



**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



US DOLLAR INCOME FUND
STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

(Expressed in thousands of United States dollars)

	Notes	31-Dec-23 \$'000	31-Dec-22 \$'000
Assets			
Cash at bank	3	17,780	16,140
Deposits with banks		–	17,031
Other receivables	4	10,362	7,890
Investment securities	5	728,956	696,560
Total assets		<u>757,098</u>	<u>737,621</u>
Liabilities			
Other payables	6	4,592	2,856
Total liabilities		<u>4,592</u>	<u>2,856</u>
Equity			
Unitholders' capital	8	736,976	739,937
Retained loss		(4,556)	(24,058)
Fund reserves		20,086	18,886
Total equity		<u>752,506</u>	<u>734,765</u>
Total liabilities and equity		<u>757,098</u>	<u>737,621</u>
Net asset value per unit		\$20.37	\$19.84




 Chairman Executive Director

The accompanying notes form an integral part of these financial statements

US DOLLAR INCOME FUND
STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

(Expressed in thousands of United States dollars)

	Notes	31-Dec-23 \$'000	31-Dec-22 \$'000
Interest income		27,063	19,888
Net change in fair value of investment securities		13,176	(36,046)
Other income		–	70
Total revenue		<u>40,239</u>	<u>(16,088)</u>
Management charge	9	(8,844)	(8,248)
Commissions		(71)	(75)
Other operating expenses		(114)	(103)
Total operating expenses		<u>(9,029)</u>	<u>(8,426)</u>
Profit/(loss) before tax		<u>31,210</u>	<u>(24,514)</u>
Withholding tax expense		(373)	(200)
Profit/(loss) for the year		<u>30,837</u>	<u>(24,714)</u>

The accompanying notes form an integral part of these financial statements

US DOLLAR INCOME FUND
STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

(Expressed in thousands of United States dollars)

	Unitholders' capital \$'000	Retained loss \$'000	Fund reserves \$'000	Total equity \$'000
Balance as at 1 January 2022	625,746	9,431	17,086	652,263
Total comprehensive loss for the year				
Loss for the year	–	(24,714)	–	(24,714)
Net allocation to reserves	–	(1,800)	1,800	–
Subscriptions of units	303,579	–	–	303,579
Redemptions of units	(189,388)	–	–	(189,388)
Distributions to unitholders	–	(6,975)	–	(6,975)
Total transactions with unitholders	<u>114,191</u>	<u>(6,975)</u>	<u>–</u>	<u>107,216</u>
Balance as at 31 December 2022	<u>739,937</u>	<u>(24,058)</u>	<u>18,886</u>	<u>734,765</u>
Balance as at 1 January 2023	739,937	(24,058)	18,886	734,765
Total comprehensive income for the year				
Profit for the year	–	30,837	–	30,837
Net allocation to reserves	–	(1,200)	1,200	–
Subscriptions of units	236,189	–	–	236,189
Redemptions of units	(239,150)	–	–	(239,150)
Distributions to unitholders	–	(10,135)	–	(10,135)
Total transactions with unitholders	<u>(2,961)</u>	<u>(10,135)</u>	<u>–</u>	<u>(13,096)</u>
Balance as at 31 December 2023	<u>736,976</u>	<u>(4,556)</u>	<u>20,086</u>	<u>752,506</u>

The accompanying notes form an integral part of these financial statements



US DOLLAR INCOME FUND
STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

(Expressed in thousands of United States dollars)

	31-Dec-23 \$'000	31-Dec-22 \$'000
Cash flows from operating activities		
Profit/(loss) before tax	31,210	(24,514)
Adjustments to reconcile profit/(loss) before tax to net cash flows:		
Interest income	(27,660)	(23,418)
Amortisation of premium expense and discount income	597	3,530
Placement of deposits with banks	–	(15,531)
Maturity of deposits with banks	17,031	19,000
Purchase of investments	(330,184)	(394,188)
Proceeds from sale of investments	310,367	248,220
Net change in fair value of investment securities	(13,176)	36,046
Working capital adjustments:		
(Increase)/decrease in other receivables	(2,999)	15,749
Increase in other payables	12	43
	<u>(14,802)</u>	<u>(135,063)</u>
Interest received	26,837	22,005
Withholding tax paid	<u>(373)</u>	<u>(200)</u>
Net cash flows from/(used in) operating activities	<u>11,662</u>	<u>(113,258)</u>
Cash flows from financing activities		
Subscriptions of units	167,231	262,634
Redemptions of units	<u>(177,253)</u>	<u>(155,409)</u>
Net cash flows (used in)/from financing activities	<u>(10,022)</u>	<u>107,225</u>
Net increase/(decrease) in cash	1,640	(6,033)
Cash at the beginning of the year	<u>16,140</u>	<u>22,173</u>
Cash at the end of the year	<u>17,780</u>	<u>16,140</u>

The accompanying notes form an integral part of these financial statements

US DOLLAR INCOME FUND

Notes to the Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of United States dollars)

1. General Information

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

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

Subscriptions

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

Redemptions

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

Reinvestments

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

Management charge

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

Investment objective

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

2. 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.

a) Basis of Preparation

- 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)
- 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.

US DOLLAR INCOME 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 (continued)

- iii. The Financial Statements are presented in United States dollars, which is the functional currency of the Fund.
- iv. The preparation of the Financial Statements in accordance with IFRS requires management to make judgements, estimates and assumptions. Management reviews these judgements, estimates and underlying assumptions on a regular basis.
- v. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are those used in estimating the fair value of financial assets categorised as Level 3 (see Note 11(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.

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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.

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)

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

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

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.



US DOLLAR INCOME 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 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.

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 comparable, transaction comparable 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

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.



US DOLLAR INCOME 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)

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.

3. Cash at Bank

Cash at Bank is analysed below:

	2023	2022
Cash at brokers	5,853	8,119
Cash at bank	11,927	8,021
Total	17,780	16,140

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 9)	3,000	1,351
Interest receivable	7,362	6,539
Total	10,362	7,890

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	641,520	602,877
Short-term investments	87,436	93,683
Total	728,956	696,560

Investment securities summarised by classification

- At fair value through profit or loss	728,956	696,560
	728,956	696,560

6. Other Payables

	2023	2022
Amounts due to the Corporation (see Note 9)	1,128	787
Distribution payable	3,436	2,035
Other payables	28	34
Total	4,592	2,856

7. Distributions to Unitholders

Distributions to Unitholders for the year ended 31 December 2023 were \$10,135,099 (Dec 2022: \$6,975,106). The next distribution period is January to March 2024.

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.

	2023	2022
Opening balance as at 1 January	739,937	625,746
Add: sales	236,189	303,579
Less: repurchases	(239,150)	(189,388)
Net sales	(2,961)	114,191
Closing balance as at 31 December	736,976	739,937

9. 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).

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

Total management fees for the year amounted to \$8.8 million or 1.25% of month end fund sizes (December 2022: \$8.2 million or 1.25% of month end fund sizes). The outstanding management charge due to the Corporation at the 31 December 2023 amounted to \$0.8 million (December 2022: \$0.8 million) (Note 6).

There is an amount of \$0.3 million payable to the Corporation in respect of net subscriptions (December 2022: \$1.4 million receivable) at the end of the reporting period. (See Note 4 and Note 6).

There is an amount of \$3 million receivable from the Corporation for funds advanced to facilitate same-day large repurchases (December 2022: nil) (Note 4).

The Corporation also had an investment in the Fund as at 31 December 2023. The value of the holding was \$0.5 million (December 2022: \$0.5 million).

UTC Financial and Investment Advisory Services Limited has an investment in the Fund as at 31 December 2023. The value of the holding is \$0.3 million (December 2022: \$0.3 million).

There were no other related party transactions for the year.

10. Segment Information

The Fund has a fixed income portfolio which is its reportable segment. The portfolio's investment objective and strategy is to invest in the local debt market within the parameters set out in the Fund's prospectus to achieve the highest possible yield.

The Board of Directors reviews the internal management reports of the 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 the redeemable units as customers because it relies on their funding for continuing operations and meeting its objectives.



US DOLLAR INCOME FUND

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

(Expressed in thousands of Trinidad and Tobago dollars)

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 2023

	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Investment securities carried at fair value through profit or loss				
Bonds	555,545	85,975	–	641,520
Short-term investments	87,436	–	–	87,436
Total investment securities	642,981	85,975	–	728,956

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

Bonds	537,200	62,938	2,739	602,877
Short-term investments	93,683	–	–	93,683
Total investment securities	630,883	62,938	2,739	696,560

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 \$375.2 million, were transferred from Level 3 to Level 1 of the fair value hierarchy and securities with the carrying amount of \$58.0 million were transferred from Level 3 to 2 of the fair value hierarchy. (see Note 11 (d)).

Additionally in 2023, securities with a carrying amount of \$31.8 million were transferred from Level 1 to Level 2, securities with a carrying amount of \$12.3 million were transferred from Level 2 to Level 1 and securities with a carrying amount of \$2.5 million were transferred from Level 3 to Level 2 of the fair value hierarchy. (see Note 11 (d)).

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.

2023	Level 3 fair value	Valuation technique used	Significant unobservable inputs	Possible shift in inputs +/-	Change in valuation +/-
Investment securities carried at fair value through profit or loss					
Bonds	–	Valuation model, Indicative quotations	Interest rates, spreads	+1%	–
Total	–				–
2022					
Investment securities carried at fair value through profit or loss					
Bonds	3	Valuation model, Indicative quotations	Interest rates, spreads	+1%	–
Total	3				–

d) Movements in Level 3 Financial Instruments

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

Values are expressed in millions of dollars.

	2023	2022
Bonds		
Carrying Value as at 1 January	3	548
Sales/repayments/maturities	–	(73)
Net losses recognised in P&L	–	(39)
Transfer out of Level 3 to Level 1	–	(375)
Transfer out of Level 3 to Level 2	(3)	(58)
Carrying Value as at 31 December	–	3

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 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 Corporation's financial reports and the Corporation's compliance with statutory and regulatory requirements.



US DOLLAR INCOME FUND

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

(Expressed in thousands of Trinidad and Tobago dollars)

12. Risk Management (continued)

Risk Management Framework (continued)

The Audit Committee is also responsible for ensuring that Management has:

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

Risk Exposures

The primary risks to which the Fund is exposed are:

- market risk – which comprises:
 - bond price risk
 - interest rate 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.

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	(20,000)	(20,000)
Minimum loss	(10,000)	(10,000)

Sensitivity of changes in fair value of investments	2023	2022
US interest rates	42,836	39,543

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.

	Less than 1 year	Between 1 and 5	Over 5 years	Total
At 31 December 2023				
Assets				
Cash at bank	17,780	–	–	17,780
Deposits with banks	–	–	–	–
Short-term investments	87,436	–	–	87,436
Bonds measured at fair value through profit or loss	200,835	408,570	32,115	641,520
	<u>306,051</u>	<u>408,570</u>	<u>32,115</u>	<u>746,736</u>
	Less than 1 year	Between 1 and 5	Over 5 years	Total
At 31 December 2022				
Assets				
Cash at bank	16,140	–	–	16,140
Deposits with banks	17,031	–	–	17,031
Short-term investments	93,683	–	–	93,683
Bonds measured at fair value through profit or loss	136,151	405,535	61,191	602,877
	<u>263,005</u>	<u>405,535</u>	<u>61,191</u>	<u>729,731</u>

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

Credit risk is managed by:

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

The quality of the Fund's debt securities, deposits with banks, short-term investments 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'.



US DOLLAR INCOME FUND

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

(Expressed in thousands of Trinidad and Tobago dollars)

12. Risk Management (continued)

Credit Risk (continued)

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

2023	High	Medium	Low	Unrated	Total
Bonds	580,769	58,227	–	2,524	641,520
Short-term instruments	87,436	–	–	–	87,436
Cash at Bank	17,780	–	–	–	17,780
Total	<u>685,985</u>	<u>58,227</u>	<u>–</u>	<u>2,524</u>	<u>746,736</u>

2022	High	Medium	Low	Unrated	Total
Bonds	526,095	60,997	13,046	2,739	602,877
Short-term instruments	93,683	–	–	–	93,683
Deposits with Banks	17,031	–	–	–	17,031
Cash at Bank	16,140	–	–	–	16,140
Total	<u>652,949</u>	<u>60,997</u>	<u>13,046</u>	<u>2,739</u>	<u>729,731</u>

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	1,156
Distribution payable	<u>3,436</u>
Total	<u>4,592</u>

Less than
1 year

At 31 December 2022

Other payables	821
Distribution payable	<u>2,035</u>
Total	<u>2,856</u>

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.

13. 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.

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.