REPUBLIC OF TRINIDAD & TOBAGO
MINISTRY OF FINANCE

2020 ANNUAL REPORT

The Trinidad and Tobago Heritage and Stabilisation Fund

THE HSF — in the midst of a HEALTH & OIL CRISIS

www.finance.gov.tt

TRINIDAD AND TOBAGO
HERITAGE AND STABILISATION FUND

Contents

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The Legal Framework of the Heritage and Stabilisation Fund

The Purpose of the HSF

The Heritage and Stabilisation Act, No. 6 of 2007 (hereinafter called "the Act") established the Heritage and Stabilisation Fund (hereinafter called "the Fund") with effect from March 15, 2007. The Fund was established for the purpose of saving and investing surplus petroleum revenues derived from production business in order to:

(a) Cushion the impact on or sustain public expenditure capacity during periods of revenue downturn whether caused by a fall in prices of crude oil or natural gas, or in the case of exceptional circumstances;

(b) Generate an alternate stream of income so as to support public expenditure capacity as a result of revenue downturn caused by the depletion of non-renewal petroleum resources; and

(c) Provide a heritage for future generations of citizens of Trinidad and Tobago from savings and investment income derived from the excess petroleum revenues.

The HSF Act, as amended by Act No. 9 of 2020 (hereinafter called "the Amended Act"), assented to on March 26, 2020, inserts Section 15A ("Withdrawals in exceptional circumstances") to the Act. This new section expanded the purpose of the Fund to include fiscal support for the following events:

(i). a disaster area is declared under the Disaster Measures Act;

(ii). a dangerous infectious disease is declared under the Public Health Ordinance; or

(iii). There is, or likely to be, a precipitous decline in budgeted revenues which are based on the production or price of crude oil or natural gas.

Governance

The Parliament of Trinidad and Tobago

Parliament passed the enabling legislation and continues to have ultimate oversight of the Fund, which is exercised through the review of the Act every five (5) years and annual reports and audited financial statements submitted by the Minister of Finance, no later than four (4) months following the end of the financial year.

The reporting and disclosure requirements of the Fund provide the citizens of Trinidad and Tobago an opportunity to assess the Fund's activity and performance. This fosters transparency and accountability and ensures effective ownership of the Fund by all citizens of the country.

The Minister of Finance

The Minister of Finance (hereinafter "the Minister") advises the President on the appointment of the Board in accordance with the Act, and is responsible for determining deposits and requesting withdrawals from the Fund in accordance with the provisions of the Act and the Amended Act.

In the event a withdrawal is made under Section 15A of the Amended Act, the Minister is required under Section 15A (3) to lay before the House of Representatives a report within sixty (60) days of that withdrawal.

The Minister is responsible to review the Act every five (5) years and report to Parliament.

The Board of Governors

The Act provides that the Fund be governed by a Board of Governors, who under Section 9, has the responsibility for the management of the Fund. By way of Section 10 of the Act, however, the Board delegates its management responsibility to the Central Bank of Trinidad and Tobago (hereinafter "the Bank").

The Board decides on the investment objectives and approves the manner in which the funds are to be invested by the Bank.

The Legal Framework of the Heritage and Stabilisation Fund (continued)

The Board is required under the Act to submit to the Minister quarterly and annual investment reports on the operation and performance of the Fund.

The Central Bank of Trinidad and Tobago

The Bank is responsible for the day-to-day management of the Fund in accordance with the Board's approved Operational and Investment Policy and reports quarterly and annually to the Board.

The Schedule to the Act and the Instrument of Delegation detail the responsibilities of the Bank.

Deposit and Withdrawal Rules

The Act and its amendment outline the deposit and withdrawal rules of the Fund, which the Minister and the Board must adhere to.

Deposits

Sections 13 and 14 of the Act detail the conditions under which excess petroleum revenues must be deposited to the Fund.

Quantum

A minimum of sixty (60) per cent of the total excess (difference between budgeted and actual) petroleum revenues must be deposited to the Fund during a financial year.

Section 2 of the Act defines petroleum revenues and Section 13(3) details the formula for determining estimated petroleum revenues.

Timing

Deposits are to be made quarterly, no later than one month following ending quarter dates of December, March, June and September.

Withdrawals

Shortfall in Annual Petroleum Revenues

Section 15(1) of the Act states that withdrawals may be made from the Fund where petroleum revenues collected in any financial year fall below the budgeted petroleum revenues for that year by at least ten (10) per cent.

Quantum

(i). The withdrawal is limited to sixty (60) per cent of the amount of the shortfall of petroleum revenues for the relevant year; or

(ii). Twenty-five per cent of the balance of the Fund at the beginning of that year, whichever is the lesser amount.

Section 15(3) of Act states that no withdrawal may be made from the Fund in any financial year where the balance of the Fund would fall below US$1 billion if such withdrawal was to be made.

Exceptional Circumstances

Section 15A of the Amended Act allows for withdrawals to be made from the Fund for the following events:

(a). a disaster area is declared under the Disaster Measures Act;

(b). a dangerous infectious disease is declared under the Public Health Ordinance; or

(c). there is, or is likely to be, a precipitous decline in budgeted revenues which are based on the production or price of crude oil or natural gas.

Quantum

Section 15A (2) of the Amended Act limits withdrawals made under exceptional circumstances to US$1.5 billion at any time during the financial year.

Withdrawal to the Consolidated Fund

Section 15(2) of the Act (2007) states that the amount withdrawn from the Fund shall be deposited into the Consolidated Fund within forty-eight (48) hours of such withdrawal. With respect to withdrawals made under Section 15A (1) of the Amended Act (2020), the Board tries to ensure that the Consolidated Fund is credited within forty-eight (48) hours of the approval of the withdrawal request made by the Minister.

The Board of Governors

Mr. Ewart Williams
– Chairman

Dr. Alvin Hilaire
– Member

Mrs. Suzette Taylor Lee-Chee
– Member

Mr. Bevan Narinesingh
– Member

Dr. Dorian M. Noel
– Member

Ms. Sharon Mohammed

Corporate Secretary to the Board

The Board Report

Annual Review of Operations

The Annual Report 2019 and the Audited Financial Statements for the period ending September 30, 2019 were presented to the Parliament in January 2020.

Deposits/Withdrawals to the Fund

There were no deposits, however, four (4) withdrawals were made from the Fund during the 2019/20 financial year. Under Section 15 of the Act (2007), US$79.9 million was drawn and under Section 15A (1)(b) of the amended Act (2020), there were three (3) drawings which totalled US$900 million.

Governance

The Board of Governors of the HSF met all legal and statutory requirements in the discharge of its functions and maintained its governance oversight as required by law during the review period. As prescribed by legislation, the Board held eight (8) Ordinary Meetings during the financial year 2019/20.

Chairman's Foreword

The COVID-19 Pandemic has accelerated the crisis in oil-rich nations already hit by low oil prices and declining hydro-carbon revenues. Governments of all stripes are tapping sovereign wealth and foreign exchange reserves to stabilize their budgets and mitigate the effects of ensuing recession.

Extract taken from "Sovereign Wealth Funds and the COVID-19 Shock". Bartolli, Fotak and Hogg (2020).

The Trinidad and Tobago's Heritage and Stabilisation Fund (HSF), like several other sovereign wealth funds, was established at a time of a commodity super-cycle, when the prevailing mindset was that petroleum prices would maintain their buoyancy to facilitate continued fiscal surpluses and a generous accumulation of inter-generational savings. In 2016/17, the Fund's stabilisation mandate was first triggered by two withdraws totalling US$600 million following the 2015 oil price shock, which led to a sharp increase in the fiscal deficit. At that time, many analysts identified the oil price collapse as the start of a new normal in international oil markets resulting, in large measure, from the enormous increase in shale production and the decline in global crude demand triggered by an increasing shift to renewable energy.

Compounding the continuing decline in oil prices, in the early 2020, the Coronavirus quickly spread from China to become the COVID-19 pandemic, affecting much of the world's population. In order to contain the contagion, many countries, both developed and developing, introduced a range of lockdown measures which caused a sharp reduction in economic activity and significant hardships to businesses and individuals, particularly the most vulnerable.

In an effort to ease the economic slowdown and to provide some financial support to the poor and most vulnerable, several governments and central banks implemented a range of accommodating fiscal and monetary measures. However, the virus proved to be more resilient than expected and its economic and health toll significantly more severe than at first envisaged.

The COVID-19 pandemic also prompted profound changes in the operating modalities of the more than US$6 trillion sovereign wealth fund industry in which many funds were accustomed to operate without explicit liabilities. The pandemic, however, made them realise that they could be called upon to meet the contingent liabilities of their sponsoring governments whenever their economies were hit by severe exogenous shocks. Accordingly, during 2020, several SWFs (including those of Norway, New Zealand, Australia, Ireland and Turkey) were required to liquidate assets to meet budget financing gaps or to support ailing domestic industries or social welfare programmes.

It is now widely expected that the COVID-19 crisis will lead to profound and permanent changes in the SWF industry, particularly in hydro-carbon dependent economies.

Industry experts expect that while continuing to give priority to foreign investments, these SWFs will be required by their government sponsors to focus more on broader economic and social impacts as against purely financial returns.

Our HSF was no exception. With the slump in oil prices and the sharp downturn in economic activity, revenue collections plummeted, while the Government was called upon to increase its social safety net for the most vulnerable and to provide financial support to the most affected. With the fiscal deficit reaching 11 per cent of GDP in 2020, compared with the budget projection of 3.4 per cent of GDP, the Government turned to the HSF for the equivalent of US$900 million to contribute to meeting the financing requirement. This withdrawal was, nevertheless, below the maximum of US$1.5 billion allowed by the amendment to the HSF Act, approved by Parliament on March 26, 2020.

It is now widely expected that the COVID-19 crisis will lead to profound and permanent changes in the SWF industry, particularly in hydro-carbon dependent economies. Industry experts expect that while continuing to give priority to foreign investments, these SWFs will be required by their government sponsors to focus more on broader economic and social impacts as against purely financial returns. Consistent with this new approach, the HSF amendment noted above allows the Fund to contribute to financing the impact of “any dangerous infectious disease declared under the Public Health Ordinance” or “any disaster area, declared under the Disaster Measures Act” or “a precipitous decline in budgeted revenues, based on the production or price of crude oil or natural gas”.

Even before the COVID-19 pandemic, Trinidad and Tobago’s public finances were being challenged by the new lower level of oil prices and the reduction in energy revenues. With the public debt burden rising to over 80 per cent of GDP in 2020, as a result of the pandemic, the Government has expressed a commitment to reduce the debt to GDP ratio to a more sustainable level of 65 per cent by fiscal 2024. This will clearly need a comprehensive fiscal adjustment programme. However, to spread the adjustment over time, consideration could be given to the new approach being proposed whereby the HSF is no longer considered as a stand-alone institution but as a fiscal policy tool fully integrated in the country’s macro-economic management. Of course, the details of such a significant change will need to be clearly worked out.

Ewart Williams
Chairman, Heritage and Stabilisation Fund
December 30, 2020.

The Investment Report

Executive Summary

In the first quarter of the financial year, the novel Coronavirus emerged. Investors initially brushed off the virus as an isolated localised risk event, confined to mainland China, and focused their attention on the good news on Brexit and easing of trade tensions between United States (US) and China. As a result, global markets gained in the first quarter. In the second quarter, novel Coronavirus, named COVID-19, mushroomed into a pandemic, dominating global markets and adversely affecting economic conditions for the remainder of the financial year.

The spread of COVID-19 forced many governments to place restrictions on non-essential services and social activities in order to contain the threat the virus posed to public health. The lockdown measures paralysed the global economy, with disastrous effects on income levels, employment and investors' risk taking. In March, credit and equity markets sold off sharply as investors sought safety and liquidity in government treasuries and other safe haven assets, pushing their prices higher. The readings for second quarter GDP in key countries were the worst on record, post-world war. The US GDP declined by an annualised rate of 31.4 per cent, 9.8 per cent in Germany and the United Kingdom, 19.8 per cent. Unemployment levels soared to record levels in both United States and Europe as workers were furloughed but recovered somewhat in the third quarter as economies began to reopen. The restrictions on economic activities served to depress energy prices further as the sharp decline in energy demand added to an already over supplied oil market. In April, WTI June futures contracts briefly turned negative and WTI spot prices fell into the low teens for time since 1999.

Central banks in the advanced economies addressed the dire economic conditions by aggressively reducing policy interest rates and supplying liquidity to markets through asset purchase programmes. These measures remained largely in place for the rest of financial year as attempts to reopen economies in June caused a surge in the rate of transmission of the virus during the summer months. Several governments also resorted to expansionary fiscal policies to lend directly to corporations and provide income support to badly effected sectors and households.

In Trinidad and Tobago, the impact of the Coronavirus was compounded by a sharp decline in energy revenues due to the slump in oil prices. On January 31st, the virus was declared a dangerous infectious disease under the Public Ordinance Act and in March, our borders were closed to international travel. Stay-at home orders, restrictions on outdoor gatherings and closure of non-essential sectors soon followed. Similar to other countries, economic activity declined sharply and unemployment levels rose. As a result of a significant increase in the fiscal deficit, on March 26th, the HSF Act of 2007 was amended to allow for withdrawals from the Fund to mitigate the impact of the COVID-19 pandemic. Withdrawals under this amendment to the HSF Act were to be limited to US$1.5 billion in any given financial year. Several other oil dependent countries also faced increasing fiscal deficits and accessed their SWFs to help meet the financing requirements (see Box, page 10).

The support measures and the rapid progress being made in search of a vaccine helped to boost economic activity and ease market volatility for rest of the financial year. Thus, the US economy grew by an annualised rate of 33.1 per cent in the third quarter of 2020 and Germany and United Kingdom by 8.2 and 15.4 per cent, respectively. The broader fixed income markets rebounded from March's heavy losses as the lending and asset purchase programmes kept credit risk concerns in check and lowered credit spreads, boosting the demand for credit and spread products. The gains were also extended to the equity markets as central banks' support measures provided liquidity which investors used to put on risk bets, increasing the valuations of equity and other risky assets. The gains in equity markets, however, were not homogenous across sectors and geographical regions. Technology, health and consumer discretionary products were the best performing sectors. While the heavily technology weighted US equity indices outperformed their European counterparts.

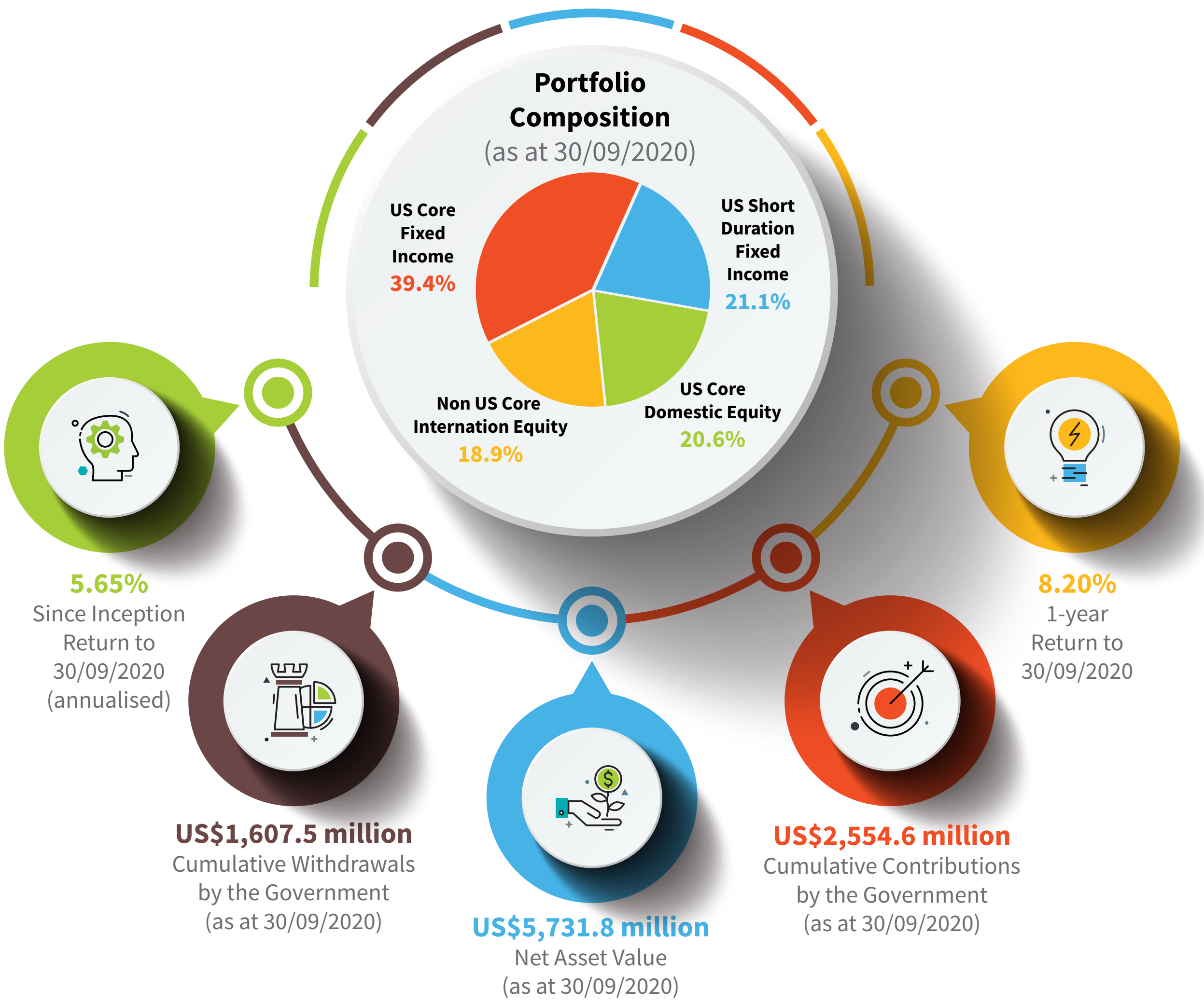
Despite the pandemic-induced market volatility during the period, **the HSF returned 8.20 per cent for the financial year 2020,** compared to 5.10 per cent earned in 2019. All the investment mandates of the Fund contributed to the enhanced performance. The two best performers were US Core Domestic Equity and US Core Domestic Fixed Income portfolios, which contributed 3.84 and 2.81 per cent, respectively. The US Short Duration portfolio added 1.27 per cent to the Fund's performance and Non-US equities, 0.52 per cent.

Investment Report (continued)

The Fund's return of 8.20 per cent was 0.17 per cent (or 17 basis points) more than its Strategic Asset Allocation (SAA) benchmark, which returned 8.03 per cent for the year. The excess return performance relative to the benchmark was mainly due to its favourable average overweight allocation to US equities during the financial year. US equities, proxied by the Russell 3000 index, gained 14.99 per cent during the period. In comparison, the US fixed income market, represented by the Bloomberg Barclays US Aggregate, only returned 6.98 per cent.

At financial year-end, the **Fund's Net Asset Value stood at US$5,731.8 million**, down from US$6,255.3 million one year earlier. The Fund's income of US$457.1 million was offset by withdrawals totalling US$979.9 million during the year. Of this figure, US$79.9 million was drawn under Section 15 of the Act (2007) and under Section 15A (1)(b) of the amended Act (2020), there were three (3) drawings which totalled US$900 million.

Fund Highlights

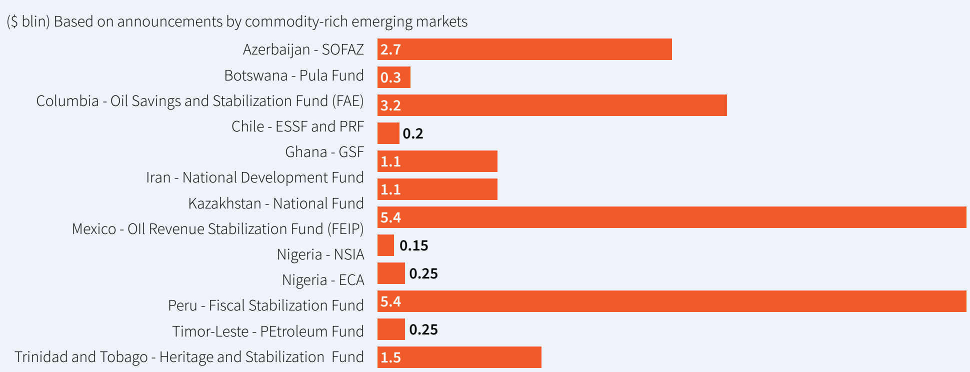


Sovereign Wealth Funds & COVID-19 Impact

Pre-COVID-19, SWFs boasted an impressive US$6 trillion in foreign assets supported by limited, or non-existent liabilities. While some SWFs were required to provide fiscal support to their sponsoring governments, the vast majority were not obligated to do so. As a result, SWFs offered little or no protection to economies from unexpected large shocks that were likely to adversely impact public revenue and/ or economic activities. COVID-19 represented one such scenario.

Already constrained by depressed energy prices, many oil producing countries had no, if not very little, fiscal space to adsorb the unexpected COVID-19 expenditure and provide financial support to sectors badly affected by the virus. Understandably, some governments tapped their liquidity-rich SWFs for fiscal support in order to keep public debt in check, avoid dire economic conditions and help firms through the pandemic.

Norway withdrew a record 4.2 per cent (US$37.72 billion) of its SWF value, which exceeded the 3 per cent fiscal spending rule. In June, Singapore's Temasek spent some US$14.5 billion to support national strategic firms badly impacted by COVID-19. The SWFs of Iran, Abu Dhabi, Oman, Kuwait and Nigeria also faced increased requests for withdrawals from their respective governments.



Similarly, the Trinidad and Tobago government, when faced with a twin crises of a collapse in oil revenue and COVID-19, amended the HSF Act in March to add fiscal support, inter alia, for the declared pandemic. With respect to the COVID-19 pandemic, the HSF provided fiscal support to the tune of US$900 million for the 2020 financial year.

It must be noted, however, that a few governments chose instead to increase public debts, draw on foreign reserves, cut spending and raise taxes rather than burden their SWFs with the COVID-19 expenditure. This freed their SWFs to aggressively add foreign assets during the market sell-off months of March and April. Prominent names were Saudi Arabia, Abu Dhabi and Qatar. Saudi Arabia has since reversed its decision as home concerns about the rising fiscal deficit, low oil prices and the state of the pandemic ravaged economy forced a rethink of its foreign investment policy. The Kingdom now plan to draw from its SWF about US$40 billion annually for the next two years, up from US$15.5 billion a year ago, to fund domestic economic activities.

Investment Report (continued)

Macroeconomic Environment

Global economic growth was uneven over the financial year ended September 2020 (see Chart 1). The signing of a partial trade agreement between US and China at the start of the financial year eased tensions between the two countries and improved the global economic outlook for 2020. However by March, the World Health Organization declared a global pandemic following the rapid spread of the COVID-19 virus from the epicentre of Wuhan, China to the rest of the world. Many countries instituted nationwide lockdowns to contain the spread of the virus, placing restrictions on movement and limiting non-essential activities. The measures introduced to combat the virus inflicted severe widespread damage to economies. In response, governments and central banks provided unprecedented levels of stimulus to aid the recovery and provide relief to businesses and households. According to the International Monetary Fund's October 2020 World Economic Outlook, global output is projected to contract by 4.4 per cent in the calendar year 2020. This represents a sharp decline from an expansion of 2.8 per cent in the calendar year 2019.

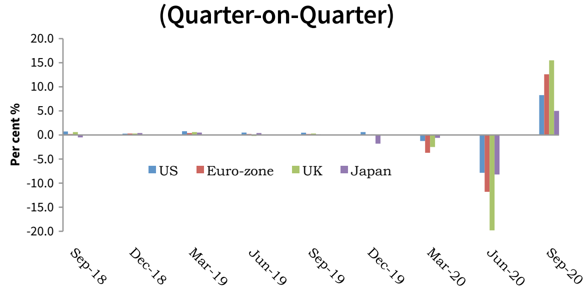
In the **United States (US)**, gross domestic product (GDP) contracted by 2.9 per cent over the year compared to an expansion of 2.1 per cent during the previous financial year. The decline would have been more severe without the support of the US government and US Federal Reserve (Fed). The US government, through a series of spending packages, provided in excess of US$2.5 trillion to support businesses and households during the period to counteract the economic fallouts from the pandemic. The Fed's accelerated interest rate cuts resulted in the Fed funds rate falling to a target range of 0.0 to 0.25 per cent by mid-March; a decline of 175 basis points from the start of the financial year. To ease the strain on financial markets, the central bank also expanded the size and the scope of its asset purchase programmes and lending facilities. In aggregate, these measures helped economic activity to recover with the gradual re-opening of states. The unemployment rate improved from a high of 14.7 per cent in April to 7.9 per cent in September. These gains bolstered personal consumption and inflationary pressures edged up from a low of 0.10 per cent in May to 1.4 per cent in September (see Chart 2). However, the recovery lost momentum towards the end of the period due to near-term headwinds from a resurgence in virus cases, increased political risk with the upcoming US presidential election and delays on the passage of additional fiscal stimulus.

The **United Kingdom (UK)** was particularly hard hit due to a lengthy lockdown and the greater significance of the services sector to the economy. For the financial year, GDP fell by 9.6 per cent compared to a modest expansion of 1.0 per cent during the prior period. The economy suffered one of the largest falls in output during the three months to June when compared to other developed economies (see Chart 1). In addition to the negative effects of the pandemic, Brexit uncertainty continued to weigh negatively on the economy and hindered business investment over the period. Similar to the Fed, the Bank of England (BOE) reduced its bank rate to 0.10 per cent from 0.75 per cent and increased its quantitative easing targets. The government also tried to reduce the severity of the recession through several rounds of stimulus that included measures such as tax cuts, worker furlough schemes as well as grants and loans to small businesses.

In the **Eurozone**, economic growth shrunk by 4.4 per cent over the financial year 2019/2020 compared to 1.4 per cent during the prior period. The sharp decline in demand and weak pricing pressures drove inflation to -0.3 per cent (see chart 2). However, with rates already in negative territory, the European Central Bank (ECB) decided to expand its asset purchases while keeping rates unchanged. The impact of the virus among the member states varied partly due to differences in government policies and infection levels. Germany was able to weather the effects of the shutdown relatively better, as the country benefitted from its strong manufacturing sector and large scale government assistance programmes. In contrast, Spain entered a deep downturn given the economy's greater dependence on tourism and more stringent lockdown measures. In an unprecedented coordinated relief effort, the European Commission approved a €750 billion recovery package in July. However, ongoing discussions to determine the criteria for distribution have delayed much needed aid to badly affected pandemic countries.

In **Japan**, the economy contracted by 5.8 per cent during the financial year compared to an increase of 1.7 per cent in the prior year. Japan experienced three consecutive quarters of negative growth as the harmful effects from a typhoon and consumption tax increase, which occurred earlier in the financial year, were compounded by the pandemic. Similar to the ECB, the Bank of Japan (BOJ) left rates unchanged but offered support by augmenting its asset purchases. Despite the Japanese government's efforts to spur economic growth, activity has been slow to resume. The Nikkei/Markit Composite Purchasing Managers Index ended the financial year at 46.6 points with both manufacturing and service sectors reflecting continued contraction of business activities.

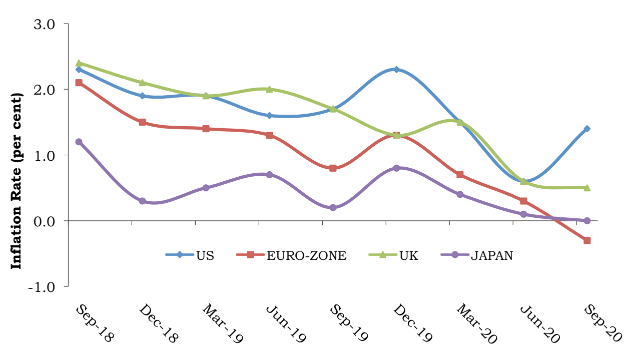
Chart 1:
GDP Growth: Selected Developed Economies (Quarter-on-Quarter)



	M09-18	M12-18	M03-19	M06-19	M09-19	M12-19	M03-20	M06-20	M09-20
US	0.7	0.3	0.8	0.5	0.5	0.6	-1.3	-7.9	8.3
Euro-zone	0.2	0.3	0.4	0.2	0.2	0.0	-3.7	-11.8	12.6
UK	0.6	0.3	0.6	0.2	0.3	0.1	-2.5	-19.8	15.5
Japan	-0.5	0.4	0.5	0.4	0.1	-1.8	-0.6	-8.2	5.0

Source: Bloomberg. Data for September 2020 are preliminary and may be subject to revisions.

Chart 2:
Inflation Rates of Selected Developed Economies (Year-on-Year)



Source: Bloomberg

Financial Market Review

Volatility was subdued at the start of the financial year supported in part by easing of trade tensions between the US and China as well as reduced political risk in the UK following December's general elections. However, the advent of the COVID-19 pandemic created a significant shock to financial markets with the Chicago Board Options Exchange Volatility Index (VIX), a proxy of investor anxiety, reaching a record high of 82.7 points in March 2020 (see Chart 3).

While the myriad uncertainties stemming from the health crisis weighed on investor sentiment throughout the remainder of the financial year, overall volatility eased as governments and central banks delivered unprecedented levels of fiscal and monetary stimulus. Markets were also encouraged by the gradual re-opening of the economies and the rapid progress being made in the development of a vaccine to suppress the transmission and reduce the health risks of the virus. The VIX index averaged 26.2 points for the fiscal year, after reaching a level of 82.7 in March 2020. The European equivalent, the Euro Stoxx 50 Volatility Index (VSTOXX), also experienced a similar decline after reaching an elevated level of 86 points March, closing the financial year at 26 points.

Against this backdrop, both fixed income and equity assets performed well. Government bonds benefitted from the declining interest rate environment and bouts of heightened risk aversion in the market. Riskier assets such as equities and corporate credit recovered from sharp declines in March to end the financial year higher.

Chart 3:
Implied Financial Market Volatility (in Points)

Source: Bloomberg

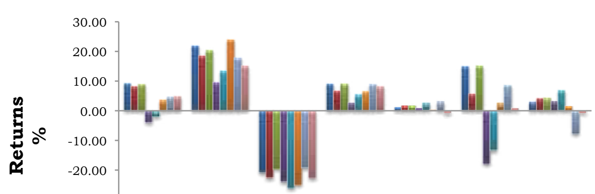
Investment Report (continued)

In the US, the S&P 500 index posted strong returns of 15.14 per cent for the financial year ended September 2020 (see Chart 4). There were large intra-year volatility as the initial sell-off in March, driven by the global pandemic, was followed by a sharp rebound shortly thereafter. Markets continued to trend higher but lost momentum at year-end, as the upcoming US Presidential election and a resurgence in COVID-19 cases presented near term headwinds. Overall, sector performance was mixed as the virus changed the outlook for many industries. Technology, Consumer Discretionary and Health Care stocks led the market higher. While Energy, Financial Services and the more defensive sectors such as Utilities and Consumer Staples lagged the market.

Non-US developed equity markets, as measured by the MSCI EAFE index, returned 0.91 per cent when measured in US dollars (see Chart 4). In Europe, Brexit uncertainty and the rising number of COVID-19 cases throughout the region detracted from performance. In local currency terms, the UK's FTSE 100 index lost 17.97 percent, while the French CAC 40 index declined 13.41 per cent. Japanese stocks returned 8.55 per cent buoyed by improving global market sentiment and encouraging Chinese economic data, which bolstered the outlook for export demand and manufacturing.

Local currency exposures were positive for the overall performance of the MSCI EAFE index, as most of the G-7 currencies appreciated against the US dollar.

**Chart 4:
Total Returns on Selected Equity Indices
(in Per Cent)**

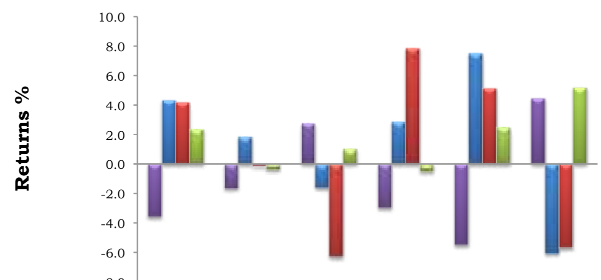


	QTR Ended Sep-20	QTR Ended Jun-20	QTR Ended Mar-20	QTR Ended Dec-19	QTR Ended Sep-19	FY 19/20	FY 18/19
Russell 3000	9.21	22.03	-20.90	9.09	1.16	14.99	2.91
Dow Jones	8.22	18.51	-22.73	6.67	1.83	5.70	4.21
S&P 500	8.93	20.54	-19.60	9.06	1.70	15.14	4.25
FTSE 100 - UK	-4.02	9.57	-24.05	2.70	0.93	-17.97	3.18
CAC 40 - France	-2.03	13.48	-26.15	5.46	2.73	-13.41	6.93
DAX 30 - Germany	3.65	23.90	-25.01	6.61	0.24	2.68	1.48
Nikkei 225 - Japan	4.61	17.98	-19.25	8.92	3.10	8.55	-7.84
MSCI EAFE	4.86	15.14	-22.76	8.21	-1.00	0.91	-0.87

Source: Bloomberg

In the currency market, the US dollar as measured by the DXY index depreciated by 5.53 per cent against major currencies during the financial year (see Chart 5). Despite its safe haven status, the United States' relatively larger fiscal and monetary stimulus response, when compared to other developed countries, contributed to the US dollar weakness. The Fed's decision to target average inflation further detracted from the currency performance. The British pound and Japanese yen appreciated vis-à-vis the US dollar by 5.13 per cent and 2.49 per cent, respectively. In the Euro-zone, the European Union's creation of a recovery fund to address the effects of the pandemic helped the currency strengthen 7.54 per cent vis-à-vis the US dollar.

**Chart 5:
Foreign Exchange Returns for Major Currency Pairs
(in Per Cent)**



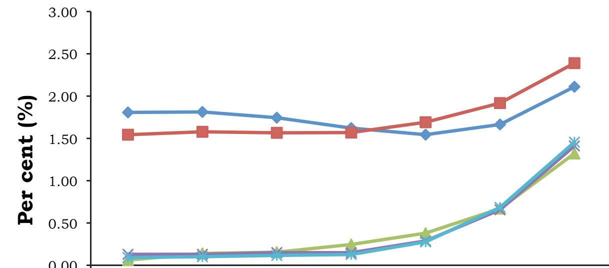
	QTR Ended Sep-20	QTR Ended Jun-20	QTR Ended Mar-20	QTR Ended Dec-19	FY 19/20	FY 18/19
DXY CURNCY	-3.60	-1.67	2.76	-3.01	-5.53	4.46
EURUSD CURNCY	4.34	1.84	-1.62	2.88	7.54	-6.08
GBPUSD CURNCY	4.19	-0.15	-6.31	7.88	5.13	-5.69
JPYUSD CURNCY	2.35	-0.37	1.02	-0.52	2.49	5.20

Source: Bloomberg

The global pandemic and the Fed's emergency response resulted in a steep fall in US Treasury yields during the quarter ended March 2020. US yields stayed at record low levels throughout the remainder of the year with ongoing virus concerns and expectations for an extended period of monetary accommodation. Longer-dated treasury yields rose modestly from March with the Fed's adjustment to average inflation targeting and allowances for periods of above target inflation. Over the financial year, the 2-year and 10-year rates declined by 149 basis points and 98 basis points to end the period at 0.12 per cent and 0.68 per cent, respectively (see Chart 6).

Investment Report (continued)

Chart 6:
Returns on Selected Fixed Income Indices
(in Per Cent)



	3 Month	6 Month	1 Year	2 Year	5 Year	10 Year	30 Year
Sep-19	1.81	1.81	1.74	1.62	1.54	1.66	2.11
Dec-19	1.54	1.58	1.57	1.57	1.69	1.92	2.39
Mar-20	0.06	0.14	0.15	0.25	0.38	0.67	1.32
Jun-20	0.13	0.13	0.15	0.15	0.29	0.66	1.41
Sep-20	0.09	0.10	0.12	0.13	0.28	0.68	1.46

Source: Bloomberg

Non-US developed country sovereign bond yields were mixed over the financial year (see Table 1). Central banks' policies and robust safe haven demand placed downward pressure on rates. US rates declined the most among the G-7 countries, falling by 98 basis points to end the year at 0.82 per cent. In contrast, Japanese bond yields moved out of negative territory rising by 23 basis points to 0.01 per cent. Concerns around Japan's tenuous fiscal position and the deleterious effects of the pandemic on the country's already subdued growth prospects drove rates higher.

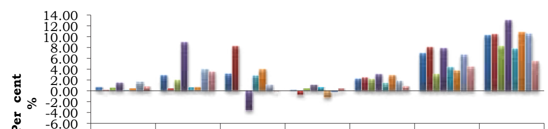
Table 1:
G-7 Government 10-Year Yields

Country	Government 10-Year Yields (in Per Cent)		Change (Basis Points)
	Sep 2019	Sep 2020	
US	1.66	0.68	-98.06
UK	0.48	0.23	-25.48
France	-0.28	-0.24	3.30
Germany	-0.57	-0.52	5.00
Italy	0.82	0.87	4.50
Canada	1.36	0.56	-80.00
Japan	-0.22	0.01	23.10

Source: Bloomberg.

In the US fixed income market, the declining interest rate environment drove bond prices higher. With near-term downside risks from the virus and heightened uncertainty, US treasuries were the best performing sector in the Bloomberg Barclays US Aggregate Index, returning 8.04 per cent for the financial year ended September 2020 (see Chart 7). The Fed's policies provided broad support across all credit markets. The US Investment Grade Corporate Bond sector directly benefitted from the Fed's asset purchase programmes gaining 7.90 per cent. Conversely, Agencies and G-7 Bonds lagged the broader index, rising by 3.02 per cent and 3.77 per cent, respectively.

Chart 7:
US Treasury Yield Curve
(in Per Cent)



	QTR Ended Sep-20	QTR Ended Jun-20	QTR Ended Mar-20	QTR Ended Dec-19	QTR Ended Sep-19	FY 19/20	FY 18/19
Barclays US Aggregate	0.62	2.90	3.15	0.18	2.27	6.98	10.30
US Treasury	0.17	0.48	8.20	-0.79	2.40	8.04	10.48
Agencies	0.55	2.02	-0.07	0.49	2.17	3.02	8.24
US Corporate	1.54	8.98	-3.63	1.18	3.05	7.90	13.00
US MBS	0.11	0.67	2.82	0.71	1.37	4.36	7.80
G7 Bonds (Hedged)	0.45	0.66	3.96	-1.29	2.86	3.77	10.84
US CMBS	1.71	3.95	1.18	-0.33	1.90	6.63	10.51
US ABS	0.80	3.54	-0.21	0.39	0.92	4.55	5.42

Source: Bloomberg

The Strategic Asset Allocation of the HSF

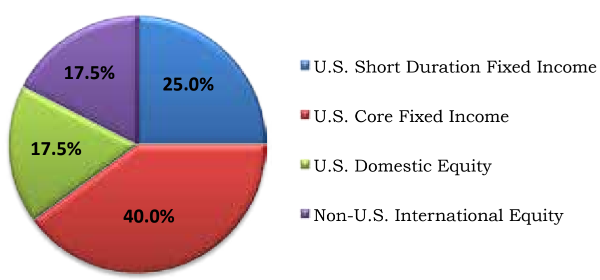
Approved Strategic Asset Allocation

Chart 8 below shows the strategic asset allocation (SAA) of the HSF, approved by the HSF's Board in 2007. Since January 2011, the Bank has fully invested the funds of the HSF's Investment Portfolio in the four (4) approved asset classes shown in Chart 8.[1]

Portfolio Composition

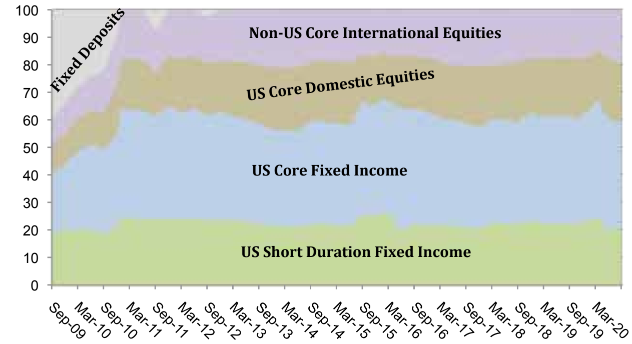
The HSF's portfolio composition over the financial year 2019/2020 is shown in Table 2 and Chart 9. During the financial year ended September 2020, the asset classes of the Fund deviated from its SAA primarily due to market movements in the value of the Fund's portfolios and larger than expected withdrawals during the financial year.[2] Nonetheless, the variance from the SAA weights remained within the Board's approved deviation range of +/- 5 per cent.

**Chart 8:
The Fund's Strategic Asset Allocation**



Source: Bloomberg

**Chart 9:
Asset Class Composition of the HSF Portfolio
(in Per Cent)**



Source: Bloomberg

As at September 30, 2020, the Fund's held an overweight allocation to the US Core Domestic Equity and Non-US Core International Equity mandates of 3.11 per cent and 1.39 per cent, respectively, relative to the approved SAA weights. Correspondingly, the fixed income mandates were below their target SAA weights, with the largest deviation in the US Short Duration Fixed Income mandate, which held an underweight position of 3.86 per cent (see Table 2).

1 Section 4 of the HSF Operational and Investment Policy states that the Central Bank may hold cash and cash equivalent in order to cover day-to-day liquidity needs and the remaining portion, called the Investment Portfolio, would be invested in accordance with the SAA approved by the HSF Board.

2 On March 26th, 2020, the HSF Act of 2007 was amended to allow the government to withdraw from the Fund for declared public health crisis, natural disaster or a precipitous drop in oil and gas prices.

Table 2:
Portfolio Composition Relative to the Approved SAA
(in Per Cent)

Portfolio Weights			Dec-19	Mar-20	Jun-20	Sep-20
	Asset Class	Target Weight SAA	Actual % of Fund	Actual % of Fund	Actual % of Fund	Actual % of Fund
	US Short Duration Fixed Income	25.00	23.62	25.32	20.78	21.14
	US Core Domestic Fixed Income	40.00	38.60	42.25	39.97	39.36
	US Core Domestic Equity	17.50	19.92	17.45	21.61	20.61
	Non-US Core International Equity	17.50	17.86	14.98	17.65	18.89

Totals may not sum to 100 due to rounding.

Fund Value

The total net asset value of the Fund as at the end of September 2020 was US$5,731.8 million, compared with US$6,255.3 million at the end of September 2019. Of this total, the Investment Portfolio was valued at US$5,730.7 million, while the remaining portion (US$1.1 million) was held in an operating cash account to meet the day-to-day expenses that arise from the management of the Fund.

Performance of the Investment Portfolio

The Fund's Investment Portfolio returned 8.20 per cent for the financial year 2020. This performance compares favourably to a gain of 5.10 per cent during the previous year. Exposure to US investments in both the fixed income and equity markets were the main driver of the Fund's returns. In aggregate, the US fixed income and equity investments contributed 3.88 and 3.84 per cent, respectively (see Table 3). Non-US equity investments added a modest 0.52 per cent to the overall Fund's performance.

The Fund outperformed its SAA benchmark, which gained 8.03 per cent, by 0.17 per cent (or 17 basis points) for the financial year. The Fund, on average, overweight allocation to US equities relative to its SAA weight was the main driver of the Fund's benchmark outperformance. The overweight US equity position proved to be beneficial to the outperformance of the Fund as US equity markets outperformed US fixed income markets during the financial year (see Chart 10).

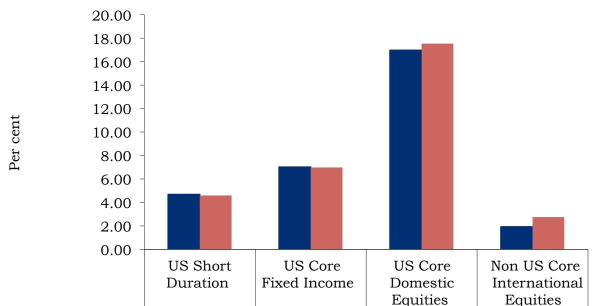
Table 3:
Contribution to Portfolio Return for the FY 2018/2019
(in Per Cent)

	Beginning Portfolio Weights 30-Sep-19	Portfolio Weighted Return	Benchmark
Composite Portfolio	100.00	8.20	8.03
US Short Duration Fixed Income	22.41	1.07	1.14
US Core Fixed Income	39.19	2.81	2.75
US Core Domestic Equity	21.32	3.84	3.29
Non US Core International Equity	17.07	0.52	0.78

**Portfolio and Benchmark returns may not sum to the Composite Return as they are geometrically-linked.

Investment Report (continued)

**Chart 10:
Absolute Returns by Investment Mandate
for the FY 2018/2019
(in Per Cent)**



	US Short Duration	US Core Fixed Income	US Core Domestic Equities	Non US Core International Equities
Composite Portfolio Return	4.68	7.02	16.97	1.93
SAA Benchmark Return	4.60	6.98	17.54	2.75

Source: Bloomberg

On an absolute basis, the Equity portion of the Fund generated robust returns during the financial year with the largest contribution from the US Core Domestic Equity mandate. At the end of September 2020, the values of the equity mandates decreased modestly to US$2,263.4 million from US$2,401.0 million one year earlier. This decrease in value was a result of a withdrawal totaling US$200.0 million from the US Core Domestic Equity mandate, which was partially offset by the strong performance of US equities during the period.

The **US Core Domestic Equity** portfolio had the best performance, returning 16.97 per cent compared with a total return of 17.54 per cent for its benchmark, the Russell 3000 ex Energy Index. This relative underperformance was mainly due to stock selection decisions that resulted in a modest tilt towards value oriented stocks, which lagged the index's performance.

The **Non US International Equity** portfolio returned 1.93 per cent, underperforming its benchmark the MSCI EAFE ex Energy Index which returned 2.75 per cent. Collectively, security selection within the UK as well as country allocation decisions were positive for performance. However, these relative gains were outweighed by poor stock selection in Japan and Europe ex-UK.

The **Fixed Income** portion of the Fund also performed well and contributed positively to the Fund's performance. The gains in the US Short Duration Fixed Income and US Core Domestic Fixed Income mandates helped to partially offset withdrawals totalling US$779.7 million during the period. As at the end of September 2020, the net asset value of the fixed income mandates summed to US$3,467.3 million, down from US$3,852.7 million one year earlier.

The **US Short Duration Fixed Income** mandate returned 4.68 per cent, compared with a gain of 4.60 per cent for its benchmark, the Bank of America Merrill Lynch 1-5 year US Treasury Index. The outperformance of the portfolio relative to its benchmark can be attributed to the managers' spread sector strategies. Despite elevated levels of volatility, credit spread positions largely to supranational and government guaranteed agency instruments contributed positively to performance.

The **US Core Domestic Fixed Income** mandate returned a solid 7.02 per cent over the financial year. The mandate outperformed its benchmark, the Barclays Capital US Aggregate Bond index, by 4 basis points. The portfolio benefitted from sector allocation to, and security selection within the securitised sector. There were also modest gains from relative country strategies and duration positioning.

Risk Exposures of the Investment Portfolio

The main risks for the Fund are credit, concentration, interest rate and currency risks. The paragraphs below indicate how these risks are mitigated.

Credit Risk

Within the **money market portion** of the Fund, credit risk is minimised by the strict adherence to the following standards: (i) all counterparties must have a minimum credit rating of either A-1 from the Standard and Poor's rating agency or P-1 from Moody's Investors Services; and (ii) a maximum exposure limit for counterparties of no more than 5.0 per cent of the market value of the portfolio.

For **fixed income instruments**, credit risk is mitigated by the use of credit concentration limits as well as minimum credit quality ratings. Bonds must have an investment grade rating as defined by Standard and Poor's, Moody's Investors Services or Fitch Ratings Incorporated. Should the required ratings on an existing fixed income security fall below the minimum standards, the security must be sold within an agreed upon timeframe. Over the financial year, the average credit quality was "AA+" and "AA" for the US Short Duration and US Core Fixed Income Portfolios, respectively.

Concentration Risk

Concentration or diversification risk is minimised by investing across various asset types and holding a large number of positions within an asset class. The aim is to minimise risk and/or maximise return by investing in a wide cross-section of asset classes and positions that would each react differently to the same market event. As such, it is likely that when one has strong returns, another may have lower returns to the same market event.

The portfolio is currently invested across four asset groupings as follows: US Short Duration Fixed Income; US Core Domestic Fixed Income; US Core Domestic Equity; and Non-US Core International Equity. In addition, concentration risk is minimised within asset groups by approved market exposure and issuer holding limits. For the equity portfolios, this risk is managed by imposing a maximum percentage holding of 3.0 per cent of any security's outstanding shares, as well as a maximum sector deviation relative to the benchmark of 5.0 per cent.

Interest Rate Risk

Interest rate risk is managed using a weighted average effective duration limit on the respective portfolios. For the US Short Duration Fixed Income mandate, the allowable range is six (6) months longer or shorter than the weighted average duration of its respective benchmark. While the US Core Domestic Fixed Income mandate has an allowable range of twelve (12) months longer or shorter than the weighted average duration of its respective benchmark. Table 4 shows the weighted average duration for the US Short Duration and US Core Domestic Fixed Income portfolios as at September 30, 2020.

Table 4:
Weighted Average Duration
(in Years)

Mandate	Portfolio	Benchmark
US Short Duration	2.65	2.65
US Core Domestic Fixed Income	6.13	6.12

Currency Risk

Currency risk is managed by containing and managing the exposure to non-US dollar instruments. For the fixed income mandates, no more than 10 per cent of the market value of the portfolio can be invested in securities which are denominated in currencies other than the US Dollar. For these mandates, non-US dollar currency exposure is fully hedged into the US Dollar. However, the effectiveness of the hedge may vary depending on market conditions.

For the US Core Domestic Equity mandate, no more than 5 per cent of the market value of the portfolio can be invested in securities, which are denominated in currencies other than the US Dollar. The performance benchmark for the Non-US Core International Equity portfolio is the custom MSCI EAFE ex-energy Index. The index comprises of equity securities of issuers domiciled in developed countries, excluding the US and Canada. Where benchmark securities are quoted in currencies other than the US dollar, the Fund accepts the currency risk. For this mandate, however, managers can hedge up to 15 per cent of the market value of their currency exposure into the US dollar, the base reporting currency for the HSF. Table 5 reports the financial year's end currency exposure of the Fund.

Table 5:
Portfolio Currency Exposure

Currency	September 2020
United States dollar	82.55
Euro	5.59
Japanese yen	4.87
British Pound	1.99
Swiss franc	1.98
Australian dollar	0.85
Swedish krona	0.80
Hong Kong dollar	0.57
Danish krone	0.49
Singapore dollar	0.26
Norwegian krone	0.03
New Zealand dollar	0.03
Canadian dollar	-
New Israeli sheqel	-
Total	**100.00**

* Figures may not sum to 100 due to rounding.

Appendix I

Heritage and Stabilisation Fund Financial Year end Portfolio Valuation (in USD)

Valuation Date	Net Asset Value	Financial Year Total Comprehensive Income	Accumulated Surplus & Unrealised Capital Gains/Losses	Contributions (Withdrawals)
September 30, 2007	1,766,200,701	41,966,361	41,966,361	321,706,043
September 30, 2008	2,888,421,556	68,412,770	110,379,131	1,054,174,457
September 30, 2009	2,964,686,478	76,248,691	186,755,766	-
September 30, 2010	3,621,984,041	177,645,460	364,361,226	477,344,263
September 30, 2011	4,084,016,158	9,715,841	374,074,067	451,400,519
September 30, 2012	4,712,376,278	420,693,705	794,770,772	207,550,846
September 30, 2013	5,154,027,747	399,007,950	1,193,778,722	42,519,782
September 30, 2014	5,533,425,248	379,167,024	1,572,945,746	-
September 30, 2015	5,655,143,565	120,639,605	1,693,585,351	-
September 30, 2016	5,584,246,290	305,452,096	1,999,037,447	(375,050,860)
September 30, 2017	5,762,544,777	429,475,446	2,428,512,893	(252,548,048)
September 30, 2018	5,965,847,092	203,717,910	2,632,230,803	-
September 30, 2019	6,255,349,599	288,837,111	2,921,067,914	-
September 30, 2020	5,731,799,397	457,090,777	3,378,158,691	(979,853,158)

Appendix II

HSF Portfolio Historical Performance Since Inception

	Financial Year Return			Annualised Return Since Inception		
Financial Year End	Portfolio (%)	Benchmark (%)	Excess (bps)	Portfolio (%)	Benchmark (%)	Excess (bps)
September 2007*	2.97	2.95	1.89	5.48	5.44	3.50
September 2008	3.62	3.50	12.12	4.34	4.25	9.37
September 2009	2.80	3.18	-37.81	3.81	3.91	-10.01
September 2010	6.07	5.75	31.93	4.61	4.59	2.29
September 2011	0.79	1.14	-34.89	3.80	3.87	-7.13
September 2012	10.73	10.18	55.01	5.38	5.33	5.20
September 2013	8.63	7.26	137.06	5.40	5.16	24.01
September 2014	7.65	5.60	204.51	5.69	5.22	47.69
September 2015	2.47	1.13	134.06	5.31	4.73	58.12
September 2016	5.83	6.29	-45.72	5.34	4.87	47.12
September 2017	8.25	6.55	170.48	5.64	5.05	58.79
September 2018	3.79	2.65	113.37	5.47	4.84	63.61
September 2019	5.10	6.54	-144.08	5.44	4.97	47.15
September 2020	8.20	8.03	17.42	5.65	5.20	45.01

* These returns are for the period March 2007 to September 2007.

Notes:

1. (1) In May 2008, US Treasury instruments were added to the HSF portfolio. As a result, the performance benchmark for the HSF portfolio became a blended benchmark which comprised of 2.5% Merrill Lynch US Treasury 1-5 Years Index and 97.5% US One-month LIBID Index.
2. (2) In August 2009, International Equities and Fixed Income Securities were added to the HSF portfolio. The performance benchmark for the HSF portfolio became a blended benchmark which comprise, Bank of America/ Merrill Lynch US Treasury 1-5 Years Index, US One-month LIBID Index, Barclays US Aggregate, Russell 3000 ex Energy, and MSCI EAFE ex Energy.
3. (3) In January 2011, the HSF Portfolio achieved its Strategic Asset Allocation where the portfolio was invested in four assets classes. US Short Duration Fixed Income (25%), US Core Fixed Income (40%), US Equity (17.5%) and Non-US International Equity (17.5%).

HERITAGE AND STABILISATION FUND

REPUBLIC OF TRINIDAD AND TOBAGO AUDITOR GENERAL'S DEPARTMENT

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE HERITAGE AND STABILISATION FUND OF THE REPUBLIC OF TRINIDAD AND TOBAGO

FOR THE YEAR ENDED
30 September, 2020

REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF TRINIDAD AND TOBAGO ON THE FINANCIAL STATEMENTS OF THE HERITAGE AND STABILISATION FUND OF THE REPUBLIC OF TRINIDAD AND TOBAGO FOR THE YEAR ENDED 30 SEPTEMBER 2020

OPINION

The financial statements of the Heritage and Stabilisation Fund (the Fund) for the year ended 30 September 2020 have been audited. The statements as set out on pages 1 to 34 comprise a Statement of Financial Position as at 30 September 2020, a Statement of Comprehensive Income, a Statement of Changes in Equity and a Statement of Cash Flows for the year ended 30 September 2020 and Notes to the financial statements numbered 1 to 15, including a summary of significant accounting policies.

2. In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 30 September 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

BASIS FOR OPINION

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

OTHER MATTER

4. Without qualifying the above opinion, attention is drawn to the following matter which was raised in the Auditor General's Report on the financial statements of the Fund for the year ended 30 September 2008. At paragraph 6 of that Report it was stated as follows:

'(i) Section 13 (1) of the Act states:

"*Where petroleum revenues collected in each quarter of any financial year –*

(a) exceed the estimated petroleum revenues for that quarter of the financial year by more than ten per cent, the currency of the United States of America equivalent of the excess revenue shall be withdrawn from the Consolidated Fund and deposited to the Fund in accordance with section 14(1); or

(b) exceed the estimated petroleum revenues for that quarter of a financial year but do not exceed such estimated revenues by at least ten per cent, the Minister may direct that the currency of the United States of America equivalent of all or part of the excess revenue shall be withdrawn from the Consolidated Fund and deposited to the Fund in accordance with section 14(1)."

(ii) Section 14 (1) of the Act states:

"A minimum of sixty per cent of the aggregate of the excess revenues shall be deposited to the Fund during a financial year."

(iii) The above quoted sections of the Act are open to interpretation. It is recommended that suitable amendments be made to the Act to provide for greater clarity with regard to deposits to the Fund.'

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

5. Management of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards 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.

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

7. Those charged with governance are responsible for overseeing the financial reporting process of the Fund.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

8. The Auditor General's responsibility is to express an opinion on these financial statements based on the audit and to report thereon in accordance with section 116 of the Constitution of the Republic of Trinidad and Tobago and Section 16 (1) of the Heritage and Stabilisation Fund Act, Chapter 70:09

9. The Auditor General's objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes his opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards 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 or users taken on the basis of these financial statements.

10. As part of an audit in accordance with accepted auditing standards, the Auditor General exercises professional judgment and maintains professional skepticism throughout the audit. The Auditor General also:

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

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

- Concludes on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Fund to continue as a going concern. If the Auditor General concludes that a material uncertainty exists, the Auditor General is required to draw attention in his audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify his opinion. The Auditor General's conclusions are based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluates the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

11. The Auditor General communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that were identified during the audit.

20TH NOVEMBER, 2020
PORT OF SPAIN

LORELLY PUJADAS
AUDITOR GENERAL

Statement of Financial Position

As at 30 September, 2020 (expressed in United States Dollars)

	Note	Sep-20 $	Sep-19 $
ASSETS			
Current assets			
Cash and cash equivalents	4	322,330,495	86,492,079
Financial assets	5,6	5,736,076,491	6,317,013,624
Receivables and prepayments	7	193,184,093	545,275,506
TOTAL ASSETS		**6,251,591,079**	**6,948,781,209**
LIABILITIES			
Current liabilities			
Other payables	8	523,743,774	696,430,354
Financial liabilities	9	266,613	2,007,782
TOTAL LIABILITIES		**524,010,387**	**698,438,136**
NET ASSETS		**5,727,580,692**	**6,250,343,073**
PUBLIC EQUITY			
Contributed capital		2,349,422,001	3,329,275,159
Accumulated surplus		3,378,158,691	2,921,067,914
TOTAL EQUITY		**5,727,580,692**	**6,250,343,073**

REPUBLIC OF TRINIDAD AND TOBAGO
20.11.2020
AUDITOR GENERAL

MR. EWART WILLIAMS
(Chairman)

DR. ALVIN HILAIRE

MRS. SUZETTE TAYLOR-LEE CHEE

MR. BEVAN NARINESINGH

DR. DORIAN NOEL

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

Statement of Comprehensive Income

For the Year ended 30 September, 2020 (expressed in United States Dollars)

	Note	Sep-20 $	Sep-19 $
Income			
Investment income	10	233,298,540	278,929,563
Investment expenses	11	(20,678,254)	(16,371,472)
Gain on sale of financial assets		475,256,225	252,088,314
Loss on sale of financial assets		(225,907,364)	(219,463,870)
Income from investments		**461,969,147**	**295,182,535**
Other income		842,079	328,929
Total income		**462,811,226**	**295,5 11,464**
Operating expenses			
Management fees	12	(1,833,641)	(1,800,209)
Subscription fees		(15,286)	(15,405)
Audit fees		(5,175)	(344)
Licence fees		(4,739)	(4,546)
Total operating expenses		**(1,858,841)**	**(1,820,504)**
Net profit for the year before tax		**460,952,385**	**293,690,960**
Withholding tax expense		(3,868,608)	(4,853,849)
Net profit for the year after tax		**457,090,777**	**288,837,111**
Total comprehensive income for the year		**457,090,777**	**288,837,111**

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

Statement of Changes in Equity

For the Year ended 30 September, 2020 (expressed in United States Dollars)

	Contributed Capital $	Accumulated Surplus $	Total $
Balance as at 1 October 2018	**3,329,275,159**	**2,632,230,803**	**5,961,505,962**
Total comprehensive income for the year	-	288,837,111	288,837,111
Balance as at 30 September 2019	**3,329,275,159**	**2,921,067,914**	**6,250,343,073**
Balance as at 1 October 2019	**3,329,275,159**	**2,921,067,914**	**6,250,343,073**
Withdrawals by Government for the year	(979,853,158)	-	(979,853,158)
Total comprehensive income for the year	-	457,090,77	457,090,777
Balance as at 30 September 2020	**2,349,422,001**	**3,378,158,691**	**5,727,580,692**

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

Statement of Cash Flows

For the Year ended 30 September, 2020 (expressed in United States Dollars)

	Note	Sep-20 $	Sep-19 $
Cash flows from operating activities			
Net profit for the year before withholding tax		460,952,385	293,690,960
Adjustments			
Interest income		(103,567,347)	(114,666,726)
Dividend income		(52,511,631)	(65,135,232)
Fair value adjustment on financial assets and liabilities at fair value through profit or loss		(77,219,562)	(99,127,605)
Net realised gain from the sale of financial assets		(249,348,861)	(32,624,444)
Cash outflows before changes in operating assets and liabilities		**(21,695,016)**	**(17,863,047)**
Changes in operating assets and liabilities			
Decrease/(increase) in receivables and prepayments		348,169,629	(302,756,466)
(Decrease)/increase in other payables		(172,686,580)	414,206,732
Withholding tax paid		(3,861,608)	(4,853,849)
Net cash from operating activities		**149,926,425**	**88,733,370**
Cash flows from investing activities			
Interest received		107,446,063	114,313,489
Dividend received		52,554,699	65,716,298
Net sale/(purchase) of financial assets		905,765,302	(271,425,641)
Net cash flows from/(used in) financing activities		**1,065,766,064**	**(91,395,854)**
Cash flows from financing activities			
Withdrawals from contributed capital by government		(979,853,158)	-
Net cash flows used in financing activities		**(979,853,158)**	**-**
Effects of exchange rate changes on cash and cash equivalents		**(915)**	**(10,138)**
Net increase/(decrease) in cash and cash equivalents		235,838,416	(2,672,622)
Cash and cash equivalents at beginning of year		86,492,079	89,164,701
Cash and cash equivalents at end of the year	4	**322,330,495**	**86,492,079**

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

Notes to the Financial Statements

For the Year ended 30 September, 2020 (expressed in United States Dollars)

1. Corporate Information

The Heritage and Stabilisation Fund Act, 2007 of the Republic of Trinidad and Tobago, (the Act), provides for the establishment and management of the Heritage and Stabilisation Fund (the Fund). This Fund was established on 15 March 2007. It is denominated in the currency of the United States of America.

The President, upon the advice of the Minister of Finance, appoints the Board of Governors of the Fund. This Board comprises five members, who are appointed for a term of three years and are eligible for reappointment. Members are selected from among persons of proven competence in matters of finance, investment, economics, business management or law, including an officer of: -

a) the Central Bank; and

b) the Ministry of Finance.

The Board delegates the responsibility for the management of the Fund to the Central Bank of Trinidad and Tobago (the Bank).

The purpose of the Fund is to save and invest surplus petroleum revenues derived from production business in order to: -

a) cushion the impact on or sustain public expenditure capacity during periods of revenue downturn whether caused by a fall in prices of crude oil or natural gas;

b) generate an alternate stream of income so as to support public expenditure capacity as a result of revenue downturn caused by the depletion of non-renewable petroleum resources; and

c) provide a heritage for future generations of citizens of Trinidad and Tobago, from savings and investment income derived from the excess petroleum revenues.

The Act was amended in March 2020, to broaden the scope to allow withdrawals if certain emergency situations arose. Consequently, section 15A has been inserted into the amended Act. Further details of this amendment are included in Note 2 (p).

Upon the commencement of this Act, the monies held in the Interim Revenue Stabilisation Fund established under the Exchequer and Audit Act were transferred to the Fund, whereupon the Interim Revenue Stabilisation Fund ceased to exist.

The resources of the Fund consist of: -

a) moneys transferred from the Interim Revenue Stabilisation Fund;

b) petroleum revenues deposited into the Fund in accordance with Section 13; and

c) assets acquired and earned from investments.

Notes to the Financial Statements (continued)

For the Year ended 30 September, 2020 (expressed in United States Dollars)

2. Accounting Policies

a) Basis of preparation

The Financial Statements of the Fund have been prepared in accordance with International Financial Reporting Standards as adopted by the Institute of Chartered Accountants of Trinidad and Tobago. The Financial Statements have been prepared under the Historical Cost Convention as modified by financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets (before 1 October, 2018).

b) Changes in accounting policies and disclosures

i. New and amended accounting standards and interpretations

Effective October 1, 2019, the Fund applied for the first time certain standards and amendments which are effective for annual periods beginning on or after January 1, 2019. The nature and impact of each new standard or amendment are described below:

- ***IFRS 16*** *– Leases (effective January 1, 2019)*

  This new standard was issued in January 2016 and establishes principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying assets has a low value. IFRS 16's approach to lessor accounting will not change substantially and lessors will continue to classify leases as either operating or finance.

  This standard replaced the following standards and interpretations:

  - IAS 17 - *Leases*
  - IFRIC 4 - *Determining whether an Arrangement contains a Lease*
  - SIC – 15 - *Operating Leases – Incentives*
  - SIC – 27 - *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*

  The Fund currently holds no lease arrangements. This standard has no impact on the financial statements.

ii. New accounting standards and interpretations that are not yet effective and are not applicable to the Fund

There are new standards and amendments to standards and interpretations that are not yet effective for accounting periods beginning on or after January 1, 2019 and have not been early adopted by the Fund. The Fund intends to adopt these standards and interpretations, if applicable, when they become effective.

The Fund is currently assessing the impact of adopting these new standards and interpretations. Some of these by nature are not expected to have a significant effect on the Fund's financial statements. However, the impact of adoption depends on the assets and liabilities held by the Fund at the date of adoption; therefore it is not practical to quantify the effect at this time. These standards and amendments include:

- ***IFRS 17*** *– Insurance Contracts (effective January 1, 2021)*

  IFRS 17 replaces IFRS 4 on accounting for insurance contracts and has an effective date of 1 January 2021.

  It establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts.

  The impact of this standard is not applicable to the Fund.

Notes to the Financial Statements (continued)

For the Year ended 30 September, 2020 (expressed in United States Dollars)

2. Accounting Policies (continued)

c) Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand and at bank, bank overdraft, short term investment in money market funds and deposits maturing within three months from the date of the financial statements.

Cash balances held are swept daily for investment purposes based on a projected cash flow. Consequently, there may be instances where the amounts retained on accounts following the sweep, may not be in line with actual cash flows required to execute business transactions for settlement on these accounts resulting in temporary overdrawn cash balances.

d) Foreign currency translation

i. Functional and presentation currency

The financial statements are presented in United States Dollars which is the Fund's functional and presentation currency.

ii. 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 are included in the Statement of Comprehensive Income.

e) Investment Securities

The classification of financial instruments at initial recognition depends on their contractual terms and the Fund's business model for managing the instruments. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities which are recorded at fair value through profit or loss.

The Fund classifies all of its financial assets based on the Fund's business model for managing the assets and the instruments' contractual cash flow characteristics, measured at either:

- Amortised Cost (AC)
- Fair value through profit or loss (FVPL)

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

- the asset is held within a business model whose objective is to hold assets in order 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) on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income (FVOCI) only if it meets both of the following conditions and is not designated as at FVPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and by the sale of financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Notes to the Financial Statements (continued)

For the Year ended 30 September, 2020 (expressed in United States Dollars)

2. Accounting Policies (continued)

e) Investment Securities (continued)

The financial assets that are not measured at amortised cost or FVOCI are classified in the category FVPL, with gains and losses arising from changes in the fair value recognised in profit and loss. Management can also, on initial recognition, irrevocably designate a financial asset as measured at FVPL if doing so eliminates or significantly reduces an inconsistency in measurement or recognition that would otherwise result from the measurement of assets or liabilities, and their gains and losses, on different bases.

Impairment of financial assets

The adoption of IFRS 9 has fundamentally changed the Fund's accounting for impairment losses on financial assets by replacing IAS 39's incurred loss approach with the forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Fund to record ECLs on all financial assets measured at amortised cost or FVOCI.

IFRS 9 introduces a three-stage approach to impairment of financial assets. The ECL allowance is based on credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss.

The 12-month ECL is the portion of lifetime ECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both lifetime and 12-month expected credit losses are calculated on either an individual basis or a collective basis, depending on the size and nature of the underlying portfolio of financial instruments.

Based on the investment securities held by the Fund and the current business model, there are no financial assets held at amortised cost or FVOCI. The ECL model is therefore, not applicable to the Fund for this reporting period.

Business model assessment

Business model assessment entails a determination of the way financial assets are managed in order to generate cash flows. There are three business models available under IFRS 9:

- Hold to collect: it is intended to hold the asset to maturity to earn interest, collecting repayments of principal and interest from the counterparty.
- Hold to collect and sell: this model is similar to the hold to collect model, except that the entity elects to sell some or all of the assets before maturity as circumstances change or to hold the assets for liquidity purposes.
- Other: all those models that do not meet the 'hold to collect' or 'hold to collect and sell' qualifying criteria.

The assessment of business model requires judgement based on facts and circumstances at the date of initial application. The business model is not assessed on an instrument by instrument basis, but at a higher level of aggregated portfolios per instrument type and is based on observable factors.

The Fund determines its business model at the portfolio level as this best reflects the way the Fund manages its financial assets to achieve its business objective. The Fund's business model assessment considers the following qualitative and observable factors:

- Frequency, value and timing of sales in prior periods; the reasons for those sales; and expectations about future sales activity;
- Basis of management decision making: whether or not management focuses primarily on fair value information to make decisions;

Notes to the Financial Statements (continued)

For the Year ended 30 September, 2020 (expressed in United States Dollars)

2. Accounting Policies (continued)

e) Investment Securities (continued)

Business model assessment (continued)

- Risk parameters under which portfolio assets are managed to meet the objectives;
- Performance evaluation (including compensation): how the Fund's portfolio managers' performance is evaluated and how it relates to compensation; and
- Relative significance of the various sources of income (for example, interest income relative to fair value gains and losses) as one objective determinant to assess how integral contractual cash flows are vis-à-vis fair value gains or losses.

Solely Payments of Principal and Interest (SPPI) Test

The Fund assesses the contractual terms of financial assets to determine whether they meet the SPPI test i.e. contractual cash flows that represent solely payments of principal and interest on the principal amount outstanding that are consistent with basic lending arrangements.

'Principal' for the purpose of this test is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as the consideration for the time value of money and the credit risk associated with the principal amount outstanding during a particular period of time.

If a financial asset is held in either a 'Hold to Collect' or a 'Hold to Collect and Sell' business model, then assessment to determine whether contractual cash flows are solely payments of principal and interest on the principal amount outstanding at initial recognition is required to determine the classification. The SPPI test is performed on an individual instrument basis.

In assessing whether the contractual cash flows are SPPI, the Fund considers whether the contractual terms of the financial asset contain a term that could change the timing or amount of contractual cash flows arising over the life of the instrument which could affect whether the instrument is considered to meet the SPPI test. If the SPPI test is failed, such financial assets are measured at FVPL.

f) Collateral

The Margin used for futures contracts can be in the form of either cash or securities held at a Broker. For all balances held at a Broker where collateralised securities and/or swap cash collateral are used, these are reported as either a receivable or payable.

g) Premium/Discount

A premium arises when a bond or treasury bill price is higher than its par value. This occurs when the interest rate on the security is higher than the prevailing rates in the market, thus making the bond or treasury bill worth more than a security paying the prevailing lower rate.

A discount arises when a bond or treasury bill price is lower than its par value. This occurs when the interest rate rises; newly issued securities have higher coupon rates than existing securities issued when market rates were lower.

Thus, coupon rates of securities trading at a discount are generally lower than similar quality, newly issued securities.

The premium/discount is netted off against Investments on the Statement of Financial Position.

Notes to the Financial Statements (continued)

For the Year ended 30 September, 2020 (expressed in United States Dollars)

2. Accounting Policies (continued)

h) Income and Dividends

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Interest income is accounted for on the accrual basis.

Dividend income is recognised on the accrual basis when the shareholder's right to receive payment is established.

i) Expenses

Expenses are recognised on the accrual basis, i.e. in the period in which they were incurred.

j) Taxation

The Fund is a public account and by Section 17 of the Act the income is exempt from any tax. The Fund currently incurs withholding taxes attributable to investment income from foreign sources. Such income is recognised on a gross basis stated at the expected realisable value, in the Statement of Comprehensive Income. Withholding taxes are shown as a separate item in the Statement of Comprehensive Income.

k) Receivables

Receivables are stated at their expected realisable value.

l) Other payables

Other payables are stated at their expected realisable amounts.

m) Comparative information

When necessary, comparative data has been adjusted to conform with changes in presentation in the current year.

n) Statement of cash flows

- **Operating activities** include all activities other than investing and financing activities. The cash inflows include all receipts from the sources of revenue that support the Fund's operating activities. Cash outflows include payments made to suppliers.
- **Investing activities** are those activities relating to the acquisition and disposal of current and non-current securities and any other non-current assets. Investments include securities not falling within the definition of cash.
- **Financing activities** are those activities relating to changes in equity of the Fund and those activities relating to the cost of servicing the Fund's equity capital.
- **Cash** means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which the Fund invests as part of its day-to-day cash management.

o) Capital contributions

In accordance with Section 14 of the Act:

i. a minimum of sixty per cent of the aggregate of the excess revenues shall be deposited to the Fund during a financial year;

ii. all revenues to be deposited into the Fund shall be a charge on the Consolidated Fund.

Notes to the Financial Statements (continued)

For the Year ended 30 September, 2020 (expressed in United States Dollars)

2. Accounting Policies (continued)

o) Capital contributions (continued)

The deposits are to be made no later than the end of the month following the quarter in respect of which the deposit was calculated.

Capital contributions received under the requirements of the Act are treated as additions to Equity.

p) Withdrawals

In accordance with Section 15 of the Act, subsection (1), subject to subsections (2) and (3), where the petroleum revenues collected in any financial year fall below the estimated petroleum revenues for that financial year by at least ten per cent, withdrawals may be made from the Fund as follows, whichever is the lesser amount:

i) Either sixty per cent of the amount of the shortfall of petroleum revenues for that year; or

ii) Twenty-five per cent of the balance outstanding to the credit of the Fund at the beginning of that year

Subsection (2) states that the amount withdrawn from the Fund in accordance with subsection 1 shall be deposited into the Consolidated Fund within forty-eight hours of such withdrawal.

Subsection (3) states that notwithstanding subsection (1), no withdrawal may be made from the Fund in any financial year, where the balance standing to the credit of the Fund would fall below one billion dollars in the currency of the United States of America, if such withdrawal were to be made.

Withdrawals are also made in accordance with the amendment to the Act of 2020, under Section 15A. Subsection (1) of the amendment states that notwithstanding section 15 and any other written law and subject to subsection (2), withdrawals may be made from the Fund where:

a) A disaster area is declared under the Disaster Measures Act;

b) A dangerous infectious disease is declared under the Public Health Ordinance; or

c) There is, or is likely to be, a precipitous decline in budgeted revenues which are based on the production or price of crude oil or natural gas.

Subsection (2) of the amendment states that withdrawals under subsection (1) may be made from the Fund not exceeding one and one half billion dollars at any time during the financial year.

Subsection (3) states that where a withdrawal has been made from the Fund under this section, the Minister shall cause a report to be laid in the House of Representatives, within sixty days of that withdrawal.

q) Critical accounting estimates and judgements

The Fund makes estimates and assumptions that affect the reported amounts of the assets and liabilities within the financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events.

The resulting accounting estimates will seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are illustrated below:

Notes to the Financial Statements (continued)

For the Year ended 30 September, 2020 (expressed in United States Dollars)

2. Accounting Policies (continued)

q) Critical accounting estimates and judgements (continued)

- ***Fair value of financial instruments***

  Where the fair value of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities.

- ***Business Model and SPPI***

  Determining the appropriate business model and assessing the SPPI requirements for financial assets may require significant accounting judgement and have a significant impact on the financial statements.

3. Financial Risk Management

The Fund is exposed to a variety of financial risks including credit risk, concentration risk, market risk and liquidity risk. The Fund is also exposed to operational risk, the risk of loss arising from inadequate or failed processes, systems or external events. The management of these risks is undertaken by the Bank along with highly qualified and experienced international asset managers; guided by the operational and investment policies that are approved and reviewed by the Board of Governors.

The Fund's risk management policy seeks to preserve the long-term real value of the Fund whilst constraining the risk of not meeting its performance objectives over rolling 5-year periods. The Fund's policy allows for the use of derivative securities so as to mitigate certain risk exposures such as interest rate and currency risks as well as to enhance the value of the Fund. The use of derivative securities or contracts to create economic leverage is strictly prohibited. Purchasing securities on margin, except for futures or swaps, against which are held a risk equivalent amount of cash or liquid securities is also prohibited.

The Fund's policy allows for the management of risk relative to its Strategic Benchmark as well as from a sector or country or issuer level. These measures are explained below.

a) The Strategic Benchmark

The Fund's Investment Portfolio is invested in a manner to achieve the objective of preserving its real value measured over 5-year rolling periods. It is invested in accordance with the strategic asset allocation (SAA) approved by the Board of Governors. The SAA for the Fund is as follows:

Asset Class	Allocation
U.S. Equities	17.5%
Non-U.S. Equities	17.5%
U.S. Core Domestic Fixed Income Securities	40.0%
U.S. Government Treasury 1-5 Years Securities	25.0%

This SAA limits the allowable underperformance of the overall portfolio relative to the composite benchmark, to an annual budget of risk of 2.0% measured over rolling one-year periods.

Notes to the Financial Statements (continued)

For the Year ended 30 September, 2020 (expressed in United States Dollars)

3. Financial Risk Management (continued)

a) The Strategic Benchmark (continued)

The benchmarks and the risk budget for each of the asset classes are as follows:

Asset class	Performance Index	Risk Budget
U.S. Equities	Russell 3000 ex-energy Index comprised of the 3,000 largest market capitalisation stocks in the United States and accounts for roughly 97% of the total market capitalisation of that country.	0.70%
Non U.S. Equities	MSCI EAFE ex-energy Index, which comprises the following countries: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom.	4.50%
U.S. Government Treasuries 1-5 Years	Merrill Lynch U.S. Treasuries 1-5 Years Index	0.50%
U.S. Core Domestic Fixed Income	Barclays Capital U.S. Aggregate Index	1.00%

The risk budget for each asset class is defined as the target annualised tracking error, measured ex-post, on a monthly rolling three-year basis, versus the Benchmark. The tracking error is defined as the annualised standard deviation of monthly excess returns relative to the Benchmark.

The overall performance of the SAA is evaluated against the composite benchmark return computed as the weighted returns of the benchmarks of the various asset classes with weights equal to the SAA weights.

b) Portfolio Performance

The portfolio performance for the twelve months ended 30 September, 2020 was as follows:

12 Month Performance			
Portfolio	**Fund**	**Benchmark Return**	**Benchmark Composition**
Composite	8.20%	8.03%	Merrill Lynch US Government Treasury 1-5 Years Index , US 1- month LIBID, Barclays Capital US Aggregate Bond Index, Russell 3000 (ex Energy), MSCI EAFE (Ex Energy)
US Short Duration Fixed Income	1.07%	1.14%	Merrill Lynch US Government Treasury 1-5 Years Index
US Core Fixed Income	2.81%	2.75%	Barclays Capital US Aggregate Bond Index
US Core Domestic Equity	3.84%	3.29%	Russell 3000 (Ex Energy)
Non-US Core International Equity	0.52%	0.78%	MSCI EAFE (Ex Energy)

Notes to the Financial Statements (continued)

For the Year ended 30 September, 2020 (expressed in United States Dollars)

3. Financial Risk Management (continued)

c) Portfolio Risk

The Fund's activities expose it to a variety of financial risks: credit risk, concentration risk, market risk (currency risk, interest rate risk, credit spreads and price risk), and liquidity risk. The Fund is also exposed to operational risk.

Credit Risk

This is the risk that a party will default on its obligation to the Fund, causing it to incur a loss. The main concentration of credit risk arises from the Fund's investments in debt securities. The Fund is also exposed to counterparty risk on cash and cash equivalents as well as over-the-counter (OTC) derivatives.

Credit risk is mitigated by the establishment of ratings standards. These standards require U.S. Treasury, Government-Related and Securitised debt securities to have a minimum credit quality of AA-/ Aa3 from at least one of the Nationally Recognized Statistical Rating Organisations, Standard & Poor's or Moody's. Corporate debt should have a minimum credit quality of investment grade, at least Baa3 by Moody's or BBB- by Standard & Poor's. An investment grade corporate bond is considered to have a relatively low risk of default.

The table below summarises the credit quality of the Fund's debt securities as at September 30, 2020:

Credit Rating	2020	2019
AAA	15.8%	8.9%
AA	56.7%	63.7%
A	6.4%	7.0%
BBB	20.4%	19.9%
Not Rated*	0.7%	0.5%

* Not Rated debt securities refer to securities that are issued or unconditionally guaranteed by the agency of a sovereign government. The rating for each of these investments is implicitly tied to the credit rating of the government of the United States of America, the United Kingdom or France.

The table below illustrates the credit quality categories for the respective rating agencies:

Rating Category	Moody's	S&P
	Aaa	AAA
High-Quality Grade	Aa1	AA+
	Aa2	AA
	Aa3	AA-
	A1	A+
Upper-Medium Grade	A2	A
	A3	A-
	Baa1	BBB+
Lower-Medium Grade	Baa2	BBB
	Baa3	BBB-

Notes to the Financial Statements (continued)

For the Year ended 30 September, 2020 (expressed in United States Dollars)

3. Financial Risk Management (continued)

c) Portfolio Risk (continued)

Credit Risk (continued)

Money-market counterparts should have a minimum credit rating of A1 from Standard & Poor's, or P1 from Moody's. Counterparty credit risk is also managed by limiting the exposure of a single counterparty to 3% of the Fund.

OTC currency forward counterparts must have a minimum short-term credit rating of A-1 from Standard & Poor's, P-1 from Moody's or F1 from Fitch. In addition, net exposure is limited to 10% of the market value of the portfolio per currency for any given counterparty.

Concentration Risk

Concentration risk is the risk of loss attributable to holding investments in a single security or to a limited number of investment styles or asset classes. The Strategic Asset Allocation (SAA) reduces this risk by ensuring the Fund's assets are invested across various asset classes and styles. The Fund is invested in three broad asset classes:- Fixed Income including Government and Government- Related, Supranational, Corporate, and Securitised bonds; Equities including financial, consumer discretionary, healthcare, utilities, information technology, industrials, consumer staples and telecom services; and Cash Equivalents including U.S. Treasury and agency bills, Certificates of deposits and Money Market funds managed by the custodian with an AAAm rating and comprising only of the eligible asset classes defined in the Fund's investment policy.

Each asset class in which the Fund invests, reacts differently under the same market conditions, and usually when one asset class has strong returns another will have lower returns. Diversification across asset classes reduces the total risk of the Fund.

Concentration risk is also managed at the portfolio level, relative to the Strategic benchmark. Total net exposure to each of the sub-sectors of the Barclays Capital U.S. Aggregate Bond Index (U.S. Treasury, Government-Related, Corporate and Securitised) cannot exceed plus or minus 20% versus the benchmark. Sector deviations relative to the Russell 3000 (Ex Energy) and MSCI EAFE (Ex Energy) indices are limited to plus or minus 5%. The Fund's policy also prescribes concentration limits for the various asset classes, including no more than 3% of the portfolio to any one corporate issuer and country allocation limited to plus or minus 10% of the MSCI EAFE (Ex Energy) index.

Market Risk

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

i. Currency Risk

This is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Fund invests in international bonds and equities denominated in currencies other than the United States Dollar, the base currency of the Fund. Currency risk is managed at the portfolio level. For the Fixed Income and U.S. Core Domestic Equity mandates, no more than 10% of the market value of the portfolio can be invested in securities denominated in currencies other than the United States Dollar. For the Non US Core International Equity mandate, currency hedging is allowed for up to 15% of the market value of the portfolio.

Notes to the Financial Statements (continued)

For the Year ended 30 September, 2020 (expressed in United States Dollars)

3. Financial Risk Management (continued)

c) Portfolio Risk (continued)

Market Risk (continued)

i. Currency Risk (continued)

A 1% change in the US dollar relative to other currencies (see below) in which the Fund trades would have changed the net assets of the Fund as at 30 September 2020 and 30 September 2019 as follows:

	Sep-20 $	Sep-19 $
Change in net assets	21,149,583	19,507,897

The following table illustrates the currency concentration exposure of financial assets and liabilities held by the Fund as at 30 September 2020 and 2019:

Foreign Currency Concentration Exposure on Financial Assets and Financial Liabilities

Financial Assets	**% of financial assets**	
Currency	**Sep-20**	**Sep-19**
Australian dollar	0.85	1.15
Canadian dollar	0.00	0.07
Danish krone	0.49	0.35
Euro	5.59	5.01
Hong Kong dollar	0.57	0.34
New Israel sheqel	0.00	0.18
Japanese yen	4.87	3.85
New Zealand dollar	0.03	0.12
Norwegian krone	0.03	0.09
Singapore dollar	0.26	0.38
Swedish krona	0.80	0.49
Swiss franc	1.98	1.73
British pound	1.99	2.15
United States dollar	82.54	84.09
Total	**100.00**	**100.00**

Financial Liabilities	**% of financial liabilities**	
Currency	**Sep-20**	**Sep-19**
Euro	0.00	53.00
British pound	0.00	37.00
Norwegian krone	0.00	2.00
Australian dollar	0.00	1.00
United States dollar	100.00	7.00
Total	**100.00**	**100.00**

Notes to the Financial Statements (continued)

For the Year ended 30 September, 2020 (expressed in United States Dollars)

3. Financial Risk Management (continued)

c) Portfolio Risk (continued)

Market Risk (continued)

ii. Interest Rate Risk

This is the risk that the value of a financial instrument will fluctuate, due to changes in market interest rates.

The Fund invests in fixed and floating rate debt securities that expose it to fair value and cash flow interest rate risk. Interest Rate Risk is managed at the portfolio level whereby the average weighted effective duration of the U.S. Short Duration Fixed Income mandate must not vary from that of the Benchmark by more than plus or minus six (6) months. The weighted average effective duration of the U.S. Core Fixed Income mandate may range between one (1) year longer or shorter than the weighted average duration of the Benchmark.

	2020		2019	
	Portfolio	Index	Portfolio	Index
US Short Duration Fixed Income	2.65	2.65	2.42	2.56
US Core Fixed Income	6.13	6.12	5.54	5.78

iii. Price Risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes 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.

Price risk is managed through asset class diversification and selection of securities within the limits approved by the Board of Governors. The Fund's policy limits its holdings of any equity security to no more than 3% of that security's outstanding shares.

The tables below summarise the sector concentrations within the Fund:

US Short Duration Fixed Income - Sector Concentrations

	2020		2019	
	US Short Duration Mandate	Merrill Lynch US Treasury 1-5 Year Index	US Short Duration Mandate	Merrill Lynch US Treasury 1-5 Year Index
US Treasuries	37.7%	100.0%	62.4%	100.0%
Agencies	19.5%		7.3%	
Non-US Government	24.3%		15.6%	
Supranationals	11.7%		8.8%	
Agency CMBS	3.0%		3.0%	
Agency RMBS	1.3%		1.2%	
Local Government Obligations	2.4%		1.5%	

Notes to the Financial Statements (continued)

For the Year ended 30 September, 2020 (expressed in United States Dollars)

3. Financial Risk Management (continued)

c) Portfolio Risk (continued)

Market Risk (continued)

ii. Interest Rate Risk (continued)

	2020		2019	
	US Short Duration Mandate	Merrill Lynch US Treasury 1-5 Year Index	US Short Duration Mandate	Merrill Lynch US Treasury 1-5 Year Index
Municipals	0.1%		0.2%	
Credits	0.0%		0.0%	
ABS/CMBS	0.0%		0.0%	
Mortgages	0.0%		0.0%	
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

US Core Fixed Income - Sector Concentrations

	2020		2019	
	US Core Fixed Income Mandate	Barclays US Aggregate Bond Index	US Core Fixed Income Mandate	Barclays US Aggregate Bond Index
Corporates	36.7%	26.8%	35.0%	25.2%
US Treasuries	19.9%	37.2%	17.9%	39.8%
Residential Mortgage Backed Securities	20.3%	0.0%	19.2%	0.0%
Mortgage Backed Securities	10.2%	27.7%	13.8%	26.8%
Asset Backed Securities	6.2%	0.3%	8.9%	0.4%
Commercial Mortgage Backed Securities	4.5%	1.3%	3.4%	2.0%
Government Related Securities	0.9%	5.1%	1.2%	5.8%
Emerging Market Debt	1.3%	1.6%	0.6%	0.0%
Covered Bonds	0.0%	0.0%	0.0%	0.0%
Convertibles	0.0%	0.0%	0.0%	0.0%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Notes to the Financial Statements (continued)

For the Year ended 30 September, 2020 (expressed in United States Dollars)

3. Financial Risk Management (continued)

c) Portfolio Risk (continued)

Market Risk (continued)

iii. Price Risk (continued)

US Core Domestic Equity - Sector Concentrations

	2020		2019	
	US Core Equity Mandate	Russell 3000 Ex-Energy Index	US Core Equity Mandate	Russell 3000 Ex-Energy Index
Financials	13.2%	13.5%	18.5%	22.2%
Technology	27.5%	27.7%	22.9%	22.7%
Health Care	15.0%	14.9%	14.3%	13.7%
Consumer Discretionary	23.1%	22.6%	19.9%	15.1%
Producer Durables	9.1%	9.2%	10.8%	10.8%
Consumer Staples	6.3%	6.4%	7.0%	6.2%
Utilities	2.9%	2.9%	3.6%	5.8%
Materials & Processing	2.9%	2.8%	3.0%	3.5%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Non-US International Equity - Sector Concentrations

	2020		2019	
	Non-US International Equity Mandate	MSCI EAFE EX-Energy Index	Non-US International Equity Mandate	MSCI EAFE EX-Energy Index
Financials	13.8%	15.5%	16.8%	19.6%
Industrials	17.0%	15.6%	17.3%	15.5%
Consumer Staples	12.5%	12.3%	11.4%	12.7%
Consumer Discretionary	11.1%	12.2%	13.4%	12.1%
Health Care	15.5%	14.8%	12.8%	12.2%
Materials	9.5%	7.8%	7.2%	7.4%
Telecommunication Services	4.1%	5.6%	4.1%	5.6%
Real Estate	2.3%	3.1%	3.9%	3.8%
Information Technology	9.4%	8.9%	8.0%	7.1%
Utilities	4.8%	4.2%	5.1%	4.0%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Notes to the Financial Statements (continued)

For the Year ended 30 September, 2020 (expressed in United States Dollars)

3. Financial Risk Management (continued)

c) Portfolio Risk (continued)

Market Risk (continued)

iii. Price Risk (continued)

The table below summarizes the sensitivity of the Fund's net assets attributable to redeemable shares to equity price movements as at 30 September. The analysis is based on the assumption that the share price increased by 1% and decreased by 1%, with all other variables held constant, and that the fair value of the Fund's portfolio of equity securities moved according to their historic correlation with the price.

	Sep-20 $	Sep-19 $
Effect on net assets attributable to redeemable shares of a 1% increase/decrease in the share price	22,419,117	23,711,975

The table below summarizes the sensitivity of the Fund's net assets attributable to fixed income securities to fixed income price movements as at 30 September. The analysis is based on the assumption that interest rates increased by 25 basis points and decreased by 25 basis points, with all other variables held constant, and that the fair value of the Fund's portfolio of fixed income securities moved according to their historic correlation with the price.

	Sep-20 $	Sep-19 $
Effect on net assets attributable to fixed income securities of a 25 basis points increase/decrease in interest rates	8,734,618	9,838,766

Liquidity Risk

This is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

One of the strategic objectives of the Fund is the maintenance of sufficient liquidity to cover its obligations at short notice and in accordance with the Act. In order to meet this stated objective, the Fund holds a combination of cash and short term assets such as U.S. Treasury and agencies bills and notes, certificates of deposits and money market funds managed by the custodian with an AAAm rating containing eligible asset classes in accordance with the investment policy.

The Fund's investments in aggregate of any fixed income security must not exceed 5% of that security's outstanding par value.

The table below analyses the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date:

Notes to the Financial Statements (continued)

For the Year ended 30 September, 2020 (expressed in United States Dollars)

3. Financial Risk Management (continued)

c) Portfolio Risk (continued)

Liquidity Risk (continued)

	Less than 1 month	1-12 months	>12 months	Total
	$	$	$	$
Sep-20				
Non-derivative financial liabilities				
Investment purchased	371,346,585	109,527,754	-	480,874,339
Foreign currency purchased	284,943	-	-	284,943
Interest payable	-	2,833	-	2,833
Due to money market	540,094	-	-	540,094
Due to brokers	131	-	-	131
Accrued expenses	674,049	3,561,029	-	4,235,078
Other Payables	37,806,356	-	-	37,806,356
	410,652,158	**113,091,616**	**-**	**523,743,774**
Sep-19				
Non-Derivative Financial Liabilities				
Investment purchased	607,556,507	23,545,000	-	631,101,507
Foreign currency purchased	49,434,539	-	-	49,434,539
Interest payable	-	4,047	-	4,047
Due to money market	10,877,843	-	-	10,877,843
Accrued expenses	5,007,171	5,247	-	5,012,418
	672,876,060	**23,554,294**	**-**	**696,430,354**

The table below analyses the Fund's derivative financial instruments in a loss position.

	Less than 1 month	1-12 months	>12 months	Total
	$	$	$	$
Sep-20				
Derivative Financial Liabilities				
Credit default swap	212,578	54,035	-	266,613
	212,578	**54,035**	**-**	**266,613**
Sep-19				
Derivative Financial Liabilities				
Credit default swap	-	-	351,643	351,643
Interest rate swap	134,558	-	1,521,581	1,656,139
	134,558	**-**	**1,873,224**	**2,007,782**

Notes to the Financial Statements (continued)

For the Year ended 30 September, 2020 (expressed in United States Dollars)

3. Financial Risk Management (continued)

c) Portfolio Risk (continued)

Operational risk

This is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. It is managed through organisational policies, procedures and operational frameworks utilised by the Bank for management of the Fund. The internal and external processes for the Fund are similar to those which exist for management of the Official Reserves. These processes are tested and audited annually. The Bank strives to continually comply with international best practice.

4. Cash and Cash Equivalents

	Sep-20 $	Sep-19 $
Cash at bank	1,718,165	3,024,969
Cash at broker	11,345,092	12,360,879
US Government Money Market	309,257,185	71,095,263
	322,320,442	**86,481,111**
Net effect of exchange rate changes	10,053	10,968
	322,330,495	**86,492,079**

5. Financial Assets

	Sep-20 $	Sep-19 $
Fair value through profit or loss	5,736,076,491	6,317,013,624
	5,736,076,491	**6,317,013,624**
Financial Assets at fair value through profit or Loss		
Fixed income investments		
Cost	3,366,792,818	3,839,793,670
Net (Diminution)/Appreciation in Market Value	127,054,294	95,712,830
	3,493,847,112	**3,935,506,500**
Equity		
Cost	1,771,820,812	1,947,623,152
Net Appreciation in Market Value	470,090,856	423,574,309
	2,241,911,668	**2,371,197,461**
Financial Derivatives		
Cost	583,944	9,459,601
Fair Value Adjustments	(266,233)	850,062
	317,711	**10,309,663**
Total Financial assets at fair value through profit or loss	**5,736,076,491**	**6,317,013,624**

Notes to the Financial Statements (continued)

For the Year ended 30 September, 2020 (expressed in United States Dollars)

6. Fair Value of Financial Assets

(a) Debt and equity securities

	Sep-20		Sep-19	
	Fair value $	% of net assets	Fair value $	% of net assets
Total debt securities	3,493,847,112	61.00	3,935,506,500	62.96
Total equity	2,241,911,668	39.14	2,371,197,461	37.94
Total derivatives	317,711	0.01	10,309,663	0.01
Total Financial Assets	**5,736,076,491**	**100.15**	**6,317,013,624**	**100.91**

(b) Fair value hierarchy

Various methods are used in estimating the fair value of a financial instrument. The Fund classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making measurements.

The fair value of the Fund's investment securities is analysed by the fair value hierarchy below:

	Sep-20			
	Level 1 $	Level 2 $	Level 3 $	Total $
Financial Assets				
Asset Backed Securities	-	142,748,268	-	142,748,267
Collateralised Mortgage-Backed Securities (CMO)	-	166,437,673	-	166,437,673
Corporate Bonds	-	1,186,395,469	-	1,186,395,469
Government Issues	-	1,285,401,657	-	1,285,401,657
Mortgage Backed Securities	-	683,604,528	-	683,604,528
Municipals	-	29,259,518	-	29,259,518
Fixed Income	**-**	**3,493,847,112**	**-**	**3,493,847,112**
Common Stock	2,184,681,213	-	-	2,184,681,213
Depository Receipts	5,324,154	-	-	5,324,154
Preferred Stock	3,583,580	-	-	3,583,580
Rights	33,775	-	-	33,775
Real Estate Investment Trust	48,288,946	-	-	48,288,946
Equity	**2,241,911,668**	**-**	**-**	**2,241,911,668**
Credit Default Swaps	-	209,961	-	209,961
Interest Rate Swaps	-	107,750	-	107,750
Derivatives	**-**	**317,711**	**-**	**317,711**
Total Financial Assets	**2,241,911,668**	**3,494,164,823**	**-**	**5,736,076,491**

Notes to the Financial Statements (continued)

For the Year ended 30 September, 2020 (expressed in United States Dollars)

6. Fair Value of Financial Assets (continued)

(b) Fair value hierarchy (continued)

	Sep-19			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Financial Assets				
Asset Backed Securities	-	215,022,798	-	215,022,798
Collateralised Mortgage-Backed Securities (CMO)	-	158,389,590	-	158,389,590
Corporate Bonds	-	1,138,636,166	-	1,138,636,166
Government Issues	-	1,540,414,588	-	1,540,414,588
Mortgage Backed Securities	-	831,024,246	-	831,024,246
Municipals	-	52,019,112	-	52,019,112
Fixed Income	**-**	**3,935,506,500**	**-**	**3,935,506,500**
Common Stock	2,281,897,481	-	-	2,281,897,481
Depository Receipts	9,675,500	-	-	9,675,500
Preferred Stock	1,924,925	-	-	1,924,925
Rights	46,274	-	-	46,274
Real Estate Investment Trust	77,653,281	-	-	77,653,281
Equity	**2,371,197,461**	**-**	**-**	**2,371,197,461**
Credit Default Swaps	-	1,155,038	-	1,155,038
Interest Rate Swaps	-	1,999,321	-	1,999,321
Options	7,155,304	-	-	7,155,304
Financial assets at fair value through profit or loss	**7,155,304**	**3,154,359**	**-**	**10,309,663**
Total Financial Assets	**2,378,352,765**	**3,938,660,859**	**-**	**6,317,013,624**

Valuation techniques

Investment Securities included in Level 1
Exchange listed price or a broker quote in an active market.

Investment Securities included in Level 2
Where a security has ceased trading the last trade price or a broker quote in a non-active market is used. Additionally, securities closely related (e.g. when issued, fungible shares) where the security held is not trading but related security is traded.

Investment Securities included in Level 3
Security in which no indications or comparables are available and the company's financials/information or other market indicators are used to calculate valuation.

Notes to the Financial Statements (continued)

For the Year ended 30 September, 2020 (expressed in United States Dollars)

6. Fair Value of Financial Assets (continued)

(c) Transfers between fair value hierarchy levels

As at September 30, 2020, there were no transfers between the fair value valuation levels.

(d) Collateral

Securities pledged as collateral were as follows:

	Sep-20 $	Sep-19 $
Fixed Income	860,000	430,000
	860,000	**430,000**

7. Receivables and Prepayments

	Sep-20 $	Sep-19 $
Pending Trades	168,599,838	517,133,464
Interest Receivable	14,927,922	18,806,638
Dividends Receivable	4,404,966	4,448,034
Other Receivables	5,251,367	4,887,370
	193,184,093	**545,275,506**

Accounts receivable as at 30 September, 2020 include Pending Trades – Investments, and Foreign Currency sold in the amounts of USD168,316,361 and USD283,477 respectively which will subsequently be settled during the period October – November 2020.

8. Other Payables

	Sep-20 $	Sep-19 $
Pending Trades	481,159,282	680,536,046
Accruals	4,235,077	5,012,418
Other Payables	38,349,415	10,881,890
	523,743,774	**696,430,354**

As at 30 September, 2020 there were Pending Trades – Investments and Foreign Currency purchased of USD480,874,339 and USD284,943. Subsequent settlement will occur during the period October – November 2020.

Notes to the Financial Statements (continued)

For the Year ended 30 September, 2020 (expressed in United States Dollars)

9. Financial Liabilities

Financial liabilities at fair value through profit or loss

	Sep-20 $	Sep-19 $
Cost	294,183	1,513,104
Fair Value Adjustments	(27,570)	494,678
	266,613	**2,007,782**

10. Investment Income

	Sep-20 $	Sep-19 $
Interest Income		
Cash at bank	605	211
Financial assets at fair value through profit or loss	98,625,668	104,021,173
Amortisation of bond discount	4,297,185	8,145,926
Short term securities	643,889	2,499,416
	103,567,347	**114,666,726**
Dividend income	**52,511,631**	**65,135,232**
Fair value adjustments on financial assets and liabilities at fair value through profit or loss	77,219,562	99,127,605
Total	**233,298,540**	**278,929,563**

11. Investment Expenses

	Sep-20 $	Sep-19 $
Amortisation of bond premium	7,690,569	3,539,567
External managers' fees	11,919,779	11,805,286
Custodian's fees	999,555	812,279
External managers' expenses	68,351	214,340
Total	**20,678,254**	**16,371,472**

Notes to the Financial Statements (continued)

For the Year ended 30 September, 2020 (expressed in United States Dollars)

12. Asset Management Agreements

Under Section 10(1) of the Act, the Bank as Manager of the Fund is responsible for the management of the assets and other resources of the Fund.

The Act specifies that within the instrument of delegation, the Bank be paid a management fee which is a percentage of the Fund's market value agreed between the Board and the Bank. The management fee is exclusive of any custodian fees, broker fees, current account fees or any other third party fees that may accrue incidental to the management of the Fund.

13. Board and Other Expenses

Under Section 4(6) of the Act, the members of the Board shall be paid such remuneration and allowances as may be determined by the Minister of Finance. These expenses, along with other operating expenses of the Fund's Secretariat are met from the Consolidated Fund, and thus do not form a part of the Financial Statements of the Fund.

14. Capital Contributions

Capital contributions are calculated based on criteria set out under Sections 13(1) and 14 of the Act, (see Note 2 (n)). There were no capital contributions during the financial year ended September 30, 2020.

15. Withdrawals

Withdrawals from the Fund are made in accordance with the criteria set out Section 15 and 15A of the Act, (see note 2 (p)). For the financial year ended September 30, 2020, the amount of USD79,853,158 was withdrawn from the Fund under Section 15 and USD900,000,000 under Section 15A.