



**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, 2021**

**OPINION**

The financial statements of the Trinidad and Tobago Unit Trust Corporation – US Dollar Income Fund (the Fund) for the year ended 31 December, 2021 have been audited. The statements as set out on pages 1 to 20 comprise a Statement of Financial Position as at 31 December, 2021, 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, 2021 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 the principles and concepts of International Standards of Supreme Audit Institutions (ISSAIs). 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 the principles and concepts of ISSAIs 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 the principles and concepts of ISSAIs, 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.



**25<sup>TH</sup> MARCH, 2022**  
**PORT OF SPAIN**

  
**LORELLY PUJADAS**  
**AUDITOR GENERAL**



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

As at 31 December, 2021

Expressed in United States Dollars

	Notes	31-Dec-21 \$ '000	31-Dec-20 \$ '000
<b>ASSETS</b>			
Cash and Cash Equivalents	3	22,173	19,306
Receivables	4	21,626	20,937
Investment Securities	5	610,668	571,454
<b>TOTAL ASSETS</b>		<b>654,467</b>	<b>611,697</b>
<b>LIABILITIES</b>			
Payables	6	2,204	2,672
<b>TOTAL LIABILITIES</b>		<b>2,204</b>	<b>2,672</b>
<b>EQUITY</b>			
Unitholders' Capital	8	625,746	575,308
Retained Earnings		9,431	19,331
Fund Reserves		17,086	14,386
<b>TOTAL EQUITY</b>		<b>652,263</b>	<b>609,025</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>654,467</b>	<b>611,697</b>
<b>Net Asset Value Per Unit</b>		<b>\$20.79</b>	<b>\$21.10</b>

  
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, 2021

Expressed in United States Dollars

	Notes	31-Dec-21 \$ '000	31-Dec-20 \$ '000
<b>INCOME</b>			
Interest Income		16,673	14,951
Net Change in Fair Value of Investment Securities		(10,469)	11,135
Other Income		159	951
<b>Total Income</b>		<b>6,363</b>	<b>27,037</b>
<b>EXPENSES</b>			
Management Charge	10	(7,913)	(7,383)
Commissions		(89)	(132)
Other Expenses		(22)	(25)
Bank Charges		(52)	(50)
<b>Total Expenses</b>		<b>(8,076)</b>	<b>(7,590)</b>
<b>Net (Loss)/Income before Taxation</b>		<b>(1,713)</b>	<b>19,447</b>
Withholding Taxes		182	(240)
<b>Net (Loss)/Income for the year</b>		<b>(1,531)</b>	<b>19,207</b>

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, 2021

Expressed in United States Dollars

	Unitholders' Capital \$'000	Retained Earnings \$'000	Fund Reserves \$'000	Total \$'000
<b>Balance as at 1 January, 2021</b>	<b>575,308</b>	<b>19,331</b>	<b>14,386</b>	<b>609,025</b>
Net Loss for the year	-	(1,531)	-	(1,531)
Subscriptions from Unitholders	99,152	-	-	99,152
Redemptions by Unitholders	(48,714)	-	-	(48,714)
Distribution to Unitholders	-	(5,669)	-	(5,669)
Net Allocation to Reserves	-	(2,700)	2,700	-
<b>Balance as at 31 December, 2021</b>	<b>625,746</b>	<b>9,431</b>	<b>17,086</b>	<b>652,263</b>
<b>Balance as at 1 January, 2020</b>	<b>560,965</b>	<b>7,016</b>	<b>14,386</b>	<b>582,367</b>
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)
<b>Balance as at 31 December, 2020</b>	<b>575,308</b>	<b>19,331</b>	<b>14,386</b>	<b>609,025</b>

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, 2021  
Expressed in United States Dollars

	31-Dec-21 \$ '000	31-Dec-20 \$ '000
<b>OPERATING ACTIVITIES</b>		
Net (Loss)/Income before Taxation	(1,713)	19,447
<i>Adjustment to Reconcile Net Income to Net Cash and Cash Equivalents From Operating Activities:</i>		
Interest Income	(16,673)	(14,951)
Net Change in Fair Value of Investment Securities	10,469	(11,135)
	(7,917)	(6,639)
<i>Movements in Net Current Assets</i>		
Increase in Receivables	(508)	(609)
Decrease in Payables	(255)	(208)
	(8,680)	(7,456)
Interest Income Received	19,941	13,984
Taxation Received/(Paid)	182	(240)
<b>Net Cash Flow From Operating Activities</b>	<b>11,443</b>	<b>6,288</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of Investment Securities	(394,338)	(980,330)
Disposal of Investment Securities	340,477	947,877
<b>Net Cash Used In Investing Activities</b>	<b>(53,861)</b>	<b>(32,453)</b>
<b>FINANCING ACTIVITIES</b>		
Subscriptions from Unitholders	93,999	88,570
Redemptions by Unitholders	(48,714)	(78,336)
<b>Net Cash Flow From Financing Activities</b>	<b>45,285</b>	<b>10,234</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>2,867</b>	<b>(15,931)</b>
Cash and Cash Equivalents at beginning of year	19,306	35,237
<b>Cash and Cash Equivalents at end of year</b>	<b>22,173</b>	<b>19,306</b>

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, 2021  
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 authorised 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 categorised as Level 3 (see Note 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, since 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 more recently: social distancing protocols, and social gathering limitations.





## US DOLLAR INCOME FUND

### Notes to the Financial Statements (continued)

For the year ended 31 December, 2021

Expressed in United States Dollars

## 2) Significant Accounting Policies (continued)

### a) Basis of Preparation (continued)

#### vi. COVID-19 (continued)

##### Operations (continued)

The Corporation 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 and 2021. 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 migrated to hybrid working arrangements.

##### 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 recognised a material level of fair value losses. For the year ended 31 December 2021, the Fund recognised a fair value loss of \$10.5 million through the Statement of Comprehensive Income.
- The Fund earned a higher level of interest compared to 2021, as a result of a higher level of investments. The Fund expects this situation to continue in 2022.

##### Risk management

The Sponsor routinely undertakes stress testing on the Fund to determine the potential impact of multiple adverse 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 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 anticipate a liquidity challenge in 2022.

##### Reliefs and/or concessions

For the year ended 31 December 2021, 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 2021

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2021 that have a material effect on the financial statements of the Fund.

### c) New standards, amendments and interpretations effective after 1 January 2021 and have not been early adopted

A number of new standards, amendments to standards and interpretations that are issued but not yet effective, up to the date of issuance of the Fund's financial statements, 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

##### Initial recognition and subsequent measurement

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the 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.

##### Financial assets at fair value through profit or loss (FVPL)

Financial assets at FVPL are those that are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- i. The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.
- ii. The liabilities are part of a group of financial liabilities, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Financial assets at FVPL are recorded in the statement of financial position at fair value at the end of each reporting period. Changes in fair value are recorded in the Statement of Comprehensive Income.

The net gain or loss recognised in the Statement of Comprehensive Income is determined in the manner described in Note 2 (f).

Interest earned or incurred on instruments designated at FVPL is accrued in interest income, using the effective interest rate (EIR) method, taking into account any discount/premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVPL is recorded using the contractual interest rate.

The Fund does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Fund acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

##### Derecognition of financial assets

The Fund derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.



US DOLLAR INCOME FUND

Notes to the Financial Statements (continued)

For the year ended 31 December, 2021

Expressed in United States Dollars

2) Significant Accounting Policies (continued)

e) Financial Liabilities

*Initial recognition and subsequent measurement*

The Fund recognises a financial liability when it becomes party to the contractual obligations of the financial instrument. The Fund determines the classification of its financial liabilities at initial recognition.

*Derecognition of financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Comprehensive Income.

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 were reviewed by the Valuation Committee on a monthly basis.

*Fair value hierarchy*

Fair value measurements of securities are categorised 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 2021 and 2020.
- **Level 3.** Level 3 Uses significant inputs that are unobservable in the valuation of the asset.

The level within the fair value hierarchy to which fair value measurements are assigned is determined by the lowest level input that is significant to the fair value measurement in its entirety. Thus, where a fair value measurement requires significant 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 categorised as Level 3. Where the Fund is in receipt of prices at which bonds can be traded, the bonds are categorised 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 in 2021, during 2019, the following improvements to the model were made:

- 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 realised in an actual transaction. Valuations based on the model are categorised as Level 3.

*Categorisation of short-term investments*

The Fund's short-term investments are assumed to be encashable/tradeable at their carrying value and are categorised 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 (90) days or less.

i) Revenue Recognition

Interest income is recognised in the Statement of Comprehensive Income using the effective interest received method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset. Realised and unrealised investment gains and losses are recognised as income in the Statement of Comprehensive Income.

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-21 \$'000	31-Dec-20 \$'000
Cash and cash equivalents at brokers	10,488	2,640
Cash at bank	11,685	16,666
<b>Total</b>	<b>22,173</b>	<b>19,306</b>

4) Receivables

	31-Dec-21 \$'000	31-Dec-20 \$'000
Amounts due from the Corporation (see Note 10)	751	15,977
Interest receivable	5,125	4,215
Due from brokers	15,749	745
<b>Total</b>	<b>21,625</b>	<b>20,937</b>

5) Investment Securities

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

	31-Dec-21 \$'000	31-Dec-20 \$'000
<b>Investment securities carried at fair value</b>		
Bonds	548,168	469,126
Bond traded funds	-	39,829
Short-term investments	62,500	62,499
<b>Total</b>	<b>610,668</b>	<b>571,454</b>

**Investment securities summarised by classification**

	31-Dec-21 \$'000	31-Dec-20 \$'000
- At fair value through profit or loss – mandatory (FVPL – M)	610,668	571,454
<b>Total</b>	<b>610,668</b>	<b>571,454</b>



US DOLLAR INCOME FUND

Notes to the Financial Statements (continued)

For the year ended 31 December, 2021

Expressed in United States Dollars

5) Investment Securities (continued)

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)). The Fund's Investments at 31 December 2021 are analysed by their fair value hierarchy below:

Fair Value Hierarchy for Investment Securities December 2021

Recurring fair value measurements Investment securities carried at fair value through profit or loss - mandatory	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Bonds	-	-	548,168	548,168
Bond traded funds	-	-	-	-
Short-term Investments	62,500	-	-	62,500
<b>Total Investment Securities</b>	<b>62,500</b>	<b>-</b>	<b>548,168</b>	<b>610,668</b>

The Fund's Investments at 31 December 2020 are analysed by the fair value hierarchy below:

Fair Value Hierarchy for Investment Securities December 2020

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

b) Transfers between Fair Value Hierarchy Levels

There were no transfers between the Fair Value Hierarchy Levels during either 2021 or 2020.

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 summarise 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 2021

Investment securities carried at fair value through profit or loss - mandatory	Level 3 fair value 2021 \$'M	Valuation Technique used	Significant unobservable inputs	Possible shift in inputs +/-	Change in valuation +/- \$'M
Bonds	548	Valuation model, Indicative Quotations	Interest rates, spreads	+ 1%	5
<b>TOTAL</b>	<b>548</b>				<b>5</b>

Fair value through profit or loss - mandatory	Carrying Value Level 3 Securities 1/1/2021 \$'M	Purchases/ Capitalised Interest \$'M	Sales/ Repayments/ Maturities \$'M	Net Gains/ (Losses) recognised in Profit or Loss \$'M	Carrying Values Level 3 Securities 31/12/2021 \$'M	Fair Values \$'M
Bonds	469	248	(155)	(14)	548	548
<b>TOTAL</b>	<b>469</b>	<b>248</b>	<b>(155)</b>	<b>(14)</b>	<b>548</b>	<b>548</b>

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, Indicative Quotations	Interest rates, spreads	+ 1%	5
<b>TOTAL</b>	<b>469</b>				<b>5</b>

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

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

6) Payables

	31-Dec-21 \$'000	31-Dec-20 \$'000
Amounts due to the Corporation (see Note 10)	699	663
Distribution payable	1,425	1,639
Other payables	80	370
<b>Total</b>	<b>2,204</b>	<b>2,672</b>

7) Distribution to Unitholders

Distributions allocated to Unitholders for the year ended 31 December 2021 was \$5,668,872 (Dec 2020: \$6,891,818). The next distribution period is January to March 2022.

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 summarised below.

	2021 \$'000	2020 \$'000
Opening balance Unitholders' Capital 1 January	575,308	560,965
Add: Sales	119,062	97,892
Less: Repurchases	(68,624)	(83,549)
Net Sales	50,438	14,343
<b>Closing Balance 31 December</b>	<b>625,746</b>	<b>575,308</b>

9) Financial Risk Management

Risk management framework

The US Dollar Income Fund is managed by the Corporation and the Fund's investment activities expose the Fund to a variety of financial risks. The Board of Directors has established policies, procedures, an Audit Committee and a Strategic Risk and Compliance Committee (SRCC) to minimise the potential loss that may arise from such financial risks.

The SRCC is responsible for the establishment and implementation of the Corporation's risk management framework and appropriate risk policies and mitigation plans. The SRCC also has oversight of the effectiveness of risk management, compliance and management of key risks including strategic and operational risks of the Fund.

During 2021, the SRCC met at least once per quarter to:

- monitor compliance with the risk management policies and procedures established by the Board;
- ensure that the overall risk profile and policy environment of the Fund was appropriate and consistent with the Fund's strategic objectives; and
- monitoring and measurement of each portfolio's price risk exposure utilising stop loss limits to reduce the impact upon the Funds.





US DOLLAR INCOME FUND

Notes to the Financial Statements (continued)

For the year ended 31 December, 2021

Expressed in United States Dollars

9) Financial Risk Management (continued)

Risk management framework (continued)

The Audit Committee is responsible for the discharging of independent oversight of the Fund's financial reports and the Fund's compliance with statutory and regulatory requirements. The Audit Committee is also responsible for ensuring that Management has:

- maintained the reliability and integrity of the accounting policies and financial reporting and disclosure practices
- established and maintained processes to assure that an adequate system of internal control is functioning within the Corporation.

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
- liquidity risk; and
- operational risk

At an operational level, and in line with the Corporation's Governance Framework, these risk exposures are managed on an ongoing basis, to ensure that they remain in compliance with approved risk tolerances and that adequate corrective actions are implemented when necessary.

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 optimising returns.

The responsibility for market risk oversight is vested in the SRCC. The Enterprise Risk Management & Compliance is responsible for the development of detailed risk management policies and for the day-to-day review of their implementation.

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 through 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 2021	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	5,358
LIBOR	100	11	-

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	3	4,254
LIBOR	100	15	-

The Fund's exposure to interest rate risk as at 31 December 2021 is summarised below. The Fund's assets and liabilities are included at their carrying amount and categorised 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
<b>At 31 December, 2021</b>				
<b>Assets</b>				
Cash & Cash Equivalents	22,173	-	-	22,173
Short-term Investments	62,500	-	-	62,500
Bonds measured at fair value through profit or loss	59,822	337,135	156,675	553,632
<b>Rate Re-pricing Position</b>	<b>144,495</b>	<b>337,135</b>	<b>156,675</b>	<b>638,305</b>

	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total \$'000
<b>At 31 December, 2020</b>				
<b>Assets</b>				
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
<b>Rate Re-pricing Position</b>	<b>224,114</b>	<b>307,693</b>	<b>46,451</b>	<b>578,258</b>

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;
- regular review, measurement and monitoring of counterparties' credit ratings; and
- placing limits on the amount of risk accepted in relation to a single counterparty or group of related counterparties and to geographical segments.

The quality of the Fund's debt securities, short-term investments and bank balances is analysed in the table below into high, moderate and low using ratings primarily from recognised 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.

	2021 \$'000	2020 \$'000
Securities rated by S&P as AAA to BBB-, are considered high credit quality instruments		
- Debt securities	472,524	419,763
- Short-term instruments	62,500	62,499
- Bond traded funds	-	34,809
- Bank balances	22,173	19,306
Securities rated by S&P as BB+ to B-, are considered medium credit quality instruments		
- Debt securities	72,338	46,261
- Bond traded funds	-	5,020
Securities rated by S&P as CCC+ and below, are considered low quality instruments		
- Debt securities	3,306	3,103
<b>Total</b>	<b>632,841</b>	<b>590,760</b>



**US DOLLAR INCOME FUND**

**Notes to the Financial Statements (continued)**

For the year ended 31 December, 2021

Expressed in United States Dollars

**9) Financial Risk Management (continued)**

**Liquidity Risk**

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

The units of the Fund are redeemable on demand. The risk is mitigated by holding adequate cash, cash equivalents and short-term investments to fund redemptions. In addition, substantial portions of the investments held by the portfolios are tradable.

The financial liabilities of the Fund are summarised 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.

	<b>Less than 1 year \$'000</b>
<b>At 31 December, 2021</b>	
Other payables	779
Distribution payable	<u>1,425</u>
<b>Total</b>	<b><u>2,204</u></b>
	<b>Less than 1 year \$'000</b>
<b>At 31 December, 2020</b>	
Other payables	1,033
Distribution payable	<u>1,639</u>
<b>Total</b>	<b><u>2,672</u></b>

**Operational risk**

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk is inherent within all business activities and has the potential for financial or reputational loss, this includes errors, omissions, disasters and fraud.

Operational risk is managed through a combination of systems and procedures to monitor and document transactions. The Corporation oversees this and where appropriate, the risk is transferred by the placement of adequate insurance coverage.

The Fund has developed business contingency arrangements and support of operations in the event of disasters.

Managing information security threats across the Group remains a major priority and the Corporation is responsible for overseeing information security risks and maintaining its risk appetite. Mechanisms are in place to prevent, detect and respond against cyber threats and where appropriate, risk is transferred by the placement of adequate insurance coverage.

**Capital Management**

The Fund's capital consists of Unitholders' Capital, Retained Earnings and Fund Reserves. 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 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 \$7.9 million or 1.25% of month end fund sizes (December 2020: \$7.4 million or 1.25% of month end fund sizes). The outstanding management charge due to the Corporation at the 31 December 2021 amounted to \$0.7 million (December 2020: \$0.6 million).

There is an amount of \$0.7 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 2021. 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 authorised for issue on 14 February 2022.