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OPERATIONAL ANALYSIS
FOR
ESTABLISHMENT OF INVESTMENT FUND

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I. Executive Summary

The transition of Armenia from centralized to market economy requires complete reorganization of ownership structure in state-owned enterprises. The Privatization program is aiming to fulfill this objective via distribution of voucher to all citizens of Armenia. Vouchers will allow public to participate in ownership of enterprises, organized as an open joint-stock companies. To facilitate and make more effective the use of the vouchers by their owners the Investment Fund should be established. The latter will create a market for the privatization certificates and lower the risk for their owners. Based on these considerations, there is a need for the Investment Fund in Armenia. The objective of the project group was to develop operational analysis for establishment of the Investment Fund that would be adjusted to the current situation in Armenia and consistent with the existing legislation on Investment Funds.

The main problem that project group was faced is the non-existence of such kind institutions in Armenia. To overcome that problem, the project group decided to pursue research in following areas: the best practices of the foreign countries' Investment Funds, the legislation on the Investment Funds in Armenia, the situation in privatization process, the degree of awareness about the Investment Fund and citizens' attitudes toward them.

After data collection and analysis, the group came up to the following conclusions:

- The idea of establishment of the Investment Fund in Armenia is feasible.
- The most suitable structure of Investment Fund in Armenia is the closed-end type of Fund, organized as an open joint-stock company.

- Current legislation on the Investment Fund includes several restrictions that makes the establishment of the Investment Fund less attractive for founders.
- The wide range of population is unaware about the purpose, activities and benefits of the Investment Fund. The lack of information lead public to mistrust in the Investment Funds.
- Lack of liquid securities market limits the scope of activities of the Investment Fund

Based on these conclusions, the project group came up with the fooling recommendations:

- The most suitable structure of the Investment Fund consists of four different entities: Investment Fund, Management Company, Depository, and Audit with their own rights and responsibilities. Investment Fund is a central entity and recipient of services provided by other three entities.
- The optimal size of financial portfolio (equity capital), calculated on the base of survey results and financial statements analysis, is \$791,550.
- The Investment Fund functioning and operating scheme was proposed, that specifies functions of the Investment Fund, Management Company, and Depository in securities' transactions in the market.
- Amendments to the legislation in force were suggested.

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III. Introduction

1. Background

Soon after the collapse of the former Soviet Union, Armenia started to carry out a program of reforms such as agricultural land privatization, privatization of small, medium and large enterprises and unfinished constructions. Those reforms create cohesive framework for private sector development. To speed up the process of transition from centralized to free market economy, the Law of Privatization and Denationalization of State Enterprises was developed and voucher scheme for public participation in privatization was introduced. This scheme was aimed to create an effective ownership structure in the former state-owned enterprises via selling them to private investors. Vouchers were issued to the value of 30% of the assets to be privatized and distributed to all citizens of Republic of Armenia. Many of the large and medium size enterprises will be transformed to open joint-stock companies through public offering of their shares.

Due to the lack of previous experience in dealing with vouchers and securities as well, most of citizens of Armenia can face difficulties in making proper investment decisions. This problem could be overcome through establishment of Investment Fund that provide professional management of investor's assets (cash and vouchers). Moreover, Investment Fund could resolve the problems in following directions:

- acceleration of privatization process to make it more structured and organized;
- mobilization and attraction of investment capital;
- enlargement of people's participation in the privatization process;

- restructuring of companies' management.

According to its definition, Investment Fund is an enterprise engaged in the business of investing, reinvesting of and trading in securities. The Voucher Investment Fund is any Investment Fund which accepts privatization vouchers in exchange of its securities. An Investment Fund raises capital by selling its own shares and invests cash or vouchers in other securities. Generally, Investment Funds fall into two categories: a unit trust form and a corporate form. In turn, there are two types of corporate form Investment Fund: open-ended and closed-ended. According to the legislation of Republic of Armenia, Investment Fund in Armenia must be only of closed-end type.

2. Project Overview

a. Project Objectives

The operational analysis for establishment of Investment fund specifies cohesive course of actions that leads to establishment of the Investment Fund in Armenia. They are interrelated with the following objectives:

1. Identify the most suitable structure of Investment Fund and Management company.
2. Define the relationship between Investment Fund, Management Company, and Depository.
3. Define the size of financial portfolio.
4. Design Functioning and Operational Schemes for Investment Fund.

b. Main Activities and Tasks

The following activities and tasks were accomplished by the project group in the course of the project.

- Study of literature on experience of the Investment Fund in foreign countries.
- Study of legislation of Republic of Armenia on the Investment Fund.
- Interviews with government officials responsible for privatization and securities market.
- Interviews with independent experts of securities market and banking.
- Population survey.
- Overall data analysis and recommendations.

3. Project Constraints

a. Legislative Constraints.

The legislative constraints indicated by experts in this field include following:

- Complicated licensing and registration procedures for establishment of the Investment Fund.
- The high amount of initial equity capital (at least \$ 20,000).
- Limited scope of activities for voucher Investment Fund
- The weak legislative mechanism of protection the shareholders' rights in a joint-stock companies.

b. Market Constraints.

- Lack of sound financial market in Armenia makes possible to establish only voucher Investment Fund now.

- Unstable pace of privatization makes impossible to predict the attractive investment opportunities (privatizing enterprises) for Investment Fund that raise the risk of its operations.¹
- Lack of experts in the field of investment management.
- Non-existence of operating Investment Fund and appropriate procedures for its operation.
- Lack of effective and liquid securities market.
- Lack of potential investors trust in Investment Fund.

IV. Methodology

The concept of an Investment Fund is new in Armenia. Thus, a lot of effort should be devoted to study, introduce and promote this concept. So, the matter of great importance becomes development of operational plan for Investment Fund that will be consistent with existing Armenian legislation and meet the standards for Investment Fund of foreign countries.

1. Data collection

The information gathered for the project fell into two categories: secondary and primary data.

¹ For example, the optimal size of the Investment Fund equity capital mainly depends on the number of enterprises to be privatized in a certain period of time. In case of slow pace of privatization only a few number of enterprises could be selected by the Investment Fund for investment. This will cause discrepancy between the actually needed and already paid-in equity capital and decrease the earning per share.

a. Secondary Data

Since the concept of the Investment Fund is new in Armenia the main sources of information were printed materials. Particularly, the group studied:

- Literature about activities of the Investment Fund in foreign countries.
- Legislation of Republic of Armenia on the Investment Fund.
- Financial reports of privatized companies.

b. Primary Data.

To achieve the project objectives, in addition to secondary data the project group also gathered primary data. This was done through personal interviews and survey.

Personal interviews were conducted with experts from the Ministry of Finance, Economy, Privatization Commission, Privatization and Denationalization Board, Stock Exchange, Central Bank, Brokerage firms, and founders of the Investment Fund. During those interviews the group collected suggestions about the structure of the Investment Fund, its relationship with Management Company and Depository. Besides, the interviews with officials of Privatization Commission, Action Center, Privatization and Denationalization Board provided data on current situation in the privatization process.

Survey. The purpose of survey was to find out the degree of awareness of population about the Investment Fund, the approximate number of potential investors, the roughly estimated size of financial portfolio of the Investment Fund. Since the business activities are mainly concentrated in Yerevan, the survey sample was chosen randomly from population of this city. It covered following social groups: students, pensioners, workers, employees,

businessman, unemployed. A sample of 150 persons were questioned. It represented 600,000 adult population of Yerevan.

2. Data Analysis

To investigate the most suitable structure of the Investment Fund, SWOT analysis of the Investment Fund and Management Company was done. Particularly, this analysis examined data on foreign practices and Armenian legislation.

To forecast the optimal size of financial portfolio the survey results and privatized companies financial statements were analyzed.

The mean number of vouchers and cash, that the sample size is willing to invest, was taken as a base for making estimations about entire population.

The analysis of privatized companies financial statements resulted in calculation of profit/equity ratios. Based on several factors the critical P/E ratio was chosen. The equity capital of those enterprises, that have more P/E ratio than critical one, were summed up .

The average of 40% out of this amount was serve as coefficient to determine the approximate size of 500 enterprises' equity capital, that are going to be privatized in the nearest future. The minimum of two figures (number vouchers that the population is willing to invest and size of equity capital of the enterprises that are worth to be invested in) was taken as the optimal size of financial portfolio.

V. FINDINGS

1. OVERVIEW OF PRACTICES OF INVESTMENT FUNDS IN FOREIGN COUNTRIES

Investment Funds are necessary elements of securities market. Despite the differences in structure and status of Investment Funds, their important roles are in providing private investors with highly qualified investment management and reducing the risk incurred by investing in different securities. In developed countries the idea of Investment Fund arose as necessity allowing any individual investor to participate in securities market with significantly lower cost and risk. Investments gathered from huge number of investors allows an Investment Fund to hire highly qualified experts to manage its assets. To protect investors from biased decisions and unfair management of Investment Fund assets, the government regulation was foreseen. For example, in 1940 in USA the Act on Investment Companies was approved. This act prohibits purchase or sale of any security or other property between the fund and any affiliated person, its principal underwriter, or their affiliates. Affiliates are manager of the assets of Investment Fund, Depository (custody of the assets), audit of Investment Fund, etc. The major effect of this prohibition is in the fact that neither manager nor any of its affiliates can execute transactions with the fund as a principal or dealer. Besides, loans of securities or assets from the fund to the manager and its affiliates are also prohibited. In addition, the organizational structures of an Investment Funds are also contain protection mechanism that built-in in specifics of securities trading. There are two basic types of Investment Fund organizational structures: a contract or unit trust form and corporate form. The concept of unitary form is that it is a creation of its

sponsor-manager, a proprietary contract product that has no life of its own unrelated to the sponsor manager. The other form is the corporate form. In this mode Investment Fund is created as separate entity. The fund is owned and its affairs are theoretically managed and directed by its shareholders, usually through corporate governance system of a board of directors.

A key difference between the two forms is that with the corporate form, theoretically the shareholders and/or directors can terminate the relationship of the fund with any of its service providers including the manager, investment adviser, trustees, custodians, or anyone else. For the unitary form, the system that monitors and provides corrective actions resides with an independent trustee or depository. In the corporate form, it is the board of directors (or the shareholders). In the unitary construct the Depository is responsible for overseeing fund's operations and initiating corrective actions. In corporate form fund, the board of directors have this oversight responsibility.

Along with specific structure and restriction of its operations the limits for investment policy of Investment Fund are used to assure safety of assets of fund. For example, the widely used limits in different countries are the following:

- no more than certain percentage of the Investment Fund 's assets can be invested in a company and its affiliates;
- Investment Fund can not possess more than definite percentage of voting shares of a company;
- Investment Fund can not do investments in affiliates and etc.;

The overview of the foreign countries Investment Funds is presented in the Exhibit 1.

2. Overview of the Legislation of Republic of Armenia on the Investment Funds

The main legislation, regulating activities of Investment Funds in Armenia is the Government Decree of 1994 # 469 that has approved "The Regulation on Investment Funds". Other legislation related to the activities of Investment Funds are laws of Republic of Armenia "On Securities Circulation", "Privatization and Denationalization of State Enterprises and Unfinished Contractions", "Enterprises and Entrepreneur Activities" as well as Government Decrees "On Vouchers Circulation and Redemption", "On Subscription for Shares of Privatizing Enterprises", "On Auction for Shares of Privatizing Enterprises" and etc. The licensing procedures of Investment Fund, Depository, and Management Company are also indivisible part of legislative framework for Investment Funds in Armenia. According to the "Regulation on Investment Fund":

- The Investment Fund in Armenia must only be of closed-end type, that is an Investment Fund does not offer for sale and has not any outstanding Redeemable Shares. Therefore, the number of an Investment Fund shares outstanding is constant.
- All Investment Funds must be established as open joint stock companies.
- The assets of the Investment Fund should be managed by the separate legal entity called Management Company. It aims to provide investment management advice and other similar services to Investment Fund.
- All Investment Funds must appoint an independent licensed Depository (i.e. a Bank of affiliated with such Investment Fund or its Management Company) to hold the assets of the Fund and execute transactions on its behalf.

- All Investment Fund must appoint an Independent Auditor (i.e. a reputable and independent accounting and auditing firm) to examine the books and records of the Investment Fund on a periodic basis.

3. Establishment and start-up of an Investment Fund in Armenia

a. Legislative Restrictions for the Founders of Investment Fund

Number of founders of an Investment Fund should be no less than 5 but no more than 20. The Government, its Ministries and Agencies as well as state enterprises are not allowed to be founders of Investment Fund. Founders are supposed to initiate the establishment of Investment Fund and obliged to contribute no less than cash equivalent to \$20 000. This amount must be deposited before the founders will submit documents to the Regulatory Agency. The founders are also responsible for preparation founding documents of Investment Fund and preliminary agreement with the Management agreement. The founders are charged for all expenses incurred by Investment Fund before its registration.

b. Licensing Procedures and Registration of Investment Fund

Unlike the other enterprises and institutions Investment Fund has to go through two stage of licensing process: initial and final. The following steps are required for establishment of an Investment Fund :

- the documents for initial license are submitted to the Regulatory Agency ;
- the documents for final license are submitted to the Regulatory Agency;

- the documents for registration of the prospectus of the Investment Fund's share issue are submitted to the Regulatory Agency.

c. Distribution of Shares of Investment Fund

As soon as prospectus of the Investment Fund is registered and published in mass media with more than 1,000 copy, its shares can be offered for public subscription. The following steps are required to organize the distribution of shares of the Investment Fund :

- identify channels of distribution of shares of Investment Fund;
- open preliminary account in Depository for accumulation of cash and vouchers received in exchange for shares of the Investment Fund;
- design and implement of advertisement campaign;
- print shares or share certificates;
- enter into agreement with underwrites of the Investment Fund shares;
- supervise and control the process of distribution of Investment Fund shares.

4. The Management Company of The Investment Fund

a. Legal status of the Management Company

The Management Company has to be established as legal entity with minimum equity capital of \$5 000. Non-residents are allowed to participate in the Management Company up to 49% of its equity capital. Non-residents can possess more than 49% of Management Company's equity capital only in case of special permission of the Regulatory Body.

b. Licensing Procedures and Registration

Management Company must be licensed by the Regulatory Agency before registration in the Enterprises State Registry. One of the requirements for licensing of the Management Company is availability of management that meets the requirements of qualification test. After obtaining the license, the documents are submitted to Enterprise State Registry Licensing and registration period can last up to 60 days, 30 days for each respectively. In case of mistakes in documents submitted, the corresponding state authority should inform founders of Management Company. Licensing and registration can not be refused without detailed reasoning.

c. Functions and responsibilities of the Management Company

Management Company is solely responsible for all decisions concerning the Investment Fund securities and other asset transactions. Management Company will manage the property of the Investment Fund in accordance with legislation. Management Company is entitled to issue instructions to Fund's Depository regarding the description of the Fund's assets. Functions of the Management Company fall into the following categories:

- representation of the Investment Fund in all companies in which the Investment Fund has invested;
- exercising all shareholders rights with respect to companies whose shares owned by the Fund;
- providing the Supervisory Board with a report on performance of the Investment Fund (quarterly), including the balance sheet, income statement, and calculation of net asset value;

- administrative duties that include obtaining all office space and facilities for activities of Investment Fund and Management Company; organization of the Supervisory Board meetings; supervision of the record and account keeping, including shareholders register; supervision the distribution of shares of Investment Fund and payment of dividends, control over the communication campaign.

The Management Company can not :

- dispose assets of Investment Fund exceeding 10% of net asset value without the prior writing consent of Fund's Supervisory Board;
- provide investment management services to any other Investment Fund except the prior written consent of the Supervisory Board (Management Company can not manage assets more than three Investment Funds);
- make investments for its own account in securities of any company without using its efforts to ensure that the Investment Fund is given a similar opportunity to make investment in securities of the same company.

5. The Investment Fund Depository

a. Depository Legal Status

Investment Fund will appoint licensed Depository to act as custody of its assets. Only financial institutions can execute functions of Depository for Investment Fund in Armenia. By October 1, 1995 only two banks, "Credit-Yerevan" and "Conversbank", have been licensed as Depositories of Investment Fund . Main requirements for licensing are sound financial position and availability of facilities for executing functions of Depository.

b. Depository Functions and Responsibilities

The Depository's functions and responsibilities are :

- segregation for the account of Investment Fund and keeping safe property of the Fund;
- use cash to pay for and receive securities purchased for the account of the Investment Fund;
- deliver securities to appropriate parties and transfer amount to the Investment Fund's account;
- receiving and holding dividends distributed by the issuers of securities comprising Investment Fund's property;
- preparation of reports on transactions and assets of the Investment Fund;
- maintaining, and retaining records and accounts of the Investment Fund's property.

6. SWOT Analysis of the Investment Fund and Management Company in Armenia

Since the Investment Fund and Management Company in Armenia are separate legal entities, SWOT analysis was conducted for both of them to identify their most suitable structure.

STRENGTHS

The closed-end Investment Fund organized as an open joint-stock company has following strengths:

- Independence from shareholders in terms of redemption of shares(it is more vital in presence of illiquid securities market).
- Activities of the Management Company concerning the Investment Fund's assets management are under the shareholders' control.
- All shareholders are in equal position in case of Investment Fund equity liquidation.
- The accounting principles and procedures of Armenia are applicable for recording of the Investment Fund transactions with securities.

WEAKNESSES

- Complicated operating procedures.
- Difficulties in building confidence among Investment Fund ,Management Company and Depository.
- Lack of experience in the field of trust form of asset management.
- Potential investors' misunderstanding the mechanism of Investment Fund operations.

OPPORTUNITIES

- The privatization of medium and large enterprises.
- Existence of legislation on the Investment Fund.
- Free of charge vouchers distribution makes population opt to invest in Investment Funds.
- Professional support of TACIS "Technical Assistance to Investment and Mutual Funds in Armenia" project international experts.

THREATS

- Uncertain and risky environment for business activities.
- Lack of potential investor's trust in financial institutions.
- Lack of liquid and efficient securities market

7. The role of the Investment Fund in the process of privatization

a. Privatization policy in Armenia

According to the Law of Privatization and Denationalization of State Enterprises and Unfinished Constructions, there are several ways of privatization:

- *selling enterprises to employee.* In this case employees have priority to buy the enterprise at a price estimated by the Privatization Board.
- *selling enterprises through auction to sole investor.* The enterprise is sold to the investor offered the highest price.
- *competitive bidding.* The main consideration for selling the enterprise is not the highest price offered, but other criteria set by the Government.
- *selling enterprises to foreign investors.* The list of enterprises to be offered exclusively to foreign investors is decided by the Government of Republic of Armenia.
- *public offering of shares through both auction and subscription.* The shares of enterprises transformed into joint-stock company are offered to public through auction or subscription.

According to the legislation on Investment Fund, it can not own more than 40 % of equity capital of any enterprise. Therefore, it can not participate in other form of privatization's, such as selling enterprises through auctions to sole investor and competitive bidding, that suppose to sell the enterprise to one investor. In addition, according to the Investment Fund status², it can not participate in selling enterprises to employees and in selling enterprises to foreign investors.

Public offering of shares through both auction and subscription is the only form of privatization that is the matter of primary interest of Investment Fund, because only in that case the Investment Fund can buy equity in privatizing companies.

In case of transformation the privatizing enterprise into joint-stock company, 20% of equity capital is given to employees free of charge. Other 80% equity is offered to public in the form of shares through subscription or auction. In case of subscription, employees have a priority to subscribe for the 20% of the 80% of equity (16% of the whole equity). The remaining percentage of equity capital (64% of the whole equity) is subscribed by the outside investors including Investment Funds.

In contrast to subscription, employees have not priority to buy shares during auctions. Shares are offered in auctions in packages of 10% equity capital. The person who offered the highest price for a package of shares is announced as shareholder.

² The IF can not considered neither employee nor foreign investor.

b. Privatization Data

As of October 1, 1995 prospectuses of 140 enterprises have been registered. Subscription of shares of 54 enterprises transformed into joint-stock company is completed by October 1, 1995. Subscription of shares of 50 companies is in process of privatization. More detailed information on Privatization is presented in Exhibit 8.

c. Need in Investment Funds in the privatization process

The Investment Fund, investing in different enterprises decreases the risk of shareholders. Otherwise, the problem of investment decisions becomes more complicated for individual investor. The following reasons confirm that:

- by investing the vouchers in enterprise it is impossible to determine the final percentage of investor's ownership in the equity capital of a given enterprise;
- impossibility for individual investor to track the subscription process and analyze financial statement of several enterprises at the same time.

d. The Investment Fund Participation in privatization process

After establishment, the Investment Fund's first main activities will include the investment of vouchers in privatizing enterprises. Therefore, it is important to develop thoroughly the operations relating the voucher investment in privatizing companies. The latter is accompanied with some specifics, created by the Regulation on Investment Fund requirements. The Investment Fund as any legal entity can submit an application to the Auction Center indicating an enterprise whose shares it would like to subscribe. However, if it will appear from the results of subscription that Investment Fund has more than 40%

of equity capital of joint-stock company the Investment Fund should take back the vouchers or cash paid above the limit.

8. Survey Results

The analysis of survey results show that 45 % of population were informed about the Investment Fund. The main source of information were TV and Personal Contacts. The statistical means of vouchers and cash that person is willing to invest in Investment Fund were 0.76 and \$ 16 respectively. So, the estimations of for 600,000 adult population is 456,000 vouchers and \$ 9,736,000 cash. According to survey results the target market is young employed population. The main obstacles in attracting investors are relatively unstable situation in country, lack of trust due to previous crashes of such kind financial institutions. More details on survey see Exhibit 10.

a. The Investment Fund Operational Mechanism

Operational mechanism is a set of procedures for the Investment Fund transactions execution. It includes procedures for investment decision making, interaction among the Investment Fund, Management Company, and Depository, and actions related to transaction execution.

Currently, in USA Investment Funds act in securities market through independent brokers. However, in the past, Investment Funds preferred to buy and sell securities by their own because the brokerage commission was high and irrelevant to the volume of transactions. In Armenia, Management Company will prefer to act on behalf of Investment Fund in securities market on its own because of absence any legislative restriction for these

transactions and transactions infrequency. Although the general transaction mechanism with securities is not specified by current legislation, there are some requirements provided by "Regulation on Investment Fund" that should be followed in Investment Fund transactions. For example, the Depository shall initiate transactions related to Investment Fund Property only following receipt of proper instructions from Management Company.

VI. Conclusions

1. *Feasibility of the Investment Fund Establishment in Armenia*

The idea of establishment of Investment Fund in Armenia is feasible due to the following factors:

- Existence of legislation on the Investment Fund.
- Privatization of large and medium size enterprises.
- Large number of potential investors willing to invest their vouchers in an Investment Fund.
- Existence of founders that have already contributed the initial equity capital of Investment Fund (\$20000) and Management Company(\$5000).
- Existence of educated professionals able properly manage the Investment Fund assets
- Existence of reliable banks licensed by The Regulatory Authority as an Investment Fund Depositories.

However, now it is possible only to establish the voucher Investment Fund in Armenia because of the low income level of population.

2. Application of foreign Investment Fund models in Armenia

Despite, differences of various models (unit trust, open-end and close-end corporate forms) of the Investment Funds their main idea is to provide effective management of investors' pooled assets. Unfortunately, not all models of the Investment Funds is applicable to the Armenian current situation. Application of unit trust form ~~it~~ is not feasible in the nearest future because of lack of legislative framework regulating problems of investors' ownership in pooled assets and sponsor-manager relationships. In addition, the status of certificates representing the investor's ownership participation unit-trust and the priority of their redemption are not defined.

The open-end corporate form of the Investment Fund in Armenia is also inapplicable due to the following problems:

- According to the legislation of Republic of Armenia the size of equity capital of joint-stock companies can be changed only after permission of the Board of directors and registration in the State Registry of Enterprises. Moreover, the joint-stock companies can issue or redeem shares only via increasing or decreasing, respectively, size of equity capital (it is inappropriate for open-end fund that must redeem and sell its shares in case of request of investors).
- Due to non-liquid securities market open-end IF will not be able to liquidate its investments and redeem its shares in case of request of shareholders.

According to the group analysis, the most suitable form for Armenian emerging securities market is the closed-end Investment Fund (IF) organized in form of an open joint-stock companies (public corporation) because no major changes of legislation in force is needed

and it provides the most conservative model of IF and is adequate to current situation of emerging securities market in Armenia.

3. Legislative limitations for Investment Fund in Armenia

There are several limitations that exist in legislation of Armenia. The main idea of legislative restrictions on Investment Fund is to set up regulatory framework for protection the rights of investors and safety of IF property. However, they resulted to some unreasonable obstacles for activities and operations of IF, especially for voucher Investment Fund. The voucher IF can not:

- invest in companies outside of Armenia,
- make loans,
- take a credit,
- invest in enterprises without limited liability.

4. Market limitations for Investment Fund

The wide range of population is unaware about the purpose, activities and benefits of the Investment Fund. This lack of information lead to the general public mistrust in the Investment Funds.

Due to the lack of efficient securities market the IF will be unable to keep liquidity of its assets on certain level and will face difficulties in case of selling securities owned by IF. Such problems can not be solved at once and only in the process of functioning of IF and other financial institutions it will be possible to create sound and liquid securities market as well as to contribute to formation of adequate mentality of individual investors.

VII. Alternative Actions

1. The management of the Investment Fund and Management Company may have the following options identifying the optimal size of financial portfolio:

- set up profit /equity critical ratio at the level of 20%,
- set up profit /equity critical ratio at the level of 50%,
- set up profit /equity critical ratio at the level of 80%.

The decision should be made taking into account average interest rate of deposits and treasury bills. Since, annual interest rate of Dram deposits and treasury bills varies from 40%-65%, the critical profit / equity ratio for calculation optimal size of financial portfolio must be set at 80%. Calculations of the optimal size of financial portfolio for all three alternative options are presented in the Exhibits 9, 12.

2. Concerning the transactions execution the Management Company may have two alternatives: *execute transaction by itself* or *through independent brokerage*

companies. It is more preferable to execute transactions on securities market through Management Company because:

- Given the non-liquid securities market with drastic changes in securities' prices, the Management Company, as an interested party acting on behalf of the IF, can get offers with the best prices in securities transaction. This will eliminate the problems concerning biased decisions that the independent brokerage companies can make.

- Necessity to react quickly to the market changes requires to have direct access to information on securities trading.
- The MC executes transactions without charging additional commission, while independent brokerage company charges fee amounted to 1-4 % of the value of transaction executed.

VIII. Practical Issues

There are several practical questions related to the current situation in Armenia that should be considered:

1. Safeguard of investors' assets
2. Shareholders-management relationship
3. Assessment of different investment opportunities.

All of these issues play crucial role in process of formation of the Investment Funds in Armenia, because future shareholders should be ensured that by investing in these institutions they incur minimal risk in comparison with other investment choices.

1. Safeguard of investors' assets The Investment Fund holds investor's assets in the Depository. In Armenia, the banks serve as a Depository of the Investment Fund. According to legislation on the Investment Fund, the bank acting as a Depository is obliged to keep the Investment Fund's assets aside from its own assets despite its financial situation. Moreover, in case of bankruptcy, the Investment Fund has priority to take back its assets over the other clients and shareholders of the bank. Thus, any misuse of the Investment Fund property and the violation of this obligation will be subject to Criminal Code of Armenia. Therefore, the

shareholders of the Investment Fund incur minimal risk in case of the Depository bankruptcy and this idea should be communicated to the general public.

2. *Shareholders-management relationship.* The foreign countries practices shows that shareholders, facing the problem of management performance evaluation, can delegate their voting rights to special institutions(banks, trust companies, etc.). These institutions (so-called voting-trust) and auditing companies are able to analyze and evaluate performance of companies' management properly. As a result of this risk of management abuses and actions that are not consistent with shareholders interests is reduced. Lack of such kind of agencies in Armenia makes the problem of shareholders' influence on management more vital and important. Investment Funds face this problem twice. First, it is the problem of Investment Fund's shareholders-Management Company relationship. Second, it is an issue of Investment Fund influence on management and activities of companies which shares are possessed by Investment Fund.

Shareholders of Investment Fund delegate functions of supervision and control over activities of Management Company to the Board of Directors elected by the General Meeting of Shareholders. The Board of Directors meets periodically and evaluates performance of Management Company as well as Depository on the monthly base. Special reports required by the Regulation on Investment Fund must be submitted to the Board of Directors by Management Company and Depository periodically. If unfair management of assets of Investment Fund is case the Board of Directors is obliged to initiate actions against Management Company.

As an institutional investor Investment Fund is expected to play leading role in structural changes in privatized enterprises. However, it is complicated due to lack of corporate

culture in Armenia. Despite, charters of all joint-stock companies are prepared according Model Charter of joint-stock company approved by the Government and include all generally accepted principles of corporate decision making and supervision over activities of management, practical mechanism for implementation of all procedures relating to execution of shareholders' rights will be worked out in the course time. Adoption of the regulations on auditing and standard financial reporting will to some extent solve the problem of information submitted to shareholders based on which evaluation of management performance and corresponding decisions are made.

3. *Assessment of different investment opportunities.* Evaluation of all investment opportunities is done by Management Company according to information available. Main source of information on financial statements is prospectuses of shares issue that are prepared, registered and published for all open joint-stock companies, including privatizing enterprises. Financial statements of last three years and last quarter that have been submitted to the Tax Inspection are presented in the prospectus.

IX. Recommendations

1. The most suitable structure of IF in Armenia

The functions and responsibilities of Investment Fund are separated and delegated to Management Company (MC) and Depository. Therefore, the structure of IF should include structural relationships between IF, MC and Depository. Due to the legislative restrictions there are not many choices for structure of IF.

Suggested suitable structure of IF that is drawn according legislative requirements and is presented in the Exhibit 2. It consists of four different entities with their own rights

and responsibilities. They are Investment Fund, Management Company, Depository, and Audit. IF is a central entity and recipient of services provided by others. The role of the Investment Fund is to promote interests of its shareholders and effectively manage its own assets. These considerations build relationships with Management Company, Depository, and Audit. They are simply service providers acting on behalf of Investment Fund and performing functions specified in agreements with Investment Fund.

2. The structure of the Management Company

Since the main activities of the Investment Fund are performed by the Management Company it is important to have well structured and operated Management Company. The functions performed by Management Company determine the most appropriate structure of Management Company (see Exhibit 4). At the first stage of operation one of the primary functions performed by Management Company will be determination of enterprises for investments according to conducted analysis of their financial statements and market position. It will be the responsibility of the Department of Information and Analysis. The other primary function of Management Company is trading in securities. Since there is no prohibition of the legislation for the Management Company to execute transactions on behalf of Investment Fund on and outside of stock exchange, the special Department of Trading will be responsible for that function. Representation of Investment Fund, preparation of reports and administrative duties of Management Company will be the obligation of the Reporting and Representation Department. There should be also Accounting Department within the Management Company.

3. Relationship between Investment Fund and Management Company

Relationship between the Investment Fund and Management Company is partly regulated by Model Management Agreement. However, there are some aspects of relationship that should be clarified before the IF will start operations. First, the Investment Fund should not allow its manager to manage other Fund or trade in securities for his own account. Second, the written agreement should be signed between Investment Fund and Management Company on detailed expenses and expenditure that MC will incur, specifying the terms of compensation and commission to Management Company. Since, Management Company is not allowed to be involved in other activities except management of Investment Fund, it is necessary all costs incurred by Management Company in the course of performing its functions to cover from the account of Investment Fund and do not include them in the commission paid to Management Company. Third, Model Management Agreement should specify cases when the Management Company is liable to the Investment Fund and its shareholders.

4. Relationship between the Investment Fund and Depository

The following issues should be addressed by the Model Depository Agreement in order to make interactions between Investment Fund, Management Company, and Depository more effective:

- Depository should use method of average price in calculations of capital gains and losses realized by the IF

- Depository should receive all contracts entered by Management Company on behalf of Investment Fund along with appropriate instructions.
- Depository should inform the Investment Fund's Supervisory Board and Management Company about non-execution the third party's obligations toward Investment Fund.

5. The optimal size of financial portfolio (equity capital)

The optimal size of financial portfolio (equity capital) is calculated based on the figures of survey and analysis of financial statements of privatizing companies. It is possible attract about 456,000 vouchers, but the 40% of total value of enterprises-candidates to investment limits this amount to 15,431 vouchers (see Exhibit 12). Therefore, optimal size of equity capital for Investment Fund is \$791,550 (\$20,000 of initial capital contributed by founders plus \$771,550 or 308,620,000 drams (15,431 vouchers) that is expected to raise in course of subscription).

6. The Investment Fund functioning and operations

Specifics of document flow and transaction mechanism are stipulated by the organizational structure of IF. Allocation of functions among Investment Fund, Management Company, and Depository requires thoroughly developed scheme of their interaction.

The information about market situation and enterprises' financial statements analysis is received and processed by Management Company. Analyzing the financial statements, the Management Company makes decisions about buying or selling of securities. Once the decision is made, the following steps are undertaken:

1. The Management Company executes transactions
 - ⇒ get acceptance (or accept) of the offer (or the bid) of the counterpart
 - ⇒ enter into agreement with the counterpart
2. The Management Company sends appropriate instruction and copy of the signed contract to the Depository
3. Depository either receives securities and transfers cash to the account of the counterpart or receives cash and delivers securities to the counterpart.
4. The Depository informs the Management Company about execution of transaction.
5. Appropriate accounting entries are made for the IF.

The scheme for transactions with securities is presented in the Appendix A.

- The Management Company could submit application to buy or sell securities to Stock Exchange as well as find counterpart on over-the-counter market. Agreement to buy or sell securities (model invoice for securities transfer is presented in the Exhibit 3) should be signed by buyer and seller or their representatives acting by the proxy. On behalf of the Investment Fund contacts are signed by the Management Company acting by the proxy.

7. The Promotion Campaign of the Investment Fund

The idea of the Investment Fund is new in Armenia. Therefore, it is very important to develop effective communication campaign, that will attract potential investors. However, this task is complicated with lack of population trust in financial institutions. The bankruptcies of many Armenian banks and crushes of many financial companies in the countries of CIS detract the general public from investment in such institutions. Moreover, the survey results showed that the majority of citizens of Yerevan confuse the Investment Fund with banks and other so-called investment institutions. This misunderstanding acts as a

negative publicity for the Investment Fund. To persuade the general public to invest in the Investment Fund a promotional strategies should be developed with the objectives to fill the informational gap on the Investment Funds and persuade the general public to make investments. For achieving this objective the following steps should be done:

- Organize the TV programs, where the experts will explain the Investment Fund's purpose, functioning and benefits, show the organizational differences between the Investment Fund and banks, and risks associated with investing in these institutions.
- Make an informative reports about the Investment Fund on "HAI FM" and "Stereo Studio" radio stations.
- Place the articles in "Respublica Armenia", "Golos Armenee", "Hayastani Hanrapetutian" newspapers to bring public attention to the IF.
- Print and distribute booklets among population.
- Create favorable opinion about the Investment Fund by enhancement of public relations. It could be done through reports(non-paid) on the local TV news about the success of the Investment Fund, a speech at AUA by a representative of the Investment Fund.
- Place the informative and persuasive ads on TV to develop a demand for the Investment Fund. It will increase the awareness about the Investment Fund and willingness to invest among potential shareholders.
- Organize the conferences for representative of mass media and other interested parties.
- Place the outdoor advertisements. Visual signs, posters, painted bulletins or displays should be placed on the walls of buildings in downtown, in metro stations and on the boards of buses and other form of transportation. This type of advertisement is the cheapest one with high percentage of population coverage.

The budget for promotion see in Exhibit 5.

8. Suggested amendments to legislation in force

To make the idea of Investment Fund in Armenia more attractive and to eliminate the existing inconsistencies in legislation of Armenia concerning the Investment Fund the following amendments to legislation in force should be made:

- delete provisions in the Law on "Securities Circulation in RA" about Investment Fund organized as LTD or closed joint stock companies,
- eliminate provisions about State Investment Fund ,
- set upper limits for fee charged by Depository for its services rendered to Investment Fund
- define more precise criteria for licensing of Depository,
- eliminate the restrictions related only to activities of voucher Investment Fund ,
- eliminate provisions about managing the Investment Fund by individual entrepreneurs and enterprises that are not legal entities,
- allow Investment Fund to organize subscription of its shares through network of other banks rather than through the Sberbank.

X. Implementation Plan and Costs

The Management Company Establishment.

To establish a Management Company in Armenia the several stages required.

Registration stage includes preparation of the foundation documents of Management Company and depositing at least \$5000 equity capital the on bank account by its Founders, submission of the documents to the Regulatory Agency for licensing, registration of the Management Company in the Enterprises State Registry.

The total registration cost of Management Company is \$15 (see Exhibit 6).

Start-up stage includes leasing office space, acquisition of equipment and office supply, hiring staff.

The total start-up cost of Management Company is \$4,745 (see exhibit 6).

The initial equity capital of \$5000 will be used to cover Management Company start-up expenditures.

The Investment Fund Establishment.

- Preparation of the foundation documents of Investment Fund and depositing at least \$20,000 the equity capital by its founders on the account in its Depository
- Obtaining initial agreement with the Management Company and the Depository to get the appropriate services in the future.
- Submission of the documents to the Regulatory Agency for initial licensing
- Registration of the Investment Fund in the Enterprises State Registry
- Signing separate agreement with the Management Company and the Depository
- Submission of the documents to the Regulatory Agency for the final licensing
- Preparation of Investment Fund's prospectus and submission to Regulatory Agency for registration
- Buying from the Ministry of Finance printed blank certificates by \$0.25 for a each.

- Publication of the prospect of the prospectus of Investment Fund in press with circulation no less than 1000 copies
- Subscription of shares and accumulation of cash and vouchers on the account in the depository.
- Preparation and submission of reports on subscription to the Regulatory Agency.

The total registration cost of Investment Fund is \$14,523 (see exhibit 7).

The initial equity capital of \$20,000 will be used to cover Investment Fund start-up expenditures.

Exhibits

- Exhibit 1: Investment Fund in Foreign Countries.
- Exhibit 2: The most suitable structure of Investment Fund in Armenia
- Exhibit 3: Model Invoice on Transfer of Securities
- Exhibit 4: Structure of Management Company
- Exhibit 5: Budget for Promotion
- Exhibit 6: The total start-up cost of Management Company
- Exhibit 7: The total start-up cost of Investment Fund
- Exhibit 8: Data on Privatization Process
- Exhibit 9: Data on Privatized Enterprises
- Exhibit 10: Survey Results
- Exhibit 11: Cash Flow of Management Company
- Exhibit 12: Calculation of the Optimal Size of the Financial Portfolio of Investment Fund

EXHIBIT 1: Investment Funds in Foreign Countries

Comparison Analysis

	USA	Czechoslovakia	France	Russia
Types of IF	1 Mutual Fund (Open-end) 2 Closed-end Fund 3 Unit Investment Trust 4. Variable Annuities & Variable Life Contracts	1 Investment Fund (Closed-end) 2 Participation Fund (Open-end)	1 Mutual Funds (Open-end) 2 Venture Capital Funds (Closed-end)	1 Closed-end Investment Fund 2 Open-end Investment Fund
Maximum Ownership in Enterprises	5%	20%	not available	25%
Legal Status	Corporations; Business trust	Investment Fund - Open Joint-Stock Company; Participation Fund - illegal entity (trust unit)	not available	Open Joint-Stock Company
Management of assets	Investment advisers, Investment Company	Investment company	Management Company	Management of Investment Fund
Custody of the assets	Banks, Brokerage Offices, Investment/Mutual Funds	Banks	Depositories	Depositories
Capital Structure	Redeemable Common shares (Mutual Funds) Nonredeemable common shares (Closed-end Funds)	Nonredeemable common shares (Investment Fund) Redeemable participation certificates (Participation Funds)	Nonvoting shares of one class	Redeemable Common Shares (Open-end Investment Fund) Nonredeemable Common Shares (Closed-end Investment Funds)
Borrowings	not more than 5 % of assets	not more than 5 % of assets	not more than 10% of assets	not more than 5 % of assets

EXHIBIT 2: The most suitable structure of Investment Fund in Armenia

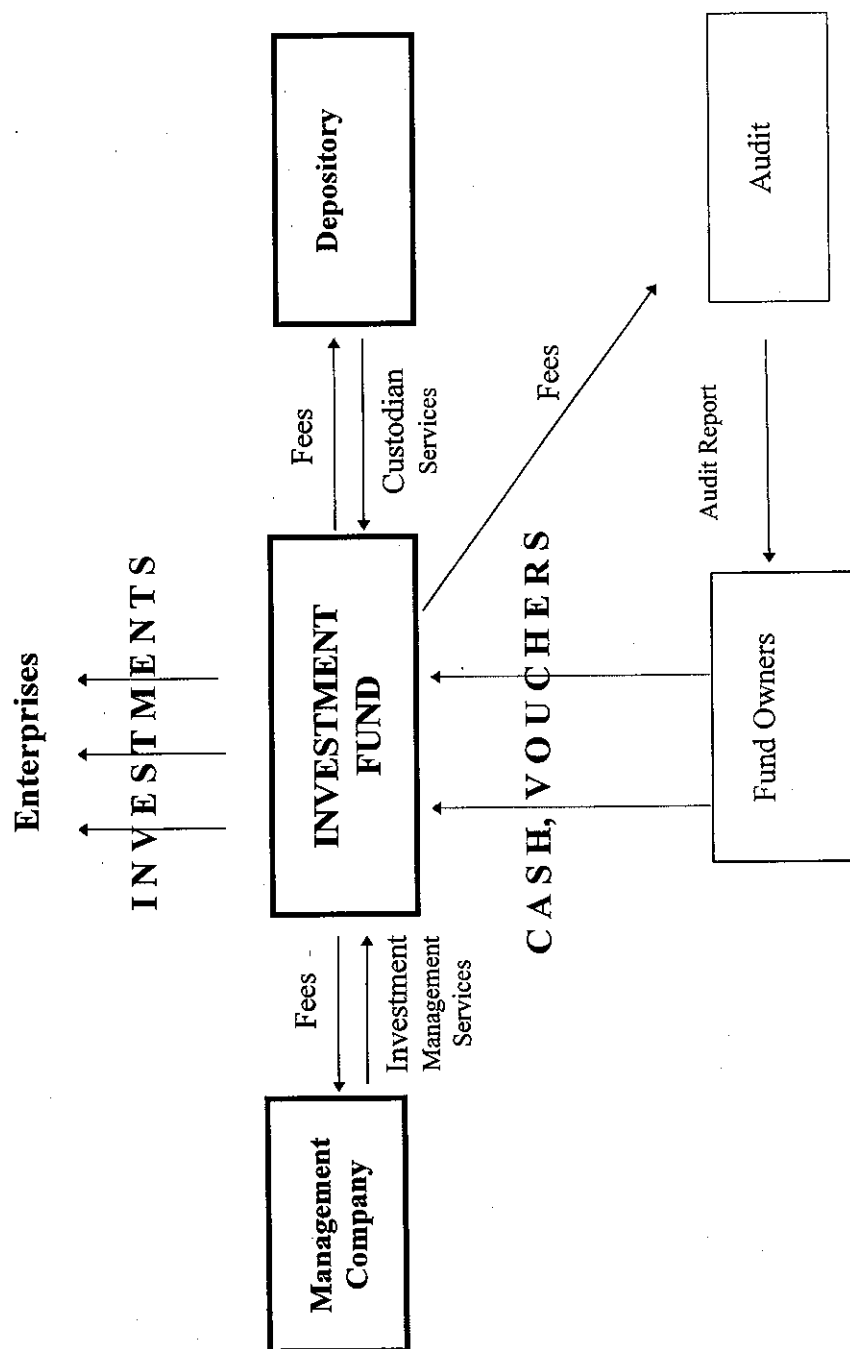


EXHIBIT 3: Model invoice on Transfer of Securities



on
Transfer of Securities

The Depository _____ (Name) on behalf of the Investment Fund _____ and _____ (Name)
acting by the proxy dd. _____ in force, transfers, and the person _____ (Name) on behalf of _____
_____ (Name) and acting in accordance with _____ (Document); receives the following securities:

Issuer's Name	Security type	Quantity of transferring securities	Series and Numbers of transferring securities	No. and date of corresponding agreement	The total value of transferring securities

Delivered by _____ (signature) _____ (Name)

Received by _____ (signature) _____ (Name)

EXHIBIT 4:STRUCTURE OF MANAGEMENT COMPANY

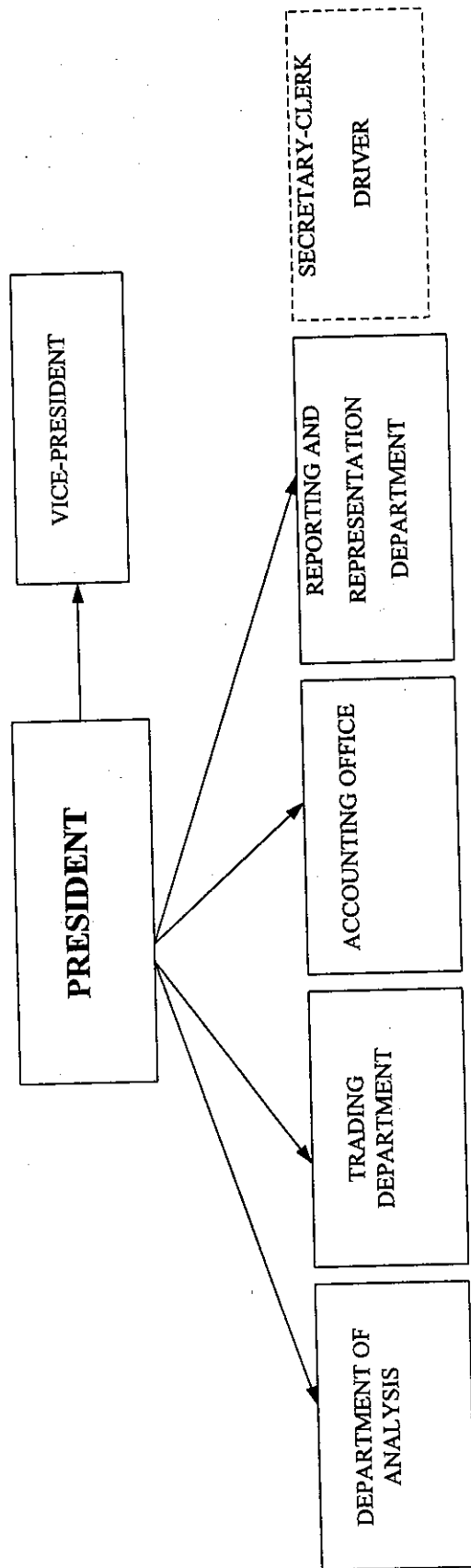
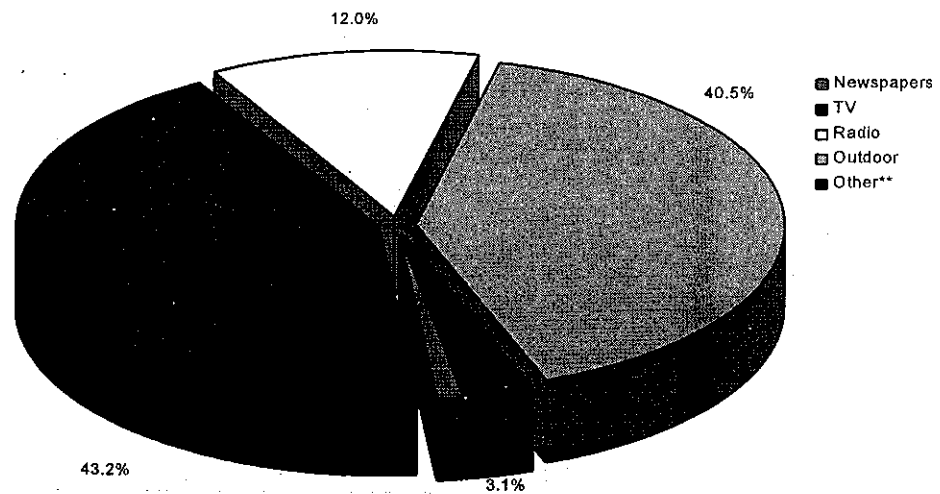


EXHIBIT 5: Budget for Promotion

MEDIA	DECSRIPTION	TOTAL AMOUNT IN \$US
Newspapers	5 days @ 4 weeks @ 3 months @ 20 cm ² @ \$0.1 per cm ²	\$ 120
TV	8 minutes per week @ 4 weeks for the first month and 5 minutes per week @ 4 weeks @ 2 month @ \$60 per minute	\$ 4,320
Radio	9 minutes per week @ 4 weeks for the first month and 5 minutes per week @ 4 weeks @ 2 month @ \$15 per minute	\$ 1,200
Outdoor	5 main metro stations @ 2 way @ 3 month @ \$150 per poster *	\$ 4,050
Other**		\$ 310
Total		\$ 10,000



* "Barekamutun" station is one way, so the overall number of posters will be 9

** Other expenses will be issuing the posters, printing the newspaper materials and etc.

EXHIBIT 6: The Total Start-up Cost of Management Company

Fee for licensing in Regulatory Agency		\$7	
Fee for Registration in the Enterprises State Registry		\$8	
Total Registration Cost			\$15
Leasing office spaces 35m ²	3 months	\$70	\$210
Acquisition of equipment:			
Personal Computer	2	\$2000	
Laser Printer	1	\$400	
Phone	2	\$100	
Fax (will be obtained in the future)	1	\$450	
AT & T Line (will be obtained in the future)	1	\$1200	
Xerox	1	\$500	
Financial Software	1	\$80	
Total Acquisition of equipment cost			\$3080
Acquisition of office supply			\$200
Hiring staff:			
President	1	\$200	\$400
Vice-President	1	\$100	\$200
Department of Analysis	3	\$150	\$300
Trading department	1	\$50	\$100
Accountant	1	\$50	\$100
Reporting Department	2	\$50	\$100
Total Wages			\$1200
The Total start-up cost of Management Company			\$4745

EXHIBIT 7: The Total Start-up Cost of Investment Fund

Initial licensing at the Regulatory Agency		\$7
Registration in Enterprises State Registry		\$8
Final licensing at the Regulatory Agency		\$7
Registration of prospectus in Regulatory Agency		\$7
Buying blank certificates by \$0.25 for a each	15,431	\$3,858
Printing shares or certificates by \$0.015 per share	15,431	\$232
Publication of the prospect		\$400
Submission of reports on subscription to the Regulatory Agency.		\$4
Advertisement		\$10,000
Total Establishment Cost		\$14,523

EXHIBIT 8: Data on Privatization Process as of October 1, 1995

#	Type of Privatization	Estimated	Confirmed by Government	Prospect is issued	In the process of privatization	Not rprivitized yet	The privatization is over	By Ministries						
								Industry	Agriculture	Construction	Culture	Commerce & Services	Transport and Communication	HealthCare
1	Open Joint-Stock Comapny (Subscribed)		160	108	50	3	54	33	16	2		1	2	
2	Open Joint-Stock Company (Auction)		50	15	12		3	1	1			1		
3	Close Joint-Stock Company		30		6	1	23	10	7	2	1	3		
4	Ltd.		4				4	3	1					
5	Sale of assets to lessor		21				21							
6	Competition													
	Total	415	265	123	68	4	105	47	25	4	1	5	2	0

#		Estimated	Privatized	Are subject to sale on Auction		Saled on Auction
				Confirmed	Commission	
1	Small Enterprises	1750	1457	133	74	77

#		Total	Paid (in thousand drams)		Quantity of re deemed vouchers
			Vouchers	Drams	
1	Joint-Stock Companies	9260887.6	9260000	887.6	463000
2	Small Enterprises	4125017.3	4004550	120467.3	237706
	Total				

EXHIBIT 9: DATA ON PRIVATIZED ENTERPRISES

#	Number and date of Government decision	Name of Enterprise	Preliminary size equity capital	Face value of a share	Number of shares subscribed (80% of equity capital)	Final size of equity capital	Profit for 1995 in thousand drams	P/E Ratio
1	91	"Haikhimmekena"	621,030	10,000	15,091	188,637,500	110,394.0	58.5%
2	92	"Amraner" factory, Yerevan	186,829	10,000	12,813	160,162,500	21,927.0	13.7%
3	93	"Karin-chimreaktivner"	824,290	10,000	46,400	580,000,000	2,377.6	0.4%
4	94	"Haikhrushak"	865,930	10,000	18,085	226,062,500	177,046.0	78.3%
5	95	"Eraz"	353,864	10,000	23,081	288,512,500	114,190.0	39.6%
6	96	"Electroapparat", Yerevan	173,020	5,000	21,481	134,256,250	29,913.0	22.3%
7	97	"Low Voltage electroapparatus"	102,844	5,000	4,972	31,075,000	10,540.0	33.9%
8	98	"Pomperi" factory, Yerevan	131,935	5,000	80,044	500,275,000	11,742.0	2.3%
9	103	"Tosp"	204,521	5,000	41,912	261,950,000	45,773.0	17.5%
10	104	Furniture factory after Al. Miasnikian, Yerevan	149,285	5,000	26,856	167,850,000	24,020.0	14.3%
11	175	"Retinatekhnican"	224,950	10,000	29,252	365,650,000	32,800.3	9.0%
12	176	"EJGAC"	8,590	1,000	49,760	62,200,000	1,418.0	2.3%
13	177	"Sports" factory, Yerevan	30,238	5,000	4,231	26,443,750	6,899.0	26.1%
14	178	"Gamments", Artashat	11,662	2,000	46,440	116,100,000	969.0	0.8%
15	179	Sewing factory, Yerevan	12,992	5,000	892	5,575,000	2,021.0	36.3%
16	180	"Stecdomash", Artic	59,574	5,000	10,176	63,600,000	14,608.0	23.0%
17	181	"Arvin", Vanadzor	114,959	5,000	1,984	12,400,000	14,302.0	115.3%
18	182	Sewing factory, Vardenis	1,592	1,000	1,275	1,593,750	322.0	20.2%
19	183	"Automatics", Vanadzor	651,462	10,000	95,786	1,197,325,000	76,048.0	6.4%
20	184	"Scool furniture"	10,846	1,000	13,220	16,525,000	1,344.0	8.1%
21	185	"Haikkentsakhchim"	113,072	5,000	33,264	207,900,000	n/a	n/a
22	186	"Silver covered dishes", Tashir	27,921	5,000	5,676	35,475,000	6,978.0	19.7%
23	203	"Caning factory", Masis	79,197	5,000	18,988	118,675,000	-	n/a
24	204	Furniture facoty, Armavir	45,670	5,000	2,769	17,306,250	2,345.0	13.6%
25	205	"Machine-Tool" factory, Armavir	121,506	5,000	20,332	127,075,000	23,345.0	18.4%
26	206	"Brewery", Abovian	134,952	10,000	132,092	1,651,150,000	27,335.0	1.7%
27	207	"Pioneer mechanical factory"	3,903	n/a	n/a	n/a	n/a	n/a
28	208	"Chicken factory", Djirarat	13,637	2,000	n/a	-	-	n/a
29	209	"Oil-soap factory", Yerevan	154,637	5,000	39,300	245,625,000	12,144.0	4.9%

EXHIBIT 9: DATA ON PRIVATIZED ENTERPRISES

30	210	"Precise Mechanisms", Vanadzor	636,960	10,000	1,754	21,925,000	26,742.0	122.0%
31	218	"Urartu" Commercial Company	13,871	5,000	12,040	75,250,000	2,245.0	3.0%
32	226	"Polyplast", Yerevan	429,425	10,000	8,056	100,700,000	-	n/a
33	227	Furniture # 1 factory, Yerevan	23,307	5,000	4,804	30,025,000	6,590.0	21.9%
34	228	Plastics factory, Edjmiatsin	41,532	5,000	17,304	108,150,000	14,217.0	13.1%
35	230	Chemical-pharmaceutical factory, Yerevan	115,141	n/a	n/a	n/a	81,457.0	n/a
36	231	"Garments", Hrazdan	6,695	2,000	4,490	11,225,000	1,661.0	14.8%
37	232	"Chicken factory", Nubarashen	30,257	5,000	4,712	29,450,000	-	n/a
38	233	"Lusin", Yerevan	78,170	5,000	7,632	47,700,000	21,931.0	46.0%
39	251	"Experimental tobacco factory", Yerevan	524,060	10,000	77,435	967,937,500	248,881.0	25.7%
40	259	Wine factory, Armavir	38,101	5,000	28,640	179,000,000	4,371.0	2.4%
41	334	Wine factory, Artashat	178,733	10,000	n/a	n/a	62,410.0	n/a
42	533	"Mineral water factory", Idgevan	2,070	2,000	2,835	7,087,500	-	n/a
43	335	Hat-producing factory, Yerevan	6,588	5,000	2,460	15,375,000	1,269.0	8.3%
44	371	Wine-Acids factory, Yerevan	18,539	5,000	n/a	n/a	n/a	n/a
45	375	"Pure metal factory"	219,780	10,000	12,534	156,675,000	37,864.0	24.2%
46	376	"Milk production", Ararat	18,730	2,000	n/a	n/a	-/loss	n/a
47	555	Chicken-producing factory, Stepanavan	1,248	1,000	4,699	5,873,750	1,205.0	20.5%
48	527	"Experimental factory", Echmiadzin	36,204	10,000	1,198	14,975,000	-	n/a
49	448	"Milk factory", Hrazdan	745	1,000	75,039	93,798,750	2,490.8	2.7%
50	446	"Ergunmet"	181,147	10,000	3,920	49,000,000	61,088.0	124.7%
51	444	"Wine factory", Noyemberian	307,607	10,000	50,220	627,750,000	2,490.8	0.4%
52	440	Sarukhan Cables factory	199,482	5,000	6,462	40,387,500	321.0	0.8%
53	409	Chicken-producing, Armavir	5,150	5,000	440	2,750,000	673.0	24.5%
54	405	"Diljanshin"	3,333	1,000	2,173	2,716,250	285.0	10.5%

EXHIBIT 10: SURVEY RESULTS

Degree of awareness	Communication Channels ¹					Number of vouchers	Amount of Cash	Social Position ²						Age ³					
	TV	R	P	NWS	O			28.7%	12%	35.3%	16.0%	4.7%	3.3%	35%	16%	23%	11%	15%	6%
45.3%	12.0%	4.0%	13.3%	9.3%	6.7%	114	\$ 2,434												

1	TV	TV
	R	Radio
	P	Personal
	NWS	Newspaper
	O	Other
2	S	Student
	P	Pensioner
	W	Worker
	B	Business
	E	Employee
	U	Unemployed
3	A	18-24
	B	25-34
	C	35-44
	D	45-54
	E	55-64
	F	65-avobe

EXHIBIT 11: Cash Flow of Management Company

	Quarter 1			Total	Qrt1	Qrt2	Qrt3	Qrt4	Total for FY 19 ____
	1st month	2nd month	3rd month						
CASH AT THE BEGINNING OF THE PERIOD	\$ -	\$ 2,455	\$ 510	\$ -	\$ 3,122	\$ 4,599	\$ 6,150	\$ -	
CASH INFLOWS:									
Contribution of Equity Capital	\$ 5,000	\$ -	\$ -	\$ 5,000	\$ -	\$ -	\$ -	\$ 5,000	
Revenue from IF	\$ -	\$ -	\$ 5,787	\$ 5,787	\$ 5,787	\$ 5,787	\$ 5,787	\$ 23,147	
Total inflows	\$ 5,000	\$ -	\$ 5,787	\$ 10,787	\$ 5,787	\$ 5,787	\$ 5,787	\$ 28,147	
CASH OUTFLOWS:									
Personnel:									
President	\$ 200	\$ 200	\$ 200	\$ 600	\$ 600	\$ 600	\$ 600	\$ 2,400	
Vice-President	\$ 100	\$ 100	\$ 100	\$ 300	\$ 300	\$ 300	\$ 300	\$ 1,200	
Analysing Department(3)	\$ 150	\$ 150	\$ 150	\$ 450	\$ 450	\$ 450	\$ 450	\$ 1,800	
Trading Department(1)	\$ 50	\$ 50	\$ 50	\$ 150	\$ 150	\$ 150	\$ 150	\$ 600	
Accounting Department (1)	\$ 50	\$ 50	\$ 50	\$ 150	\$ 150	\$ 150	\$ 150	\$ 600	
Reporting Department (2)	\$ 100	\$ 100	\$ 100	\$ 300	\$ 300	\$ 300	\$ 300	\$ 1,200	
Sub-Total Personnel	\$ 650	\$ 650	\$ 650	\$ 1,950	\$ 1,950	\$ 1,950	\$ 1,950	\$ 7,800	
Operational Costs									
Communication	\$ 40	\$ 55	\$ 1,375	\$ 1,470	\$ 1,200	\$ 1,200	\$ 1,200	\$ 5,070	
Furniture & Equipment	\$ 1,450	\$ 1,130	\$ 965	\$ 3,545	\$ 300	\$ 300	\$ 50	\$ 4,195	
Supplies	\$ 100	\$ -	\$ 50	\$ 150	\$ 250	\$ 200	\$ 150	\$ 750	
Transportation/Vehicle	\$ 50	\$ 75	\$ 100	\$ 225	\$ 300	\$ 300	\$ 300	\$ 1,125	
Office rent	\$ 210	\$ -	\$ -	\$ 210	\$ 210	\$ 210	\$ 210	\$ 840	
Equipment/Furniture rent	\$ 30	\$ 30	\$ 30	\$ 90	\$ 50	\$ 25	\$ 25	\$ 190	
Miscel. operational	\$ 15	\$ 5	\$ 5	\$ 25	\$ 50	\$ 50	\$ 50	\$ 175	
Sub-Total Operational	\$ 1,895	\$ 1,295	\$ 2,525	\$ 5,715	\$ 2,360	\$ 2,285	\$ 1,985	\$ 12,345	
Total Outflows	\$ 2,545	\$ 1,945	\$ 3,175	\$ 7,665	\$ 4,310	\$ 4,235	\$ 3,935	\$ 20,145	
Cash at the end of period	\$ 2,455	\$ 510	\$ 3,122	\$ 3,122	\$ 4,599	\$ 6,150	\$ 8,002	\$ 8,002	

EXHIBIT 12: Calculation of the Optimal Size of the Financial Portfolio of Investment Fund

Data on 54 Privatized Enterprises as of October 1, 1995

#	Number and date of Government decision	Name of Enterprise with P/E Ratio above 80%	Preliminary size of equity capital	Face value of a share	Number of shares subscribed (80% of equity capital)	Final size of equity capital	Profit for 1995 in thousand drams	P/E Ratio
17	181	"Ardvin", Vanadzor	114,959	5,000	1,984	12,400,000	14,302.0	115.3%
30	210	"Precise Mechanisms", Vanadzor	636,960	10,000	1,754	21,925,000	26,742.0	122.0%
50	446	"Ergunmet"	181,147	10,000	3,920	49,000,000	61,088.0	124.7%
		Total				83,325,000		

Option # 1

Critical Ratio 80%

	Arm. DRAMS	Vouchers	\$ US
40 % of total equity capital of 3 enterprises (P/E is above 80%)	33,330,000	-	-
Optimal Size of Financial Portfolio (40 % of total Equity Capital of 500 enterprises)	308,620,000	15,431	771,550

Option # 2

Critical Ratio 20%

	Arm. DRAMS	Vouchers	\$ US
40 % of total equity capital of 18 enterprises (P/E is above 20%)	904,017,000	-	-
Optimal Size of Financial Portfolio (40 % of total Equity Capital of 500 enterprises)	8,370,527,778	418,526	20,926,319

Option # 3

Critical Ratio 50%

	Arm. DRAMS	Vouchers	\$ US
40 % of total equity capital of 5 enterprises (P/E is above 50%)	199,210,000	-	-
Optimal Size of Financial Portfolio (40 % of total Equity Capital of 500 enterprises)	1,844,537,037	92,227	4,611,343

Appendices

Appendix A: Operational Scheme of Investment Fund

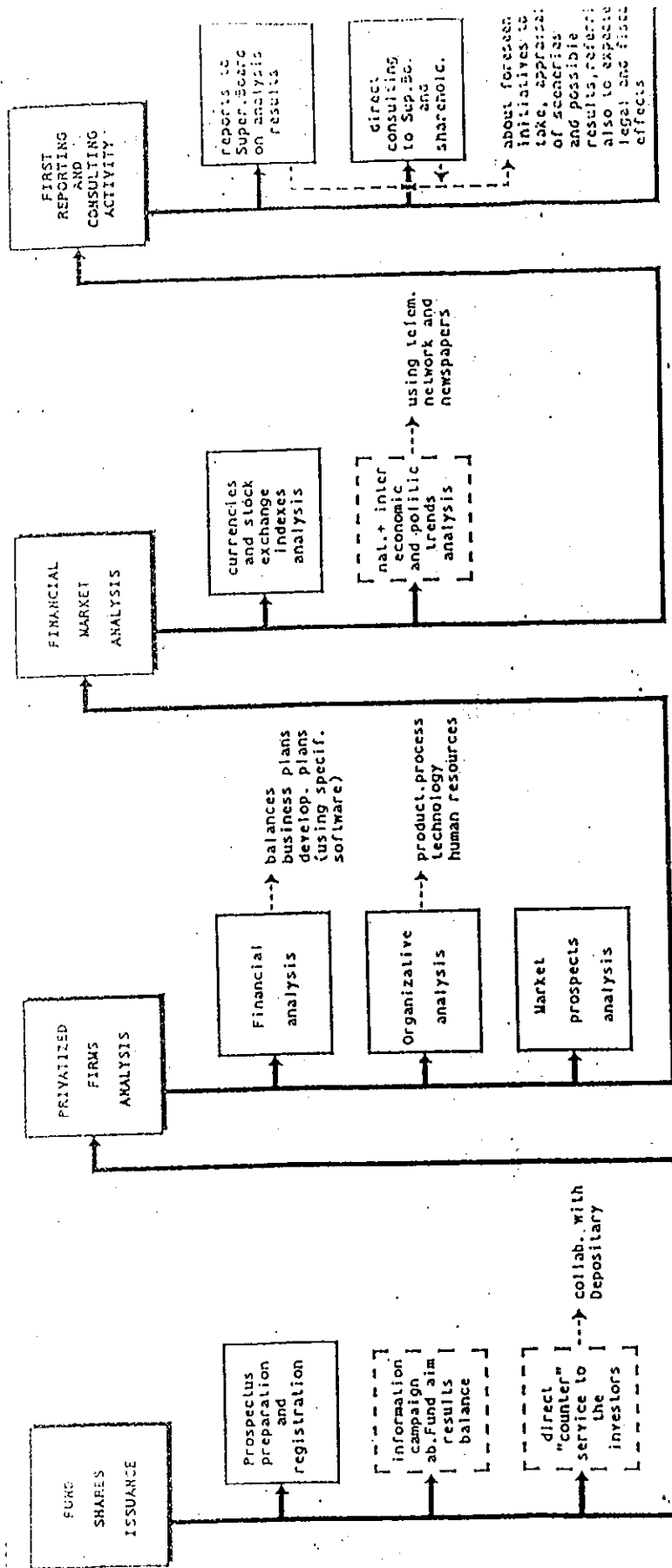
Appendix B: The structure of Investment Fund

Appendix C: Manager of the Investment Funds Charter

Appendix D: Manager of the Investment Funds Founding Agreement

Appendix E: Summary of Survey

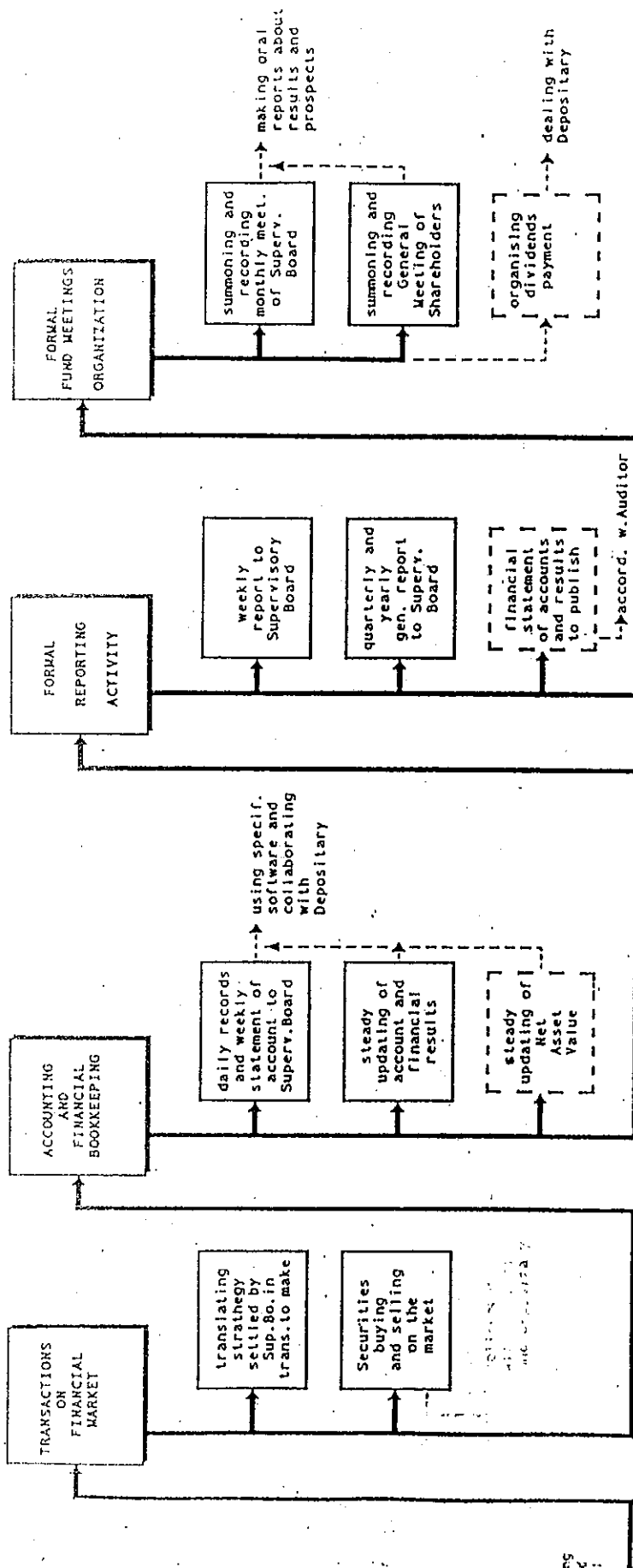
Appendix F: Sample questionnaires in Armenian and English



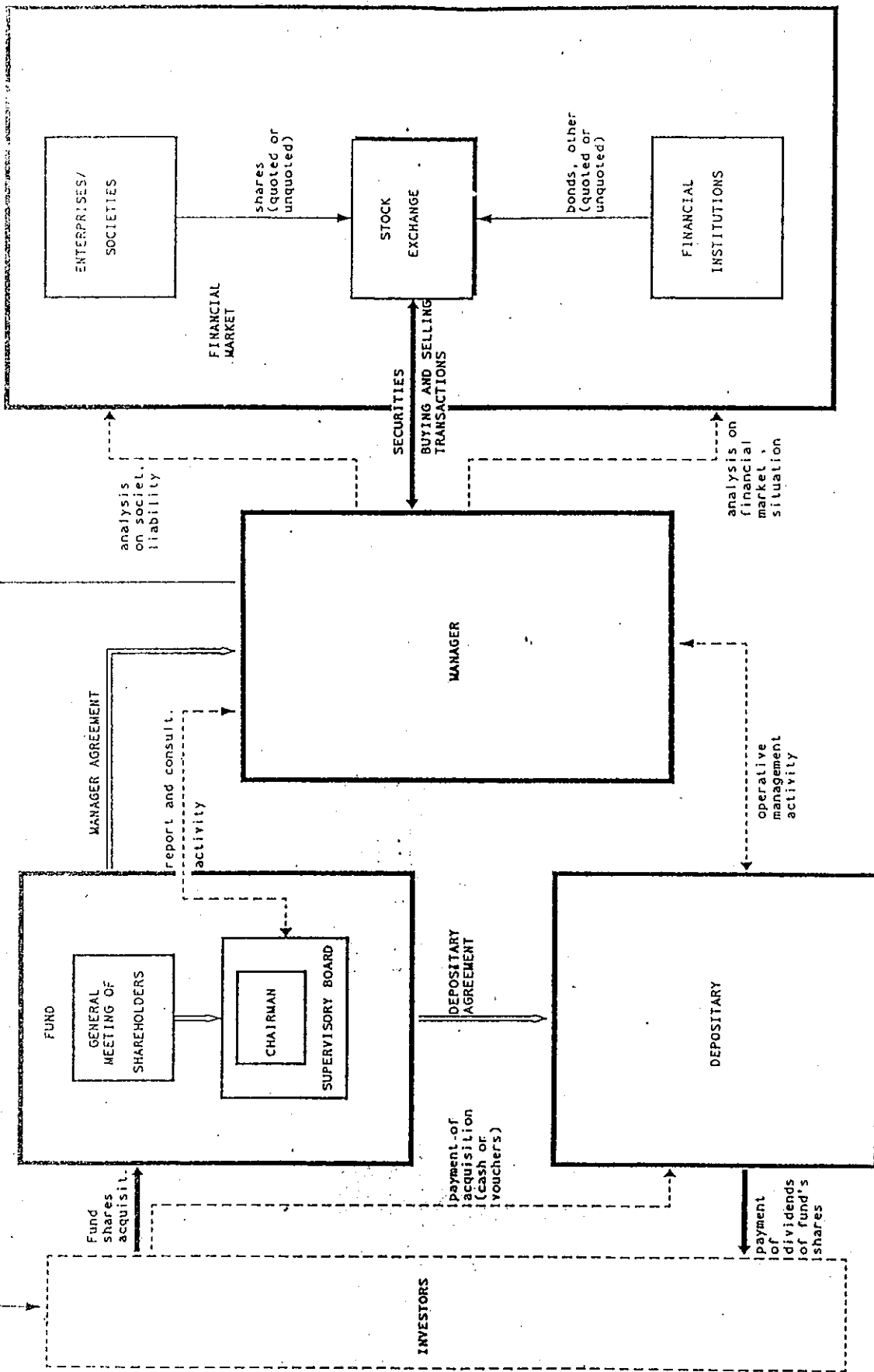
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ORGANIZATIVE MANAGEMENT OF THE MANAGEMENT COMPANY / managing tasks - human resources - working groups
EQUIPMENT AND TOOLS MANAGEMENT / logistic aspects - communications - informatic system
MANAGEMENT COMPANY ACCOUNTING / bookkeeping and company balance preparation
FORMAL AND FINANCIAL RELATIONS MANAGEMENT / paying fees to Depositary, Auditor, Superv. Board - acting for the Fund in official and formal roles taking also in consideration legal and fiscal effects on teh interests of the management Company



OF INVESTORS
IN THE
OF ISSUING



Manager of the Invetsment Funds

C H A R T E R

I. General Provisions

1. "Manager" (hereinafter referred as Enterprise) is established in accordance with the Law on Enterprises and Entrepreneurial Activities of RA on March 14th, 1993.

2. Enterprise is established on the basis of the founding agreement concluded among founders in Yerevan on _____, 1995.

3. Complete name of Enterprise is _____.
Short name of Enterprise is _____.

4. Legal address of Enterprise is _____ Yerevan, Republic of Armenia.

5. Duration of Enterprise activities is until _____.

6. The founders of the Enterprise are:

Field of Activities of Enterprise

1. The Enterprise is engaged in the following activities:

- management of Investment Funds in accordance with Government Decree # 469 on confirmation of the Regulation on Investment Funds on September 30th, 1994.

Enterprise performs its activities on the basis of license issued for this type of activities.

2. The aim of Enterprise activities is the acquisition of profit.

III. Status of Enterprise

1. The Enterprise is a juridical person with limited liability in form of joint venture in accordance with the legislation of RA. The Enterprise becomes a juridical person in the moment of its registration in the State Register of Enterprises.

2. The Enterprise has right to:

- conclude agreements on its behalf, or on the basis of given proxy,
- get property and personal non-property rights,

- be plaintiff and defendant in Court, Arbitration and Court of Arbitration,
 - open bank accounts,
 - establish branches and departments,
 - attract financial resources in accordance with the legislation of RA,
 - establish other enterprises, to acquire shares and stakes in different partnerships and companies, to participate in associations and consortia in accordance with the legislation of RA, and agreements concluded by the Enterprise,
 - acquire other rights provided by the legislation of RA.
3. The Enterprise has its own balance sheet, stamp and seal.
 4. The Enterprise has a right for its own firm name and trademark, in accordance with RA legislation.
 5. The Enterprise has liabilities as provided by the legislation of RA and agreements concluded by itself.
 6. The Enterprise is not liable for liabilities of the State, as well as of founders and other persons. Founders are liable for liabilities of the Enterprise only in correspondence with the number of stakes owned. The State and other persons are not liable for liabilities of the Enterprise.

IV. Funds and Profit of Enterprise

1. Equity Capital of the Enterprise is equal to _____ (in letters) Drams. Equity Capital has been contributed by founders in cash or bank transfers in return of _____ stakes with nominal value of _____ Drams each one. Equity Capital is composed as follows:

_____	--- _____	Drams,	_____	stakes,	_____ %
_____	--- _____	Drams,	_____	stakes,	_____ %
_____	--- _____	Drams,	_____	stakes,	_____ %
_____	--- _____	Drams,	_____	stakes,	_____ %

2. Under the increase of Equity Capital founders/owners have a priority right to add their stakes. In case of sale of the founders/owners stakes, other founders/owners have a priority right to buy them.
3. The Enterprise establishes the Reserve Fund during its activities. The Reserve Fund is coming from net income, but no less than 5%. The maximum amount of the Reserve Fund is equal to 15% of Equity Capital of the Enterprise.
4. The Enterprise can establish other Funds during its activities in accordance with the legislation of RA.

5. Profit of the Enterprise will be distributed on decision of the higher management body of the Enterprise --- Supervisory Board. The distribution of profit among founders is made in correspondence with their stakes in Equity Capital.

V. Management Bodies of Enterprise

1. The higher management body of the Enterprise is **Supervisory Board**, which includes all founders/owners (or their representatives).

2. Members of Supervisory Board have a quantity of votes corresponding to their stakes in Equity Capital. Chairman of Supervisory Board is elected among the members of Supervisory Board.

3. Meetings of Supervisory Board shall be called by the Chairman no less, than four times per year. Extraordinary meetings shall be called by the Chairman of Supervisory Board within a month upon written request of one of the members of Supervisory Board.

4. Supervisory Board has powers to make decisions on any question of the Enterprise activities in accordance with the legislation of RA in force and the provisions of this Charter.

5. To the exclusive competence of Supervisory Board relates:

- a) confirmation of the Charter and its changes,
- b) discussion and adoption of reports of the Enterprise,
- c) changes of Equity Capital of the Enterprise,
- d) definition of the Enterprise structure, adoption of normative documents, adjusting relations inside of Enterprise,
- e) assignation and resignation of President and Vice-Presidents, chiefs of branches and departments, members of the Board of Auditors,
- f) making decisions on establishment and termination of branches and departments activities,
- g) creation and use of Funds,
- h) making decisions on liquidation or reorganization of the Enterprise.

6. For adoption of decisions it is necessary the simple majority of votes of all members of Supervisory Board. For adoption of decisions mentioned in p. 5 (a, c, e, h) it is necessary the qualified majority (2/3) of votes of all members of the Supervisory Board.

7. Current management of the Enterprise is made by the **President** of the Enterprise. President and Vice-Presidents can present the Enterprise, conclude agreements, perform other operations.

8. The competence of the President includes the following functions:

- operational management of the Enterprise activities,
- execution of the decisions of Supervisory Board,
- submission of reports on the results of the Enterprise activities to Supervisory Board,
- management of the Enterprise property in the established order,
- assignment and resignation of employees of the Enterprise,
- presentation of the Enterprise interests.

VI. Board of Auditors

1. The Board of Auditors shall perform the control over financial-economic activities of the Enterprise and solve legal controversies among founders/owners. It consists of three members, who are assigned for period of two years.

VII. Clerical Work

1. Clerical work shall be performed in accordance with rules, established by the Supervisory Board of the Enterprise. Clerical work is made in Armenian as well as in English.

VIII. Termination of The Enterprise Activities

1. The Enterprise terminates its activities through liquidation or reorganization. Under the reorganization all rights and liabilities of the Enterprise will be transferred to the legal successor.
2. Termination of the Enterprise activities is made on decision of Supervisory Board, or in cases provided by the legislation of RA or this Charter.
3. In case of liquidation, Supervisory Board establishes the Liquidation Commission, which construct liquidation balance sheet and submit it for confirmation to Supervisory Board.
4. After covering all claims of creditors, the rest property shall be distributed among founders proportionately to their stakes in Equity Capital. The Enterprise loses status of juridical person in moment of annulation of its registration in the State Register of Enterprises.

SIGNED BY FOUNDERS:

Manager of the Investment Funds

FOUNDING AGREEMENT

Yerevan, _____, 1995

This agreement is concluded among the following persons:

on establishment of "**Manager**" (hereinafter referred as Enterprise) as Management Company of Investment Funds.

ARTICLE I

General Provisions

Enterprise is established in accordance with the Law on Enterprises and Entrepreneurial Activities of RA on March 14th, 1993.

Complete name of Enterprise is _____.

Short name of Enterprise is _____.

Legal address of Enterprise is _____ Yerevan, Republic of Armenia.

Duration of Enterprise activities is until _____.

ARTICLE II

Field of Activities

In accordance with RA Government Decision # 469 on September 30th, 1994 on Confirmation of Regulation on Investment Funds, the sole field of activities of enterprise is management of assets of Investment Funds after the issue of licence by the Ministry of Finance of RA.

ARTICLE III

Founders' Contributions

Equity Capital of the Enterprise is equal to _____ (in letters) **Drams**. Equity Capital has been contributed by founders in cash or bank transfers in return of _____ **stakes** with nominal value of _____ **Drams** each one. Equity Capital is composed as follows:

_____	---	_____ Drams	---	_____ stakes	_____ %,
_____	---	_____ Drams	---	_____ stakes	_____ %,
_____	---	_____ Drams	---	_____ stakes	_____ %,

Since it is necessary to coordinate organizational questions on licensing, registration and start-up of Enterprise activities and, as required by the Licensing Procedures of Management Company, founders agree to elect _____ as President of Enterprise for a period of _____.

All founders shall transfer amount of Equity Capital on bank account # _____ opened by the President of Enterprise at the _____ until _____, 1995.

ARTICLE IV
Rights of Founders

Founders have the following rights:

- to take part of income correspondingly to stakes owned,
- to get complete information about activities of Enterprise,
- to get part of property under the liquidation or reorganization of enterprise correspondingly to stakes owned,
- to participate in management of Enterprise,
- to get other rights provided in Charter of enterprise.

ARTICLE V
Obligations of Founders

Founders have the following obligations:

- to cover all expenses appeared prior to registration of Enterprise,
- to have a limited liability for debts of enterprise correspondingly to stakes owned,
- to fulfil all liabilities on affiliation and subordination defined by agreements and contracts, and other agreements concluded by the Enterprise,
- to get other obligations provided in Charter of Enterprise.

SIGNED BY:

Summary of Survey

APPENDIX E

Question #	1	2	3	4	5		6	7
					Qty / Comments	b Amount / Comments		
1	Y	TV	N	Y	Y	2 N/A		W C
2	Y	NWS	Y	Y	O	O		E C
3	N		Y	Y	Y	1 N		P E
4	N	TV	Y	Y	Y	3 N		W E
5	Y	O	N	Y	O	O		W B
6	Y	P	Y	Y	Y	4 Y	\$ 25	W C
7	Y	P	N	Y	Y	1 Y	\$ 1	S A
8	N		N	Y	Y	2 O		W A
9	Y	P	N	Y	Y	1 O		B A
10	Y	TV	N	N	N	N		S B
11	N		Y	Y	Y	N/A	\$ 1,000	W A
12	N		Y	Y	N	2 N		B A
13	N		N	N	N	N		W C
14	Y	NWS	Y	Y	N	N		W D
15	Y	O	N	N	N	N		W C
16	Y	NWS	Y	Y	Y	1 Y	\$ 100	B C
17	N		Y	N	N	N		S A
18	N		N	N	Y	2 N		B B
19	N		Y	Y	O	Y	\$ 1,000	S A
20	N		N	Y	N	N		S A
21	N		N	Y	N	N		S A
22	N			N	N	N		W A
23	Y	TV	Y	Y	N	Y	N/A	S A
24	N		N	Y	O	O		B B
25	N		Y	Y	Y	N/A	N/A	S A
26	Y	P	Y	Y	Y	4 Y	\$ 8	S B
27	N			Y	Y	N/A	O N/A	W A
28	Y	P	Y	Y	Y	2 N/A		W D
29	Y	P	N	Y	Y	1 Y	\$ 2	S A
30	Y	TV	Y	Y	Y	1 O		W D
31	N		N	Y	N	N		B A
32	N		N	N	N	N		B B
33	N		N	Y	N	N		B B
34	Y	O	N	Y	Y	2 N		W A
35	Y	TV	Y	Y	N	N		E B
36	N		N	N	N	N		P F
37	N		N	Y	N	UNTRUST	N	S A
38	Y	O	Y	Y	Y	2 N		S A
39	Y	R	Y	N	N	N	UNTRUST	P F
40	Y	NWS	Y	Y	N	N		S A
41	N		N/A	Y	Y	1 N		W D
42	N		N	Y	Y	2 N		W D
43	N		N	Y	N	U		W B
44	N		N/A	N	N	U		W C
45	Y	NWS	Y	Y	N	N		W D
46	N		N	Y	Y	2 Y	\$ 40	S A
47	N		N	N	N	SITUATIO	N	W C
48	N		N	N	N	U	N	S A

49	N		N	Y	Y		1	N			E	E
50	N		N	Y	N			N			W	C
51	N		N	N	N			N			S	A
52	N		Y	N	Y		3	N			W	D
53	N		N/A	Y	O	WHO ARE		N			W	D
54	Y	P	Y	Y	Y		1	N			S	A
55	N		N/A	Y	O	BETTER U		N			S	A
56	Y	NWS	Y	Y	Y		1	N			W	A
57	N		N	Y	Y			Y	\$	25	W	D
58	Y	TV	Y	Y	N	U		N			W	D
59	Y	TV	Y	Y	Y		3	N			W	C
60	N		N/A	N	N	U		N			W	E
61	Y	O	Y	Y	Y		2	N			B	B
62	N		N/A	Y	N			N			P	E
63	Y	TV	Y	Y	Y		2	O			W	C
64	N		N/A	Y	N			O			W	C
65	N		N/A	Y	Y		3	N			W	C
66	Y	NWS	Y	Y	O	DETAILS		N			W	C
67	N		N/A	Y	Y		1	N			W	D
68	Y	R	Y	Y	N	U		N			P	F
69	Y	NWS	N	Y	Y		2	O			S	A
70	N		Y	N	N			N			P	E
71	N		N	N	N			N			P	F
72	N		N	N	N	UNTRUST		N	UNTRUST		U	D
73	N		N/A	Y	Y		1	O			B	C
74	N		N/A	Y	N	U		N			B	A
75	N		N	Y	O	MORE DE		N	UNTRUST/		B	A
76	N		N/A	Y	Y		1	N			B	C
77	Y	P	Y	N	N	UNTRUST		N	UNTRUST		B	A
78	N		N/A	N	Y		3	N	UNTRUST		S	A
79	N		N/A	Y	N	U		N			W	B
80	N		N/A	Y	Y		1	N			B	B
81	N		Y	N	N			N			W	C
82	N		Y	N	N			N			W	C
83	N		Y	Y	Y		1	N			W	C
84	Y	P	Y	Y	N			N			S	A
85	N		N/S	Y	N	U		N			S	A
86	N		N/A	Y	Y		1	Y	\$	25	S	A
87	Y	O	Y	Y	N	U		N			S	A
88	N		N/A	Y	N			N			S	A
89	N		N/A	Y	Y		1	N			S	A
90	N		N/A	Y	Y		2	N			S	A
91	N		N	Y	O			O			S	A
92	Y	TV	N	Y	Y		1	N			P	D
93	N		N	Y	N			N			S	B
94	Y	P	Y	N	N			N			W	C
95	N		N	N	N			N			S	A
96	Y	NWS	Y	Y	N			N			W	A
97	Y	TV	Y	Y	Y		1	N	UNTRUST		W	B
98	N		N	N	N			N			S	A
99	Y	P	Y	Y	N			N			B	B

100	N		N	Y	N		N		S	A	
101	Y	O	Y	N	N		N		S	A	
102	Y	P	Y	Y	O	GUARANT	N		S	A	
103	Y	TV	Y	Y	N	U	N		S	B	
104	N		N	Y	Y		3	N	S	A	
105	N		Y	Y	Y		2	N	P	E	
106	N			N	N	U		N	P	F	
107	N			Y	O	TO BE CO	N		W	C	
108	Y	NWS	N	Y	Y		1	N	W	D	
109	Y	O	Y	N	N	U		N	E	C	
110	Y	P	N	Y	Y			N	S	A	
111	Y	TV	Y	Y	Y			N	U	C	
112	N			Y	Y			N	W	B	
113	Y	R	Y	N	N			N	B	B	
114	Y	P	N	Y	Y			N	W	B	
115	N			N	N	U		N	P	E	
116	Y	NWS	Y	Y	Y		1	N	B	B	
117	N			Y	Y		4	N	W	C	
118	Y	TV	Y	Y	Y		1	N	PREFER T	S	A
119	N			Y	Y		5	N	W	D	
120	Y	R	N	Y	Y		5	N	S	A	
121	N			N	N			N	UNTRUST	E	C
122	Y	P	N	Y	N	U		N	UNTRUST	P	F
123	Y	NWS	Y	Y	Y		1	N	B	B	
124	N			Y	N	U		N	U	C	
125	Y	P	Y	Y	Y			Y	B	B	
126	Y	TV	Y	Y	Y		2	N	S	A	
127	Y	TV	Y	Y	Y	GUARANT	Y	\$ 3	P	E	
128	N			Y	Y		2	Y	\$ 200	P	E
129	Y	NWS	Y	Y	Y		1	Y	\$ 5	P	F
130	Y	R	N		N			N	P	F	
131	N			Y	N	U		N	UNTRUST	E	C
132	Y	O	Y	Y	O	MORE DE	N		UNTRUST	E	C
133	Y	TV	Y	N	N			N	UNTRUST	W	C
134	N			Y	N	U		N	S	A	
135	Y	P	Y	N	N	UNSTABL	N	UNSTABL	B	C	
136	N			N	N			N	U	C	
137	Y	P	Y	Y	Y		5	Y	W	C	
138	N			N	N	U		N	S	A	
139	Y	NWS	Y	Y	Y		2	N	B	C	
140	Y	R	Y	Y	N			N	U	C	
141	N			N	N			N	P	E	
142	Y	O	Y	Y	Y		3	N	W	D	
143	N			N	N			N	B	B	
144	Y	P	Y	Y	Y		5	N	B	C	
145	Y	TV	Y	Y	N	U		N	W	C	
146	N			Y	Y		1	Y	P	F	
147	N			Y	Y		1	Y	W	A	
148	Y		Y	Y	Y			Y	W	D	
149	N			N	N	U		N	W	E	
150	Y	P	N	Y	Y		1	Y	S	A	

American University of Armenia

This questionnaire is prepared by the students of American University of Armenia to determine the degree of awareness of population of Armenia about Investment Fund. Please, fill in this questionnaire. We appreciate your efforts. Thank you in advance.

1 Do you know what is the Investment Fund?

☐ Yes ☐ No

2. How do you became aware about the Investment Fund?

☐ TV ☐ Radio ☐ Newspapers, magazines
☐ Personal contacts ☐ Others

Definition: Investment Fund is an organization that provides a professional management of investors' assets(cash, vouchers) and lowers the risk the individual investor incurs by investing in different securities.

3. Is your understanding of an Investment Fund consistent with the definition given above?

☐ Yes ☐ No

4 What do you think, should an Investment Fund be established in Armenia?

☐ Yes ☐ No

5 Will you invest in Armenian Investment Fund?

Vouchers ☐ Yes Please, indicate the approximate number of vouchers
you are willing to invest: _____

☐ No Comments _____

American University of Armenia

☐ Can not answer without additional information.

Please, indicate type of information you need. _____

Cash

☐ Yes If you are going to invest in an Investment Fund , please,
indicate how much would you invest: _____

☐ No Comments _____

☐ Can not answer without additional information.

Please, indicate type of information you need. _____

6. Please, mark the box appropriate for your social position.

☐ student

☐ worker

☐ employee

☐ pensioner

☐ unemployed

☐ businessman

7. Please, mark the box appropriate for your age.

☐ 18-25

☐ 35-45

☐ 55-65

☐ 25-35

☐ 45-55

☐ 65-above

American University of Armenia

Սույն հարցաթերթիկը կազմված է Հայաստանի Ամերիկյան Համալսարանի մի խումբ ուսանողների կողմից, որոնք հարցում են անցկացնում Ինվեստիցիոն Հիմնադրամի մասին բնակչության իմացությունը պարզելու նպատակով: Խնդրում ենք աջակցել մեզ, լրացնելով այս հարցաթերթիկը:

1. Գիտե՞ք արդյո՞ք թե իրենից ինչ է ներկայացնում Ինվեստիցիոն Հիմնադրամը

☐ Այո ☐ Ոչ

2. Եթե գիտեք, ապա որտեղի՞ց եք լսել այդ մասին առաջին անգամ

☐ Հեռուստացույց ☐ Ռադիո ☐ Լրագրեր, թերթեր
☐ Անձնական կապեր ☐ Այլ

Սահմանում: Ինվեստիցիոն Հիմնադրամը կազմակերպություն է, որը ապահովում է ներդրողների գույքային և դրամական միջոցների պրոֆեսիոնալ տնօրինումը և նվազեցնում անհատ ներդրողների ռիսկը՝ ներդրումներ կատարելով տարբեր արժեթղթերում:

3. Արդյո՞ք Ձեր պատկերացումը Ինվեստիցիոն Հիմնադրամի մասին համընկնում է տրված բացատրությանը

☐ Այո ☐ Ոչ

4. Ձեր կարծիքով, նպատակահարմար է արդյո՞ք ստեղծել Ինվեստիցիոն Հիմնադրամ Հայաստանում

☐ Այո ☐ Ոչ

5. Ինվեստիցիոն Հիմնադրամում Դուք կներդնեի՞ք արդյո՞ք Ձեր

Սեփականաշնորհման սերտիֆիկատը

☐ Այո Խնդրում ենք նշել սեփականաշնորհման սերտիֆիկատների

American University of Armenia

մոտավոր քանակը, որը Ղուք կցանականայիք ներդնել _____

☐ Ոչնշումներ _____

☐ Չեմ կարող պատասխանել առանց լրացուցիչ ինֆորմացիայի
 Խնդրում եմք նշել ինչ ինֆորմացիա է Ձեզ անհրաժեշտ

Կանխիկ դրամ

☐ Այո Խնդրում եմք նշել մոտավոր գումարի չափը, որ պատրաստ
 կլինեք ներդնել _____

☐ Ոչ Նշումներ _____

☐ Չեմ կարող պատասխանել առանց լրացուցիչ ինֆորմացիայի
 Խնդրում եմք նշել ինչ ինֆորմացիա է Ձեզ անհրաժեշտ

6. Խնդրում եմք նշել Ձեր սոցիալական դրությունը

<input type="checkbox"/> ուսանող	<input type="checkbox"/> ծառայող	<input type="checkbox"/> բանվոր
<input type="checkbox"/> թոշակառու	<input type="checkbox"/> գործարար մարդ	<input type="checkbox"/> գործազուրկ

7. Խնդրում եմք նշել Ձեր տարիքը.

<input type="checkbox"/> 18-25	<input type="checkbox"/> 35-45	<input type="checkbox"/> 55-65
<input type="checkbox"/> 25-35	<input type="checkbox"/> 45-55	<input type="checkbox"/> 65 և ավել

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