

REPUBLIC US\$ FIXED INCOME SECURITIES FUND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2023

Ernst & Young Services Limited



REPUBLIC US\$ FIXED INCOME SECURITIES FUND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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INDEPENDENT AUDITOR'S REPORT

TO THE TRUSTEE OF REPUBLIC US\$ FIXED INCOME SECURITIES FUND

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Republic US\$ Fixed Income Securities Fund (“the Fund”), which comprise the statement of financial position as at 31 December 2023, and the statements of comprehensive income/(loss), changes in net assets and cash flows for the year then ended, and the notes to the financial statements, including 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 US\$ FIXED INCOME SECURITIES 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.
- 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.



INDEPENDENT AUDITOR'S REPORT

TO THE TRUSTEE OF REPUBLIC US\$ FIXED INCOME SECURITIES FUND

Report on the Audit of the Financial Statements
(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements
(Continued)

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 black ink that reads 'EY' with a stylized flourish extending from the bottom of the 'Y'.

Port of Spain,
TRINIDAD:
23 April 2024

REPUBLIC US\$ FIXED INCOME SECURITIES FUND



STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

(Expressed in United States Dollars)

Assets	Notes	2023	2022
		\$	\$
Cash and cash equivalents	4	767,527	575,317
Interest receivable		204,758	226,349
Investment securities	5	<u>16,076,561</u>	<u>17,571,392</u>
Total assets		<u>17,048,846</u>	<u>18,373,058</u>
 Liabilities			
Accrued expenses		<u>108,587</u>	<u>116,626</u>
Total liabilities		<u>108,587</u>	<u>116,626</u>
Net assets attributable to unitholders		<u>16,940,259</u>	<u>18,256,432</u>
 Net assets represented by:			
Unitholders' balances		16,946,344	18,780,903
Accumulated deficit		<u>(6,085)</u>	<u>(524,471)</u>
Net assets attributable to unitholders		<u>16,940,259</u>	<u>18,256,432</u>
 Number of units	 6	 162,273	 180,230
Net asset value per unit		104.39	101.30

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 US\$ FIXED INCOME SECURITIES FUND

STATEMENT OF COMPREHENSIVE INCOME/(LOSS)
FOR THE YEAR ENDED 31 DECEMBER 2023
(Expressed in United States Dollars)

	Note	2023 \$	2022 \$
Investment income			
Interest income		778,904	850,940
Net gain from investments at fair value through profit or loss		<u>415,115</u>	<u>—</u>
Total investment income		<u>1,194,019</u>	<u>850,940</u>
Expenses			
Amortisation		53,781	97,265
Realised loss on investment securities		11,911	43,359
Net loss from investments at fair value through profit or loss		—	1,464,637
Fees	7	<u>409,584</u>	<u>437,755</u>
Total expenses		<u>475,276</u>	<u>2,043,016</u>
Net income/(loss)		<u>718,743</u>	<u>(1,192,076)</u>
Total comprehensive income/(loss)		<u><u>718,743</u></u>	<u><u>(1,192,076)</u></u>

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

REPUBLIC US\$ FIXED INCOME SECURITIES FUND

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 31 DECEMBER 2023
(Expressed in United States Dollars)

	Unitholders' balances	Accumulated deficit	Net assets attributable to Unitholders
	\$	\$	\$
Year ended 31 December 2022			
Balance at 1 January 2022	20,399,296	869,820	21,269,116
Total comprehensive loss	–	(1,192,076)	(1,192,076)
Issue of units	927,089	–	927,089
Redemption of units	(2,545,482)	–	(2,545,482)
Distributions (Note 12)	<u>–</u>	<u>(202,215)</u>	<u>(202,215)</u>
Balance as at 31 December 2022	<u><u>18,780,903</u></u>	<u><u>(524,471)</u></u>	<u><u>18,256,432</u></u>
Year ended 31 December 2023			
Balance at 1 January 2023	18,780,903	(524,471)	18,256,432
Total comprehensive income	–	718,743	718,743
Issue of units	269,420	–	269,420
Redemption of units	(2,103,979)	–	(2,103,979)
Distributions (Note 12)	<u>–</u>	<u>(200,357)</u>	<u>(200,357)</u>
Balance as at 31 December 2023	<u><u>16,946,344</u></u>	<u><u>(6,085)</u></u>	<u><u>16,940,259</u></u>

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

REPUBLIC US\$ FIXED INCOME SECURITIES FUND

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023
(Expressed in United States Dollars)

	Notes	2023 \$	2022 \$
Cash flows from operating activities			
Net income/(loss)		718,743	(1,192,076)
Adjustments:			
Net (gain)/loss from investments at fair value through profit or loss		(414,973)	1,464,919
Amortisation of investments		54,716	97,674
Realised loss on investment securities		<u>14,465</u>	<u>43,359</u>
Investment income before working capital changes		372,951	413,876
Changes in assets/liabilities:			
Decrease/(increase) in receivables		21,591	(14,173)
Decrease in accrued expenses		<u>(8,039)</u>	<u>(17,982)</u>
Cash generated from/(used in) operating activities		<u>13,552</u>	<u>(32,155)</u>
Net cash flows provided by operating activities		<u><u>386,503</u></u>	<u><u>381,721</u></u>
Cash flows from investing activities			
Purchase of investment securities		(2,425,900)	(4,639,833)
Proceeds on disposal of investment securities		<u>4,266,523</u>	<u>3,632,083</u>
Net cash flows generated from/(used in) investing activities		<u><u>1,840,623</u></u>	<u><u>(1,007,750)</u></u>
Cash flows from financing activities			
Issue of units		269,420	927,089
Redemption of units		(2,103,979)	(2,545,482)
Distributions paid	12	<u>(200,357)</u>	<u>(202,215)</u>
Net cash flows used in financing activities		<u><u>(2,034,916)</u></u>	<u><u>(1,820,608)</u></u>
Net increase/(decrease) in cash and cash equivalents		192,210	(2,446,637)
Cash and cash equivalents at the beginning of the year		<u>575,317</u>	<u>3,021,954</u>
Cash and cash equivalents at the end of the year	4	<u><u>767,527</u></u>	<u><u>575,317</u></u>

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

REPUBLIC US\$ FIXED INCOME SECURITIES FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (Expressed in United States Dollars)

1. Principal activity and status

Republic US\$ Fixed Income Securities Fund (the "Fund") was established on 15 August 2012 as an open ended mutual fund. An open ended mutual fund is one in which the number of units which may be issued in the Fund is unlimited. The investment objective of the Fund is to seek a high total investment return by investing primarily in a diversified portfolio of US\$ fixed income securities.

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

The Fund's financial statements are prepared in accordance with the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and are stated in United States Dollars.

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.

REPUBLIC US\$ FIXED INCOME SECURITIES FUND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(Expressed in United States Dollars)
(Continued)

2. Material accounting policy information (continued)

b) Changes in accounting policies

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 US\$ FIXED INCOME SECURITIES FUND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(Expressed in United States Dollars)
(Continued)

2. Material accounting policy information (continued)

b) Changes in accounting policies (continued)

iii) Standards in issue not yet effective

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.

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 settlement 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.

REPUBLIC US\$ FIXED INCOME SECURITIES FUND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(Expressed in United States Dollars)
(Continued)

2. Material accounting policy information (continued)

d) Investment securities (continued)

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.

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 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 certain investment securities at fair value at each year end reporting date.

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.

REPUBLIC US\$ FIXED INCOME SECURITIES FUND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(Expressed in United States Dollars)
(Continued)

2. Material accounting policy information (continued)

d) Investment securities (continued)

ii) Fair value measurement (continued)

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.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized 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 categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year.

REPUBLIC US\$ FIXED INCOME SECURITIES FUND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(Expressed in United States Dollars)
(Continued)

2. Material accounting policy information (continued)

e) Revenue and expenditure recognition

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. Cash and cash equivalents are measured at amortised cost.

g) Foreign currency translation

Functional and presentation currency

The Fund's functional currency is the United States dollar (USD), 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 USD. Therefore, the USD 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 in the USD.

h) Subscriptions

Subscriptions and redemptions are accounted for on the accruals basis. Units are offered for sale at the net asset values per unit calculated for each subscription date being the business day immediately following a valuation date (being each and every business day).

REPUBLIC US\$ FIXED INCOME SECURITIES FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (Expressed in United States Dollars) (Continued)

2. Material accounting policy information (continued)

i) Redemptions

Redemptions of units are effected on the redemption date, being the business day immediately following a valuation date. Units are redeemed at the redemption price less an early redemption charge if redeemed within one year of the date such units are issued and 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.

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.

REPUBLIC US\$ FIXED INCOME SECURITIES FUND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(Expressed in United States Dollars)
(Continued)

3. Significant accounting judgements and estimates (continued)

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

- 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 2 d(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 is valuation of investment securities (Note 2 d(ii)). 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.

	2023	2022
4. Cash and cash equivalents	\$	\$
Cash at bank and call deposits	<u>767,527</u>	<u>575,317</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. Call deposits and treasury bills 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 a rate of 0.05% (2022: 0.05%) per annum.

REPUBLIC US\$ FIXED INCOME SECURITIES FUND

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

(Expressed in United States Dollars)

(Continued)

5. Investment securities	2023	2022
	\$	\$
Fair value through profit or loss:		
Corporate securities	13,759,327	13,549,256
Government securities	1,486,327	3,229,832
Mutual fund	<u>830,907</u>	<u>792,304</u>
	<u>16,076,561</u>	<u>17,571,392</u>

These securities earn interest at rates varying from of 3.25% to 7.88% per annum (2022: 3.25% to 7.88%).

6. Units	Number of units	
	2023	2022
Authorised: Unlimited number of units		
Units at beginning of the year	180,230	195,908
Issue of units	676	7,039
Redemption of units	(20,571)	(24,705)
Distribution of income	<u>1,938</u>	<u>1,988</u>
Units at the end of the year	<u>162,273</u>	<u>180,230</u>
Net asset value per unit	\$ 104.39	\$ 101.30

REPUBLIC US\$ FIXED INCOME SECURITIES FUND

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

(Expressed in United States 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-end.

The following is a breakdown of fees in the statement of comprehensive income/(loss):

	2023	2022
	\$	\$
Management	195,133	213,135
Advisory	117,014	120,794
Distribution	48,732	53,228
Trustee	29,235	31,932
Audit	12,835	13,155
Banking charges	–	9
Administrative	93	206
Advertising	6,542	5,257
Taxes	–	39
	<u>409,584</u>	<u>437,755</u>

REPUBLIC US\$ FIXED INCOME SECURITIES FUND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(Expressed in United States Dollars)
(Continued)

8. Related parties

From time to time the Fund will conduct transactions with a related party or the Investment Manager, at commercial rates and in the normal course of business. Related party transactions were as follows:

	2023	2022
	\$	\$
Assets		
Republic Bank Limited (Group)	<u>711,396</u>	<u>821,021</u>
Unitholder balances		
Republic Bank Limited (Group)	<u>1,319,988</u>	<u>888,933</u>
Income		
Republic Bank Limited (Group)	<u>27,060</u>	<u>35,579</u>
Expenses		
Republic Bank Limited (Group)	<u>390,114</u>	<u>419,089</u>

9. Fair value of financial instruments

Financial instruments recorded at fair value

The 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.

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 cash and cash equivalents, interest receivable and accrued expenses.

REPUBLIC US\$ FIXED INCOME SECURITIES FUND

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2023
 (Expressed in United States Dollars)
 (Continued)

9. Fair value of financial instruments (continued)

Fair value hierarchy (continued)

The following table shows financial instruments recognised at fair value analysed by the level of fair value hierarchy:

	31 December 2023			
	Level 1	Level 2	Level 3	Total
Fair value through profit and loss	\$	\$	\$	\$
Corporate securities	12,752,769	1,006,558	–	13,759,327
Government securities	299,325	1,187,002	–	1,486,327
Mutual fund	830,907	–	–	830,907
	<u>13,883,001</u>	<u>2,193,560</u>	<u>–</u>	<u>16,076,561</u>
	31 December 2022			
	Level 1	Level 2	Level 3	Total
Fair value through profit and loss	\$	\$	\$	\$
Corporate securities	11,240,297	2,308,959	–	13,549,256
Government securities	785,591	2,444,241	–	3,229,832
Mutual fund	792,304	–	–	792,304
	<u>12,818,192</u>	<u>4,753,200</u>	<u>–</u>	<u>17,571,392</u>

REPUBLIC US\$ FIXED INCOME SECURITIES FUND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(Expressed in United States Dollars)
(Continued)

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 externally 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 Distributor, 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.

The Fund is exposed to various risks. A summary of these risks 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 interest rate risk, currency risk and other price risk. The Fund's exposure to other price risk is considered minimal, as the Fund does not have any equity holdings.

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(Continued)

10. Risk management (continued)

Risk management structure (continued)

Market risk (continued)

Interest rate risk

The Fund's interest-bearing financial assets and liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of interest rates on its financial position and cash flows. The Investment Manager reviews the interest rate risk using gap analysis, interest rate sensitivity and exposure limits for financial instruments.

The table below demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Fund's net investment income and net assets.

	Change in basis points	\$ Effect on net assets	\$ Effect on net investment income
	+/-	+/-	+/-
2023	100	(511,350)	13,141
2022	100	(508,316)	358

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 has no financial assets or financial liabilities denominated in currencies other than the reporting currency. As a result, the Fund is not affected by currency risk.

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(Continued)

10. Risk management (continued)

Risk management structure (continued)

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. Impairment provisions are provided for losses that have been incurred by the statement of financial position date, if any.

The Fund's main credit risk concentration lies in debt securities. 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.

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

Assets	Gross maximum exposure	
	2023	2022
	\$	\$
Cash and cash equivalents	767,527	575,317
Investment securities	16,076,561	17,571,392
Interest receivable	<u>204,758</u>	<u>226,349</u>
	<u>17,048,846</u>	<u>18,373,058</u>

Total credit risk exposure

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

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10. Risk management (continued)

Risk management structure (continued)

Credit risk (continued)

Risk concentrations of the maximum exposure to credit risk

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

Credit risk - by asset class	2023	2022
	\$	\$
Cash and cash equivalents	767,527	575,317
Government & corporate bonds	15,245,654	16,779,088
Mutual fund	830,907	792,304
Other	204,758	226,349
	<u>17,048,846</u>	<u>18,373,058</u>
Credit risk - by geographical region		
Trinidad and Tobago	4,270,420	6,862,467
Latin America	929,737	1,880,277
United States	7,568,976	5,201,917
Other countries	4,279,713	4,428,397
	<u>17,048,846</u>	<u>18,373,058</u>
Credit risk - by industry sector		
Financial sector	6,588,963	8,278,129
Energy and mining	995,082	501,842
Government	304,838	1,305,740
Other	9,159,963	8,287,347
	<u>17,048,846</u>	<u>18,373,058</u>

Analysis of financial assets bearing credit risk

All assets bearing credit risk were neither past due nor impaired.

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10. Risk management (continued)

Risk management structure (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)

Risk management structure (continued)

Credit risk (continued)

2023	Superior	Desirable	Acceptable	Total
Assets	\$	\$	\$	\$
Cash and cash equivalents	494,818	272,709	–	767,527
Investment securities	3,029,697	12,554,394	492,470	16,076,561
Interest receivable	<u>54,015</u>	<u>143,660</u>	<u>7,083</u>	<u>204,758</u>
	<u>3,578,530</u>	<u>12,970,763</u>	<u>499,553</u>	<u>17,048,846</u>
2022				
Assets				
Cash and cash equivalents	249,332	325,985	–	575,317
Investment securities	4,026,411	9,223,848	4,321,133	17,571,392
Interest receivable	<u>41,676</u>	<u>117,484</u>	<u>67,189</u>	<u>226,349</u>
	<u>4,317,419</u>	<u>9,667,317</u>	<u>4,388,322</u>	<u>18,373,058</u>

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

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10. Risk management (continued)

Risk management structure (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 that can be readily disposed.

The table below analyses the undiscounted cash flows of the Fund's financial assets and liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

2023	Due on demand	Up to one year	One to five years	Over five years	Total
	\$	\$	\$	\$	\$
Financial assets					
Cash and cash equivalents	767,527	–	–	–	767,527
Investment securities	336,090	2,427,864	8,547,730	4,764,877	16,076,561
Interest receivable	–	204,758	–	–	204,758
	<u>1,103,617</u>	<u>2,632,622</u>	<u>8,547,730</u>	<u>4,764,877</u>	<u>17,048,846</u>
Financial liabilities					
Accrued expenses	–	108,587	–	–	108,587

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10. Risk management (continued)

Risk management structure (continued)

Liquidity risk (continued)

2022	Due on demand	Up to one year	One to five years	Over five years	Total
	\$	\$	\$	\$	\$
Financial assets					
Cash and cash equivalents	325,985	–	–	–	325,985
Investment securities	792,304	2,884,424	11,038,120	3,105,876	17,820,724
Interest receivable	–	226,349	–	–	226,349
	<u>1,118,289</u>	<u>3,110,773</u>	<u>11,038,120</u>	<u>3,105,876</u>	<u>18,373,058</u>
Financial liabilities					
Accrued expenses	–	116,626	–	–	116,626

11. Taxation

Tax on interest income is withheld on distributions to non-resident unit-holders at the rates applicable to the country in which the unitholders reside. Resident unit-holders are exempted from tax on distributions.

12. Distributions

Distributions in the Fund are made semi-annually. The total distribution paid for the year ended 31 December 2023 totalled \$200,357. As at 31 December 2022, distributions paid were \$202,215.

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13. Fund management

When managing capital, which is represented by Unitholders' balances, the objectives of the Fund Administrator 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.