL PROFIX USD FUND:

Opinion

We have audited the financial statements of GLOCAL PROFIX USD FUND (the "Fund"), which comprise the statement of financial position as at December 31, 2017, and the statement of comprehensive income, statement of changes in net assets and statement of cash flows for the period from September 1, 2017 (date of inception) to December 31, 2017, and notes to 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 December 31, 2017, and its financial performance and its cash flows for the period from September 1, 2017 (date of inception) to December 31, 2017 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* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Armenia, 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 Management and Those Charged with Governance for the Financial Statements

Management 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 a 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 operations, 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 Responsibilities 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 guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or 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 the 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.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Srbuhi Hakobyan
Executive Director

Arpine Ghevondyan
Audit Director

Deloitte Armenia cjsc
May 2, 2018

GLOCAL PROFIX USD FUND

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2017 IN AMD THOUSANDS UNLESS OTHERWISE STATED

	Notes	December 31, 2017
Assets		
Cash and cash equivalents	6	1,992
Financial assets at fair value through profit or loss	1, 7	
- Held by the Fund		137,055
- Pledged under repurchase agreements		250,535
- Pledged under borrowings from financial institutions		42,231
Other assets		697
Total assets		432,510
Liabilities		
Repurchase agreements	8	240,263
Borrowings from financial institutions	9	43,400
Income tax payable		12
Other payables		487
Total liabilities (excluding net assets attributable to unitholders)		284,162
Net assets attributable to unitholders equivalent to 5,036.26 dram per unit based on 29,456 units outstanding	10	148,348

The financial statements were authorized for issue on May 2, 2018 by the Management:

Marine Zakharyan
Chief Executive Officer

Hayk Manaselyan
Chief Accountant

May 2, 2018
Yerevan, Republic of Armenia

The notes on pages 8-25 form an integral part of these financial statements.

GLOCAL PROFIX USD FUND

**STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM SEPTEMBER 1, 2017
(DATE OF INCEPTION) TO DECEMBER 31, 2017
INAMD THOUSANDS UNLESS OTHERWISE STATED**

	Notes	Period from September 1, 2017 (date of inception) to December 31, 2017
Interest expense	11	(2,613)
Net gain from financial assets at fair value through profit or loss	12	14,191
Total operating income		11,578
Investment management fees	13	(1,200)
FX loss from operations		(2,617)
Commission expense		(185)
Custodian fees		(15)
Other expenses		(500)
Total operating expenses		(4,517)
Operating profit		7,061
Income tax expense	3(d)	(12)
Profit and total comprehensive income for the period		7,049
Increase in net assets attributable to unitholders		7,049

The notes on pages 8-25 form an integral part of these financial statements.

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STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS FOR THE PERIOD
FROM SEPTEMBER 1, 2017 (DATE OF INCEPTION) TO DECEMBER 31, 2017
IN AMD THOUSANDS UNLESS OTHERWISE STATED

	Notes	Net assets attributable to unitholders
Balance at September 1, 2017 (date of inception)		-
Issuance and redemptions by unitholders:		
Subscription of units		141,299
Redemption of units		-
Net increase from unit transactions		141,299
Increase in net assets attributable to unitholders for the period		7,049
Balance as at December 31, 2017	10	148,348

The notes on pages 8-25 form an integral part of these financial statements.

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**STATEMENT OF CASH FLOWS FOR THE PERIOD FROM SEPTEMBER 1, 2017 (DATE OF INCEPTION)
TO DECEMBER 31, 2017
IN AMD THOUSANDS UNLESS OTHERWISE STATED**

	Notes	Period from September 1, 2017 (date of inception) to December 31, 2017
Cash flows from operating activities		
Interest received		6,016
Interest paid		(2,267)
Purchase of financial assets at fair value through profit or loss		(432,199)
Proceeds from sale of financial assets at fair value through profit or loss		9,854
Management fees paid		(863)
Operating expenses paid		(561)
Changes in operating assets and liabilities		
Net increase in repurchase agreements		237,568
Net increase from loans received		43,300
Net cash used in operating activities		(139,152)
Cash flows from financing activities		
Proceeds from issue of units		141,299
Net cash from financing activities		141,299
Net increase in cash and cash equivalents		2,147
Cash and cash equivalents at beginning of the period		-
Effect of exchange rate fluctuations on cash and cash equivalents		(155)
Cash and cash equivalents at the end of the period	6	1,992

The notes on pages 8-25 form an integral part of these financial statements.

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Notes to the Financial Statements for the Period from September 1, 2017 (Date of Inception) to

December 31, 2017

In AMD thousands unless otherwise stated

Notes to the Financial Statements for the period from September 1, 2017 (date of inception) to December 31, 2017

1. Schedule of investments

Description	December 31, 2017	
	Nominal amount	Fair value
Corporate bonds 289.74%		
Financial services		
6.5%, 12/12/2018, semi-annual, USD Anelik Bank	USD 44,300	21,638
6.25%, 20/02/2019, semi-annual, USD Anelik Bank	USD 215,000	106,882
8.5%, 23/01/2019, quarterly, USD Armbusinessbank	USD 150,400	75,860
14%, 23/01/2019, quarterly, AMD Armbusinessbank	AMD 25,000,000	26,104
7.5%, 22/02/2019, semi-annual, USD Finca	USD 4,000	50,557
9%, 24/11/2019, semi-annual, USD Global credit	USD 100,000	51,356
7%, 23/11/2020, semi-annual, USD Global credit	USD 60,000	29,571
13.5%, 23/11/2018, quarterly, AMD Unibank	AMD 18,590,000	19,093
5.75%, 11/09/2020, quarterly, USD Unibank	USD 100,000	48,760
Total Financial services - 289.74%		429,821
Total corporate bonds - 289.74%		429,821
Total Investments —289.74%		429,821
Repurchase agreements – (161.96%)		(240,263)
Borrowings from financial institutions – (29.26%)		(43,400)
Other assets in excess of liabilities other than above presented — 1.48%		2,190
Net assets—100.0%		148,348

2. Reporting entity

GLOCAL PROFIX USD FUND is a fixed Income, non-public, open-ended fund for qualified investors. The Fund is an investment fund incorporated in the Republic of Armenia (RA). The Fund was incorporated on September 1, 2017 for an unlimited duration as an open-ended investment company under the laws of RA. The Fund was registered by Resolution No. 183A dated 18 August 2017 of the Central Bank of Armenia (CBA).

The Fund's Manager's registered office is 32/1 Tigran Mets Avenue, 0018 Yerevan, Republic of Armenia.

The investment objective of GLOCAL PROFIX USD FUND is to generate attractive total return through leveraging portfolio's assets through short-term borrowings at relatively lower rates and investing the proceeds in high yield medium/long-term Armenian government and corporate bonds denominated in USD. The Fund's strategy involves increasing portfolio's total assets by borrowing short-term funds at relatively lower rates and investing them in high yield medium / long-term assets. Portfolio assets are refinanced through repurchase agreements primarily with Armenian commercial banks. The Fund has access to short-term funds at reasonable rates and benefits from the favorable tax legislation governing the investment and asset management activity in Armenia.

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

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The Fund's investment activities are managed by "GLOCAL" cjsc (the Manager) which was founded on February 20, 2017. The Manager is responsible for the administration of the Fund, management of investments and participant recordkeeping. The Manager has appointed Armenbrok Investment Company as the unit custodian. The Manager is an investee of Armenbrok Investment Company ojsc, an investment company whose ultimate controlling party is Mr. Aram Kayfajyan.

Business environment

Government regulators oversee the conduct of the Fund's and the Manager's business in many ways, and may perform regular examinations to monitor compliance with applicable statutes, regulations and rules. These statutes, regulations and rules cover all aspects of the business, including sales and marketing activities, trading practices, treatment of customer assets, continuing education requirements for employees, anti-money laundering practices, know your client policies, recordkeeping and reporting, and supervision regarding the conduct of directors, officers and employees.

Armenian business environment

Fund's operations are conducted in the RA. Consequently, the Fund and its assets are exposed to the economic and financial markets of the Armenian Republic which display characteristics of an emerging market. Emerging markets such as Armenia are subject to different risks than more developed markets, including economic, political and social, legal and legislative risks. Laws and regulations affecting businesses in Armenia continue to change rapidly; tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Armenia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory and political environment.

Armenia continues to undergo political and economic changes. As an emerging market, Armenia does not possess a developed business and regulatory infrastructure that generally exists in a more mature free market economy. The main obstacle to further economic development is a low level of economic and institutional development, along with a centralized economic base, regional instability and international economic crisis. In addition, economic conditions continue to limit the volume of activity in the financial markets, which may not be reflective of the values for financial instruments. The future economic direction of the RA is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory and political developments.

Further, in 2018, Armenia has been in a political turmoil. Political unrest in Armenia, stabilization of the economic and political situation depends, to a large extent, upon success of the Armenian Government's efforts, yet further economic and political developments, as well as the impact of these factors on the Company and its investment portfolio are currently difficult to predict. The Fund's assets can be adversely affected by the deterioration in credit markets, reductions in short-term interest rates and decreases in securities valuations.

Management believes it is taking all the necessary measures to support the sustainability and development of the Fund. The accompanying financial statements reflect management's estimates of the potential effect of the current operating and business environment on the performance and financial position. However, as the number of variables and assumptions involved in these uncertainties is large, management cannot make a reliable estimate of effect on these financial statements of the Fund. The financial statements of the Fund do not include the effects of adjustments, if any, which might have been considered necessary, had the effects of the factors described above become observable and reliably measurable in RA.

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December 31, 2017

In AMD thousands unless otherwise stated

3. Basis of preparation

a. Statement of compliance

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (IFRSs).

b. Basis of preparation

These financial statements have been prepared on the assumption that the Fund is a going concern and will continue in operation for the foreseeable future.

The financial statements have been prepared on a historical-cost basis, except for financial instruments as explained in the accounting policies below.

Historical cost is generally based on the fair values of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Fund takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Fund maintains its accounting records in accordance with the laws applicable in RA. These financial statements have been prepared from the statutory accounting records and have been adjusted to conform to IFRS.

The Fund presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 14.

c. Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates (the functional currency). Armenian Dram is the currency of the RA and the Fund's functional and presentation currency. All financial information is presented rounded to the nearest thousands of dram, except when otherwise indicated.

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d. 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.

e. Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund has a legal right to offset the amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

f. Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from those estimates. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. Judgments that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year relate to accounting for financial instruments, particularly fair value measurements. The best evidence of fair value is price quotations in an active market. In the absence of quoted prices in an active market, the Fund uses other evaluation techniques, such as the comparative approach with similar instruments both in the internal and external markets. Fair value measurements are discussed in Note 15.

4. Significant accounting policies

The accounting policies set out below have been applied consistently throughout the reporting period.

g. Foreign currency

Transactions in foreign currencies are translated into the functional currency at the appropriate exchange closing rate on the dates of the transactions. In the absence of exchange closing rates, average daily exchange rate published by CBA is used. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the exchange rate at the date that the fair value was determined.

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

h. Interest

Interest income and expense are recognized in profit or loss, using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all

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fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

When calculating the effective interest rate, the Fund estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. Interest received or receivable and interest paid or payable are recognized in profit or loss as interest income and interest expense, respectively.

i. Security transactions and related investment income

Securities transactions are accounted for on trade date (date securities are purchased or sold). Interest income is recorded on an accrual basis. Dividend income is recorded on the ex-dividend date. The cost of securities sold is computed on a weighted average cost basis.

In the statement of comprehensive income net gain from financial instruments at fair value through profit or loss includes all realized and unrealized fair value changes and foreign exchange differences, but includes interest and dividend income.

j. Expenses

All expenses, proper charges and disbursements of the Manager in the performance of its duties under the Fund Rules may be charged to the Fund.

The management fees charges are discussed in Note 13.

k. Fees and commission expenses

Fees and commission expenses are recognized in profit or loss as related services are performed.

l. Financial instruments

The Fund recognizes financial assets and liabilities in its statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'held to maturity' ("HTM") investments, 'available-for-sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL. Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

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A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Manager manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Fund's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend and interest earned on the financial asset and is included in the 'net gain from financial instruments at fair value through profit or loss' and 'interest income' line item, respectively, in the statement of profit or loss and other comprehensive income. Fair value is determined in the manner described (see Note 15).

Held to maturity investments. Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Fund has the positive intent and ability to hold to maturity. Held to maturity investments are measured at amortized cost using the effective interest method less any impairment.

If the Fund were to sell or reclassify more than an insignificant amount of held to maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Fund would be prohibited from classifying any financial asset as held to maturity during the current financial year and following two financial years.

Available-for-sale financial assets. Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held to maturity investments or (c) financial assets at fair value through profit or loss.

Fair value is determined in the manner described. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of other-than-temporary impairment losses, interest calculated using the effective interest method, dividend income and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

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Loans and receivables. Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Securities repurchase and reverse repurchase agreements. In the normal course of business, 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 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.

Derecognition of financial assets. The Fund derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset other than in its entirety (e.g. when the Fund retains an option to repurchase part of a transferred asset), the Fund allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized is recognized in profit or loss. A cumulative gain or loss that had been recognized is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTP. Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Manager

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manages together and has a recent actual pattern of short-term profit-taking; or

- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Fund's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'interest expenses' line item in the statement of profit or loss and other comprehensive income. Fair value is determined in the manner described.

Other financial liabilities. Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities. The Fund derecognizes financial liabilities when, and only when, the Fund's obligations are discharged, cancelled or they expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit and loss.

m. Redeemable units and net assets attributable to holders of redeemable units

The Fund has one class of units in issue, which is subordinate to the Fund's liabilities and rank *pari passu* in all material respects and have the same terms and conditions. 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 equity and are measured at the redemption amounts.

Redeemable units are issued and redeemed based on the Fund's net asset value per unit, calculated by dividing the net assets of the Fund, calculated in accordance with Fund's rules (which are in line with IFRS), by the number of redeemable units in issue. All proceeds and payments for units issued and

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redeemed are shown as movements in the statement of changes in net assets attributable to unitholders.

The net asset value of the Fund is determined as of the time established in the Offering Documents relating to the particular Fund on each Business Day (the "Valuation Date").

n. Distribution to unitholders

It is the intention of the Manager that Fund income shall not be distributed to unitholders but shall be re-invested in the Fund.

5. Amendments to IFRSs affecting amounts reported in the financial statements

New and revised IFRSs in issue but not yet effective

The Fund has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 9 *Financial Instruments* (Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted).

IFRS 9 *Financial Instruments*

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

The key requirements of IFRS 9 are:

Classification and measurement of financial assets. All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss.

Classification and measurement of financial liabilities. With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in

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other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

Impairment. In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Hedge accounting. The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Management has not yet carried out a full assessment of the impact of adoption of IFRS 9 as at the issuance of these financial statements but does not expect a material effect on the financial statements.

6. Cash and cash equivalents

	December 31, 2017
Current accounts	1,992
Total cash and cash equivalents	1,992

Cash and cash equivalents are held with four financial institution representing 1.34% concentration in relation to net assets as at reporting date.

7. Financial assets at fair value through profit or loss

	December 31, 2017
Financial assets at fair value through profit or loss	
Corporate bonds	429,821
Total financial assets at fair value through profit or loss	429,821

Financial instruments at fair value through profit or loss comprise financial instruments represented by corporate bonds. Management assesses the performance of these instruments based on their fair values and irrevocably designated these securities as financial instruments at fair value through profit or loss. See also Note 1. Pledged assets are discussed in Note 8.

8. Repurchase agreements

The Fund has transactions under repurchase or reverse repurchase agreements. The securities lent or sold under repurchase agreements are transferred to a third party in exchange for cash received by the Fund. These financial assets may be repledged or resold by counterparties in the absence of default by the Fund, but the counterparty has an obligation to return the securities at the maturity of the contract. The Fund has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. These transactions are conducted under terms that are usual and customary to standard lending, and securities borrowing and lending activities.

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At December 31, 2017 the Fund's liabilities for repurchase agreements signed with entities in financial services sector amounted to AMD 240,263 thousand, including accrued interest of AMD 248 thousand. As at December 31, 2017 the fair value of financial assets, represented by Republic of Armenia Bonds, given as collateral against these liabilities amounted to AMD 250,535 thousand.

9. Borrowings from financial institutions

Borrowings from financial institutions as at December 31, 2017 represent borrowings from one bank in the amount of AMD 43,400 thousand, including accrued interest, which expires on January 9, 2018 and bears interest rate of 6.5%. Pledged securities for the borrowing represent USD denominated corporate bonds of USD 87,125.

At December 31, 2017 the Fund's borrowings from financial institutions are pledged by corporate bonds in the amount of AMD 42,231 thousand.

10. Net assets attributable to unitholders

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

	Period from September 1, 2017 (date of inception) to December 31, 2017	
	Number of units	
Balance at the beginning of the period	-	-
Issue of units during the period	29,456	141,299
Redemption of units during the period	-	-
Increase in net assets attributable to unitholders	-	7,049
Balance at December 31	29,456	148,348
Net assets value per unit (in dram)		5,036.26

Unit purchases, redemptions and distributions

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

Net assets attributable to unitholders represent a liability in the statement of financial position, carried at the redemption amount (excluding commission or other unitholder fees) that would be payable at the statement of financial position date if the unitholders exercised the right to redeem the units.

Unitholders have the right to request on any business day the redemption of those units and the Fund is obligated to fulfil such request within 3 days.

The NAV, representing the difference between fund's total assets and liabilities divided by number of outstanding units, is calculated and published daily. As of the closing of the last operating day of 2017 the NAV per unit at which redemptions and subscriptions were available for transactions was AMD 5,039.07.

In relation to net assets attributable to unitholders as at December 31, 2017, unitholders have the right to request on any business day the redemption of units held. The Fund is obligated to fulfil such request within 3 days. The redemption fees equal to 2%, 1% and nil if units are held for less than one year, between 1 to 2 years and more than 2 years, respectively.

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11. Interest expense

	Period from September 1, 2017 (date of inception) to December 31, 2017
Interest expense	
- Repurchase agreements	(2,513)
- Loans from banks	(100)
Total interest expense	(2,613)

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

	Period from September 1, 2017 (date of inception) to December 31, 2017
Net gain/(loss) from financial assets at fair value through profit or loss:	
- Corporate bonds	14,191
Total gain from financial assets at fair value through profit or loss	14,191

13. Transactions with the Manager and other related parties

a. Management fee

The Manager is entitled to receive a management fee of 1.00% per annum of the net asset value of the Fund, calculated and accrued on each dealing day and payable monthly in arrears. In addition, the Manager is entitled to a performance fee of 10% subject to a 10% annual compounded hurdle rate. Performance fee is calculated and charged on redemption date. Management fee charged for the period was AMD 1,200 thousand of which AMD 337 thousand was outstanding at December 31, 2017.

b. Manager participation in the Fund

As at December 31, 2017 the Manager owned 2,000 units in the Fund representing 6.79% of total units outstanding as at that date.

c. Investments in other Funds

As at December 31, 2017 the Fund did not hold investments in other funds managed by the Manager.

14. Risk management

The Fund's business activities expose it to a variety of financial risks, including market, credit, liquidity risks, and non financial risks, including technology, operations, legal, and reputational risks. Identification and management of these risks are essential to the success and financial soundness of the Manager and the Fund. This note presents information about the Fund's exposure to these risks, its objectives, policies and processes for measuring and managing risks.

The Manager takes an active role in the risk management process. Oversight of risk management is delegated to the Executive body of the Manager, which is responsible for reviewing and monitoring risk exposures and leading the continued development of risk management policies and practices. The specific areas include:

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- credit and market risk, focusing on credit exposures resulting from taking positions in certain securities.
- information security and privacy, focusing on information security and privacy policies, procedures and controls
- investment management, focusing on activities in which the Fund and its principals operate in an investment advisory capacity
- operational risk management, focusing on risks relating to potential inadequate or failed internal processes, people and systems, and from external events and relationships (e.g., vendors and business partners).

Management has written policies and procedures that govern the conduct of business by employees, relationships with clients and the terms and conditions of relationships with product manufacturers. The client related policies address the client participation in funds, data and physical security, compliance with industry regulation and codes of ethics to govern employee and advisor conduct among other matters.

Risk is inherent in the Manager's business. Consequently, despite efforts to identify areas of risk and implement risk management policies and procedures, there can be no assurance that the Manager and the Fund will not suffer unexpected losses due to operating or other risks.

a. Financial risk management

Financial risks are risks arising from financial instruments to which the Fund is exposed during or at the end of the reporting period. Financial risk comprises market risk (including interest rate risk, currency risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits.

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.

Credit risk

Credit risk is the risk of loss due to adverse changes in a borrower's, issuer's or counterparty's ability to meet its financial obligations under contractual or agreed upon terms. 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. 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 Manager has responsibility for the oversight of credit risk and is responsible for management of the Fund's credit risk, including formulating credit policies, covering collateral requirements, credit assessment, reviewing and assessing credit risk, limiting concentrations of exposure to counterparties, and by issuer, credit rating band, market liquidity and country.

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Management does not have an internal credit rating system and manages the credit risk by regularly reviewing asset quality, defining and amending where necessary the risk appetite by using, among other things, policies on limits, specific approvals for large transactions.

As at 31 December 2017 credit risk exposure of assets is presented in the table below:

	December 31, 2017		
	Carrying amount	Country	Credit rating
Assets			
Cash and cash equivalents	1,992	Armenia	Unrated
Financial assets at fair value through profit or loss			
Corporate bonds	429,821	Armenia	Unrated
Other assets	697	Armenia	Unrated
	432,510	-	-

Cash and cash equivalents are held with four financial institution representing 1.34% concentration in relation to net assets as at reporting date. Financial performance of the bank is monitored on a quarterly or more frequent basis, as required, as part of Manager's financial risk management procedures.

As at 31 December 2017 all the financial assets and liabilities are with counterparties within RA, further the investment portfolio represents Republic of Armenia treasuries. In 2018, Armenia has been in a political turmoil. Political unrest in Armenia, stabilization of the economic and political situation depends, to a large extent, upon success of the Armenian Government's efforts, yet further economic and political developments, as well as the impact of these factors on the Company and its investment portfolio are currently difficult to predict. The Fund's assets can be adversely affected by the deterioration in credit markets, reductions in short-term interest rates and decreases in securities valuations.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Factors which affect the cash position and cash flows include investment activity in securities, levels of unit subscription and redemption. The combination of these factors can cause significant fluctuations in the cash position during specific time periods.

The Fund's policy and the investment manager's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, including estimated redemptions of units, without incurring unacceptable losses or risking damage to the Fund's reputation.

According to its rules the Fund is obligated to redeem units (in cases set forth by law) within three days after receiving the corresponding notice. Accordingly the Fund is exposed to daily calls on its units outstanding. Consequently, for managing liquidity the Fund takes into account already received and expected unit redemption notices.

The Fund does not maintain cash resources to meet all of these needs as experience shows that the level of redemptions can be predicted with a reasonable level of predictability and management believes that the Fund's assets are highly liquid and can be sold on demand to meet cash outflows on financial liabilities.

In the table below the financial assets and liabilities, as recognised in the statement of financial position as at December 31, 2017, are presented on a discounted basis. Management holds financial assets at

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fair value through profit or loss that are liquid and can be used to meet outflows of financial liabilities and unit redemptions.

	December 31, 2017				
	Carrying amount	On demand or less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year
Financial assets					
Cash and cash equivalents	1,992	1,992	-	-	-
Financial assets at fair value through profit or loss	429,821	429,821	-	-	-
Other assets	697	697	-	-	-
Total financial assets	432,510	432,510	-	-	-
Financial liabilities					
Repurchase agreements	240,263	240,263	-	-	-
Borrowings from financial institutions	43,400	43,400	-	-	-
Other financial payables	337	337	-	-	-
Total financial liabilities excluding net assets attributable to unitholders	284,000	284,000	-	-	-
Net liquidity position	148,510	148,510	-	-	-

Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads will affect the Fund's income or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Fund manager manages its investment inventory by product type and on a daily basis.

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 age of Fund participants and expected unit redemptions. Nevertheless, the impact of interest rate risk can be high due to fluctuations in the prevailing levels of market interest rates.

Interest-earning assets are financed primarily by subscriptions into the Fund, which represent non-interest-bearing funding sources. Interest income is affected by changes in the volume and mix of these assets as well as by fluctuations in interest rates and portfolio management strategies. When interest rates fall, the Manager may attempt to mitigate some of this negative impact by extending the maturities of assets in investment portfolios to lock in asset yields. A summary of the interest rate gap position for financial instruments at December 31, 2017 is as follows:

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	December 31, 2017					Non- interest bearing
	Carrying amount	Interest bearing			More than 1 years	
		Less than 1 month	From 1 to 6 months	From 6 to 12 months		
Financial assets						
<i>Fixed interest rate financial assets</i>						
Cash and cash equivalents	1,992	-	-	-	-	1,992
Financial assets at fair value through profit or loss	429,821	429,281	-	-	-	-
Other assets	697	-	-	-	-	697
Total financial assets	432,510	429,821	-	-	-	2,689
Financial liabilities						
<i>Fixed interest rate financial liabilities</i>						
Repurchase agreements	240,263	240,263	-	-	-	-
Borrowings from financial institutions	43,400	43,400	-	-	-	-
Other liabilities	337	-	-	-	-	337
Total financial liabilities	284,000	283,663	-	-	-	337
Net position	148,510	146,158	-	-	-	2,352

The table below presents average interest rates on interest bearing instruments based on reports reviewed by the Manager. These interest rates are an approximation of the yields to maturity of these assets.

<i>In % p.a.</i>	December 31, 2017	
	AMD	USD
Interest bearing assets	13.79%	7.18%
Interest bearing liabilities	6.50%	2.58%

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.

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

	December 31, 2017		
	Armenian Drams	US Dollars	Total
Financial Assets			
Cash and cash equivalents	46	1,946	1,992
Financial assets at fair value through profit or loss	45,197	384,624	429,821
Other assets	697	-	697
Total financial assets	45,940	386,570	432,510
Financial Liabilities			
Repurchase agreements	-	240,263	240,263
Borrowings from financial institutions	43,400	-	43,400
Other liabilities	337	-	337
Total financial liabilities	43,737	240,263	284,000
Open balance sheet position	2,203	146,307	148,510

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At December 31, 2017 the strengthening or weakening of the Armenian Dram, as indicated below, against the US dollar would have decreased net asset and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Fund considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant.

	December 31, 2017	
	Weakening Profit or loss /	Strengthening Net assets attributable to unitholders
USD 10% movement	(14,631)	14,631

b. Operational risk management

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation. The primary responsibility for the development and implementation of controls over operational risk rests with the Fund manager. Fund management process follows general standards, which includes control of business processes.

c. Capital risk management

The Fund's capital is represented by the net assets attributable to unitholders. The Fund strives to invest the subscriptions in investments that meet the Fund's investment objectives while maintaining sufficient liquidity to meet unitholder redemptions. The Management may redeem and issue new units in accordance with the constitutive documents of the Fund.

d. Non-financial risk management

Technology and operating risk

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

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

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Regulatory risks

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

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

15. Fair values of financial instruments

A number of the Fund's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Because of the short term nature of most financial assets and financial liabilities, management believes that their carrying amounts approximate their fair values. For certain other financial assets and financial liabilities, fair values are determined for measurement and for disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability, however given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

Financial assets/financial liabilities	Fair value as at December 31, 2017	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Financial assets at fair value through profit or loss:					
Corporate bonds	429,821	Level 2	Quoted prices	N/A	N/A
	429,821	-	-	-	-

Management applies judgment in categorizing financial instruments using the fair value hierarchy. The significance of a valuation input is assessed against the fair value measurement in its entirety.

During the reporting period there were no transfers from Level 1 to Level 2 in either direction.

Fair value of financial assets and liabilities not measured at fair value on a recurring basis

For fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required), management consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.