

REPUBLIC OF TRINIDAD AND TOBAGO
AUDITOR GENERAL'S DEPARTMENT

R E P O R T
OF THE
AUDITOR GENERAL

ON THE FINANCIAL STATEMENTS OF THE TRINIDAD AND TOBAGO UNIT TRUST CORPORATION – CALYPSO MACRO INDEX FUND

FOR THE YEAR ENDED

31 December, 2021

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, 2021

OPINION

The financial statements of the Trinidad and Tobago Unit Trust Corporation – Calypso Macro Index Fund (the Fund) for the year ended 31 December, 2021 have been audited. The statements as set out on pages 1 to 20 comprise a Statement of Financial Position as at 31 December, 2021 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 11, 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, 2021 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

BASIS FOR OPINION

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

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

- Concludes on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Fund to continue as a going concern. If the Auditor General concludes that a material uncertainty exists, the Auditor General is required to draw attention in 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.

25TH MARCH, 2022
PORT OF SPAIN

LORELLY PUJADAS
AUDITOR GENERAL

Trinidad & Tobago Unit Trust Corporation
Calypso Macro Index Fund

Financial Statements
(Expressed in Trinidad and Tobago Dollars)

31 December 2021

Trinidad & 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 2021

Expressed in Trinidad and Tobago Dollars

ASSETS	**Notes**	**31-Dec-21** **$'000**	31-Dec-20 $'000
Cash and Cash Equivalents	**3**	**12,637**	13,128
Receivables	**4**	**1,452**	1,518
Investment Securities	**5**	**531,791**	413,906
TOTAL ASSETS		**545,880**	428,552
LIABILITIES			
Payables	**6**	**279**	2,632
TOTAL LIABILITIES		**279**	2,632
EQUITY			
Unitholders' Capital	**8**	**500,755**	500,755
Fair Value Reserve		**65,427**	4,059
Retained Loss		**(20,581)**	(78,894)
TOTAL EQUITY		**545,601**	425,920
TOTAL LIABILITIES AND EQUITY		**545,880**	428,552
Net Asset Value per Unit		**$27.01**	$21.09

Chairman

REPUBLIC OF TRINIDAD AND TOBAGO
25/3/2022
AUDITOR GENERAL

Executive Director

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

Trinidad and Tobago Unit Trust Corporation

CALYPSO MACRO INDEX FUND

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

Expressed in Trinidad and Tobago Dollars

	Notes	31-Dec-21	31-Dec-20
		$'000	$'000
INCOME			
Dividend Income		**18,491**	14,050
Net Change in Fair Value of Investment Securities		**56,517**	(69,797)
Foreign Exchange Gain/(Loss)		**38**	(38)
Total Income/(Loss)		**75,046**	(55,785)
EXPENSES			
Management Charge	**10**	**(2,449)**	(2,123)
Other Expenses		**(307)**	(301)
Bank Charges		**(7)**	(7)
Total Expenses		**(2,763)**	(2,431)
Net Income/(Loss) before Taxation		**72,283**	(58,216)
Withholding Taxes		**(2,052)**	(2,321)
Net Income/(Loss) for the year		**70,231**	(60,537)
Other Comprehensive Income:			
Amounts that will not be transferred to Profit or Loss in the future:			
Fair Value gains/(losses) arising during the period		**61,368**	(16,775)
Other Comprehensive Income/(Loss) for the year		**61,368**	(16,775)
Total Comprehensive Income/(Loss) for the year		**131,599**	(77,312)

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

Trinidad and Tobago Unit Trust Corporation

CALYPSO MACRO INDEX FUND

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

Expressed in Trinidad and Tobago Dollars

	Unitholders' Capital	Fair Value Reserve	Retained (Loss)/Earnings	Total
	$'000	$'000	$'000	$'000
Balance as at 1 January, 2021	**500,755**	**4,059**	**(78,894)**	**425,920**
Net Income for the year	-	-	70,231	**70,231**
Distribution to Unitholders	-	-	(11,918)	**(11,918)**
Other Comprehensive Income for the year	-	61,368	-	**61,368**
Balance as at 31 December, 2021	**500,755**	**65,427**	**(20,581)**	**545,601**
Balance as at 1 January, 2020	**500,755**	**20,834**	**(4,621)**	**516,968**
Net Loss for the year	-	-	(60,537)	**(60,537)**
Distribution to Unitholders	-	-	(13,736)	**(13,736)**
Other Comprehensive Loss for the year	-	(16,775)	-	**(16,775)**
Balance as at 31 December, 2020	**500,755**	**4,059**	**(78,894)**	**425,920**

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

Trinidad & Tobago Unit Trust Corporation

CALYPSO MACRO INDEX FUND

STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

Expressed in Trinidad and Tobago Dollars

	31-Dec-21 $'000	31-Dec-20 $'000
OPERATING ACTIVITIES		
Net Income/(Loss) before Taxation	**72,283**	(58,216)
Adjustments to reconcile net income to net cash and cash equivalents from operating activities:		
Dividend Income	**(18,491)**	(14,050)
Net Change in Fair Value of Investment Securities	**(56,517)**	69,797
	(2,725)	(2,469)
Movements in Net Current Assets		
Increase/(Decrease) in Payables	**52**	(40)
	52	(40)
Dividends Received	**18,558**	16,105
Taxation Paid	**(2,052)**	(2,321)
	16,506	13,784
Net Cash Flow From Operating Activities	**13,833**	11,275
FINANCING ACTIVITIES		
Distribution paid to Unitholders	**(14,324)**	(13,519)
Net Cash Used In Financing Activities	**(14,324)**	(13,519)
Net Decrease in Cash and Cash Equivalents	**(491)**	(2,244)
Cash and Cash Equivalents at the beginning of the year	**13,128**	15,372
Cash and Cash Equivalents at the end of the year	**12,637**	13,128

1) General Information

The Calypso Macro Index Fund (the Fund) is a closed-end mutual fund denominated in Trinidad and Tobago Dollars, that 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 Custodian of the Fund is the Trinidad and Tobago Central Depository (TTCD).

The Corporation is the Sponsor, Manager, Trustee and Investment Advisor of the Fund. Responsibility for management of the business affairs of the Fund is vested in the Board of Directors of the Corporation which approves all the Fund's significant agreements. The Corporation's registered office is located at UTC Financial Centre, 82 Independence Square, Port of Spain.

Participation by investors in the Fund is by units, which 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. The units of the Fund are traded on the Trinidad and Tobago Stock Exchange (TTSE).

Subscriptions

Subscription to the Fund closed on 4 December 2015 at the end of the initial offer period. During the initial 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 exposure to the Trinidad and Tobago Stock Exchange all T&T Index, 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.

1) General Information (continued)

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.

2) Significant Accounting Policies

The significant accounting policies applied in the preparation of these Financial Statements (the Financial Statements) are set out below. These policies have been consistently applied to all years presented, except as described in Note 2 (b).

a) Basis of Preparation

i. The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

ii. The Financial Statements were prepared under the historical cost convention as modified by financial assets measured at fair value through profit or loss (FVPL) and equity instruments measured at fair value through other comprehensive income (FVOCI). The methods used to fair value the Fund's financial assets are provided at Note 5.

iii. The Financial Statements are presented in Trinidad and Tobago dollars, which is the functional currency of the Fund.

iv. The preparation of the Financial Statements in accordance with IFRS requires management to make judgements, estimates and assumptions. Management reviews these judgements, estimates and underlying assumptions on a regular basis.

v. The key assumptions concerning the future or other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are those used in estimating the fair value of financial assets categorised as Level 3 (see Notes 5(a)).

Management has exercised significant judgement in determining the business models of the investment portfolio (see Note 2 (d)).

vi. COVID-19

Operations

In response to the COVID-19 coronavirus pandemic, in March 2020 the Government of Trinidad and Tobago instituted several measures to curtail the virus's spread, including at the onset: periodic lock-downs, stay-at-home measures for non-essential workers, travel bans, and more recently: social distancing protocols, social gathering limitations.

2) Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

vi. COVID-19 (continued)

Operations (continued)

The Fund was regarded as an essential business (along with other financial institutions such as banks and insurance companies) and as such maintained business operations throughout 2020 and 2021. In an effort to ensure the safety of the Fund's unitholders and the Sponsor's team members, the Sponsor of the Fund took the decision to migrate the majority of non-customer-facing staff members to working from home. At the time of this report, the Investment Centres and Agencies through which the Fund is distributed have returned to full operations, in line with Government guidelines. The Sponsor's non-customer-facing staff members have migrated to hybrid working arrangements.

Financial statement impact

The Fund's annual financial statements have been affected by the pandemic in primarily two aspects:

- The business model for the Fund's financial assets is Fair Value Through Profit or Loss (FVPL – see Note 2 (d)); consequently, the Fund's performance is materially impacted by market price movements. At the onset of the pandemic, financial markets responded by driving asset prices down due to the then-existing uncertainty and the Fund recognised a material level of fair value losses. Since then, financial markets have rebounded, and the Fund's losses have reversed to produce a fair value gain of $56.5 million through the Statement of Comprehensive Income and $61.4 million through the Statement of Other Comprehensive Income for the year ended 31 December 2021.
- The Fund earned a higher level of dividend income, compared to 2020, as a result of improvements in dividend declarations from its equity investments. The Fund expects this situation to continue in 2022.

Risk management

The Sponsor routinely undertakes stress testing on the Fund to determine the potential impact of multiple adverse outcomes and to implement proactive risk mitigating strategies. The stress testing considers various factors that can have a negative impact on investment securities including changes to credit ratings, foreign exchange rates, equity prices and redemption levels.

The Sponsor has continued to monitor the various risks the Fund faces (market, liquidity, and credit risk) but has not found it necessary to take additional measures to limit its risks apart from adjusting the Fund's portfolio holdings at the onset of the pandemic to exit or reduce certain exposures. As the economic and financial impact of the pandemic became clearer, the Sponsor re-established the Fund's positions selectively. The Sponsor will continue to closely manage the Fund's portfolio holdings and adjust accordingly. The Sponsor has historically managed the Fund's liquidity risk conservatively and did not experience any liquidity pressures during the year and it does not anticipate a liquidity challenge in 2022.

Reliefs and/or concessions

For the year ended 31 December 2021, the Fund did not receive any reliefs or concessions from the Government of Trinidad and Tobago related to the pandemic.

2) Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

vi. COVID-19 (continued)

Basis of preparation and subsequent events

Globally, the development of COVID-19 remains uncertain, with consequences that are difficult to predict. Notwithstanding these uncertainties, the Sponsor believes the Fund can withstand materially unfavourable financial impacts, should they arise, and therefore the going concern basis of accounting remains appropriate.

The major area where judgement could be required would be changes to estimation techniques and assumptions for measuring the fair value of financial assets.

The Sponsor is not aware of material events occurring after its Statement of Financial Position date that require either adjusting or disclosure in these financial statements.

b) Standards and amendments to existing standards effective 1 January 2021

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2021 that have a material effect on the financial statements of the Fund.

c) New standards, amendments and interpretations effective after 1 January 2021 and have not been early adopted

A number of new standards, amendments to standards and interpretations that are issued but not yet effective, up to date of issuance of the Fund's Financial Statements, have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

d) Financial Assets

The Fund's financial assets consist of:

i. Investment securities;
ii. Cash and cash equivalents; and
iii. Receivables

Initial recognition and subsequent measurement

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

2) Significant Accounting Policies (continued)

d) Financial Assets (continued)

Initial recognition and subsequent measurement (continued)

The Fund classifies its financial assets based on the business model of the portfolio within which the financial asset is managed and the contractual cash flow characteristics of the financial asset.

In assessing the objective of a portfolio's business model, the Fund considers:

i. The way in which the assets within the portfolio are managed and information provided to management;
ii. The stated policies and objectives of the portfolio;
iii. The operation of the portfolio's stated policies in practice;
iv. The method of evaluating the performance of the portfolio; and
v. The risks that affect the performance of the portfolio and how those risks are managed.

The Fund's investment securities are held in portfolios which are managed and evaluated on a fair value basis. The receipt of contractual cash flows and the purchase and sale of the financial assets in the portfolio, are incidental to the objectives of the portfolios. Accordingly, the assets in the Fund's portfolios have been classified and measured at FVPL – mandatory.

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

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

Financial assets at FVPL are those that are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

i. The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.
ii. The liabilities are part of a group of financial liabilities, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Financial assets at FVPL are recorded in the statement of financial position at fair value at the end of each reporting period. Changes in fair value are recorded in the Statement of Comprehensive Income.

The net gain or loss recognised in the Statement of Comprehensive Income is determined in the manner described in Note 2 (f).

Dividend income from equity instruments measured at FVPL is recorded in the Statement of Comprehensive Income when the right to the payment has been established.

2) Significant Accounting Policies (continued)

d) Financial Assets (continued)

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

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

Financial assets at fair value through statement of other comprehensive income (FVOCI)

Upon initial recognition, the Fund occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. Such classification is determined on an instrument-by instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Fund benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI.

Equity instruments at FVOCI are not subject to an impairment assessment. The Fund's equity instruments are not traded.

Foreign exchange gains and losses

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

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

Derecognition of financial assets

The Fund derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

e) Financial Liabilities

Initial recognition and subsequent measurement

The Fund recognises a financial liability when it becomes party to the contractual obligations of the financial instrument. The Fund determines the classification of its financial liabilities at initial recognition.

2) Significant Accounting Policies (continued)

e) Financial Liabilities (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognising of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Comprehensive Income.

f) Fair Value Estimation – Investment Securities

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 in the principal or, in its absence, the most advantageous market to which the Fund has access at that date.

Valuation framework

The Fund has established a control framework for the measurement of fair values. The framework includes a valuation team that is independent of the front office management. The valuation team reports to a Valuation Committee comprising the Vice Presidents of the Finance, Trust Services and Risk Departments. Valuations are reviewed by the Valuation Committee on a monthly basis.

Fair value hierarchy

Fair value measurements of securities are categorised into three levels based on the degree to which the fair value measurement inputs are observable. The three levels are:

- ***Level 1.*** Level 1 valuation inputs are unadjusted quoted prices for identical assets and liabilities in active markets that the entity can access at the measurement date.
- ***Level 2.*** Level 2 valuation inputs exclude Level 1 inputs but are inputs that are observable for the asset or liability either directly or indirectly. There were no assets classified as Level 2 during the years 2021 and 2020.
- ***Level 3.*** Level 3 uses significant inputs that are unobservable in the valuation of the asset. There were no assets classified as Level 3 during the years 2021 and 2020.

The level within the fair value hierarchy to which fair value measurements are assigned is determined by the lowest level input that is significant to the fair value measurement in its entirety. Thus, where a fair value measurement requires significant judgement with respect to an input, it is classified as Level 3.

The Fund considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

2) Significant Accounting Policies (continued)

f) Fair Value Estimation – Investment Securities (continued)

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

An active market is a market in which transactions for the asset take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of equities and ETFs in active markets is based on unadjusted quoted prices at the close of trading on the reporting date and categorised as Level 1.

Categorisation of short-term investments

The Fund's short-term investments are assumed to be encashable/tradeable at their carrying value and are categorised as Level 1.

Receivables, payables and short-term liabilities

The carrying value of receivables and payables, which are of a short-term nature, are assumed to approximate their fair values.

g) Foreign Currency Translation

The Fund's functional and presentation currency is Trinidad and Tobago dollars (TT$). Foreign currency transactions are translated into the functional currency using the mid-rate for the currency, quoted by the Central Bank of Trinidad and Tobago, on the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the Statement of Comprehensive Income.

h) Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, cash balances at brokers, and other short-term instruments with original maturities of ninety (90) days or less.

i) Revenue Recognition

Interest income is recognised in the Statement of Comprehensive Income using the effective interest rate received method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset. Realised and unrealised investment gains and losses are recognised as income in the Statement of Comprehensive Income.

Dividend income is recognised only when:

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

2) Significant Accounting Policies (continued)

i) Taxation

The Fund is exempt from Corporation Tax. Withholding tax is payable on dividends and interest earned in foreign jurisdictions based on the jurisdiction's tax laws and double taxation treaties where applicable.

Taxes are recognised as an expense in the period in which they arise.

3) Cash And Cash Equivalents

	31-Dec-21 $'000	31-Dec-20 $'000
Cash and cash equivalents at brokers	874	8
Cash at bank	11,763	13,120
Total	**12,637**	**13,128**

4) Receivables

	31-Dec-21 $'000	31-Dec-20 $'000
Dividend receivable	1,452	1,518
Total	**1,452**	**1,518**

5) Investment Securities

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

	31-Dec-21 $'000	31-Dec-20 $'000
Investment securities carried at fair value		
Quoted equities	354,638	330,713
Exchange Traded Funds	177,153	83,193
	531,791	**413,906**

Investment securities summarised by classification	31-Dec-21 $'000	31-Dec-20 $'000
- At fair value through profit or loss – mandatory (FVPL – M)	177,153	83,193
- Equity instruments at fair value through other comprehensive income – mandatory (FVOCI- M)	354,638	330,713
	531,791	**413,906**

5) Investment Securities (continued)

a) The Fair Value Hierarchy for Investment Securities

The Fund uses a valuation hierarchy to rank the fair value of its Investments (see Note 2 (f)). The Fund's Investments at 31 December 2021 are analysed by their fair value hierarchy below:

Fair Value Hierarchy for Investment Securities December 2021

Recurring fair value measurements	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Investment securities carried at fair value through profit or loss - mandatory				
Quoted equities	354,638	-	-	354,638
Exchange Traded Funds	177,153	-	-	177,153
Total Investment Securities	**531,791**	-	-	**531,791**

The Fund's Investments at 31 December 2020 are analysed by the fair value hierarchy below:

Fair Value Hierarchy for Investment Securities December 2020

Recurring fair value measurements	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Investment securities carried at fair value through profit or loss - mandatory				
Quoted equities	330,713	-	-	330,713
Exchange Traded Funds	83,193	-	-	83,193
Total Investment Securities	**413,906**	-	-	**413,906**

b) Transfers between Fair Value Hierarchy Levels

There were no transfers between the Fair Value Hierarchy Levels during either 2021 or 2020.

6) Payables

	31-Dec-21 $'000	31-Dec-20 $'000
Amounts due to the Corporation (see Note 10)	232	180
Distribution payable	47	2,452
Total	**279**	**2,632**

7) Distribution To Unitholders

The distribution allocated to unitholders for the year ended 31 December 2021 amounted to $11,918,000 (2020: $13,736,000). The next distribution period is December 2021 to February 2022, payable on 7 April 2022.

8) Unitholders' Capital

This represents the capital value of units issued by the Fund. The units of the Fund are traded on the Trinidad and Tobago Stock Exchange. The redeemable units of the Fund are 20.2 million.

9) Financial Risk Management

Risk Management Framework

The Calypso Macro Index Fund is managed by the Corporation and the Fund's investment activities expose the Fund to a variety of financial risks. The Board of Directors has established policies, procedures, an Audit Committee and a Strategic Risk and Compliance Committee (SRCC) to minimise the potential loss that may arise from such financial risks.
The SRCC is responsible for the establishment and implementation of the Fund's risk management framework and appropriate risk policies and mitigation plans, review balance sheet risks, as well as have oversight of the effectiveness of risk management and compliance and the management of key risks including strategic and operational risks of the Corporation.

During 2021, the SRCC met at least once per quarter to:

i. monitor compliance with the risk management policies and procedures established by the Board;
ii. ensure that the overall risk profile and policy environment of the Group was appropriate and consistent with the Group's strategic objectives; and
iii. consider reports and recommendations submitted by the risk management and internal audit departments.

The Audit Committee is responsible for the discharging of independent oversight of the Corporation's financial reports and the Corporation's compliance with statutory and regulatory requirements.

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

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

Risk Exposures

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

i. market risk (including, Equity and Exchange Traded Funds (ETF), Currency and Commodity Risk)
ii. credit risk
iii. liquidity risk; and
iv. operational risk

9) Financial Risk Management (continued)

Risk Exposures (continued)

At an operational level, and in line with the Corporation's Governance Framework, these risk exposures are managed on an ongoing basis, to ensure that they remain in compliance with approved risk tolerances and that adequate corrective actions are implemented when necessary.

Market Risk

Market risk is the risk that changes in market prices for example, equity and ETF prices and foreign exchange rates, will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

The responsibility for market risk oversight is vested in the SRCC. The Enterprise Risk Management & Compliance Division is responsible for the development of detailed risk management policies and for the day-to-day review of their implementation.

Equity and ETF Price Risk

Equity and ETF price risk is the risk that the fair value of equities/ETFs decreases as a result of changes in the market prices for these securities. The Fund has significant holdings of equities and ETFs, all of which are traded on either the local or North American stock exchanges. Negative equity price movements in the local and foreign equity markets can subject the portfolios to decreases in their net asset values. This risk is managed by:

i. careful asset allocation and security selection;
ii. daily monitoring of security prices; and
iii. monitoring and measurement of each portfolio's price risk exposure utilising stop loss limits to reduce the impact upon the Fund.

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

A stock with a beta less than 0.9 is considered to have a low equity price risk relative to the overall market.

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

The Fund's equity and ETF holdings are categorised below, both in dollar terms and as a percentage of total equity holdings into three (3) categories to reflect the Fund's exposure to movements in equity prices.

9) Financial Risk Management (continued)

Equity and ETF Price Risk (continued)

	Lower than market $'000	Comparable to market $'000	Higher than market $'000
At 31 December 2021	228,214	267,412	36,434
	43%	7%	50%
At 31 December 2020	239,907	-	178,999
	57%	-	43%

The following Table presents the approximate sensitivity of the net asset value of the Fund to a 5% change in the TTSE Composite Index and the S&P 500 Composite Index respectively as at 31 December with all other variables held constant.

	31 December 2021	31 December 2020
TTSE Composite Index	$14.2 million	$9.2 million
S&P 500 Composite Index	$12.2 million	$8.7 million

Currency Risk

Currency risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Since the Fund contains investments denominated in US$, the Fund can be impacted by movements in the US$/TT$ exchange rate.

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

	At 31 December 2021		At 31 December 2020	
	US$ (Presented in TT$) $'000	Other Foreign Currencies $'000	US$ (Presented in TT$) $'000	Other Foreign Currencies $'000
Assets				
Cash & cash equivalents	10,509	-	9,653	-
Quoted equities	81,354	-	27,250	-
ETFs	50,270	-	120,741	-
Liabilities				
Payables	(279)	-	(2,632)	-
Total	**141,854**	-	**155,012**	-

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

9) Financial Risk Management (continued)

Currency Risk (continued)

	2021 $'000	2020 $'000
Approximate change in US$	1,419	1,550
Concentration of foreign currency exposure		
% of total equity		
US dollars	26%	36%

Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will default on its financial obligations, that is, it fails to make full and timely payments of scheduled interest and/or principal sums due.

The Fund is exposed to credit risk primarily on short-term investments and bank balances. The carrying value of these assets represents the Fund's maximum exposure to credit risk on financial instruments on the respective reporting dates. Hence no separate maximum exposure to credit risk disclosure is provided for these instruments.

Credit risk is managed by:

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

The credit quality of the Fund's short-term investments and bank balances are considered to have a high credit rating equivalent to international credit quality grades used by Standard and Poor's.

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

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

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset as they become due.

The financial liabilities of the Fund are summarised by their due dates and shown below. The amounts disclosed are the contractual undiscounted cash flows. The Fund had no financial liabilities over one (1) year.

9) Financial Risk Management (continued)

Liquidity Risk (continued)

	Less than 1 year $'000
At 31 December 2021	
Other payables	232
Distribution payable	47
Total	**279**

	Less than 1 year $'000
At 31 December 2020	
Other payables	180
Distribution payable	2,452
Total	**2,632**

Operational Risk

Operational Risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk is inherent within all business activities and has the potential for financial or reputational loss, this includes errors, omissions, disasters and fraud.

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

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

Managing information security threats remains a major priority and the Corporation is responsible for overseeing information security risks and maintaining its risk appetite. Mechanisms are in place to prevent, detect and respond against cyber threats and where appropriate, risk is transferred by the placement of adequate insurance coverage.

Capital Management

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

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

10) 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.

The Fund is managed by the Corporation. Under the terms of the investment management agreement dated September 23, 2015, the Corporation may charge an annual fee of up to 0.5% of the net asset value of the Fund.

Total management fees for the year amounted to $2.4 million or 0.5% of month end fund size (December 2020: $2.1 million or 0.5% of fund size). The outstanding management charge due to the Corporation at 31 December 2021 amounted to $0.2 million (2020: $0.2 million).

The Corporation and the Growth and Income Fund invested in the Calypso Macro Index Fund, a Fund sponsored and managed by the Corporation, as at 31 December 2021. The value of the holdings are $21.8 million and $99.5 million respectively.

During the year, the Fund distributed to the Corporation and the Growth and Income Fund $0.8 million and $4.2 million respectively (December 2020: $0.9 million and $4.7 million respectively).

There were no other related party transactions for the year.

11) Approval of the Financial Statements

These Financial Statements were approved by the Board of Directors and authorised for issue on 14 February 2022.