

GLOCAL PROFIX USD FUND

Financial Statements and
Independent Auditor's Report
For the Year Ended December 31, 2020

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GLOCAL PROFIX USD FUND

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

Management of GLOCAL PROFIX USD FUND is responsible for the preparation of the financial statements that present fairly the financial position of GLOCAL PROFIX USD FUND (the Fund) as at December 31, 2020, and the results of comprehensive income for the year then ended, changes in net assets attributable to unitholders and cash flows for the year then ended, and of significant accounting policies and notes to the financial statements (the "financial statements") 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 IFRSs 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 year ended December 31, 2020 were approved by management on April 28, 2021


Signed on behalf of the Management:



Marine Zakharyan
Chief Executive Officer

April 28, 2021
Yerevan, Republic of Armenia





Hayk Manaselyan
Chief Accountant

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, 2020, and the statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, 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, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "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 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.

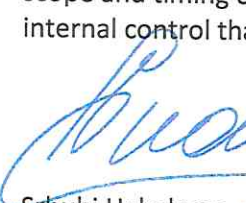
Auditor's Responsibilities for the Audit of the Financial Statements

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.


Srбуhi Hakobyan
Executive Director




Arpine Ghevondyan
Audit Director

Deloitte Armenia cjsc
April 29, 2021


GLOCAL PROFIX USD FUND

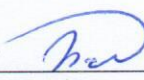
**STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020**

In AMD thousands unless otherwise stated

	Notes	December 31, 2020	December 31, 2019
Assets			
Cash and cash equivalents	5	4,517	1,407
Financial assets at fair value through profit or loss	6		
- Held by the Fund		749,002	513,262
- Pledged under repurchase agreements		1,349,226	1,186,474
Other assets		712	-
Total assets		2,103,457	1,701,143
Liabilities			
Repurchase agreements	7	1,283,216	1,134,897
Income tax payable		8	19
Other payables		990	775
Total liabilities (excluding net assets attributable to unitholders)		1,284,214	1,135,691
Net assets attributable to unitholders equivalent to 7,347.60 dram per unit based on 111,498 units outstanding (December 31, 2019: 6,257.28 dram per unit based on 90,367 units outstanding)	8	819,243	565,452

The financial statements were authorized for issue on April 28, 2021 by the Management:


Marine Zakharyan
Chief Executive Officer


Hayk Manaselyan
Chief Accountant

April 28, 2021
Yerevan, Republic of Armenia

The notes on pages 8-29 form an integral part of these financial statements.

GLOCAL PROFIX USD FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2020 *In AMD thousands unless otherwise stated*

	Notes	2020	2019
Net gain from financial assets at fair value through profit or loss	6	279,575	78,530
Interest expense	9	(43,244)	(27,240)
Other Income		10	52
Total operating income		236,341	51,342
Investment management fees	10	(7,499)	(4,771)
Commission expense		(3,521)	(2,785)
FX (loss)/gain from operations		(101,103)	7,288
Custodian fees		(30)	(46)
Net (charge)/recovery of loss allowance		(19)	60
Other expenses		(1,002)	(1,029)
Total operating expenses		(113,174)	(1,283)
Operating profit		123,167	50,059
Income tax expense	2	(75)	(48)
Profit and total comprehensive income for the year		123,092	50,011
Increase in net assets attributable to unitholders		123,092	50,011

The notes on pages 8-29 form an integral part of these financial statements.

GLOCAL PROFIX USD FUND

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS FOR THE YEAR ENDED DECEMBER 31, 2020 *In AMD thousands unless otherwise stated*

	Notes	Net assets attributable to unitholders
Balance at January 1, 2019		<u>371,745</u>
Issuance and redemptions by unitholders:		
Subscription of units		194,156
Redemption of units		<u>(50,460)</u>
Net increase from unit transactions		<u>143,696</u>
Increase in net assets attributable to unitholders for the period		50,011
Balance at December 31, 2019		<u>565,452</u>
Issuance and redemptions by unitholders:		
Subscription of units	8	167,631
Redemption of units	8	<u>(36,936)</u>
Net increase from unit transactions		<u>130,695</u>
Increase in net assets attributable to unitholders for the year		<u>123,092</u>
Balance at 31 December 2020	8	<u><u>819,239</u></u>

The notes on pages 8-29 form an integral part of these financial statements.

GLOCAL PROFIX USD FUND

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2020 *In AMD thousands unless otherwise stated*

	Notes	2020	2019
Cash flows from operating activities			
Interest received		133,517	97,507
Interest paid		(43,146)	(27,119)
Purchase of financial assets at fair value through profit or loss		(1,395,506)	(1,483,434)
Proceeds from sale of financial assets at fair value through profit or loss		1,142,382	867,894
Management fees paid		(7,285)	(4,612)
Operating expenses paid		(4,544)	(3,832)
Income tax paid		(86)	(43)
Changes in operating assets and liabilities			
Net increase in repurchase agreements		45,220	402,937
Net cash used in operating activities		(129,448)	(150,702)
Cash flows from financing activities			
Proceeds from issue of units	8	167,631	194,156
Payments on redemptions of units	8	(36,936)	(50,460)
Net cash from financing activities		130,695	143,696
Net increase/(decrease) in cash and cash equivalents		1,247	(7,006)
Cash and cash equivalents at beginning of the year		1,411	7,856
Effect of exchange rate fluctuations on cash and cash equivalents		1,875	561
Cash and cash equivalents at the end of the year	5	4,533	1,411

The notes on pages 8-29 form an integral part of these financial statements.

GLOCAL PROFIX USD FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 *In AMD thousands unless otherwise stated*

1. REPORTING ENTITY

GLOCAL PROFIX USD FUND (the Fund) is a fixed income, non-public, open-ended fund. 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 fund 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 mainly in 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.

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

Operating environment: Emerging markets such as Armenia are subject to different risks than more developed markets, including economic, political and social, and 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 developed business and regulatory infrastructure that generally exists in a more mature free market economy. In addition, economic conditions continue to limit the volume of

GLOCAL PROFIX USD FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 *In AMD thousands unless otherwise stated*

activity in the financial markets, which may not be reflective of the values for financial instruments. The main obstacle to further economic development is a low level of economic and institutional development, along with a centralized economic base, regional instability.

Adverse changes arising from systemic risks in global financial systems, including any tightening of the credit environment could slow or disrupt the Armenian economy, adversely affect the Fund's operations, results of operations, financial conditions and prospects. In times of more severe market stress the Armenian economy and the Fund's performance may be exposed to deterioration.

COVID-19

Further, starting from early 2020 a new coronavirus disease (COVID-19) has begun rapidly spreading all over the world resulting in the announcement of the pandemic status by the World Health Organization in March 2020. Measures put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have significant impact on global financial markets. As the situation is rapidly evolving it may have a significant effect on business of many companies across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing. As a result, the Fund may face increasingly broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets.

The significance of the effect of COVID-19 on the Fund's business largely depends on the duration and the incidence of the pandemic effects on the world and Armenian economy. Towards the mid to end of 2020, the government relaxed certain economic restrictions and business environment limitations given the path of the pandemic, however their scope may be subject to change in response to the uncertain future pandemic developments.

Political instability and military actions in the region

In September 2020, the long-standing Nagorno-Karabakh conflict escalated with the break of ceasefire regime, which was restored by a treaty signed by the parties involved on 10 November 2020. Since then, Armenia has been in a political and economic turmoil. A number of protests against the results of the treaty have led to extraordinary parliamentary elections being announced, which will be held in June 2021.

Further development of the situation may have significant effect on the Fund's business, its financial position and performance in the future which is difficult to predict, given the degree of uncertainties related to political instability.

2. SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

GLOCAL PROFIX USD FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 *In AMD thousands unless otherwise stated*

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 10.

Exchange rates for the currencies in which the Fund transacts were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Closing exchange rates – AMD		
1 U.S. Dollar (“USD”)	522.59	479.70
1 Euro	641.11	537.26

Interest income and expense recognition. Interest income and expense for financial instruments are recognized in ‘Net interest income’ as ‘Interest income’ and ‘Interest expense’ in the profit or loss account using the effective interest method.

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

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The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts.

The interest income/interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortized cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortized cost of financial liabilities. For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortized cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs)).

Fee and commission expense

Fee and commission expense include fees other than those that are an integral part of EIR (see above).

Fee and commission expenses with regards to services are accounted for as the services are received.

Financial assets

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- Debt instruments 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 amount outstanding (SPPI), are subsequently measured at amortized cost;
- Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at FVTOCI;
- All other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

Financial assets measured at fair value through profit or loss (FVTPL)

A financial asset is measured at fair value through profit or loss if:

- Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding or
- It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell or
- At initial recognition, it is irrevocably designated as measured at FVTPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 *In AMD thousands unless otherwise stated*

otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Debt instruments at amortized cost or at FVTOCI. The Fund assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Fund's business model for managing the asset.

For an asset to be classified and measured at amortized cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI).

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is performed at the date of initial application of IFRS 9 to determine the classification of a financial asset. The business model applied retrospectively to all financial assets existing at the date of initial application of IFRS 9. The Fund determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Fund's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Fund has one business model for managing its financial instruments which reflect how the Fund manages its financial assets in order to generate cash flows. The Fund's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Fund considers all relevant information available when making the business model assessment. However, this assessment is not performed on the basis of scenarios that the Fund does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios.

At initial recognition of a financial asset, the Fund determines whether newly recognized financial assets are part of an existing business model or whether they reflect the commencement of a new business model.

Impairment. The Fund recognizes loss allowances for ECLs on the following financial instruments that are not measured at FVTPL:

- Cash balances and term deposits;

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 *In AMD thousands unless otherwise stated*

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Fund under the contract and the cash flows that the Fund expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

Modification and derecognition of financial assets. A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date.

Presentation of allowance for ECL in the statement of financial position. Loss allowances for ECL are presented in the statement of financial position as a deduction from the gross carrying amount of the assets.

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

Other financial liabilities. Other financial liabilities, including loans and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

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.

Derecognition of financial liabilities. The Fund derecognizes financial liabilities when, and only when, the Fund obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 In AMD thousands unless otherwise stated

collateralized deposit received within depositary instruments with banks.

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

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.

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.

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.

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.

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.

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, also includes interest income.

GLOCAL PROFIX USD FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 *In AMD thousands unless otherwise stated*

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 10.

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 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"). The issue and redemption of units is denominated in USD and is translated to AMD at the transaction date.

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.

3. 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 12.

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4. ADOPTION OF NEW STANDARDS

New and amended IFRS Standards that are effective for current year

At the date of authorisation of these financial statements, The Fund has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

The following amendments and interpretations are effective for the Fund effective 1 January 2020:

Amendments to IFRS 9, IFRS 7	<i>Basic interest rate reform</i>
Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Materiality</i>
Conceptual Framework	<i>Amendments to References to the Conceptual Framework in IFRS Standards</i>
Amendments to IFRS 16	<i>COVID-19-Related Rent Concessions Amendment to IFRS 16</i>

The impact of the application of the new and revised IFRS Standards below is for illustrative purposes only. Entities should analyse the impact of these new or revised IFRS Standards on their financial statements based on their specific facts and circumstances and make appropriate disclosures.

Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7

In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7). These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms. An entity shall apply these amendments for annual periods beginning on or after 1 January 2020. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact.

The amendments are not relevant to the Fund.

The impact of the application of the new and revised IFRS Standards below is for illustrative purposes only. Entities should analyse the impact of these new or revised IFRS Standards on their financial statements based on their specific facts and circumstances and make appropriate disclosures.

Amendments to IAS 1 and IAS 8 Definition to Material. The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards.

The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

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The amendments are applied prospectively for annual periods beginning on or after January 1, 2020, with earlier application permitted. The management of the Fund does not expect that the application of these changes will have an impact on the financial statements of the Fund.

Amendments to References to the Conceptual Framework in IFRS Standards. Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The amendments, where they actually are updates, are effective for annual periods beginning on or after January 1, 2020, with early application permitted.

The management of the Fund does not expect that the application of these changes will have an impact on the financial statements of the Fund.

Impact of the initial application of COVID-19-Related Rent Concessions Amendment to IFRS 16

In May 2020, the IASB issued *Covid-19-Related Rent Concessions (Amendment to IFRS 16)* that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession applying IFRS 16 as if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- There is no substantive change to other terms and conditions of the lease.

In the current financial year, the Fund has not applied the amendment to IFRS 16 (as issued by the IASB in May 2020) in advance of its effective date.

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New and revised IFRS standards in issue but not yet effective

At the date of authorisation of these financial statements, the Fund has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

Amendments to IAS 1 (as part of the project to formulate Annual Improvements to IFRS 2010-2012 cycles)	<i>Classification of Liabilities as Short-Term or Long-Term</i>	<i>Effective to the periods beginning on or after 1 January 2023.</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>	<i>Effective to the periods beginning on or after 1 January 2023.</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>	<i>Effective to the periods beginning on or after 1 January 2023.</i>
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform — Phase 2</i>	<i>Effective to the periods beginning on or after 1 January 2021.</i>
Amendments to IAS 16	<i>Property and equipment - Proceeds before Intended Use</i>	<i>Effective to the periods beginning on 1 January 2022.</i>
Amendments to IAS 37	<i>Provisions, contingent liabilities and contingent assets - Onerous Contracts – Cost of Fulfilling a Contract</i>	<i>Effective to the periods beginning on 1 January 2022.</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	<i>The effective date has yet to be set; however, earlier application of the amendments is permitted.</i>
Amendment to IFRS 16	<i>COVID-19 Related Rent Concessions</i>	<i>Effective for the periods beginning on or after 1 June 2020.</i>
Amendments to IFRS 1, IFRS 9, IAS 41; and illustrative examples accompanying IFRS 16.	<i>Annual Improvements to IFRS 2018-2020 cycles</i>	<i>Effective to the periods beginning on 1 January 2022.</i>

The management does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Fund in future periods.

5. CASH AND CASH EQUIVALENTS

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current accounts	4,533	1,411
Less: allowance for impairment losses	(16)	(4)
Total cash and cash equivalents	<u>4,517</u>	<u>1,407</u>

Cash and cash equivalents are held with four financial institutions representing 0.55% (December 31, 2019: 0.25%) concentration in relation to net assets as at reporting date.

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Allowance for impairment losses is recognised as per IFRS 9 adoption requirements and represents Stage 1 asset-related allowance. A reconciliation of the impairment loss allowance by stages in accordance with IFRS 9 is as follows:

	2020		2019	
	Stage 1	Total	Stage 1	Total
Impairment loss allowance at 1 January	4	4	64	64
Increase/(decrease) in loss allowance during the year	12	12	(60)	(60)
Impairment loss allowance at 31 December	16	16	4	4

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2020	December 31, 2019
Financial services	1,796,861	1,382,578
Other industries	301,367	317,158
Total corporate bonds – 256.12% (December 31, 2019: 300.60%)	2,098,228	1,699,736
Total Investments – 256.12% (December 31, 2019: 300.60%)	2,098,228	1,699,736
Repurchase agreements – (156.63%) (December 31, 2019: (200.71%))	(1,283,216)	(1,134,897)
Other assets in excess of liabilities other than above presented – 0.52% (December 31, 2019: 0.11%)	4,231	613
Net assets—100.0%	819,243	565,452

The net gain from financial assets at fair value through profit and loss for 2020 amounted to AMD 279,575 thousand (2019: AMD 78,530 thousand), which includes interest income from the investment securities as well as realised and unrealised gain from securities.

Pledged assets are discussed in Note 7.

7. 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.

At December 31, 2020 the Fund's liabilities for repurchase agreements signed with entities in financial services sector amounted to AMD 1,283,216 thousand (December 31, 2019: AMD 1,134,897 thousand), including accrued interest of AMD 1,297 thousand (December 31, 2019: AMD 1,042 thousand). As at December 31, 2020 the fair value of financial assets, represented by Corporate Bonds, given as collateral against these liabilities amounted to AMD 1,349,226 thousand (December 31, 2019: AMD 1,186,474 thousand).

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8. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

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

	2020		2019	
	Number of units		Number of units	
Balance at the beginning of the year	90,367	565,452	65,893	371,745
Issue of units during the year	26,793	167,631	32,949	194,156
Redemption of units during the year	(5,662)	(36,936)	(8,475)	(50,460)
Increase in net assets attributable to unitholders	-	123,096	-	50,011
Balance at December 31	111,498	819,243	90,367	565,452
Net assets value per unit (in dram)		7,347.60		6,257.28

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 are 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.

The NAV per unit, 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 2020 the NAV per unit at which redemptions and subscriptions were available for transactions was AMD 7347.62 or USD 14.06.

In relation to net assets attributable to unitholders as at December 31, 2020, 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.

9. INTEREST EXPENSE

	2020	2019
Repurchase agreements	(43,244)	(27,240)
Total interest expense	(43,244)	(27,240)

10. 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 high performance bonus (charged to participants) on redemption of units and after each fifth year since units' purchase by Fund's participants. The bonus is calculated based on net asset value at issue, net asset value at redemption and number of days between purchase of units by Fund participants and the day of calculation of the bonus.

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The detailed calculation of the bonus is described in the Fund rules. Management fee charged for the year was AMD 7,499 thousand (2019: AMD 4,771 thousand) of which AMD 690 thousand was outstanding at December 31, 2020 (December 31, 2019: AMD 475 thousand).

b. Manager participation in the Fund

As at December 31, 2020 the Manager owned 7,095 units (December 31, 2019: 7,095 units) in the Fund representing 6.36% of total units outstanding as at that date (December 31, 2019: 7.85%).

As at December 31, 2020 the ownership of units in the Fund held by the Manager's parents or parents' related parties amount to 21,821 units or 19.57% of total units (December 31, 2019: 27,483 units or 30.41% of total units).

c. Investments in other Funds

As at December 31, 2020 and December 31, 2019 the Fund did not hold investments in other funds managed by the Manager.

11. 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:

- 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.

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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 disclosures are segmented into two sections based on whether the underlying financial instrument is subject to IFRS 9's impairment disclosures or not.

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.

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 December 31, 2020 and December 31, 2019 credit risk exposure of assets is presented in the table below:

	December 31, 2020	December 31, 2019		
	Carrying amount	Carrying amount	Country	Credit rating
Assets				
Cash and cash equivalents	4,517	1,407	Armenia	Unrated
Financial assets at fair value through profit or loss				B1-B2,
- Corporate bonds	2,098,228	1,699,736	Armenia	Unrated
Other assets	712	-	Armenia	Unrated
	2,103,457	1,701,143	-	-

Cash and cash equivalents are held with four financial institution representing 0.55 % concentration in relation to net assets as at reporting date. Financial performance of the banks is monitored on a quarterly or more frequent basis, as required, as part of Manager's financial risk management procedures.

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As at December 31, 2020 and December 31, 2019 all the financial assets and liabilities are with counterparties within RA, further the investment portfolio represents corporate bonds. 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 Fund 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. See also Note 1 on COVID-19 discussion.

As at December 31, 2020 none of the financial assets are past due or impaired. A reconciliation of the provision for impairment of Cash and cash equivalents for the year ended 31 December 2020 is shown in Note 5.

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 tables below the financial assets and liabilities, as recognised in the statement of financial position as at December 31, 2020 and December 31, 2019, are presented on a discounted basis. Management holds financial assets at fair value through profit or loss that are liquid and can be used to meet outflows of financial liabilities and unit redemptions.

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	December 31, 2020				
	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	4,517	4,517	-	-	-
Financial assets at fair value through profit or loss	2,098,228	2,098,228	-	-	-
Other assets	712	712	-	-	-
Total financial assets	2,103,457	2,103,457	-	-	-
Financial liabilities					
Repurchase agreements	1,283,216	1,283,216	-	-	-
Other financial payables	990	690	300	-	-
Total financial liabilities	1,284,206	1,283,906	300	-	-
Net liquidity position	819,251	819,551	(300)	-	-

	December 31, 2019				
	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	1,407	1,407	-	-	-
Financial assets at fair value through profit or loss	1,699,736	1,699,736	-	-	-
Total financial assets	1,701,143	1,701,143	-	-	-
Financial liabilities					
Repurchase agreements	1,134,897	1,134,897	-	-	-
Other financial payables	775	475	300	-	-
Total financial liabilities	1,135,672	1,135,372	300	-	-
Net liquidity position	565,471	565,771	(300)	-	-

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. 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, 2020 is as follows:

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	December 31, 2020					
	Carrying amount	On demand	Less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year
Financial assets						
<i>Fixed interest rate financial assets</i>						
Cash and cash equivalents	4,517	4,517	-	-	-	-
Financial assets at fair value through profit or loss	2,098,228	-	2,098,228	-	-	-
Other assets	712	712	-	-	-	-
Total financial assets	2,103,457	5,229	2,098,228	-	-	-
Financial liabilities						
<i>Fixed interest rate financial liabilities</i>						
Repurchase agreements	1,283,216	-	1,283,216	-	-	-
Other liabilities	990	990	-	-	-	-
Total financial liabilities	1,284,206	990	1,283,216	-	-	-
Net position	819,251	4,239	815,012	-	-	-

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, 2020	
	AMD	USD
Interest bearing assets	10.25%	5.97%
Interest bearing liabilities	6.00%	3.03%

A summary of the interest rate gap position for financial instruments at December 31, 2019 is as follows:

	December 31, 2019					
	Carrying amount	On demand	Less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year
Financial assets						
<i>Fixed interest rate financial assets</i>						
Cash and cash equivalents	1,407	1,407	-	-	-	-
Financial assets at fair value through profit or loss	1,699,736	-	1,699,736	-	-	-
Total financial assets	1,701,143	1,407	1,699,736	-	-	-
Financial liabilities						
<i>Fixed interest rate financial liabilities</i>						
Repurchase agreements	1,134,897	-	1,134,897	-	-	-
Other liabilities	775	775	-	-	-	-
Total financial liabilities	1,135,672	775	1,134,897	-	-	-
Net position	565,471	632	564,839	-	-	-

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.

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<i>In % p.a.</i>	December 31, 2019	
	AMD	USD
Interest bearing assets	-	6.10%
Interest bearing liabilities	-	2.90%

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, 2020		
	Armenian Drams	US Dollars	Total
Financial Assets			
Cash and cash equivalents	4,493	24	4,517
Financial assets at fair value through profit or loss	233,025	1,865,203	2,098,228
Other assets	712	-	712
Total financial assets	238,230	1,865,227	2,103,457
Financial Liabilities			
Repurchase agreements	183,431	1,099,785	1,283,216
Other liabilities	990	-	990
Total financial liabilities	184,421	1,099,785	1,284,206
Open balance sheet position	53,809	765,442	819,251
	December 31, 2019		
	Armenian Drams	US Dollars	Total
Financial Assets			
Cash and cash equivalents	1,402	5	1,407
Financial assets at fair value through profit or loss	-	1,699,736	1,699,736
Total financial assets	1,402	1,699,741	1,701,143
Financial Liabilities			
Repurchase agreements	-	1,134,897	1,134,897
Other liabilities	775	-	775
Total financial liabilities	775	1,134,897	1,135,672
Open balance sheet position	627	564,844	565,471

At December 31, 2020 and 2019 the strengthening of the Armenian Dram, as indicated below, against the US dollar would have increased 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.

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	Profit or loss / Net assets attributable to unitholders	
	Weakening	Strengthening
AMD 20% movement against US dollar		
December 31, 2020	153,088	(153,088)
December 31, 2019	112,969	(112,969)

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.

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.

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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.

12. 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, 2020	Fair value as at December 31, 2019	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	2,098,228	1,699,736	Level 2	Quoted bid prices in a market that is not active	N/A	N/A
	2,098,228	1,699,736	-	-	-	-

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.

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13. FINANCIAL INSTRUMENTS BY CATEGORY

In the tables below the financial assets and liabilities, as recognised in the statement of financial position as at December 31, 2020 and as at December 31, 2019, are presented based on their classification.

	December 31, 2020		
	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Total
Financial Assets			
Cash and cash equivalents	4,517	-	4,517
Financial assets at fair value through profit or loss	-	2,098,228	2,098,228
Other assets	712	-	712
Total financial assets	5,229	2,098,228	2,103,457
Financial Liabilities			
Repurchase agreements	1,283,216	-	1,283,216
Other liabilities	990	-	990
Total financial liabilities	1,284,206	-	1,284,206

	December 31, 2019		
	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Total
Financial Assets			
Cash and cash equivalents	1,407	-	1,407
Financial assets at fair value through profit or loss	-	1,699,736	1,699,736
Total financial assets	1,407	1,699,736	1,701,143
Financial Liabilities			
Repurchase agreements	1,134,897	-	1,134,897
Other liabilities	775	-	775
Total financial liabilities	1,135,672	-	1,135,672