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**UTC (Cayman) SPC Ltd.**

Financial Statements

31 December 2017

*(Expressed in thousands of United States Dollars)*

# UTC (Cayman) SPC Ltd.

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## ***Independent Auditor's Report***

To the Board of Directors of UTC (Cayman) SPC Ltd.

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### **Our opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of UTC (Cayman) SPC Ltd. (the Company) as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### **What we have audited**

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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### **Responsibilities of management for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the

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### **Independent Auditor's Report (continued)**

To the Board of Directors of UTC (Cayman) SPC Ltd.

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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### **Other Matter**

This report, including the opinion, has been prepared for and only for UTC (Cayman) SPC Ltd. in accordance with the terms of our engagement letter and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

*PricewaterhouseCoopers*

30 January, 2019

UTC (Cayman) SPC Ltd.


**Statement of Financial Position**

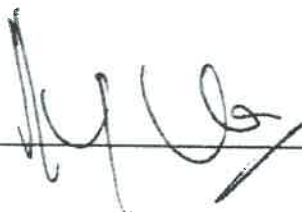
*(Expressed in thousands of United States Dollars)*

	Notes	As at 31 December 2017 \$'000
<b>Assets</b>		
Financial assets at fair value through profit or loss	4	2,420
Receivable from shareholder	5	51
Dividend receivable		2
Cash and cash equivalents		<u>136</u>
<b>Total assets</b>		<u><u>2,609</u></u>
<b>Equity</b>		
Share capital	6	<u>--</u>
<b>Total equity</b>		<u>--</u>
<b>Liabilities</b>		
Shareholder loan	8,9 a.	2,558
Accounts payable	7	<u>51</u>
<b>Total liabilities</b>		<u><u>2,609</u></u>
<b>Total equity and liabilities</b>		<u><u>2,609</u></u>

The notes on pages 7 to 19 are an integral part of these financial statements.

On January 29, 2019, the Board of Directors of UTC (Cayman) SPC Ltd. authorised these financial statements for issue.

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

# UTC (Cayman) SPC Ltd.

## Statement of Comprehensive Income (Expressed in thousands of United States Dollars)

	Notes	2017 \$'000
<b>Income</b>		
Dividend income		52
Net changes in fair value on financial assets at fair value through profit or loss		<u>181</u>
<b>Total net income</b>		<u>233</u>
<b>Operating expenses</b>		
Audit fees		(17)
Custodial and bank charges		(34)
Reimbursement of expenses	9b	<u>51</u>
<b>Total operating expenses</b>		<u>--</u>
<b>Operating profit</b>		233
<b>Finance costs</b>		
Return attributable to shareholder loan	8	<u>(218)</u>
<b>Profit after finance costs and before tax</b>		15
Withholding tax		<u>(15)</u>
<b>Total comprehensive income</b>		<u><u>--</u></u>

The notes on pages 7 to 19 are an integral part of these financial statements.

# UTC (Cayman) SPC Ltd.

## Statement of Changes in Equity

*(Expressed in thousands of United States Dollars)*

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	2017 \$'000
At 1 January 2017	--
Total comprehensive income for the year	<u>    --</u>
At 31 December 2017	<u>    --</u>

The notes on pages 7 to 19 are an integral part of these financial statements.



# UTC (Cayman) SPC Ltd.

## Statement of cash flows

(Expressed in thousands of United States Dollars)

	Note	2017 \$'000
<b>Cash flows from operating activities</b>		
Total comprehensive income for the year		--
Adjustments for:		
- Dividend income		(52)
- Withholding taxes		15
- Return attributable to shareholder loan	8	<u>218</u>
		181
Increase in receivable from shareholder		(51)
Increase in dividend receivable		(2)
Increase in accounts payable		51
Increase in financial assets at fair value through profit or loss		<u>(2,420)</u>
		(2,241)
Dividend received		52
Withholding tax paid		<u>(15)</u>
<b>Net cash used in operating activities</b>		<u>(2,204)</u>
<b>Cash flows from financing activities</b>		
Shareholder loan	8	<u>2,340</u>
<b>Net cash from financing activities</b>		<u>2,340</u>
<b>Cash and cash equivalents at the end of the year</b>		<u><u>136</u></u>

The notes on pages 7 to 19 are an integral part of these financial statements.

# UTC (Cayman) SPC Ltd.

## Notes to the Financial Statements

31 December 2017

*(Expressed in United States Dollars)*

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### 1 General information

UTC (Cayman) SPC Ltd. (the "Company") was incorporated on 4 September 2015 as an exempted segregated portfolio company, with limited liability, under the provisions of the Companies Law (Revised) of the Cayman Islands. Its registered office is situated at Campbells Corporate Services Limited, 4<sup>th</sup> Floor, Willow House, Cricket Square, P. O. Box 268, Grand Cayman KY1-1103, Cayman Islands.

The Company is a wholly-owned subsidiary of the Trinidad and Tobago Unit Trust Corporation (the "Corporation"), an entity established by the Unit Trust Corporation of Trinidad and Tobago Act, Chapter 83:03 of the Laws of the Republic of Trinidad and Tobago. The Corporation manages the investments and trading activity of the Company, under an Investor Advisory Agreement and is also the Sponsor, Administrator and Investment Advisor. The Corporation's registered office is UTC Financial Centre, 82 Independence Square, Port of Spain, Trinidad and Tobago.

The Company was licensed on 1 October 2015 as a mutual fund under Section 4(1)(a) of The Mutual Funds Law (2015 Revision) of the Cayman Islands by the Cayman Islands Monetary Authority. The Company operates as an open-ended mutual fund regulated by the Cayman Islands Monetary Authority and the Trinidad and Tobago Securities and Exchange Commission.

#### **Authorized Share Capital**

UTC (Cayman) SPC Ltd is authorized to issue two classes of shares – management shares and segregated portfolio shares. The management shares are voting, non-participating, non-redeemable shares. The segregated portfolio shares, referred to as participating shares hereafter, are redeemable, non-transferrable shares with limited voting rights and no pre-emptive rights or rights of conversion or exchange. Voting rights of participating shares are limited to meetings held to determine the variation or abrogation of the rights attaching to participating shares.

The authorized share capital of the Company is US\$50,000 divided into 100 management shares of US\$1 nominal value each and 499,000,000 participating shares of \$0.0001 nominal value each designated on issue as either:

- a Global Select ETF Fund SP – Conservative share
- a Global Select ETF Fund SP – Moderate share
- a Global Select ETF Fund SP – Aggressive share

On 4 September 2015, 100 fully paid up management shares were allotted and issued at par to the Trinidad and Tobago Unit Trust Corporation which remained the legal and beneficial owner of the 100 Management shares at 31 December 2017.

**Notes to the Financial Statements (continued)**  
**31 December 2017**

*(Expressed in United States Dollars)*

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1 **General information (continued)**

*Participating shares*

Participating shares are redeemable at the holder's option at prices based on the net asset value (NAV) per share of the respective Fund. Each Fund's NAV per share is calculated by dividing the net assets attributable to participating shareholders of the Fund by the total number of participating shares outstanding. In accordance with the provisions of each Fund's Offering Memorandum, securities are valued based on the last traded market price for the security.

Redemptions may be subject to a Redemption Fee. A redemption day is generally any day that banks are authorized to open for business in Trinidad and Tobago and New York City. Participating shares are carried at the redemption amount that is payable by the Fund at the reporting date if a holder exercises the right to put the share back to the respective Fund.

The Company created by resolution three segregated portfolios on 22 September 2015. As at 31 December 2017, however, no participating shares were issued by the Company in respect of the segregated portfolios.

*Operations*

*To 31 December 2016*

The Company neither entered into any transactions between its date of incorporation and 31 December 2016 nor held any assets or liabilities as at 31 December 2016.

*To 31 December 2017*

In February 2017, the Company received an initial contribution of US\$2,340,000 from the Corporation, which was treated as a shareholder loan. The funds were invested and the returns were transferred to the shareholder loan. See Note 8 for additional information.

As the segregated portfolios were not formally launched during the year, no participating shares in the segregated portfolios were issued as at 31 December 2017. Consequently, the Corporation agreed to reimburse the Company for all expenses incurred and, as discussed in Note 9, no contractual fees were accrued as these are based on each segregated portfolio's net asset value which amounted to nil as no participating shares had been issued.

*Initial pricing*

The Initial Offer Price for participating shares in each segregated portfolio has been set at \$20.00 per share plus any applicable sales charge. The Initial Offer Price shall apply for the Initial Offer Period of one day.

*Subsequent pricing*

After the Initial Offer Period, subscriptions and redemptions will take place on a forward pricing basis. On any day on which there are subscriptions or redemptions, the Investment Advisor will arrange for the NAV per participating share to be determined in accordance with the Articles of Association. In particular, the NAV of each portfolio will be determined at the valuation time. The normal valuation time will be approximately two (2) hours after the close of business of the Stock Exchanges in New York on any business day.

All subscription orders received before the close of the US Stock Markets and all redemption orders received before 12 noon Atlantic Standard Time, will be processed at the NAV per participating share, determined at the valuation time for that day.

# UTC (Cayman) SPC Ltd.

## Notes to the Financial Statements (continued)

31 December 2017

(Expressed in United States Dollars)

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### 1 General information (continued)

#### *Approval of the financial statements*

These financial statements were authorized for issue on 29 January 2019.

### 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

#### a. *Basis of preparation*

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value. The methods used to measure the fair value of the Company's financial assets are provided in Note 2.3 (c) and 3.3.

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) usually requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgement in the process of applying the accounting policies. There were no areas involving a high degree of judgement, or areas where assumptions and estimates were significant to the financial statements.

#### *Standards, amendments and interpretations effective 1 January 2017*

There are no standards, amendments or interpretations effective 1 January 2017 that have a material effect on the Company's financial statements.

#### *Significant standards, amendments and interpretations effective after 1 January 2017 that have not been early adopted*

IFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and liabilities. It replaces the multiple classification and measurement models in IAS 39 Financial Instruments – Recognition and Measurement and is mandatory for reporting periods beginning on or after 1 January 2018.

Classification and measurement of debt assets under IFRS 9 will be significantly different from classification and measurement of debt assets under IAS 39. In particular, the new impairment model - which applies to debt instruments and assets carried at amortized cost - will significantly change accounting for such instruments.

The Company, in accordance with the Offering Memorandum, does not invest in debt instruments. On adoption of IFRS 9 the Company's investment portfolio will be classified as fair value through profit or loss. Other financial assets such as receivables and cash and cash equivalents will also be measured at fair value through profit or loss.

# UTC (Cayman) SPC Ltd.

## Notes to the Financial Statements (continued)

31 December 2017

(Expressed in United States Dollars)

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### 2. Summary of significant accounting policies (continued)

#### b. *Functional and presentation currency*

The Company's primary activities are conducted in United States Dollars including: receipts for subscriptions of participating shares investments and banking measurement and reporting of performance.

Accordingly, the Board of Directors considers the United States Dollar as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions and has designated the United States Dollar as the Company's functional and presentation currency.

#### c. *Financial assets*

##### (i) *Classification*

The Company's financial assets are primarily investment securities that are designated on initial recognition as fair value through profit or loss. The classification is reviewed at subsequent reporting periods. Financial assets designated at fair value through profit or loss on initial recognition are evaluated and their performance evaluated on a fair value basis.

##### (ii) *Recognition, derecognition and measurement*

Regular purchases and sales of ETFs are recognized on the trade date – the date on which the Company commits to purchase or sell the financial asset. Purchases of ETFs are initially recognized, and subsequently carried, at fair value.

Subsequent to initial recognition, all financial assets classified as fair value through profit or loss are measured at fair value. Unrealized gains or losses arising from changes in the fair value of the financial assets are recognized in the statement of comprehensive income within "Net changes in fair value on financial assets at fair value through profit or loss", in the period in which they arise.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all the risks and rewards of ownership.

##### (iii) *Fair value estimation*

Fair value is the price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of the Company's ETFs – which are all traded in active markets – is equal to the quoted market prices for identical assets at the close of trading on the reporting date (or the last trading day before the reporting date) where the closing price is 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.

# UTC (Cayman) SPC Ltd.

## Notes to the Financial Statements (continued)

31 December 2017

(Expressed in United States Dollars)

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### 2. Summary of significant accounting policies (continued)

#### c. Financial assets

##### (iii) Fair value estimation (continued)

If a significant movement in fair value occurs subsequent to the close of trading on the last day before the reporting date, valuation techniques are applied to determine the fair value of the ETFs.

A significant movement in fair value is any movement that materially affects the integrity of the closing price for an ETF where the movement occurs after the close of the market - but before completion of the daily computation of the Company's NAV. The portfolio of the Company is valued after the daily close of the Stock Exchanges in New York.

##### (iv) Fair value hierarchy

The Company uses a fair value hierarchy to rank the fair value of its financial assets. The fair value of a security is categorized into one of three levels based on the degree to which the fair value inputs are observable. The three levels are:

Level 1 which represents valuations based on unadjusted quoted prices for identical assets in active markets that the Company can access.

Level 2 which represents valuations based on inputs that are other than quoted prices included within Level 1 that are observable for the asset either directly or indirectly.

Level 3 which represents valuations based on inputs that are unobservable for the asset.

The level in the value hierarchy within which the financial asset is categorized in its entirety, is determined on the basis of the lowest level input that is significant in the valuation of the financial asset.

The determination of what constitutes an observable input requires judgement. The Company considers observable data to be market data that is readily available, regularly distributed or updated and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

##### (v) Transfers between levels of the fair value hierarchy

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

# UTC (Cayman) SPC Ltd.

## Notes to the Financial Statements (continued)

31 December 2017

(Expressed in United States Dollars)

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### 2. Summary of significant accounting policies (continued)

f. *Offsetting financial instruments*

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position, when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or recognize the asset or realize the asset and settle the liability simultaneously. There were no financial instruments subject to offsetting arrangements at the reporting date.

g. *Cash and cash equivalents*

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

h. *Interest and dividend income*

The Company invests exclusively in ETFs and cash and cash equivalents.

Interest income is recognized on an effective interest rate basis and dividend income is recognized when the right to receive the dividend is established.

i. *Transaction costs*

Transaction costs are costs incurred to acquire financial assets. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognized in profit or loss as expenses.

j. *Taxation*

There is, at present, no direct taxation in the Cayman Islands. The Company is also the holder of tax concessions whereby, for a period of twenty years ending on 12 October 2025, the Government of the Cayman Islands undertakes that with respect to the Company:

- no law imposing any tax to be levied on profits, income gains or appreciation shall apply to the Company or its operations; and
- no tax will be levied on profits, gains or appreciations nor will tax (which is the nature of estate duty or inheritance) be payable in respect of any of the shares, debentures or other obligations of the Company, nor will tax be withheld in whole or in part in respect of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (2011 Revision).

By virtue of the tax concession the interest, dividends and gains payable by the Company are free of any Cayman Island taxes for the next twenty-three years.

The Company is required however to pay the applicable withholding tax on dividends, interest and other income received from other tax jurisdictions.

Any income distribution paid by the Company to residents of other tax jurisdictions will be subject to the tax laws of their jurisdiction of residence.

The Company is also required to withhold and remit taxes to the authorities of certain jurisdictions based on distributions made to their citizens.

# UTC (Cayman) SPC Ltd.

## Notes to the Financial Statements (continued)

31 December 2017

(Expressed in United States Dollars)

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### 3 Financial risk

#### a. *Financial risk factors*

The Company's activities expose it to a variety of financial risks: market risk (including price risk, interest rate risk, foreign currency related price risk and foreign exchange risk), liquidity risk and credit risk.

The Company is also exposed to operational risks such as custody risk. Custody risk is the risk of loss of securities held in custody occasioned by the insolvency or negligence of the custodian. Although an appropriate legal framework is in place that eliminates the risk of loss of value of the securities held by the custodian, in the event of its failure, the ability of the Company to transfer securities might be temporarily impaired.

The overall risk management program of the Company seeks to:

- maximise the returns derived for the level of risk to which the Company is exposed; and
- minimise potential adverse effects on the Company's financial performance.

The management of these risks is carried out by the Investment Advisor applying policies, rules and principles approved by the Board of Directors including:

- the construction of a diversified portfolio of non-correlated assets that collectively have a lower risk than any individual holding
- the use of an optimization process that identifies the best percentage allocation to the different asset classes of the portfolio so as to increase the probability of achieving the expected risk and return targets
- the restriction of investments to either ETFs (with no derivative exposure) or cash and cash equivalents.
- The restriction of the maximum exposure of the Company to any one ETF to 10% of the Company's assets.
- A restriction on the voting securities held by the Company in any one issuer. (The Company may not acquire an ETF if, after purchase, the Company would control more than 10% of the voting securities of the issuer).

The Company uses a number of methods to measure and manage the various financial risks to which it is exposed. These methods are explained below.



# UTC (Cayman) SPC Ltd.

## Notes to the Financial Statements (continued)

31 December 2017

(Expressed in United States Dollars)

### 3 Financial risk (continued)

#### a. Financial risk factors (continued)

##### (i) Price risk and foreign currency related price risk

The Company invests in ETFs which are listed instruments that seek to track the investment results of specific indices. ETFs are susceptible to market price risk due to uncertainties about the future values of their underlying assets.

Uncertainty of the future value arises from the performance of the underlying securities and, where the ETFs are denominated in other currencies, in the possibility that there would be adverse movements in the exchange rates used to translate the prices of securities denominated in foreign currencies.

The Company's policy is to manage price risk through diversification of the portfolio, careful selection of securities, the use of a tactical momentum methodology and restrictions on the proportion of the Company's assets that may be invested in any one ETF.

The momentum strategy used is a simple 200 day moving average. If the moving average calculation of an ETF in the portfolio is above its 200 day moving average at the close of the last trading day of the month, then the asset remains invested. If not, it is liquidated and the proceeds are held in cash.

At 31 December 2017, the fair value of the ETFs exposed to price risks is shown in the table below.

	2017 \$'000
<b>Cash flows from operating activities</b>	
iShares Short Treasury Bond ETF (SHV)	314.7
Vanguard FTSE developed markets ETF (VEA)	249.2
SPDR S&P 500 ETF (SPY)	256.2
iShares iBoxx \$ Investment Grade Corporate Bond ETF (LQD)	207.3
Vanguard Global ex-US Real Estate ETF (VNQI)	225.2
Vanguard REIT ETF (VNQ)	214.3
iShares MSCI Emerging markets ETF (EEM)	158.8
PowerShares QQQ ETF (QQQ)	165.2
Vanguard Materials ETF (VAW)	170.3
iShares North American natural resources ETF (IGE)	167.5
iShares Core S&P Mid-capitalization ETF (IJH)	138.2
Vanguard small capitalization ETF (VB)	69.4
iShares MSCI EAFE Small capitalization ETF (SCZ)	83.7
	<u>2,420.0</u>

# UTC (Cayman) SPC Ltd.

## Notes to the Financial Statements (continued)

31 December 2017

(Expressed in United States Dollars)

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### 3 Financial risk (continued)

#### a. Financial risk factors (continued)

##### (i) Price risk and foreign currency related price risk (continued)

###### *Price risk sensitivity analysis*

The sensitivity of the Company's investment portfolio to movements in ETF prices at 31 December 2017 was computed by reference to the iShares Core S&P 500 ETF (IVV US), which tracks the S&P 500, and is used by the Investment Manager for sensitivity analysis of the price risk of the portfolio. The price risk is computed on the assumption that the Company's portfolio remained static for the twelve months ended 31 December 2017.

The Company's portfolio at 31 December 2017 had a beta of 0.65 which suggests that, had the S&P 500 changed by +/- 1% all other things remaining equal, the value of the portfolio would have changed by +/- 0.65%. The average annualized volatility of the S&P 500 over the last five years was 16%. The impact on the Company's portfolio if the S&P 500 were to change by 16% in one year, is provided in the table below in dollar terms.

US\$'000

Effect on the value of the portfolio had the S&P 500 changed by +/- 16%	+/- 251.7
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##### (ii) Foreign exchange risk

The company is not exposed to any direct foreign exchange risk as all assets are denominated in US dollars.

##### (iii) Interest rate risk

The Company's stated investment strategy is to invest exclusively in ETFs. It is not exposed to interest rate risk on these investments. It may be indirectly affected by the impact of interest rates changes on the earnings of certain ETFs in which it invests. It is not possible to quantify the impact of such interest rate changes on the results of the Company.

The other assets and liabilities of the Company are either non-interest bearing or earn insignificant amounts of interest.

##### (iv) Liquidity risk

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The requirement to redeem participating shares on a daily basis can be a source of liquidity risk. During 2017 there was no liquidity risk from this source as no participating shares had been issued by the Company.

# UTC (Cayman) SPC Ltd.

## Notes to the Financial Statements (continued)

31 December 2017

(Expressed in United States Dollars)

### 3 Financial risk (continued)

#### a. Financial risk factors (continued)

##### (iv) Liquidity risk (continued)

The Company received an initial contribution in the form of a non-interest-bearing shareholder loan with no fixed repayment terms during 2017 in the amount of US\$2.3 million. The intention is that the loan would be converted into participating shares on formal launch of the Company's segregated portfolios (see Note 8).

As described in Note 10, the loan was converted into participating shares in November 2018.

The Investment Adviser monitors the Company's liquidity position on a daily basis. The Table below analyses the Company's financial liabilities into relevant maturity groups based on the remaining period to at the statement of financial position date. The amounts in the Table are the contractual undiscounted cash flows.

	More than One year \$'000	Within one year \$'000
<b>At 31 December 2017</b>		
Shareholder loan	--	2,558
Accounts payable	17	34
	<b>17</b>	<b>2,592</b>

The Company invests in ETFs that can be liquidated within three (3) days. The Company's cash balances are held in on-demand deposit accounts with its custodian. The Table below illustrates the expected liquidity of assets held.

	Less than One month \$'000	Less than four days \$'000
<b>At 31 December 2017</b>		
Total assets	<b>51</b>	<b>2,558</b>

##### (v) Credit risk

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.

The Company does not hold bond investments and therefore has limited direct exposure to credit risk. The Company's exposure to credit risk arises primarily through its custody, clearing and depository operations and the Company's bank and custody cash balances.

The maximum credit exposure of the Company is provided in the table below.

# UTC (Cayman) SPC Ltd.

## Notes to the Financial Statements (continued)

31 December 2017

(Expressed in United States Dollars)

### 3 Financial risk (continued)

#### a. Financial risk factors (continued)

Particulars	US\$'000
Maximum credit exposure	2,609

The Company limits its credit exposure by establishing custody and banking relationships with counterparties with investment grade credit ratings. In addition, the Company mitigates the risk of credit loss by trading in ETFs issued and managed by reputable establishments. The Managers of the ETFs held is shown in the table below.

Particulars	Total \$'000
BlackRock	1,070.2
Vanguard	928.5
State Street	256.2
Invesco	<u>165.1</u>
<b>TOTAL</b>	<u><u>2,420.0</u></u>

#### b. Capital risk management

The capital of the Company is represented by the Company's assets. The value of the assets can change significantly in the event of significant market volatility which directly impacts the Company's performance.

The Company's objective when managing capital is to safeguard its ability to continue as a going concern and maintain a strong capital base to support the development of its investment activities.

The Board of Directors and Investment Advisor monitor capital on the basis of the value of the assets of the Company's assets.

#### c. Fair value estimation

The Company's assets comprised either ETFs which are publicly traded on the New York Stock Exchange or cash and cash equivalents held with reputable bankers.

The fair value of the ETFs was estimated based on the last traded price prior to 31 December 2017 and was categorized as Level 1 valuations (see Note 2.3 (d)).

The carrying value of the Company's other assets and liabilities approximate their fair values.

# UTC (Cayman) SPC Ltd.

## Notes to the Financial Statements (continued)

31 December 2017

(Expressed in United States Dollars)

### 4 Financial assets designated at fair value through profit or loss

These investments consist of holdings in various ETFs that are publicly traded.

### 5 Receivable from shareholder

	US\$'000
Custodial and bank charges	34
Audit fees	<u>17</u>
<b>Total</b>	<u><u>51</u></u>

### 6 Share capital

One hundred (100) management shares, with a nominal value of US\$1 each, were allotted, issued and fully paid up at par. They are held by the Trinidad and Tobago Unit Trust Corporation.

### 7 Accounts payable

	US\$'000
Custodial and bank charges	34
Audit fees	<u>17</u>
<b>Total</b>	<u><u>51</u></u>

### 8 Shareholder loan

As part of the registration procedures of the Trinidad and Tobago Securities and Exchange Commission, the Corporation was required to set aside an initial contribution in the amount of US\$787,398 for each segregated portfolio of the Company (i.e. US\$2,362,194 in total). On 24th February 2017 the Corporation lent the Company US\$2,340,000 (US\$780,000 intended for each portfolio), as partial fulfilment of its commitment.

The initial contribution from the Corporation was treated as a liability pending formal approval being received from Trinidad and Tobago Securities and Exchange Commission to formally launch the segregated portfolios. During the period awaiting approval, the Company invested the funds and applied all returns to the Shareholder Loan. The loan was non-interest bearing and had no fixed repayment terms.

As described in Note 10, the segregated portfolios were formally launched during November 2018, and the balance of the Shareholder loan was used as consideration for the issue of participating shares in each portfolio to the Corporation.

# UTC (Cayman) SPC Ltd.

## Notes to the Financial Statements (continued)

31 December 2017

(Expressed in United States Dollars)

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### 8 Shareholder loan

A summary of the shareholder loan transactions is provided in the table below

	US\$'000
Balance at 1 January 2017	--
Proceeds from shareholder loan	2,340
Return attributable to shareholder loan	<u>218</u>
Balance at 31 December 2017	<u>2,558</u>

### 9 Related party transactions

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

The Corporation is the Sponsor, Administrator, and Investment Advisor to the Company and consequently is a related party. The Company entered into the following transactions with the Corporation during the year:

- a. The Company received an initial contribution of US\$2,340,000, which was treated as a non-interest-bearing shareholder loan, with no fixed repayment terms. The Company invested the funds and transferred all returns on the invested funds to the loan balance. See Note 8 for additional information.
- b. Until the segregated portfolios are formally launched, the Corporation agreed to reimburse the Company for all expenses incurred. Costs incurred, which were unrecovered at 31 December 2017, were treated as a receivable.
- c. The Corporation is entitled to a fee for management and administrative services based on each segregated portfolio's net asset value. No such fees were accrued by the Company as an expense given that no participating shares were issued for the segregated portfolios as the segregated portfolios were not formally launched during the year.

The directors of the Company are also related parties and there were no transactions between the Company and any of its directors during 2017.

### 10 Subsequent events

On 20 November 2018 the Company obtained approval from the Trinidad and Tobago Securities and Exchange Commission to formally launch the segregated portfolios. On 26 November 2018 the balance of the Shareholder loan was settled through conversion into participating shares in each segregated portfolio at US\$20 per participating share (the initial offer price).