

**«LIMITLESS ASSET MANAGEMENT» CJSC's  
«LIMITLESS PRIME» PUBLIC, CONTRACTUAL,  
OPEN INVESTMENT HEDGE FUND**

**Financial Statements**

*For the year ended December 31, 2023  
Together with independent auditor's report*

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## Independent auditor's report

To the Unitholders of Limitless Prime Fund:

### **Opinion**

We have audited the financial statements of Limitless Prime Fund (hereinafter, the "Fund", which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss and comprehensive income, statement of changes in net assets and statement of cash flows for the period from 11 July 2023 to 31 December 2023, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2023 and its financial performance and its cash flows for the period from 11 July 2023 to 31 December 2023 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' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (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.

Ernst & Young CJSC  
Yerevan, Armenia

General Director  
Partner (Assurance)

Responsible Auditor

April 30, 2024



Eric Hayrapetyan

Armine Voskanyan

**Statement of financial position**

**As at 31 December 2023**

<i>In thousand drams</i>	<b>Notes</b>	<b>31 December 2023</b>
<b>Assets</b>		
Cash and cash equivalents	4	1,402,565
Financial assets at fair value through profit or loss	5	<u>1,387,928</u>
<b>Total assets</b>		<b><u>2,790,493</u></b>
<b>Liabilities</b>		
Financial liabilities at fair value through profit or loss	5	592,605
Management fee payable	13	124,015
Current tax liabilities		58
Other liabilities		<u>1,280</u>
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b><u>717,958</u></b>
<b>Net assets attributable to unitholders</b>	6	<b><u>2,072,535</u></b>
<b>Total liabilities and net assets attributable to unitholders</b>		<b><u>2,790,493</u></b>

These financial statements were approved on 30-th April 2024

*The accompanying notes from 1 to 15 form an integral part of these financial statements.*

**Statement of profit or loss and other comprehensive income  
for 11 July 2023 – 31 December 2023**

<i>In thousand drams</i>	<b>Notes</b>	<b>11 July 2023 - 31 December 2023</b>
Net gain from sale of financial instruments measured at fair value through profit or loss	7	178
Net gain from changes in fair value of financial instruments measured at fair value through profit or loss	8	405,833
Dividend income		28,778
Interest income		7,126
Net loss from foreign currency dealing		(2,759)
Net gain from foreign currency revaluation		23,194
Management fees		(137,092)
Commission expenses	9	(10,717)
<b>Profit before taxation</b>		<b>314,541</b>
Income tax expense		(58)
<b>Profit and total comprehensive income for the reporting period</b>		<b>314,483</b>
<b>Increase in net assets attributable to unitholders</b>		<b>314,483</b>

Tigran Antinyan  
«Limitless Asset Management» CJSC's director

Armen Azizyan  
Representative of StepUp LLC

**Tigran  
Antinyan** Digitally signed by  
Tigran Antinyan  
Date: 2024.05.02  
14:55:10 +04'00'

**Statement of changes in net assets**  
**for 11 July 2023 – 31 December 2023**

<i>In thousand drams</i>	<b>Net assets attributable to unitholders</b>
<b>Balance as at July 11 2023</b>	-
<b>Issuance and redemptions of units:</b>	
Issue of units	1,758,052
<b>Net increase from unit transactions</b>	<b>1,758,052</b>
<b>Increase in net assets attributable to unitholders for the period</b>	<b>314,483</b>
<b>Balance as at December 31, 2023</b>	<b>2,072,535</b>

*The accompanying notes from 1 to 15 form an integral part of these financial statements.*



**Statement of cash flows**  
**for 11 July 2023 – 31 December 2023**

<i>In thousand drams</i>	<b>11 July 2023 - 31 December 2023</b>
<b>Cash flows from operating activities</b>	
Interest received	1,522
Dividends received	25,925
Commissions paid	(4,513)
Management fees paid	(13,077)
Payments for received services	(4,924)
Currency conversion fees paid	(2,759)
Net cash flows from financial assets at fair value through profit and loss	(380,805)
<b>Net cash used in operating activities</b>	<b>(378,631)</b>
<b>Cash flows from financing activities</b>	
Proceeds from issue of units	1,758,052
<b>Net cash from financing activities</b>	<b>1,758,052</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,379,421</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>-</b>
Foreign exchange effect on cash and cash equivalents	23,144
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>1,402,565</b>

*The accompanying notes from 1 to 15 form an integral part of these financial statements.*

(in thousand drams)

## 1. Reporting entity

### a) Organisation and operations

«Limitless Asset Management» CJSC's «Limitless Prime» Public, Contractual, Open Investment Hedge Fund (the «Limitless Prime» Fund or the Fund) is an open public hedge contractual investment fund. The Fund was incorporated in accordance with the legislation of the Republic of Armenia. The Fund was registered by the decision of the Central Bank of the Republic of Armenia (CB of the RA) No. 106-A of 11 July 2023.

The Fund's investment objective is to obtain additional income per unit of risk. The Fund's assets are mainly invested in liquid securities listed or traded in internationally regulated markets (the New York Stock Exchange and Nasdaq are considered as the main markets) such as shares, bonds, exchange-traded funds, and derivatives.

The Fund's investment activities are managed by «Limitless Asset Management» CJSC (the Manager), which is registered by the Central Bank of the Republic of Armenia (license number 0007 dated 27.12.2022) under the legislation of the Republic of Armenia.

The registered address of the Fund Manager is: RA, c. Yerevan, Keru 1/3, 5th floor.

### b) Armenian business environment

The Fund's operations are primarily located in Armenia. Consequently, the Fund is exposed to the economic and financial markets of Armenia which display characteristics of an emerging market. The legal, tax, regulatory frameworks and overall business practices and environment continue developing and improving. However still varying interpretations and frequent changes of legislation together with other legal impediments contribute to the challenges faced by entities operating in Armenia. Additionally, the breakout of armed conflict in Nagorno-Karabakh in September 2020 followed by cease-fire arrangement over disputed Nagorno-Karabakh territories, later escalation of the conflict in the Republic of Armenia territory has increased uncertainty in the business environment.

As a result of the war in Ukraine many leading countries and economic unions have announced severe economic sanctions on Russia and Belarus, including Russian banks, other entities and individuals. Since the start of the war, there has been a significant volatility of the Russian ruble against foreign currencies, as well as significant loss of value on the securities markets in Russia and of Russian companies listed in overseas markets. As a result of the above, there have been an influx of non-residents and relocation of many businesses (especially from Russia) to Armenia, which have played a vital role in stimulating economic growth of the country in general, and activation of the investment and asset management activities in particular. As the war is still waging, it is impossible to reliably assess the final impact this may have on the Fund's business as there is uncertainty over the magnitude of the impact on the economy in general.

The financial statements reflect management's assessment of the impact of Armenian business environment on the operations and the financial position of the Fund. The future business environment may differ from management's assessment.

## 2. Basis of preparation

### 2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Fund has prepared the financial statements on the basis that it will continue to operate as a going concern.

### 2.2 Functional and presentation currency

The national currency of the Republic of Armenia is the Armenian Dram ("AMD"), which is the Fund's functional currency and the currency in which these financial statements are presented. These financial statements are presented in thousands of Armenian Dram ("AMD"), and all values are rounded to the nearest thousands, except when otherwise indicated.

### 2.3 Basis of measurement

The measurement basis adopted by the Fund for the preparation of financial statements is the historical cost, which is usually combined with other measurement bases. When applying other measurement bases, the Fund discloses in relevant notes.

(in thousand drams)

### 3. Accounting policies

In accordance with the amendments to IFRSs *Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2* that became effective on 1 January 2023 as disclosed in Note 3 (3.8) below, the Fund adopted its disclosure of accounting policies. The adopted material accounting policy information focuses on how the Fund has applied the requirements of the IFRSs to its own circumstances and includes largely items where the Fund chose an accounting policy from one or more options permitted by IFRSs, items subject to significant judgments or estimates, and excludes information that only duplicates or summarizes the requirements of IFRSs, as well as accounting policies about immaterial matters.

#### 3.1 Fair value measurement

The Fund measures investment securities at fair value at each balance sheet date.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

#### 3.2 Foreign currency transactions

In preparing the financial statements, transactions in currencies other than the functional currency are recorded at the rates of exchange defined by the Central Bank of Armenia prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates defined by the Central Bank of Armenia prevailing on the reporting date:

**31 December 2023**

AMD / 1 US dollar	404.79
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Exchange differences arising on the settlement and retranslation of monetary items, are included in profit or loss for the period under the line "Net gain from foreign currency revaluation".

#### 3.3 Financial instruments

##### *Recognition and derecognition*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through OCI, and fair value through PL.

The Fund's financial assets at amortised cost includes cash and cash equivalents.

##### *Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI to are measured at FVTPL. Specifically:

- ▶ Investments in equity instruments are classified as at FVTPL, unless the Fund designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition;
- ▶ Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The equity securities, the corporate debt securities and investments in fund units are classified as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'Net gain from changes in fair value of financial instruments measured at fair value through profit or loss' line item.

(in thousand drams)

### 3. Accounting policies (continued)

#### 3.3 Financial instruments (continued)

*Foreign exchange gains and losses*

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

Specifically:

- ▶ For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in 'Net gain from foreign currency revaluation' line item;
- ▶ For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "Net gain from foreign currency revaluation" line item.

#### 3.4 Transactions with securities and related investment income

Interest income is recorded on an accrual basis. Dividend income is recorded on the ex-dividend date.

In the statement of profit or loss net gain from financial instruments at fair value through profit or loss includes all realised and unrealised fair value changes and foreign exchange differences, and where applicable includes interest and dividend income, which is recognized when the Fund's right to receive the payment is established.

#### 3.5 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent current accounts with banks.

#### 3.6 Net assets

Amounts received for issued units are accounted for in the statement of changes in net assets attributable to unitholders.

The increase in net assets attributable to unitholders includes the current year's profit.

#### 3.7 Profit tax

Profit tax for the current year is calculated at 0.01% yearly of the Fund's net assets.

#### 3.8 New and amended standards and interpretations

*Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2*

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Fund's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Fund's financial statements.

*IFRS 17 Insurance Contracts* - amendments and interpretations apply for the first time in 2023, but do not have an impact on the Fund's financial statements.

*Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12* – the amendments do not have impact on the Fund's financial statements.

*International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12* – the Fund is not subject to Pillar Two taxes hence the amendments do not have impact on the Fund's financial statements.

*Definition of Accounting Estimates - Amendments to IAS 8* – the amendments do not have an impact on the Fund's financial statements.

(in thousand drams)

### 3. Accounting policies (continued)

#### 3.9 New standards and interpretations not yet adopted

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements are disclosed below. The Fund intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. The amendments are not expected to have a material effect on the Fund's financial statements:

- *Amendments to IFRS 16: Lease Liability in a Sale and Leaseback;*
- *Amendments to IAS 1: Classification of Liabilities as Current or Non-current;*
- *Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7.*

#### Significant accounting judgements, estimates and assumptions

The preparation of the Fund's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

##### Judgements

In the process of applying the Fund's accounting policies, management has made judgements, which have the most significant effect on the amounts recognised in the financial statements.

##### Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Fund based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Fund. Such changes are reflected in the assumptions when they occur.

##### Fair value measurements

Judgments that have the most significant effect on the amounts recognized 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 are the price quotations in an active market. In the absence of quoted prices in an active market, the management uses other evaluation techniques, such as the comparative approach with similar instruments both in the internal and external markets, and the actual prices of sales transactions occurred close to the reporting date. See Notes 5, 8.

### 4. Cash and cash equivalents

<b>In thousand drams</b>	<b>31 December 2023</b>
Current accounts with non-bank financial institution	1,392,589
Current accounts with banks	9,976
<b>Total</b>	<b>1,402,565</b>

As at 31 December 2023 the Fund has one financial institution whose balances exceeded 10% of the Net Asset Value.

The gross value of these balances as at 31 December 2023 is AMD 1,392,589 thousand.

As at 31, Decembe 2023 all cash equivalents are allocated to stage 1 for ECL measurement purposes.

(in thousand drams)

## 5. Financial assets and liabilities at fair value through profit or loss

<b>Financial assets</b> <b>In thousand drams</b>	<b>31 December</b> <b>2023</b>
Securities	533,293
Options	854,635
<b>Total</b>	<b>1,387,928</b>

As at 31 December 2023 the Fund has one ordinary share and one option whose amount exceeded 10% of net assets. The gross value of these balances as at 31 December 2023 is AMD 821,820 thousand.

<b>Financial liabilities</b> <b>In thousand drams</b>	<b>31 December</b> <b>2023</b>
Options	592,605
<b>Total</b>	<b>592,605</b>

Financial Assets and liabilities measured at fair value through profit or loss include securities and derivatives held for trading during the Fund's normal activity.

As at 31 December 2023 the Fund has one option whose amount exceeded 10% of net assets. The gross value of these balances as at 31 December 2023 is AMD 355,152 thousand.

## 6. Net assets attributable to unitholders

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

	<b>Number of units</b>	
Balance as at 11, July 2023	-	-
Issue of units during the period	4,379	1,758,052
Increase in net assets attributable to unitholders	-	314,483
<b>Balance at 31 December 2023</b>	<b>4,379</b>	<b>2,072,535</b>
<b>Net assets value per unit (in dram)</b>		<b>473,339</b>

### Unit purchases, redemptions and distributions

Units in the Fund are offered at their net asset value per Unit ("NAV") on each business day. Units are redeemed at the NAV as of the relevant NAV Determination Time

The value of the Fund's net assets is determined on the basis of the market value of the Fund's assets by deducting the Fund's liabilities (claims to the Fund) from it.

Net assets attributable to unitholders are carried at the amount that would be payable at the statement of financial position date if the unitholders exercised the right to redeem the units.

In relation to net assets attributable to unitholders as at December 31, 2023, unitholders have the right to request on any business day the redemption of units held. Redemption fee of 10% is charged on redeemed amount in case the redemption of units is requested within 12 months since the investment date.

(in thousand drams)

## 7. Net gain/(loss) from sale of financial instruments measured at fair value through profit or loss

<u>In thousand drams</u>	<u>11 July 2023 - 31 December 2023</u>
Net gain from sale of securities	178
<b>Total</b>	<b>178</b>

## 8. Net gain/(loss) from changes in fair value of financial instruments measured at fair value through profit or loss

<u>In thousand drams</u>	<u>11 July 2023 - 31 December 2023</u>
Net gain from changes in fair value of securities	208,160
Net loss from changes in fair value of derivatives	197,673
<b>Total</b>	<b>405,833</b>

## 9. Commission expense

<u>In thousand drams</u>	<u>11 July 2023 - 31 December 2023</u>
Custody fee	6,247
Agent fee	2,795
Brokerage fee	1,269
Other	406
<b>Total</b>	<b>10,717</b>

Fees for the audit of Bank's financial statements for the year ended 31 December 2023 amounted to AMD 5,000 thousand including VAT. No non-audit services were provided by the Company's external auditor in 2023.

## 10. Risk management

### Introduction

Management of risk is fundamental to the business of the Fund and forms an essential element of the Fund's operations. The major (significant) risks faced by the Fund are those related to market risk, credit risk, liquidity risk, and operational, legal and reputational risks.

### a) Risk management policies and procedures

The risk management policies aim to identify, analyses and manage the risks faced by the Fund, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

The shareholders have overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures. The management of the Fund is responsible for monitoring and implementing risk mitigation measures, and ensuring that the Fund operates within established risk parameters.

(in thousand drams)

## 10. Risk management (continued)

### a) Risk management policies and procedures (continued)

The Executive Director is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the shareholders.

Both external and internal risk factors are identified and managed throughout the Fund. Particular attention is given to identifying the full range of risk factors and determining the level of assurance over current risk mitigation procedures.

### b) Credit risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Fund has policies and procedures in place to manage credit exposures (both for recognised financial assets and unrecognised contractual commitments).

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the statement of financial position. The impact of the possible netting of assets and liabilities to reduce potential credit exposure is not significant.

#### *Credit quality per class of financial assets*

The credit quality of financial assets below is managed by the Fund based on external credit ratings. Not rated exposures are classified in Standard Grade, unless they are impaired.

As at 31 December 2023 all the financial assets at fair value through profit or loss except of other financial assets are classified at high grade.

The table below shows the mapping of the Fund's grading system and external ratings of the counterparties as at 31 December 2023

31 December 2023:

<b><i>International external rating agency (Moody's) rating</i></b>	<b><i>Internal rating description</i></b>	<b><i>PD</i></b>
Aaa to A3	High grade	0-0.06%
Baa1 to B3	Standard	0.1-4.52%
Caa1 to C	Sub-standard grade	6.93-33.62.0%
D and below	Impaired	100%

As at December 31, 2023 credit risk exposure of financial assets is presented in the table below:

	<b><i>December 31, 2023</i></b>	<b><i>Country</i></b>	<b><i>Credit rating at December 31, 2023</i></b>
Cash and cash equivalents	1,402,565	Armenia	Aa2 to Ba3
Financial assets at fair value through profit or loss	1,387,928	United States	Aa2
	<b><u>2,790,493</u></b>		

### c) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever to be completely matched, since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.



(in thousand drams)

## 10. Risk management (continued)

### c) Liquidity risk (continued)

The Fund maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due. The liquidity management policy requires:

- ▶ Projecting cash flows by major currencies and taking into account the level of liquid assets necessary in relation thereto;
- ▶ Managing the concentration and profile of debts;
- ▶ Maintaining debt financing plans;
- ▶ Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow;
- ▶ Maintaining liquidity and funding contingency plans;

The Fund's financial liabilities as of 31 December 2023 with amount AMD 717,900 thousands are payable on demand or within less than one month.

### Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Fund cannot expect to eliminate all operational risks, but a control framework and monitoring and responding to potential risks could be effective tools to manage the risks. Controls should include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices and foreign currency rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

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

	<b>December 31, 2023</b>		
	<b>Armenian Drams</b>	<b>US Dollars</b>	<b>Total</b>
<b>Financial assets</b>			
Cash and cash equivalents	5,856	1,396,709	1,402,565
Investments at fair value through profit or loss	–	1,387,928	1,387,928
<b>Total financial assets</b>	<b>5,856</b>	<b>2,784,637</b>	<b>2,790,493</b>
<b>Financial liabilities</b>			
Liabilities at fair value through profit or loss	–	592,605	<b>592,605</b>
Management fee payable	124,015	–	<b>124,015</b>
Other liabilities	1,280	–	1,280
<b>Total financial liabilities</b>	<b>125,294</b>	<b>592,605</b>	<b>717,900</b>
<b>Net position</b>	<b>(119,497)</b>	<b>2,192,032</b>	<b>2,072,535</b>

(in thousand drams)

## 10. Risk management (continued)

### Foreign currency risk (continued)

#### Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The tables below indicate the currencies to which the Company had significant exposure at 31 December 2023 on its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Armenian Dram, with all other variables held constant on the statement of profit or loss. A negative amount in the table reflects a potential net reduction in the statement of profit or loss statement, while a positive amount reflects a net potential increase.

<i>AMD'000</i>	<b>Change in currency rate in % 2023</b>	<b>Effect on profit before tax 2023</b>
<b>Currency</b>		
USD	10%	219,203
	-10%	(219,203)

## 11. Transactions with the Manager and other related parties

The management fee consists of two parts:

- (a) A fixed fee of 2 (two) percent per annum on the Fund's net asset value (before deducting the management fee);
- (b) A premium of 40 (forty) percent of the amount above the 2.5 percent quarterly return (including all expenses except the two percent fixed management fee). Which is calculated quarterly.

Management fee charged for the year was AMD 124,015.

## 12. Fair values of financial instruments

The Fund provides an analysis of its assets and liabilities that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. These Levels are described below:

- ▶ Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- ▶ Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- ▶ Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

### (a) **Financial instruments that are not measured at fair value**

Cash and cash equivalents, term deposits, repurchase agreements and other payables are liquid or have a short term maturity (less than three months) therefore it is assumed that the carrying amounts approximate to their fair value.

### (b) **Financial instruments that are measured at fair value**

As of 31 December 2023

<i>'000 AMD</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total fair values</b>
Financial assets at fair value through profit or loss	1,387,928	-	-	1,387,928

Corporate securities are classified as level 1 as they have been valued using market quoted prices.

(in thousand drams)

### 13. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled. See Note 10 Risk management for the Fund's contractual undiscounted repayment obligations.

	2023		Total
	Within one year	More than one year	
Cash and cash equivalents	1,402,565	–	1,402,565
Investments at fair value through profit or loss	1,387,928	–	1,387,928
	<b>2,790,493</b>	–	<b>2,790,493</b>
Liabilities at fair value through profit or loss	592,605	–	592,605
Management fee payable	124,015	–	124,015
Profit tax payable	58	–	58
Other liabilities	1,280	–	1,280
	<b>717,958</b>	–	<b>717,958</b>

The Fund management considers the financial assets at fair value through profit or loss as liquid assets which the Fund is able to convert to cash hence the Fund has presented these assets as maturing within one year.

### 14. 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.

### 15. Contingencies

#### (a) Insurance

The Armenian insurance industry is in its development stage and many forms of insurance protection common in other parts of the world are not yet generally available in Armenia. The Fund does not have full coverage for its business interruption, or third party liability in respect of property or environmental damage arising from accidents on the Fund property or relating to the Fund operations. Until the Fund obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets or environmental damage could have a materially adverse effect on the Fund's operations and financial position.

#### (b) Litigation

The Fund does not have litigations that may have a material effect on the Fund's results of operations or financial position.

#### (c) Taxation

The taxation system in Armenia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes unclear, contradictory and subject to varying interpretation. Taxes are subject to review and investigation by tax authorities, which have the authority to impose fines and penalties. In the event of a breach of tax legislation, no liabilities for additional taxes, fines or penalties may be imposed by tax authorities once three years have elapsed from the date of the breach.

These circumstances may create tax risks in Armenia that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Armenian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.