The El Tucuche Fixed Income Fund
Financial Statements
30 June 2023
(Expressed in Trinidad and Tobago Dollars)

First Citizens

Statement of Trustee's Responsibilities

The Trustee is responsible for the following:

- preparing and fairly presenting the accompanying financial statements of The El Tucuche Fixed Income Fund, which comprise the statement of financial position as at 30 June 2023, the statements of comprehensive income and changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- ensuring that the Fund keeps proper accounting records;
- selecting appropriate accounting policies and applying them in a consistent manner;
- implementing, monitoring and evaluating the system of internal control that assures security of the Fund's assets, detection/prevention of fraud, and the achievement of the Fund's operational efficiencies;
- ensuring that the system of internal control operated effectively during the reporting period;
- producing reliable financial reporting that comply with laws and regulations; and
- using reasonable and prudent judgement in the determination of estimates.

In preparing these audited financial statements, the Trustee utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, the Trustee chose those considered most appropriate in the circumstances.

Nothing has come to the attention of the Trustee to indicate that the Fund will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying financial statements have been authorised for issue, if later.

The Trustee affirms that it has carried out its responsibilities as outlined above..

Trustee — 13 October 2023

Trustee — 13 October 2023

Independent Auditor's Report

The El Tucuche Fixed Income Fund

Opinion

We have audited the financial statements of The El Tucuche Fixed Income Fund, which comprise the statement of financial position as at 30 June 2023, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the El Tucuche Fixed Income Fund as at 30 June 2023 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of The El Tucuche Fixed Income Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Trustee for the Financial Statements

The Trustee is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our 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.
- Obtain 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustee.
- Conclude on the appropriateness of the Trustee'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 Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate 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.

We communicate with the Trustee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PKF

Barataria
TRINIDAD
13 October 2023

Statement of Financial Position

	Notes	As at 30 June 2023 $	2022 $
Assets			
Cash and cash equivalents	4	9,738,026	10,606,985
Income receivable		1,062,593	1,340,170
Other receivable		4,417,116	-
Due from related parties		3,350	8,850
Investment securities - FVPL	5	99,351,408	104,411,787
Total Assets		**114,572,493**	**116,367,792**
Liabilities			
Management and trustee fees payable	6	164,361	167,314
Other payables	7	188,617	180,596
Total Liabilities		352,978	347,910
Equity			
Net assets attributable to Unitholders	8	114,219,515	116,019,882
Total Liabilities and Equity		**114,572,493**	**116,367,792**

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

These financial statements were approved by the Trustee and authorised for issue on 13 October, 2023.

Trustee

Trustee

The El Tucuche Fixed Income Fund
Financial Statements
30 June 2023
(Expressed in Trinidad and Tobago Dollars)

First Citizens

Statement of Comprehensive Income

	Notes	For the year ended 30 June 2023 $	2022 $
Income			
Net investment income	9	4,470,130	5,350,077
Net realised (loss)/gain on sale of investment securities - FVPL		(936,464)	75,000
Net foreign exchange loss		(48,402)	(3,139)
Net unrealised loss on investment securities - FVPL		(43,756)	(3,464,982)
Total net income		3,441,508	1,956,956
Expenses			
Management and trustee fees	6	2,009,636	2,225,837
Other administrative expenses		199,000	179,463
Total operating expenses		2,208,636	2,405,300
Operating income/(loss) for the year		1,232,872	(448,344)
Total comprehensive income/(loss) for the year		**1,232,872**	**(448,344)**

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

Statement of Changes in Equity

	Net assets Attributable to Unitholders $	Retained earnings $	Total equity $
Year ended 30 June 2023			
Balance at beginning of year	106,902,290	9,117,592	116,019,882
Comprehensive Income:			
Operating income for the year	-	1,232,872	1,232,872
Total comprehensive income for the year	-	1,232,872	1,232,872
Transactions with Unitholders:			
Subscriptions	3,837,284	-	3,837,284
Redemptions	(5,329,307)	-	(5,329,307)
Distributions to unitholders	-	(1,541,216)	(1,541,216)
Total transactions with unitholders	(1,492,023)	(1,541,216)	(3,033,239)
Balance at end of year	**105,410,267**	**8,809,248**	**114,219,515**
Year ended 30 June 2022			
Balance at beginning of year	119,788,441	11,722,510	131,510,951
Comprehensive income:			
Operating loss for the year	-	(448,344)	(448,344)
Total comprehensive loss for the year	-	(448,344)	(448,344)
Transactions with Unitholders:			
Subscriptions	4,707,365	-	4,707,365
Redemptions	(17,593,516)	-	(17,593,516)
Distributions to unitholders	-	(2,156,574)	(2,156,574)
Total transactions with unitholders	(12,886,151)	(2,156,574)	(15,042,725)
Balance at end of year	**106,902,290**	**9,117,592**	**116,019,882**

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

Statement of Cash Flows

	Year ended 30 June 2023 $	2022 $
Operating Activities:		
Total operating income/(loss) for the year	1,232,872	(448,344)
Adjustment for items not involving cash:		
Appreciation cost of units redeemed	(552,084)	(1,421,929)
Net unrealised loss on investment securities - FVPL	43,756	3,464,982
Net amortised discount/premium on investment securities - FVPL	385,137	466,270
Net cash from operating activities before working capital changes	1,109,681	2,060,979
Net change in accounts receivable	(4,139,539)	10,357
Net change in accounts payable	5,068	(22,584)
Net change in amounts due from/(to) related parties	5,500	(46,450)
Net cash (used in)/generated from operating activities	(3,019,290)	2,002,302
Investing Activities:		
Purchase of investment securities	(33,899,211)	(6,789,491)
Proceeds from sale/maturities of investment securities	38,530,697	19,454,789
Net cash generated from investing activities	4,631,486	12,665,298
Financing Activities:		
Subscriptions (net of distribution to unitholders)	2,296,068	2,550,791
Redemptions	(4,777,223)	(16,171,587)
Net cash used in financing activities	(2,481,155)	(13,620,796)
(Decrease)/increase in cash and cash equivalents for the year	(868,959)	1,046,804
Cash and cash equivalents at the beginning of the year	10,606,985	9,560,181
Cash and cash equivalents at the end of the year	**9,738,026**	**10,606,985**

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

Notes to the Financial Statements

1 Description of the Fund

The following brief description of The El Tucuche Fixed Income Fund (the Fund) is provided for general information purposes only. Reference should be made to the Trust Deed and rules of the Fund for more complete information.

(a) General information -

The Fund is an open ended mutual fund registered in Trinidad and Tobago and accordingly, there are no limits to the number of units which may be issued. It was established by First Citizens Bank Limited under a Trust Deed dated 29 September 2008 in order to facilitate the generation of returns superior to all TT$ registered money market mutual funds in the Republic of Trinidad and Tobago while providing an acceptable level of risk. The Fund operations commenced on 29 September 2008.

First Citizens Trustee Services Limited was appointed Trustee of the Fund. The Trust Deed was amended on the terms subject to conditions of a Supplemental Declaration of Trust dated 17 September 2015. The Fund's investment activities are managed by First Citizens Portfolio and Investment Management Services Limited (the Investment Manager), with First Citizens Depository Services Limited as its custodian and administrator. The Fund Distributor is First Citizens Investment Services Limited.

The address of its registered office is No. 22-24 Victoria Avenue, Port of Spain.

(b) Subscriptions -

Effective 17 September 2015, units may be subscribed at a minimum value of **TT$1,000** with subsequent subscriptions in the amount of **TT$100** based on the net asset value per unit determined on each business day. Units were initially subscribed at a minimum value of **TT$10,000** with subsequent subscriptions in the amount of **TT$1,000**.

1 Description of the Fund (continued)

(c) Redemptions -

Effective 17 September 2015, there are no early redemption charges payable by the investors. Redemptions from the Fund will be at the redemption price less any stamp duty or taxation to be levied thereon on the relevant redemption date. The redemption price will be the net asset value per unit calculated at the close of the business day on which the redemption form was submitted.

(d) Distribution -

Distributions are made quarterly on the 15th day in January, April, July and October of each calendar year. Distributions payable will ordinarily be reinvested automatically in additional units of the Fund at the issue price at the relevant distribution date, unless investors request a cash distribution.

(e) Management and trustee fees -

Trustee fees are payable to the Trustee at a rate of 0.25% per annum on the average net assets of the Fund.

Investment management fees and custodian fees collectively are payable up to a maximum of 2.00% per annum on the average net assets of the Fund.

Administration fees are payable at a rate of 0.25% per annum on the average net assets of the Fund.

Distribution fees are payable at a rate of 0.25% per annum on the average net assets of the Fund.

(f) Taxation -

Tax on interest income is withheld on distributions paid to non-resident unitholders at rates applicable to the country in which the unitholders reside.

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.

(a) Basis of preparation -

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). These financial statements are prepared under the historical cost convention as modified by the revaluation of financial assets at fair value.

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

(i) New standards, amendments and interpretations which are effective and have been adopted by the Fund.

There are no new standards, amendments and interpretations which are effective on or after *1 July 2022* and have been adopted by the Fund.

(ii) Standards amendments and interpretations issued which are effective after 1 July 2022 and have been early adopted by the Fund.

The Fund has not early adopted any new standards, interpretations or amendments.

(iii) Standards, amendments and interpretations issued which are effective and not relevant to the Fund.

There are a number of standards, amendments to standards and interpretations which have been issued by the IASB that are effective for annual periods beginning after *1 July 2022*, but are not considered relevant to the Fund and have not been disclosed.

(b) Foreign currency transactions -

Functional and presentation currency
The primary activity of the Fund is to invest in securities denominated in Trinidad and Tobago dollars. Subscriptions and redemptions of units are denominated in Trinidad and Tobago dollars. The Trustee considers the Trinidad and Tobago dollar as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Trinidad and Tobago dollars which is the Fund's functional and presentation currency. The exchange rate between the TT dollar and the US dollar as at the 30 June 2023 was TT$6.6926 = US$1.00 (2022: TT$6.6926 = US$1.00). This rate represents the First Citizens Group midrate.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates 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 Comprehensive Income.

Changes in the fair value of monetary securities denominated in foreign currency classified as financial assets are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of security. Translation differences related to changes in the amortised cost are recognised in the Statement of Comprehensive Income.

(c) Financial assets and financial liabilities -

The Fund's financial assets and liabilities are recognised in the statement of financial position when it becomes party to the contractual obligation of the instrument.

(i) Financial assets

The Fund classifies its financial based on the following business models:

- Hold to collect
- Hold to collect and sell
- Fair value through profit or loss (FVPL)

- *Hold to Collect - Amortised cost*

  Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at FVPL are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit losses (ECL) allowance recognised and measured as described in Note 10 (a) (iv). Interest income from these financial assets is included in "net investment income" using the effective interest rate method.

- *Hold to Collect & Sell - Fair value through other comprehensive income (FVOCI)*

  Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit and loss and recognised in "Net investment income". The interest income from these financial assets is included in "Net investment income" using the effective interest rate method.

- *Fair value through profit or loss (FVPL)*

  Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income (FVOCI) are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the "Statement of Comprehensive Income" within "Net gain or loss on investments securities" in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented in "Net investment income. Interest income from these financial assets is included in "Net investment income" using the effective interest rate method.

  Based on the business model, the Fund has not classified any of its financial assets at FVOCI or amortised cost. The Fund has therefore classified its financial assets into the category of FVPL.

- *Debt instruments*

  Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds.

  Classification and subsequent measurement of debt instruments depend on:

  (i) The cash flow characteristics of the asset, and
  (ii) The Fund's business model for managing the asset.

2. Summary of Significant Accounting Policies: (continued)

(c) Financial assets and financial liabilities (continued) -

(i) Financial assets (continued)

Fund's business model

The business model reflects how the Fund manages the assets in order to generate cash flows. An assessment is made at a portfolio level and includes an analysis of factors such as:

- The stated objective and policies of the portfolio and the operation of those in practice. More specifically whether the Fund's objective is solely to collect the contractual cash flows from the assets or to collect both the contractual cash flows and cash flows from the sale of assets.
- Past experience on how the cash flows for these assets were collected.
- Determination of performance targets for the portfolio, how evaluated and reported to key management personnel.
- Management's identification of and response to various risks, which includes but not limited to liquidity risk, market risk credit risk and interest rate risk.
- Management considers, in classifying its assets, the level of historical sales and forecasted liquidity requirements.

Arising out of the assessment, all financial assets classified at FVPL.

Solely payments of principal and interest (SPPI)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Fund assesses whether flows represent SPPI. In making this assessment, the Fund considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at Fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Fund reclassifies debt instruments when and only when its business model for managing those assets changes. The classification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent, and none occurred during the period.

Impairment

The Fund assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost and FVOCI. The Fund recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 10(a) (vi) provides more detail of how the ECL allowance is measured.

For receivables and related party balances, the Fund applies the simplified approach permitted by IFRS 9 Note 10a (iv) gives further details.

The ECL are associated with financial assets carried at amortised cost and FVOCI and with the exposure arising from debt instruments, loan commitments and trade receivables. No ECL is required by the Fund as all of its debt instruments has been classified and measured at FVPL.

Recognition/de-recognition of financial assets

All purchases and sales of financial assets are recognised on the trade date- the date on which the Fund commits to purchase or sell the financial asset. Financial assets are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Fund has transferred substantially all risks and rewards of ownership.

(ii) Financial liabilities

Financial liabilities are classified and subsequently measured at amortised cost. Financial liabilities include due to related parties and other payables. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished (that is, when the obligation specified in the contract is discharged, cancelled or expired).

(d) Cash and cash equivalents -

Cash and cash equivalents comprise of cash in hand and deposits held at call with financial institutions and short-term highly liquid investments with original maturities of three months or less.

(e) Provisions -

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where there are a number of similar obligations, the likelihood that an outflow will be required if settlement is determined by considering the class of the obligation as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(f) Net assets attributable to unitholders -

The Fund issues one class of units. These are redeemable at the holder's option and are classified as equity in accordance with IAS 1 (Amendment), 'Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation'. Redeemable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net asset value calculated in accordance with the Fund's regulations.

The units are carried at the redemption amount that is payable at the Statement of Financial Position date if the holder exercises the right to put the unit back to the Fund. Units are issued and redeemed at the holder's option at prices based on the Fund's net asset value per unit at the time of issue or redemption.

Should the redeemable units' terms and conditions change such that they do not comply with the strict criteria contained in the amendment, the redeemable units would be reclassified to a financial liability from the date the instrument ceases to meet the criteria. The financial liability would be measured at the instrument's fair value at the date of reclassification. Any difference between the carrying value of the equity instrument and fair value of the liability on the date of reclassification would be recognised in equity.

(g) Interest income -

Interest income is recognised in the Statement of Comprehensive Income on a time-proportionate basis using the effective interest rate method based on the initial carrying amount. It includes interest income from all financial assets.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(h) Expenses -

Expenses are accounted for on the accrual basis.

(i) Subscriptions and redemptions -

Subscriptions and redemptions are accounted for on the accrual basis.

(j) Offsetting financial instruments -

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position where there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(k) Going concern -

The financial statements are prepared on the assumption that the Fund is a going concern and will continue in operation for the foreseeable future unless the sponsor intends to either liquidate the Fund or to cease operations or has no realistic alternative but to do so. If such an intention or need exists, the financial statements will be prepared on a non-going concern basis.

Notes to the Financial Statements (continued)

2. Summary of Significant Accounting Policies: (continued)

(k) Going concern - (continued)

The Russia/Ukraine war might have some impact on the Fund in relation to the effects on some future asset valuations due to volatility in debt security prices and foreign exchange rates. Management has determined that there is no material uncertainty that casts doubt on the Fund's ability to continue as a going concern.

3. Critical Accounting Estimates and Judgements in applying Accounting Principles:

The Fund makes estimates and assumptions about the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amount of the assets and liabilities within the next financial year are outlined below.

(i) Fair value of financial instruments

The Fund uses the discounted cash flow method to determine the fair value of financial assets not traded in active markets. The discounted cash flow method discounts the cash flows of the financial assets at an appropriate yield plus a credit spread where applicable.

The Group's credit spread methodology utilises gradient tenors and currency specific spreads. The appropriate credit spread for the agency or corporate fixed income security is determined using a cubic spline interpolation of the appropriate currency and credit rating category in the credit spread matrix on a per cash flow basis. This singular credit spread is then added to the discount spot rates to value the facility using the discounted cashflow method. The models used to determine far values are validated and periodically reviewed by experienced personnel at Group Market Risk.

(ii) Measurement of the expected credit loss (ECL) allowance

The measurement of the expected credit loss (ECL) allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in **Note 10 (a) (v)** which also sets out key sensitivities of the ECL to changes in these elements. . In the current environment additional factors were taken into consideration **(Note 10.a. (iv), 10.a.(v))**.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purpose of measuring ECL
- Determination of macroeconomics drivers and forecasting macroeconomic scenarios
- Recovery rates on unsecured exposures
- Drawdown of approved facilities.

(iii) Loss Given Default (LGD)

The Loss Given Default (LGD) rate on corporate senior unsecured bonds is estimated to be 60% based on the International Swaps and Derivatives Association Standard Credit Default Swap contract specification for North American corporate issuers. The LGD rate on sovereign senior unsecured bonds is estimated to be 46% based on the average LGD rate on Sovereign bonds during the period 1983 to 2021 as reported by Moody's Investors Service Note 10(a). (vi).

4. Cash and cash equivalents:

	30 June 2023 $	30 June 2022 $
Balances with banks	9,738,026	10,606,985

5. Investment Securities – FVPL:

	30 June 2023 $	30 June 2022 $
Government debt securities	62,043,621	71,570,745
Corporate debt securities	24,789,184	32,841,042
Treasury bills/notes	9,489,014	-
Term deposits	3,029,589	-
	99,351,408	104,411,787

	30 June 2023 $	30 June 2022 $
Movement:		
Balance at the beginning of the year	104,411,787	121,008,337
Additions	33,899,211	6,789,491
Maturities/sales of investments	(38,530,697)	(19,454,789)
Net amortised discount/premium on financial assets	(385,137)	(466,270)
Net unrealised loss on investment securities	(43,756)	(3,464,982)
Balance at the end of the year	99,351,408	104,411,787

6. Related Party Transactions:

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

First Citizens Bank Limited acts as the Bank of the Fund with a banking relationship similar to that of any non-related bank.

The Trustee of the Fund is First Citizens Trustee Services Limited, which receives a fee based on the average net asset value of the Fund. Total trustee fees for the year amounted to $287,091 (2022:$317,977), with $23,480 (2022:$23,902) in outstanding accrued fees due at the end of the year.

First Citizens Portfolio and Investment Management Services Limited is the Investment Manager, of the Fund, and receives in return a fee based on the average net assets of the Fund. Total investment management fees for the year amounted to $861,272 (2022: $953,929), with $70,441 (2022: $71,706) in outstanding accrued fees due at the end of the year.

First Citizens Depository Services Limited is the Custodian of the Fund, and receives in return a fee based on the average net assets of the Fund. Total custodian fees for the year amounted to $287,091 (2022: $317,977), with $23,480 (2022: $23,902) in outstanding accrued fees due at the end of the year.

The administrator of the Fund is First Citizens Depository Services Limited, which receives a fee based on the average net asset value of the Fund. Total administrative fees for the year amounted to $287,091 (2022: $317,977), with $23,480 (2022: $23,902) in outstanding accrued fees due at the end of the year.

First Citizens Investment Services Limited is the distributor of the Fund and receives a fee based on the average net asset value of the Fund. Total distribution fees for the year amounted to $287,091 (2022: $317,977), with $23,480 (2022: $23,902) in outstanding accrued fees due at the end of the year.

Other balances

	30 June 2023 $	30 June 2022 $
Cash and cash equivalents	9,512,028	9,042,457
Due from related parties	3,350	8,850
Investment securities	6,316,809	6,901,764
Net assets attributable to unitholders	19,746,160	19,610,877
Income receivable	66,927	68,328
Distributions	262,679	332,236

7. Other Payables:

	30 June 2023 $	30 June 2022 $
Audit fees	141,150	137,250
Publication fees	47,199	42,875
SEC market access fees	268	471
	188,617	180,596

8. Net Assets Attributable to Unitholders:

	30 June 2023 $	30 June 2022 $
Net Assets Attributable to Unitholders – unadjusted	114,219,515	116,019,882
Number of units outstanding at year end	9,381,856	9,503,350
Net asset value per unit	**12.17**	**12.21**

9. Net Investment Income

	30 June 2023 $	30 June 2022 $
Investment income	4,810,533	5,815,737
Miscellaneous income	44,734	610
Amortised:		
Premium	(463,787)	(499,990)
Discount	78,650	33,720
	4,470,130	**5,350,077**

10. Financial Risk Management

The Fund's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Fund's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Fund's financial performance.

The Investment Manager's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Investment Manager regularly reviews its risk management policies and systems to reflect changes in markets and emerging best practice.

Risk management is overseen by the Board of Directors of the Investment Manager, which has delegated its responsibility to an Investment Committee that is responsible for the supervision of the fiduciary investment activities of the Investment Manager. The Investment Committee receives information on key market and economic risk events, trends and forecasts. In addition, the Fund's Investment Policy Statement identifies and defines the various financial risks faced by the Fund and sets appropriate risk limits and controls.

The First Citizens Group's risk policies utilizes the three lines of defense concept to manage risk. The first line encompasses the functional areas which design and implement controls to mitigate the risks which they face, the second line are control functions such as risk management and finance which monitor the first line against these standards/controls. The third line is the Group's internal audit function which provides additional assurance and independent review or risk management and the control environment.

The most significant types of financial risk are credit risk, market risk, concentration risk and liquidity risk. Market risk includes, currency risk, interest rate and other price risk.

(a) Credit risk -

(i) Definition

The Fund is exposed to credit risk which 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. The main concentration to which the Fund is exposed arises from the Fund's investment in debt securities. The Fund is also exposed to counterparty credit risk on cash and cash equivalents and receivable balances.

(ii) Management of risk

Credit risk is mitigated to some extent by limiting the Fund's exposure to issuers with high credit ratings. The Fund also reduces this risk by prudent credit analysis of issuers to restrict questionable exposures in the Fund.

(iii) Credit risk grading

The Fund uses the Group's internal credit risk grading or ratings which reflect its assessment of the risk profile or PD of counterparties. The Fund utilises one (1) rating model for all investment securities.

Investment securities

For sovereign and corporate financial assets, the ratings published by Standards and Poor's Rating Agency (S&P), where available, are used. For sovereigns with no S&P rating, the Group's Research and Analytics Unit uses a model based on the S&P methodology to generate a rating. For corporate investment securities with no S&P rating, a rating is assigned using the Borrower Risk Rating (BRR) model.

S&P published ratings are continuously monitored and updated. The PD's associated with each rating are determined based on realised default over the prior 12 months, as published by the rating agency. The ratings generated by the BRR model are also updated annually.

The table below provides a comparative view of the rating models used by the First Citizens Group:

	S&P Rating	Research & Analytics Risk Rating (Investment Securities)	FC Borrower Risk Rating (Corporate)	FC IG Code	Interpretation
Investment Grade	AAA, AA+	A+	1	98	Extremely Low Risk
	AA, AA-	A			
	A+, A	A-	2	95	Very Low Risk
	BBB+, BBB, BBB-	B+	3	90	Low Risk
Speculative Grade	BB+, BB, BB-	B	4	85	Moderate Risk
	B+, B, B-	B-	5	80	High Risk
	CCC+, CCC, CCC-, CC+, CC, CC-, C+, C, C-	C	6		Very High Risk
	D	D	7	65	In Default

For 30 June 2023: 95.45% (2022: 97.36%) of the investments in debt securities and other bills have at least a BBB- based on Standards & Poor's Ratings.

(iv) Expected credit loss measurement

The Fund applies the simplified approach to all receivables and amounts due from related parties. At initial recognition, the Fund recognizes a loss allowance based on Lifetime ECLs. This approach does not require the significant estimation and judgement necessary to determine whether there have been changes in credit risk and whether such changes are significant. A provision matrix is used to measure the lifetime ECL.

For all investments, IFRS 9 outlines a three-stage model (general approach) for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored by the Fund.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to **Note 10 (a) (v)** for a description of how the Fund defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on ECL on a lifetime basis. Please refer to **Note 10 (a) (vi)** for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. **Note 10 (a) (vii)** includes an explanation of how the Fund has incorporated this in its ECL model.
- Purchased or originated credit-impaired (POCI) financial assets are those assets that are credit- impaired on initial recognition. The ECL is always measured on a lifetime basis and is deemed "built-in" to the fair value on origination. A credit impaired effective interest rate is used to amortize these instruments to their maturity. Changes to the life-time ECL are adjusted in the amortized prices.

Further explanation is also provided of how the Fund determines appropriate groupings when ECL is measured on a collective basis refer to **Note 10 (a) (vii)**.

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(Initial Recognition) 12 month ECL	**(Significant increase in credit risk)** Lifetime ECL	**(Credit - impaired assets)** Lifetime ECL

10. Financial Risk Management (continued)

(a) Credit risk (continued) -

(iv) Expected credit loss measurement (continued)

Significant increases in credit risk (SICR)

The Fund considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following criteria have been met:

Investment securities:

Criteria	*Hold to Collect/Hold to Collect and Sell*	*Single "B" or High Yield Portfolio*
Absolute Measure	PD ≥ 15%	PD ≥ 25%
AND	AND	AND
Relative Measure	One notch downgrade (internal rating scale)	One notch downgrade (internal rating scale)
OR	OR	OR
Absolute measure	Eurobonds in Trigger 3 CDS Breach	Eurobonds in Trigger 3 CDS Breach
Special Consideration	Evidence of cash flow strain and implied increased default risk	Evidence of cash flow strain and implied increased default risk

The Fund has not used the low credit risk exemption for any financial instruments in the year ended 30 June 2023 and June 2022.

Significant decrease in credit risk (SDCR)

With respect to the cure for SICR, the group considers a significant decrease in credit risk has occurred when the following happens:

Investment securities:

Criteria	*Hold to Collect/Hold to Collect and Sell*	*Single "B" or High Yield Portfolio*
Absolute Measure	PD < 12.5%	PD < 20%
AND	AND	AND
Relative Measure	One notch upgrade (internal rating scale)	One notch upgrade (internal rating scale)
OR	OR	OR
Absolute Measure	No Credit Stop loss Breaches for 10 consecutive trading days	No Credit Stop loss Breaches for 10 consecutive trading days
Special Consideration	Meet contractual cash flow obligations for one year	Meet contractual cash flow obligations for one year

(v) Definition of default and credit-impaired assets

The Fund defines a financial instrument as in default or credit impaired, when it meets one or more of the following criteria:

(a) Default assets

Quantitative criteria

The borrower is more than ninety (90) days past due on its contractual payments.

Qualitative criteria

The borrower is more than ninety (90) days past due on its contractual payments

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower formally files for bankruptcy or there is a commencement of foreclosure proceedings.
- Restructure proceedings or an indication of the intention to restructure is initiated by the issuer (investments only).
- Bondholders triggering any Events of Default, triggering an immediate call on the investments.

(b) Credit-impaired assets

Qualitative criteria

The borrower is more than seven (7) days past due on its contractual payments.

Qualitative criteria

- Cash flow (or other severe financial) difficulties being experienced by the issuer;
- Breach of instrument covenants or conditions;
- Probability that the borrower will enter bankruptcy or other financial reorganisation;
- Deterioration in the issuer's competitive position;
- Deterioration in the value of collateral;
- The disappearance of an active market for that financial asset because of financial difficulties or;
- Downgrading of the issuer's credit rating below investment grade level.

The criteria above have been applied to all financial instruments held by the Fund and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD), throughout the Fund's ECL calculations.

An investment instrument is considered to no longer be in default (i.e. to have cured) when it has been restructured. An exception exists for credit impaired facilities at origination.

(vi) Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The ECL is measured on either a twelve (12)-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL are the discounted product of the PD, EAD, and LGD, defined as follows:

- PD represents the likelihood of a borrower defaulting on its financial obligation (as defined in **Note 10 (a) (v)**, either over the next twelve (12) months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Fund expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). The EAD is calculated as the outstanding balance less the discounted collateral value.
- LGD is expressed as the percentage of loss expected to be incurred if the default occurs over the remaining expected lifetime of the loan and represents management's expectation of the extent of loss on a defaulted exposure. LGD varies by seniority of claim and product type, while the availability of collateral is factored before LGD is considered.

PDs
The investment securities' PDs for sovereign and corporate instruments are taken from the Standard & Poor's (S&P). Annual Sovereign Default and Rating Transition Study and the Annual Global Corporate Default and Transition Study, respectively.

EAD
For amortising products and bullet repayment loans, EAD is based on the contractual repayments owed by the borrower over a twelve (12) month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment assumptions are also incorporated into the calculation.

For revolving products, the EAD is calculated by taking the current drawn balance and adding a credit conversion factor (CCF) which adjusts for the expected drawdown of the remaining unutilised limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on an analysis of the product's usage over a two (2) year period. **Note 10 (a) (v)**.

LGD
For sovereign investment securities, LGDs are obtained from Moody's Investor Services' Data Report on Sovereign Global Default and Recovery Rates (1983-2021). Corporate investment securities LGDs are based on the standard terms for North American corporate entities CDS contracts, taken from Moody's Analytics' CDS-implied EDF™ Credit Measures and Fair-value Spreads.

10. Financial Risk Management (continued)

(a) Credit risk - (continued)

(vii) Forward-looking information incorporated in the ECL models

Determination of macroeconomic scenarios and probabilities

For each country in which the Fund has investment securities, management performs scenario analysis to determine the impact of future economic conditions on the PD in these countries. After testing multiple economic indicators, a main macro-economic variable (MEV) is determined, which is statistically linked to the credit risk of that sovereign. To increase the robustness of the model and in light of the shock from COVID-19 and the Eastern European crisis, management adopted a bivariate model to determine two MEVs for key sovereigns. The statistical relationship is determined through regression analysis and an analysis of various measures of significance.

The sign of the co-efficients is also an important factor in determining the use of the two MEVs. Correlation analysis is then conducted between the two MEVs and key sovereign credit risk metrics, to determine which are most significant. Three selected sovereign credit risk metrics were identified as sovereign credit rating drivers to quantify the impact of the MEVs on each credit risk driver, ordinary least squares (OLS) regression is conducted. To establish scenarios, the MEVs are 'shocked', such that the official forecast for each year moves up and down by a multiple of the historical standard deviation to establish a best- and worse-case. The new values derived are run through a regression model to quantify the relationship between the credit rating and the scenarios. Data used in the update of the model as at 30 June, 2023 incorporate the impact of COVID-19 and the Eastern European crisis, as such the forward looking scenarios factor in the economic shock of the pandemic and the ongoing crisis between Russia and Ukraine.

Credit ratings were forecasted for the next three years using these macro-economic scenarios. The weightings applied to the forecasted ratings were 60% for year 1, 20% each for year 2 and 3. These weightings were determined based on management's judgment and experience.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Management judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are provided by the Economics Research Unit on a periodic basis and provide the best estimate view of the economy over the next three years. After three years, to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used. The impact of these economic variables on the PD, EAD and LGD has been determined by performing regression analysis to understand the impact changes in these variables have had historically on default rates and LGD.

Economic assumptions

The most significant period-end assumptions used for the ECL estimate as at 30 June 2023 are set out below. The scenarios "base", "best" and "worst" were used for the investment portfolios.

Sensitivity analysis

The most significant assumptions affecting the ECL allowance is GDP, given the significant impact it could have on the company's financial performance. Given the current investment portfolio, a 1% change in this indicator will not have any impact on the PDs and LGDs of the ECL.

(viii) Risk limit control and mitigation policies

The Fund structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single borrower, groups of borrowers, industry and country segments. The Fund monitors its concentration of credit exposure so that no single borrower default will have a material impact on the Fund. These limits are implemented and monitored by the Group Credit Risk Management Unit through the Group Credit Policy Manual. In instances where it is strategically beneficial and adequately documented, the Fund would seek approval on an exception basis for variation to the approved limits from the Board of Directors.

(a) Single borrower and borrower group exposure limits

Limits established by regulatory authorities have been incorporated into the credit policies where concentration is restricted by limiting credit amounts to a percentage of the capital base. This is supported by a stringent reporting requirement and is further enhanced by policies requiring periodic review of all commercial credit relationships.

(b) Industry exposure limits

These limits have been established based on a ranking of the riskiness of various industries. The ranking is guided by a model developed for the Group for this purpose. The model utilises a scale incorporating scores of 1 to 6 with 1 being the least risky. Exposure limits as a percentage of the total credit portfolio have been established to the various Industry exposure categories based on the risk ranking.

(c) Country exposure limits

Exposure limits have been established for selected countries which are considered to be within the Fund's target market. Three (3) risk categories have been developed and the selected countries have been assigned to these categories based either on ratings issued by acceptable rating agencies or the Fund's own internal assessment of the strategic direction of the Fund. Maximum cross border exposure has been limited to a pre-determined portion of total assets and this amount is allocated to the various risk categories with a larger share being allocated to the more highly rated categories.

(d) Impairment and provisioning policies

The Fund's impairment provision policy is covered in detail in **Note 2(c) (i)**.

(ix) Maximum exposure to credit risk

	30 June 2023 $	30 June 2022 $
Gross maximum exposure		
Cash and cash equivalents	9,738,026	10,606,985
Income receivables	1,062,593	1,340,170
Other receivables	4,417,116	-
Due from related parties	3,350	8,850
Investment securities - FVPL	99,351,408	104,411,787
Total assets	**114,572,493**	**116,367,792**

The above table represents a worst case scenario of credit risk exposure to the Fund without taking account of any collateral held or other credit enhancements attached.

As shown above, 13.29% of the total maximum exposure is derived from cash and cash equivalents and receivables (2022: 10.27%); while 86.71% represents investments in other debt securities (2022: 89.73%).

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Fund resulting from both its cash and cash equivalents and receivables portfolio and its other debt securities based on the following:

- The Fund limits its exposure to issuers with high credit ratings.
- The Fund performs prudent credit analysis of issuers to restrict questionable exposures to the Fund.

(x) Concentration of risks of financial assets with credit exposure

	Financial Institutions $	Public Sector $	Private Sector $	Total $
As at 30 June 2023				
Cash and cash equivalents	9,738,026	-	-	9,738,026
Income receivable	207,838	734,740	120,015	1,062,593
Other receivables	4,417,116	-	-	4,417,116
Due from related parties	3,350	-	-	3,350
Investment securities - FVPL	17,784,946	71,532,635	10,033,827	99,351,408
	32,151,276	**72,267,375**	**10,153,842**	**114,572,493**
As at 30 June 2022				
Cash and cash equivalents	10,606,985	-	-	10,606,985
Income receivable	211,458	875,867	252,845	1,340,170
Due from related parties	8,850	-	-	8,850
Investment securities - FVPL	15,867,868	71,570,745	16,973,174	104,411,787
	26,695,161	**72,446,612**	**17,226,019**	**116,367,792**

10. Financial Risk Management (continued)

(b) Market risk -

The Fund takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

(i) Currency risk

- *Definition*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

- *Management of risk*

The majority of the Fund's assets are denominated in Trinidad and Tobago dollars with 31.50% (2022:27.60%) denominated in United States dollars. All of the Fund's liabilities are denominated in Trinidad and Tobago dollars. The strategy is to minimise the amount of assets held in currencies other than Trinidad and Tobago dollars.

- *Concentration of currency risk*

The following table analyses the Fund's assets and liabilities by currency with all amounts denominated in Trinidad and Tobago dollars:

30 June 2023	**TT $**	**US $**	**Total $**
Cash and cash equivalents	9,467,479	270,547	9,738,026
Income receivable	731,738	330,855	1,062,593
Other receivable	-	4,417,116	4,417,116
Due from related parties	3,350	-	3,350
Investment securities - FVPL	68,250,463	31,100,945	99,351,408
Total assets	**78,453,030**	**36,119,463**	**114,572,493**
Management and trustee fees payable	164,361	-	164,361
Other payables	188,617	-	188,617
Total liabilities	**352,978**	**-**	**352,978**
Net position	**78,100,052**	**36,119,463**	

30 June 2022	**TT $**	**US $**	**Total $**
Cash and cash equivalents	8,867,884	1,739,101	10,606,985
Income receivable	902,137	438,033	1,340,170
Due from related parties	8,850	-	8,850
Investment securities - FVPL	74,496,904	29,914,883	104,411,787
Total assets	**84,275,775**	**32,092,017**	**116,367,792**
Management and trustee fees payable	167,314	-	167,314
Other payables	180,596	-	180,596
Total liabilities	**347,910**	**-**	**347,910**
Net position	**83,927,865**	**32,092,017**	

- *Sensitivity analysis for currency risk*

The table below summarises the Fund's sensitivity to a reasonable change in the foreign exchange rate between the US Dollar and the TT Dollar with all other variables held constant on equity.

	Effect on equity 2023 $	**Effect on equity 2022 $**
Cange in foreign exchange rate		
-100 bps	(361,195)	(320,920)
100 bps	361,195	320,920

(ii) Interest rate risk

- *Definition*

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. Fixed interest securities expose the Fund to fair value interest rate risk. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes Floating rates debt instruments and cash and cash equivalents expose the Fund to cash flow interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

- *Management of risk*

The Fund's fixed income assets are classified under the FVPL cost category, therefore there is limited exposure to fair value interest rate risk. There may be some exposure to cashflow interest rate risk.

The Fund manages its exposure to interest rate risk by monitoring the daily interest sensitivity gap and attempts to ensure that an appropriate mix of interest-bearing securities are held.

- *Concentration of interest rate risk*

The table below summarises the Fund's exposure to interest rate risk. The assets and liabilities categorized by the contractual date.

	Up to one year $	**One to five years $**	**Over five years $**	**Non-interest bearing $**	**Total $**
As at 30 June 2023					
Cash and cash equivalents	9,738,026	-	-	-	9,738,026
Income receivable	-	-	-	1,062,593	1,062,593
Other receivables	-	-	-	4,417,116	4,417,116
Due from related parties	-	-	-	3,350	3,350
Investment securities - FVPL	27,631,782	42,735,125	28,984,501	-	99,351,408
Total financial assets	**37,369,808**	**42,735,125**	**28,984,501**	**5,483,059**	**114,572,493**
Management and trustee fees payable	-	-	-	164,361	164,361
Other payable	-	-	-	188,617	188,617
Total financial liabilities	-	-	-	**352,978**	**352,978**
Interest sensitivity gap	**37,369,808**	**42,735,125**	**28,984,501**		

	Up to one year $	**One to five years $**	**Over five years $**	**Non-interest bearing $**	**Total $**
As at 30 June 2022					
Cash and cash equivalents	10,606,985	-	-	-	10,606,985
Income receivable	-	-	-	1,340,170	1,340,170
Due from related parties	-	-	-	8,850	8,850
Investment securities - FVPL	27,721,957	56,230,911	20,458,919	-	104,411,787
Total financial assets	**38,328,942**	**56,230,911**	**20,458,919**	**1,349,020**	**116,367,792**
Management and trustee fees payable	-	-	-	167,314	167,314
Other payables	-	-	-	180,596	180,596
Total financial liabilities	-	-	-	**347,910**	**347,910**
Interest sensitivity gap	**38,328,942**	**56,230,911**	**20,458,919**		

10. Financial Risk Management (continued)

(b) Market risk - (continued)

(ii) Interest rate risk (continued)

- *Sensitivity analysis for interest rate risk*

The table below summarise the Fund's sensitivity to a reasonable change in the market interest rate with all other variables held constant on operating profit, other comprehensive income and equity before distributions to unitholders are considered.

	30 June	
	Effect on equity 2023 $	**Effect on equity 2022 $**
Change in interest rate		
- 300bps	8,991,233	8,637,979
300bps	(8,991,233)	(8,637,979)

(iii) Other price risk

- *Definition*

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from changes in interest rates or foreign exchange rates), whether those changes are caused by factors specific to the individual financial instruments or issuer, or factors affecting all similar financial instruments traded in the market. The Fund is affected by changing prices of equity instruments classified as FVPL and loss with fair value movements recognised in the statement of comprehensive income.

- *Management of risk*

The Fund holds financial assets that are traded on registered exchanges and private placements.

Market price risk is managed through a diversification of the financial assets portfolio. The managers of the Fund set prudent exposure limits among its asset classes.

The Fund's overall investment exposures are monitored on a daily basis and are reviewed quarterly by the Investment Managers.

During the year, the Fund did not hold any equity investments.

(c) Liquidity risk -

- *Definition*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities and redeemable units.

- *Management of risk*

The Fund is exposed to daily cash redemption of redeemable units. It therefore invests the majority of its assets in marketable securities which can be disposed of in a relatively short space of time if the need arises.

The Fund has the ability to borrow using the Fund's assets as security at times when the Trustee considers it inadvisable to realise any of the assets of the Fund. Such borrowings may be used to provide cash to settle trades or to redeem units. No such borrowings have arisen during the year.

The Fund also provides for certain restrictions on the maximum value of units that can be redeemed in cash over defined periods of time and for the redemption of units in specie where there is insufficient cash available.

- *Maturity analysis of financial liabilities*

All balances are due within twelve months of the statement of financial position date and are equal to their carrying balances as the impact of discounting is not significant.

(d) Climate related risks -

Climate change presents immediate and long-term risks to the Fund and its clients with the risks expected to increase over time. Climate change risk refers to the risk of loss arising from climate change and is comprised of both physical risk and transition risk. Physical risk considers how chronic and acute climate change (e.g., increased storms, drought, fires, floods) can directly damage physical assets or otherwise impact their value or productivity.

Transition risk considers how changes in policy, technology, business practices and market preferences to address climate change can lead to changes in the value of assets. Climate change risk is an overarching risk that can act as a driver of other categories of risk, such as credit risk from obligors exposed to high climate risk, reputational risk from increased stakeholder concerns about financing high carbon industries and operational risk from physical climate risks to the Company's facilities.

The Fund currently identifies climate change risk as an emerging risk within its enterprise risk management framework. Emerging risks are risks or thematic issues that are either new to the landscape, or in the case of climate risk, existing risks that are rapidly changing or evolving in an escalating fashion, which are difficult to assess due to limited data or other uncertainties.

(e) Fair value of financial assets and liabilities -

(i) Financial instruments not measured at fair value

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Funds statement of financial position at their fair value.

	Carrying value 30 June		Fair value 30 June	
	2023 $	**2022 $**	**2023 $**	**2022 $**
Financial Assets				
Cash and cash equivalents	9,738,026	10,606,985	9,738,026	10,606,985
Income receivable	1,062,593	1,340,170	1,062,593	1,340,170
Other receivables	4,417,116	--	4,417,116	--
Due from related parties	3,350	8,850	3,350	8,850
Financial Liabilities				
Management and trustee fees payable	164,361	167,314	164,361	167,314
Other payables	188,617	180,596	188,617	180,596

The fair values of the Fund's financial instruments are determined in accordance with International Financial Reporting Standards (IFRS 9). See **Note 3** for further details of the fair value measurements.

Financial instruments where carrying value is equal to fair value

Due to their liquidity and short-term maturity, the carrying values of certain financial instruments approximate their fair values. Financial instruments where carrying value is approximately equal to fair value include cash and cash equivalents, income receivable, due to related parties and payables.

(ii) Fair value estimation

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to these valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Fund's market assumptions. These two types of inputs have created the following fair value hierarchy: -

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes debt instruments.
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Fund considers relevant and observable market prices in its valuations where possible.

10. Financial Risk Management (continued)

(e) Fair value of financial assets and liabilities - (continued)

(ii) Fair value estimation (continued)

The following tables analyse the financial assets held by the Fund according to the above fair value hierarchy:

	Level 1	Level 2	Level 3	Total
As at 30 June 2023	**$**	**$**	**$**	**$**
Investment securities				
FVPL - Debt securities	18,688,685	80,662,723	-	99,351,408
Total Investment Securities	**18,688,685**	**80,662,723**	**-**	**99,351,408**

	Level 1	Level 2	Level 3	Total
As at 30 June 2022	**$**	**$**	**$**	**$**
Investment securities				
FVPL - Debt securities	17,620,204	86,791,583	-	104,411,787
Total Investment Securities	**17,620,204**	**86,791,583**	**-**	**104,411,787**

11. Contingencies and Commitments:

The Fund has no undisclosed contingent liabilities or commitments which have not been provided for in these financial statements.

12. Events after the statement of financial position date:

There were no events after the reporting period which were material to the financial statements and should have resulted in adjustments to the financial statements or disclosures when the financial statements were authorised for issue.