



**SAMAAN TREE
FUND**

STATEMENT OF FINANCIAL POSITION

**FOR THE YEAR ENDED
DECEMBER 31, 2021**



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MANAGEMENT DISCUSSION AND ANALYSIS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2021

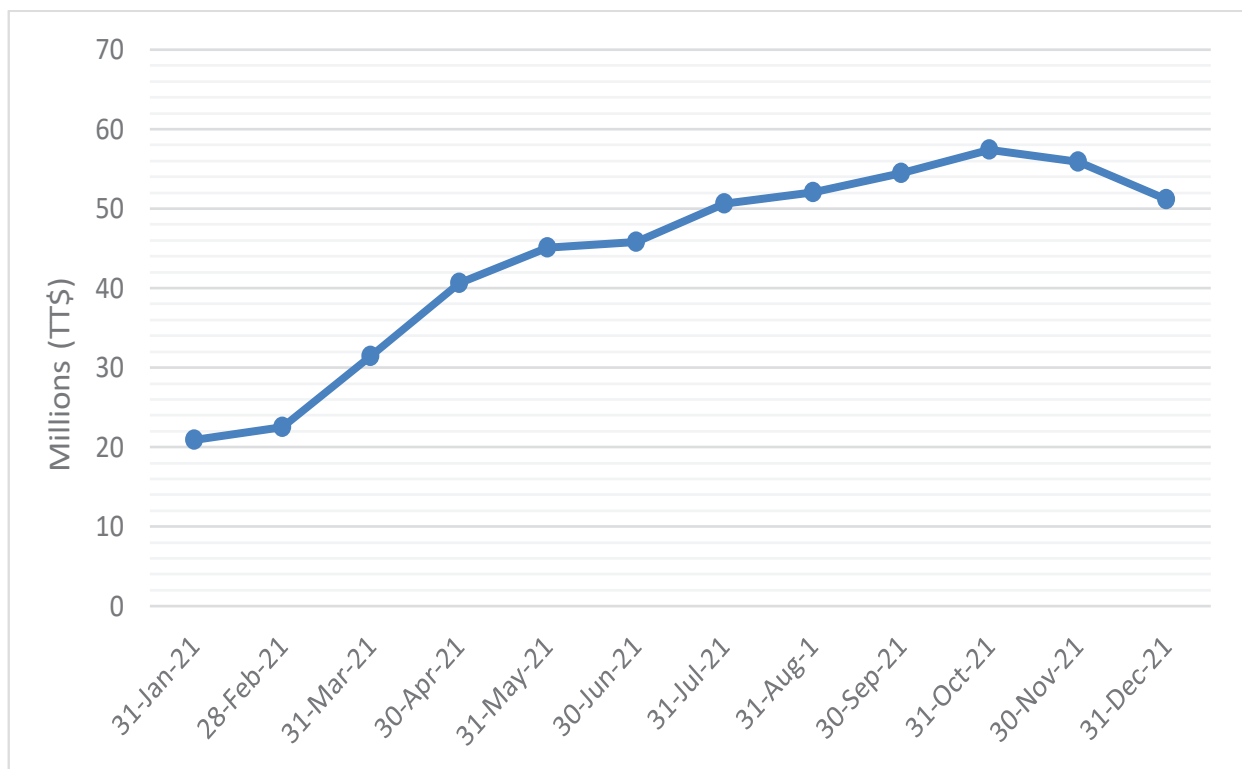
Fund Overview

The Samaan Tree Fund (STF or Fund) is registered under Section 62 (1) of the Securities Act (SA) 2012 as a Collective Investment Scheme. The STF was registered as a Reporting Issuer with the Trinidad and Tobago Securities and Exchange Commission (TTSEC) on September 18, 2019.

The Fund has a Floating Net Asset Value (NAV) per unit and dividends are paid quarterly. Its investment strategy is to be overweight in fixed-income securities and mortgages. As at December 31, 2021, the Fund invested 97.25% of its assets in prime residential mortgages.

The Fund seeks a maximum total return to unitholders, consistent with preservation of capital and prudent investment management. The net assets attributable to unitholders increased year on year by 158%, improving from TT\$19.7M to TT\$50.8M. The Fund continues to increase its market share driven by the consistent performance of its mortgage portfolio and returns to investors.

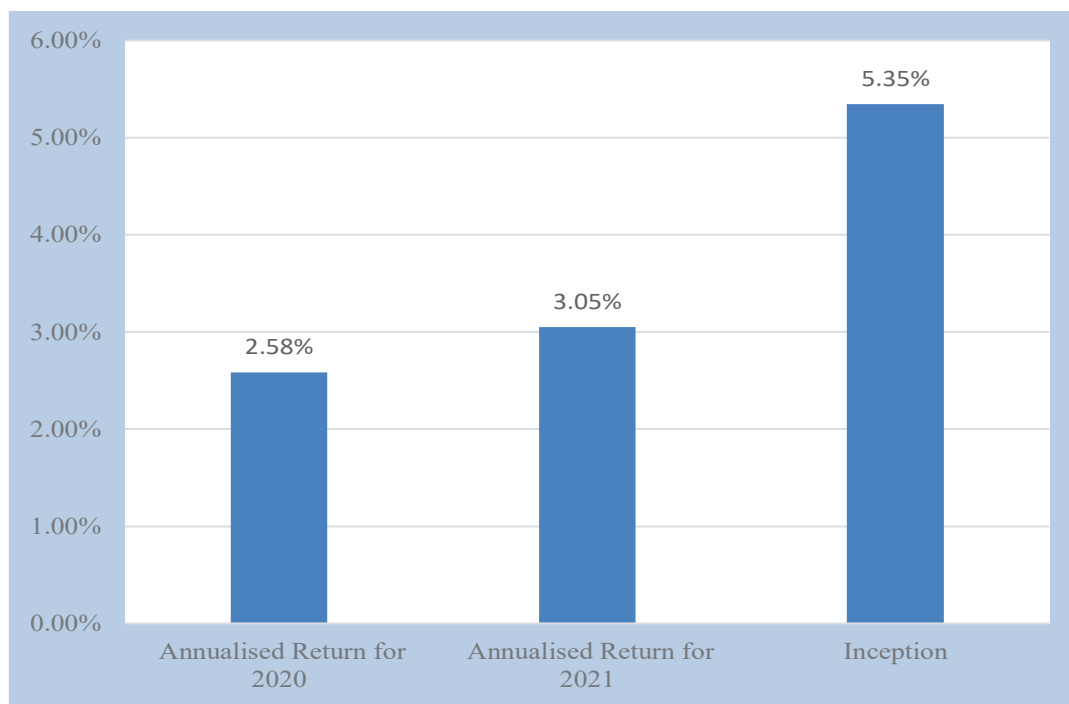
Figure 1– STF Investor Balances for 2021



MANAGEMENT DISCUSSION AND ANALYSIS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2021

The Fund's investment in prime residential mortgages allows for stability in asset values and the delivery of consistent returns. Since its inception, the Fund has generated a total return of 5.35% and an annualized return of 3.05% for 2021 (See Figure 1). Astute management of the Fund's residential mortgage portfolio continues to ensure that there is limited risk to unitholders.

Figure 1– STF Annualised Returns & Total Return from Inception



*Fund launch date February 20, 2020

As at December 31, 2021, the financial system remained liquid with commercial banks' excess reserves at the Central Bank of Trinidad and Tobago (CBTT) averaging TT\$6.6B daily. This however, is a marked decline in system liquidity from TT\$12.7B in December 2020.

The value of assets under management within the mutual fund market grew to TT\$63.2B as at December 2021, a year-on-year increase of 6.0%. Fixed Income Funds continue to dominate the market controlling 65% of all assets under management.

As at December 31, 2021, the one (1) year benchmark rate measured 0.37%. The level of financial system liquidity and CBTT's monetary policy actions continue to foster a low-interest-rate environment.

On a comparative basis, the STF has a spread of 2.68% to the benchmark rate and generates a competitive return within the Income Fund Market.

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2021

Financial Analysis

As at December 31, 2021, the STF held TT\$62.1M in assets dominated by its holding of prime residential mortgages. The Fund generated TT\$2.68M in interest income and distributed TT\$1.28M in dividends to unitholders after deducting the applicable Fund expenses.

Outlook

As per the World Economic Outlook Update January 2022, the international economy entered 2022 in a weaker position than previously expected in October 2021. Global growth is expected to decline from 5.9% in 2021 to 4.4% in 2022 due to the spread of the Omicron COVID-19 variant, rising energy prices, supply-chain disruptions and escalating inflation. Further global economic decline is anticipated with Russia's invasion of Ukraine and the suite of sanctions that followed.

Despite the economic challenges, Standard & Poor's (S&P) affirmed Trinidad and Tobago's investment grade rating of BBB- in July 2021.

The STF's investment strategy positions the Fund to deliver consistent growth. The Fund's primary asset is residential mortgages and the underlying collateral (residential homes) ensures that there is consistency in cash flows and stability in the asset values.



Brent Mc Fee

Chief Executive Officer (Ag)

STATEMENT OF TRUSTEE'S RESPONSIBILITIES


The Trustee is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of Home Mortgage Bank Samaan Tree Fund (“the Fund”), which comprise the statement of financial position as at 31 December 2021, the statement of comprehensive income, the statement of changes in net assets attributable to unit holders and the statement of cash flows for the period then ended, and notes including a summary of significant accounting policies;
- Ensuring that the Fund keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Fund’s assets, detection/prevention of fraud and the achievement of the Fund’s operational efficiencies;
- Ensuring that the system of internal controls operated effectively during the reporting period;
- Producing reliable financial reporting that complies with laws and regulations, including the Companies Act; and
- Using reasonable and prudent judgement in the determination of estimates.


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

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

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



Date: March 23, 2022



Date: March 23, 2022

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF HOME MORTGAGE BANK SAMAAN TREE FUND

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Home Mortgage Bank Samaan Tree Fund (“the Fund”), which comprise the statement of financial position as at 31 December 2021, the statement of comprehensive income, the statement of changes in net assets attributable to unit holders and statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2021, 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 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 management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF HOME MORTGAGE BANK SAMAAN TREE FUND

Report on the Audit of the Financial Statements (Continued)

Responsibilities of the Trustee for the Financial Statements (Continued)

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 management 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.

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

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF HOME MORTGAGE BANK SAMAAN TREE FUND

Report on the Audit of the Financial Statements (Continued)

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

- Conclude 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 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.

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.



Port of Spain
TRINIDAD
23 March 2022

STATEMENT OF FINANCIAL POSITION


FOR THE YEAR ENDED DECEMBER 31, 2021

	Notes	2021 \$	2020 \$
ASSETS			
Mortgage assets (acquired under trust)	3	60,406,314	25,059,073
Cash at bank	4	<u>1,708,149</u>	<u>255,524</u>
Total assets		<u>62,114,463</u>	<u>25,314,597</u>
LIABILITIES			
Due to related party	5	10,768,690	5,576,963
Dividend payable		418,068	—
Other payables		<u>55,486</u>	<u>26,891</u>
Total liabilities		<u>11,242,244</u>	<u>5,603,854</u>
EQUITY			
Net assets attributable to unit holders	6	<u>50,872,219</u>	<u>19,710,743</u>
Total equity		<u>50,872,219</u>	<u>19,710,743</u>
Total liabilities & equity		<u>62,114,463</u>	<u>25,314,597</u>

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

These financial statements have been approved for issue by the Trustee on 23 March 2022 and signed on its behalf by:

 Trustee

 Trustee

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2021

	Note	2021 \$	2020 \$
Income			
Net interest income		<u>2,685,735</u>	<u>581,775</u>
Operating expenses			
Trustee fee	5	43,148	10,403
Investment management fee	5	786,654	105,789
Fund administration fee	5	227,429	52,013
Distribution fee	5	227,429	52,013
Audit fees		66,445	53,156
Service charges		54,238	3,487
Unit holders' interest cost		<u>1,280,392</u>	<u>304,914</u>
Total operating expenses		<u>2,685,735</u>	<u>581,775</u>
Profit for the year		<u><u>—</u></u>	<u><u>—</u></u>

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

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS

FOR THE YEAR ENDED DECEMBER 31, 2021

	Note	2021 \$	2020 \$
Balance as at 1 January		19,710,743	—
Subscriptions	6	41,870,028	24,728,031
Net interest re-invested by unit holders	6	848,146	304,914
Redemptions	6	<u>(11,556,698)</u>	<u>(5,322,202)</u>
Balance as at 31 December	6	<u><u>50,872,219</u></u>	<u><u>19,710,743</u></u>

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021

	Notes	2021 \$	2020 \$
Cash flows from operating activities			
Profit for the year		—	—
Adjustments for:			
Increase in due to related party		5,191,727	5,576,963
Increase in dividend payable		418,068	—
Increase in other payables		<u>28,595</u>	<u>26,891</u>
Net cash flows generated from operating activities		<u>5,638,390</u>	<u>5,603,854</u>
Cash flows from investing activities			
Purchase of mortgage assets	3, 5	(56,096,066)	(39,881,530)
Sale of mortgage assets	3, 5	<u>20,748,825</u>	<u>14,822,457</u>
Net cash flows used in investing activities		<u>(35,347,241)</u>	<u>(25,059,073)</u>
Cash flows from financing activities			
Subscriptions and interest re-invested		42,718,174	25,032,945
Redemptions	6	<u>(11,556,698)</u>	<u>(5,322,202)</u>
Net cash flows generated from financing activities		<u>31,161,476</u>	<u>19,710,743</u>
Net increase in cash at bank		1,452,625	255,524
Cash at bank at the beginning of the year		<u>255,524</u>	—
Cash at bank at the end of the year		<u><u>1,708,149</u></u>	<u><u>255,524</u></u>
Represented by:			
Cash at bank	4	<u><u>1,708,149</u></u>	<u><u>255,524</u></u>

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

1. Description of the fund

The following brief description of the Home Mortgage Bank Samaan Tree Fund (“the Fund”) is provided for general information purposes only. Reference should be made to the Trust Deed and Prospectus of the Fund for more complete information.

General information

The Fund was established as an open-ended mutual fund. An open-ended fund is one in which the amount of Participations, which may be issued by the Fund, is unlimited. The Fund was established by Home Mortgage Bank (“the Bank”) under the Declaration of Trust (“the Trust Deed”) dated 4 December 2019 and commenced operation on 20 February 2020. The Trust Deed is governed by the laws of the Republic of Trinidad and Tobago.

The principal activity of the Fund is to seek a high total investment return with safety of capital by investing primarily in a portfolio of mortgages secured by properties, which have either been identified and separated in the books of the Bank or purchased from approved Mortgage lenders and such other securities as permitted under the terms of the Trust Deed.

The address of its registered office is 2nd Floor NIBTT Building, 14-19 Queen’s Park East, Port of Spain, Trinidad, W.I.

The Fund, on 4 December 2019, appointed Trinidad and Tobago Mortgage Finance Company Limited (“the Trustee”) as Trustee of the Fund.

Subscriptions

Units in the Fund is offered at an initial price of \$10. Thereafter, units will be offered at the Fund’s Net Asset Value (NAV). The minimum initial subscription for units by an unit holder is \$500 and any subsequent purchase of units by an unit holder is at the daily NAV or such other amount as the Trustee may, in each case, prescribe as the minimum investment, except in the instances of the re-investment of any distributions payable in the Fund.

Redemptions

Units in the Fund is redeemed at the NAV per unit less a redemption charge of up to 2%. The redemption of units is effected each business day. Remittance of the redemption proceeds is effected on the relevant redemption date.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

1. Description of the fund (continued)

Distributions

The Trustee makes dividend distributions out of the net income earned by the Fund. The amount of such distributions will be determined and declared by the Trustee from time to time and will be paid quarterly. The Fund will seek to pay not less than ninety percent (90%) of its income earned to unit holders. Units will accrue entitlement to distributions as long as they are issued and outstanding on the dividend record date. The Fund will declare and pay a dividend up to fifteen (15) working days after its most recent dividend record date. Distributions payable in the Fund will ordinarily be reinvested automatically in additional units of the Fund at the NAV per unit at the relevant date unless the unit holders request that their payments be made to them in the form of a cheque or at the expense of the unit holder via such other means of payment as agreed between the Trustee and the unit holder.

Trustee fees

The Trustee shall be entitled to retain a quarterly fee for the performance of its services and functions computed at an annual rate of a minimum 0.05% and a maximum of 1.25% of the NAV attributable to unit holders on each valuation day.

Investment management fee

Under the investment management agreement, the Bank provides asset management services for the Fund. The Bank receives a quarterly fee computed at an annual rate of a minimum of 0.50% and a maximum of 3.00% of the NAV attributable to unit holders on each valuation day.

Fund administration fee

Under the fund administration agreement, the Bank provides administrative services for the Fund. The Bank receives a quarterly fee computed at an annual rate of a minimum of 0.50% and a maximum of 3.00% of the NAV attributable to unit holders on each valuation day.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

1. Description of the fund (continued)

Distribution fee

Under the distribution agreement, the Bank agrees to use its best efforts to arrange for the marketing, distribution, placement and sale of units in the Fund on behalf of the Trustee to eligible investors only in those jurisdictions where such marketing, distribution, placement and sale is permitted. The Bank receives a quarterly fee computed at an annual rate of a minimum of 0.50% and a maximum of 3.00% of the NAV attributable to unit holders on each valuation day.

Taxation

Resident individuals and corporate holders will be paid distributions without any deductions of taxes.

These financial statements were authorised for issue by the Trustee on 23 March 2022.

2. Significant accounting policies

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 under the historical cost convention and in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. These financial statements are presented in Trinidad and Tobago dollars.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

2. Significant accounting policies (continued)

(b) Accounting policies

The accounting policies adopted in the preparation of these financial statements are outlined below.

New standards and amendments/revisions to published standards and interpretations effective in 2021

The standards which became effective for the current year but had no impact on the Fund's financial statements are listed below:

- Amendment to IFRS 16 - Covid-19 Related Rent Concessions beyond 30 June 2021
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2

Standards issued but not yet effective

The following is a list of standards and interpretations that are not yet effective up to the date of issuance of the Fund's financial statements. These standards and interpretations will be applicable to the Fund at a future date and will be adopted when they become effective. The Fund is currently assessing the impact of adopting these standards and interpretations.

Effective 1 January 2022:

- Amendments to IAS 37 – Onerous Contracts: Cost of Fulfilling a Contract
- Amendments to IFRS 3 – Reference to the Conceptual Framework
- Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use
- AIP (2018-2020 cycle): IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a First-time Adopter
- AIP (2018-2020 cycle): IFRS 9 Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities
- AIP (2018-2020 cycle): IAS 41 Agriculture – Taxation in Fair Value Measurements

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

2. Significant accounting policies (continued)

(b) Accounting policies (continued)

Effective 1 January 2023:

- IFRS 17 Insurance Contracts (including Amendments to IFRS 17 issued in June 2020)
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current
- Amendment to IAS 8 – Definition of Accounting Estimates
- Amendment to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies
- Amendment to IAS 12 – Deferred tax related to Assets and Liabilities arising from a Single Transaction

(c) Foreign currency

The Fund invest in mortgage assets denominated in Trinidad and Tobago dollars. Subscriptions and redemptions of units are denominated in Trinidad and Tobago dollars. The performance of the Fund is measured and reported to the unit holders in Trinidad and Tobago dollars. The Trustee considers the Trinidad and Tobago dollar as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Trinidad and Tobago dollars which is the Fund's functional and presentation currency.

(d) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Fund's financial instruments comprise of cash at bank, mortgage assets and other payables.

(i) Recognition and initial measurement

The Fund initially recognises mortgage assets and other payables on the date on which they are originated.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

2. Significant accounting policies (continued)

(d) Financial instruments (continued)

(i) Recognition and initial measurement (continued)

A financial asset or financial liability is initially measured at fair value, except for financial assets recorded at fair value through profit or loss (FVTPL). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial asset or financial liability, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial asset or financial liability at fair value through profit or loss are recognised immediately in profit or loss.

(ii) Classification

The Fund classifies its financial instruments in the following measurement categories:

- Amortised cost (AC)
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVTPL)

The Fund measures all financial instruments at amortised cost if both of the following conditions are met and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are 'solely payments of principal and interest' (SPPI).

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

2. Significant accounting policies (continued)

(d) Financial instruments (continued)

(ii) Classification (continued)

Business model assessment

The Fund assesses the objective of the business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund's stated objective for managing the financial assets is achieved and how cash flows are realised.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

2. Significant accounting policies (continued)

(d) Financial instruments (continued)

(ii) Classification (continued)

Business model assessment (continued)

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are SPPI

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial instrument contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Fund considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

2. Significant accounting policies (continued)

(d) Financial instruments (continued)

(ii) Classification (continued)

Assessment of whether contractual cash flows are SPPI (continued)

The Fund holds a portfolio of long-term variable-rate mortgage loans for which the Fund has the option to revise the interest rates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or repay the loan mortgage at par without penalty. The Fund has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

The Fund classified cash at bank, mortgage assets and other payables as financial instruments at amortised cost.

(iii) Derecognition

Financial assets

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expires or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset is transferred or in which the Fund does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income (OCI) is recognised in the statement of comprehensive income.

Financial liabilities

The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

2. Significant accounting policies (continued)

(d) Financial instruments (continued)

(iv) Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, then the Fund evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised, and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in the statement of comprehensive income as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Fund plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Fund first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in the statement of comprehensive income.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

2. Significant accounting policies (continued)

(d) Financial instruments (continued)

(iv) Modifications of financial assets and financial liabilities (continued)

Financial assets (continued)

Any costs or fees incurred, and fees received as part of the modification will adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Financial liabilities

The Fund derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in the statement of comprehensive income. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in the statement of comprehensive income.

(v) Impairment

IFRS 9 requirements were not applicable since mortgage assets are swapped out of the portfolio once it falls into arrears. New mortgages are purchased at a comparable rate.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

2. Significant accounting policies (continued)

(e) Fair value measurement

Fair value amounts represent estimates of the consideration that would be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market value if one exists. None of the Fund's financial instruments are traded in a formal market and estimated fair values are assumed to approximate their carrying amounts.

The Fund measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs that are not observable, and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

(f) Cash at bank

Cash at bank comprise of cash balances held in the bank account for the purpose of either investing into a mortgage or cash held for redemption purposes.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

2. Significant accounting policies (continued)

(g) 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. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

(h) Net assets attributable to unit holders

The Fund issues one class of units. These are redeemable at the unit holder's option and are classified as equity in accordance with IAS 1 (Amendment), presentation of financial statements – puttable financial instruments and obligations arising on liquidation.

Redeemable units can be put back into the Fund at any time for cash equal to a proportionate share of the Fund's net asset value calculated in accordance with the Fund's regulations.

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

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

2. Significant accounting policies (continued)

(i) Revenue recognition

Interest income

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

(j) Expenses

Expenses are accounted for on the accrual basis.

(k) Subscriptions and redemptions

Subscriptions and redemptions are accounted for on the accrual basis.

(l) Distributions

Distributions are accounted for on the accrual basis when declared by the Trustee. These are recognised in the statement of changes in net assets attributable to unit holders.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

	2021 \$	2020 \$
3. Mortgage assets (acquired under trust)		
Balance brought forward	25,059,073	—
Additions	56,096,066	39,881,530
Disposals	<u>(20,748,825)</u>	<u>(14,822,457)</u>
Balance carried forward	<u>60,406,314</u>	<u>25,059,073</u>
4. Cash at bank		
Balances with bank	<u>1,708,149</u>	<u>255,524</u>

5. Related parties

Identity of related parties

The Fund has a related party relationship with its affiliates, Trustees, directors, key management personnel and their immediate relatives.

The Trustee appointed the Home Mortgage Bank, which was incorporated in the Republic of Trinidad and Tobago under the Home Mortgage Bank Act 1985 and the subsequent amendments made to the Act through Act No. 17 of 2005 (the 'Amendment Act'), as the investment manager, fund administrator and distributor.

Under the investment management, fund administration and distribution agreements, Home Mortgage Bank is required to provide investment management, administrative services and distribution services for the Fund including financial accounting services. The Bank will receive a quarterly fee based for the services provided.

All transactions with related parties have been executed at arm's length in the normal course of the Fund's operations. These related party transactions are unsecured, interest-free and payable on demand.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

5. Related parties (continued)

Identity of related parties (continued)

Total transactions for the period, and balances outstanding at the end of the period, are detailed below.

Transactions	2021 \$	2020 \$
Mortgages purchased (Note 3)	<u>56,096,066</u>	<u>39,881,530</u>
Mortgages sold (Note 3)	<u>(20,748,825)</u>	<u>(14,822,457)</u>
Trustee fees – TTMF	<u>43,148</u>	<u>10,403</u>
Investment management fee - Home Mortgage Bank	<u>786,654</u>	<u>105,789</u>
Fund administration fee - Home Mortgage Bank	<u>227,429</u>	<u>52,013</u>
Distribution fee - Home Mortgage Bank	<u>227,429</u>	<u>52,013</u>
Interest expense - Home Mortgage Bank	<u>143,131</u>	<u>109,865</u>
Balances at period end		
Net assets attributable to unit holders - Home Mortgage Bank	<u>5,275,618</u>	<u>5,152,589</u>
Other payables – TTMF	<u>53,551</u>	<u>10,403</u>
Amounts payable to related party - Home Mortgage Bank	<u>10,768,690</u>	<u>5,576,963</u>

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

6. Net assets attributable to unit holders

The table below illustrates the calculation of the net asset value (NAV) of a unit in the Fund at the reporting date used for the execution of subscriptions and redemptions of units:

	2021	2020
	\$	\$
Balance at beginning of period	19,710,743	—
Net interest re-invested by unit holders	848,146	304,914
Subscriptions	41,870,028	24,728,031
Redemptions	<u>(11,556,698)</u>	<u>(5,322,202)</u>
Net assets attributable to unit holders	<u>50,872,219</u>	<u>19,710,743</u>
Number of units outstanding at end of period	<u>5,064,122</u>	<u>1,967,122</u>
Net asset value per unit	\$10.05	\$10.02

	2021	2020
	%	%
7. Distributions		
Average rate of return without re-investment option	3	3
Annualised effective yield with the re-investment option	3	3

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

8. Risk management

The Fund's activities expose it to a variety of risks and those activities involve the acceptance, analysis and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Fund's manager has been given discretionary authority to manage the assets in line with the Fund's investment objectives.

Compliance with the composition of the mortgage asset portfolio is monitored on a regular basis. In instances where the mortgage asset portfolio has diverged from target, the Fund's manager is obliged to take actions to rebalance the portfolio in line with the established targets, within prescribed time limits. The most important types of risks are credit risk, market risk, operational risk and liquidity risk. Market risk includes currency risk, interest rate and price risk.

(a) Credit risk

Credit risk is the potential for loss due to the failure of a counterparty or borrower to meet its financial obligations, resulting in a financial loss to the Fund.

The Fund's policy over credit risk is to minimise its exposure to counterparties with perceived higher risk of default by dealing only with counterparties that meet the credit standards set out in the Fund's prospectus and by holding collateral. Credit risk is mitigated to some extent by limiting the Fund's exposure to a single debtor. This risk is further mitigated by only investing in mortgages. Therefore, there is reduced risk involved, since failure by the mortgage customer to pay their instalments would result in the selling of the property and using the funds received from the sale to either repay the unit holder or to invest in another property. Credit risk is monitored regularly by the manager in accordance with the policies and procedures put in place. If the credit risk is not in accordance with the investment policy or guidelines of the Fund, then the manager is obliged to rebalance the portfolio to be in compliance with the Fund's policies.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

8. Risk management (continued)

(a) Credit risk (continued)

Analysis of credit quality

The Fund's exposure to credit risk arises in respect of the following financial instruments:

	2021 \$	2020 \$
Mortgage assets (Note 3)	60,406,314	25,059,073
Cash at bank (Note 4)	<u>1,708,149</u>	<u>255,524</u>
	<u>62,114,463</u>	<u>25,314,597</u>

At the reporting date, there are no financial assets which were either impaired or past due.

Mortgage assets

Mortgage assets represents collateralised borrowings with residential customers. Credit risk is considered low as mortgage assets are immediately swapped out once there are any arrears recorded.

The manager monitors the financial position of the mortgage assets on a quarterly basis.

Cash at bank

The Fund's cash at bank is with a reputable financial institution. The manager monitors the financial position on a quarterly basis.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

8. Risk management (continued)

(a) Credit risk (continued)

Concentration of credit risk

As at the reporting date, the Fund's assets were concentrated in the following areas:

	Financial institutions \$	Mortgages \$	Total \$
As at 31 December 2021			
Mortgage assets	—	60,406,314	60,406,314
Cash and cash equivalents	<u>1,708,149</u>	<u>—</u>	<u>1,708,149</u>
	<u><u>1,708,149</u></u>	<u><u>60,406,314</u></u>	<u><u>62,114,463</u></u>
As at 31 December 2020			
Mortgage assets	—	25,059,073	25,059,073
Cash and cash equivalents	<u>255,524</u>	<u>—</u>	<u>255,524</u>
	<u><u>255,524</u></u>	<u><u>25,059,073</u></u>	<u><u>25,314,597</u></u>

(b) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices, such as interest rate risk, price risk and foreign currency risk. The Fund has no exposure to foreign currency risk as all financial instruments are denominated in Trinidad and Tobago dollars.

(i) *Interest rate risk*

Interest rate risk arises from the effects of fluctuations of the fair value and future cash flows of financial assets and liabilities. Fixed interest securities expose the Fund to fair value interest rate risk. Floating rate debt instruments and cash at bank exposes the Fund to cash flow interest rate risk.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

8. Risk management (continued)

(b) Market risk (continued)

(i) Interest rate risk (continued)

Sensitivity analysis

The Fund's financial assets and liabilities are exposed to fair value interest rate risk. This risk is managed by maintaining fixed rate instruments with an appropriate mix of maturity profiles. As the Fund's investments generally comprise of fixed rate instruments and interest rates on net assets attributable to unit holders are also fixed, there is no significant exposure to cash flow interest rate risk.

A summary of the Fund's interest rate gap position analysed by the earlier of contractual re-pricing on maturity date is as follows:

	Up to one year \$	One to five years \$	Over five years \$	Non-interest bearing \$	Total \$
As at 31 December 2021					
Mortgage assets	356,466	1,748,751	58,301,097	—	60,406,314
Cash at bank	<u>1,708,149</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,708,149</u>
Total assets	<u>2,064,615</u>	<u>1,748,751</u>	<u>58,301,097</u>	<u>—</u>	<u>62,114,463</u>
Net assets attributable to unit holders	50,872,219	—	—	—	50,872,219
Due to related party	—	—	—	10,768,690	10,768,690
Dividend payable	—	—	—	418,068	418,068
Other payables	<u>—</u>	<u>—</u>	<u>—</u>	<u>55,486</u>	<u>55,486</u>
Total liabilities	<u>50,872,219</u>	<u>—</u>	<u>—</u>	<u>11,242,244</u>	<u>62,114,463</u>
Total interest rate gap	<u>(48,807,604)</u>	<u>1,748,751</u>	<u>58,301,097</u>	<u>(11,242,244)</u>	<u>—</u>

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

8. Risk management (continued)

(b) Market risk (continued)

(i) Interest rate risk (continued)

Sensitivity analysis (continued)

	Up to one year \$	One to five years \$	Over five years \$	Non-interest bearing \$	Total \$
As at 31 December 2020					
Mortgage assets	—	—	25,059,073	—	25,059,073
Cash at bank	<u>255,524</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>255,524</u>
Total assets	<u>255,524</u>	<u>—</u>	<u>25,059,073</u>	<u>—</u>	<u>25,314,597</u>
Net assets					
attributable to unit holders	19,710,743	—	—	—	19,710,743
Due to related party	—	—	—	5,576,963	5,576,963
Other payables	<u>—</u>	<u>—</u>	<u>—</u>	<u>26,891</u>	<u>26,891</u>
Total liabilities	<u>19,710,743</u>	<u>—</u>	<u>—</u>	<u>5,603,854</u>	<u>25,314,597</u>
Total interest rate gap	<u>(19,455,219)</u>	<u>—</u>	<u>25,059,073</u>	<u>(5,603,854)</u>	<u>—</u>

(ii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from changes in interest rates or foreign exchange rates), whether those changes are caused by factors specific to the individual financial instruments or issuer, or factors affecting all similar financial instruments traded in the market.

During the year, the Fund did not hold any equity investments (2020: nil).

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

8. Risk management (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Fund will be unable to meet its payment obligations when they fall due under normal and distressed circumstances. Liquidity risk arises from fluctuations of cash flows.

The Fund's policy and the manager's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and distressed conditions, including estimated redemptions of units, without incurring unacceptable losses or risking damage to the Fund's reputation.

(i) *Management of risk*

The Fund's liquidity risk is managed on a daily basis by the manager in accordance with the policies and procedures in place. Customers wishing to withdraw balances over \$500,000 are required to give 5 days' notice.

The Fund also has the ability to temporarily borrow using the Fund's assets as security at times when the Trustee considers it inadvisable to realise any of the assets of the Fund. Such borrowings may be used to provide cash to redeem units, but is limited to 5% of the value of the fund and must be for a period of six (6) months or less. No such borrowings have arisen during the period.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

8. Risk management (continued)

(c) Liquidity risk (continued)

(ii) *Maturity analysis of financial liabilities*

All balances are due within twelve months of the reporting date and are equal to their carrying balances as the impact of discounting is not significant. The following were the contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include estimated interest payments.

	Carrying amount \$	Less than 1 month \$	1 to 3 months \$	More than 3 months \$
<u>2021</u>				
Due to related party	10,768,690	10,768,690	—	—
Dividend payable	418,068	418,068		
Other payables	55,486	55,486	—	—
Net assets attributable to unit holders	50,872,219	50,872,219	—	—
<u>2020</u>				
Due to related party	5,576,963	5,576,963	—	—
Other payables	26,891	26,891	—	—
Net assets attributable to unit holders	19,710,743	19,710,743	—	—

The table above shows the undiscounted cash flows of the Fund's financial liabilities on the basis of their earliest possible contractual maturity. The Fund's expected cash flows on these instruments (other than net attributable to unit holders) do not vary significantly from this analysis. For net assets attributable to unit holders, the Fund has a contractual obligation to redeem within 2 days of them being submitted for redemption, except for redemptions over \$500,000 which is 5 days.

(d) Financial assets not measured at fair value

All financial assets are measured at amortised cost. The fair values of mortgage assets at the reporting date is \$60,406,314 (2020: \$25,059,073). These have all been classified as level 3 in the fair value hierarchy.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

8. Risk management (continued)

(d) Financial assets not measured at fair value (continued)

The Fund routinely redeems and issues units at the amount equal to the proportionate share of net assets of the Fund at the time of redemption, calculated on a basis consistent with that used in these financial statements. Accordingly, the carrying amount of net assets attributable to unit holders approximates their fair value. The units are categorised into Level 2 of the fair value hierarchy.

(e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities, either internally within the Fund; externally at the Fund's service providers; and from external factors (other than credit, market and liquidity risks) such as those arising from legal and regulatory requirements. The Fund's objective is to manage operational risk to limit financial losses and damage to its reputation, whilst achieving its investment objective of generating returns to unit holders. The primary responsibility for the development and implementation of controls over operational risk rest with the Board of Directors.

This responsibility is supported by the development of overall standards for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the respective service providers, in the following areas.

- the documentation of controls and procedures;
- appropriate segregation of duties between various functions, roles and responsibilities:
 - reconciliation and monitoring of transactions; and
 - periodic assessment of operational risk faced.
- the adequacy of controls and procedures to address the risks identified;
- compliance with regulatory and other legal requirements;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance if this is effective.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

9. Contingencies and commitments

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

10. Events after the reporting date

There are no events which have taken place after the reporting date up to the date of authorisation of these financial statements for issue which would affect the carrying values of the Fund's assets and liabilities at that date.