

GLOCAL PROFIX USD FUND 2019 SUMMARY

We are delighted to present to your attention the annual summary of the performance of Glocal Profix USD Fund for 2019. Passed year was challenging for financial markets. Slowdown of global economic growth, together with increased political tensions, especially related to US-China trade talks, increased risks and further deepened uncertainties for investors, thus creating incentives for seeking new investments opportunities.

Overall, 2019 was a successful and stable year for Armenian economy. Throughout the year, it followed an impressive growth pattern, which eventually converted into 7.6% increase of GDP. Sustained macroeconomic stability, combined with the efforts of the Government in promoting institutional reforms, such as fight against corruption, were reflected in positive changes of Armenia's international ratings.

Most notable economic highlights of 2019 are introduced below.

- Impressive 7.6% economic growth – the highest reading in the region.
- Low level of inflation – 1.4%.
- Lowest monetary policy rate in the region. In 2019, the Central Bank of Armenia made two cuts of refinancing rate – each by 0.25pps – reducing it from 6.0% to 5.5%.
- The most stable currency in the region. During the last 5 years AMD remained fairly unchanged relative USD.
- The Central Bank made record-high purchase of USD 565mln. International reserves of Armenia went up by 26% y/y standing at USD 2.8bln.
- The Government of Armenia successfully allocated third tranche of Eurobonds at a record-low rate of 3.95%. Total allocated volume is USD 500mln.
- Business-friendly taxation system. Reductions of income and profit taxes came into force from January 1st, 2020. Tax privileges are considered for security holders.
- Moody's and Fitch upgraded sovereign rating of Armenia to Ba3 and BB-, respectively.
- The country improved its position by 28 spots in Transparency International's Corruption Perception Index 2019 report, moving from 105th place to 77th.
- In the Democracy Index 2019 report released by the Economist Intelligence Unit, Armenia climbed from 103rd position to 86th.
- Tourist arrivals went up by remarkable 14.7%, standing at record-high 1.9mln people. Armenia ranked 12th by tourism growth in 2019, according to Tourism Barometer of UNWTO. Estimated income from tourism is around USD 1.4bln. More increase is expected in 2020 due to entry of low cost airlines, such as Ryanair, Wizz Air, AirBaltic and Transavia, into Armenian market. Furthermore, Armenia is listed among top tourist destinations for 2020 by various magazines.
- Outstanding 20% CAGR of IT sector from 2009. Acceleration of growth is anticipated in upcoming years due to planned construction of TUMO technopark, Engineering City and Digitown, which will be hubs for local and international IT companies and start-ups. Based on high-growth track of the sector Forbes named Armenia as "World's next tech hub".
- Rapid development of infrastructure. In 2019, roads with total length of 350km were constructed and renovated – more than in 2015, 2016 and 2017 combined. Another 500km planned for 2020.

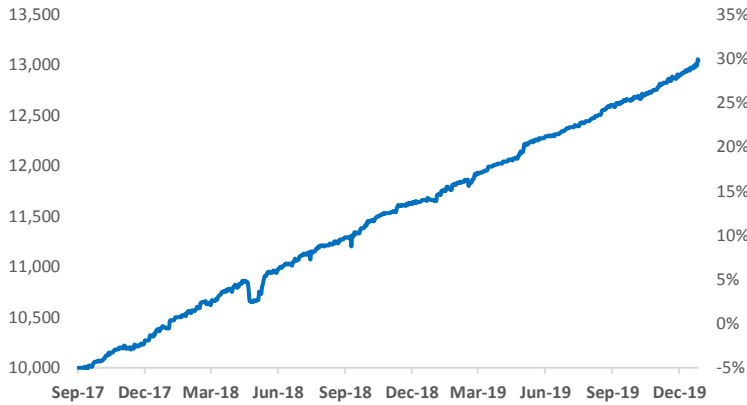
All these developments create a solid ground for even more positive expectations for 2020.

Turning to the performance of the Fund in 2019, Glocal Profix USD generated an impressive return of 11.84%, thus surpassing its 10% target profitability. This brought since inception return up to 30.40%, equaling to annualized return of 12.10%.

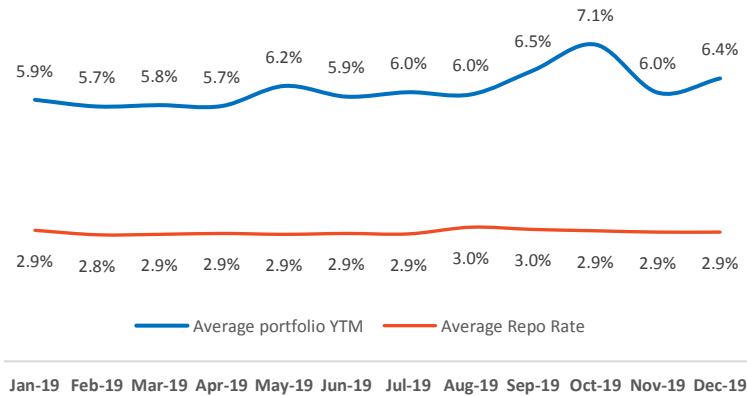
OVERVIEW

Glocal Profix USD reported a positive return of 11.84% in 2019. For the third consecutive year, the Fund managed to exceed its target return of 10%. This remarkable result highlighted robustness and effectiveness of the strategy adopted by the Fund's management, as well as suitable macroeconomic and business environment of Armenia.

Investment Performance Since Launch Per 10,000 USD

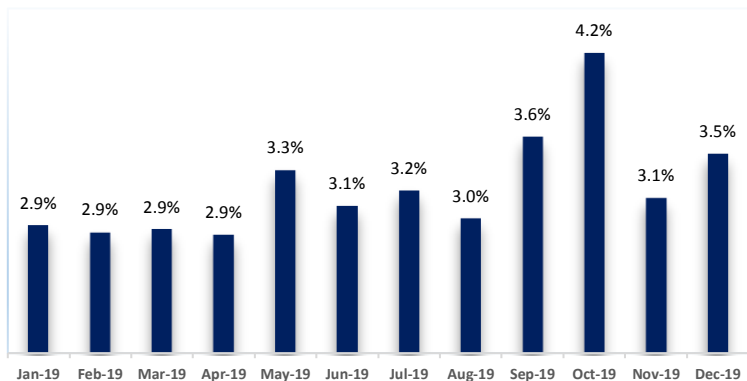


Average rates

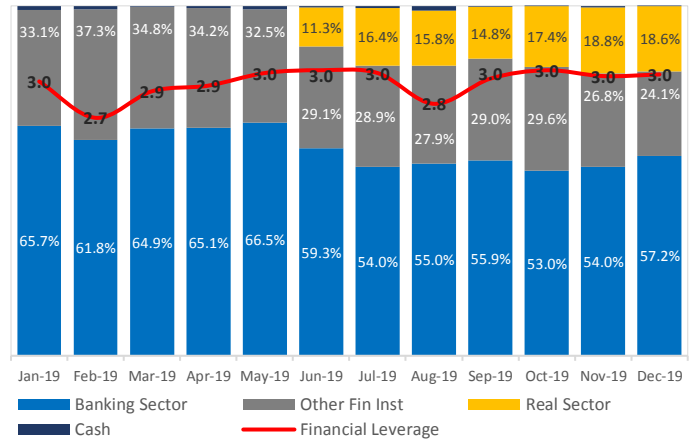


During the year, yield of portfolio demonstrated an increasing trend, equaling to 6.4% by the end of the year. Average yield of portfolio stood at 6.1%. As borrowing rate remained stable throughout the year – 2.9% on average, spread between portfolio yield and borrowing rate went up by 0.5pps from the start of the year, rounding to 3.5% by the end of December 2019.

Spread between Portfolio YTM and refinancing rate

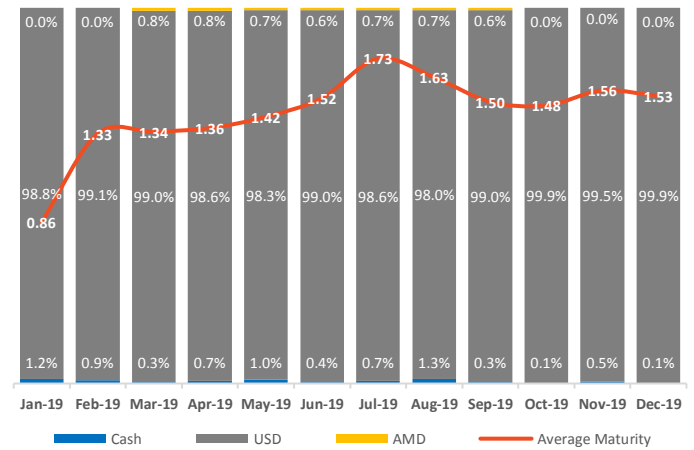


Portfolio sector breakdown



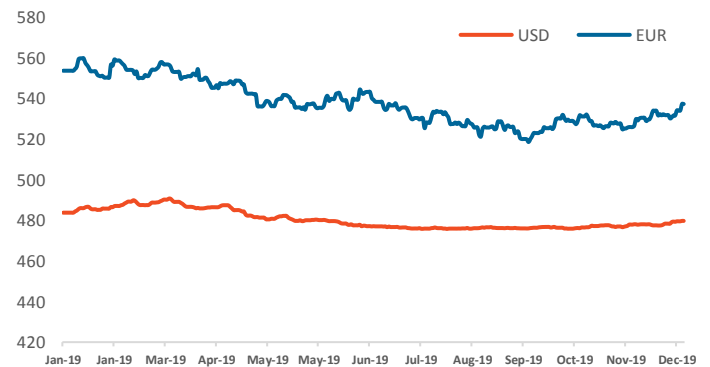
Securities issued by banking sector on average accounted for 58.4% of Fund's assets. The remaining part was represented by other financial institutions and real sector entities. Financial leverage varied between 2.7x and 3x, with an average of 2.9x.

Portfolio denomination breakdown



Throughout the year, in accordance with implemented strategy, Fund's portfolio was predominantly consisted of USD-denominated assets – with only a tiny portion of AMD-denominated coupon receivables, which eventually went down to 0% by the end of the year. During the year, average maturity went up gradually, rounding to 1.53 years by the end of December.

Historical Monthly Average Nominal EUR/AMD, USD/AMD



Source: Central Bank of Armenia (data available at www.cba.am)

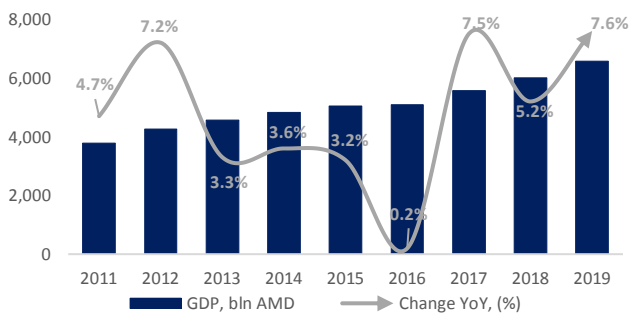
MACRO HIGHLIGHTS

Armenian economy demonstrated an impressive performance during 2019, which was reflected in 7.6% economic growth, highest result since global financial crisis of 2008. The growth was predominantly driven by Services, Industry and Trade, which went up by 15.0%, 8.3% and 9.1%, respectively. Construction volume expanded as well, by 3.7%. Conversely, agricultural production and electricity output declined by 4.2% and 1.9%, respectively. Number of international visitors equalled to 4.3mln – an increase of 15.0%. Tourist arrivals grew by 14.7% standing at record high level of 1.9mln people. Estimated income from tourism is about USD 1,440mln. Exports went up by remarkable 9.4% equalling to USD 2,640mln. Imports increased by 10.8%. Consequently, trade deficit widened by USD 322mln rounding to USD 2,874mln. Unemployment rate reduced by 2.1pps y/y rounding to 18%. This improvement was accompanied with 5.8% increase in average nominal monthly wages.

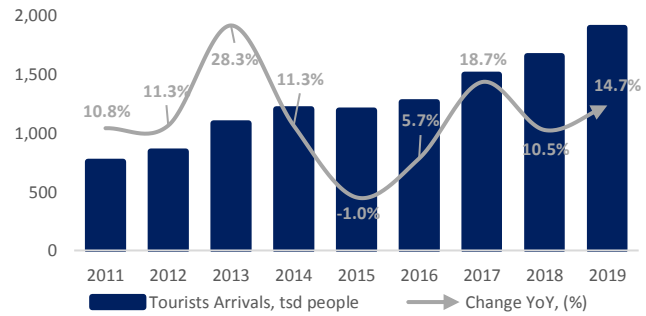
During the year the Central Bank made two cuts of refinancing rate – each by 0.25pps - reducing it from 6% to 5.5%. Besides, it decreased reserve rate for the sources attracted in AMD from 18% to 12%, while increasing reserve requirement for USD sources from 2% to 6%. Yields on 10-year AMD-denominated Government bonds moved down to 8.36%. Armenian dram appreciated against both USD and EUR, standing at 479.70 and 537.26, respectively.

TIME SERIES

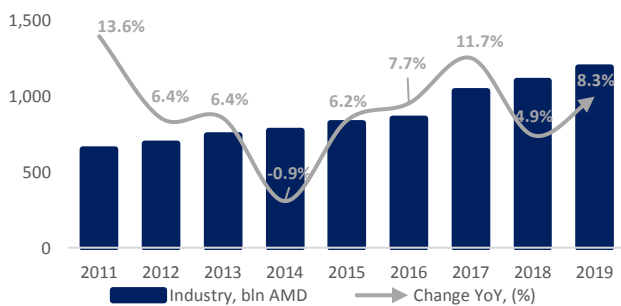
GDP



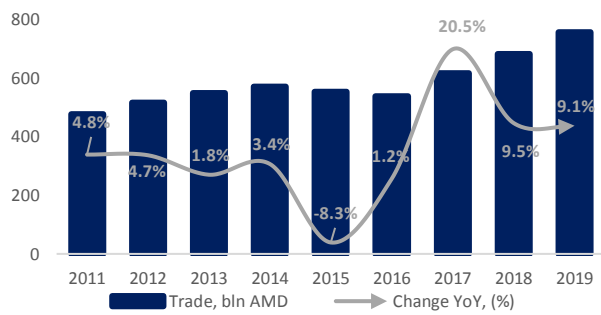
Tourist Arrivals



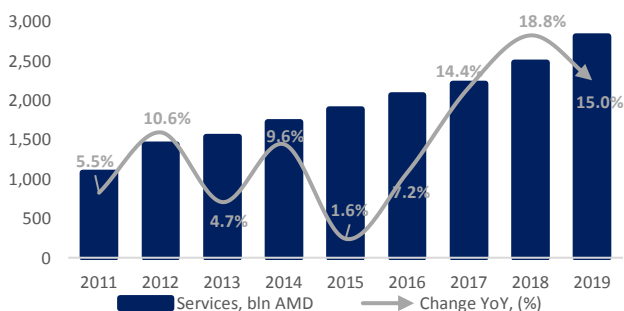
Industry



Trade



Services



External Trade

