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, 2016

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, 2016

OPINION

The financial statements of the Trinidad and Tobago Unit Trust Corporation – Calypso Macro Index Fund (the Fund) for the year ended 31 December, 2016 have been audited. The statements as set out on pages 1 to 21 comprise a Statement of Financial Position as at 31 December, 2016, and the Statement of Profit or Loss, a 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 14, 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 Calypso Macro Index Fund as at 31 December, 2016 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 my 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 my 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 Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

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 in accordance with section 30 (4) of the Unit Trust Corporation of Trinidad and Tobago Act, Chapter 83:03 based on the audit.

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 Fund's internal control.

- 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 Fund's ability 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.

15th MARCH, 2017
PORT OF SPAIN

MAJEED ALI
AUDITOR GENERAL

SS
20170315

Trinidad & Tobago Unit Trust Corporation
Calypso Macro Index Fund

Financial Statements
(Expressed in Trinidad and Tobago Dollars)

31 December 2016

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, 2016

Expressed in Trinidad and Tobago Dollars

ASSETS	**Notes**	**31-Dec-16 $'000**
Cash and Cash Equivalents	4	10,359
Receivables	5	1,821
Investment Securities	6	548,117
TOTAL ASSETS		**560,297**
LIABILITIES		
Accounts Payable	7	3,748
TOTAL LIABILITIES		**3,748**
EQUITY		
Unitholders' Capital		500,755
Fair Value Reserve		63,766
Undistributed Loss		(7,972)
TOTAL EQUITY		**556,549**
TOTAL LIABILITIES AND EQUITY		**560,297**
Number of Units in issue		20,200
Net Asset Value per Unit		**$27.55**

REPUBLIC OF TRINIDAD AND TOBAGO
SS
20170315
AUDITOR GENERAL

Chairman

Director

Trinidad and Tobago Unit Trust Corporation

CALYPSO MACRO INDEX FUND

STATEMENT OF PROFIT OR LOSS

For the year ended 31 December, 2016

Expressed in Trinidad and Tobago Dollars

	Notes	31-Dec-16
		$'000
INCOME		
Dividend Income	8	16,938
Foreign Exchange Translation Loss		(687)
Total Income		16,251
EXPENSES		
Management Charge	10	(2,649)
Impairment		(12,141)
Other Expenses		(100)
Bank Charges		(18)
Total Expenses		(14,908)
Net Income Before Taxation		1,343
WithholdingTaxes		(1,639)
NET LOSS FOR THE YEAR		(296)

The accompanying notes form an integral part of these financial statements.

Trinidad and Tobago Unit Trust Corporation
CALYPSO MACRO INDEX FUND
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December , 2016

Expressed in Trinidad and Tobago Dollars

	31-Dec-16 $'000
Net Loss for the year	(296)
Other Comprehensive Income:	
Amounts that may be transferred to Profit or Loss in the future:	
Net fair value gains arising during the year	51,625
Impairment losses transferred to income	12,141
Other Comprehensive Income for the year	63,766
Total Comprehensive Income for the year	63,470

Trinidad and Tobago Unit Trust Corporation

CALYPSO MACRO INDEX FUND

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December, 2016

Expressed in Trinidad and Tobago Dollars

	Unitholders' Capital $'000	Fair Value Reserve $'000	Undistributed Loss $'000	Total $'000
Balance as at 1 January, 2016	-	-	-	-
Unitholders' Capital	500,755	-	-	500,755
Distribution paid to Unitholders	-	-	(7,676)	(7,676)
Total Comprehensive Income for the year	-	63,766	(296)	63,470
Balance as at 31 December, 2016	**500,755**	**63,766**	**(7,972)**	**556,549**

The accompanying notes form an integral part of these financial statements.

Trinidad & Tobago Unit Trust Corporation

CALYPSO MACRO INDEX FUND

STATEMENT OF CASH FLOWS

For the year ended 31 December, 2016

Expressed in Trinidad and Tobago Dollars

	31-Dec-16 $'000
OPERATING ACTIVITIES	
Net Profit before Taxation	**1,343**
Adjustment to reconcile net income to net cash and cash equivalents from operating activities:	
Foreign exchange translation adjustment	**687**
Taxation paid	**(1,639)**
Impairment	**12,141**
	12,532
Movements in Net Current Assets	
Increase in Receivables	**(1,821)**
Increase in Accounts Payable	**3,748**
	1,927
Net Cash Flow From Operating Activities	**14,459**
INVESTING ACTIVITIES	
Purchase of Investment Securities	**(496,493)**
Net Cash Used In Investing Activities	**(496,493)**
FINANCING ACTIVITIES	
Subscriptions from Unitholders	**505,000**
Initial public offering expenses	**(4,244)**
Distribution paid to Unitholders	**(7,676)**
Net Cash Flow From Financing Activities	**493,080**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**11,046**
Cash and Cash Equivalents at the beginning of the year	-
Foreign exchange translation adjustment	**(687)**
Cash and Cash Equivalents at the end of the year	**10,359**

The accompanying notes form an integral part of these financial statements.

1 General Information

The Calypso Macro Index Fund (the Fund) was established in conformity with the Unit Trust Corporation Act No. 26 of 1981. The Corporation's registered office is UTC Financial Centre, 82 Independence Square, Port of Spain. The fund was launched on 8 January 2016 and is denominated in Trinidad and Tobago Dollars.

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 the ability to own a cross-section of local listed shares on the Trinidad and Tobago Stock Exchange, as well as exposure to global energy companies through investment in the Global Energy Index. Each unit provides instant diversification to the investor.

The units of the Fund are traded on the Trinidad and Tobago Stock Exchange.

Subscription of Units

During the offer period 20,000,000 units were offered a price of TT$25.00 per unit, with a minimum subscription for units by an investor being TT$1,000.00. On the transfer date the Trustee issued

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

The Registrar maintains the records with respect to each unitholder of the Fund.

Trading of Units

After the listing date the unitholder is entitled to sell, transfer or otherwise dispose of the units held, by trading on the Trinidad and Tobago Stock Exchange in accordance with its rules for effecting transactions.

Termination of the Fund

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

2 Summary Of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention with the exception of financial assets, which are carried at fair value at the reporting date.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgment in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2 Summary Of Significant Accounting Policies (continued)

2.1 Basis of preparation (continued)

(a) *Standards, interpretations or amendments to existing standards that are effective for accounting periods beginning on or after 1 January 2016*

The Fund adopted an amendment to IFRS 1, Amendment to IAS 1 Presentation of Financial Statements – Disclosure initiative (effective 1 January 2016). The amendment addresses perceived impediments to preparers in their exercise of judgement in presenting financial reports. Adoption of this amendment had no impact on these financial statements.

(b) *New standards, amendments or interpretations effective after 1 January 2016 and not early adopted*

- IFRS 9, 'Financial instruments', effective for annual periods beginning on or after 1 January 2018. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but, simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit loss model that replaces the incurred loss impairment model used in IAS 39.

  For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss.

  IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedged effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the hedged item and hedging instrument and for the "hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The Calypso Macro Index Fund is yet to assess the full impact of IFRS 9 on the Fund's financial statements.

  There are no other new standards, amendments and interpretation that are not yet effective that would be expected to have a significant impact on the Fund's financial statements.

2.2 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates.

The financial statements are presented in Trinidad and Tobago dollars, which is the Fund's functional and presentation currency.

2 Summary Of Significant Accounting Policies (continued)

2.2 Foreign currency translation (continued)

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transactions. 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 recognised in the statement of profit or loss.

Translation differences on non-monetary items, such as available for sale equity are reported as part of other comprehensive income. In the case of the fair value of monetary assets denominated in a foreign currency and classified as available for sale, translation differences are analysed between these differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount, except impairment, are recognised in other comprehensive income.

2.3 Financial assets

The Fund classifies its investment securities as, loans and receivables and available for sale securities. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at each reporting date.

(a) *Classification*

(i) *Available for sale*

Available for sale investments are non derivatives that are either designated in this category or not classified in any of the other categories. Available for sale investments are those intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or changes in interest rate, exchange rates or equity prices.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financials assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The fund's loans and receivables comprise "accounts receivables and 'cash and cash equivalents' in the statement of financial position (notes 2.5 and 2.7).

2 Summary Of Significant Accounting Policies (continued)

2.3 Financial assets (continued)

(b) *Recognition, derecognition and measurement*

Purchases and sales of Equity Instruments are recognised on the trade date.

Available for sale investments are initially recognised and subsequently carried at fair value plus transaction cost. Gains and losses arising from changes in the fair value are recognised in other comprehensive income. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in the statement of profit or loss as gains and losses from investment securities.

(c) *Fair value estimation*

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. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the reporting date. The Fund utilises the last traded market price for both financial assets and financial liabilities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, management will determine the point within the bid-ask spread that is most representative of fair value.

If a significant movement in fair value occurs subsequent to the close of trading up to midnight in Trinidad on the year end date, valuation techniques will be applied to determine the fair value. A significant event is any event that occurs after the last market price for a security, close of market or close of the foreign exchange, but before the Fund's valuation time that materially affects the integrity of the closing prices for any security, instrument, currency or securities affected by that event so that they cannot be considered 'readily available' market quotations.

(d) *Transfers between levels of the fair value hierarchy*

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

(e) *Impairment of available for sale financial assets*

The Fund assesses, at each statement of financial position date, whether there is objective evidence that a financial asset is impaired. In the case of AFS equity securities, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If evidence of impairment exists, the cumulative loss previously recognised in the other comprehensive income is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses recognised in the statement of profit or loss on equity instruments are not reversed through the statement of profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

2 Summary Of Significant Accounting Policies (Continued)

2.4 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of profit or loss when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Fund or the counterparty.

2.5 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term investments in an active market with original maturities of three months or less.

2.6 Accrued expenses/accounts payables

Accrued expenses/accounts payable are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

2.7 Accounts receivable

Accounts receivable is recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.8 Non-Redeemable units

The Fund is a closed end Fund that trades on a recognised stock exchange; therefore, the ability to sell and the price, will depend on the price the market is willing to pay. Closed end Funds are not redeemable outside the redemption dates. The units may trade on the Stock Exchange at a different value than the NAV and may only be sold via brokers registered with the Stock Exchange, if there is a buyer in the market.

2.9 Distribution payable

Proposed distributions are recognised when they are appropriately authorised and no longer at the discretion of the Fund. The distribution is recognised as an appropriation of the net income of the Fund.

2.10 Expenses

Expenses are accounted for on an accrual basis.

2.11 Taxation

Under the current laws of Trinidad and Tobago, there is no income tax or any other tax that is levied on the Corporation for the Calypso Macro Index Fund from any income distributed to a Unitholder who is a resident of Trinidad and Tobago. Therefore there is no provision for income taxes in these financial statements.

3 Critical Accounting Estimates And Assumptions

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equate to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities is outlined below.

(i) *Impairment losses on equity instruments*

The Fund follows the guidance of IAS 39 – "Financial Instruments: Recognition and Measurement" to determine when a security is impaired. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology, and operational and financing cash flow.

The Fund reviews its investment portfolios to assess impairment at each reporting period. In determining whether an impairment loss should be recorded in the statement of profit or loss, the Fund makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from investment securities. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

4 Cash And Cash Equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise the following balances:

	31-Dec-16 $'000
Cash at bank	10,359
Total	10,359

5 Dividend And Other Receivables

	31-Dec-16 $'000
Dividend receivable	1,821
Total	1,821

6 Investment Securities

	31-Dec-16 $'000
Available for sale securities	
- Equity securities	310,140
- Equity exchange traded funds	237,977
Total available for sale securities	548,117

7 Accounts Payable And Other Liabilities

	31-Dec-16 $'000
Amount due to Trinidad and Tobago Unit Trust Corporation	917
Distribution payable	2,828
Other liabilities	3
Total	3,748

8 Dividend Income

	31-Dec-16 $'000
Dividend Income	16,938
Total	16,938

9 Distribution To Unitholders

The distribution to unitholders is for the year ended 31 December 2016 amounted to $7,676,000 and is presented as finance cost. The next distribution period is December to February 2017, payable 9 April 2017.

The Prospectus for the Calypso Macro Index Fund states that the Trustee shall make distributions only upon receipt of Distributable Trust Income less fees and expenses incurred in accordance with *Clause 13* of the Regulations.

Consistent with the Prospectus of the Calypso Macro Index Fund, Management has elected to distribute the minimum of 90% of the cash receipts on the fund less fees and expenses.

The Regulations and the Prospectus only contemplates cash fees and expenses incurred by the fund for the distribution period.

In this regard, the distribution may result in the Profit or Loss Statement reflecting a loss as both cash and non-cash e.g. impairment expenses will be considered when reporting in accordance with International Financial Reporting Standards (IFRS)

10 Related Party Transaction

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 Trinidad and Tobago Unit Trust Corporation (The Investment Manager), an investment management company incorporated in Trinidad and Tobago. Under the terms of management agreement 1 September 1989, the Fund appointed Unit Trust Corporation as an Investment Manager to provide management services to the Fund. Trinidad and Tobago Unit Trust Corporation receives a fee based on the net asset value of the fund at the end of each semi-annual period at an amount of no more than 2% of the net asset value. Total management fees for the year amounted to $2,649,037.The outstanding accrued management fees due to the Unit Trust Corporation as at the year-end amounted to $916,835.

10 Related Party Transaction (continued)

During the year the Fund entered into significant transactions with an Associate. The transactions, which were effected on commercial terms and conditions and at market rates, are summarized below.

	Sale of Securities TT$'M		Purchase of Securities TT$'M	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
Calypso Macro Index Fund	2.18	-	492.0	-
Growth and Income Fund	492.00	-	2.18	-

11 Fair Value Estimate

The fair value of financial assets traded in active markets (such as trading securities) is based on quoted market prices at the close of trading on the year end date. The Fund utilises the last traded market price for financial assets. If a significant movement in fair value occurs subsequent to the close of trading up to midnight in Trinidad on the year end date, valuation techniques will be applied to determine the fair value.

An active market is a market in which transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis.
The fair value of securities not quoted in an active market may be determined by the Fund using reputable pricing sources (such as pricing agencies) or indicative prices from bond/debt market makers. Broker quotes obtained from the pricing sources may be indicative and not executable or binding.

The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and;
- Level 3 inputs are unobservable inputs for asset or liability.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the assets or liability.

The determination of what constitutes 'observable' requires significant judgment by the Fund. The Fund considers observable data to be that 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.

11 Fair Value Estimate (continued)

Level 3 inputs are unobservable inputs for the asset or liability.

Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Therefore, unobservable inputs shall reflect the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk.

Assumptions about risk include the risk inherent in a particular valuation technique used to measure fair value (such as a pricing model) and the risk inherent in the inputs to the valuation technique. A measurement that does not include an adjustment for risk would not represent a fair value measurement if market participants would include one when pricing he asset or liability or similar assets or liabilities and the entity has determined that the transaction price or quoted price does not represent fair value.

Available for sale Equity

Available for sale equity instruments are valued at the closing bid price of the instrument at the reporting date.

The following table analyses within fair value hierarchy the Fund's assets and liabilities (by class) measured at fair value at 31 December 2016: All fair value measurements disclosed are recurring fair value measurements.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial Assets				
Financial assets available for sale:				
- Equity securities	310,140	-	-	310,140
- Equity exchange traded funds	237,977	-	-	237,977
As at 31 December 2016	548,117	-	-	548,117

12 Financial Risk Management

12.1 Financial risk factors

The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Fund's overall risk management programme seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance. The Fund's policy allows it to use derivative financial instruments to both moderate and create certain risk exposures.

The Management Risk Committee is supported in its deliberations by the Risk Management Department led by the Chief Risk Officer. The Risk Management Department facilitates risk management policy setting, scenario and stress testing and risk exposure monitoring across all business and operating activities.

12 Financial Risk Management (continued)

12.1 Financial risk factors (continued)

The Risk Management Department, in consultation with relevant line management, may also make recommendations for the management and mitigation of financial and other risks. The Risk Management Department is directed by and reports to the Executive Director and the Strategic Risk Committee.

In addition, the Investment Committee of the Board approves the Collective Investment Scheme's Investment policy statement which takes into account risk management considerations for the investment portfolios.

12.2 Credit risk

(a) *Definition*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. This includes the risk that the issuer will default on its obligation (default risk) or the risk that the bond's value will decline and/or the bond's price performance will be worse than that of other bonds against which the investor is compared because either (a) the market requires a higher spread due to a perceived increase in the risk that the issuer will default or (b) the assign credit of the debt will be lowered.

(b) *Management of risk*

Default risk is managed at the outset by subjecting all issuers/counterparties to a robust credit risk assessment process that results in the assignment of a credit rating. The acquisition or retention of a debt issue is subject to the credit rating limits and constraints contained in each member of the Fund's investment policy statement, and any other relevant factors. It is the Fund's policy that a credit rating review of each issuer/counterparty be performed at least annually.

The overall exposure to default risk is measured by monitoring the relative credit quality of the issuers making up the fixed income portfolio. Issuers/counterparties that are rated at least BBB- equivalent by international credit rating agencies or that have an internally determined credit score consistent with such a credit rating are deemed to have a high credit quality. Issuers/counterparties that are rated CCC equivalent and below by international agencies or have an internally determined score consistent with such a rating or that are past due or otherwise distressed or that are exposed to considerable short-term economic/industry/project risk are all deemed low credit quality. All other issuers/ counterparties are considered to be of moderate credit quality.

12 **Financial Risk Managements (continued)**

12.2 **Credit risk (continued)**

(c) *Maximum exposure to credit risk before collateral held or credit enhancements*

The maximum exposure to credit risk before any credit enhancements at 31 December is the carrying amount of the financial assets as set out below.

	31-Dec-16
	$'000
- Accounts receivable	1,821
- Cash and cash equivalents	10,359
	12,180

(d) *Financial assets are summarised as follows:*

	31 December 2016		
	Available for Sale	Accounts Receivables	Cash and Cash Equivalents
	$'000	$000	$'000
Neither Past due or Impaired	-	1,821	10,359
TOTAL	-	1,821	10,359

Past due, impaired or other distressed investments held by the Fund are monitored by management and reported to the Risk Management Department, the Investment Committee and the Board.

(e) *Credit quality for neither past due nor impaired*

The internal credit quality rating is mapped to comparable external rating grades as per the following table:

Agency	High										Moderate						Low
S&P	AAA	AA+	AA	AA	A+	A	A	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	CCC+ and below
Moody's	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	Ba3	B1	B2	B3	Caa1 and below
Fitch	AAA	AA+	AA	AA	A+	A	A	BBB+	BBB	BBB-	BB+	BB	BB	B+	B	B-	CCC and below
CariCris	AAA	AA+	AA	AA	A+	A	A	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B	C+ and below

12 **Financial Risk Managements (continued)**

12.2 **Credit risk (continued)**

(e) *Credit quality for neither past due nor impaired (continued)*

The credit quality of the Fund's financial assets is given below:

	High $'000	Moderate $'000	Low $'000	Total $'000
As at 31 December 2016				
Cash and Cash Equivalents	10,359	-	-	10,359
Interest and Other Receivables	1,821	-	-	1,821
TOTAL	12,180	-	-	12,180

(f) Impaired assets

Impairment charges are computed in accordance with IAS 39 and the Fund accounting policies. In summary an asset is considered impaired where there is no longer reasonable assurance of collection (within the contractually established timeframe) of the full amount of principal and interest due to deterioration in the credit quality of the counterparty or any other factor which may affect contractual performance. In other words, an asset is impaired if its estimated recoverable amount is less than its carrying amount.

For year ended 31 December 2016, the impairment charges recognised are summarised below:

	31-Dec-16 $'000
Impairment loss recognised	187

The Fund does not maintain a provision for allowance account. Impairment losses are charged directly against the investment account.

12.3 **Market risk**

Definition

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes of market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

12.3.1 *Foreign exchange risk*

Foreign currency risk, as defined in IFRS 7, arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies which fluctuate due to changes in foreign exchanges rates. IFRS 7 considers the foreign exchange exposure relating to non - monetary assets and liabilities to be a component of market price risk not foreign currency risk.

12 Financial Risk Management (continued)

12.3 Market risk (Continued)

12.3.1 *Foreign exchange risk* (continued)

The value of the net assets of the portfolio may fluctuate with changes in foreign exchange rates. As a consequence, the value of the net assets and/or earnings of the TT$ denominated portfolios could increase or decrease in value due to exchange rate fluctuations of individual currencies relative to the TT dollar. This risk is managed by restricting non -TT dollar holdings in the individual Fund to an appropriate proportion to net assets.

The table below summarises the Fund's financial asset and liabilities, monetary and non-monetary, which are denominated in a currency other than the TT dollar.

At 31 Dec 2016	TTD	USD	Total
	$'000	$'000	$'000
Financial Assets			
Cash and cash equivalents	5,306	5,053	10,359
Investment securities:			
- Available for sale	269,139	278,978	548,117
Interest and other receivables	1,821	-	1,821
Total Financial Assets	276,266	284,031	560,297
Financial Liabilities			
Accounts payables and other liabilities	556,549	-	556,549
Amounts due to holders of redeemable units	3,748	-	3,748
Total Financial Liabilities	560,297	-	560,297

f the US$ appreciates by 5% against the TT$, the profit would decrease by $14.2 million. Five percent was considered a reasonable possible shift since the US$ rate has changed by 5% during the last year.

There were no changes in the policies and procedures for managing foreign currency risk from the prior year.

12.3.2 *Cash flow and fair value interest rate risk*

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value and future cash flows of financial assets and liabilities. The Fund holds fixed interest securities that expose the Fund to fair value interest rate risk. The Fund also holds floating rate debt instruments and cash and cash equivalents that expose the fund to cash flow interest rate risk

12 Financial Risk Managements (continued)

12.3 Market risk (Continued)

12.3.2 *Cash flow and fair value interest rate risk (continued)*

Given the general offsetting effect of exposures to fair value interest rate risk and cash flow interest rate risk, the overall interest rate risk is managed by making judicious adjustments of the overall weighted average term to maturity (i.e. duration) based on the relevant economic and financial market outlook. Management monitors the duration of the portfolios by segregating the fixed income securities by the earlier of contractual maturity or interest rate reset dates that are less than or equal to one year, greater than one year but less than five years, and greater than or equal to five years. The degree of interest rate sensitivity in the overall portfolio is then reflected by the relative proportions in the given maturity terms/interest rate reset frequencies.

The table below summarises the Fund's exposure to interest rate risk. The assets and liabilities are categorised by the earlier of the repricing date and the maturity date.

	Less than 1 Year $'000	Between 1 and 5 years $'000	Over 5 years $'000	Non-Interest Bearing $'000	Total $'000
At 31 Dec 2016					
Financial Assets					
Cash and cash equivalents	10,359	-	-	-	10,359
Investment securities	-	-	-	548,117	548,117
Accounts receivable	-	-	-	1,821	1,821
Total financial assets	10,359	-	-	549,938	560,297
Financial Liabilities					
Accounts payable and other liabilities	3,748	-	-	-	3,748
Amounts due to holders of redeemable units	556,549	-	-	-	556,549
Total financial liabilities	560,297	-	-	-	560,297
Interest sensitivity gap	(549,938)	-	-		

The Fund invests mainly in fixed rate instruments and as a result does not have any significant exposure to cash flow interest rate risk.

12.3.3 *Liquidity risk*

Liquidity risk is the risk that the Fund is unable to meet payment obligations associated with its financial liabilities when they fall due. The Fund's treasury management activities include: (i) daily monitoring of future cash flow requirements, (ii) maintenance of a portfolio of investments that can be easily liquidated as protection against any unforeseen interruptions to cash flow, and (iii) management of the concentration and profile of debt maturities.

Units in the Calypso Macro Index Fund are redeemable upon demand by investors. Consequently, these Funds are exposed to daily unit redemptions. The Funds mitigate the risk by maintaining adequate portfolio liquidity through appropriate cash, near cash and other short term investments. Given the tradable nature of a substantial proportion of the Fund portfolios, this risk is not deemed significant.

12 **Financial Risk Managements (continued)**

12.3 **Market risk (continued)**

12.3.3 *Liquidity risk (Continued)*

The following table presents the contractual liquidity of the Fund for its financial assets and liabilities. The amounts disclosed in the Table are contractual undiscounted cash flows:

	Less than 1 year $'000	Total $'000
At 31 Dec 2016		
Financial assets	560,297	560,297
Total Financial Assets	560,297	560,297
Financial liabilities		
Accounts payable and other liabilities	3,748	3,748
Amounts due to holders of redeemable units	556,549	556,549
Contractual cash out flows (excluding derivatives)	560,297	560,297
Liquidity gap	-	-

Assets held for managing liquidity risk

The Fund holds a diversified portfolio of cash and high quality highly liquid securities to support payment obligations and contingent funding in a stressed market environment. The Fund's assets held for managing liquidity risk comprise:

- Cash balances
- Equity instruments

There were no changes in the policies and procedures for managing liquidity risk from the prior year.

13 **Capital Risk Management**

The capital of the Fund is represented by the net assets attributable to holders of redeemable units. The amount of net assets attributable to holders of redeemable units can change significantly on a daily basis, as the Fund is subject to daily subscriptions and redemptions at the discretion of unitholders, as well as changes resulting from the Fund's performance. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders, provide benefits for other stakeholders and maintain a strong capital base to support the development of the investment activities of the Fund.

In order to maintain the capital structure, the Fund's policy is to perform the following:

- Monitor the level of daily subscriptions and redemptions relative to the assets it expects to be able to liquidate daily and adjust the amount of distributions the Fund pays to redeemable unitholders.
- Redeem and issue new units in accordance with the constitutional documents of the Fund, which include the ability to restrict redemptions and require certain minimum holdings and subscriptions.

13 Capital Risk Management (continued)

The Board of Directors and Investment Manager monitor capital on the basis of the value of net assets attributable to redeemable unitholders.

There were no changes in the policies and procedures for capital risk management from the prior year.

14 Financial Instruments by Category

The following table presents the financial assets of the Fund by category:

	Loans and Receivables $'000	Available for Sale $'000	Total $'000
Financial Assets			
- Cash and cash equivalents	10,359	-	10,359
- Dividend and other receivables	1,821	-	1,821
- Investment Securities	-	548,117	548,117
As at 31 December 2016	12,180	548,117	560,297

	Financial Liabilities at Amortised Cost $'000	Total $'000
Financial Liabilities		
- Accounts payable and other liabilities	3,748	3,748
- Net assets attributable to holders of redeemable units	556,549	556,549
As at 31 December 2016	560,297	560,297