



**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 – CALYPSO MACRO INDEX FUND FOR THE YEAR ENDED 31 DECEMBER, 2017**

**OPINION**

The financial statements of the Trinidad and Tobago Unit Trust Corporation – Calypso Macro Index Fund (the Fund) for the year ended 31 December, 2017 have been audited. The statements as set out on pages 1 to 18 comprise a Statement of Financial Position as at 31 December, 2017, and the Statement of Comprehensive Income, a Statement of Changes in Equity and a Statement of Cash Flows for the year then ended, and Notes to the Financial Statements numbered 1 to 12, including a summary of significant accounting policies.

2. In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trinidad and Tobago Unit Trust Corporation – Calypso Macro Index Fund as at 31 December, 2017 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

**BASIS FOR OPINION**

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

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

4. Management of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

5. In preparing the financial statements, management is responsible for assessing the ability of the Fund to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

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

#### **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

7. The Auditor General's responsibility is to express an opinion on these financial statements based on the audit and to report thereon in accordance with section 30 (4) of the Unit Trust Corporation of Trinidad and Tobago Act, Chapter 83:03.

8. The Auditor General's objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes his opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

9. As part of an audit in accordance with accepted auditing standards, the Auditor General exercises professional judgment and maintains professional skepticism throughout the audit. The Auditor General also:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for an opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Fund.

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concludes on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Fund to continue as a going concern. If the Auditor General concludes that a material uncertainty exists, the Auditor General is required to draw attention in his audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify his opinion. The Auditor General's conclusions are based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
  - Evaluates the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
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.

**20<sup>TH</sup> MARCH, 2018**  
**PORT OF SPAIN**



A handwritten signature in blue ink, appearing to read "MAJEED ALI".

**MAJEED ALI**  
**AUDITOR GENERAL**

SS  
20180320

**Trinidad & Tobago Unit Trust Corporation**  
**Calypso Macro Index Fund**

**Financial Statements**  
(Expressed in Trinidad and Tobago Dollars)

**31 December 2017**

**Trinidad and Tobago Unit Trust Corporation**  
**Calypso Macro Index Fund**

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**Trinidad and Tobago Unit Trust Corporation**  
**CALYPSO MACRO INDEX FUND**  
**STATEMENT OF FINANCIAL POSITION**

**As at 31 December, 2017**

**Expressed in Trinidad and Tobago Dollars**

<b>ASSETS</b>	<b>Notes</b>	<b>31-Dec-17 \$'000</b>	<b>31-Dec-16 \$'000</b>
Cash and Cash Equivalents	4	12,181	10,359
Receivables	5	1,969	1,821
Investment Securities	6	537,698	548,117
<b>Total Assets</b>		<b>551,848</b>	<b>560,297</b>
<b>LIABILITIES</b>			
Payables	7	3,933	3,748
<b>Total Liabilities</b>		<b>3,933</b>	<b>3,748</b>
<b>EQUITY</b>			
Unitholders' Capital		500,755	500,755
Fair Value Reserve		77,124	63,766
Undistributed Loss		(29,964)	(7,972)
<b>Total Equity</b>		<b>547,915</b>	<b>556,549</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>551,848</b>	<b>560,297</b>
<b>Net Asset Value per Unit</b>		<b>\$27.12</b>	<b>\$27.55</b>

*R.F. Nelson*

**Chairman**



*Sanjay Ching*

**Executive Director**

**Trinidad and Tobago Unit Trust Corporation**  
**CALYPSO MACRO INDEX FUND**  
**STATEMENT OF COMPREHENSIVE INCOME**

**For the year ended 31 December, 2017**

**Expressed in Trinidad and Tobago Dollars**

	Notes	31-Dec-17 \$'000	31-Dec-16 \$'000
<b>INCOME</b>			
Dividend Income	8	18,667	16,938
Foreign Exchange Gain/(Loss)		18	(687)
<b>Total Income</b>		<b>18,685</b>	<b>16,251</b>
<b>EXPENSES</b>			
Management Charge	10	(2,651)	(2,649)
Impairment	3	(23,778)	(12,141)
Other Expenses		(321)	(100)
Bank Charges		(4)	(18)
<b>Total Expenses</b>		<b>(26,754)</b>	<b>(14,908)</b>
<b>Net (Loss)/Income Before Taxation</b>		<b>(8,069)</b>	<b>1,343</b>
Withholding Taxes		(2,005)	(1,639)
<b>Net Loss for the year</b>		<b>(10,074)</b>	<b>(296)</b>
<b>Other Comprehensive Income:</b>			
<i>Amounts that may be transferred to Profit or Loss in the future:</i>			
Fair value gain/(loss) arising during the year		(10,420)	51,625
Impairment loss transferred to income		23,778	12,141
<b>Other Comprehensive Income for the year</b>		<b>13,358</b>	<b>63,766</b>
<b>Total Comprehensive Income for the year</b>		<b>3,284</b>	<b>63,470</b>

**Trinidad and Tobago Unit Trust Corporation**  
**CALYPSO MACRO INDEX FUND**  
**STATEMENT OF CHANGES IN EQUITY**  
For the year ended 31 December, 2017  
Expressed in Trinidad and Tobago Dollars

	Unitholders' Capital \$'000	Fair Value Reserve \$'000	Undistributed Loss \$'000	Total \$'000
<b>Balance as at 1 January, 2017</b>	<b>500,755</b>	<b>63,766</b>	<b>(7,972)</b>	<b>556,549</b>
Net Loss for the year	-	-	(10,074)	(10,074)
Distribution to Unitholders	-	-	(11,918)	(11,918)
Other Comprehensive Income for the year	-	13,358	-	13,358
<b>Balance as at 31 December, 2017</b>	<b>500,755</b>	<b>77,124</b>	<b>(29,964)</b>	<b>547,915</b>
<b>Balance as at 1 January, 2016</b>	-	-	-	-
Net Loss for the year	-	-	(296)	(296)
Subscriptions	500,755	-	-	500,755
Distribution paid to Unitholders	-	-	(7,676)	(7,676)
Other Comprehensive Income for the year	-	63,766	-	63,766
<b>Balance as at 31 December, 2016</b>	<b>500,755</b>	<b>63,766</b>	<b>(7,972)</b>	<b>556,549</b>



**Trinidad & Tobago Unit Trust Corporation**  
**CALYPSO MACRO INDEX FUND**  
**STATEMENT OF CASH FLOWS**  
**For the year ended 31 December, 2017**  
**Expressed in Trinidad and Tobago Dollars**

	31-Dec-17 \$'000	31-Dec-16 \$'000
<b>OPERATING ACTIVITIES</b>		
Net (Loss)/Income before Taxation	(8,069)	1,343
<i>Adjustment to reconcile net income to net cash and cash equivalents from operating activities:</i>		
Dividend Income	(18,667)	(16,938)
Impairment	23,778	12,141
	(2,958)	(3,454)
<i>Movements in Net Current Assets</i>		
(Decrease)/Increase in Payables	(18)	920
	(18)	920
Dividend Received	18,519	15,117
Taxation paid	(2,005)	(1,639)
	16,514	13,478
<b>Net Cash Flow From Operating Activities</b>	<b>13,538</b>	<b>10,944</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of Investment Securities	-	(496,493)
<b>Net Cash Used In Investing Activities</b>	<b>-</b>	<b>(496,493)</b>
<b>FINANCING ACTIVITIES</b>		
Subscriptions from Unitholders	-	505,000
Initial public offering expenses	-	(4,244)
Distribution paid to Unitholders	(11,716)	(4,848)
<b>Net Cash (Used In)/Flow From Financing Activities</b>	<b>(11,716)</b>	<b>495,908</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1,822</b>	<b>10,359</b>
Cash and Cash Equivalents at the beginning of the year	10,359	-
Cash and Cash Equivalents at the end of the year	12,181	10,359

# Trinidad & Tobago Unit Trust Corporation

## Calypso Macro Index Fund

### Notes To The Financial Statements (Continued)

31 December 2017

(Expressed in Trinidad and Tobago Dollars)

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#### 1 General Information

The Calypso Macro Index Fund (the Fund) is a closed-end mutual fund for a period ending on the Redemption Date. The Fund was launched on 8 January 2016 and is scheduled to terminate on the Redemption Date of 30 November 2025 or such later date as may be prescribed by the Regulations of the Fund.

The Fund is governed by Regulations made for the Fund by the Board of Directors of the Trinidad and Tobago Unit Trust Corporation (the Corporation) with the approval of the Central Bank of Trinidad and Tobago under Section 14(1) of the Unit Trust Corporation Act (the Act). The termination or Redemption Date may be extended in accordance with the provisions of Clause 27.1 of the Regulations.

The Corporation is the Sponsor, Trustee, Fund Administrator and Investment Manager of the Fund. The Board of Directors of the Corporation is responsible for managing the business and affairs of the Fund.

Participation by investors in the Fund is represented by units, these units represent an undivided share in the Deposited Property. The Deposited Property means all the assets and investments of the Fund for the time being held or deemed to be held by the Trustee. No unitholder is entitled to any interest or share in any particular part of the Depository Property until such time as the Fund is terminated.

#### Subscriptions

Subscription to the Fund closed on 4 December 2015 at the end of the initial offer period. During the offer period 20,000,000 units were offered at a price of TT\$25.00 per unit. On the transfer date the Trustee issued:

- (i) 20,000,000 units to successful applicants, and
- (ii) 200,000 units to the Fund Sponsor.

#### Redemptions

No unitholder is entitled to redeem units prior to the Redemption Date of 30 November 2025 or such later Redemption Date as may be prescribed under the Regulations of the Fund.

#### Investment Objective

The objective of the Fund is to hold the Deposited Property of the Fund for a period of ten years. The Fund seeks to provide investors with the ability to own a cross-section of local listed shares on the Trinidad and Tobago Stock Exchange, as well as exposure to global energy companies through investment in the Global Energy Index. Each unit provides instant diversification to the investor.

#### Trading of Units

The units of the Fund are traded on the Trinidad and Tobago Stock Exchange. Unitholders may sell, transfer or otherwise dispose of their units by trading on the Trinidad and Tobago Stock Exchange in accordance with its rules for effecting such transactions. The Registrar, transfer agent and income paying agent of the Fund is the Trinidad and Tobago Central Depository Limited. The Registrar maintains the records with respect to each unitholder of the Fund.

#### Termination of the Fund

The Fund will continue until the Redemption Date and upon full and final disposition of the Deposited Property. The proceeds from the disposition of the Deposited Property, together with the Fund's Income, will be distributed to the unitholders pro rata minus any monies required to discharge unpaid liabilities properly incurred by the Trustee.

# Trinidad & Tobago Unit Trust Corporation

## Calypso Macro Index Fund

### Notes To The Financial Statements (Continued)

31 December 2017  
(Expressed in Trinidad and Tobago Dollars)

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## 2 Summary Of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

### 2.1 Basis of preparation

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (IFRS). The accounting policies in all material respects conform to IFRS.

The financial statements have been prepared under the historical cost convention except for financial assets, which are carried at fair value at the reporting date. The historical cost convention requires that assets acquired are carried at the value of the consideration originally given in exchange for the assets acquired, less adjustments for depreciation and/or impairment. Fair value on the other hand adjusts the carrying value of assets and liabilities to reflect the value that would be received on sale of the asset, or paid to transfer the liability, in an orderly transaction between market participants at the reporting date. The methods used to measure the fair value of the Fund's financial assets are provided at Note 11.

The financial statements are presented in Trinidad and Tobago dollars (TTD) which is the functional currency of the Fund. All financial information has been rounded to the nearest thousand except where otherwise indicated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgment in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

*Standards, interpretations or amendments to existing standards that are effective for accounting periods beginning on or after 1 January 2017*

There are no new standards and amendments which apply for the first time in 2017 that affect the Fund's financial statements.

*New standards, amendments or interpretations effective after 1 January 2017 and not early adopted*

There are new IFRSs that the Fund did not early adopt in 2017. These new standards were not applied in the preparation of these Financial Statements. The standards are:

- **IFRS 9-Financial Instruments**

IFRS 9, was issued in July 2014 and is mandatory for annual periods beginning on or after 1 January 2018. IFRS 9 replaces IAS 39 Financial Instruments – Recognition and Measurement. The Fund will adopt IFRS 9 on 1 January 2018. The major expected impacts on the Fund's accounting policies and financial statements on adoption of IFRS 9 are itemized below:

- IFRS 9 must be applied on a retrospective basis. However, in accordance with the transitional provisions, the Fund is not required to restate its prior period comparative financial statements on adoption of the new standard. Differences in the carrying amounts of financial instruments arising from the adoption of IFRS 9 will be recognized in the opening balance of Retained Earnings and Other Comprehensive Income as if the Fund had always followed the requirements of IFRS 9. Given that the vast majority of all the financial assets of the Fund are classified as available-for-sale at present and the classification to be adopted will be fair value through profit or loss account (see below), no material differences are expected to be recognized in the opening balance of Retained Earnings in 2018 as a result of the adoption of IFRS 9.

# Trinidad & Tobago Unit Trust Corporation

## Calypso Macro Index Fund

### Notes To The Financial Statements (Continued)

#### 31 December 2017

(Expressed in Trinidad and Tobago Dollars)

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## 2 Summary Of Significant Accounting Policies (Continued)

### 2.1 Basis of preparation (Continued)

- **IFRS 9-Financial Instruments (Continued)**

- ii. Classification of financial assets under IFRS 9. IFRS 9 accounts for the carrying value of financial assets in three ways, namely:
  - a. amortized cost,
  - b. fair value through other comprehensive income (FVOCI); and
  - c. fair value through profit and loss (FVTPL).

The accounting treatment applicable to a financial asset is based on the classification of the financial asset under IFRS 9. Classification of financial assets under IFRS 9 is based on the business model within which the financial asset is held. IFRS 9 recognizes three business models, namely:

- a. a business model whose objective is to hold financial assets to collect contractual cash flows;
- b. a business model whose objective is both to collect contractual cash flows and sell financial assets; and
- c. other business models.

Notwithstanding the business model within which an asset is held, IFRS 9 provides an option to account for equity that is not traded as fair value through other comprehensive income. The Fund has adopted that option with respect to the equity portion of its portfolio as its equity is not traded. Under the option, the unrealised gains and losses of the equity portion of the portfolio will be recognized in other comprehensive income permanently and, unlike the treatment under IAS 39, the accumulated unrealized gains and losses cannot be recycled through the profit or loss account on sale or impairment of the security.

The Exchange Traded Funds (ETFs) held in its portfolio does not qualify as equity. Accordingly, the ETF portion of the portfolio will be accounted for at fair value through profit or loss. The unrealized gains and losses of the ETFs will be recognized immediately in the Statement of Profit or Loss. This may give rise to profit volatility when markets are volatile.

- IFRS 9 was accompanied by consequential changes to IFRS 7 - *Financial Instruments – Disclosures*. Therefore, additional disclosures will be required in the Financial Statements on adoption of IFRS 9.

There are no other new standards, amendments and interpretation that are not yet effective that would be expected to have a significant impact on the Fund's financial statements.

# Trinidad & Tobago Unit Trust Corporation

## Calypso Macro Index Fund

Notes To The Financial Statements (Continued)  
31 December 2017  
(Expressed in Trinidad and Tobago Dollars)

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### 2 Summary Of Significant Accounting Policies (Continued)

#### 2.2 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates.

The financial statements are presented in Trinidad and Tobago dollars, which is the Fund's functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transactions. 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 Profit or Loss.

Translation differences on non-monetary items, such as available for sale equity are reported as part of other comprehensive income. In the case of the fair value of monetary assets denominated in a foreign currency and classified as available for sale, translation differences are analysed between these differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount, except impairment, are recognised in other comprehensive income.

#### 2.3 Financial assets

The Fund classifies its investment securities as, loans and receivables and available for sale securities. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at each reporting date.

(a) *Classification*

(i) *Available for sale*

Available for sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Available for sale investments are those intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or changes in interest rate, exchange rates or equity prices.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, these are classified as non-current assets. The fund's loans and receivables comprise 'accounts receivables' and 'cash and cash equivalents' in the Statement of Financial Position (Notes 2.5 and 2.7).

# Trinidad & Tobago Unit Trust Corporation

## Calypso Macro Index Fund

### Notes To The Financial Statements (Continued)

#### 31 December 2017

(Expressed in Trinidad and Tobago Dollars)

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## 2 Summary Of Significant Accounting Policies (Continued)

### 2.3 Financial assets (Continued)

#### (b) *Recognition, derecognition and measurement*

Purchases and sales of Equity Instruments are recognised on the trade date. Available for sale investments are initially recognised and subsequently carried at fair value plus transaction cost. Gains and losses arising from changes in the fair value are recognised in other comprehensive income. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are transferred to the Statement of Profit or Loss.

#### (c) *Fair value estimation*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets traded in active markets (such as publicly traded equities) are based on quoted market prices at the close of trading on the reporting date. The Fund utilises the last traded market price for financial assets where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, management will determine the point within the bid-ask spread that is most representative of fair value.

If a significant movement in fair value occurs subsequent to the close of trading up to midnight in Trinidad on the year-end date, valuation techniques will be applied to determine the fair value. A significant event is any event that occurs after the last market price for a security, close of market or close of the foreign exchange, but before the Fund's valuation time that materially affects the integrity of the closing prices for any security, instrument or currency.

#### (d) *Transfers between levels of the fair value hierarchy*

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

#### (e) *Impairment of available for sale financial assets*

The Fund assesses, at each reporting date, whether there is objective evidence that available-for-sale equities are impaired. Evidence of impairment includes indications that the issuers or a group of issuers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults.

In addition, a significant or prolonged decline in the fair value of available-for-sale equity securities below its cost is also considered as evidence that the securities are impaired.

### 2.4 Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the Statement of Profit or Loss when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Fund or the counterparty.

# Trinidad & Tobago Unit Trust Corporation

## Calypso Macro Index Fund

### Notes To The Financial Statements (Continued)

#### 31 December 2017

(Expressed in Trinidad and Tobago Dollars)

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## 2 Summary Of Significant Accounting Policies (Continued)

### 2.5 Cash and cash equivalents

Cash and cash equivalents include cash held in brokerage accounts, deposits and balances held at call with banks and short-term investments in an active market with original maturities of three months or less.

### 2.6 Accrued expenses/accounts payables

Accrued expenses/accounts payable are recognised initially at fair value and subsequently stated at amortised cost using the effective interest rate method.

### 2.7 Accounts receivable

Accounts receivable is recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

### 2.8 Non-Redeemable units

The Fund is a closed end Fund. Units of the Fund cannot be redeemed before the Redemption Date (see Note 1). The Fund has presented the units as equity in its Statement of Financial Position.

### 2.9 Expenses

Expenses are accounted for on an accrual basis.

### 2.10 Taxation

Under the current laws of Trinidad and Tobago, there is no income tax, or any other tax levied on the Fund, nor is there any tax on distributions to unitholders of the Fund who are residents of Trinidad and Tobago. Non-residents however are subject to withholding tax on distributions at varying rates depending on their tax residence. Withholding tax on distributions paid to non-residents is withheld by the paying agent on behalf of the Fund and remitted to the tax authorities.

## 3 Critical Accounting Estimates And Assumptions

Management made estimates and assumptions in preparing these financial statements. The resulting accounting estimates will, by definition, seldom equate to the related actual results. The estimate and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of the Fund's assets are outlined below.

### (i) *Impairment losses on equity instruments*

The Fund is guided by IAS 39 – “Financial Instruments: Recognition and Measurement” in determining impairment of financial assets. This determination requires significant judgement. In making this judgement, the Fund considers, among other factors, the length of time and extent to which the fair value of an equity is less than its cost; and the financial health of, and near-term business outlook for, the issuers, including factors such as industry and sector performance, changes in technology, and operational and financing cash flow.

# Trinidad & Tobago Unit Trust Corporation

## Calypso Macro Index Fund

### Notes To The Financial Statements (Continued)

31 December 2017

(Expressed in Trinidad and Tobago Dollars)

#### 4 Cash And Cash Equivalents

	31-Dec-17	31-Dec-16
	\$'000	\$'000
Cash and cash equivalents at brokers	5	335
Cash at bank	12,176	10,024
Total	12,181	10,359

#### 5 Dividend And Other Receivables

	31-Dec-17	31-Dec-16
	\$'000	\$'000
Dividend receivable	1,969	1,821
Total	1,969	1,821

#### 6 Investment Securities

	31-Dec-17	31-Dec-16
	\$'000	\$'000
<b>Available for sale securities</b>		
- Equity securities	308,252	310,140
- Equity exchange traded funds	229,446	237,977
Total available for sale securities	537,698	548,117

#### 7 Accounts Payable And Other Liabilities

	31-Dec-17	31-Dec-16
	\$'000	\$'000
Amount due to the Corporation	903	917
Distribution payable	3,030	2,828
Other liabilities	-	3
Total	3,933	3,748

#### 8 Dividend Income

	31-Dec-17	31-Dec-16
	\$'000	\$'000
Dividend Income	18,667	16,938
Total	18,667	16,938

#### 9 Distribution To Unitholders

The distribution to unitholders for the year ended 31 December 2017 amounted to \$11,918,000 (2016: \$7,676,000). The next distribution period is December 2017 to February 2018, payable on 9 April 2018 as the prescribed distribution date falls on a non-business day.



# Trinidad & Tobago Unit Trust Corporation

## Calypso Macro Index Fund

### Notes To The Financial Statements (Continued)

31 December 2017

(Expressed in Trinidad and Tobago Dollars)

#### 9 Distribution To Unitholders (Continued)

The Prospectus for the Calypso Macro Index Fund prescribes that the Trustee make distributions only upon receipt of Distributable Trust Income less fees and expenses incurred in accordance with *Clause 13* of the Regulations. Distributable trust Income is defined as dividends received on the Deposited Property. Management has distributed 90% of the cash receipts on the Deposited Property less fees and expenses.

#### 10 Related Party Transaction

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The Calypso Macro Index Fund is managed by the Corporation which receives a fee of 0.5% of the net asset value of the fund at the end of each distribution period. Total management fees for the year amounted to \$2,651,448 (2016: \$2,649,037). The outstanding accrued management fees due to the Corporation at year-end amounted to \$ 902,963 (2016: \$916,835).

During the year the Fund entered into a significant transaction with two Associates. The transactions, which were effected on commercial terms and conditions and at market rates, are summarized below.

	Sale of Securities TT\$'M		Purchase of Securities TT\$'M	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
Calypso Macro Index Fund	3.0	2.2	-	492.0
Growth and Income Fund	-	492.0	3.0	2.2

#### 11 Fair Value Estimate

The fair value of financial assets traded in active markets such as traded equity is based on quoted market prices at the close of trading on the reporting date. An active market is a market in which transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis.

If a significant movement in fair value occurs subsequent to the close of trading up to midnight in Trinidad on the reporting date, valuation techniques are applied to determine the fair value.

The Fund's fair value hierarchy is as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and;
- Level 3 inputs are unobservable inputs for asset or liability.

# Trinidad & Tobago Unit Trust Corporation

## Calypso Macro Index Fund

### Notes To The Financial Statements (Continued)

31 December 2017

(Expressed in Trinidad and Tobago Dollars)

#### 11 Fair Value Estimate (Continued)

All the securities of the Fund traded on active markets during 2016 and 2017 and have been classified as Level 1 as shown in the Tables below which analyse the fair value of the Fund's assets (by class) within the fair value hierarchy. All fair value measurements disclosed are recurring fair value measurements.

	Level 1 \$'000	Total \$'000
<b>Financial Assets</b>		
Financial assets available for sale:		
- Equity securities	308,252	308,252
- Exchange traded funds (ETFs)	229,446	229,446
<b>As at 31 December 2017</b>	<b>537,698</b>	<b>537,698</b>

	Level 1 \$'000	Total \$'000
<b>Financial Assets</b>		
Financial assets available for sale:		
- Equity securities	310,140	310,140
- Exchange traded funds (ETFs)	237,977	237,977
<b>As at 31 December 2016</b>	<b>548,117</b>	<b>548,117</b>

#### 12 Financial Risk Management

##### 12.1 Financial risk factors

The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Board of Directors has established policies, procedures, an Audit and Compliance Committee and a Strategic Risk Committee to, minimize the potential loss that might arise from such financial risks.

The Fund's overall risk management programme seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance. The Fund's policy allows it to use derivative financial instruments for hedging purposes.

The Audit and Compliance Committee and the Strategic Risk Committee are supported in their deliberations by the Risk Management Department led by the Chief Risk Officer. The Risk Management Department facilitates risk management policy setting, scenario and stress testing and risk exposure monitoring across all business and operating activities.

The Risk Management Department, in consultation with relevant line management, may also make recommendations for the management and mitigation of financial and other risks. The Risk Management Department is directed by and reports to the Executive Director and the Strategic Risk Committee.

In addition, the Investment Committee of the Board approves the Collective Investment Scheme's Investment Policy Statement which takes into account risk management considerations for the investment portfolios.

# Trinidad & Tobago Unit Trust Corporation

## Calypso Macro Index Fund

### Notes To The Financial Statements (Continued)

31 December 2017

(Expressed in Trinidad and Tobago Dollars)

#### 12 Financial Risk Management

##### 12.2 Credit risk

###### (a) Definition

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. This includes the risk that the issuer will default on its obligation (default risk) or the risk that the bond's value will decline and/or the bond's price performance will be worse than that of other bonds against which the investor is compared because either (a) the market requires a higher spread due to a perceived increase in the risk that the issuer will default or (b) the assigned credit rating of the debt will be lowered.

###### (b) Management of risk

The Fund holds no debt securities and therefore is not exposed to credit risk from that source. It has relatively small credit exposures from its Accounts receivable (Dividends receivable) and Cash and cash equivalents. The Fund undertakes rigorous due diligence prior to entering into relationships with bankers and brokers to mitigate this credit exposure. In addition, the financial position and performance of its bankers and brokers is reviewed on a regular basis.

###### (c) Maximum exposure to credit risk before collateral held or credit enhancements

The maximum exposure to credit risk before any credit enhancements at 31 December is the carrying amount of the financial assets as set out below.

	31-Dec-17	31-Dec-16
	\$'000	\$'000
Dividends receivable	1,969	1,821
Cash and cash equivalents	12,181	10,359
	<u>14,150</u>	<u>12,180</u>

###### (d) Financial assets are summarised as follows:

	31 December 2017		
	Available for Sale	Accounts Receivables	Cash and Cash Equivalents
	\$'000	\$'000	\$'000
Neither Past due nor Impaired	-	1,969	12,181
Gross	-	1,969	12,181
	-	1,969	12,181

	31 December 2016		
	Available for Sale	Accounts Receivables	Cash and Cash Equivalents
	\$'000	\$'000	\$'000
Neither Past due nor Impaired	-	1,821	10,359
Gross	-	1,821	10,359
	-	1,821	10,359

# Trinidad & Tobago Unit Trust Corporation

## Calypso Macro Index Fund

### Notes To The Financial Statements (Continued)

31 December 2017

(Expressed in Trinidad and Tobago Dollars)

#### 12 Financial Risk Management (Continued)

##### 12.2 Credit risk (Continued)

###### (e) Credit quality for neither past due nor impaired

The credit quality of the Fund's financial assets is given below:

	High \$'000	Total \$'000
<b>As at 31 December 2017</b>		
Cash and Cash Equivalents	12,181	12,181
Interest and Other Receivables	1,969	1,969
<b>TOTAL</b>	<b>14,150</b>	<b>14,150</b>

	High \$'000	Total \$'000
<b>As at 31 December 2016</b>		
Cash and Cash Equivalents	10,359	10,359
Interest and Other Receivables	1,821	1,821
<b>TOTAL</b>	<b>12,180</b>	<b>12,180</b>

###### (f) Impaired assets

Impairment charges are recognized in accordance with IAS 39 and the Fund accounting policies. Equity and ETFs are considered impaired when there is either a significant or prolonged fall in their value below cost. The Fund considers a decline for a period of twelve or more months as prolonged and a 30% decline in value below cost, as significant.

The impairment charges recognised are summarised below:

	31-Dec-17 \$'000	31-Dec-16 \$'000
Impairment loss recognised	23,778	12,141

##### 12.3 Market risk

###### Definition

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

###### 12.3.1 Foreign exchange risk

Foreign currency risk, as defined in IFRS 7, arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies which fluctuate due to changes in foreign exchange rates. IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk, not foreign currency risk.

# Trinidad & Tobago Unit Trust Corporation

## Calypso Macro Index Fund

### Notes To The Financial Statements (Continued)

31 December 2017

(Expressed in Trinidad and Tobago Dollars)

#### 12 Financial Risk Management (Continued)

##### 12.3 Market risk (Continued)

##### 12.3.1 Foreign exchange risk (Continued)

The value of the net assets of the portfolio may fluctuate with changes in foreign exchange rates. As a consequence, the value of the net assets and/or earnings of the TT\$ denominated portfolios could increase or decrease in value due to exchange rate fluctuations of individual currencies relative to the TT dollar. This risk is managed by restricting non-TT Dollar holdings in the individual Fund to an appropriate proportion to net assets.

The table below summarises the Fund's financial assets, monetary and non-monetary, which are denominated in a currency other than the TT dollar. The Fund has no liabilities in foreign currency.

At 31 Dec 2017	TTD \$'000	USD \$'000 (TT\$ Equivalent)	Total \$'000
<b>Financial Assets</b>			
Cash and cash equivalents	3,870	8,311	12,181
Investment securities:			
- Available for sale	259,431	278,267	537,698
Interest and other receivables	1,969	-	1,969
<b>Total Financial Assets</b>	<b>265,270</b>	<b>286,578</b>	<b>551,848</b>
<b>Financial Liabilities</b>			
Accounts payables and other liabilities	3,933	-	3,933
Total Equity	547,915	-	547,915
<b>Total Financial Liabilities</b>	<b>551,848</b>	<b>-</b>	<b>551,848</b>
At 31 Dec 2016	TTD \$'000	USD \$'000 (TT\$ Equivalent)	Total \$'000
<b>Financial Assets</b>			
Cash and cash equivalents	5,306	5,053	10,359
Investment securities:			
- Available for sale	269,139	278,978	548,117
Interest and other receivables	1,821	-	1,821
<b>Total Financial Assets</b>	<b>276,266</b>	<b>284,031</b>	<b>560,297</b>
<b>Financial Liabilities</b>			
Accounts payables and other liabilities	3,748	-	3,748
Total Equity	556,549	-	556,549
<b>Total Financial Liabilities</b>	<b>560,297</b>	<b>-</b>	<b>560,297</b>

If the US\$ appreciates by 1% against the TT\$, the profit would decrease by \$2.87 million (2016: 2.84 million). One percent was considered a reasonable possible shift since the US\$ rate changed by less than 1% during the last year.

# Trinidad & Tobago Unit Trust Corporation

## Calypso Macro Index Fund

### Notes To The Financial Statements (Continued)

31 December 2017

(Expressed in Trinidad and Tobago Dollars)

#### 12 Financial Risk Management (Continued)

##### 12.3 Market risk (Continued)

###### 12.3.1 Foreign exchange risk (Continued)

There were no changes in the policies and procedures for managing foreign currency risk from the prior year.

###### 12.3.2 Cash flow and fair value interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value and future cash flows of financial assets and liabilities. The Fund holds no fixed interest securities that expose the Fund to fair value interest rate risk.

The tables below summarises the Fund's exposure to interest rate risk.

	Less than 1 Year \$'000	Over 5 Years	Non-Interest Bearing \$'000	Total \$'000
<b>At 31 Dec 2017</b>				
<b>Financial Assets</b>				
Cash and cash equivalents	12,181	-	-	12,181
Investment securities	-	-	537,698	537,698
Accounts receivable	-	-	1,969	1,969
Total financial assets	12,181	-	539,666	551,848
<b>Financial Liabilities</b>				
Accounts payable and other liabilities	3,933	-	-	3,933
Total Equity	-	547,915	-	547,915
Total financial liabilities	3,933	(547,915)	-	551,848
Interest sensitivity gap	8,248			

	Less than 1 Year \$'000	Over 5 Years	Non-Interest Bearing \$'000	Total \$'000
<b>At 31 Dec 2016</b>				
<b>Financial Assets</b>				
Cash and cash equivalents	10,359	-	-	10,359
Investment securities	-	-	548,117	548,117
Accounts receivable	-	-	1,821	1,821
Total financial assets	10,359	-	549,938	560,297
<b>Financial Liabilities</b>				
Accounts payable and other liabilities	3,748	-	-	3,748
Total Equity	-	556,549	-	556,549
Total financial liabilities	3,748	(556,549)	-	560,297
Interest sensitivity gap	6,611			

# Trinidad & Tobago Unit Trust Corporation

## Calypso Macro Index Fund

### Notes To The Financial Statements (Continued)

31 December 2017

(Expressed in Trinidad and Tobago Dollars)

#### 12 Financial Risk Management (Continued)

##### 12.3 Market risk (Continued)

##### 12.3.2 Cash flow and fair value interest rate risk

The Fund invests exclusively in equity and equity exchange traded instruments and as a result does not have any significant exposure to cash flow interest rate risk.

##### 12.3.3 Liquidity risk

Liquidity risk is the risk that the Fund is unable to meet payment obligations associated with its financial liabilities when they fall due. The Fund's treasury management activities include: (i) daily monitoring of future cash flow requirements and (ii) maintenance of adequate cash to meet its liabilities.

The following table presents the contractual liquidity of the Fund for its financial assets and liabilities. The amounts disclosed in the Table are contractual undiscounted cash flows:

	Less than 1 year \$'000	More than 5 years \$'000	Total \$'000
<b>At 31 Dec 2017</b>			
Financial assets	14,150	537,698	551,848
Total Financial Assets	14,150	537,698	551,848
Financial liabilities			
Accounts payable and other liabilities	3,933	--	3,933
Total Equity	-	547,915	547,915
Contractual cash out flows	3,933	547,915	551,848
Liquidity gap	10,217	(10,217)	-
	Less than 1 year \$'000	More than 5 years \$'000	Total \$'000
<b>At 31 Dec 2016</b>			
Financial assets	12,180	548,117	560,297
Total Financial Assets	12,180	548,117	560,297
Financial liabilities			
Accounts payable and other liabilities	3,748	-	3,748
Total Equity	-	556,549	556,549
Contractual cash out flows	3,748	556,549	560,297
Liquidity gap	8,432	(8,432)	-

There were no changes in the policies and procedures for managing liquidity risk from the prior year.