



**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 – GROWTH AND INCOME FUND (FIRST UNIT SCHEME) FOR THE YEAR ENDED 31 DECEMBER, 2020

OPINION

The financial statements of the Trinidad and Tobago Unit Trust Corporation – Growth and Income Fund – First Unit Scheme (the Fund) for the year ended 31 December, 2020 have been audited. The statements as set out on pages 1 to 24 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 12, including a summary of significant accounting policies.

2. In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trinidad and Tobago Unit Trust Corporation – Growth and Income Fund – First Unit Scheme (the 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 (IFRS).

BASIS FOR OPINION

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

OTHER MATTER

4. Attention is drawn to the Statement of Changes in Equity where a reallocation of \$53 million was made from the Unitholders' Capital to Retained Earnings. This reallocation represented a regularization of a secondary reserve adjustment which had remained a reconciling item over the period 2013 to 2019. Attention is also drawn to Note 8 to the financial statements where the sales figure of \$402.6 million is net of this \$53 million reallocation.

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

5. 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.

6. 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.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

8. 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.

9. 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.

10. 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.

11. 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



**GROWTH AND INCOME FUND
(FIRST UNIT SCHEME)
STATEMENT OF FINANCIAL POSITION**

As at 31 December, 2020

Expressed in Trinidad and Tobago Dollars

ASSETS	Notes	31-Dec-20 \$'000	31-Dec-19 \$'000
Cash and Cash Equivalents	3	203,596	326,653
Receivables	4	29,641	33,871
Investment Securities	5	5,048,251	5,019,177
TOTAL ASSETS		5,281,488	5,379,701
LIABILITIES			
Payables	6	27,544	26,200
TOTAL LIABILITIES		27,544	26,200
EQUITY			
Unitholders' Capital	8	3,279,725	3,420,229
Retained Earnings		1,974,219	1,933,272
TOTAL EQUITY		5,253,944	5,353,501
TOTAL LIABILITIES AND EQUITY		5,281,488	5,379,701
Number of Units in issue		282,393	287,273
Net Asset Value Per Unit		\$18.61	\$18.63

Chairman



Executive Director

The accompanying notes form an integral part of these financial statements

**GROWTH AND INCOME FUND
(FIRST UNIT SCHEME)
STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December, 2020

Expressed in Trinidad and Tobago Dollars

	Notes	31-Dec-20 \$'000	31-Dec-19 \$'000
INCOME			
Interest Income		65,831	71,973
Dividend Income		64,856	110,043
Net Change in Fair Value of Investment Securities		(8,261)	401,255
Foreign Exchange (Loss)/Gain		(3,844)	204
Total Income		118,582	583,475
EXPENSES			
Management Charge	10	(103,042)	(104,419)
Other Expenses		(264)	(175)
Bank Charges		(185)	(185)
Total Expenses		(103,491)	(104,779)
Net Income before Taxation		15,091	478,696
Withholding Taxes		(4,401)	(3,903)
Net Income for the year		10,690	474,793

The accompanying notes form an integral part of these financial statements



**GROWTH AND INCOME FUND
(FIRST UNIT SCHEME)
STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December, 2020
Expressed in Trinidad and Tobago Dollars

	Unitholders' Capital \$'000	Retained Earnings \$'000	Total \$'000
Balance as at 1 January, 2020	3,420,229	1,933,272	5,353,501
Reallocation	(53,000)	53,000	-
Net Income for the year	-	10,690	10,690
Subscriptions from Unitholders	130,262	-	130,262
Redemptions by Unitholders	(217,766)	-	(217,766)
Distributions to Unitholders	-	(22,743)	(22,743)
Balance as at 31 December, 2020	3,279,725	1,974,219	5,253,944
Balance as at 1 January, 2019	3,351,915	1,530,183	4,882,098
Net Income for the year	-	474,793	474,793
Subscriptions from Unitholders	278,425	-	278,425
Redemptions by Unitholders	(210,111)	-	(210,111)
Distributions to Unitholders	-	(71,704)	(71,704)
Balance as at 31 December, 2019	3,420,229	1,933,272	5,353,501

The accompanying notes form an integral part of these financial statements

**GROWTH AND INCOME FUND
(FIRST UNIT SCHEME)
STATEMENT OF CASH FLOWS**

For the year ended 31 December, 2020
Expressed in Trinidad and Tobago Dollars

	31-Dec-20 \$'000	31-Dec-19 \$'000
OPERATING ACTIVITIES		
Net Income before Taxation	15,091	478,696
<i>Adjustment to Reconcile Net Income to Net Cash and Cash Equivalents From Operating Activities:</i>		
Interest Income	(65,831)	(71,973)
Dividend Income	(64,856)	(110,043)
Net Change in Fair Value of Investment Securities	8,261	(401,255)
	(107,335)	(104,575)
<i>Movements in Net Current Assets</i>		
Decrease/(Increase) in Receivables	2,537	(8,384)
Increase/(Decrease) in Payables	4,329	(38,750)
	(100,469)	(151,709)
Interest Received	55,841	57,134
Dividend Received	67,410	106,064
Taxation Paid	(4,401)	(3,903)
Net Cash Flow From Operating Activities	18,381	7,586
INVESTING ACTIVITIES		
Purchase of Investment Securities	(6,530,781)	(6,309,318)
Disposal of Investment Securities	6,501,588	6,235,292
Net Cash Flow Used In Investing Activities	(29,193)	(74,026)
FINANCING ACTIVITIES		
Subscriptions from Unitholders	105,957	198,076
Redemptions by Unitholders	(217,766)	(210,111)
Distributions to Unitholders	(436)	(1,558)
Net Cash Used In Financing Activities	(112,245)	(13,593)
Net Decrease in Cash and Cash Equivalents	(123,057)	(80,033)
Cash and Cash Equivalents at the beginning of the year	326,653	406,686
Cash and Cash Equivalents at the end of the year	203,596	326,653

The accompanying notes form an integral part of these financial statements



**GROWTH AND INCOME FUND
(FIRST UNIT SCHEME)**

Notes to the Financial Statements

For the year ended 31 December, 2020

Expressed in Trinidad and Tobago Dollars

1) General Information

The Growth and Income Fund (the Fund) is an open-ended mutual fund denominated in Trinidad and Tobago dollars that was launched on 29 December 1982. 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 the Fund's significant agreements. 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 income to be distributed, capital gains reflected in unit prices, and other benefits arising from participation in the Fund.

Subscriptions

Units may be purchased every business day at the offer price on the day and may be purchased through the Corporation's distribution channels including the Corporation's authorized agents. The minimum amount of each subsequent investment shall be the price of one unit at the net asset value.

Redemptions

Units may be redeemed every business day at the bid price. Redemption of units is executed via an original Redemption Form in accordance with the policies of the Corporation. Proceeds on redemption are paid in TT dollars.

Reinvestment

Income earned during any distribution period is automatically re-invested ten working days after June 30 and December 31 unless the unitholder requests otherwise.

Guarantee

By statutory instrument dated 17 January 1985, the Corporation guarantees that all subscribers who hold their units continually for three years from the date of purchase will not redeem their units at a price less than the initial purchase price.

Initial Charge

The Corporation may impose an initial charge of up to 5% on all units issued to the public and may vary the charge where the Board of the Corporation is satisfied that it is warranted. The initial charge during 2020 was 2% (2019: 2%).

Management Charge

The Corporation may impose a half-yearly charge (management charge) of up to 1% of the market value of the investments held by the Trust for each six-monthly distribution period (see Note 10).

Investment Objective

The Fund seeks to provide investors with medium to long-term capital appreciation as well as current income by investing in a combination of equity and fixed income securities.

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 measured at fair value through profit or loss (FVPL). The methods used to fair value the Fund's financial assets are provided at Note 5.
- iii. The Financial Statements are presented in Trinidad and Tobago dollars, which is the functional currency of the Fund.
- iv. The preparation of the Financial Statements in accordance with IFRS requires management to make 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 Notes 5 (c)).

Management has also exercised significant judgement in determining the business model of the investment portfolios.

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 loss. For the year ended 31 December 2020, the Fund recognized a fair value loss of \$8.3 million through the Statement of Comprehensive Income.
- The Fund earned a lower level of interest and dividend income as a result of across-the-board interest rate declines and from either the reduction or suspension of dividend declarations from its equity investments. 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, equity prices 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 position selectively. The Sponsor will continue to closely manage the Fund's portfolio holdings and adjust the Fund's position 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.



**GROWTH AND INCOME FUND
(FIRST UNIT SCHEME)**

Notes to the Financial Statements (continued)

For the year ended 31 December, 2020

Expressed in Trinidad and Tobago Dollars

2) Significant Accounting Policies (continued)

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.** 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.** 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.** Uses significant inputs that are unobservable in the valuation of the asset.

The level within the fair value hierarchy to which fair value measurements are assigned is determined by the lowest level input that is significant to the fair value measurement in its entirety. Thus, where a fair value measurement requires significant 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.

Equities and Exchange Traded Funds (ETF's) in active markets

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

Equities not traded in an active market – unquoted equity

The fair value of significant holdings of unquoted securities is estimated by professional valuers and categorized as Level 3.

Private equity

The fair value of the Fund's private equity holdings is provided by the General Partners of the entities and are categorized as Level 3.

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 Trinidad and Tobago dollars (TT\$). Foreign currency transactions are translated into the functional currency using the mid-rate for the currency, quoted by the Central Bank of Trinidad and Tobago, on the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognized in the Statement of Comprehensive Income.



**GROWTH AND INCOME FUND
(FIRST UNIT SCHEME)**

Notes to the Financial Statements (continued)

For the year ended 31 December, 2020

Expressed in Trinidad and Tobago Dollars

2) Significant Accounting Policies (continued)

h) Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, cash balances at brokers, and other short-term instruments with original maturities of ninety days or less.

i) Revenue Recognition

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

Dividend income is recognized only when:

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

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

j) Taxation

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

3. Cash and Cash Equivalents

	31-Dec-20 \$'000	31-Dec-19 \$'000
Cash and cash equivalents at brokers	38,401	115,836
Cash at bank	165,195	210,817
Total	203,596	326,653

4. Receivables

	31-Dec-20 \$'000	31-Dec-19 \$'000
Amounts due from the Corporation (see Note 10)	-	988
Dividend receivable	8,783	11,336
Interest receivable	14,582	12,734
Due from brokers	6,276	8,813
Total	29,641	33,871

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	1,217,091	1,211,012
Quoted equities	2,490,645	2,386,199
Unquoted equities	249,595	324,897
Exchange Traded Funds	775,959	325,301
Private equity	3,629	10,380
Short-term investments	227,628	667,287
Mutual Funds	83,704	94,101
Total	5,048,251	5,019,177

**Investment securities summarized
by classification**

	31-Dec-20 \$'000	31-Dec-19 \$'000
- At fair value through profit or loss – mandatory (FVPL – M)	5,048,251	5,019,177
Total	5,048,251	5,019,177

a) The Fair Value Hierarchy for Investment Securities

The Fund uses a valuation hierarchy to rank the fair value of its Investments (see Note 2 (f) Fair Value Estimation). The Fund's Investments at 31 December 2020 are analyzed 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	31,732	-	1,185,359	1,217,091
Quoted equities	2,490,645	-	-	2,490,645
Unquoted equities	-	-	249,595	249,595
Exchange Traded Funds	775,959	-	-	775,959
Private Equity	-	-	3,629	3,629
Short-term Investments	227,628	-	-	227,628
Mutual Funds	83,704	-	-	83,704
Total Investment Securities	3,609,668	-	1,438,583	5,048,251

The Fund's Investments at 31 December 2019 are analyzed by the fair valuation 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	31,402	-	1,179,610	1,211,012
Quoted equities	2,386,199	-	-	2,386,199
Unquoted equities	-	-	324,897	324,897
Exchange Traded Funds	325,301	-	-	325,301
Private Equity	-	-	10,380	10,380
Short-term Investments	667,287	-	-	667,287
Mutual Funds	94,101	-	-	94,101
Total Investment Securities	3,504,290	-	1,514,887	5,019,177

b) Transfers between Fair Value Hierarchy Levels

There were no transfers between the Fair Value Hierarchy Levels during either 2020 or 2019.

c) 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 (f). 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.

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	1,185	Valuation Model, Trading Prices	Interest rates, spreads	+1%	12
Unquoted equities	250	Professional Valuator	Not applicable	Not applicable	Not applicable
Private equity	4	General partner's valuation	Not applicable	Not applicable	Not applicable
TOTAL	1,439				12



**GROWTH AND INCOME FUND
(FIRST UNIT SCHEME)**

Notes to the Financial Statements (continued)

For the year ended 31 December, 2020

Expressed in Trinidad and Tobago Dollars

5. Investment Securities (continued)

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

**Summary of Techniques used to value Level 3 Financial Assets in 2020
(continued)**

Fair value through profit or loss - mandatory	Carrying Value Level 3 Securities 1/1/2020	Purchases/ Capitalized Interest	Sales/ Repayments/ Maturities recognized	Net Gains/ (Losses) Profit or Loss	Carrying Values Level 3 Securities 31/12/2020	Fair Values
	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M
Bonds	1,180	149	(160)	16	1,185	1,185
Unquoted equities	325	-	-	(75)	250	250
Private equity	10	2	-	(8)	4	4
TOTAL	1,515	151	(160)	(67)	1,439	1,439

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	Valuation Technique used	Significant unobservable inputs	Possible shift in inputs +/-	Change in valuation +/-
	\$'M				\$'M
Bonds	1,180	Valuation Model, Trading Prices	Interest rates, spreads	+1%	12
Unquoted equities	325	Professional Valuator	Not applicable	Not applicable	Not applicable
Private equity	10	General partner's valuation	Not applicable	Not applicable	Not applicable
TOTAL	1,515				12

Fair value through profit or loss - mandatory	Carrying Value Level 3 Securities 1/1/2019	Purchases/ Capitalized Interest	Sales/ Repayments/ Maturities recognized	Net Gains/ (Losses) Profit or Loss	Carrying Values Level 3 Securities 31/12/2019	Fair Values
	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M
Bonds	1,099	182	(150)	49	1,180	1,180
Unquoted equities	326	-	-	(1)	325	325
Private equity	93	1	(22)	(62)	10	10
TOTAL	1,518	183	(172)	(14)	1,515	1,515

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

6) Payables

	31-Dec-20 \$'000	31-Dec-19 \$'000
Amounts due to the Corporation (see Note 10)	15,144	9,110
Distribution payable	11,410	14,395
Other payables	990	2,695
Total	27,544	26,200

7) Distribution To Unitholders

The distribution allocated to unitholders for the year ended 31 December 2020 was \$22,743,284 (Dec 2019: \$71,704,323). The next distribution period is January to June 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	3,420,229	3,351,915
Add: Sales	402,602	712,786
Less: Repurchases	(543,106)	(644,472)
Net Sales	(140,504)	68,314
Closing Balance 31 December	3,279,725	3,420,229

9) Financial Risk Management

Financial Risk Exposures

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

- market risk – which comprises:
 - bond price risk
 - equity and exchange traded funds (ETF) price risk
 - interest rate risk
 - currency risk
- credit risk; and
- liquidity risk

Market Risk

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

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.

Equity and ETF Price Risk

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

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

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

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

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

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

	Lower than market \$'000	Comparable to market \$'000	Higher than market \$'000
At 31 December 2020	1,285,115 59%	246,489 11%	663,126 30%
At 31 December 2019	1,684,985 60%	989,536 35%	131,080 5%

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

	31 December 2020	31 December 2019
TTSE Composite Index	\$67.0 million	\$36.7 million
S&P 500 Composite Index	\$15.5 million	\$45.3 million



**GROWTH AND INCOME FUND
(FIRST UNIT SCHEME)**

Notes to the Financial Statements (continued)

For the year ended 31 December, 2020
Expressed in Trinidad and Tobago Dollars

9) Financial Risk Management (continued)

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 the 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.

31 December 2020	Change in basis points	Sensitivity of interest income Increase/decrease \$'000	Sensitivity of changes in fair value of investments \$'000
US interest rates	100	-	4,464
T&T interest rates	100	23	4,274

31 December 2019	Change in basis points	Sensitivity of interest income Increase/decrease \$'000	Sensitivity of changes in fair value of investments \$'000
US interest rates	100	-	3,028
T&T interest rates	100	24	5,403

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	203,596	-	-	203,596
Short-term investments	227,902	-	-	227,902
Bonds measured at fair value through profit or loss	95,485	798,537	280,554	1,174,576
Rate Re-pricing Position	526,983	798,537	280,554	1,606,074

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	326,653	-	-	326,653
Short-term investments	667,143	-	-	667,143
Bonds measured at fair value through profit or loss	136,560	484,260	560,822	1,181,642
Rate Re-pricing Position	1,130,356	484,260	560,822	2,175,438

Currency Risk

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

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

	At 31 December 2020		At 31 December 2019	
	US\$ (Presented in TT\$) \$'000	Other Foreign Currencies (Presented in TT\$) \$'000	US\$ (Presented in TT\$) \$'000	Other Foreign Currencies (Presented in TT\$) \$'000
Assets				
Cash & cash equivalents	171,627	-	155,445	-
Short-term investments	141,628	-	507,286	-
Bonds measured at fair value through profit or loss	455,219	-	313,797	-
Equities, ETFs, Private equity & Mutual Funds	1,717,708	-	1,224,512	-
Total	2,486,182	-	2,201,040	-

The following analysis shows how the effect of a 1% change in the TT dollar relative to the US dollar would have changed the net assets of the Fund at 31 December 2020 with all other variables held constant.

	2020 \$'000	2019 \$'000
Approximate change in US\$	24,862	22,010
Concentration of foreign currency exposure % of total equity		
US dollars	47%	41%

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 are analyzed 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	783,760	1,071,275
- Short-term instruments	-	135,289
- Bank balances	165,195	326,653
Securities rated by S&P as BB+ to B-, are considered medium credit quality instruments		
- Debt securities	433,331	139,737
Total	1,382,286	1,672,954

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.



**GROWTH AND INCOME FUND
(FIRST UNIT SCHEME)**

Notes to the Financial Statements

For the year ended 31 December, 2020

Expressed in Trinidad and Tobago Dollars

9) Financial Risk Management (continued)

Liquidity Risk (continued)

At 31 December 2020

Other payables
Distribution payable
Total

**Less than 1 year
\$'000**

16,134
11,410
27,544

At 31 December 2019

Other payables
Distribution payable
Total

**Less than 1 year
\$'000**

11,805
14,395
26,200

Capital Management

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

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

10) Related Party Transactions

Parties are considered 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 29 December 1982, the Corporation may charge 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 1% of the said net asset value (i.e. maximum 2% annually).

Total management fees for the year amounted to \$103.0 million or 2% of month end fund size (December 2019: \$104.4 million or 2% of fund size). The outstanding management charge due to the Corporation at 31 December 2020 amounted to \$8.9 million (December 2019: \$9.1 million).

The Growth and Income Fund invested in the Calypso Macro Index Fund as at 31 December 2020. The market value of the holdings as at 31 December 2020 is \$83.7 million.

During the year, the Fund received \$4.1 million (2019: \$3.8 million) from the Calypso Macro Index Fund. Included in Dividend receivable (see Note 4) at the end of the reporting period was an amount of \$0.7 million (2019: \$0.7 million) due from the Calypso Macro Index Fund.

There is an amount of \$6.2 million payable to the Corporation at the end of the reporting period. (see Note 6).

There were no other related party transactions for the year.

11) Commitments

The Fund had contractual obligations for capital contributions in respect of its private equity investment in Global Infrastructure Partners - C, L.P, however this facility matured in March 2020; over the next three years, there will be taxes and other expenses related to the investment which the Fund may have to bear.

12) Approval of the Financial Statements

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