

REPUBLIC CARIBBEAN EQUITY FUND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2023

Ernst & Young Services Limited



REPUBLIC CARIBBEAN EQUITY FUND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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INDEPENDENT AUDITOR'S REPORT

TO THE TRUSTEE OF REPUBLIC CARIBBEAN EQUITY FUND

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Republic Caribbean Equity Fund (“the Fund”), which comprise the statement of financial position as at 31 December 2023, and the statements of comprehensive loss, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 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 *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board of Accountants’ (“IESBA”) International Code of Ethics for Professional Accountants (including International Independence Standards) (“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.

The Trustee is responsible for overseeing the Fund’s financial reporting process.

INDEPENDENT AUDITOR'S REPORT

TO THE TRUSTEE OF REPUBLIC CARIBBEAN EQUITY FUND

Report on the Audit of the Financial Statements (Continued)

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 auditor's 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 auditor's 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 auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.



INDEPENDENT AUDITOR'S REPORT

TO THE TRUSTEE OF REPUBLIC CARIBBEAN EQUITY FUND

Report on the Audit of the Financial Statements

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

(Continued)

- 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.

A handwritten signature in blue ink that reads 'EY'.

Port of Spain,
TRINIDAD:
23 April 2024

REPUBLIC CARIBBEAN EQUITY FUND



STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

(Expressed in Trinidad and Tobago Dollars)

	Notes	2023 \$	2022 \$
Assets			
Cash and cash equivalents	4	3,099,063	14,429,259
Dividends receivable		352,103	371,959
Investment securities	5	132,351,741	134,717,552
Sundry debtors		—	24,925
Total assets		<u>135,802,907</u>	<u>149,543,695</u>
Liabilities			
Accrued expenses		1,037,181	1,091,930
Redemptions payable		216,317	—
Total liabilities		<u>1,253,498</u>	<u>1,091,930</u>
Net assets		<u>134,549,409</u>	<u>148,451,765</u>
Unitholders' balances			
Capital account		<u>134,549,409</u>	<u>148,451,765</u>
Total unitholders' balances		<u>134,549,409</u>	<u>148,451,765</u>
Number of units	6	2,305,554	2,386,587
Net asset value per unit	6	58.36	62.20

These financial statements were approved by the Trustee and authorised for issue on 23 April 2024.

 : Trustee
  : Trustee

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

For Republic Bank Limited
TRUST SERVICES DIVISION
 9-17 Park Street, Port of Spain, Trinidad, W. I.

REPUBLIC CARIBBEAN EQUITY FUND

STATEMENT OF COMPREHENSIVE LOSS
FOR THE YEAR ENDED 31 DECEMBER 2023
(Expressed in Trinidad and Tobago Dollars)

	Note	2023 \$	2022 \$
Investment income			
Interest income		70,493	170,265
Dividend income		4,398,887	4,402,933
Realised gain on investment securities		<u>1,115,736</u>	<u>4,205,995</u>
Total investment income		<u>5,585,116</u>	<u>8,779,193</u>
Expenses			
Loss on foreign exchange		236,682	2,633
Net loss from investment at fair value through profit or loss		9,646,936	20,644,815
Fees	7	<u>3,529,267</u>	<u>4,244,421</u>
Total expenses		<u>13,412,885</u>	<u>24,891,869</u>
Net loss		<u>(7,827,769)</u>	<u>(16,112,676)</u>
Total comprehensive loss		<u>(7,827,769)</u>	<u>(16,112,676)</u>

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

REPUBLIC CARIBBEAN EQUITY FUND

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 31 DECEMBER 2023
(Expressed in Trinidad and Tobago Dollars)

	Capital account \$	Total unitholders' balances \$
Year ended 31 December 2022		
Balance at beginning of year	164,109,110	164,109,110
Total comprehensive loss	(16,112,676)	(16,112,676)
Issue of units	11,866,092	11,866,092
Redemption of units	(10,089,010)	(10,089,010)
Distributions (Note 12)	<u>(1,321,751)</u>	<u>(1,321,751)</u>
Balance at end of year	<u>148,451,765</u>	<u>148,451,765</u>
Year ended 31 December 2023		
Balance at beginning of year	148,451,765	148,451,765
Total comprehensive loss	(7,827,769)	(7,827,769)
Issue of units	5,395,123	5,395,123
Redemption of units	(10,189,744)	(10,189,744)
Distributions (Note 12)	<u>(1,279,966)</u>	<u>(1,279,966)</u>
Balance at end of year	<u>134,549,409</u>	<u>134,549,409</u>

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

REPUBLIC CARIBBEAN EQUITY FUND

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023
(Expressed in Trinidad and Tobago Dollars)

	Notes	2023 \$	2022 \$
Cash flows from operating activities			
Net loss		(7,827,769)	(16,112,676)
Adjustments:			
Net loss from investment at fair value through profit or loss		9,646,936	20,644,815
Realised gain on investment securities		<u>(1,115,736)</u>	<u>(4,205,995)</u>
Net investment loss before working capital changes		703,431	326,144
Changes in assets/liabilities:			
Decrease/(increase) in receivables		44,781	(83,461)
Increase/(decrease) in payables		<u>161,568</u>	<u>(92,668)</u>
Cash provided by/(used in) operating activities		<u>206,349</u>	<u>(176,129)</u>
Net cash flows provided by operating activities		<u><u>909,780</u></u>	<u><u>150,016</u></u>
Cash flows from investing activities			
Purchase of investment securities		(23,232,915)	(21,020,897)
Proceeds on disposal of investment securities		<u>17,067,526</u>	<u>15,092,112</u>
Net cash flows used in investing activities		<u><u>(6,165,389)</u></u>	<u><u>(5,928,785)</u></u>
Cash flows from financing activities			
Issue of units		5,395,123	11,866,092
Redemption of units		(10,189,744)	(10,089,010)
Distributions paid	12	<u>(1,279,966)</u>	<u>(1,321,751)</u>
Net cash flows (used in)/provided by financing activities		<u><u>(6,074,587)</u></u>	<u><u>455,331</u></u>
Net decrease in cash and cash equivalents		(11,330,196)	(5,323,438)
Cash and cash equivalents at the beginning of the year		<u>14,429,259</u>	<u>19,752,697</u>
Cash and cash equivalents at the end of the year	4	<u><u>3,099,063</u></u>	<u><u>14,429,259</u></u>
Supplemental information			
Interest received		69,346	170,089
Dividend received		4,419,890	4,344,396

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

REPUBLIC CARIBBEAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (Expressed in Trinidad and Tobago Dollars)

1. Principal activity and status

Republic Caribbean Equity Fund (“the Fund”) was established on 27 August 1999 as an open-ended mutual fund. An open-ended fund is one in which the number of units which may be issued in the Fund, is unlimited. The investment objective of the Trust is to seek long-term growth of capital by investing primarily in a diversified portfolio of equity securities of issuers domiciled in but not limited to Trinidad and Tobago and the Caribbean basin countries.

The Fund is governed by the laws of the Republic of Trinidad and Tobago and established by a Declaration of Trust made by the Trustee, duly incorporated and validly existing and licensed under the provisions of the Financial Institutions Act, 1993 of the Republic of Trinidad and Tobago. The Trustee and Manager of the Fund is Republic Bank Limited. The Distributor and Advisor of the Fund is Republic Wealth Management Limited. The address of the Trustee and Manager is 9-17 Park Street, Port of Spain, Trinidad. The address of the Distributor and Advisor is 8 Rapsey Street, Ellerslie Plaza, Maraval, Trinidad. Republic Bank Limited (RBL) and its subsidiaries are therefore considered related parties.

2. Material accounting policy information

The principal accounting policies applied in the preparation of these financial statements are set out below.

a) Basis of preparation

These financial statements have been prepared on a historical cost basis except for measurement at fair value of investment securities classified as fair value through profit or loss.

Statement of compliance

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

REPUBLIC CARIBBEAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(Expressed in Trinidad and Tobago Dollars)
(Continued)

2. Material accounting policy information (continued)

b) Changes in accounting policies and disclosures

i) New accounting policies/improvements adopted

New standards and amendments/revisions to published standards and interpretations effective in 2023:

In the current year, the Fund has applied the following amendments issued by the IASB that are mandatorily effective for the accounting period commencing 1 January 2023.

- IFRS 17 Insurance Contracts
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
- Definition of Accounting Estimates – Amendments to IAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
- International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12

The amendments listed above did not have a material impact on these financial statements.

ii) Improvements to International Financial Reporting Standards

The annual process of the IASB deals with non-urgent but necessary clarifications and amendments to IFRS. There are no amendments applicable to annual periods beginning on or after 1 January 2023.

REPUBLIC CARIBBEAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(Expressed in Trinidad and Tobago Dollars)
(Continued)

2. Material accounting policy information (continued)

b) Changes in accounting policies and disclosures (continued)

iii) Standards in issue not yet effected

New standards, interpretations and revised or amended standards that are not yet effective and have not been early adopted by the Fund

Effective 1 January 2024:

- Classification of Liabilities as Current or Non-current – Amendments to IAS 1
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16
- Disclosures: Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

Effective 1 January 2025:

- Lack of Exchangeability – Amendments to IAS 21

These new standards and amendments will have no impact on the Fund.

REPUBLIC CARIBBEAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Expressed in Trinidad and Tobago Dollars)

(Continued)

2. **Material accounting policy information** (continued)

c) **Financial instruments**

The Fund's financial assets and financial liabilities are recognised in the statement of financial position when it becomes party to the contractual obligation of the instrument. A financial asset is derecognised when the right to receive the cash flows from the asset has expired or where the Fund has transferred all the risks and rewards of ownership of the asset. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. All 'regular way' purchases and sales are recognised at trade date.

d) **Investment securities**

Investment securities with the exception of fixed deposits will be designated as fair value through profit or loss (FVPL). Financial assets in this category are those designated upon initial recognition or 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.

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis, or
- The assets were managed and their performance evaluated on a fair value basis in accordance with a documented investment strategy.

Interest earned on instruments designated at FVPL is accrued in interest income. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other income when the right to the payment has been established.

REPUBLIC CARIBBEAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (Expressed in Trinidad and Tobago Dollars) (Continued)

2. **Material accounting policy information** (continued)

d) Investment securities (continued)

The Fund only measures fixed deposits at amortised cost if both of the following conditions are met:

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, and
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

i) Impairment of financial assets

IFRS 9 'Financial Instruments' requires the Fund to record an allowance for expected credit losses (ECLs) for all financial assets not held at FVPL.

Cash and cash equivalents and fixed deposits are short term funds placed with companies of good financial strength and reputation and the Fund therefore considers the risk of default to be very low.

The ECL on these deposits were determined to be zero.

(ii) Fair value measurement

The Fund measures investment securities at fair value at each year end reporting date.

REPUBLIC CARIBBEAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

(Expressed in Trinidad and Tobago Dollars)

(Continued)

2. Material accounting policy information (continued)

d) Investment securities (continued)

(ii) Fair value measurement (continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs, specifically the fair values for unquoted equity instruments or unlisted securities are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer.

REPUBLIC CARIBBEAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (Expressed in Trinidad and Tobago Dollars) (Continued)

2. **Material accounting policy information** (continued)

d) Investment securities (continued)

(ii) Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. Assets and liabilities included in level 3 are held at cost, being the fair value of the consideration paid on acquisition and are regularly assessed for impairment.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

REPUBLIC CARIBBEAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (Expressed in Trinidad and Tobago Dollars) (Continued)

2. **Material accounting policy information** (continued)

e) **Revenue and expenditure recognition**

Dividend income is recognised when the right to receive payment is established. Interest income is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured. Interest income is recognised as the interest accrues, taking into account the effective yield on the asset unless collectability is in doubt.

Expenses are accounted for on the accrual basis.

f) **Cash and cash equivalents**

Cash and cash equivalents are carried at cost and consist of cash at bank and highly liquid investments with original maturities of three months or less. The Fund classifies cash and cash equivalents at amortised cost.

g) **Foreign currency translation**

Functional and presentation currency

The Fund's functional currency is the Trinidad and Tobago dollar (TTD), which is the currency of the primary economic environment in which it operates. The Fund's performance is evaluated and its liquidity is managed in TTD. Therefore, the TTD is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The Fund's presentation currency is also the TTD.

Foreign currency transactions

Foreign currency transactions during the year are translated into Trinidad and Tobago dollars at the exchange rates ruling at the date of the transactions. Monetary assets and liabilities in foreign currencies, at the statement of financial position date, are expressed in Trinidad and Tobago dollars at the exchange rates ruling at that date. Profits and losses thus arising are recorded in the statement of comprehensive loss.

REPUBLIC CARIBBEAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (Expressed in Trinidad and Tobago Dollars) (Continued)

2. **Material accounting policy information** (continued)

h) Subscriptions

Subscriptions and redemptions are accounted for on the accruals basis. Units are offered for sale at the offer price calculated for each subscription date, being the business day immediately following a valuation date (being each and every business day). The offer price means the net asset value per unit plus an initial charge of 2% of the net asset value per unit.

i) Redemptions

Redemptions of units are affected on the redemption date, being the business day immediately following a valuation date. Units are redeemed at the redemption price or bid price, which is equal to the net asset value per unit less any stamp duty or taxation leviable thereon on the relevant redemption date.

j) Net asset value per unit

The net asset value per share is calculated by dividing the net assets in the statement of financial position by the number of units outstanding at the period end. Net assets is total assets less total liabilities in the statement of financial position.

k) 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 the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations 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.

REPUBLIC CARIBBEAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Expressed in Trinidad and Tobago Dollars)

(Continued)

3. Significant accounting judgements and estimates

The preparation of the Fund's financial statements requires the Trustee to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements and disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Other disclosures relating to the Fund's exposure to risks and uncertainties include:

- Risk management (Note 10)
- Fund management (Note 13)

i) Judgement

In the process of applying the Fund's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

- Impairment of investment securities (Note 2d (i)).

ii) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Fund based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur.

REPUBLIC CARIBBEAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

(Expressed in Trinidad and Tobago Dollars)

(Continued)

4. Cash and cash equivalents	2023	2022
	\$	\$
Cash and call deposits	<u>3,099,063</u>	<u>14,429,259</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. Call deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Fund and earn interest at the respective short-term deposit rates. These earn interest at a rate of 0.05% to 0.90% per annum (2022: 0.05% to 0.90%).

5. Investment securities	2023	2022
	\$	\$
Fair value through profit or loss:		
Equities	<u>132,351,741</u>	<u>134,717,552</u>

6. Units	Number of units	
Authorised: Unlimited number of units	2023	2022
Units at beginning of the year	2,386,587	2,365,929
Issue of units	89,713	176,038
Redemption of units	<u>(170,746)</u>	<u>(155,380)</u>
Units at the end of the year	<u>2,305,554</u>	<u>2,386,587</u>
Net asset value per unit	\$ 58.36	\$ 62.20

The net asset value is calculated in accordance with the Fund's Trust Deed.

REPUBLIC CARIBBEAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (Expressed in Trinidad and Tobago Dollars) (Continued)

7. Fees

Republic Bank Limited (“RBL”) has been appointed as Trustee and Manager of the Fund and under the terms of the agreement, RBL is entitled to receive quarterly, a trustee fee of 0.15%. As Fund Manager, RBL is paid a quarterly fee at an annual rate not to exceed 1.00% of the average net asset value.

The Distributor and Advisor of the Fund is Republic Wealth Management Limited. Distributor fees are paid quarterly at an annual rate not to exceed 0.25% of the average net asset value. Advisory fees are payable quarterly in arrears at an annual rate not to exceed 0.60% of the average net asset value.

These rates have remained consistent year-on-year.

The following is a breakdown of the fees charged to the statement of comprehensive loss:

	2023	2022
	\$	\$
Trustee	204,446	231,377
Management	1,535,207	1,737,442
Investment advisory	920,608	1,041,879
Distribution	383,398	433,903
Other	485,608	799,820
	<u>3,529,267</u>	<u>4,244,421</u>

8. Related parties

From time to time the Fund will enter into transactions with related parties at commercial rates in the normal course of business. Details of assets and liabilities in the Fund and income and expense for the period are as follows:

	2023	2022
	\$	\$
Assets:		
Republic Bank Limited (Group)	<u>23,496,904</u>	<u>37,726,336</u>
Liabilities:		
Republic Bank Limited (Group)	<u>776,316</u>	<u>836,235</u>

REPUBLIC CARIBBEAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

(Expressed in Trinidad and Tobago Dollars)

(Continued)

8. Related parties (continued)	2023	2022
	\$	\$
Unitholder balances:		
Republic Bank Limited (Group)	<u>12,491,382</u>	<u>13,198,058</u>
Income:		
Republic Bank Limited (Group)	<u>992,339</u>	<u>934,946</u>
Expenses:		
Republic Bank Limited (Group)	<u>3,178,173</u>	<u>3,910,235</u>

9. Fair value of financial instruments

Financial instruments recorded at fair value

Financial instruments are recorded at fair value using valuation techniques as current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against the prices of actual market transactions and using the Investment Manager's best estimate of the most appropriate model inputs. These are adjusted to reflect counterparty credit spread.

Equity instruments are measured using quoted market prices. In the statement of financial position, equity is carried at fair value with changes recognised in profit or loss.

Assets for which fair value approximates carrying value

For financial assets and liabilities that are liquid or have a short-term maturity it is assumed that the carrying amounts approximate to their fair value. These include investment securities, cash and cash equivalents, interest receivable and accrued expenses.

REPUBLIC CARIBBEAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

(Expressed in Trinidad and Tobago Dollars)

(Continued)

9. Fair value of financial instruments (continued)

Fair value hierarchy (continued)

The following table shows financial instruments recognised at fair value, by level of fair value hierarchy.

Investment securities	31-Dec-23		
	Level 1	Level 2	Total
	\$	\$	\$
Fair value through profit and loss			
Equities	132,351,741	–	132,351,741
	<u>132,351,741</u>	<u>–</u>	<u>132,351,741</u>
Investment securities			
	Level 1	Level 2	Total
	\$	\$	\$
Fair value through profit and loss			
Equities	134,717,552	–	134,717,552
	<u>134,717,552</u>	<u>–</u>	<u>134,717,552</u>

There were no instruments classified in level 2 and 3 for the years ended 31 December 2023 and 31 December 2022.

There were no transfers of financial instruments between levels for the years ended 31 December 2023 and 31 December 2022.

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10. Risk management

Introduction

Risk is inherent in the Fund's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Fund's continuing profitability.

Role of the Trustee

The Trustee's responsibility is that of safeguarding unitholders' interests. The Trustee ensures that the Fund is independently audited every year, all provisions within the prospectus are followed by the Fund Distributor and that all regulatory requirements are fulfilled.

Risk management structure

Republic Bank Limited, which acts as the Fund's Trustee and Manager is ultimately responsible for identifying and controlling risks. RBL is also responsible for the overall risk management approach and for approving the risk strategies, principles and policies and procedures. Day to day adherence to risk principles are carried out by the executive management of RBL in compliance with the policies approved by the Board of Directors.

A summary of risks to which the Fund is exposed is as follows:

Market risk

Market risk is the risk that investments held in the portfolio will fluctuate due to changes in market prices. Market risk comprises of equity price risk, currency risk and interest rate risk. The Fund's exposure to interest rate risk is considered minimal, as the Fund does not have significant debt holdings.

Equity price risk

Equity price risk is the risk that investments held in the portfolio will fluctuate due to changes in market price.

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(Continued)

10. Risk management (continued)

Market risk (continued)

Equity price risk (continued)

The Fund invests in financial instruments that are traded on registered exchanges. These securities are susceptible to market price risk arising from uncertainties about future prices of the instruments. The Fund has set investment objectives to reduce its market risk by setting limits to its exposure by geographical concentration and industry sector. Through ongoing daily control procedures, management closely monitors the exposure of the Fund's investment portfolio to changes in market prices and is therefore able to mitigate the market risk resulting from fluctuations in underlying prices.

The table below summarises the Fund's exposure to price risk by geographical concentrations:

	2023		2022	
	\$	%	\$	%
Trinidad	110,556,536	83.53	117,431,398	87.17
Jamaica	795,218	0.60	706,018	0.52
Barbados	669,676	0.51	891,221	0.66
Europe	20,330,311	15.36	15,688,915	11.65
	<u>132,351,741</u>	<u>100.00</u>	<u>134,717,552</u>	<u>100.00</u>

The table below summarises the concentration of the Fund's assets by industry sector:

	2023		2022	
	\$	%	\$	%
Finance	59,749,422	45.14	70,916,477	52.66
Conglomerate	18,197,420	13.75	15,874,987	11.80
Manufacturing	16,529,067	12.49	18,363,526	13.66
Other	37,875,832	28.62	29,562,562	21.97
	<u>132,351,741</u>	<u>100.00</u>	<u>134,717,552</u>	<u>100.00</u>

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(Continued)

10. Risk management (continued)

Market risk (continued)

Equity price risk (continued)

The effect on net assets at 31 December due to a reasonably possible change in prices, with all other variables held constant, is as follows:

Change in price %	2023 Effect on net assets \$	2022 Effect on net assets \$
+/- 1%	1,373,096	1,316,975

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Fund's exposure to the effects of the fluctuations in foreign currency exchange rates arises mainly from its investment securities. The Fund has no financial liabilities denominated in currencies other than the reporting currency.

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(Continued)

10. Risk management (continued)

Market risk (continued)

Currency risk (continued)

The table below summarises the Fund's exposure to currency risk:

2023	TTD	USD	BBD	JMB	Total
	\$	\$	\$	\$	\$
Assets					
Cash and cash equivalents	1,390,785	124,716	–	1,583,562	3,099,063
Investment securities	110,556,536	20,330,310	669,676	795,219	132,351,741
Dividends receivable	<u>349,025</u>	<u>1,146</u>	<u>1,932</u>	<u>–</u>	<u>352,103</u>
	<u>112,296,346</u>	<u>20,456,172</u>	<u>671,608</u>	<u>2,378,781</u>	<u>135,802,907</u>
2022					
	TTD	USD	BBD	JMB	Total
	\$	\$	\$	\$	\$
Assets					
Cash and cash equivalents	13,984,355	200,685	–	244,219	14,429,259
Investment securities	121,671,607	11,448,706	891,221	706,018	134,717,552
Dividends receivable	342,510	–	29,449	–	371,959
Sundry debtors	<u>24,925</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>24,925</u>
	<u>136,023,397</u>	<u>11,649,391</u>	<u>920,670</u>	<u>950,237</u>	<u>149,543,695</u>

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(Continued)

10. Risk management (continued)

Market risk (continued)

Currency risk (continued)

The analysis below reflects the effect on the financial statements of a reasonably possible movement of the currency rate against the TTD, with all other variables held constant. A negative change in rate reflects a potential net reduction in net assets while a positive change reflects a net potential increase.

Currency	Change in exchange rate +/- %	2023	2022
		Effect on net assets \$	Effect on net assets \$
USD	1	204,562	116,494
BBD	1	6,716	9,207
JMD	1	<u>23,788</u>	<u>9,502</u>
		<u>235,066</u>	<u>135,203</u>

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable to meet a commitment that it has entered into with the Fund. It is the Fund's policy to enter into financial arrangements with a variety of creditworthy counterparties and monitor the size of the exposure to any one issuer and the duration of the investment.

The Fund manages credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits. The Investment Manager monitors the Fund's credit exposure on a quarterly basis.

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(Continued)

10. Risk management (continued)

Credit risk (continued)

Risk concentrations of the maximum exposure to credit risk (continued)

c) Credit risk - by industry sector	2023	2022
	\$	\$
Financial sector	3,253,022	14,433,213
Other	<u>198,144</u>	<u>392,930</u>
	<u><u>3,451,166</u></u>	<u><u>14,826,143</u></u>

Analysis of financial assets bearing credit risk

	Neither past due nor impaired \$	Past due but not impaired \$	Impaired \$	Total \$
2023				
Cash and cash equivalents	3,099,063	—	—	3,099,063
Dividends receivable	<u>352,103</u>	<u>—</u>	<u>—</u>	<u>352,103</u>
	<u><u>3,451,166</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>3,451,166</u></u>
2022				
Cash and cash equivalents	14,429,259	—	—	14,429,259
Sundry debtors	24,925	—	—	24,925
Dividends receivable	<u>371,959</u>	<u>—</u>	<u>—</u>	<u>371,959</u>
	<u><u>14,826,143</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>14,826,143</u></u>

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10. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial assets

The credit quality of financial assets that are not impaired is managed by the Fund using internal investments ratings. These ratings are based on the financial strength, reputation and market position of the issuing company and the ability of that company to service the debt.

Superior: Investments classified as superior comprise of Government and Government guaranteed bonds secured by a Letter of Comfort from the Government. These securities are considered risk free. Also included in this category are corporate bonds where the issuing company has excellent financial strength and reputation. These instruments are current and are being serviced in accordance with the terms and conditions of the underlying agreements.

Desirable: Investments classified as desirable include corporate bonds and money market instruments. These instruments are current and are being serviced in accordance with the terms and conditions of the underlying agreements. Issuing company has good financial strength and reputation.

Acceptable: Acceptable investments include mortgages and corporate loans. These securities are current and are being serviced in accordance with the terms and conditions of the underlying agreements. Issuing company has fair financial strength and reputation.

Sub-standard: Assets classified as sub-standard represent securities displaying indicators of impairment, however are being serviced in accordance with their existing terms and conditions, or have been restructured in prior financial years but are currently being serviced in accordance with their new terms and conditions.

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(Continued)

10. Risk management (continued)

Credit risk (continued)

The following table shows the maximum exposure to credit risk without taking account of any collateral or other credit enhancements:

	Gross maximum exposure	
	2023	2022
	\$	\$
Cash and cash equivalents	3,099,063	14,429,259
Dividends receivable	352,103	371,959
Sundry debtors	—	24,925
	<u>3,451,166</u>	<u>14,826,143</u>

Risk concentrations of the maximum exposure to credit risk

Concentration of risk is managed by asset class, geographical region and industry sector.

a) Credit risk - by asset class	2023	2022
	\$	\$
Cash and cash equivalents	3,099,063	14,429,259
Other	352,103	396,884
	<u>3,451,166</u>	<u>14,826,143</u>
b) Credit risk - by geographical region		
Trinidad	1,862,608	14,415,528
United States of America	2,379	111,340
Other Countries	1,586,179	299,275
	<u>3,451,166</u>	<u>14,826,143</u>

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10. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial assets (continued)

2023	Superior	Desirable	Acceptable	Total
	\$	\$	\$	\$
Assets				
Cash and cash equivalents	–	3,099,063	–	3,099,063
Dividends receivable	–	352,103	–	352,103
	–	3,451,166	–	3,451,166
2022				
Assets				
Cash and cash equivalents	–	14,429,259	–	14,429,259
Dividends receivable	–	371,959	–	371,959
Sundry debtors	–	24,925	–	24,925
	–	14,826,143	–	14,826,143

There were no financial assets classified as sub-standard for the years ended 31 December 2023 and 31 December 2022.

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10. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Fund will be unable to liquidate positions to satisfy commitments to unitholders for redemptions due to market conditions. The Fund is exposed to daily cash redemptions by unitholders. The Fund manages its liquidity risk by investing primarily in marketable securities and can be readily disposed.

2023	Due on demand \$	Up to one year \$	Total \$
Financial assets			
Cash and cash equivalents	3,099,063	–	3,099,063
Investment securities	–	132,351,741	132,351,741
Dividends receivable	–	352,103	352,103
	<u>3,099,063</u>	<u>132,703,844</u>	<u>135,802,907</u>
Financial liabilities			
Accrued expenses	–	1,037,181	1,037,181
Redemptions payable	–	216,317	216,317
	<u>–</u>	<u>1,253,498</u>	<u>1,253,498</u>

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(Continued)

10. Risk management (continued)

Liquidity risk (continued)

2022	Due on demand \$	Up to one year \$	Total \$
Financial assets			
Cash and cash equivalents	14,429,259	–	14,429,259
Investment securities	–	134,717,552	134,717,552
Sundry debtors	–	24,925	24,925
Dividends receivable	–	371,959	371,959
	<u>14,429,259</u>	<u>135,114,436</u>	<u>149,543,695</u>
Financial liabilities			
Accrued expenses	–	1,091,930	1,091,930
	<u>–</u>	<u>1,091,930</u>	<u>1,091,930</u>

There were no financial assets or financial liabilities classified in one to five years or over five years categories for the years ended 31 December 2023 and 31 December 2022.

11. Taxation

Tax on distribution to non-residents unitholders is withheld at the rates applicable to the country in which unitholders reside. Resident unitholders are exempted from tax on distributions.

12. Distributions

Distributions in the Fund are made annually. The total distributions paid for the year ended 31 December 2023 totalled \$1,279,966. As at 31 December 2022, distributions paid were \$1,321,751.

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13. Fund management

When managing capital, which is represented by unitholders' balances, the objectives of the Trustee are:

- To comply with the requirements set out in the Fund's prospectus and Trust Deed;
- To safeguard the Fund's ability to continue as a going concern so that it can continue to provide returns for unitholders; and
- To maintain a strong capital base to support the development of its business.

The Fund endeavours to invest the proceeds from the issue of units in appropriate investments while maintaining sufficient liquidity to meet redemptions where necessary, such liquidity being augmented by disposal of investment securities where necessary.

The use of proceeds from the issue of units is monitored on a daily basis by the Fund Distributor, based on guidelines set out in the Prospectus and the Trust Deed. The Fund complied with the requirements set out in the Prospectus and Trust Deed during the reported financial periods and no changes were made to the Fund's objectives, policies and processes from the previous year.