



**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 – US DOLLAR INCOME FUND FOR THE YEAR ENDED 31 DECEMBER, 2020

OPINION

The financial statements of the Trinidad and Tobago Unit Trust Corporation – US Dollar Income Fund (the Fund) for the year ended 31 December, 2020 have been audited. The statements as set out on pages 1 to 19 comprise a Statement of Financial Position as at 31 December, 2020, and 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 11, 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 – US Dollar Income Fund as at 31 December, 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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.



24TH MARCH, 2021
PORT OF SPAIN


LORELLY PUJADAS
AUDITOR GENERAL




**US DOLLAR INCOME FUND
STATEMENT OF FINANCIAL POSITION**

As at 31 December, 2020

Expressed in United States Dollars

	Notes	31-Dec-20 \$ '000	31-Dec-19 \$ '000
ASSETS			
Cash and Cash Equivalents	3	19,306	35,237
Receivables	4	20,937	21,183
Investment Securities	5	571,454	528,749
TOTAL ASSETS		611,697	585,169
LIABILITIES			
Payables	6	2,672	2,802
TOTAL LIABILITIES		2,672	2,802
EQUITY			
Unitholders' Capital	8	575,308	560,965
Retained Earnings		19,331	7,016
Fund Reserves		14,386	14,386
TOTAL EQUITY		609,025	582,367
TOTAL LIABILITIES AND EQUITY		611,697	585,169
Net Asset Value Per Unit		\$21.10	\$20.70


Chairman




Executive Director

The accompanying notes form an integral part of these financial statements

**US DOLLAR INCOME FUND
STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December, 2020

Expressed in United States Dollars

	Notes	31-Dec-20 \$ '000	31-Dec-19 \$ '000
INCOME			
Interest Income		14,951	16,287
Net Change in Fair Value of Investment Securities		11,135	16,476
Other Income		951	8
Total Income		27,037	32,771
EXPENSES			
Management Charge	10	(7,383)	(8,749)
Commissions		(132)	(174)
Other Expenses		(25)	(17)
Bank Charges		(50)	(47)
Total Expenses		(7,590)	(8,987)
Net Income before Taxation		19,447	23,784
Withholding Tax		(240)	-
Net Income for the year		19,207	23,784

The accompanying notes form an integral part of these financial statements

**US DOLLAR INCOME FUND
STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December, 2020

Expressed in United States Dollars

	Unitholders' Capital \$'000	Retained Earnings \$'000	Fund Reserve \$'000	Total \$'000
Balance as at 1 January, 2020	560,965	7,016	14,386	582,367
Net Income for the year	-	19,207	-	19,207
Subscriptions from Unitholders	92,679	-	-	92,679
Redemptions by Unitholders	(78,336)	-	-	(78,336)
Distribution to Unitholders	-	(6,892)	-	(6,892)
Balance as at 31 December, 2020	575,308	19,331	14,386	609,025
Balance as at 1 January, 2019	598,804	(10,761)	13,939	601,982
Net Income for the year	-	23,784	-	23,784
Subscriptions from Unitholders	84,268	-	-	84,268
Redemptions by Unitholders	(122,107)	-	-	(122,107)
Distribution to Unitholders	-	(5,707)	-	(5,707)
Increase in Fund Reserves	-	-	147	147
Net Allocation to Reserves	-	(300)	300	-
Balance as at 31 December, 2019	560,965	7,016	14,386	582,367

The accompanying notes form an integral part of these financial statements



**US DOLLAR INCOME FUND
STATEMENT OF CASH FLOWS**

For the year ended 31 December, 2020
Expressed in United States Dollars

	31-Dec-20 \$ '000	31-Dec-19 \$ '000
OPERATING ACTIVITIES		
Net Income before Taxation	19,447	23,784
<i>Adjustment to Reconcile Net Income to Net Cash and Cash Equivalents From Operating Activities:</i>		
Interest Income	(14,951)	(16,287)
Net Change in Fair Value of Investment Securities	(11,135)	(16,476)
	(6,639)	(8,979)
<i>Movements in Net Current Assets</i>		
Increase in Receivables	(609)	(119)
Decrease in Payables	(208)	(2,302)
	(7,456)	(11,400)
Interest Income Received	13,984	16,975
Taxation Paid	(240)	-
Net Cash Flow From Operating Activities	6,288	5,575
INVESTING ACTIVITIES		
Purchase of Investment Securities	(980,330)	(787,294)
Disposal of Investment Securities	947,877	812,875
Net Cash (Used In)/Flow From Investing Activities	(32,453)	25,581
FINANCING ACTIVITIES		
Subscriptions from Unitholders	88,570	76,177
Redemptions by Unitholders	(78,336)	(122,107)
Net Cash Flow From/(Used In) Financing Activities	10,234	(45,930)
Net Decrease in Cash and Cash Equivalents	(15,931)	(14,774)
Cash and Cash Equivalents at beginning of year	35,237	50,011
Cash and Cash Equivalents at end of year	<u>19,306</u>	<u>35,237</u>

The accompanying notes form an integral part of these financial statements

US DOLLAR INCOME FUND

Notes to the Financial Statements

For the year ended 31 December, 2020
Expressed in United States Dollars

1) General Information

The US Dollar Income Fund (the Fund) is an open-ended fixed income mutual fund denominated in United States Dollars that was launched in April 2000. The Custodians of the Fund are the Central Bank of Trinidad and Tobago and Citibank New York. The Fund invests in accordance with its Investment Policy Statement and guidelines approved by the Board of the Trinidad and Tobago Unit Trust Corporation (The Corporation). The Corporation is the Sponsor, Manager, Trustee and Investment Advisor of the Fund. Responsibility for management of the business affairs of the Fund is vested in the Board of Directors of the Corporation which approves all significant agreements of the Fund. The Corporation's registered office is located at UTC Financial Centre, 82 Independence Square, Port of Spain.

Participation by investors in the Fund is represented by units which are equivalent to a proportion of the Fund's net asset value. There is no limit to the number of units that may be issued. Each unit attracts an equal share in the net asset value and other benefits of the Fund.

Subscriptions

The price of a unit is fixed at US\$20.00 per unit and may be purchased through the Corporation's distribution channels including the Corporation's authorized agents. The minimum initial investment is US\$100.00.

Redemptions

Units may be redeemed at a fixed price per unit of US\$20.00 per unit. Redemption of units is executed via an original Redemption Form in accordance with the policies of the Corporation. Proceeds on redemption are paid in US dollars.

Reinvestments

Income is earned and compounded daily but is credited to unitholders' accounts on a quarterly basis. The Fund's distribution dates are 31 March, 30 June, 30 September and 31 December. Income earned during any distribution period is reinvested in unitholders' accounts unless the unitholder requests otherwise.

Management Charge

The Corporation may charge an annual Management Charge of up to 2% of the market value of the investments held by the Fund.

Investment Objective

The Fund seeks to provide investors with income by investing its capital primarily in US\$ fixed income securities issued by the Government of Trinidad and Tobago, local and international corporations and international sovereigns.

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 are prepared under the historical cost convention as modified by the financial assets held at fair value through profit or loss (FVPL). The methods used to fair value the Fund's financial assets are provided at Note 5(b).
- iii. The Financial Statements are presented in United States dollars, which is the functional currency of the Fund.
- iv. The preparation of the Financial Statements in accordance with IFRS requires management to make judgements, estimates and assumptions. Management reviews these judgements, estimates and underlying assumptions on a regular basis.
- v. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are those used in estimating the fair value of financial assets categorized as Level 3 (see Note 5 (c)).
Management has also exercised significant judgement in determining the business model of the investment portfolios.



US DOLLAR INCOME FUND

Notes to the Financial Statements (continued)

For the year ended 31 December, 2020

Expressed in United States Dollars

2) Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

vi. COVID-19

Operations

In response to the COVID-19 coronavirus pandemic, in March 2020 the Government of Trinidad and Tobago instituted several measures to curtail the virus's spread, including at the onset: periodic lock-downs, stay-at-home measures for non-essential workers, and travel bans and latterly: social distancing protocols, social gathering limitations, and continued border closures.

The Fund was regarded as an essential business (along with other financial institutions such as banks and insurance companies) and as such maintained business operations throughout 2020. In an effort to ensure the safety of the Fund's unitholders and the Sponsor's team members, the Sponsor of the Fund took the decision to migrate the majority of non-customer-facing staff members to working from home. At the time of this report, the Investment Centres and Agencies through which the Fund is distributed have returned to full operations, in line with Government guidelines. The Sponsor's non-customer-facing staff members have continued to work primarily from home and the Sponsor does not anticipate a requirement for these team members to mandatorily return to office in the immediate short term.

Financial statement impact

The Fund's annual financial statements have been affected by the pandemic in primarily two aspects:

- The business model for the Fund's financial assets is Fair Value Through Profit or Loss (FVPL – see Note 2 (d)); consequently, the Fund's performance is materially impacted by market price movements. At the onset of the pandemic, financial markets responded by driving asset prices down due to the then-existing uncertainty and the Fund recognized a material level of fair value losses. Since then, financial markets have rebounded, and the Fund's losses have reversed to produce a fair value gain of \$11 million for the year ended 31 December 2020 through the Statement of Comprehensive Income.
- The Fund earned a lower level of interest as a result of across-the-board interest rate declines. The Fund expects this situation to continue in 2021.

Risk management

The Sponsor routinely undertakes stress testing on the Fund to determine the potential impact of multiple adverse possible outcomes and to implement proactive risk mitigating strategies. The stress testing considers various factors that can have a negative impact on investment securities including changes to interest rates, credit ratings, foreign exchange rates and redemption levels.

The Sponsor has continued to monitor the various risks the Fund faces (market, liquidity, and credit risk) but has not found it necessary to take additional measures to limit its risks apart from adjusting the Fund's portfolio holdings at the onset of the pandemic to exit or reduce certain exposures. As the economic and financial impact of the pandemic became clearer, the Sponsor re-established the Fund's positions selectively. The Sponsor will continue to closely manage the Fund's portfolio holdings and adjust the Fund's positions accordingly. The Sponsor has historically managed the Fund's liquidity risk conservatively and did not experience any liquidity pressures during the year and it does not currently anticipate a liquidity challenge in 2021.

Reliefs and/or concessions

For the year ended 31 December 2020, the Fund did not receive any reliefs or concessions from the Government of Trinidad and Tobago related to the pandemic.

Basis of preparation and subsequent events

Globally, the development of COVID-19 remains uncertain, with consequences that are difficult to predict. Notwithstanding these uncertainties, the Sponsor believes the Fund can withstand materially unfavourable financial impacts, should they arise, and therefore the going concern basis of accounting remains appropriate.

The major area where judgement could be required would be changes to estimation techniques and assumptions for measuring the fair value of financial assets.

The Sponsor is not aware of material events occurring after its Statement of Financial Position date that require either adjusting or disclosure in these financial statements.

b) Standards and amendments to existing standards effective 1 January 2020

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2020 that have a material effect on the financial statements of the Fund.

c) New standards, amendments and interpretations effective after 1 January 2020 and have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2020 and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

d) 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 measurement of financial assets

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 portfolios which are managed and evaluated on a fair value basis. 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 assets in the Fund's portfolios have been classified and measured at FVPL – mandatory.

e) 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.

f) 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 2019 and 2020.
- **Level 3.** Level 3 Uses significant inputs that are unobservable in the valuation of the asset.



US DOLLAR INCOME FUND

Notes to the Financial Statements (continued)

For the year ended 31 December, 2020
Expressed in United States Dollars

2) Significant Accounting Policies (continued)

f) Fair Value Estimation – Investment Securities (continued)

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 judgement with respect to an input, it is classified as Level 3.

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.

Traded local and foreign bonds

Traded bonds are valued using indicative quotations at the reporting date from a reputable pricing service. The quotations do not necessarily reflect the price at which a broker would be willing to execute a transaction and the valuations have been categorized as Level 3. Where the Fund is in receipt of prices at which bonds can be traded, the bonds are categorized as Level 1.

Unquoted Local Bonds

The Fund uses an internally developed model to value its unquoted local bonds. Management reviews the model regularly to incorporate enhancements in line with established best practice. Although no material changes were made during the current financial year, effective 1 January 2019, the Fund's Valuation Committee approved the following improvements to the model.

- Application of bootstrapping methodology to construct a zero-coupon yield curve; previously the Fund used par yield curves.
- Use of an extrapolation function to estimate the short end of the yield curve.
- Incorporation of industry specific spreads and credit ratings. The Fund now uses the Global Industry Classification Standard (GICS) to estimate the spread desirable for each bond.

The output of any valuation model is an estimate of a value that cannot be determined with certainty. As such the valuation may vary significantly from the value that would be realized in an actual transaction. Valuations based on the model 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, which are of a short-term nature, are assumed to approximate their fair values.

g) Foreign Currency Translation

The Fund's functional and presentation currency is United States dollars (US\$). The Fund's transactions are undertaken in United States dollars.

h) Cash and Cash Equivalents

Cash and cash equivalents include 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.

i) Revenue Recognition

Interest income is recognized in the Statement of Comprehensive Income using the effective interest rate method.

j) Taxation

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

Taxes are recognised as an expense in the period in which they occur.

3) Cash and Cash Equivalents

	31-Dec-20 \$'000	31-Dec-19 \$'000
Cash and cash equivalents at brokers	2,640	14,324
Cash at bank	16,666	20,913
Total	19,306	35,237

4) Receivables

	31-Dec-20 \$'000	31-Dec-19 \$'000
Amounts due from the Corporation (see Note 10)	15,977	4,183
Interest receivable	4,215	2,365
Due from brokers	745	14,635
Total	20,937	21,183

5) Investment Securities

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

	31-Dec-20 \$'000	31-Dec-19 \$'000
Investment securities carried at fair value		
Bonds	469,126	251,514
Structured bonds	-	68,978
Bond traded funds	39,829	-
Short-term investments	62,499	208,257
Total	571,454	528,749

Investment securities summarized by classification

	31-Dec-20 \$'000	31-Dec-19 \$'000
- At fair value through profit or loss – mandatory (FVPL – M)	571,454	528,749
Total	571,454	528,749

a) Fair Value Hierarchy for Investment Securities

The Fund uses a valuation hierarchy to rank the fair value of its Investments (see Note 2 (f) Fair Value Estimation). The Fund's Investments at December 2020 are analysed by their fair value hierarchy below:

Fair Value Hierarchy for Investment Securities December 2020

Recurring fair value measurements	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Investment securities carried at fair value through profit or loss - mandatory				
Bonds	-	-	469,126	469,126
Structured bonds	-	-	-	-
Bond traded funds	39,829	-	-	39,829
Short-term Investments	62,499	-	-	62,499
Total Investment Securities	102,328	-	469,126	571,454

The Fund's Investments at 31 December 2019 are analysed by the fair value hierarchy below:

Fair Value Hierarchy for Investment Securities December 2019

Recurring fair value measurements	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Investment securities carried at fair value through profit or loss - mandatory				
Bonds	-	-	251,514	251,514
Structured bonds	-	-	68,978	68,978
Short-term Investments	208,257	-	-	208,257
Total Investment Securities	208,257	-	320,492	528,749

b) Valuation Techniques used to derive Level 3 Fair Values

The valuation techniques used by the Fund to arrive at the fair value of Level 3 investments are set out in Note 2. The Tables below summarize the valuation techniques used in estimating the fair value of Level 3 securities, the significant unobservable inputs, the relationship of the unobservable inputs to fair value and the impact that an increase or decrease in the unobservable inputs would have had on the valuation results.



US DOLLAR INCOME FUND

Notes to the Financial Statements (continued)

For the year ended 31 December, 2020

Expressed in United States Dollars

5) Investment Securities (continued)

b) Valuation Techniques used to derive Level 3 Fair Values (continued)

Values in the following four (4) Tables are expressed in millions of dollars.

Summary of Techniques used to value Level 3 Financial Assets in 2020

Investment securities carried at fair value through profit or loss - mandatory	Level 3 fair value 2020 \$'M	Valuation Technique used	Significant unobservable inputs	Possible shift in inputs +/-	Change in valuation +/- \$'M
Bonds	469	Valuation model, Trading prices	Interest rates, spreads	+ 1%	5
Structured bonds	-	Trading prices	Interest rates, spreads	+ 1%	-
TOTAL	469				5

Fair value through profit or loss - mandatory	Carrying Value Level 3 Securities 1/1/2020 \$'M	Purchases/ Capitalized Interest \$'M	Sales/ Repayments/ Maturities \$'M	Net Gains/ (Losses) recognized in Profit or Loss \$'M	Carrying Values Level 3 Securities 31/12/2020 \$'M	Fair Values \$'M
Bonds	252	315	(105)	7	-	469
Structured bonds	69	-	(70)	1	-	-
TOTAL	321	315	(175)	8	-	469

Summary of Techniques used to value Level 3 Financial Assets in 2019

Investment securities carried at fair value through profit or loss - mandatory	Level 3 fair value 2019 \$'M	Valuation Technique used	Significant unobservable inputs	Possible shift in inputs +/-	Change in valuation +/- \$'M
Bonds	252	Valuation model, Trading prices	Interest rates, spreads	+ 1%	3
Structured bonds	69	Trading prices	Interest rates, spreads	+ 1%	1
TOTAL	321				4

Fair value through profit or loss - mandatory	Carrying Value Level 3 Securities 1/1/2019 \$'M	Purchases/ Capitalized Interest \$'M	Sales/ Repayments/ Maturities \$'M	Net Gains/ (Losses) recognized in Profit or Loss \$'M	Carrying Values Level 3 Securities 31/12/2019 \$'M	Fair Values \$'M
Bonds	372	24	(159)	15	252	252
Structured bonds	78	-	(10)	1	69	69
TOTAL	450	24	(169)	16	321	321

c) The Fund's exposure to market, credit and liquidity risk on its investments is provided at Note 9.

6) Payables

	31-Dec-20 \$'000	31-Dec-19 \$'000
Amounts due to the Corporation (see Note 10)	663	875
Distribution payable	1,639	1,561
Other payables	370	366
Total	2,672	2,802

7) Distribution to Unitholders

Distributions allocated to Unitholders for the year ended 31 December 2020 was \$6,891,818 (Dec 2019: \$5,707,498). The next distribution period is January to March 2021.

8) Unitholders' Capital

This represents the capital value of units issued by the Fund. The Fund is responsible for redemption of its units. The movement in the balance of Redeemable units is summarized below.

	2020 \$'000	2019 \$'000
Opening balance Unitholders' Capital 1 January	560,965	598,804
Add: Sales	97,892	77,344
Less: Repurchases	(83,549)	(115,183)
Net Sales	14,343	(37,839)
Closing Balance 31 December	575,308	560,965

9) Financial Risk Management

Financial Risk Exposures

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

- market risk - which comprises of bond price risk and interest rate risk
- credit risk; and
- liquidity risk

Market Risk

Market risk is the risk that changes in market prices for example, bond prices 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.

Bond Price Risk

Bond price risk is the risk that the fair value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment or its issuer or factors affecting all instruments traded in the market.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest rate risk exposure arises primarily on fixed rate debt securities held.

The Fund manages the overall interest rate risk by making judicious adjustments of the overall weighted average term to maturity (duration) of its portfolios.

The following Tables demonstrate the sensitivity of the Fund's profit or loss for the year to a reasonable possible change in interest rates, with all other variables held constant. The sensitivity of the profit or loss for the year is the effect of the assumed change in interest rates on:

- The interest income for one year, based on the floating rate assets held at the end of the reporting period; and
- Changes in the fair value for the year, based on revaluing fixed rate financial assets at the end of the reporting period.

	Change in basis points	Sensitivity of interest income Increase/decrease \$'000	Sensitivity of changes in fair value of investments \$'000
31 December 2020	\$'000	\$'000	\$'000
US interest rates	100	3	4,254
LIBOR	100	15	-
31 December 2019	\$'000	\$'000	\$'000
US interest rates	100	22	2,081
LIBOR	100	13	-



US DOLLAR INCOME FUND

Notes to the Financial Statements (continued)

For the year ended 31 December, 2020

Expressed in United States Dollars

9) Financial Risk Management (continued)

Interest Rate Risk (continued)

The Fund's exposure to interest rate risk as at 31 December 2020 is summarized below. The Fund's assets and liabilities are included at their carrying amount and categorized by the earlier of contractual re-pricing or maturity dates.

	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total \$'000
At 31 December, 2020				
Assets				
Cash & Cash Equivalents	19,306	-	-	19,306
Short-term Investments	62,500	-	-	62,500
Bonds measured at fair value through profit or loss	142,308	307,693	46,451	496,452
Rate Re-pricing Position	224,114	307,693	46,451	578,258

The Fund's exposure to interest rate risk as at 31 December 2019 is summarized below.

	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total \$'000
At 31 December, 2019				
Assets				
Cash & Cash Equivalents	35,237	-	-	35,237
Short-term Investments	208,500	-	-	208,500
Bonds measured at fair value through profit or loss	126,128	172,753	23,711	322,592
Rate Re-pricing Position	369,865	172,753	23,711	566,329

Credit Risk

Credit risk is the risk that the counterparty 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.

The Fund is exposed to credit risk primarily on debt securities, short-term investments and bank balances. The carrying value of these assets represents the Fund's maximum exposure to credit risk on financial instruments on the respective reporting dates.

Credit risk is managed by:

- subjecting counterparties to robust credit risk assessments prior to initial acquisition;
- limiting the acquisition or retention of debt instruments to certain credit ratings; and
- regular review, measurement and monitoring of counterparties' credit ratings.

The quality of the Fund's debt securities, money market fund and bank balances is analysed in the Table below into high, moderate and low using ratings primarily from international rating agencies and local rating agencies for either the instrument, the issuer, the sponsor in the case of Bond ETFs or the sovereign in the case of State owned entities. In those few instances where instruments were rated internally, the ratings were mapped to the international credit quality grades used by Standard and Poor's.

	2020 \$'000	2019 \$'000
Securities rated by S&P as AAA to BBB-, are considered high credit quality instruments		
- Debt securities	419,763	282,478
- Short-term instruments	62,499	208,257
- Bond traded funds	34,809	-
- Bank balances	19,306	35,237
Securities rated by S&P as BB+ to B-, are considered medium credit quality instruments		
- Debt securities	46,261	38,014
- Bond traded funds	5,020	-
Securities rated by S&P as CCC+ and below, are considered low quality instruments		
- Debt securities	3,103	-
Total	590,760	563,986

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 by holding adequate cash, cash equivalents and short-term investments. In addition, substantial portions of the investments held by the portfolios are tradable.

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, 2020	
Other payables	1,033
Distribution payable	1,639
Total	2,672

	Less than 1 year \$'000
At 31 December, 2019	
Other payables	1,241
Distribution payable	1,561
Total	2,802

Capital Management

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

- To comply with the capital requirements stipulated by the regulators
- To safeguard the Fund's ability to continue as a going concern; and
- To provide attractive risk adjusted returns

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 Fund is managed by the Corporation. Under the terms of the investment management agreement dated April 2000, the Corporation may charge an annual fee of up to 2% of the net asset value of the Fund.

Total management fees for the year amounted to \$7.4 million or 1.25% of month end fund sizes (December 2019: \$8.7 million or 1.50% of average fund size). The outstanding management charge due to the Corporation at the 31 December 2020 amounted to \$0.6 million (December 2019: \$0.7 million).

There is an amount of \$16.0 million receivable from the Corporation at the end of the reporting period. (see Note 4).

The Corporation also has an investment in the Fund as at 31 December 2020. The value of the holding is \$0.5 million.

11) Approval of the Financial Statements

These Financial Statements were approved by the Board of Directors and authorized for issue on 12 February 2021.