



**REPUBLIC OF TRINIDAD AND TOBAGO
AUDITOR GENERAL'S DEPARTMENT**

**REPORT
OF THE
AUDITOR GENERAL**

**ON THE FINANCIAL STATEMENTS OF THE
TRINIDAD AND TOBAGO UNIT TRUST CORPORATION –
CALYPSO MACRO INDEX FUND**

FOR THE YEAR ENDED

31 December, 2018



**TO: THE BOARD OF DIRECTORS
TRINIDAD AND TOBAGO UNIT TRUST CORPORATION**

REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF TRINIDAD AND TOBAGO ON THE FINANCIAL STATEMENTS OF THE TRINIDAD AND TOBAGO UNIT TRUST CORPORATION – CALYPSO MACRO INDEX FUND FOR THE YEAR ENDED 31 DECEMBER, 2018

OPINION

The financial statements of the Trinidad and Tobago Unit Trust Corporation – Calypso Macro Index Fund (the Fund) for the year ended 31 December, 2018 have been audited. The statements as set out on pages 1 to 23 comprise a Statement of Financial Position as at 31 December, 2018, and the Statement of Comprehensive Income, a Statement of Changes in Equity and a Statement of Cash Flows for the year then ended, and Notes to the Financial Statements numbered 1 to 12, including a summary of significant accounting policies.

2. In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trinidad and Tobago Unit Trust Corporation – Calypso Macro Index Fund as at 31 December, 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

BASIS FOR OPINION

3. The audit was conducted in accordance with accepted auditing standards. The Auditor General's responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. The Auditor General is independent of the Fund in accordance with the ethical requirements that are relevant to the audit of the financial statements and other ethical responsibilities have been fulfilled in accordance with these requirements. It is my view that the audit evidence obtained is sufficient and appropriate to provide a basis for the above audit opinion.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

4. Management of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS 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.

5. In preparing the financial statements, management is responsible for assessing the ability of the Fund 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.

6. Those charged with governance are responsible for overseeing the Fund's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

7. The Auditor General's responsibility is to express an opinion on these financial statements based on the audit and to report thereon in accordance with section 30 (4) of the Unit Trust Corporation of Trinidad and Tobago Act, Chapter 83:03.

8. The Auditor General's 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 audit report that includes his opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards 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.

9. As part of an audit in accordance with accepted auditing standards, the Auditor General exercises professional judgment and maintains professional skepticism throughout the audit. The Auditor General also:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for an 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.

Obtains 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 internal control of the Fund.

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concludes 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 ability of the Fund to continue as a going concern. If the Auditor General concludes that a material uncertainty exists, the Auditor General is required to draw attention in his audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify his opinion. The Auditor General's conclusions are based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluates 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.

10. The Auditor General communicates 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 were identified during the audit.

20TH MARCH, 2019
PORT OF SPAIN




MAJEED ALI
AUDITOR GENERAL

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**Trinidad & Tobago Unit Trust Corporation
Calypso Macro Index Fund**

Financial Statements
(Expressed in Trinidad and Tobago Dollars)

31 December 2018

Trinidad and Tobago Unit Trust Corporation
Calypso Macro Index Fund

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Trinidad and Tobago Unit Trust Corporation
CALYPSO MACRO INDEX FUND
STATEMENT OF FINANCIAL POSITION

As at 31 December, 2018

Expressed in Trinidad and Tobago Dollars

ASSETS	Notes	31-Dec-18 \$'000	31-Dec-17 \$'000
Cash and Cash Equivalents	3	12,890	12,181
Receivables	4	1,493	1,969
Investment Securities	5	462,017	537,698
Total Assets		476,400	551,848
LIABILITIES			
Payables	6	2,843	3,933
Total Liabilities		2,843	3,933
EQUITY			
Unitholders' Capital	9	500,755	500,755
Fair Value Reserve		(9,292)	77,124
Retained Loss		(17,906)	(29,964)
Total Equity		473,557	547,915
TOTAL LIABILITIES AND EQUITY		476,400	551,848
Net Asset Value per Unit		\$23.44	\$27.12

R.F. Nelson

Chairman



[Signature]
Executive Director

Trinidad and Tobago Unit Trust Corporation
CALYPSO MACRO INDEX FUND
STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December, 2018

Expressed in Trinidad and Tobago Dollars

	Notes	31-Dec-18 \$'000	31-Dec-17 \$'000
INCOME			
Dividend Income	7	17,593	18,667
Net Change in Fair Value of Investment Securities		(48,445)	-
Foreign Exchange Gain		-	18
Total (Loss)/Income		(30,852)	18,685
EXPENSES			
Management Charge	11	(2,596)	(2,651)
Impairment	2	-	(23,778)
Other Expenses		(303)	(321)
Bank Charges		(5)	(4)
Total Expenses		(2,904)	(26,754)
Net Loss Before Taxation		(33,756)	(8,069)
Withholding Taxes		(1,853)	(2,005)
Net Loss for the year		(35,609)	(10,074)
Other Comprehensive Income:			
<i>Amounts that will not be transferred to Profit or Loss in the future:</i>			
Fair value loss arising during the year		(27,235)	(10,420)
Impairment loss transferred to income		-	23,778
Other Comprehensive (Loss)/Income for the year		(27,235)	13,358
Total Comprehensive (Loss)/Income for the year		(62,844)	3,284

Trinidad and Tobago Unit Trust Corporation
CALYPSO MACRO INDEX FUND
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December, 2018
Expressed in Trinidad and Tobago Dollars

	Unitholders' Capital	Fair Value Reserve	Undistributed Income/(Loss)	Total
	\$'000	\$'000	\$'000	\$'000
Balance as at 1 January, 2018	500,755	77,124	(29,964)	547,915
Changes on initial application IFRS 9	-	(59,181)	59,181	-
Adjusted Balance as at 1 January 2018	<u>500,755</u>	<u>17,943</u>	<u>29,217</u>	<u>547,915</u>
Net Loss for the year	-	-	(35,609)	(35,609)
Distribution to Unitholders	-	-	(11,514)	(11,514)
Other Comprehensive Loss for the year	-	(27,235)	-	(27,235)
Balance as at 31 December, 2018	<u><u>500,755</u></u>	<u><u>(9,292)</u></u>	<u><u>(17,906)</u></u>	<u><u>473,557</u></u>
Balance as at 1 January, 2017	500,755	63,766	(7,972)	556,549
Net Loss for the year	-	-	(10,074)	(10,074)
Distribution to Unitholders	-	-	(11,918)	(11,918)
Other Comprehensive Income for the year	-	13,358	-	13,358
Balance as at 31 December, 2017	<u><u>500,755</u></u>	<u><u>77,124</u></u>	<u><u>(29,964)</u></u>	<u><u>547,915</u></u>

Trinidad & Tobago Unit Trust Corporation
CALYPSO MACRO INDEX FUND
STATEMENT OF CASH FLOWS
For the year ended 31 December, 2018
Expressed in Trinidad and Tobago Dollars

	31-Dec-18 \$'000	31-Dec-17 \$'000
OPERATING ACTIVITIES		
Net Loss before Taxation	(33,756)	(8,069)
<i>Adjustment to reconcile net income to net cash and cash equivalents from operating activities:</i>		
Dividend Income	(17,593)	(18,667)
Impairment	-	23,778
Net Change in Fair Value of Investment Securities	48,445	-
	<u>(2,904)</u>	<u>(2,958)</u>
<i>Movements in Net Current Assets</i>		
Decrease in Payables	(79)	(18)
	<u>(79)</u>	<u>(18)</u>
Dividend Received	18,069	18,519
Taxation paid	(1,853)	(2,005)
	<u>16,216</u>	<u>16,514</u>
Net Cash Flow From Operating Activities	<u>13,233</u>	<u>13,538</u>
Distribution paid to Unitholders	(12,524)	(11,716)
Net Cash Used In Financing Activities	<u>(12,524)</u>	<u>(11,716)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	709	1,822
Cash and Cash Equivalents at the beginning of the year	12,181	10,359
Cash and Cash Equivalents at the end of the year	<u>12,890</u>	<u>12,181</u>

Trinidad & Tobago Unit Trust Corporation
Calypso Macro Index Fund

Notes To The Financial Statements
31 December 2018
(Expressed in Trinidad and Tobago Dollars)

1) General Information

The Calypso Macro Index Fund (the Fund) is a closed-end mutual fund for a period ending on the Redemption Date. The Fund was launched on 8 January 2016 and is scheduled to terminate on the Redemption Date of 30 November 2025 or such later date as may be prescribed by the Regulations of the Fund.

The Fund is governed by Regulations made for the Fund by the Board of Directors of the Trinidad and Tobago Unit Trust Corporation (the Corporation) with the approval of the Central Bank of Trinidad and Tobago under Section 14(1) of the Unit Trust Corporation Act (the Act). The termination or Redemption Date may be extended in accordance with the provisions of Clause 27.1 of the Regulations.

The Corporation is the Sponsor, Trustee, Fund Administrator and Investment Manager of the Fund. The Board of Directors of the Corporation is responsible for managing the business and affairs of the Fund.

Participation by investors in the Fund is represented by units, these units represent an undivided share in the Deposited Property. The Deposited Property means all the assets and investments of the Fund for the time being held or deemed to be held by the Trustee. No unitholder is entitled to any interest or share in any particular part of the Depository Property until such time as the Fund is terminated.

Subscriptions

Subscription to the Fund closed on 4 December 2015 at the end of the initial offer period. During the initial offer period 20,000,000 units were offered at a price of TT\$25.00 per unit. On the transfer date the Trustee issued:

- (i) 20,000,000 units to successful applicants, and
- (ii) 200,000 units to the Fund Sponsor.

Redemptions

No unitholder is entitled to redeem units prior to the Redemption Date of 30 November 2025 or such later Redemption Date as may be prescribed under the Regulations of the Fund.

Investment Objective

The objective of the Fund is to hold the Deposited Property of the Fund for a period of ten years. The Fund seeks to provide investors with exposure to the Trinidad and Tobago Stock Exchange all T&T Index, as well as exposure to global energy companies through investment in the Global Energy Index. Each unit provides instant diversification to the investor.

Trading of Units

The units of the Fund are traded on the Trinidad and Tobago Stock Exchange. Unitholders may sell, transfer or otherwise dispose of their units by trading on the Trinidad and Tobago Stock Exchange in accordance with its rules for effecting such transactions. The Registrar, transfer agent and income paying agent of the Fund is the Trinidad and Tobago Central Depository Limited. The Registrar maintains the records with respect to each unitholder of the Fund.

Termination of the Fund

The Fund will continue until the Redemption Date and upon full and final disposition of the Deposited Property. The proceeds from the disposition of the Deposited Property, together with the Fund's Income, will be distributed to the unitholders pro rata minus any monies required to discharge unpaid liabilities properly incurred by the Trustee.

Trinidad & Tobago Unit Trust Corporation
Calypso Macro Index Fund

Notes To The Financial Statements (Continued)
31 December 2018
(Expressed in Trinidad and Tobago Dollars)

2) Significant Accounting Policies

The significant accounting policies applied in the preparation of these Financial Statements (the Financial Statements) are set out below. These policies have been consistently applied to all years presented, except as described in Note 2 (b).

a) Basis of Preparation

- i. The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS).
- ii. The Financial Statements were prepared under the historical cost convention as modified by financial assets measured at fair value through profit or loss (FVPL) and equity instruments measured at fair value through other comprehensive income (FVOCI). The methods used to fair value the Fund's financial assets are provided at Note 5.
- iii. The Financial Statements are presented in Trinidad and Tobago dollars, which is the functional currency of the Fund.
- iv. The preparation of the Financial Statements in accordance with IFRS requires management to make judgments, estimates and assumptions. Management reviews these judgments, estimates and underlying assumptions on a regular basis.

There were no assumptions concerning the future or 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.

Management has exercised significant judgment in determining the business model of the investment portfolio (see Note 2 (c)).

b) New published standards applicable to the Fund effective 1 January 2018

➤ **IFRS 9 – *Financial Instruments***

IFRS 9 replaced IAS 39 - *Financial Instruments: Recognition and Measurement* and brings together three aspects of the accounting for financial instruments:

- i. Classification and measurement;
- ii. Impairment; and
- iii. Hedge accounting

A summary of the requirements of IFRS 9 is provided below.

Trinidad & Tobago Unit Trust Corporation
Calypso Macro Index Fund

Notes To The Financial Statements (Continued)
31 December 2018
(Expressed in Trinidad and Tobago Dollars)

2) Significant Accounting Policies (continued)

b) New published standards applicable to the Fund effective 1 January 2018 (continued)

➤ **IFRS 9 – Financial Instruments (continued)**

Classification and measurement of financial assets and liabilities

IFRS 9 contains a new classification and measurement approach for financial assets that is based upon the business model in which assets are managed and the contractual cash flow characteristics of the asset.

Under IFRS 9 entities initially measure a financial asset at its fair value plus, in the case of financial assets not at fair value through profit or loss, transaction cost. Embedded derivatives in contracts, where the host is a financial asset, are never separated. The hybrid financial instrument as a whole is assessed for classification.

Debt instruments are subsequently measured at either FVPL, amortized cost (AC) or fair value through other comprehensive income (FVOCI).

Equity instruments are generally measured at FVPL. However, entities have an irrevocable option, on an instrument-by-instrument basis, to recognize changes in the fair value of non-traded equity instruments in other comprehensive income (FVOCI). The gains and losses on these equity instruments will not be reclassified from equity to profit or loss.

IFRS 9 also contains requirements for the classification and measurement of financial liabilities, many of which are identical to the IAS 39 requirements. However, for financial liabilities designated at FVPL, the change in fair value that is attributable to changes in credit risk is presented in other comprehensive income and the balance of the fair value is presented in profit or loss. If the presentation in other comprehensive income would create or enlarge an accounting mismatch in profit or loss, an entity is required to present all gains and losses in profit or loss.

Impairment

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments measured at FVOCI, most loan commitments, financial guarantee contracts and lease receivables.

Entities are required to recognize expected credit losses for twelve months:

- i. on initial recognition of the financial instrument (or the date on which the commitment or guarantee was entered into); and
- ii. as long as there is no significant increase in credit risk subsequent to initial recognition of the asset.

**Trinidad & Tobago Unit Trust Corporation
Calypso Macro Index Fund**

**Notes To The Financial Statements (Continued)
31 December 2018
(Expressed in Trinidad and Tobago Dollars)**

2) Significant Accounting Policies (continued)

b) New published standards applicable to the Fund effective 1 January 2018 (continued)

➤ **IFRS 9 – Financial Instruments (continued)**

Where there has been a significant increase in credit risk - either on an individual financial asset or on a group of financial assets - entities are required to recognize the lifetime expected credit loss associated with the financial asset or group of financial assets.

Lifetime expected credit losses include all the possible default events over the expected life of the financial asset, whereas twelve month expected losses are the credit losses that are possible within the twelve months after the reporting date.

In the case of trade receivables, a simplified approach, whereby the lifetime expected credit loss is recognized on initial recognition, is permitted.

Hedge accounting

The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39, that is, fair value hedges, cash flow hedges and net investment hedges. However greater flexibility has been introduced with respect to the types of transactions eligible for hedge accounting. In particular:

- i. the types of instruments that qualify as hedging instruments; and
- ii. the types of risk components of non-financial items that are eligible,

are broader in scope.

In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship' and retrospective assessment of hedge effectiveness is no longer required.

Impact of the initial application of IFRS 9 on the financial statements

- In accordance with the requirements of IFRS 9, the Fund classified its financial assets as follows:
 - i. equity instruments have been classified as FVOCI as the equity instruments are not held for trading; and
 - ii. exchange traded funds have been classified as at FVPL.

**Trinidad & Tobago Unit Trust Corporation
Calypso Macro Index Fund**

**Notes To The Financial Statements (Continued)
31 December 2018
(Expressed in Trinidad and Tobago Dollars)**

2) Significant Accounting Policies (continued)

b) New published standards applicable to the Fund (continued)

New published standards effective from 1 January 2018 (continued)

➤ **IFRS 9 – Financial Instruments (continued)**

Financial Asset	Measurement Category		Carrying Amount 1 January 2018 \$'000		Change \$'000
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Equity	Available-for-sale	FVOCI	308,252	308,252	-
Exchange Traded Funds	Available-for-sale	FVPL-mandatory	229,446	229,446	-
Sub-total Investment securities			537,698	537,698	-
Receivables	Loans & Receivables	FVPL-mandatory	1,969	1,969	-
Cash and Cash Equivalents	Loans & Receivables	FVPL-mandatory	12,181	12,181	-
Sub-total Other financial assets			14,150	14,150	-
Total Financial Assets			551,848	551,848	-

- There was no cumulative retrospective impact on the Fund's equity position as a result of the initial application of IFRS 9.
- The impairment requirements of IFRS 9 are not applicable because its instruments are classified as either (a) FVPL or (b) Equity instruments at FVOCI.
- There were no changes to the classification of financial liabilities.
- The hedge accounting requirements are not applicable to the Fund.
- As permitted by the transitional provisions of IFRS 9, the Fund did not restate comparative amounts.
- The changes in accounting policy on adoption of IFRS 9 are described in Note 2 (c) below.

Trinidad & Tobago Unit Trust Corporation
Calypso Macro Index Fund

Notes To The Financial Statements (Continued)
31 December 2018
(Expressed in Trinidad and Tobago Dollars)

2) Significant Accounting Policies (continued)

c) Financial Assets

The Fund's financial assets consist of:

- i. Investment securities;
- ii. Cash and cash equivalents; and
- iii. Receivables

The Fund recognizes a financial asset when it becomes party to the contractual obligations of the financial asset.

The Fund derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expires or where the Fund has transferred substantially all the risks and rewards of ownership of the financial asset to another party.

Classification and subsequent measurement of financial assets - Policy from 1 January 2018

On 1 January 2018 the Fund adopted IFRS 9 Financial Instruments. The Fund classifies its financial assets based on the business model of the portfolio within which the financial asset is managed and the contractual cash flow characteristics of the financial asset.

In assessing the objective of a portfolio's business model, the Fund considers:

- i. The way in which the assets within the portfolio are managed and information provided to management;
- ii. The stated policies and objectives of the portfolio;
- iii. The operation of the portfolio's stated policies in practice;
- iv. The method of evaluating the performance of the portfolio; and
- v. The risks that affect the performance of the portfolio and how those risks are managed.

The Fund's investment securities are held in a portfolio which is managed and whose performance is evaluated on a fair value basis. The receipt of contractual cash flows or, the receipt of contractual cash flows and the purchase and sale of the financial assets in the portfolio, are incidental to the objectives of the portfolios. Accordingly, the financial assets of the Fund that do not qualify as equity, namely its ETFs, Receivables and Cash and cash equivalents, have been classified and measured at FVPL - mandatory.

The Fund's equity instruments are not traded. The Fund has opted to classify its equity instruments at 1 January 2018 as FVOCI.

Trinidad & Tobago Unit Trust Corporation
Calypso Macro Index Fund

Notes To The Financial Statements (Continued)
31 December 2018
(Expressed in Trinidad and Tobago Dollars)

2) Significant Accounting Policies (continued)

c) Financial Assets (continued)

Classification and subsequent measurement of financial assets - Policy prior to 1 January 2018

The Fund classified its financial assets on initial recognition into the following two (2) categories: available-for-sale and loans and receivables. The classification depended on the purpose for which the financial assets were acquired. In particular:

- i. Investment securities intended to be held for an indefinite period of time, but which might be sold in response to liquidity requirements or market conditions, were classified as available-for-sale. Available-for-sale investments were carried at fair value. Un-realized gains and losses from changes in the fair value of investments classified as available-for-sale were recognized in Other Comprehensive Income (OCI). When available-for-sale financial assets were disposed of, or were impaired, the related accumulated fair value adjustments were re-classified from OCI to the Consolidated Statement of Profit or Loss.
- ii. Non-derivative investment securities with fixed and determinable payments, which were not quoted in an active market and were not designated as available-for-sale, were classified as loans and receivables. Loans and receivables were carried at amortized cost, using the effective interest method.

Impairment of financial assets - Policy from 1 January 2018

The impairment requirements of IFRS 9 are not applicable because its instruments are classified as either (a) FVPL or (b) Equity instruments at FVOCI.

Trinidad & Tobago Unit Trust Corporation
Calypso Macro Index Fund

Notes To The Financial Statements (Continued)
31 December 2018
(Expressed in Trinidad and Tobago Dollars)

2) Significant Accounting Policies (continued)

c) Financial Assets

Impairment of financial assets - policy prior to 1 January 2018

Assets classified as available-for-sale – equity and ETFs

At the end of each reporting period the Fund assessed whether there was objective evidence that an equity instrument or an ETF classified as available-for-sale, was impaired. An equity instrument or ETF classified as available-for-sale was considered impaired and impairment losses were recognized if and only if:

- i. there was objective evidence of impairment as a result of one or more events that occurred subsequent to initial recognition of the asset (a ‘loss event’); and
- ii. the impact on the future cash flows as a result of the loss event could be reliably estimated.

The criteria used by the Fund to determine whether there had been a loss event included evidence that:

- (a) the issuer, was in significant financial difficulty;
- (b) there had been a breach of contract, such as a default or delinquency in interest payments or principal re-payment by the issuer or obligor;
- (c) the issuer’s lender, for economic or legal reasons relating to the issuer’s financial difficulty, has granted to the issuer a concession that the lender would not otherwise consider;
- (d) it was probable that the borrower will enter bankruptcy or other financial re-organization;
- (e) an active market for the financial asset had disappeared because of financial difficulties; or
- (f) there was a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease could not yet be identified with the individual financial asset in the portfolio, including:
 - i. adverse changes in the payment status of borrowers in the portfolio; and
 - ii. national or local economic conditions that correlate with defaults on the assets in the portfolio.
- (g) there has been either a significant or a prolonged decline in the fair value of the security below cost. The Fund considers a decline for a period of twelve or more months as prolonged and a 30% decline in value below cost, as significant.

If evidence of impairment existed for available-for-sale equity investments, the cumulative un-realized loss was re-classified from equity and recognized in the Consolidated Statement of Profit or Loss as an impairment expense.

Trinidad & Tobago Unit Trust Corporation
Calypso Macro Index Fund

Notes To The Financial Statements (Continued)
31 December 2018
(Expressed in Trinidad and Tobago Dollars)

2) Significant Accounting Policies (continued)

c) Financial Assets (continued)

Impairment of financial assets - policy prior to 1 January 2018 (continued)

Assets classified as available-for-sale – bonds (continued)

If, in a subsequent period, the amount of the impairment loss on an available for sale equity instrument decreased, the impairment previously recognized was not reversed through the profit or loss account.

d) Financial Liabilities

The Fund recognizes a financial liability when it becomes party to the contractual obligations of the financial instrument. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

e) Fair Value Estimation – Investment Securities

Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Fund has access at that date.

Valuation framework

The Fund has established a control framework for the measurement of fair values. The framework includes a valuation team that is independent of the front office management. The valuation team reports to a Valuation Committee comprising the Vice Presidents of the Finance, Trust Services and Risk Departments. Valuations are reviewed by the Valuation Committee on a quarterly basis.

Fair value hierarchy

Fair value measurements of securities are categorized into three levels based on the degree to which the fair value measurement inputs are observable. The three levels are:

- **Level 1.** Level 1 valuation inputs are unadjusted quoted prices for identical assets and liabilities in active markets that the entity can access at the measurement date.
- **Level 2.** Level 2 valuation inputs exclude Level 1 inputs but are inputs that are observable for the asset or liability either directly or indirectly. There were no assets classified as Level 2 during the years 2017 and 2018.
- **Level 3.** Level 3 uses significant inputs that are unobservable in the valuation of the asset.

The level within the fair value hierarchy to which fair value measurements are assigned is determined by the lowest level input that is significant to the fair value measurement in its entirety. Thus, where a fair value measurement requires significant judgment with respect to an input, it is classified as Level 3.

Trinidad & Tobago Unit Trust Corporation
Calypso Macro Index Fund

Notes To The Financial Statements (Continued)
31 December 2018
(Expressed in Trinidad and Tobago Dollars)

2) Significant Accounting Policies (continued)

e) Fair Value Estimation – Investment Securities (continued)

The Fund considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

Equities and Exchange Traded Funds (ETFs) traded in active markets

An active market is a market in which transactions for the asset take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of equities and ETFs in active markets is based on unadjusted quoted prices at the close of trading on the reporting date and categorized as Level 1.

Where the last day of trading is not the reporting date and significant movements in prices occur subsequent to the close of trading and before the reporting date, valuation techniques are used to determine the fair value. Such valuations are categorized as Level 3.

Categorization of short-term investments

The Fund's short-term investments are assumed to be encashable/tradeable at their carrying value and are categorized as Level 1.

Receivables, payables and short-term liabilities

The carrying value of receivables and payables are assumed to approximate their fair values.

f) Foreign Currency Translation

The Fund's functional and presentation currency is Trinidad and Tobago dollars. Foreign currency transactions are translated into the functional currency using the average mid-rate for the currency, quoted by the Central Bank of Trinidad and Tobago, on the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognized in the Statement of Profit or Loss.

The results and financial position of all Fund entities that have a functional currency other than the presentation currency are translated into the presentation currency using the closing rate. All resulting exchange differences are recognized in the Statement of Comprehensive Income.

g) Cash and Cash Equivalents

Cash and cash equivalents represent balances held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. It includes cash in hand, deposits held at call with banks, cash balances at brokers, and other short-term instruments with original maturities of ninety days or less.

**Trinidad & Tobago Unit Trust Corporation
Calypso Macro Index Fund**

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2) Significant Accounting Policies (continued)

h) Revenue Recognition

Interest income is recognized in the Statement of Profit or Loss using the effective interest method.

Dividend income is recognized only when:

- i. the right to receive a dividend payment is established;
- ii. it is probable that the economic benefits associated with the dividend will flow to the Fund;
and
- iii. the amount of the dividend can be reliably measured

Realized and unrealized investment gains and losses are recognized as income in the Statement of Comprehensive Income.

i) Taxation

The Corporation is exempt from corporation tax. Withholding tax is payable on dividends and interest earned in foreign jurisdictions based on the jurisdiction's tax laws and double taxation treaties where applicable.

Taxes are recognized as an expense in the period in which they arise.

j) Comparative Information

In addition to the changes from the initial application of IFRS 9 - Financial Instruments (see note 2 (b) (i)), certain minor changes have been made in these Financial Statements to conform with presentation in the current year. These changes had no effect on the operating results or net income of the Fund.

3) Cash And Cash Equivalents

	31-Dec-18	31-Dec-17
	\$'000	\$'000
Cash and cash equivalents at brokers	342	5
Cash at bank	12,549	12,176
Total	12,890	12,181

4) Dividend And Other Receivables

	31-Dec-18	31-Dec-17
	\$'000	\$'000
Dividend receivable	1,493	1,969
Total	1,493	1,969

Trinidad & Tobago Unit Trust Corporation
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Notes To The Financial Statements (Continued)
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5) Investment Securities

Summaries of the Investment securities held by the Fund are provided by year, investment type and classification below.

	31-Dec-18	31-Dec-17
	\$'000	\$'000
<u>Investment securities carried at fair value</u>		
Equity	279,733	308,252
Exchange Traded Funds (ETFs)	182,284	229,446
	462,017	537,698
Investment securities summarized by classification		
	31-Dec-18	31-Dec-17
	\$'000	\$'000
- at fair value through profit or loss – mandatory (FVPL – M)	182,284	-
- equity instruments at fair value through other comprehensive income (FVOCI)	279,733	-
- available for sale at fair value through other comprehensive income (AFS)	-	537,698
	462,017	537,698

a) The Fair Value Hierarchy for Investment Securities

The Fund uses a valuation hierarchy to rank the fair value of its Investments (see Note 2 (e) Fair Value Estimation). The Fund's Investments at 31 December 2018 are analyzed by their fair valuation categorization below:

Fair Value Hierarchy for Investment Securities December 2018

	Level 1	Level 2	Level 3	Total
Recurring fair value measurements	\$'000	\$'000	\$'000	\$'000
Investment securities carried at fair value through profit or loss - mandatory				
Equity	279,733	-	-	279,733
Exchange Traded Funds (ETFs)	182,284	-	-	182,284
Total Investment Securities	462,017	-	-	462,017

**Trinidad & Tobago Unit Trust Corporation
Calypso Macro Index Fund**

**Notes To The Financial Statements (Continued)
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5) Investments Assets (continued)

a) The Fair Value Hierarchy for Investment Securities (continued)

The Fund's Investment at 31 December 2017 are analyzed by the fair valuation hierarchy below:

Fair Value Hierarchy for Investment Securities December 2017

Recurring fair value measurements	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Available-for-sale assets carried at fair value:				
Equity	308,252	-	-	308,252
Exchange Traded Funds (ETFs)	229,446	-	-	229,446
Total Investment Securities	537,698	-	-	537,698

b) Transfers between Fair Value Hierarchy Levels

There were no transfers between the Fair Value Hierarchy Levels during either 2018 or 2017.

6) Accounts Payable And Other Liabilities

	31-Dec-18 \$'000	31-Dec-17 \$'000
Amount due to the Corporation	823	903
Distribution payable	2,020	3,030
Total	2,843	3,933

7) Dividend Income

	31-Dec-18 \$'000	31-Dec-17 \$'000
Dividend Income	17,593	18,667
Total	17,593	18,667

8) Distribution To Unitholders

The distribution to unitholders for the year ended 31 December 2018 amounted to \$11,514,000 (2017: \$11,918,000). The next distribution period is December 2018 to February 2019, payable on 8 April 2019 as the prescribed distribution date of 7 April 2019 falls on a non-business day.

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9) Unitholders' Capital

This represents the capital value of units issued by the Fund. The Trinidad and Tobago Stock Exchange is primarily responsible for the purchase or sale of units. The redeemable units of the Fund are 20.2 million.

10) Financial Risk Management

Financial Risk Exposures

The primary financial risks to which the Fund is exposed are:

- i. market risk – which comprises:
 - equity and ETF price risk
 - currency risk
- ii. credit risk; and
- iii. liquidity risk

Market Risk

Market risk is the risk that changes in market prices e.g. equity and ETF price risk, bond price risk, foreign exchange rates, and interest rates, will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing returns.

Equity and ETF Price Risk

Equity and ETF price risk is the risk that the fair value of equities/ETFs decreases as a result of changes in the market prices for these securities.

The Fund has significant holdings of equities and ETFs all of which are traded on either the local or North American stock exchanges. Negative equity price movements in the local and foreign equity markets can subject the portfolios to decreases in their Net Asset Values. This risk is managed by:

- i. careful asset allocation and security selection;
- ii. daily monitoring of security prices; and
- iii. monitoring and measurement of each portfolio's price risk exposure.

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Notes To The Financial Statements (Continued)
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10) Financial Risk Management (continued)

Equity and ETF Price Risk (continued)

The equity price risk exposure is monitored and measured with reference to the beta of equity instruments. Beta is a measure of the stock's price sensitivity to the stock market e.g. stocks that have a beta of 1 would change by approximately 1% for every 1% move in the overall stock market.

A stock with a beta less than 0.9 is considered to have a low equity price risk relative to the overall market. A stock with a beta above 1.1 is considered to have a high equity price risk vis-à-vis the market. A stock with a beta between 0.9 and 1.1 is regarded as having equity price risk comparable to the market.

The Fund's equity and ETF holdings are categorized below, both in dollar terms and as a percentage of total equity holdings into three (3) categories to reflect the Fund's exposure to movements in equity prices.

	Lower than market \$'000	Comparable to market \$'000	Higher than market \$'000
At 31 December ,2018	294,146 63.7%	153,323 33.2%	14,548 3.1%
At 31 December, 2017	287,808 46.5%	- -	249,890 53.5%

The following Table presents the approximate sensitivity of the net asset value of the Fund to a 5% change in the TTSE Composite Index and the S&P 500 Composite Index respectively as at 31 December with all other variables held constant.

	31 December 2018	31 December 2017
TTSE Composite Index	\$4.0 million	\$6.2 million
S&P 500 Composite Index	\$9.4 million	\$16.4 million

Trinidad & Tobago Unit Trust Corporation
Calypso Macro Index Fund

Notes To The Financial Statements (Continued)

31 December 2018

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10) Financial Risk Management (continued)

Currency Risk

Currency risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Since the Fund holds investments denominated in US\$, these portfolios can be impacted by movements in the US\$/TT\$ exchange rate.

The material foreign currency assets and liabilities of the Fund at 31 December are summarized below.

	At 31 December, 2018		At 31 December, 2017	
	US\$ (Presented in TT\$) \$'000	Other Foreign Currencies \$'000	US\$ (Presented in TT\$) \$'000	Other Foreign Currencies \$'000
Assets				
Cash & Cash Equivalents	10,409	-	8,312	-
Equities	23,283	-	48,821	-
ETFs	182,284	-	229,446	-
Liabilities				
Net Assets Attributable to Unitholders				
Total	215,976	-	286,579	-

**Trinidad & Tobago Unit Trust Corporation
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**Notes To The Financial Statements (Continued)
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10) Financial Risk Management (continued)

Currency Risk (continued)

The following analysis shows the effect of a 1% change in the TT dollar relative to the US dollar would have changed the net assets of the Fund at 31 December with all other variables held constant.

	2018	2017
	\$'000	\$'000
Approximate change in US\$	<u>2,160</u>	<u>2,866</u>
Concentration of foreign currency exposure		
% of total monetary financial assets	2018	2017
US dollars	81%	68%
 % of total financial assets		
US dollars	45%	52%

Credit Risk

Credit risk is the risk that the counter-party to a financial instrument will default on its financial obligations that is, it fails to make full and timely payments of scheduled interest and/or principal sums due.

It is the Fund's policy to enter into financial instruments with reputable counterparties.

The Fund is exposed to credit risk primarily on short-term investments and bank balances. These classes of financial assets are not subject to IFRS 9's impairment requirements as they are measured at FVPL. The carrying value of these assets represents the Fund's maximum exposure to credit risk on financial instruments not subject to IFRS 9 impairment requirements on the respective reporting dates. Hence no separate maximum exposure to credit risk disclosure is provided for these instruments.

Credit risk is managed by:

- i. subjecting counter-parties to robust credit risk assessments prior to initial acquisition; and
- ii. regular review, measurement and monitoring of counter-parties' credit ratings.

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Notes To The Financial Statements (Continued)
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10) Financial Risk Management (continued)

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset as they become due.

The units of the Fund are redeemable on demand. The risk is mitigated in each portfolio by holding adequate cash, cash equivalents and short-term investments. In addition, substantial portions of the investments held by the portfolios are tradable. The risk is therefore deemed insignificant.

The financial liabilities of the Fund are summarized by their due dates and shown below. The amounts disclosed are the contractual undiscounted cash flows. The Fund had no financial liabilities over one (1) year.

	Less than 1 year \$'000
At 31 December, 2018	
Accounts payable	823
Distribution payable	2,020
Net assets attributable to Unitholders	473,557
Total	476,400
	Less than 1 year \$'000
At 31 December, 2017	
Accounts payable and short-term liabilities	903
Distribution payable	3,030
Net assets attributable to Unitholders	547,915
Total	551,848

Capital Management

The Fund's capital consists of Reserves and Retained Earnings. The Fund's objectives when managing capital are:

- i. To comply with the capital requirements stipulated by the regulators of the markets where the Fund operates;
- ii. To safeguard the Fund's ability to continue as a going concern; and
- iii. To provide attractive risk adjusted returns

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Notes To The Financial Statements (Continued)

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11) Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The Calypso Macro Index Fund is managed by the Corporation which receives a fee of no more than 0.5% of the net asset value of the fund at the end of each distribution period. Total management fees for the year amounted to \$2,596,114 (2017: \$2,651,448). The outstanding accrued management fees due to the Corporation at year-end amounted to \$823,445 (2017: \$902,963).

During the year the Fund entered into two significant transaction with a related party. The transactions, which were effected on commercial terms and conditions and at market rates, are summarized below.

	Sale of Securities TTS'M		Purchase of Securities TTS'M	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Calypso Macro Index Fund	4.0	3.0	-	-
Growth and Income Fund	-	-	4.0	3.0

There were no outstanding balances in respect of the above transactions at the reporting date.

12) Approval of the Financial Statements

These Financial Statements were approved by the Board of Directors and authorized for issue on 22 February 2019.