



**REPUBLIC OF TRINIDAD AND TOBAGO  
AUDITOR GENERAL'S DEPARTMENT**

**R E P O R T  
O F T H E  
A U D I T O R G E N E R A L**

**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, 2022**



**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 2022**

**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, 2022 have been audited. The statements as set out on pages 1 to 34 comprise a Statement of Financial Position as at 31 December 2022, 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 16, 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 as at 31 December 2022 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 her audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify her opinion. The Auditor General's conclusions are based on the audit evidence obtained up to the date of the 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.

**27<sup>TH</sup> MARCH, 2023**  
**PORT OF SPAIN**



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

TRINIDAD AND TOBAGO UNIT TRUST CORPORATION  
GROWTH AND INCOME FUND (FIRST UNIT SCHEME)

FINANCIAL STATEMENTS

31 DECEMBER 2022

(Expressed in thousands of Trinidad and Tobago dollars)

TRINIDAD AND TOBAGO UNIT TRUST CORPORATION  
GROWTH AND INCOME FUND (FIRST UNIT SCHEME)

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TRINIDAD AND TOBAGO UNIT TRUST CORPORATION  
GROWTH AND INCOME FUND (FIRST UNIT SCHEME)

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TRINIDAD AND TOBAGO UNIT TRUST CORPORATION  
GROWTH AND INCOME FUND (FIRST UNIT SCHEME)

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

(Expressed in thousands of Trinidad and Tobago dollars)

	Notes	31 Dec 2022	31 Dec 2021
<b>Assets</b>			
Cash at bank	3	707,188	259,985
Deposits with banks		104,816	150,973
Due from brokers		5,851	5,851
Other receivables	4	22,662	27,583
Investment securities	5	4,407,651	5,602,237
<b>Total assets</b>		<b>5,248,168</b>	<b>6,046,629</b>
<b>Liabilities</b>			
Due to brokers		12,663	144,196
Other payables	6	44,845	27,248
<b>Total liabilities</b>		<b>57,508</b>	<b>171,444</b>
<b>Equity</b>			
Unitholders' capital	8	3,148,189	3,234,211
Retained earnings		2,042,471	2,640,974
<b>Total equity</b>		<b>5,190,660</b>	<b>5,875,185</b>
<b>Total liabilities and equity</b>		<b>5,248,168</b>	<b>6,046,629</b>
<b>Net asset value per unit</b>		<b>\$ 18.84</b>	<b>\$ 20.98</b>

Chairman



Executive Director



TRINIDAD AND TOBAGO UNIT TRUST CORPORATION  
GROWTH AND INCOME FUND (FIRST UNIT SCHEME)

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2022  
(Expressed in thousands of Trinidad and Tobago dollars)

	Notes	31 Dec 2022	31 Dec 2021
Interest income		67,502	62,744
Dividend income		103,534	95,218
Net change in fair value of investment securities		(600,972)	656,301
Net foreign exchange gain		—	1,158
Other income		<u>352</u>	<u>400</u>
<b>Total revenue</b>		(429,584)	815,821
Management charge	9	(109,756)	(110,022)
Other operating expenses		<u>(981)</u>	<u>(1,302)</u>
<b>Total operating expenses</b>		(110,737)	(111,324)
<b>(Loss)/profit before tax</b>		<u>(540,321)</u>	<u>704,497</u>
Withholding tax expense		<u>(2,684)</u>	<u>(4,123)</u>
<b>(Loss)/profit for the year</b>		<u>(543,005)</u>	<u>700,374</u>

TRINIDAD AND TOBAGO UNIT TRUST CORPORATION  
GROWTH AND INCOME FUND (FIRST UNIT SCHEME)

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2022  
(Expressed in thousands of Trinidad and Tobago dollars)

	Unitholders' capital	Retained earnings	Total equity
<b>Balance as at 1 January 2021</b>	3,279,725	1,974,219	5,253,944
<b>Total comprehensive income for the year</b>			
Profit for the year	—	700,374	700,374
<b>Transactions with unitholders recognised directly in equity</b>			
Subscriptions of units	513,953	—	513,953
Redemptions of units	(559,467)	—	(559,467)
Distributions paid to unitholders	—	(33,619)	(33,619)
<b>Total transactions with unitholders</b>	<u>(45,514)</u>	<u>(33,619)</u>	<u>(79,133)</u>
<b>Balance as at 31 December 2021</b>	<u>3,234,211</u>	<u>2,640,974</u>	<u>5,875,185</u>
<b>Balance as at 1 January 2022</b>	3,234,211	2,640,974	5,875,185
<b>Total comprehensive income for the year</b>			
Loss for the year	—	(543,005)	(543,005)
<b>Transactions with unitholders recognised directly in equity</b>			
Subscriptions of units	566,248	—	566,248
Redemptions of units	(652,270)	—	(652,270)
Distributions paid to unitholders	—	(55,498)	(55,498)
<b>Total transactions with unitholders</b>	<u>(86,022)</u>	<u>(55,498)</u>	<u>(141,520)</u>
<b>Balance as at 31 December 2022</b>	<u>3,148,189</u>	<u>2,042,471</u>	<u>5,190,660</u>

TRINIDAD AND TOBAGO UNIT TRUST CORPORATION  
GROWTH AND INCOME FUND (FIRST UNIT SCHEME)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

(Expressed in thousands of Trinidad and Tobago dollars)

	31 Dec 2022	31 Dec 2021
<b>Cash flows from operating activities</b>		
(Loss)/profit before tax	(540,321)	704,497
Adjustments to reconcile profit/(loss) before tax to net cash flows:		
Interest income	(57,601)	(55,846)
Amortisation of premium expense/discount income	(9,554)	(6,634)
Capitalised interest	(698)	(664)
Dividend income	(103,534)	(95,218)
Placement of deposits with banks	—	(206,192)
Maturity of deposits with banks	46,000	—
Purchase of investments	(8,397,151)	(5,087,270)
Proceeds from sale of investments	9,001,173	5,252,155
Net change in fair value of investment securities	600,972	(656,301)
Working capital adjustments:		
Decrease in other receivables	333	—
(Decrease)/increase in other payables	(133,044)	144,710
	406,575	(6,763)
Interest received	59,959	56,898
Dividend received	106,876	92,711
Withholding tax paid	(2,684)	(4,123)
<b>Net cash flows from operating activities</b>	<b>570,726</b>	<b>138,723</b>
<b>Cash flows from financing activities</b>		
Subscriptions of units	116,784	115,892
Redemptions of units	(239,901)	(197,738)
Distribution to unitholders	(406)	(488)
<b>Net cash flows used in financing activities</b>	<b>(123,523)</b>	<b>(82,334)</b>
Net increase in cash	447,203	56,389
Cash at the beginning of the year	259,985	203,596
<b>Cash at the end of the year</b>	<b>707,188</b>	<b>259,985</b>

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

TRINIDAD AND TOBAGO UNIT TRUST CORPORATION  
GROWTH AND INCOME FUND (FIRST UNIT SCHEME)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022  
(Expressed in thousands of Trinidad and Tobago dollars)

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**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 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*

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 authorised 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.

*Reinvestments*

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 2022 was 2% (2021: 2%).

TRINIDAD AND TOBAGO UNIT TRUST CORPORATION  
GROWTH AND INCOME FUND (FIRST UNIT SCHEME)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022  
(Expressed in thousands of Trinidad and Tobago dollars)  
(Continued)

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**1. General Information** (continued)

*Management charge*

The Corporation may impose a half-yearly charge (management charge) of up to 2% of the market value of the investments held by the Trust for each six-monthly distribution period (see Note 9).

*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 are set out below. These policies have been consistently applied to all years presented.

**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 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 11.
- 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 categorised as Level 3 (see Note 11(c)).

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

TRINIDAD AND TOBAGO UNIT TRUST CORPORATION  
GROWTH AND INCOME FUND (FIRST UNIT SCHEME)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022  
(Expressed in thousands of Trinidad and Tobago dollars)  
(Continued)

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**2. Significant Accounting Policies (continued)**

**a) Basis of preparation (continued)**

vi. COVID-19

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) Changes in Accounting Policies and Disclosures**

*Standards and amendments to existing standards effective 1 January 2022*

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2022 that have a material effect on the financial statements of the Fund.

*New standards, amendments and interpretations effective after 1 January 2022 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.

**c) Deposits with Banks**

Deposits with bank comprise highly liquid financial assets that are subject to an insignificant risk of changes in their fair value.

**d) Due From/To Brokers**

In accordance with the Fund's policy of trade-date accounting for regular-way sale and purchase transactions, sales/purchase transactions awaiting settlement represent amounts receivable/payable for securities sold/purchased but not yet settled as at the reporting date.

TRINIDAD AND TOBAGO UNIT TRUST CORPORATION  
GROWTH AND INCOME FUND (FIRST UNIT SCHEME)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022  
(Expressed in thousands of Trinidad and Tobago dollars)  
(Continued)

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**2. Significant Accounting Policies (continued)**

**e) Financial Instruments**

**Financial Assets**

**i) *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.

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.

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

Investments in equity instruments are classified as FVPL, unless the Fund designates an investment that is not held for trading as fair value through other comprehensive income (FVOCI) on initial recognition.

TRINIDAD AND TOBAGO UNIT TRUST CORPORATION  
GROWTH AND INCOME FUND (FIRST UNIT SCHEME)

NOTES TO THE FINANCIAL STATEMENTS  
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(Expressed in thousands of Trinidad and Tobago dollars)  
(Continued)

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**2. Significant Accounting Policies (continued)**

**e) Financial Instruments (continued)**

**Financial Assets (continued)**

**i) *Initial recognition and subsequent measurement* (continued)**

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

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 the instrument. Interest earned on assets mandatorily required to be measured at FVPL is recorded using the contractual interest rate.

Dividend income from equity instruments measured at FVPL is recorded in the Statement of Comprehensive Income as other operating income when:

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



TRINIDAD AND TOBAGO UNIT TRUST CORPORATION  
GROWTH AND INCOME FUND (FIRST UNIT SCHEME)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022  
(Expressed in thousands of Trinidad and Tobago dollars)  
(Continued)

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**2. Significant Accounting Policies (continued)**

**e) Financial Instruments (continued)**

**Financial Assets (continued)**

**i) *Initial recognition and subsequent measurement* (continued)**

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

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.

*Foreign exchange gains and losses*

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. The foreign exchange component forms part of its fair value gain or loss.

Therefore, for financial assets that are classified as FVPL, the foreign exchange component is recognised in the Statement of Comprehensive Income.

**ii) *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.

**Financial Liabilities**

**i) *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.

TRINIDAD AND TOBAGO UNIT TRUST CORPORATION  
GROWTH AND INCOME FUND (FIRST UNIT SCHEME)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022  
(Expressed in thousands of Trinidad and Tobago dollars)  
(Continued)

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**2. Significant Accounting Policies (continued)**

**e) Financial Instruments (continued)**

**Financial Liabilities (continued)**

**ii) *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 derecognising 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 Measurement**

***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 front office management. The valuation team reports to a Valuation Committee comprising the Chief Financial Officer, Chief Risk Officer and other senior officers. On a monthly basis, the Valuation Committee reviews the prices for non-traded bonds prior to incorporation into the Fund, while a meeting is held quarterly, or more frequently as required, to discuss and approve the fair value of assets in the Funds. The Valuation Committee reports to the Audit Committee in relation to significant changes to the valuation methodology.

***Valuation techniques***

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity indices, EBITDA multiples and revenue multiples and expected price volatilities and correlations.

TRINIDAD AND TOBAGO UNIT TRUST CORPORATION  
GROWTH AND INCOME FUND (FIRST UNIT SCHEME)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022  
(Expressed in thousands of Trinidad and Tobago dollars)  
(Continued)

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**2. Significant Accounting Policies (continued)**

**f) Fair value Measurement (continued)**

*Valuation techniques* (continued)

The Fund uses valuation models that use observable market data for determining the fair value of its financial instruments. Observable prices or model inputs are usually available in the market for listed debt and equity securities. The availability of observable market prices and model inputs reduces the need for management judgement and estimation and reduces the uncertainty associated with the determination of fair values. The availability of observable market prices and inputs varies depending on the debt, equity and exchange-traded funds and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments, the Fund uses proprietary valuation models, which are usually developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market and are derived from market prices or rates or are estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for the selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments and selection of appropriate discount rates.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Fund believes that a third party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Fund and the counterparty where appropriate.

The fair values of financial assets and financial liabilities that are traded in active markets are based on prices obtained directly from an exchange on which the instruments are traded.

An active market is a market in which transactions take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgement depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. For all other financial instruments, the Fund determines fair values using other valuation techniques.

TRINIDAD AND TOBAGO UNIT TRUST CORPORATION  
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**2. Significant Accounting Policies (continued)**

**f) Fair Value Measurement (continued)**

***Fair value hierarchy***

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- ***Level 1*** - Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- ***Level 2*** - Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are not considered active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- ***Level 3*** - Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions such as trading comparables, transaction comparables are required to reflect differences between the instruments.

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.

***Valuation techniques for specific instruments***

***Equities and Exchange traded Funds (ETFs) in active markets***

The fair value of equities traded in active markets is based on unadjusted quoted prices at the close of trading on the reporting date and categorised as Level 1.

***Equities not traded in an active market (unquoted equities)***

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

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**2. Significant Accounting Policies (continued)**

**f) Fair Value Measurement (continued)**

*Valuation techniques for specific instruments (continued)*

*Private equity*

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

*Traded local and foreign bonds*

Where quoted prices in an active market are available at the measurement date, those prices are used (Level 1 measurement). The Fund measures instruments quoted in an active market at the closing price at the measurement date, because this price provides a reasonable approximation of the price that would be received to sell the bonds between market participants.

*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 realised in an actual transaction. Valuations based on the model are categorised as Level 2.

*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.

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**2. Significant Accounting Policies (continued)**

**f) Fair Value Measurement (continued)**

*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) Revenue Recognition**

Interest income is recognised in the Statement of Comprehensive Income using the EIR 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.

**h) 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.

**i) Foreign Currency Translation**

The Fund's functional and presentation currency is Trinidad and Tobago dollars (TT\$). Transactions in foreign currencies are initially recorded in the functional currency using the mid-rate of exchange, quoted by the Central Bank of Trinidad and Tobago, ruling at the date prior to 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 recognised in the Statement of Comprehensive Income.

**3. Cash at Bank**

Cash at Bank is analysed below:

	<b>2022</b>	<b>2021</b>
Cash at brokers	591,524	145,589
Cash at bank	<u>115,664</u>	<u>114,396</u>
<b>Total</b>	<u><b>707,188</b></u>	<u><b>259,985</b></u>

Cash at bank represents the balances of the accounts held in the various financial institutions as at 31 December.

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**4. Other Receivables**

	2022	2021
Amounts due from the Corporation (see Note 9)	3,593	2,392
Due from brokers	—	424
Dividend receivable	7,894	11,236
Interest receivable	11,175	13,531
<b>Total</b>	<b>22,662</b>	<b>27,583</b>

**5. Investment Securities**

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

	2022	2021
<b>Investment securities carried at fair value</b>		
Bonds	1,102,051	1,217,503
Short-term investments	—	203,171
Quoted equities	2,375,075	3,323,858
Unquoted equities	243,443	284,443
Exchange traded funds (ETFs)	557,906	470,697
Private equity	2,812	3,088
Mutual funds	126,364	99,477
<b>Total</b>	<b>4,407,651</b>	<b>5,602,237</b>

	2022	2021
<b>Investment securities summarised by classification</b>		
- At fair value through profit or loss	4,407,651	5,602,237
	<b>4,407,651</b>	<b>5,602,237</b>

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**6. Other Payables**

	<b>2022</b>	<b>2021</b>
Amounts due to the Corporation (see Note 9)	8,832	9,997
Distribution payable	35,951	16,844
Other payables	<u>62</u>	<u>407</u>
<b>Total</b>	<u><b>44,845</b></u>	<u><b>27,248</b></u>

**7. Distribution to Unitholders**

Distribution to Unitholders for the year ended 31 December 2022 were \$55,497,422 (Dec 2021: \$33,618,666). The next distribution period is January to June 2023.

**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.

	<b>2022</b>	<b>2021</b>
Opening balance as at 1 January	<u>3,234,211</u>	<u>3,279,725</u>
Add: sales	566,248	513,953
Less: repurchases	<u>(652,270)</u>	<u>(559,467)</u>
Net sales	<u>(86,022)</u>	<u>(45,514)</u>
<b>Closing balance as at 31 December</b>	<u><b>3,148,189</b></u>	<u><b>3,234,211</b></u>

**9. 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 2% of the said net asset value (i.e. maximum 2% annually).

Total management fees for the year amounted to \$109.8 million or 2% of month end fund size (December 2021: \$110 million or 2% of fund size). The outstanding management charge due to the Corporation at 31 December 2022 amounted to \$8.8 million (December 2021: \$10.0 million).



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**9. Related Party Transactions (continued)**

There was an amount of \$3.6 million receivable from the Corporation in respect of net subscriptions (December 2021: \$2.4 million) at the end of the reporting period (see Note 4).

The Growth and Income Fund invested in the Calypso Macro Index Fund (Calypso) a related party sponsored and managed by the Corporation, as at 31 December 2022. The market value of the holdings as at 31 December 2022 was \$126.4 million.

During the year, the Fund received \$4.3 million (2021: \$4.2 million) from Calypso. Included in dividend receivable (see Note 4) at the end of the reporting period was an amount of \$1.0 million (2021: \$0.7 million) due from Calypso.

During the year the Fund entered into transactions with related parties. The transactions, which were effected on commercial terms and conditions and at market rates, are summarised below.

	Sale of securities		Purchase of securities	
	2022	2021	2022	2021
TT Dollar Income Fund	—	—	121.2	—
UTC Corporate Fund	—	—	33.1	—
Growth and Income Fund	154.2	—	—	—

There were no other related party transactions for the year.

**10. Segment Information**

The Fund has two sub-portfolios, an equity sub-portfolio and a fixed income sub-portfolio, which are its reportable segments. Each sub-portfolio is managed separately because they entail different investment objectives and strategies and contain investments in different products.

Equity Portfolio	Investing in a diversified portfolio of equity securities issued by TTSE and NYSE and foreign/local unlisted companies to achieve capital appreciation.
Fixed Income Portfolio	Investing in the US and local debt market within the parameters set out in the Fund's prospectus to achieve the highest possible yield.
Unallocated	Unallocated amounts are revenue or costs not directly associated with the fixed income and equity portfolios.

The Board of Directors reviews the internal management reports of each sub-portfolio at least quarterly.

The Fund regards the holders of redeemable units as customers because it relies on their funding for continuing operations and meeting its objectives.

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**10. Segment Information (continued)**

The following table presents income and profit and certain asset and liability information regarding the Fund's operating segments.

	<b>Fixed Income Portfolio</b>	<b>Equity Portfolio</b>	<b>Unallocated</b>	<b>Total</b>
<b>2022</b>				
Total Operating Income	(101,038)	(272,485)	(56,061)	(429,584)
Management Charge	—	—	(109,756)	(109,756)
Other Expenses	—	—	(981)	(981)
Net Income before Taxation	(101,038)	(272,485)	(166,798)	(540,321)
Taxation	—	(2,684)	—	(2,684)
Net Income after Taxation	(101,038)	(275,169)	(166,798)	(543,005)
 Total Assets	 1,234,369	 3,328,913	 684,886	 5,248,168
Total Liabilities	13,526	36,477	7,505	57,508
	<b>Fixed Income Portfolio</b>	<b>Equity Portfolio</b>	<b>Unallocated</b>	<b>Total</b>
<b>2021</b>				
Total Operating Income	242,870	555,900	17,051	815,821
Management Charge	—	—	(110,022)	(110,022)
Other Expenses	—	—	(1,302)	(1,302)
Net Income before Taxation	242,870	555,900	(94,273)	704,497
Taxation	—	(4,123)	—	(4,123)
Net Income after Taxation	242,870	551,777	(94,273)	700,374
 Total Assets	 1,800,081	 4,120,173	 126,375	 6,046,629
Total Liabilities	51,039	116,822	3,583	171,444

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**11. Fair Value of Financial Instruments**

**a) The Fair Value Hierarchy for Investment Securities**

The Fund uses a valuation hierarchy to rank the fair value of its Investment Securities (see Note 2 (f)), as analysed below.

**Fair Value Hierarchy for Investment Securities as at 31 December 2022**

Recurring fair value measurements	Level 1	Level 2	Level 3	Total
<b>Investment securities carried at fair value through profit or loss</b>				
Bonds	512,550	569,354	20,147	1,102,051
Quoted equities	2,375,075	—	—	2,375,075
Unquoted equities	—	—	243,443	243,443
Exchange traded funds (ETF)	557,906	—	—	557,906
Private equity	—	—	2,812	2,812
Mutual funds	126,364	—	—	126,364
Total investment securities	3,571,895	569,354	266,402	4,407,651

**Fair Value Hierarchy for Investment Securities as at 31 December 2021**

Recurring fair value measurements	Level 1	Level 2	Level 3	Total
<b>Investment securities carried at fair value through profit or loss</b>				
Bonds	31,807	—	1,185,696	1,217,503
Quoted equities	3,323,858	—	—	3,323,858
Unquoted equities	—	—	284,443	284,443
Exchange traded funds (ETF)	470,697	—	—	470,697
Private equity	—	—	3,088	3,088
Short-term investments	203,171	—	—	203,171
Mutual funds	99,477	—	—	99,477
Total investment securities	4,129,010	—	1,473,227	5,602,237

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**11. Fair Value of Financial Instruments (continued)**

**b) Transfers between Fair Value Hierarchy Levels**

At each reporting date the Fund assesses the fair value hierarchy of its financial instruments. A transfer between levels will occur when a financial instrument no longer meets the criteria in which the financial instrument is classified.

During the current year, there was sufficient information available to measure fair values of securities determined as Level 3 in 2021. Therefore, these securities, with a carrying amount of \$569.4 million, were transferred from Level 3 to Level 2 of the fair value hierarchy and securities with a carrying amount of \$345.7 million were transferred from Level 3 to Level 1 of the fair value hierarchy. (see Note 11 (d)).

There were no transfers between the fair value hierarchy levels during 2021.

**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 tables are expressed in millions of dollars.

2022	Level 3 fair value	Valuation technique used	Significant unobservable inputs	Possible shift in inputs +/-	Change in valuation +/-
<b>Investment securities carried at fair value through profit or loss</b>					
Bonds	20	Valuation model, Indicative quotations	Interest rates, spreads	—	—
Unquoted equities	243	Professional valuator General partner's valuation	Not applicable	Not applicable	
Private equity	3		Not applicable	Not applicable	—
<b>Total</b>	<b>266</b>				<b>—</b>

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**11. Fair Value of Financial Instruments (continued)**

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

<b>2021</b>	<b>Level 3 fair value</b>	<b>Valuation technique used</b>	<b>Significant unobservable inputs</b>	<b>Possible shift in inputs +/-</b>	<b>Change in valuation +/-</b>
<b>Investment securities carried at fair value through profit or loss</b>					
Bonds	1,186	Valuation model, Indicative quotations	Interest rates, spreads	+1%	12
Unquoted equities	284	Professional valuator	Not applicable	Not applicable	—
Private equity	3	General partner's valuation	Not applicable	Not applicable	—
<b>Total</b>	<b>1,473</b>				<b>12</b>

**d) Movements in Level 3 Financial Instruments**

The following table shows a reconciliation from the opening balances to the closing balances for the fair value measurements in Level 3 to the fair value hierarchy.

Values are expressed in millions of dollars.

<b>2022</b>	<b>Bonds</b>	<b>Unquoted Equity</b>	<b>Private Equity</b>	<b>Total</b>
Carrying Value as at 1 January	1,186	284	3	1,473
Purchases/capitalised interest	16	—	1	17
Sales/repayments/maturities	(246)	—	(1)	(247)
Net losses recognised in P&L	(21)	(41)	—	(62)
Transfer out of Level 3 to Level 1	(346)	—	—	(346)
Transfer out of Level 3 to Level 2	(569)	—	—	(569)
Carrying Value as at 31 December	<b>20</b>	<b>243</b>	<b>3</b>	<b>266</b>

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**11. Fair Value of Financial Instruments (continued)**

**d) Movements in Level 3 Financial Instruments (continued)**

2021	Bonds	Unquoted Equity	Private Equity	Total
Carrying Value 1 January	1,185	250	4	1,439
Purchases/capitalised interest	151	–	1	152
Sales/repayments/maturities	(136)	–	–	(136)
Net (losses)/gains recognised in P&L	(14)	34	(2)	18
Carrying Value as at 31 December	<u>1,186</u>	<u>284</u>	<u>3</u>	<u>1,473</u>

**12. Risk Management**

**Risk Management Framework**

The Fund's investment activities expose it 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 has oversight of risk management and compliance and is responsible for the establishing and implementing the Corporation's enterprise risk management framework and appropriate risk policies and mitigation plans.

During 2022, the SRCC met at least once per quarter to:

- i. monitor compliance with the risk management policies established by the Board;
- ii. ensure that the overall risk profile and policy environment of the Fund was appropriate and consistent with the Fund's strategic objectives; and
- iii. consider reports and recommendations submitted by the Risk Management and Internal Audit Departments.

The Audit Committee is responsible for the 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 Fund.

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**12. Risk Management** (continued)

**Risk Management Framework** (continued)

**Financial Risk Exposures**

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

- i. market risk – which comprises:
  - bond price risk
  - equity and exchange traded funds (ETF) price risk
  - interest rate risk
  - currency risk
- ii. credit risk
- iii. liquidity risk; and
- iv. 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, 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 optimising returns.

The responsibility for market risk oversight is vested in the SRCC. The Enterprise Risk Management & Compliance Division 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.

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**12. Risk Management (continued)**

**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:

- i. careful asset allocation and security selection;
- ii. daily monitoring of security prices; and
- iii. 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 categorised 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.



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**12. Risk Management** (continued)

**Equity and ETF Price Risk** (continued)

	<b>Lower than market</b>	<b>Comparable to market</b>	<b>Higher than market</b>
At 31 December 2022	1,314,560 43%	1,212,031 40%	532,754 17%
At 31 December 2021	1,190,195 31%	1,018,544 26%	1,685,294 43%

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 Index respectively as at 31 December with all other variables held constant.

	<b>2022</b>	<b>2021</b>
TTSE composite index	\$95.2 million	\$119.4 million
S&P 500 index	\$28.7million	\$64.3 million

**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:

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

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**12. Risk Management (continued)**

**Interest Rate Risk (continued)**

	<b>Change in basis points</b>	<b>Sensitivity of interest income</b>	<b>Sensitivity of changes in fair value of investments</b>
<b>31 December 2022</b>			
US interest rates	100	—	3,777
T&T interest rates	100	—	4,248
	<b>Change in basis points</b>	<b>Sensitivity of interest income</b>	<b>Sensitivity of changes in fair value of investments</b>
<b>31 December 2021</b>			
US interest rates	100	—	4,308
T&T interest rates	100	11	4,740

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

	<b>Less than 1 year</b>	<b>Between 1 and 5</b>	<b>Over 5 years</b>	<b>Total</b>
<b>At 31 December 2022</b>				
<b>Assets</b>				
Cash at bank	707,188	—	—	707,188
Deposits with banks	104,816	—	—	104,816
Bonds measured at fair value through profit or loss	190,240	708,495	203,316	1,102,051
	<u>1,002,244</u>	<u>708,495</u>	<u>203,316</u>	<u>1,914,055</u>

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**12. Risk Management (continued)**

**Interest Rate Risk (continued)**

	<b>Less than 1 year</b>	<b>Between 1 and 5</b>	<b>Over 5 years</b>	<b>Total</b>
<b>At 31 December 2021</b>				
<b>Assets</b>				
Cash at bank	259,985	—	—	259,985
Deposits with bank	150,973	—	—	150,973
Short-term investments	67,939	—	—	67,939
Bonds measured at fair value through profit or loss	<u>42,594</u>	<u>941,588</u>	<u>215,406</u>	<u>1,199,588</u>
	<u>521,491</u>	<u>941,588</u>	<u>215,406</u>	<u>1,678,485</u>

**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 contains investments denominated in US\$, the Fund can be impacted by movements in the US\$/TT\$ exchange rate.

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

	<b>At 31 December 2022</b>		<b>At 31 December 2021</b>	
	<b>US\$</b>	<b>Other Foreign Currencies</b>	<b>US\$</b>	<b>Other Foreign Currencies</b>
	<b>(Presented in TT\$)</b>		<b>(Presented in TT\$)</b>	
<b>Assets</b>				
Cash at bank	667,874	—	190,364	—
Short-term investments	—	—	308,144	—
Deposits with banks	104,816	—	104,973	—
Bonds measured at fair value through profit or loss	576,521	—	496,832	—
Equities, ETFs, private equity & mutual funds	<u>633,027</u>	<u>56,326</u>	<u>1,735,099</u>	<u>68,531</u>
<b>Total</b>	<u>1,982,238</u>	<u>56,326</u>	<u>2,835,412</u>	<u>68,531</u>

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**12. Risk Management (continued)**

**Currency Risk (continued)**

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 2022 with all other variables held constant.

	2022	2021
Approximate change in US\$	<u>19,822</u>	<u>27,990</u>

**Concentration of foreign currency exposure**

At the reporting date, the financial assets in foreign currencies expressed as a percentage of the Fund's net assets were as follows:

% of total equity	2022	2021
US dollars	38%	48%

**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, deposits with banks 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:

- i. subjecting counterparties to robust credit risk assessments prior to initial acquisition;
- ii. limiting the acquisition or retention of debt instruments to certain credit ratings;
- iii. regular review, measurement and monitoring of counterparties' credit ratings; and
- iv. placing limits on the amount of risk accepted in relation to a single counterparty or Fund of related counterparties and to geographical segments.

The quality of the Fund's debt securities, deposits with banks and bank balances are 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.

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**12. Risk Management (continued)**

**Credit Risk (continued)**

The security ratings by S&P and their corresponding impact on the credit quality on the investment securities are:

- i. ratings with AAA to BBB- are considered high credit quality instruments
- ii. ratings with BB+ to B- are considered medium credit quality instruments
- iii. ratings with CCC+ and below are considered low credit quality instruments

An analysis of security ratings is presented in the table below.

<b>2022</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>	<b>Total</b>
Bonds	991,338	92,189	18,523	1,102,050
Deposits with banks	104,816	—	—	104,816
Cash at Bank	707,188	—	—	707,188
<b>Total</b>	<b>1,803,342</b>	<b>92,189</b>	<b>18,523</b>	<b>1,914,054</b>
<b>2021</b>				
Bonds	1,074,721	142,782	18,523	1,236,026
Deposits with banks	150,973	—	—	150,973
Cash at Bank	114,396	—	—	114,396
<b>Total</b>	<b>1,340,090</b>	<b>142,782</b>	<b>18,523</b>	<b>1,501,395</b>

**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 ensuring that the Fund holds 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.

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**12. Risk Management (continued)**

**Liquidity Risk (continued)**

	<b>Less than 1 year</b>
<b>At 31 December 2022</b>	
Due to brokers	12,663
Other payables	8,894
Distribution payable	<u>35,951</u>
<b>Total</b>	<u><b>57,508</b></u>

	<b>Less than 1 year</b>
<b>At 31 December 2021</b>	
Due to brokers	144,196
Other payables	10,404
Distribution payable	<u>16,844</u>
<b>Total</b>	<u><b>171,444</b></u>

**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, including errors, omissions, disasters and fraud.

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

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

The sponsor is responsible for overseeing information security risks and maintaining its risk appetite. Mechanisms are in place to prevent, detect and respond against cyber threats.

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**13. 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.

**14. 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 two years, there will be residual taxes and other expenses related to the investment which the Fund may have to bear.

**15. Events after the Reporting Period**

On 11 November 2022, the finance minister announced that distribution of shares and bonds to Clico Investment Fund (CIF) unitholders will begin in January 2023, after the termination on 2 January 2023, in accordance with the provisions set out in the CIF Trust Deed.

On termination, the Trustee distributed Republic Financial Holdings Limited Shares (RFHL) and Government of the Republic of Trinidad and Tobago Series II, 4.25% 25 Year Fixed Rate Bonds due 31 October 2037. The CIF holdings on the portfolio as at 31 December 2022 was 9,153,856 shares. In accordance with the allocation rules, unitholders received 0.1964 RFHL shares for each unit held and 3.445 bonds per unit held. The shares and bonds were put through on 24 January 2023 with a settlement date of 27 January 2024.

There was no impact to the Fund's financial statements as at 31 December 2022. The CIF termination occurred after the reporting period, as such it is considered a non-adjusting event.

The positive impact to the Fund's financial statements in January 2023 was \$23,869,874.

**16. Approval of the Financial Statements**

These Financial Statements were approved by the Board of Directors and authorised for issue on 15 February 2023.