

The Paria Fund

Financial Statements

June 30, 2018



First Citizens

Statement of Trustee's Responsibilities

The Trustee, First Citizens Trustee Services Limited, is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of The Paria Fund (the "Fund") which comprise the statement of financial position as at June 30, 2018, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the Fund keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Fund's assets, detection/prevention of fraud, and the achievement of Fund operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations; and
- Using reasonable and prudent judgement in the determination of estimates.

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

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

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


Trustee

October 22, 2018


Trustee

October 22, 2018

Independent Auditor's Report

To the Unitholders of The Paria Fund

Opinion

We have audited the financial statements of The Paria Fund (the "Fund") which comprise the statement of financial position as at June 30, 2018 the related statements of comprehensive income, changes in equity and cash flows for the year then ended and the accompanying 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 June 30, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

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 for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code") and we have fulfilled our 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 and Those Charged with Governance for the Financial Statements

The Trustee is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

Those charged with governance are 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 scepticism 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 management.

Independent Auditor's Report (continued)

- 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.

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



October 22, 2018
Port of Spain,
Trinidad, West Indies

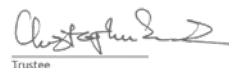
Statement of Financial Position

As at June 30, 2018
(Expressed in United States Dollars)

	Notes	2018	2017
ASSETS			
Available for sale financial assets	4	188,728,166	178,500,933
Interest receivable		3,094,937	2,293,650
Due from related party	8	–	55,878
Accounts receivable		–	2,388
Cash and cash equivalents	5	22,028,036	64,332,945
TOTAL ASSETS		\$213,851,139	\$245,185,794
LIABILITIES			
Due to related party	8	617,683	672,405
Accrued expenses and other payables	6	258,851	230,104
TOTAL LIABILITIES		876,534	902,509
EQUITY			
Equity		212,974,605	244,283,285
TOTAL EQUITY	7	212,974,605	244,283,285
TOTAL LIABILITIES AND EQUITY		\$213,851,139	\$245,185,794

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

On October 22, 2018, the Trustee of The Paria Fund authorised these financial statements for issue.


Trustee


Trustee

Statement of Comprehensive Income

For the year ended June 30, 2018
(Expressed in United States Dollars)

	Notes	2018	2017
INCOME			
Net interest income		5,258,560	4,851,857
Realized gain on disposal of available for sale financial assets		–	29,509
TOTAL INVESTMENT INCOME		5,258,560	4,881,366
EXPENSES			
Management fees	8	(2,543,219)	(806,692)
Administrative expenses	9	(1,179,093)	(1,262,130)
TOTAL EXPENSES		(3,722,312)	(2,068,822)
NET INVESTMENT INCOME FOR THE YEAR		1,536,248	2,812,544
OTHER COMPREHENSIVE LOSS			
<i>Reclassifiable to profit or loss</i>			
Net change in unrealized losses on available for sale financial assets		(2,511,875)	(2,685,612)
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE YEAR		(\$975,627)	\$126,932

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

The Paria Fund

Financial Statements

June 30, 2018



First Citizens

Statement of Changes in Equity

For the year ended June 30, 2018
(Expressed in United States Dollars)

	# of units	Net assets attributable to unitholders Amount	Fair value reserve	Retained earnings	Total Equity
Year ended June 30, 2018:					
Balance as at July 1, 2017	24,127,713	241,277,135	2,262,257	743,893	244,283,285
Subscriptions	13,493,966	134,939,664	-	-	134,939,664
Redemptions	(16,527,272)	(165,272,717)	-	-	(165,272,717)
Net investment income	-	-	-	1,536,248	1,536,248
Distributions to unitholders	-	-	-	(1,807,095)	(1,807,095)
Reinvestment of distributions	180,710	1,807,095	-	-	1,807,095
Other comprehensive loss	-	-	(2,511,875)	-	(2,511,875)
Balance as at June 30, 2018	21,275,117	\$212,751,177	(\$249,618)	\$473,046	\$212,974,605

Year ended June 30, 2017:

Balance as at July 1, 2016	22,207,774	222,077,747	4,947,869	(173,586)	226,852,030
Subscriptions	26,815,838	268,158,385	-	-	268,158,385
Redemptions	(25,085,406)	(250,854,062)	-	-	(250,854,062)
Net investment income	-	-	-	2,812,544	2,812,544
Distributions to unitholders	-	-	-	(1,895,065)	(1,895,065)
Reinvestment of distributions	189,507	1,895,065	-	-	1,895,065
Other comprehensive loss	-	-	(2,685,612)	-	(2,685,612)
Balance as at June 30, 2017	24,127,713	\$241,277,135	\$2,262,257	\$743,893	\$244,283,285

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

Statement of Cash Flows

For the year ended June 30, 2018
(Expressed in United States Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net investment income for the year	1,536,248	2,812,544
Adjustments to reconcile net investment income for the year to net cash used in operating activities:		
Purchase of available for sale financial assets	(106,751,955)	(133,816,827)
Proceeds from the sale and maturity of available for sale financial assets	94,012,847	83,344,393
Realised gain on disposal of available for sale financial assets	-	(29,509)
Changes in working capital:		
Increase in interest receivable	(801,287)	(609,434)
Decrease in due from related party	55,878	371,000
Decrease/(increase) in accounts receivable	2,388	(2,388)
(Decrease)/increase in due to related party	(54,722)	672,405
Decrease in due to broker	-	(7,202,532)
Increase in accrued expenses and other payables	28,747	93,779
Net cash used in operating activities	(11,971,856)	(54,366,569)
CASH FLOWS FROM FINANCING ACTIVITIES		
Subscription proceeds received	134,939,664	268,158,385
Redemptions paid	(165,272,717)	(250,854,062)
Net cash (used in)/ provided by financing activities	(30,333,053)	17,304,323
NET DECREASE IN CASH AND CASH EQUIVALENTS	(42,304,909)	(37,062,246)
CASH AND CASH EQUIVALENTS		
Beginning of year	64,332,945	101,395,191
End of year	\$22,028,036	\$64,332,945
Supplemental Cash Flow Disclosures		
Interest received	\$4,457,273	\$4,242,423

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

Notes to the Financial Statements

For the year ended June 30, 2018
(Expressed in United States Dollars)

1. Description of the Fund

The following brief description of The Paria 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 Paria Fund is an open-ended mutual fund denominated in United States ("US") dollars and is registered and regulated under the provisions of the Securities Industry Act, 1995 in Trinidad and Tobago. An open-ended fund is one in which the number of units which may be issued in the fund is unlimited.

The Fund was established by the original trustee, First Citizens Bank Limited, under a Trust Deed dated July 26, 2004, in order to provide investors with high current income through investment in a diversified portfolio of high quality debt instruments. In July 2007, First Citizens Trustee Services Limited (the "Trustee") was appointed

Notes to the Financial Statements (continued)

For the year ended June 30, 2018
(Expressed in United States Dollars)

Trustee to replace the original trustee who retired. Effective March 1, 2018, First Citizens Portfolio and Investment Management Services Limited (formerly First Citizens Securities Trading Limited) was appointed Investment Manager of the Fund, replacing First Citizens Asset Management Limited, the outgoing Investment Manager. First Citizens Asset Management Limited is currently the custodian of the Fund, effective March 1, 2018.

Subscriptions

Subscriptions into the Fund are made by investors at a price per unit (the "subscription price") based on the net asset value per unit of US\$10 each. Units may be subscribed at an initial minimum value of US\$100 and in multiples of US\$25 each thereafter.

Distributions

The net profits of the Fund are calculated and accrued to the investor daily and distributed monthly. Investors have the option to either receive a cash distribution, or to reinvest income distributions into units at the prevailing subscription price as at the date of distribution.

Redemptions

Units are redeemed without charge at a price per unit (bid price) based on the net asset value per unit at the date of receipt of the request for redemption. The Trustee seeks to maintain as far as is reasonably possible a bid price of US\$10 per unit. Units may be redeemed in cash up to a limit of US\$50,000 or one percent of the net asset value of the Fund, whichever is lower, during any sixty day period for any one investor.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Fund's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and are presented in United States (US) dollars. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available for sale financial assets.

(a) Use of estimates

The preparation of these financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Although these estimates are based on the Trustee's best knowledge of current events and actions, actual results may differ from those estimates. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

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

(i) Annual improvements to IFRSs 2014-2016 cycle (effective for annual periods beginning on or after January 1, 2017 and applicable to the Fund from July 1, 2017). The amendments affects the following standard:

- IFRS 12, 'Disclosure of interests in other entities'. Amended to clarify that the disclosure requirements of IFRS 12 are applicable to interests in entities classified as held for sale.

(ii) IAS 7, 'Statement of cash flows' - Disclosures related to financing activities (effective for years beginning on or before January 1, 2017 and applicable to the Fund from 1 July 2017). Amended to require disclosures about changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

(iii) IAS 12, 'Income Taxes - Deferred tax' (effective for years beginning on or before January 1, 2017 and applicable to the Fund from July 1, 2017). Amendment clarifies the requirement for recognizing deferred tax assets on unrealized losses; and deferred tax where an asset is measured at fair value below the asset's tax base, and certain other aspects of accounting for deferred tax assets.

These improvements did not significantly impact the financial statements of the Fund.

(c) New standards, amendments and interpretations issued but not effective for the financial year beginning July 1, 2017 and not early adopted

The following new standards, interpretations and amendments, which have not been applied in these financial statements, will or may have an effect on the Fund's future financial statements in the period of initial application. In all cases the entity intends to apply these standards from application date as indicated in the note below.

(i) IFRS 9, 'Financial instruments - classification and measurement' (effective for years beginning on or after January 1, 2018 and applicable to the Fund from July 1, 2018). This new standard on classification and measurement of financial assets and financial liabilities will replace the guidance in IAS 39, 'Financial instruments: Recognition and measurement'. IFRS 9 has three categories: amortised cost, fair value and includes a third category for financial assets - fair value through other comprehensive income and a single forward looking expected impairment loss model. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of IAS 39 requirements. The standard also includes an expected credit loss model that replaces the current incurred loss impairment model. While the new standard is expected to significantly impact the Fund's presentation of fair value changes arising on financial assets available-for-sale, it is not expected to impact the net asset value price of \$10. per unit.

(ii) IFRS 7 'Financial Instruments: Disclosures' (effective for years beginning on or after January 1, 2018 and applicable to the Fund from July 1, 2018). This standard was amended to require additional disclosures on transition to IFRS 9.

The Paria Fund

Financial Statements

June 30, 2018



First Citizens

Notes to the Financial Statements (continued)

For the year ended June 30, 2018
(Expressed in United States Dollars)

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(c) *New standards, amendments and interpretations issued but not effective for the financial year beginning July 1, 2017 and not early adopted (continued)*

- (iii) IFRS 9 'Financial instruments – Prepayment features with negative compensation' (effective for years beginning on or after January 1, 2019 and applicable to the Fund from July 1, 2019). Amended to clarify that a financial asset that would otherwise have contractual cash flows that are solely payments of principal and interest do not meet that condition only as a result of a prepayment feature with negative compensation, may be measured at amortised cost or at fair value through other comprehensive income when eligibility conditions are met.
- (iv) IFRS 15 'Revenue from contracts with customers' – (effective for years beginning on or after January 1, 2018 and applicable to the Fund from July 1, 2018). New standard on revenue recognition superseding IAS 18, IAS 11 and related interpretations. The objective of IFRS 15 is to provide a single, comprehensive revenue model for all contracts with customers to improve comparability within industries and across capital markets. It contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount the entity expects to be entitled to in exchange for those goods or services.
- (v) IFRIC 22 'Foreign currency transactions and advance considerations' (effective for years beginning on or after January 1, 2018 and applicable to the Fund from July 1, 2018). This interpretation addresses how to determine the date of transaction for the purpose of determining the spot exchange rate used to translate foreign currency transactions on initial recognition in circumstances when an entity pays or receives some or all of the foreign currency consideration in advance of the recognition of the related asset, expense or income. The interpretation states that the date of the transaction, for the purpose of determining the spot exchange rate used to translate the related asset, expense or income (or part of it) on initial recognition, is the earlier of: (a) The date of initial recognition of the non-monetary prepayment asset or the non-monetary deferred income liability; and (b) The date that the asset, expense or income (or part of it) is recognised in the financial statements.

Other standards, amendments and interpretations to existing standards in issue but not yet effective are not considered to be relevant to the Fund and have not been disclosed.

(d) *Standards and amendments to published standards early adopted by the Fund*
The Fund did not early adopt any new, revised or amended standards.

2.2 Foreign currency

(a) Functional and presentational currency

The accounting records as well as the financial statements of the Fund are maintained in United States ("US") dollars. US dollar is the functional and reporting currency of the Fund and subscriptions and redemptions are performed in US dollars. The Trustee considers the US dollar to be the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the statement of financial position date.

Foreign exchange gains and losses arising from translation of financial assets and liabilities are included in the statement of comprehensive income.

2.3 Available-for-sale financial assets

Available for sale financial assets are those which are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

(a) Recognition/de-recognition

All purchases and sales of available for sale financial assets are recognized on the trade date which is the date on which the Fund commits to purchase or sell the financial asset. Available for sale financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or the Fund has transferred substantially all risks and rewards of ownership.

(b) Measurement

Available for sale financial assets are initially recognized at purchase price inclusive of transaction costs, which is equivalent to the fair value at the date of recognition, and are subsequently re-measured at fair value based on quoted market prices where available or discounted cash flow models. Unrealized gains and losses arising from changes in the fair value of available for sale financial assets are recognized in the statement of comprehensive income.

Realized gains and losses on available for sale financial assets are recognized in the statement of comprehensive income in the period in which they arise.

(c) Fair value estimation

The fair values of quoted financial assets in active markets are based on the last traded prices. For unlisted financial assets and those where the market is not active, the Fund establishes fair value by using valuation techniques in good faith. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

2.4 Due to/due from related party

Due to/due from related party represents the net balance of daily cash redemptions and subscriptions of redeemable units with related party at year-end. Due to/due from related party are carried at cost.

2.5 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents, are carried at cost.

2.6 Net assets attributable to unitholders

Units are redeemable at the unitholder's option subject to certain restrictions as outlined in Note 1 and are classified as equity. The distribution on these units is recognized in the statement of changes in equity. The units can be put back to the Fund at any time for cash equal to the Fund's net asset value per share as determined under the Trust Deed. Units are carried as net assets attributable to unitholders at the redemption amount that is payable at the statement of financial position date, if the unitholder exercised its right to put the unit back into the Fund.

2.7 Interest and dividend income

Interest income is recognized in the statement of comprehensive income for all interest bearing instruments on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of an available for sale financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the investment security. Dividend income is recognized when the right to receive payment is established.

2.8 Expenses

Expenses are accounted for on the accrual basis.

2.9 Transaction costs

Transaction costs are costs incurred to acquire available for sale financial assets. They include the bid-ask spread, fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are capitalized at initial recognition by inclusion in the purchase price of the investment.

2.10 Subscriptions and redemptions

Subscriptions and redemptions are accounted for on the accrual basis.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.12 Due to broker

Due to broker represents amounts owed to brokers for unsettled trades as at the year end. This is measured at cost.

2.13 Taxation

(a) Tax levied on unitholders

Distribution income to Trinidad and Tobago residents are not subject to taxation. Tax on distribution income is withheld on distributions paid to non-resident unitholders at the rates applicable to the country in which the unitholders reside.

(b) Tax levied on the Fund

Under the provisions of the Corporation Tax Act of Trinidad and Tobago, the Fund is exempt from taxation on its profits; therefore, no provisions have been made in these financial statements for taxes.

The Fund is subject to foreign withholding tax on certain interest, dividends and capital gains receivable.

2.14 Provisions

Provisions are recognized 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.

2.15 Distributions to unitholders

Distributions to unitholders are recognized in the statement of changes in equity when they are appropriately authorized as described in Note 1.

3. Critical accounting estimates and judgments

3.1 Critical accounting estimates

Management makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Fair value of available for sale financial assets not quoted in an active market

The fair value of such assets not quoted in an active market may be determined by the Fund using reputable pricing sources (such as pricing agencies) or indicative prices from bond/debt market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. The Fund would exercise judgment and estimates on the quantity and quality of pricing sources used.

The Paria Fund

Financial Statements

June 30, 2018



First Citizens

Notes to the Financial Statements (continued)

For the year ended June 30, 2018
(Expressed in United States Dollars)

3. Critical accounting estimates and judgments (continued)

3.1 Critical accounting estimates (continued)

Fair value of available for sale financial assets not quoted in an active market (continued)

Where no market data is available, the Fund may price positions using its own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. The inputs into these models are primarily earning multiples and discounted cash flows. The models used to determine fair values are validated and periodically reviewed by experienced personnel at First Citizens Asset Management Limited (the "Custodian"). The models used for debt securities are based on net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit and market risk factors.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

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

4. Available-for-sale financial assets

	2018		2017	
	Cost	Fair values	Cost	Fair values
Government debt securities	71,503,930	71,748,254	96,864,517	98,397,386
Corporate debt securities	94,471,578	93,973,523	52,769,217	53,480,232
Government agency securities	285,434	289,715	525,828	544,201
Term deposits	17,650,938	17,650,771	17,079,114	17,079,114
Repurchase agreements	5,065,903	5,065,903	9,000,000	9,000,000
	\$188,977,783	\$188,728,166	\$176,238,676	\$178,500,933

Movement during the year:

	2018	2017
Balance brought forward	178,500,933	130,684,602
Additions	106,751,955	133,816,827
Disposals /maturities	(94,012,847)	(83,344,393)
Net realised profit	-	29,509
Net change in unrealised loss	(2,511,875)	(2,685,612)
Balance carried forward	\$188,728,166	\$178,500,933

5. Cash and cash equivalents

	2018	2017
Bank current account	16,644,061	58,969,820
Short term deposits	5,383,975	5,363,125
	\$22,028,036	\$64,332,945

6. Accrued expenses and other payables

	2018	2017
Management fees payable	135,362	73,677
Trustee fees payable	44,024	50,736
Distributor fees payable	44,024	50,736
Operating expenses accrued	19,953	23,198
Other payables	15,488	31,757
	\$258,851	\$230,104

7. Net assets

	2018	2017
Total equity	212,974,605	244,283,285
Less: fair value reserve	249,618	(2,262,257)
Undistributed surplus	(473,046)	(743,893)
Net assets attributable to unitholders	\$212,751,177	\$241,277,135
Number of units outstanding	21,275,117	24,127,713
Net value per unit based on net assets attributable to unitholders	\$10.00	\$10.00

Total equity represents the unitholders equity in the Fund which would be realized by the unitholders in the event of the liquidation of the Fund. Net assets attributable to unitholders represents the value of assets available to unitholders for daily redemptions in the normal course of business based on the Trustee's discretion.

The fair value reserve and undistributed surplus represents the undistributed accumulated appreciation on available for sale financial assets and accumulated operating gains of the Fund respectively and do not form part of the amount available to unitholders for redemptions in the normal course of business. The Trustee considers the fair value reserve to be distributable only when realized and based on the discretionary powers granted to it in the Fund's Trust Deed, does not consider the fair value reserve to be available for immediate distribution.

8. Related party transactions

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

Effective March 1, 2018, the Investment Manager of the Fund is First Citizens Portfolio and Investment Management Services Limited (formerly First Citizens Securities Trading Limited) which receives a fee based on the average net asset value of the Fund. Prior to March 1, 2018, First Citizens Asset Management Limited was the Investment Manager of the Fund.

Management fees

The Investment Manager of the Fund is entitled to a maximum investment manager fee of 2.50% per annum based on the average net asset value of the Fund. For the year ended June 30, 2018 the Investment Manager accepted a fee return of 1.19% (2017: 0.34%) on the average net asset value of the Fund. The management fee for the year ended June 30, 2018 totaled US\$2,543,219 (2017: US\$806,692) of which US\$135,362 (see note 6) (2017: US\$73,677) was payable at the year end and included in accrued expenses and other payables.

Custodian

The Custodian of the Fund is First Citizens Asset Management Limited, which receives a percentage of the Investment Management fee.

Trustee, distribution and administration fees

The Trustee, Distributor and Administrator of the Fund is entitled to maximum fees of 0.25% per annum based on the average net asset value of the Fund for each service. The fees payable and charged for year ended June 30, 2018 are outlined in Notes 6 and 9 respectively.

Other balances

First Citizens Bank Limited acts as the Bank of the Fund with a banking relationship similar to that of any non-related bank. The balance outstanding at the year-end along with other related party transactions are detailed below.

	2018	2017
Available for sale financial assets	\$16,225,503	\$19,012,900
Cash and cash equivalents	\$16,644,061	\$58,969,820
Due from related parties	-	\$55,878
Due to related parties	\$(617,683)	\$(672,405)
Value of units held in the fund	\$5,484,905	\$2,692,563
Distributions received during the year	\$36,414	\$18,715

The balance due from/(to) related parties is interest free and does not have a stated repayment date.

9. Administrative expenses

	2018	2017
Trustee fees	574,153	605,507
Distributor fees	574,153	605,507
Other operating expenses	30,787	51,116
	\$1,179,093	\$1,262,130

10. Distributions to unitholders

	2018	2017
Average rate of return without reinvestment option	0.80%	0.80%
Annualized effective yield with the reinvestment option	0.80%	0.80%

Distributions are declared as outlined in Note 1. Distributions of US\$1,807,095 were declared to unitholders for the year ended June 30, 2018 (2017: US\$1,895,065).

11. Financial risks

11.1 Financial risk factors

The Fund's activities expose it to a variety of financial risks: market risk (including price risk, currency risk, and interest rate risk), credit risk and liquidity risk.

The Fund is also exposed to operational risks such as custody risk. Custody risk is the risk of loss of securities held in custody occasioned by the insolvency or negligence of the custodian. Although an appropriate legal framework is in place that eliminates the risk of loss of value of the securities held by the custodian, in the event of its failure, the ability of the Fund to transfer the securities might be temporarily impaired.

The Fund's overall risk management programme seeks to maximize the returns derived for the level of risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund's financial performance.

All securities investments present a risk of loss of capital. The maximum loss of capital on equity and debt securities is limited to the fair value of those positions.

Risk management is overseen by the Board of Directors of the Investment Manager which has delegated its responsibility to an Investment Committee that is responsible for the supervision of the fiduciary investment activities of the Investment Manager and the approval of investment instruments. The Investment Committee is guided by the Fund Management Policy Manual which provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments.

The Fund uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

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11.2 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: price risk, currency risk and interest rate risk.

(a) Price risk

The Fund is exposed to price risk on its debt securities. 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 interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instruments or issuer, or factors affecting all similar financial instruments traded in the market.

The Fund's policy is to manage price risk through diversification and selection of financial instruments within specified limits set by the Investment Manager's Board of Directors.

The fair value of debt securities exposed to price risk was as follows:

	2018	2017
Government debt securities	71,748,254	98,397,386
Corporate debt securities	93,973,523	53,480,232
Government agency securities	289,715	544,201
Term deposits	17,650,771	17,079,114
Repurchase agreements	5,065,903	9,000,000
	\$188,728,166	\$178,500,933

The Fund had no concentrations in individual debt or other securities exceeding 7.74% (2017: 7.21%) of the net assets attributable to unitholders.

As at June 30, 2018, had debt security prices increased by 5% or decreased by 5%, with all other variables held constant, and had the fair value of the Fund's portfolio of debt securities moved in a similar manner to the movement in price, equity would have increased/decreased by US\$8,300,575 (2017: US\$7,621,091) respectively.

(b) Currency risk

The Fund does not hold significant financial assets or liabilities denominated in currencies other than the US dollar, the functional currency. Foreign currency risk, as defined in IFRS 7, arises as the value of future transactions, recognized monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk not foreign currency risk.

Foreign currency risk is the risk that the fair value of future cash flows will fluctuate due to changes in foreign exchange rates.

The Fund seeks to manage its exposure to foreign exchange risk by ensuring that, as far as possible, transactions entered into are denominated in the Fund's functional currency.

As at June 30, 2018 and June 30, 2017 participation in monetary and non-monetary assets and liabilities of non-functional currencies were negligible hence the Fund was not exposed to significant foreign exchange risk.

(c) Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flow. The Fund holds fixed interest debt securities that expose the Fund to fair value interest rate risk.

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

Concentration of interest rate risk

As at June 30, 2018, if interest rates on assets and liabilities had been lower by 1% with all other variables held constant, the increase in equity would have been US\$220,280 (2017: US\$643,329).

The table below summarizes the Fund's exposure to interest rate risk. Included in the table are the Fund's assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates.

As at June 30, 2018	Up to one year	Over one year	Interest bearing but not exposed	Non-interest bearing	Total
Available for sale financial assets	–	–	188,728,166	–	188,728,166
Interest receivable	–	–	–	3,094,937	3,094,937
Cash and cash equivalents	22,028,036	–	–	–	22,028,036
Total financial assets	\$22,028,036	\$ –	\$188,728,166	\$3,094,937	\$213,851,139
Total liabilities	–	–	–	876,534	876,534
Total financial liabilities	\$ –	\$ –	\$ –	\$876,534	\$876,534
Interest sensitivity gap	\$22,028,036	\$ –	–	–	–

As at June 30, 2017	Up to one year	One to five years	Interest bearing but not exposed	Non-interest bearing	Total
Available for sale financial assets	–	–	178,500,933	–	178,500,933
Interest receivable	–	–	–	2,293,650	2,293,650
Due from related party	–	–	–	55,878	55,878
Accounts receivable	–	–	–	2,388	2,388
Cash and cash equivalents	64,332,945	–	–	–	64,332,945
Total financial assets	\$64,332,945	\$ –	\$178,500,933	\$2,351,916	\$245,185,794
Total liabilities	–	–	–	902,509	902,509
Total financial liabilities	–	–	–	\$902,509	\$902,509
Interest sensitivity gap	\$64,332,945	\$ –	–	–	–

11.3 Credit risk

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The main concentration to which the Fund is exposed arises from the Fund's investments in debt securities. The Fund is also exposed to counter-party credit risk on cash and cash equivalents and other receivable balances.

The Fund's aim is to mitigate this risk by carefully screening debt issuers prior to purchase and ensuring that deposits are maintained only with high quality financial institutions.

In accordance with the Fund's policy, the Investment Manager monitors the Fund's credit position on a daily basis while the Investment Manager's Board of Directors reviews it on a quarterly basis.

The maximum exposure to credit risk before any credit enhancements at period end is the carrying amount of the financial assets as set out below. The following table also categorize the available for sale financial assets by industry sector of counterparties.

As at June 30, 2018	Financial Institutions	Public Sector	Other	Total
Available for sale financial assets	50,386,005	76,017,413	62,324,748	188,728,166
Interest receivable	642,540	1,597,118	855,279	3,094,937
Cash and cash equivalents	22,028,036	–	–	22,028,036
Total	\$73,056,581	\$77,614,531	\$63,180,027	\$213,851,139
As at June 30, 2017	Financial Institutions	Public Sector	Other	Total
Available for sale financial assets	50,216,817	98,941,587	29,342,529	178,500,933
Interest receivable	467,184	1,466,620	359,846	2,293,650
Due from related party	55,878	–	–	55,878
Accounts receivable	–	–	2,388	2,388
Cash and cash equivalents	64,332,945	–	–	64,332,945
Total	\$115,072,824	\$100,408,207	\$29,704,763	\$245,185,794

The clearing and depository operations for the Fund's transactions are with various custodians or brokers that are highly reputable for providing quality services. At June 30, 2018, all available for sale financial assets are placed within their custody.

11.4 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund's major liquidity exposure is the daily settlement of daily cash redemptions of redeemable units. Its policy is therefore to invest a sufficient amount of its assets in investments that are traded in an active market and can be readily disposed, and to ensure an adequate portion of its available for sale financial assets is represented by cash and cash equivalents.

The Fund may periodically invest in debt securities that are traded over the counter and unlisted equity investments that are not traded in an active market. As a result, the Fund may not be able to quickly liquidate its investments in these instruments at an amount equivalent to their fair value to meet its liquidity requirements, or be able to respond to specific events such as deterioration in the creditworthiness of any particular issuer.

In accordance with the Fund's policy, the Fund Manager monitors the Fund's liquidity position on a daily basis; the Board of Directors reviews it on a quarterly basis.

The Fund's liabilities comprise of accrued expenses and other payables and due to related party. All balances are due within twelve months and are equal to their carrying balances as the impact of discounting is not significant.

The table below summarizes the maturity profile of the Fund's financial liabilities:

As at June 30, 2018	On demand/ no stated maturity	Less than 3 months	Less than 6 months	Total
Due to related party	–	617,683	–	617,683
Accrued expenses and other payables	–	258,851	–	258,851
	\$ –	\$876,534	\$ –	\$876,534

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First Citizens

Notes to the Financial Statements (continued)

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11. Financial risks (continued)

11.4 Liquidity risk (continued)

As at June 30, 2017	On demand / no stated maturity	Less than 3 months	Less than 6 months	Total
Due to related party	–	672,405	–	672,405
Accrued expenses and other payables	–	230,104	–	230,104
	\$ –	\$902,509	\$ –	\$902,509

12. Fair value classification

IFRS 13 requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability. The determination of what constitutes 'observable' requires significant judgment by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Fund's financial assets and liabilities (by class) measured at fair value at:

	Level 1	Level 2	Level 3	Total Balance
As at June 30, 2018:				
Available for sale financial assets:				
Government debt securities	48,747,273	23,000,981	–	71,748,254
Corporate debt securities	65,516,045	28,457,478	–	93,973,523
Government agency securities	–	289,715	–	289,715
Term deposits	–	17,650,771	–	17,650,771
Repurchase agreements	–	5,065,903	–	5,065,903
Total available for sale financial assets	\$114,263,318	\$74,464,848	\$ –	\$188,728,166
As at June 30, 2017:				
Available for sale financial assets:				
Government debt securities	44,803,600	53,593,786	–	98,397,386
Corporate debt securities	32,039,356	21,440,876	–	53,480,232
Government agency securities	–	544,201	–	544,201
Term deposits	–	17,079,114	–	17,079,114
Repurchase agreements	–	9,000,000	–	9,000,000
Total available for sale financial assets	\$76,842,956	\$101,657,977	\$ –	\$178,500,933

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include actively traded debt securities.

Level 2 investments include debt securities that are listed on a stock exchange but not actively traded. Certain debt securities were valued using valuation techniques with observable inputs.

There were no movements among levels during the financial years ended June 30, 2018 and 2017.

13. Subsequent events

The Fund evaluated all events that occurred from July 1, 2018 through October 22, 2018, the date the financial statements were available to be issued. During the period, the Fund did not have any subsequent events requiring recognition or disclosure in the financial statements, other than those disclosed below.

Subsequent to year-end, up to October 22, 2018, the Fund received subscriptions amounting to US\$20,289,998, paid redemptions amounting to US\$35,088,563 and distributed income of US\$417,964.