



**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
2023**

OPINION

The financial statements of the Trinidad and Tobago Unit Trust Corporation – US Dollar Income Fund (the Fund) for the year ended 31 December 2023 have been audited. The statements as set out on pages 1 to 28 comprise a Statement of Financial Position as at 31 December 2023 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 15, including a summary of material 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 2023 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

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 financial reporting process of the Fund.

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.



27TH MARCH, 2024
PORT OF SPAIN

Jaiwantie Ramdass
JAIWANTIE RAMDASS
AUDITOR GENERAL

UNIVERSAL RETIREMENT FUND
STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

(Expressed in thousands of Trinidad and Tobago dollars)

	Notes	31-Dec-23 \$'000	31-Dec-22 \$'000
Assets			
Cash at bank	3	26,551	62,128
Deposits with banks		3,373	3,381
Other receivables	4	1,264	1,085
Investment securities	5	379,132	339,247
Total assets		<u>410,320</u>	<u>405,841</u>
Liabilities			
Due to brokers		–	1,763
Other payables	6	703	897
Total liabilities		<u>703</u>	<u>2,660</u>
Equity			
Unitholders' capital	7	221,225	215,131
Retained earnings		188,392	188,050
Total equity		<u>409,617</u>	<u>403,181</u>
Total liabilities and equity		<u>410,320</u>	<u>405,841</u>
Net asset value per unit		\$50.24	\$50.20


Chairman




Executive Director

The accompanying notes form an integral part of these financial statements

UNIVERSAL RETIREMENT FUND
STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

(Expressed in thousands of Trinidad and Tobago dollars)

	Notes	31-Dec-23 \$'000	31-Dec-22 \$'000
Interest income		4,818	4,100
Dividend income		8,241	7,219
Net change in fair value of investment securities		(3,956)	(50,375)
Net foreign exchange loss		(64)	(455)
Total revenue		<u>9,039</u>	<u>(39,511)</u>
Management charge	8	(8,139)	(8,277)
Commissions		(12)	(10)
Other operating expenses		(66)	(70)
Total operating expenses		<u>(8,217)</u>	<u>(8,357)</u>
Profit/(loss) before tax		<u>822</u>	<u>(47,868)</u>
Withholding tax expense		(480)	(195)
Profit/(loss) for the year		<u>342</u>	<u>(48,063)</u>

The accompanying notes form an integral part of these financial statements

UNIVERSAL RETIREMENT FUND
STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

(Expressed in thousands of Trinidad and Tobago dollars)

	Unitholders' capital \$'000	Retained earnings \$'000	Total equity \$'000
Balance as at 1 January 2022	207,421	236,113	443,534
Total comprehensive loss for the year			
Loss for the year	–	(48,063)	(48,063)
Transactions with unitholders recognised directly in equity			
Subscriptions of units	38,159	–	38,159
Redemptions of units	(30,449)	–	(30,449)
Total transactions with unitholders	<u>7,710</u>	<u>–</u>	<u>7,710</u>
Balance as at 31 December 2022	<u>215,131</u>	<u>188,050</u>	<u>403,181</u>
Balance as at 1 January 2023	215,131	188,050	403,181
Total comprehensive income for the year			
Profit for the year	–	342	342
Transactions with unitholders recognised directly in equity			
Subscriptions of units	34,003	–	34,003
Redemptions of units	(27,909)	–	(27,909)
Total transactions with unitholders	<u>6,094</u>	<u>–</u>	<u>6,094</u>
Balance as at 31 December 2023	<u>221,225</u>	<u>188,392</u>	<u>409,617</u>

The accompanying notes form an integral part of these financial statements



UNIVERSAL RETIREMENT FUND
STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

(Expressed in thousands of Trinidad and Tobago dollars)

	31-Dec-23 \$'000	31-Dec-22 \$'000
Cash flows from operating activities		
Profit/(loss) before tax	822	(47,868)
Adjustments to reconcile profit/(loss) before tax to net cash flows:		
Interest income	(3,394)	(2,944)
Amortisation of premium expense and discount income	(1,424)	(1,156)
Dividend income	(8,241)	(7,219)
Purchase of investments	(352,258)	(988,405)
Proceeds from sale of investments	309,850	1,027,612
Net change in fair value of investment securities	3,956	50,375
Working capital adjustments:		
Decrease in other receivables	—	131
Decrease in other payables	(1,754)	(13,682)
	(52,443)	16,844
Interest received	3,075	2,985
Dividend received	8,416	7,530
Withholding tax paid	(480)	(195)
Net cash flows (used in)/from operating activities	(41,432)	27,164
Cash flows from financing activities		
Subscriptions of units	23,351	31,317
Redemptions of units	(17,496)	(22,273)
Net cash flows from financing activities	5,855	9,044
Net (decrease)/increase in cash	(35,577)	36,208
Cash at the beginning of the year	62,128	25,920
Cash at the end of the year	26,551	62,128

The accompanying notes form an integral part of these financial statements

UNIVERSAL RETIREMENT FUND
Notes to the Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Trinidad and Tobago dollars)

1. General Information

The Universal Retirement Fund (the Fund) is an open-ended total return mutual fund denominated in Trinidad and Tobago dollars that was launched on 27 October 1997. 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 managing 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 income to be reinvested, capital gains that are reflected in unit prices and other benefits arising from participation in the Fund.

Subscriptions

Effective 21 September 2022, units may be purchased every business day at the offer price determined at the close of the trading day. The units may be purchased through the Corporation's distribution channels including the Corporation's authorised agents. The minimum initial investment is TT\$100 and the minimum amount of each subsequent investment shall be the price of one unit at the net asset value.

Redemptions

Redemptions (withdrawals) from the Fund are permitted upon satisfying any one of the following conditions:

- Death
- Medical/Permanent disability
- Home acquisition based on the following:
 - 5 years membership
 - 10 percent of purchase price but not to exceed 50 percent of member's accumulation
 - One application per member
- At any age 50 years or above or five years after entry whichever is greater.

Investors on attaining retirement age are entitled to receive: their full accumulation; a lumpsum plus periodic withdrawals; and/or periodic withdrawals.

Units may be redeemed at the prevailing price on any business day once the conditions for redemption are satisfied.

Reinvestments

Dividends and earnings of the Fund are automatically reinvested in whole or fractional units of the Fund.

Management charge

The Corporation may charge a Management charge of up to 2% of the assets under management.

Investment objective

The Fund seeks to provide investors of this retirement Fund with long-term capital growth by investing in capital primarily in equity and fixed income securities issued by Corporation and Sovereigns domiciled domestically and internationally.

2. Material Accounting Policies

The material 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.

UNIVERSAL RETIREMENT FUND

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

(Expressed in thousands of Trinidad and Tobago dollars)

2. Material Accounting Policies (continued)

a) Basis of Preparation

- i. The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS). IFRS Accounting Standards comprise the following authoritative literature:
 - IFRS Accounting Standards
 - International Accounting Standards (IASs)
 - Interpretations developed by the IFRS Interpretations Committee (IFRIC Interpretations) or its predecessor body, the Standing Interpretations Committee (SIC Interpretations)
- 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 10.
- 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 10(c)).

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

b) Changes in Accounting Policies and Disclosures

Standards and amendments to existing standards effective 1 January 2023

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2023 that have a material effect on the financial statements of the Fund.

New standards, amendments and interpretations effective after 1 January 2023 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 banks 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.

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.

i) Initial recognition and subsequent measurement (continued)

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.

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.

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.

UNIVERSAL RETIREMENT FUND

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

(Expressed in thousands of Trinidad and Tobago dollars)

2. Material Accounting Policies (continued)

e) Financial Instruments (continued)

Financial Assets (continued)

i) Initial recognition and subsequent measurement (continued)

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.

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 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 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.

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.

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.

UNIVERSAL RETIREMENT FUND

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

(Expressed in thousands of Trinidad and Tobago dollars)

2. Material Accounting Policies (continued)

f) Fair Value Measurement (continued)

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.

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.

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) 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 Statement of Comprehensive Income 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:

	2023	2022
Cash at brokers	18,926	50,983
Cash at bank	7,625	11,145
Total	26,551	62,128

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

4. Other Receivables

	2023	2022
Amounts due from the Corporation (see Note 8)	36	–
Dividend receivable	392	567
Interest receivable	836	518
Total	1,264	1,085

5. Investment Securities

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

Investment securities carried at fair value	2023	2022
Bonds	89,986	81,169
Quoted equities	211,826	218,550
Exchange traded funds (ETFs)	77,320	39,528
Total	379,132	339,247

Investment securities summarised by classification

- At fair value through profit or loss	379,132	339,247
	379,132	339,247

6. Other Payables

	2023	2022
Amounts due to the Corporation (see Note 8)	699	890
Other payables	4	7
Total	703	897

7. 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.

	2023	2022
Opening balance as at 1 January	215,131	207,421
Add: sales	34,003	38,159
Less: repurchases	(27,909)	(30,449)
Net sales	6,094	7,710
Closing balance as at 31 December	221,225	215,131

8. Related Party Transactions

Parties are considered related if the following conditions applies:

- if one entity has the ability to control the other entity or exercise significant influence over the other entity in making financial or operational decisions, and
- if the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

UNIVERSAL RETIREMENT FUND

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

(Expressed in thousands of Trinidad and Tobago dollars)

8. Related Party Transactions (continued)

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 \$8.1 million or 2% of month end fund size (December 2022: \$8.3 million or 2% of month end fund size). The outstanding management charge due to the Corporation at 31 December 2023 amounted to \$0.7 million (December 2022: \$0.7 million).

There was an amount of \$0.04 million receivable from the Corporation in respect of net subscriptions at the end of the reporting period. (see Note 8). There was an amount of \$0.2 million payable to the Corporation in respect of net redemptions at the end of 2022.

There were no other related party transactions for the year.

9. 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.

Segment information is measured on the same basis as that used in the preparation of the Fund's financial statements.

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

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

	Fixed Income Portfolio	Equity Portfolio	Unallocated	Total
2023				
Total Operating Income	2,282	6,158	599	9,039
Management Charge	–	–	(8,139)	(8,139)
Commissions	–	–	(12)	(12)
Other Expenses	–	–	(66)	(66)
Net Income before Taxation	2,282	6,158	(7,618)	822
Taxation	–	(480)	–	(480)
Net Income after Taxation	2,282	5,678	(7,618)	342
Total Assets	103,605	279,551	27,164	410,320
Total Liabilities	178	479	46	703

	Fixed Income Portfolio	Equity Portfolio	Unallocated	Total
2022				
Total Operating Loss	(8,767)	(24,809)	(5,935)	(39,511)
Management Charge	–	–	(8,277)	(8,277)
Commissions	–	–	(10)	(10)
Other Expenses	–	–	(70)	(70)
Net Loss before Taxation	(8,767)	(24,809)	(14,292)	(47,868)
Taxation	–	(195)	–	(195)
Net Loss after Taxation	(8,767)	(25,004)	(14,292)	(48,063)
Total Assets	90,056	254,828	60,957	405,841
Total Liabilities	590	1,670	400	2,660

10. 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 2023

	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Investment securities carried at fair value through profit or loss - mandatory				
Bonds	20,687	69,299	–	89,986
Quoted equities	211,826	–	–	211,826
Exchange traded funds (ETFs)	77,320	–	–	77,320
Total investment securities	309,833	69,299	–	379,132

Fair Value Hierarchy for Investment Securities as at 31 December 2022

Recurring fair value measurements				
Investment securities carried at fair value through profit or loss - mandatory				
Bonds	23,300	57,869	–	81,169
Quoted equities	218,550	–	–	218,550
Exchange traded funds (ETFs)	39,528	–	–	39,528
Total investment securities	281,378	57,869	–	339,247

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 2022, there was sufficient information available to measure fair values of securities determined as Level 3 in 2022. Therefore, these securities, with a carrying amount of \$57.9 million, were transferred from Level 3 to Level 2 of the fair value hierarchy and securities with a carrying amount of \$20.7 million were transferred from Level 3 to 1 of the fair value hierarchy (see Note 10 (d)).

Additionally in 2023, a security with a carrying amount of \$5.8 million was transferred from Level 1 to Level 2 of the fair value hierarchy.

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).

There were no securities determined as Level 3 for the year ended 31 December 2023.

UNIVERSAL RETIREMENT FUND

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

(Expressed in thousands of Trinidad and Tobago dollars)

10. Fair Value of Financial Instruments (continued)

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.

	2023	2022
Bonds		
Carrying Value as at 1 January	–	84
Sales/repayments/maturities	–	(5)
Transfer out of Level 3 to Level 1	–	(21)
Transfer out of Level 3 to Level 2	–	(58)
Carrying Value as at 31 December	–	–

11. 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 identify, assess and manage these risks to safeguard the interests of all stakeholders and to achieve strategic objectives.

The SRCC meets at least once per quarter and is responsible for overseeing the Fund's risk management and compliance frameworks, programs and supporting policies.

The Audit Committee is responsible for discharging 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.

Risk Exposures

The primary risks to which the Fund is exposed are:

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

In alignment with the Risk Management Framework, these risk exposures are managed on an ongoing basis. Risks are monitored to determine compliance with approved risk tolerances and to ensure appropriate 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.

Bond Price Risk

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

Equity and ETF Price Risk

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

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

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

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

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

The Fund's equity and ETF holdings are 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.

	Lower than market	Comparable to market	Higher than market
At 31 December 2023	121,342 42%	123,776 43%	44,028 15%
At 31 December 2022	112,017 43%	110,334 43%	35,727 14%

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.

Market indices	Change in equity %	Effect on net asset value +/- 2023	+/- 2022
TTSE composite index	+/- 5	\$6.6 million	\$7.2 million
S&P 500 index	+/- 5	\$6.4 million	\$3.3 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.

Management has determined that a fluctuation in interest rates of 100 basis points is reasonably possible, considering the economic environment in which the Fund operates.

The following tables demonstrate the sensitivity of the Fund's profit or loss for the year to a possible 100 basis point 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.

Sensitivity of changes in income

	2023	2022
Maximum loss	(3,000)	(3,000)
Minimum loss	(2,000)	(2,000)

UNIVERSAL RETIREMENT FUND

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

(Expressed in thousands of Trinidad and Tobago dollars)

11. Risk Management (continued)

Interest Rate Risk (continued)

Sensitivity of changes in fair value of investments	2023	2022
US interest rates	274	271
T&T interest rates	380	307

The Fund's exposure to interest rate risk as at 31 December 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	Between 1 and 5	Over 5 years	Total
At 31 December 2023				
Assets				
Cash at bank	26,551	–	–	26,551
Deposits with banks	3,373	–	–	3,373
Bonds measured at fair value through profit or loss	6,518	64,990	18,478	89,986
	<u>36,442</u>	<u>64,990</u>	<u>18,478</u>	<u>119,910</u>

	Less than 1 year	Between 1 and 5	Over 5 years	Total
At 31 December 2022				
Assets				
Cash at bank	62,128	–	–	62,128
Deposits with banks	3,381	–	–	3,381
Bonds measured at fair value through profit or loss	–	67,986	13,183	81,169
	<u>65,509</u>	<u>67,986</u>	<u>13,183</u>	<u>146,678</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.

	At 31 December 2023		At 31 December 2022	
	US\$	Other Foreign Currencies (Presented in TT\$)	US\$	Other Foreign Currencies (Presented in TT\$)
Assets				
Deposits with banks	3,373	–	3,382	–
Cash at bank	20,742	–	54,499	–
Bonds measured at fair value through profit or loss	30,863	–	30,534	–
Equities, ETFs, private equity & mutual funds	128,581	3,648	74,364	3,279
Total	<u>183,559</u>	<u>3,648</u>	<u>162,779</u>	<u>3,279</u>

The following analysis shows how the effect of a 1% change in the TT dollar relative to the US dollar and other foreign currencies would have changed the net assets of the Fund at 31 December 2023 with all other variables held constant.

At 31 December 2023 At 31 December 2022

	US\$	Other Foreign Currencies (Presented in TT\$)	US\$	Other Foreign Currencies (Presented in TT\$)
Approximate change	1,836	36	1,628	33

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	2023	2022
US dollars	45%	40%
Other foreign currencies	1%	1%

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 at bank 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, deposits at bank 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.

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

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

In instances where a security is not rated by an international rating agency and has not been assigned a rating under the internal rating system, it is classified as 'Unrated'.

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

	2023	High	Medium	Unrated	Total
Bonds measured at fair value through profit or loss	81,568	8,418	–	–	89,986
Cash at bank	26,551	–	–	–	26,551
Deposits with banks	3,373	–	–	–	3,373
Total	<u>111,492</u>	<u>8,418</u>	<u>–</u>	<u>–</u>	<u>119,910</u>
2022					
Bonds measured at fair value through profit or loss	68,421	12,748	–	–	81,169
Cash at bank	62,128	–	–	–	62,128
Deposits with banks	3,381	–	–	–	3,381
Total	<u>133,930</u>	<u>12,748</u>	<u>–</u>	<u>–</u>	<u>146,678</u>

UNIVERSAL RETIREMENT FUND

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

(Expressed in thousands of Trinidad and Tobago dollars)

11. 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 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.

	Less than 1 year
At 31 December 2023	
Other payables	703
Total	<u>703</u>
At 31 December 2022	
Due to brokers	1,763
Other payables	897
Total	<u>2,660</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. This is inherent within all business activities and has the potential for financial or reputational loss, this includes errors, omissions, disasters and fraud. It is managed through a combination of systems, processes and controls.

The Fund maintains a comprehensive business continuity program that enables it to be agile in responding to the various business continuity threats/operational disruptions that may arise.

Managing information/cyber security risks remains a priority. The Fund maintains an Information Security Program to respond to the ever-evolving cyber threat landscape. The organization continues to monitor and enhance its security posture and implements relevant controls and mitigants to reduce the impacts of cyber incidents.

12. Capital Management

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

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

13. Commitments

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

14. Events after the Reporting Period

There were no material events after the statement of financial position date of 31 December 2023 which required recording or disclosure in the financial statements of the Fund as at 15 February 2024.

15. Approval of the Financial Statements

These Financial Statements were approved by the Board of Directors and authorised for issue on 15 February 2024.