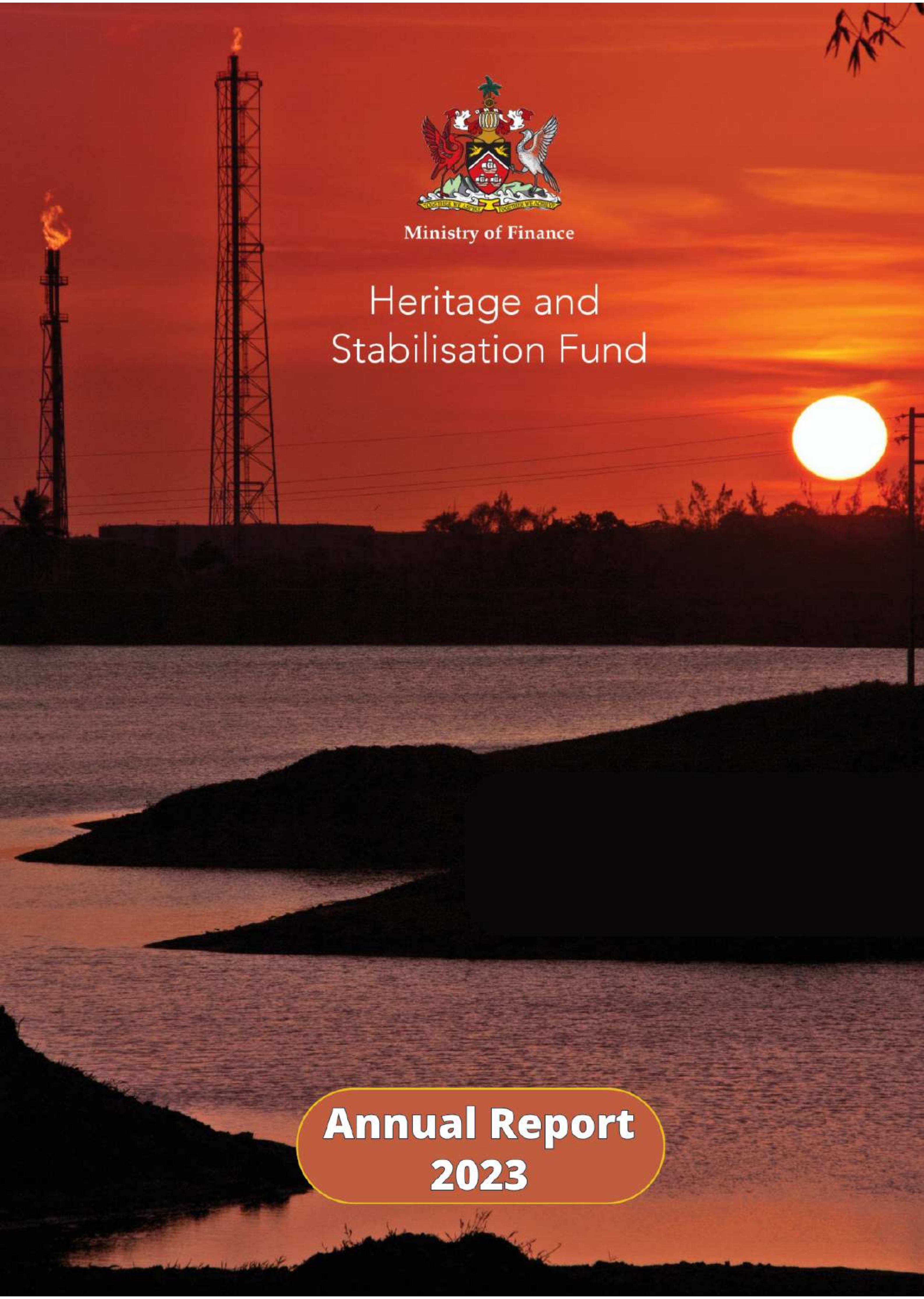

Ministry of Finance

Heritage and Stabilisation Fund

Annual Report 2023

HERITAGE AND STABILISATION FUND
2023 ANNUAL REPORT

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HERITAGE AND STABILISATION FUND ANNUAL REPORT 2023

CHAIRMAN'S FOREWORD

In Fiscal Year (FY) 2023, the Trinidad and Tobago Heritage and Stabilisation Fund (HSF) enjoyed a healthy recovery compared with the previous year, when international financial markets faced the largest sell-off in over three decades. While international oil prices remained at relatively elevated levels, a sharp decline in gas prices and continued structural fall in both oil and gas output resulted in a sizable shortfall in government energy revenues compared with budget estimates. Accordingly, the Fund did not benefit from a government transfer as occurred in FY 2022.

During FY 2023, the net asset value of the HSF rose by 10.6 per cent compared with a decline of 16.5 per cent in the previous year. The recovery of the HSF in 2023 was largely due to its strong returns from equity investments in both the US and non-US developed markets. Resulting from the delayed impact of monetary tightening by the US Federal Reserve and the two major European Central banks, there was a steady reduction in the rate of inflation, both in the United States and in Europe, though in neither case was the 2 per cent inflation target achieved. From a peak of 9.1 per cent in June 2022, headline inflation in the US, declined to 3 per cent by June 2023. In the United Kingdom and the Eurozone, inflation declined, although somewhat less dramatic, it was equally impressive (from a peak of 11.1 per cent to 6.7 per cent in the UK and from 10.1 per cent to 4.3 per cent in the Eurozone). The sharp reduction in inflation in these major markets served to stabilise financial markets by convincing investors that the prolonged period of interest rate hikes were at or close to the end and that a reversal in interest rates could be expected soon.

For the year as a whole, the HSF's US equity holdings, as measured by the Russell 3000 ex Energy index and its holdings of non-US developed market equities, as measured by the MSCI EAFE ex Energy index, surged by 20 and 25 per cent, respectively. The Fund's fixed-income holdings also made a positive, albeit much smaller, contribution to the net asset value of the HSF in FY 2023.

A few strategic and operational changes, introduced by the Board in FY 2022, also contributed greatly to the HSF's performance in FY 2023. Firstly, in the face of financial market uncertainty caused by the prolonged period of interest rate hikes, the HSF's holdings of fixed income assets, largely US Treasuries, were increased, at the cost of its equity holdings. In the more challenging market environment, the Board also took the opportunity to reallocate funds from the lesser to better performing equity managers. These changes served to increase the Fund's relative return from its equity mandates and stabilised its overall return performance.

Secondly, as the Board assessed global financial market conditions to be highly uncertain for most of FY 2022, a Government's transfer of roughly USD 346 million to the HSF, reflecting the surge in oil and gas prices during that year, was invested in short term USD fixed deposits rather than allocated to its investment mandates. This position, held for all of FY 2023, provided the HSF with a stable risk-adjusted return and helped to preserve the Fund's capital value.

In December 2023, the Board felt much more comfortable with the near term global market outlook and agreed to allocate the maturing USD fixed deposits to the Fund's US short Duration Fixed Income Mandate. The Board expects that this decision will not only improve return performance of the HSF but also its liquidity position and asset deviations from the approved SAA.

During 2023, an IMF Technical Assistance (TA) Mission visited Trinidad and Tobago to review the performance of the HSF and to make recommendations for changes in the Fund's structure and operations, given the major changes in the domestic and international environment that have taken place since the HSF was established in March 2007. The IMF TA Mission has submitted a preliminary report, which assesses the functioning of the HSF, against international best practices, in three areas viz the institutional setup and the investment process; the deposit and withdrawal rules and the HSF's role in the country's sovereign asset and liability management framework. The Government has been asked to provide comments on the draft report's recommendations before it could be finalised.

In 2021, the HSF Board and the Ministry of Finance had done a review of the Fund's Strategic Asset Allocation and had arrived at certain preliminary views on how the SAA, which has been in operations since 2011, could be altered in order to better fit the changes in global financial markets. Progress towards the finalisation and implementation of the new SAA was however interrupted by the COVID 19 pandemic, which had widespread fiscal consequences and triggered the need for an amendment to the HSF Act (Section 15A). The IMF's TA Report, when finalised, may serve as a convenient guide for a more comprehensive review of the HSF in 2024.

THE LEGAL AND GOVERNANCE FRAMEWORKS OF THE HSF

Legal Framework

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-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 HSF Act, as amended by Act No. 9 of 2020 (hereinafter called "the Amended Act"), assented to on March 26, 2020, inserted Section 15A ("Withdrawals in exceptional circumstances") in 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 is based on the production or price of crude oil or natural gas.

Deposit Rules

Sections 13 and 14 of the Act detail the conditions under which excess petroleum revenues must be deposited in the Fund. Section 14 states that a minimum of sixty (60) per cent of the total excess (difference between estimated and actual) 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. According to Section 13(4), deposits are to be made quarterly, no later than one (1) month following ending quarter dates of December, March, June and September.

Withdrawal Rules

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, subject to the following:

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

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

Governance Framework

The Parliament of Trinidad and Tobago

Parliament passed the enabling legislations (the Act and the Amended Act) and continues to have ultimate oversight of the Fund, which should be exercised through the review of the Act every five (5) years and through 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 thereby fostering transparency and accountability.

The Minister of Finance

The Minister of Finance (hereinafter referred to as "the Minister") advises the President on the appointment of the Board of Governors (hereinafter referred to as "the Board") in accordance with the Act, and is responsible for determining deposits to 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 no later than sixty (60) days from that withdrawal.

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

The Board of Governors

The Act provides that the Fund shall be governed by a Board, who, under Section 9, has the responsibility for the management of the Fund.

The Board has pursuant to Section 10 of the Act delegated its management responsibility to the Central Bank of Trinidad and Tobago (hereinafter, "the Central Bank"), which is responsible for the day-to-day management of the Fund. The Board decides on the investment objectives and approves the manner in which the funds are to be invested by the Central Bank.

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 Central 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 Central Bank.

BOARD OF GOVERNORS

Mr. Ewart Williams	**–**	**Chairman**
Dr. Alvin Hilaire	**–**	**Member**
Mrs. Suzette Lee-Chee	**–**	**Member**
Dr. Dorian M. Noel	**–**	**Member**
Mr. Bevan Narinesingh	**–**	**Member**
Ms. Sharon Mohammed	**-**	**Corporate Secretary to the Board**

THE BOARD REPORT

Annual Review of Operations

The Annual Report 2022 and the Audited Financial Statements for the period ending September 30, 2022 were presented to the Parliament in January 2023.

Deposits/Withdrawals to the Fund

During the FY 2023, there were no withdrawals from the Fund. However, the sum of approximately US$182.21 million was deposited into the HSF.

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 thirteen (13) Ordinary Meetings during the FY 2023.

Re-appointment of Governors

The Governor, Mr. Ewart Williams was re-appointed as member and Chairman to the Board for another 3-year term.

INVESTMENT REPORT

Executive Summary

At the start of the financial year 2023, elevated inflation and aggressive monetary policies in developed countries raised fears that these countries could not possibly avert a recession leading to a global downturn. In the first half of the financial year, however, moderation in inflation levels, deceleration in monetary policy actions, a resilient United States (US) economy and optimism over China's post-pandemic rebound helped boost sentiment and ease fears of a recession. In the second half of the year, as the effects of a slowdown in but still elevated price pressures and tighter monetary policies became more pronounced and China's recovery quickly lost momentum, the outlook on growth weakened. According to the International Monetary Fund's (IMF) October 2023 World Economic Outlook, growth in advanced economies is now projected to decelerate from 2.6 per cent in 2022 to 1.5 per cent in 2023 and remain subdued at 1.4 per cent in 2024. However, with the historic level of monetary tightening likely over and a cut in policy interest rates now expected, the market outlook has improved moderately.

Despite signs of moderation in inflation levels, most major central banks continued to increase interest rates albeit at a more measured pace in the first nine months of the financial year. The US Federal Reserve (Fed) raised interest rates six times from the start of the financial year to July 2023 and pivoted from its accelerated 75 basis points increase down to 25 basis points. Since July 2023, the Fed has held the policy rate steady to allow the US economy to absorb the effects of higher borrowing costs and to assess the trajectory of inflation. In total, the Fed funds rate increased by 2.25 per cent to close the financial year at a target range of 5.25 per cent to 5.50 per cent. Similar monetary actions were taken by the Bank of England (BoE) and European Central Bank (ECB). The BoE hiked its Bank rate seven times during the financial year to 5.25 per cent from 2.25 per cent while the ECB increased rates eight times, lifting its marginal lending rate from 1.50 per cent to 4.75 per cent.

Global equity markets began to recover from a tumultuous financial year 2022 with gains in the first quarter as investors cautiously weighed the announcements from major central banks that the pace of monetary policy tightening would slow on account of the signs that elevated inflation was cooling, raising the possibility of rate cuts in 2023. Strong corporate earnings and China's relaxation of its zero-COVID policy further boosted investors' sentiment in the quarter. However, monetary rate increases in the quarter meant the continuation of fixed income losses from the previous financial year. A resilient US economy, moderating inflation and deceleration in the pace of monetary tightening extended equity market gains well into the final quarter of the financial year and helped to push fixed income markets into positive territory. In the final months of the financial year, the bullish sentiment that boosted markets' performance during the year began to fade. Central banks' rate increases and "higher for longer" rate announcement shifted investors' near term view on rate cuts and slowing growth and property market problems in China weighed on financial markets. As a result, both global fixed income and equity markets posted a negative return in the final quarter of the financial year. The MSCI EAFE Equity Index and G7 Bonds (Hedged) fell 4.08 per cent and 2.33 per cent, respectively, in the final quarter. Adding the final quarter's performance to previous quarters, the MSCI EAFE returned 26.20 per cent for financial year and the G7 Bonds, 0.33 per cent.

Against this backdrop of reduced inflationary pressures, the Heritage and Stabilisation Fund (HSF) returned 10.59 per cent for the financial year 2023, partially recovering from the steep losses during the previous financial year, when the Fund declined by 16.52 per cent. Significant progress towards curtailing record high inflation, surprisingly durable economic activity and optimism that most major central banks were either at or approaching the end of their rate hiking cycle supported gains across both developed equity and fixed income markets. The Fund's positive performance was mainly driven by its equity investments, which returned 9.24 per cent, as stocks rallied in excess of 20 per cent. For the year, Russell 3000 ex Energy index and MSCI EAFE ex Energy index, the Fund's equity benchmarks, surged 20.21 per cent and 25.26 per cent, respectively. The HSF's fixed income investments (0.95 per cent return) and USD fixed deposits (0.29 per cent return) also added to returns. The broader US investment grade bond market as represented by the Bloomberg US Aggregate Bond index, the Fund's broad fixed income benchmark, earned 0.64 per cent (see Chart 10).

When compared to its SAA benchmark's return of 8.56 per cent, the Fund outperformed by 2.02 per cent (or 202 basis points) for the financial year (see Table 3). In aggregate, the Fund's relative asset weights and external managers' strategies were positive for performance over the period. Most notably, the Fund's overweight to US equities and USD fixed deposits, as well as active investment decisions within the Non-US Core International Equity mandate generated significant excess returns.

In December 2022, a government's contribution of US$182.2 million was made to the HSF in accordance with Section 14 of the HSF Act (2007) in respect of financial year 2022. Consistent with the Board's stance to reduce the downside risks to the Fund and similar to the treatment of the government's deposit made in September 2022, the contribution was held in USD fixed deposits. The Board continued to evaluate market conditions in order to determine the appropriate time to allocate the HSF's USD fixed deposit holding to its approved investment mandates. As at the end of September 2023, the Fund's Net Asset Value stood at US$5,390.2 million, up from US$4,712.4 million at the end of the previous financial year.

Fund Highlights

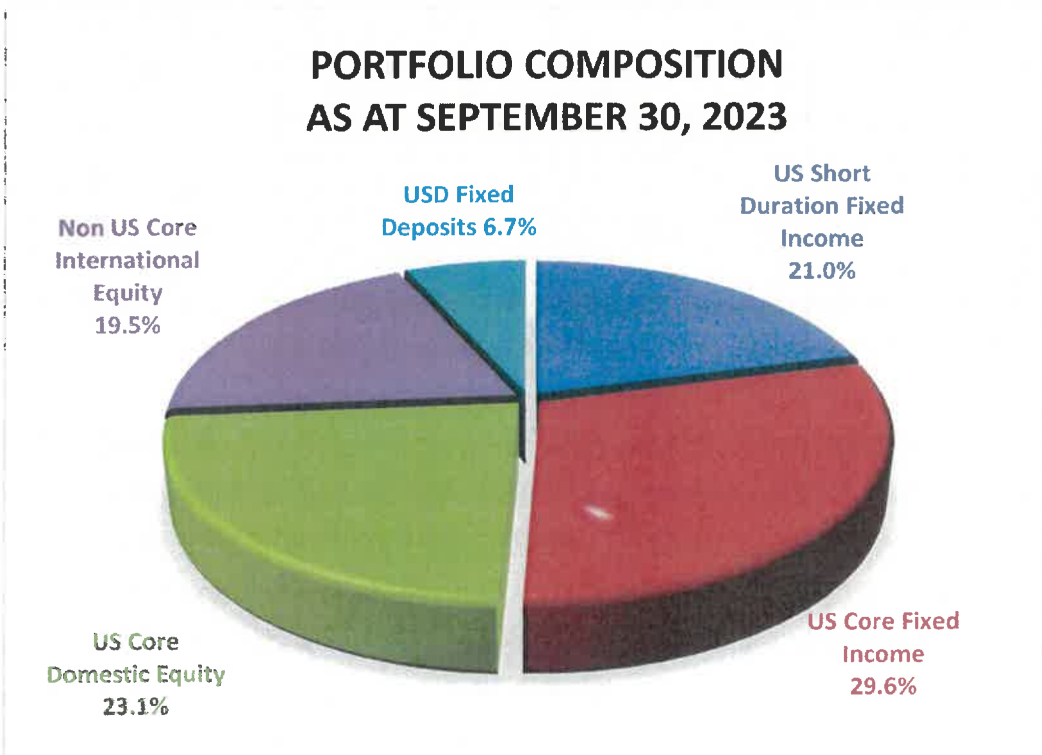
US$5,390.2 million
Net Asset Value (as at 30/09/2023)

US$2,900.8 million
Cumulative Contributions by the Government (as at 30/09/2023)

US$2,500.2 million
Cumulative Withdrawals by the Government (as at 30/09/2023)

10.59 per cent
1 Year Return to 30/09/2023

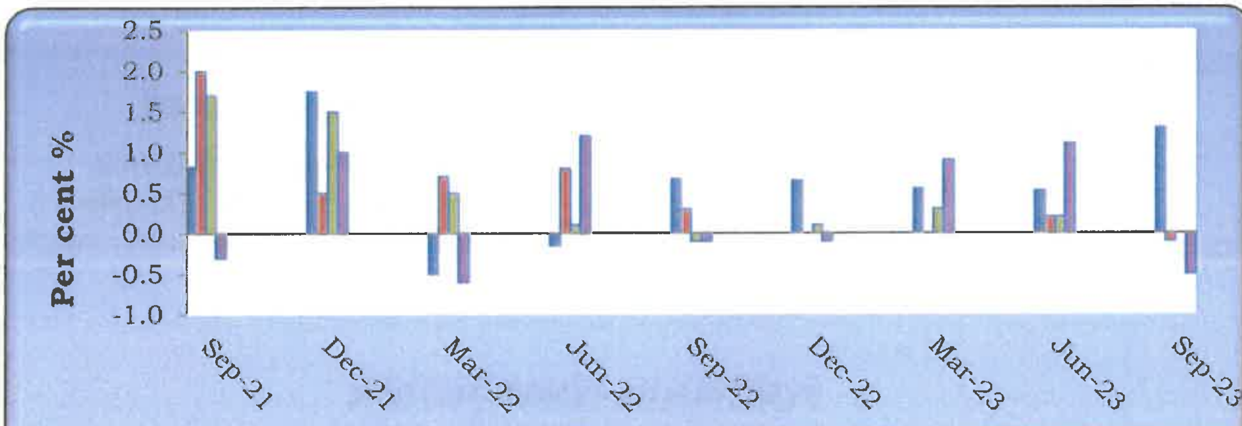
4.80 per cent
Since Inception Return to September 30, 2023 (annualised)



Macroeconomic Environment

Over the financial year 2023, economic growth in the US and the EURO Area was more resilient than anticipated (see Chart 1). Early in the period, indications that inflation had peaked in several key developed economies and optimism over China's post-pandemic rebound helped improve the growth outlook. In second half of the financial year, however, growth weakened as China's recovery quickly lost momentum due to headwinds from its indebted property market, geopolitical tensions and subdued global demand due to the effects of slowing but still elevated price pressures and tighter monetary conditions.

CHART 1
GDP Growth: Selected Developed Economies
(Quarter on Quarter)



	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23
US	0.8	1.8	-0.5	-0.2	0.7	0.7	0.6	0.5	1.3
Eurozone	2.0	0.5	0.7	0.8	0.3	0.0	0.0	0.2	-0.1
UK	1.7	1.5	0.5	0.1	-0.1	0.1	0.3	0.2	0.0
Japan	-0.3	1.0	-0.6	1.2	-0.1	-0.1	0.9	1.1	-0.5

Source: Bloomberg. Data for September 2023 are preliminary and may be subject to revisions.

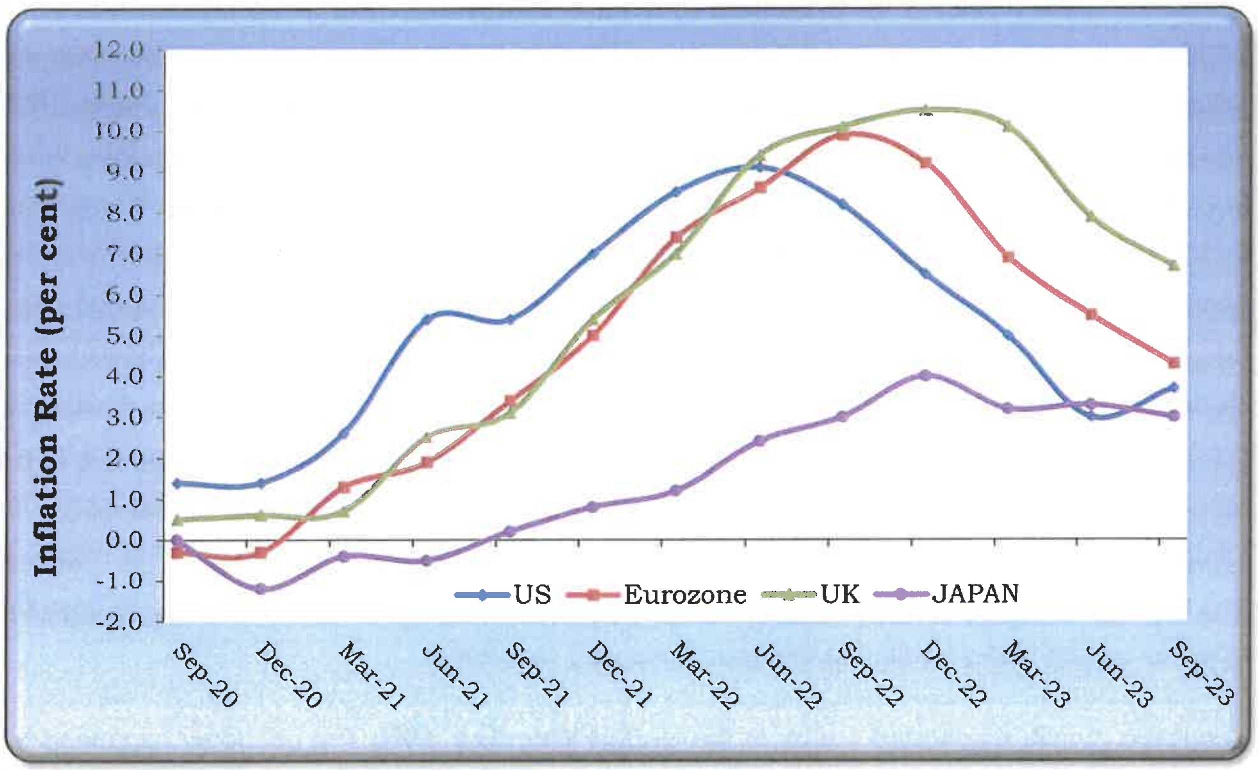
Despite signs of progress on the inflation front during the financial year, most major central banks continued to increase interest rates albeit at a more measured pace. Nonetheless, fears of deep downturn abated with hope that some countries could potentially avert a recession altogether. According to the International Monetary Fund's (IMF) October 2023 World Economic Outlook, growth in advanced economies is projected to decelerate from 2.6 per cent in 2022 to 1.5 per cent in 2023 and remain subdued at 1.4 per cent in 2024. There was a wide divergence at the country level. For 2023, output in the US and Japan is forecasted to increase by 2.1 per cent and 2.0 per cent, respectively, while Germany is anticipated to contract by 0.50 per cent. However, with the historic monetary tightening likely over as inflation falls faster than expected in closing months of 2023, growth outlook for 2024 has improved given the likelihood of a much earlier cut in monetary rates than initially anticipated.

In the **United States (US)**, gross domestic product (GDP) grew by 3.0 per cent over the financial year 2023, compared to 1.7 per cent during the prior year. The expansion was broad based with positive contributions from consumer and government expenditures as well as business investments. Solid job creation and strong wage growth alongside pandemic savings helped sustain household spending. Meanwhile, the infrastructure deal passed by Congress in 2021 supported a wide range of projects from renewable energy initiatives to the rebuilding of roads and bridges. An increase in the labour force participation rate resulted in the unemployment rate increasing to 3.8 per cent from 3.5 per cent one year earlier. The Consumer Price Index (CPI) declined to a low of 3.0 per cent in June before ending the financial year at 3.7 per cent, down from 8.2 per cent twelve months earlier (see Chart 2). With inflation still above its 2.0 per cent target, the Fed continued to raise its federal funds rate but slowed the pace significantly over the financial year. Following an outsized 75 basis point increase in November 2022, the Fed lifted rates by 50 basis points in December and further reduced the size of its hikes to 25 basis points starting in February 2023. After its tenth consecutive rate increase in May, the FOMC decided to pause in June before raising rates once again in July. This brought the Fed funds rate to a target range of 5.25 per cent to 5.50 per cent which the Fed maintained in September 2023. To complement its monetary policy actions, the central bank proceeded to decrease its US Treasury and agency mortgage-backed security holdings by $95.0 billion per month, shrinking its balance sheet to around US$8.0 trillion at the end of financial year 2023.

Economic growth moderated further in the **United Kingdom (UK).** The economy expanded by 0.6 per cent in the twelve months to September 2023 from 2.1 per cent during the prior period. Following several leadership changes within the Conservative Party, the appointment of Rishi Sunak as Prime Minister in October 2022 helped to restore stability to the country's political and economic landscape. Early in the financial year, service sector activity was initially supported by strong spending on hospitality, travel and leisure while order backlogs and the further easing of supply chain shortages sustained manufacturing output. These effects quickly faded as mounting headwinds from persistently elevated inflation levels and the cumulative effects of higher interest rates constrained demand. Meanwhile, public sector strikes detracted from sectors such as education and health care. The CPI peaked at 11.1 per cent in October 2022 before declining to

6.7 per cent in September 2023. Strong wage growth helped to cushion the rising cost of living. Despite an uptick in the unemployment rate to 4.2 per cent[1], salaries excluding bonuses rose 7.7 per cent in the three months to September from 5.7 per cent one year prior. For the period, the BoE hiked rates seven times to bring its Bank Rate to 5.25 per cent from 2.25 per cent. The central bank raised rates by 75 basis points in November 2022 but subsequent rate increases ranged between 25 basis points to 50 basis points as policymakers contended with uneven progress on the inflation front. In September 2023, officials announced plans to further shrink the Bank's balance sheet by £100.0 billion per year from £80.0 billion.

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



Source: Bloomberg

The **Eurozone (EZ)** economy struggled over the financial year 2023 but managed to narrowly avoid a recession as growth stalled at 0.1 per cent when compared to an expansion of 2.4 per cent during the previous twelve months. Similar to the US and UK, headwinds from inflation and restrictive financial conditions weakened overall demand. Lingering challenges from the Russia-Ukraine war which highlighted vulnerabilities in food and energy security further hindered

[1] Office for National Statistics alternative estimate of UK unemployment utilised for July to September 2023.

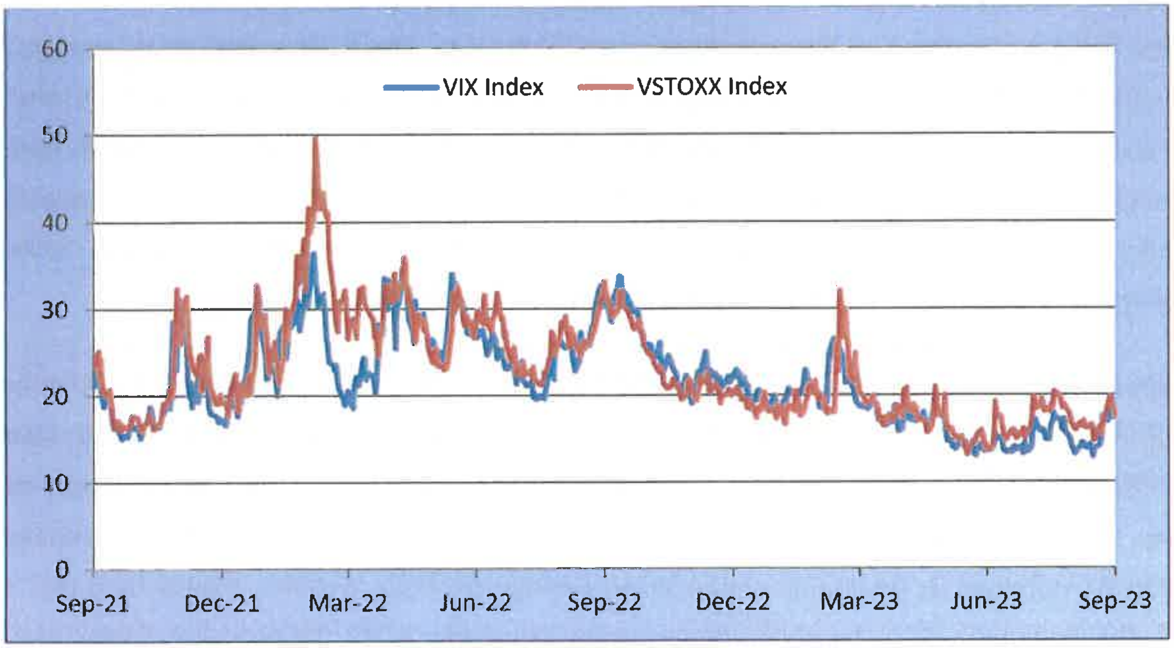
economic growth. The largest member state, Germany, grappled with a near recession as its large industrial sector faltered amid weak export activity. Meanwhile, a strong tourism season helped boost service sector activity in the region. Inflation reached a high of 10.6 per cent in October 2022 but decelerated over the year to end at 4.3 per cent. The ECB increased rates eight times for the financial year, lifting its marginal lending rate from 1.50 per cent to 4.75 per cent. Policymakers moved from a 75 basis points increase in October 2022 to 50 basis points in December and pared it further to 25 basis points in May 2023. The ECB concluded reinvestments under its Asset Purchase Programme in July and pledged to maintain its holdings under the Pandemic Emergency Purchase Programme until at least the end of 2024.

Japan's GDP increased by 1.2 per cent following an expansion of 1.4 per cent in the prior period. The removal of travel restrictions led to a revival of its tourism industry with foreign investors driving demand for a wide range of goods and services. Automaker production and car exports also improved amid easing supply chain disruptions. Meanwhile, consumer spending was relatively subdued as the higher cost of living strained finances. Inflation climbed to a high of 4.3 per cent in January 2023 but moderated over the remainder of the financial year to end at 3.0 per cent. The BoJ maintained its accommodative stance and kept its short-term interest rate at -0.10 per cent and its 10-year bond yield target at 0.0 per cent. The Bank incrementally adjusted its yield curve control by widening the upper limit to 1.0 per cent from 0.50 per cent. In November 2023, the government announced stimulus measures totalling around ¥17 trillion which included a combination of tax cuts and extended energy subsidies to assist households, as well as incentives to spur business investment and wage growth.

Financial Market Review

Over the financial year, volatility declined as uncertainties stemming from the Russia-Ukraine war largely abated while stronger than expected economic data together with progress on the inflation front further aided investors' sentiment. Nonetheless, there were brief periods of heightened anxiety over the period arising from the swift collapse of several US banks in March, another contentious debt ceiling debate in Washington and shifting monetary policy expectations. Overall, the US Chicago Board Options Exchange Volatility Index (VIX), a proxy of investor anxiety, averaged 19.27 points for the financial year down from 24.08 points over the prior period (see Chart 3). Similarly, Europe's Euro Stoxx 50 Volatility Index (VSTOXX) fell 6.67 points to average 19.54 points for the twelve months ending September 30, 2023.

Chart 3
Implied Financial Market Volatility (in Points)



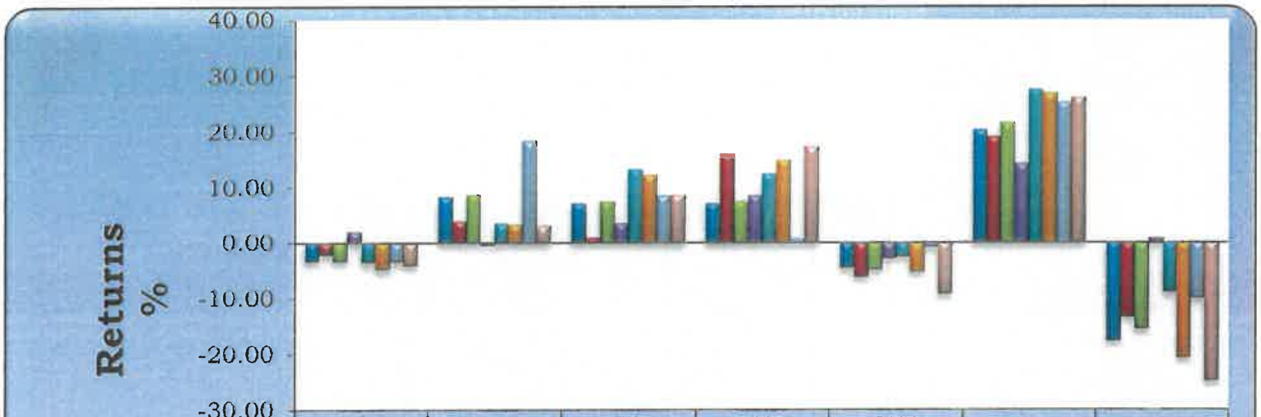
Source: Bloomberg

Developed equity markets recovered from steep losses over financial year 2022 as stocks recorded solid gains over the first three quarters of financial year 2023 before retreating towards the end of the period. Optimism over China's relaxation of its zero-Covid policy and the lower likelihood of a deep downturn helped lift equities. Meanwhile, progress on the inflation front fostered hope that policy interest rates would not need to increase as high as initially anticipated. However, slowing economic activity, an uptick in energy prices and indications from several major central banks that interest rates would likely remain elevated for longer lead stock markets lower during the final quarter of financial year 2023.

In the US, the S&P 500 index gained 21.59 per cent (refer to Chart 4). Risk sentiment improved with signs of easing inflation and the Fed's slower pace of tightening. Large technology companies benefitted from enthusiasm surrounding advancements in generative artificial intelligence while robust consumer demand bolstered retailers and the hospitality industry. Unexpected extended production cuts from Saudi Arabia and Russia fuelled fears of a supply shortfall. The uptick in oil prices towards the end of the financial year helped support energy company valuations. West Texas Intermediate Oil closed September at $90.79 per barrel from a low of $66.74 per barrel in March 2023.

Non-US developed equity markets, as measured by the MSCI EAFE index, surged 26.2 per cent when measured in US dollars (see Chart 4). Fears of a deep recession largely abated as Europe's economy appeared to withstand the headwinds from the Russia-Ukraine war, high inflation and interest rates better than expected. In the UK, the FTSE 100 index rallied 14.36 per cent while Germany's DAX index soared 27.01 per cent, despite the downturn in its manufacturing sector. At the same time, Japan's Nikkei 225 index rose by 25.33 per cent alongside durable corporate profits and the positive impact of a weaker Yen on exports.

Chart 4
Total Returns on Selected Equity Indices (In Per Cent)

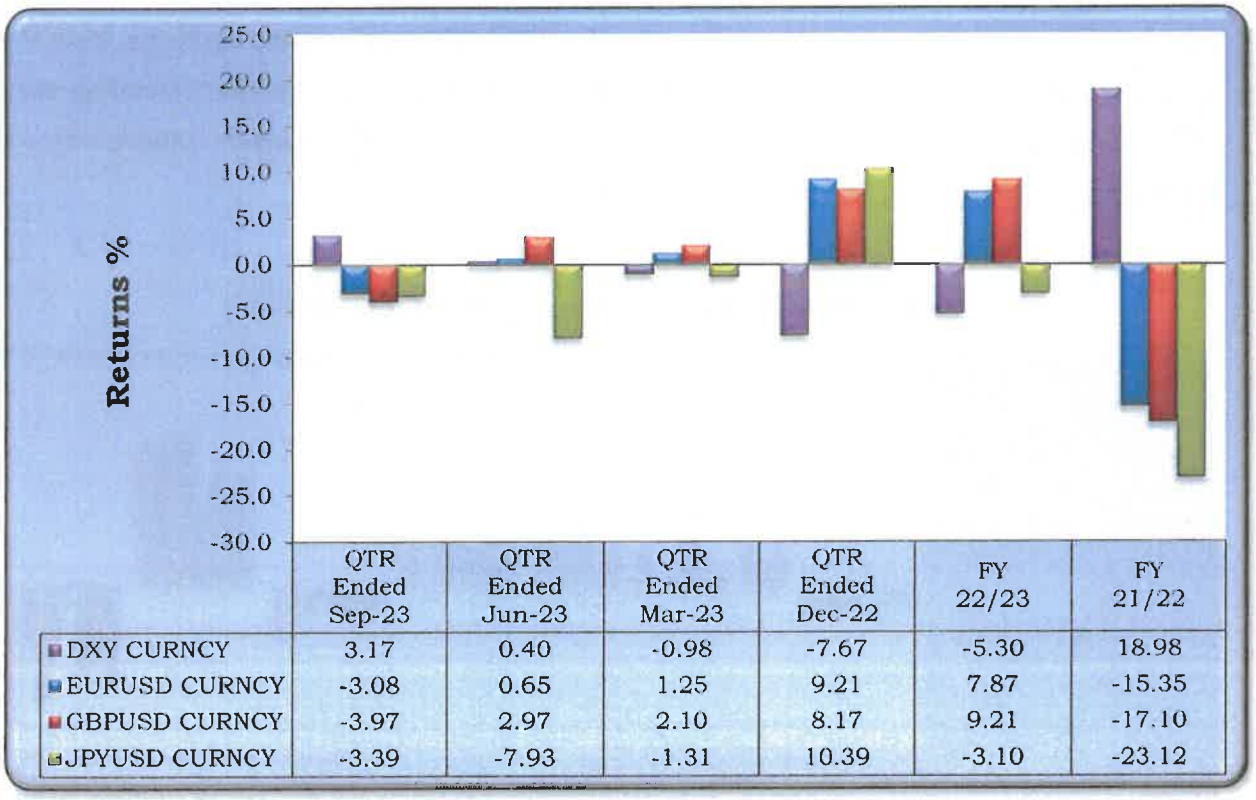


	QTR Ended Sep-23	QTR Ended Jun-23	QTR Ended Mar-23	QTR Ended Dec-22	QTR Ended Sep-22	FY 22/23	FY 21/22
Russell 3000	-3.25	8.39	7.17	7.17	-4.47	20.43	-17.64
Dow Jones	-2.10	3.97	0.93	16.01	-6.17	19.18	-13.40
S&P 500	-3.27	8.74	7.48	7.55	-4.89	21.59	-15.49
FTSE 100 - UK	2.05	-0.42	3.55	8.68	-2.80	14.36	0.78
CAC 40 - France	-3.43	3.54	13.39	12.57	-2.50	27.62	-8.95
DAX 30 - Germany	-4.71	3.32	12.25	14.93	-5.24	27.01	-20.62
Nikkei 225 - Japan	-3.34	18.49	8.59	0.77	-0.80	25.33	-10.00
MSCI EAFE	-4.08	3.17	8.64	17.38	-9.29	26.20	-24.79

Source: Bloomberg

Following significant appreciation during the prior period, the US dollar weakened modestly over the financial year with the Dollar Spot Index (DXY) falling by 5.30 per cent (see Chart 5). The ECB's and BoE's cumulative rate hikes for the period exceeded that of the Fed. This helped to strengthen the Euro and British Pound which gained 7.87 per cent and 9.21 per cent, respectively, against the US dollar. In the UK, a relatively stable political landscape following a series of leadership changes during the previous period also supported the currency. Meanwhile, widening policy divergence drove the Japanese Yen to depreciate 3.10 per cent versus the US dollar.

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

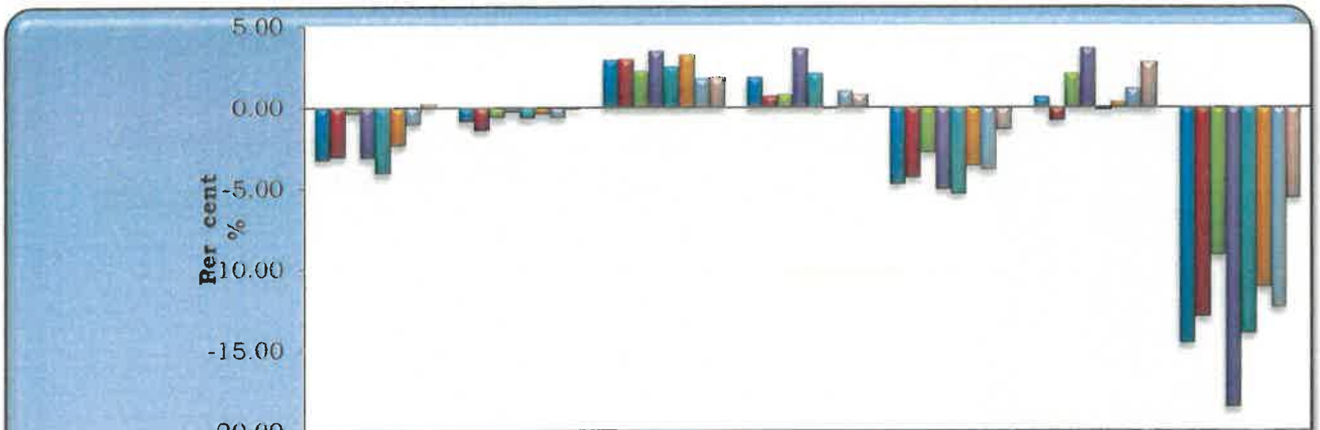


	QTR Ended Sep-23	QTR Ended Jun-23	QTR Ended Mar-23	QTR Ended Dec-22	FY 22/23	FY 21/22
DXY CURNCY	3.17	0.40	-0.98	-7.67	-5.30	18.98
EURUSD CURNCY	-3.08	0.65	1.25	9.21	7.87	-15.35
GBPUSD CURNCY	-3.97	2.97	2.10	8.17	9.21	-17.10
JPYUSD CURNCY	-3.39	-7.93	-1.31	10.39	-3.10	-23.12

Source: Bloomberg

The broader US fixed income market, as represented by the Bloomberg US Aggregate Bond index, returned 0.64 per cent (see Chart 6). Relatively higher coupon income helped to mitigate the negative price impact from rising interest rates. The US Corporate Bond sub-sector outperformed the broader index, earning 3.65 per cent with solid fundamentals supporting narrower credit spreads. In the securitised sector, Mortgage-Backed Securities (MBS) lost 0.17 per cent as credit spreads widened amid lower demand from banks and the Fed. At the same time, notwithstanding concerns about specific segments of the real estate market such as office properties, Commercial Mortgage-Backed Securities (CMBS) advanced 1.19 per cent.

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



	QTR Ended Sep-23	QTR Ended Jun-23	QTR Ended Mar-23	QTR Ended Dec-22	QTR Ended Sep-22	FY 22/23	FY 21/22
Bloomberg US Aggregate	-3.23	-0.84	2.96	1.87	-4.75	0.64	-14.60
US Treasury	-3.06	-1.38	3.00	0.72	-4.35	-0.81	-12.94
Agencies	-0.38	-0.60	2.26	0.82	-2.77	2.09	-9.14
US Corporate	-3.09	-0.29	3.50	3.63	-5.06	3.65	-18.53
US MBS	-4.05	-0.64	2.53	2.14	-5.35	-0.17	-13.98
G7 Bonds (Hedged)	-2.33	-0.40	3.25	-0.11	-3.60	0.33	-11.12
US CMBS	-1.02	-0.60	1.81	1.02	-3.85	1.19	-12.38
US ABS	0.25	-0.12	1.86	0.81	-1.34	2.81	-5.61

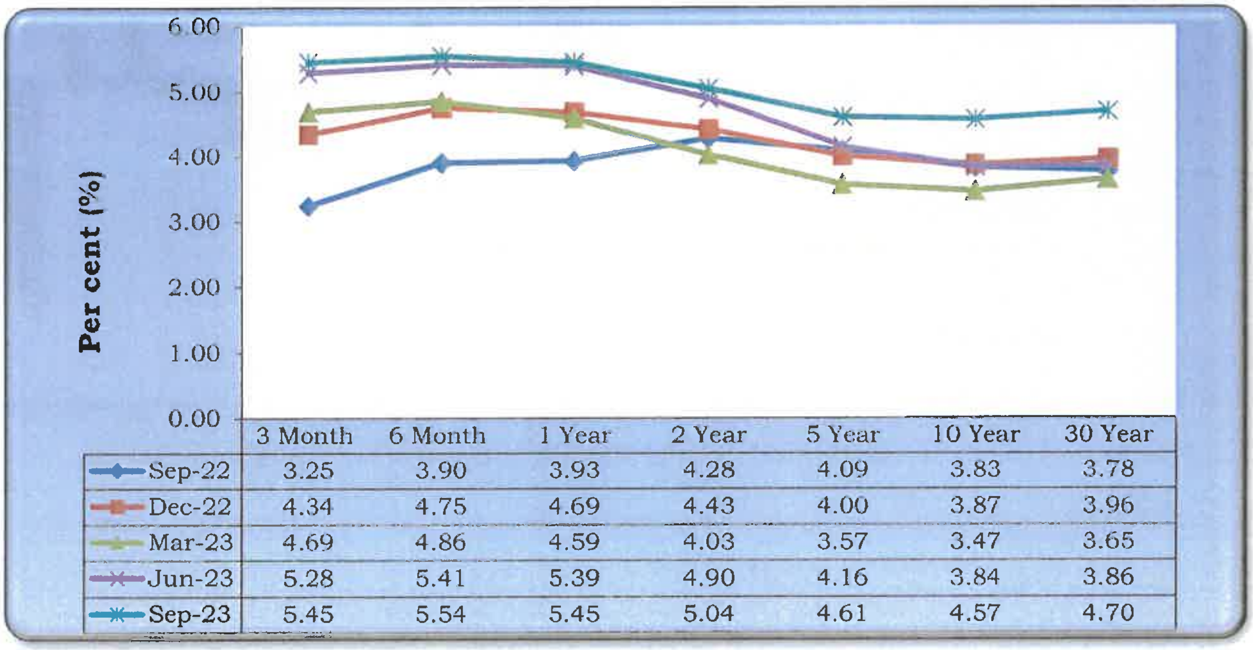
Source: Bloomberg

US treasury yield movements over the year remained volatile as investors re-evaluated monetary policy expectations taking into consideration the latest communication from policymakers and incoming economic data. For the year, yields rose but the increase was more measured when compared to the previous twelve months. The 2-year yield added 76 basis points to 5.04 per cent while the 10-year ended 74 basis points higher at 4.57 per cent (see Chart 7).

Similarly, non-US developed sovereign bond yields increased over the financial year reflecting the further tightening of financial conditions (see Table 1). In the UK, the 10-year gilt yield initially declined following the appointment of the country's third prime minister in less than two months in October 2022. However, yields quickly resumed their trend higher alongside the BoE's plans for additional rate hikes. For the year, the 10-year gilt yield added 35 basis points to 4.44 per cent.

Meanwhile, Japan's 10-year government bond rose 52 basis points to 0.76 per cent as the BoJ employed a more flexible approach to its yield curve control.

Chart 7
Us Treasury Yield Curve (in Per Cent)



Source: Bloomberg

Table 1
G-7 Government 10-Year Yields

Country	Government 10-Year Yields (in Per Cent)		Change (Basis Points)
	Sep 2022	Sep 2023	
US	3.83	4.57	74
UK	4.08	4.44	35
France	2.72	3.40	68
Germany	2.11	2.84	73
Italy	4.51	4.78	27
Canada	3.17	4.02	85
Japan	0.24	0.76	52

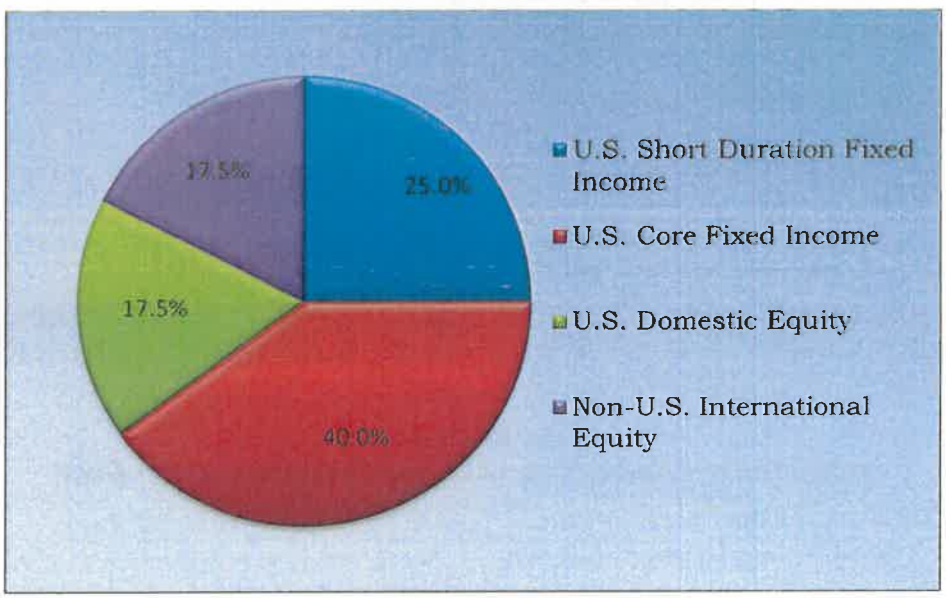
Source: Bloomberg

Strategic Asset Allocation of the HSF

a) Approved Strategic Asset Allocation

Chart 8 below shows the strategic asset allocation (SAA) of the HSF, approved by the HSF's Board in 2007. In September 2022, a Section 14 contribution to the HSF for financial year 2022 was held in USD fixed deposits as the Board took a tactical decision to mitigate risks to the HSF in light of prevailing high market uncertainty. An additional contribution in December 2022 was also held in USD fixed deposits as market outlook was assessed by the Board still to be uncertain.

Chart 8
The Fund's Strategic Asset Allocation



b) Portfolio Composition

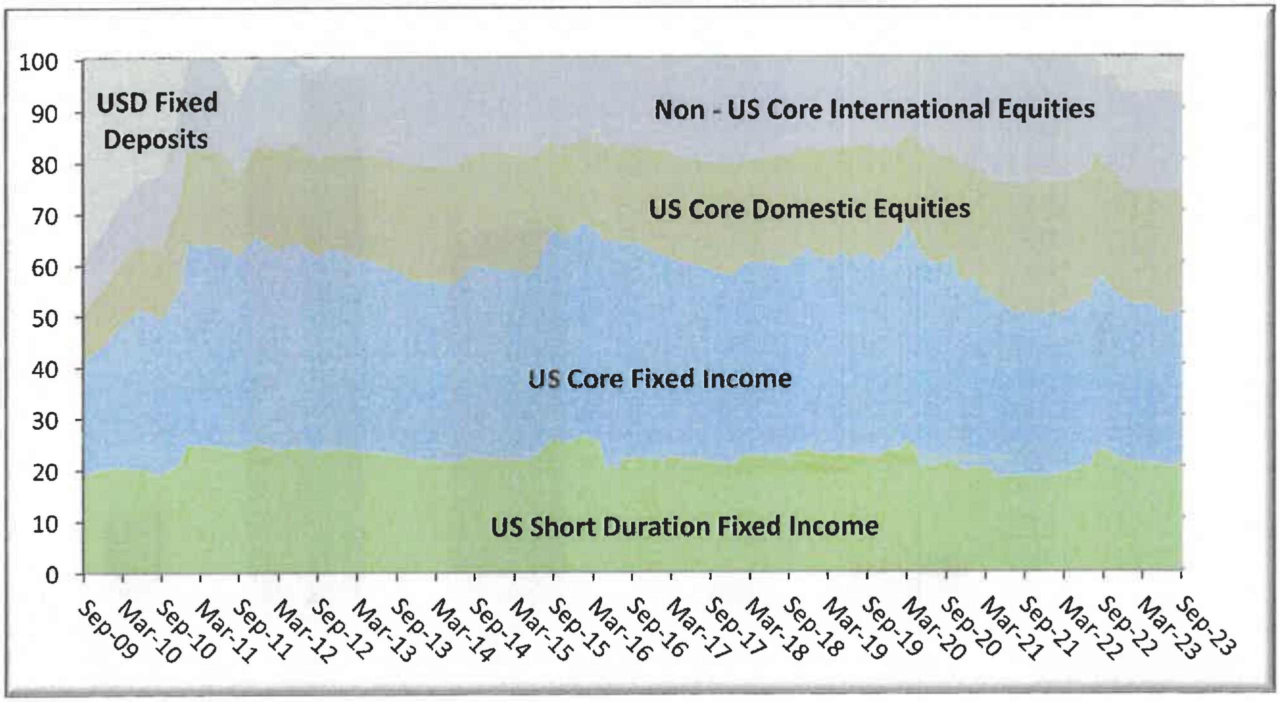
The Fund's portfolio composition over the financial year 2023 is shown in Table 2 and Chart 9. During the financial year ended September 2023, changes in the mandate weights stemmed from fluctuations in the market values of the HSF's assets as well as the Board's decision to hold the government's contribution of roughly US$182.0 million made to the HSF in December 2022 in USD fixed deposits. The Board's decision was consistent with the treatment of the government's contribution made to the HSF in September 2022, which was to limit overall losses of the HSF during periods of market uncertainty by holding contributions in USD fixed deposits rather than the approved investment mandates. When combined, these factors increased the size of the overall underweight to fixed income securities and corresponding overweight to equities and USD fixed deposits. At the mandate level, the US Core Domestic Fixed Income mandate held the largest underweight position of 10.35 per cent while USD fixed deposits had the largest overweight position of 6.68 per cent (see Table 2). The Board continued to evaluate market conditions and reassess its capital market expectations to determine the appropriate asset mix for the HSF and a suitable time to allocate the funds held in USD fixed deposits to the HSF's investment mandates.

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

			Dec-22	Mar-23	Jun-23	Sep-23
	Asset Class	***Target Weight SAA***	***Actual % of Fund***	***Actual % of Fund***	***Actual % of Fund***	***Actual % of Fund***
Portfolio Weights	US Short Duration Fixed Income	25.00	21.77	21.15	20.47	21.04
	US Core Domestic Fixed Income	40.00	31.38	30.83	29.88	29.65
	US Core Domestic Equity	17.50	21.48	22.10	23.41	23.11
	Non-US Core International Equity	17.50	18.62	19.40	19.81	19.52
	USD Fixed Deposits	0.00	6.75	6.52	6.43	6.68

Totals may not sum to 100 due to rounding.

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



c) Fund Value

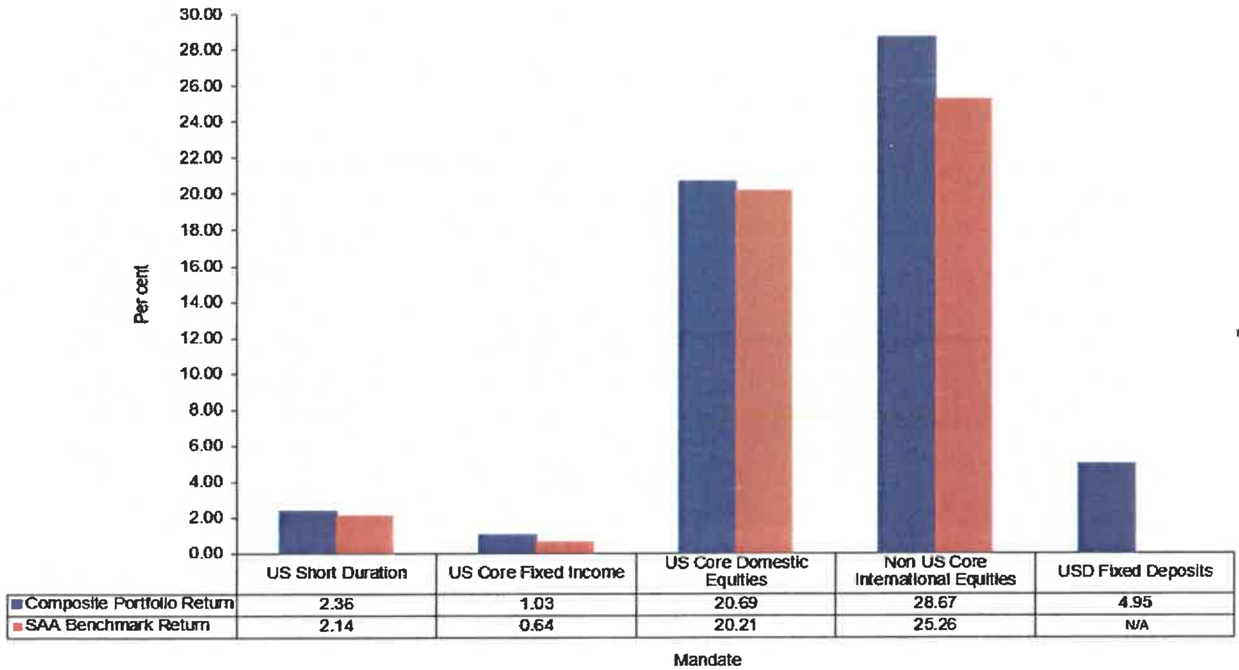
The total net asset value of the Fund as at September 30, 2023 was **US$5,390.2 million**, compared with US$4,712.4 million at the end of September 2022. Of this total, the Investment Portfolio was valued at US$5,390.1 million, while the remaining portion (US$0.1 million) was held in an operating cash account to meet the day-to-day expenses that arise from the management of the Fund. A deposit of US$182,213,277.60 was made on December 23, 2022 in accordance with Section 14 of the HSF Act (2007) for financial year 2022.

Portfolio Performance of the Investment Portfolio

The Fund's Investment Portfolio returned 10.59 per cent for the financial year 2023, partially recovering from a decline of 16.52 per cent during the prior year. The strong rebound in stock markets was the main driver of the Fund's positive performance. For the year, the Russell 3000 ex Energy Index and MSCI EAFE ex Energy Index rallied 20.21 per cent and 25.26 per cent, respectively. Exposure to fixed income investments were also accretive, with the broad US bond market, as represented by the Bloomberg US Aggregate Bond index, earning 0.64 per cent (see Chart 10).

Chart 10

Absolute Returns by Investment Mandate for the FY 2023 (in Per Cent)



When compared to its SAA benchmark composite return of 8.56 per cent, the Fund outperformed by 2.02 per cent (or 202 basis points) for the financial year (see Table 3). In aggregate, the Fund's relative asset weights and external managers' strategies were positive over the period. Most notably, the overweight to US equities and USD fixed deposits, as well as active investment decisions within the Non US Core International Equity mandate generated significant contributions to excess returns.

Table 3
Contribution to Portfolio Return for the FY 2023 (in Per Cent)

	Beginning Portfolio Weights 30-Sep-22	Portfolio Weighted Return	Benchmark Weighted Return
COMPOSITE PORTFOLIO	**100.00**	**10.59**	**8.56**
US Short Duration Fixed Income	23.54	0.52	0.54
US Core Fixed Income	33.62	0.43	0.31
US Core Domestic Equity	21.94	4.37	3.47
Non US Core International Equity	17.44	4.87	4.25
USD Fixed Deposits	3.46	0.29	--

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

On an absolute basis, the **Equity** portion of the Fund generated strong performance during the financial year, with both the US Core Domestic Equity and Non US Core International Equity mandates delivering double-digit gains. As at the end of September 2023, the value of the equity mandates increased to US$2,297.70 million from US$1,855.07 million one year earlier.

The **US Core Domestic Equity** portfolio rose by 20.69 per cent. This compares with return of 20.21 per cent for its benchmark, the Russell 3000 ex Energy Index. The mandate's outperformance was mainly due to strategies that tilted the portfolio towards value stocks with quality earnings yield. Within the sectors, this resulted in positive contributions from security selection in Consumer Discretionary, Industrials and Technology.

The **Non US International Equity** portfolio rallied 28.67 per cent and exceeded its benchmark, the MSCI EAFE ex Energy Index, which returned 25.26 per cent. Stock selection was the main driver of outperformance with strong active returns in Japan, the UK and Germany. Collectively, country and currency positioning further augmented performance.

The **Fixed Income** portion also contributed to the Fund's positive total return as higher starting interest income levels helped to cushion the negative price impact from rising yields. As at the end of September 2023, the combined net asset value of the fixed income mandates was US$2,732.25 million up from US$2,693.05 million at the end of the previous financial year.

The **US Core Domestic Fixed Income** mandate increased by 1.03 per cent, compared with a return of 0.64 per cent for its benchmark, the Bloomberg US Aggregate Bond Index. This outperformance of 39 basis points was driven by interest-rate strategies as well as cross-sector and security positioning. Overweight exposure to and credit selection within the investment grade corporate bond sector enhanced returns and offset negative contributions from excess allocations to the Commercial Mortgage-Backed Securities sector.

The **US Short Duration Fixed Income** mandate grew by 2.36 per cent over the financial year. The mandate outperformed its benchmark, the ICE Bank of America 1-5 year US Treasury Index, by 22 basis points. Excess returns resulted from the portfolio's short duration position and allocation to high-quality non-US developed government and agency bonds.

The holding of **USD fixed deposits** earned 4.95 per cent with the average deposit rate increasing over the period. The value of the deposits as at September 30, 2023 was US$360.1 million compared to US$163.0 million as at the end of the previous financial year. This increase was mainly due to the Board's decisions to hold the roughly US$182.0 million government's contribution received in December 2022 in USD fixed deposits.

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.

(a) 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.

(b) 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.

(c) 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 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 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, 2023.

Table 4
Weighted Average Duration (in Years)

Mandate	Portfolio	Benchmark
US Short Duration	**2.62**	**2.57**
US Core Domestic Fixed Income	**6.17**	**6.15**

(d) 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 (in Per Cent)

Currency	September 2023
United States Dollar	80.92
Euro	6.98
Japanese Yen	5.28
British Pound	2.20
Swiss Franc	1.55
Australian Dollar	0.80
Hong Kong Dollar	0.30
Danish Krone	0.98
Swedish Krona	0.79
Singapore Dollar	0.04
Canadian Dollar	0.10
Israeli Shekel	0.05
Norwegian Krone	-
New Zealand Dollar	-
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)
September 30, 2021	5,463,893,835	624,178,449	4,002,337,140	(892,714,533)
September 30, 2022	4,712,444,758	(913,456,918)	3,088,880,222	163,994,499
September 30, 2023	5,390,162,369	494,627,143	3,583,507,365	182,213,278

APPENDIX II

HSF Portfolio
Historical Performance since Inception

Financial Year End	Financial Year Return			Annualised Return Since Inception		
	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
September 2021	11.75	8.75	299.80	6.05	5.44	61.82
September 2022	-16.52	-15.49	-103.41	4.43	3.95	48.73
September 2023	10.59	8.56	202.68	4.80	4.22	57.61

Note * these returns are for the period March 2007 to September 2007.

(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) 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) 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%).

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 2023

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 2023

OPINION

The Financial Statements of the Heritage and Stabilisation Fund (the Fund) for the year ended 30 September 2023 have been audited. The statements as set out on pages 1 to 36 comprise a Statement of Financial Position as at 30 September 2023, a Statement of Comprehensive Income, a Statement of Changes in Equity and a Statement of Cash Flows for the year ended 30 September 2023 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 2023 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 the principles and concepts of International Standards of Supreme Audit Institutions (ISSAIs). 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.

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

4. 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.

5. 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.

6. 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

7. 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 (the Act).

8. 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 of users taken on the basis of these Financial Statements.

9. As part of an audit in accordance with the principles and concepts of ISSAIs, 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.

10. 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

11.1 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.'

11.2 Sections 13 (2) and 13 (4) of the Act state:

"(2) The deposits referred to in subsection (1) shall be made no later than the end of the month following the quarter in respect of which the deposit was calculated."

"(4) For the purposes of this section "quarter"means a three-month period ending December 31, March 31, June 30 and September 30."

11.3 A deposit to the Fund of US$182,213,278.00 was made on 23rd December 2022. This deposit related to the quarter July to September 2022 and the date of calculation provided by the Ministry of Finance was 26th October 2022.

11.4 The timing of the deposit of US$182,213,278.00 is in contravention of the requirements of the Act.

29TH NOVEMBER, 2023
PORT OF SPAIN

JAIWANTIE RAMDASS
AUDITOR GENERAL

HERITAGE AND STABILISATION FUND OF THE REPUBLIC OF TRINIDAD AND TOBAGO

FINANCIAL STATEMENTS
for the year ended 30 September 2023

Heritage and Stabilisation Fund of the Republic of Trinidad and Tobago

Statement of Financial Position
as at 30 September 2023
(Expressed in United States Dollars)

	Notes	Sep-23 $	Sep-22 $
ASSETS			
Current assets			
Cash and cash equivalents	4	446,748,930	341,673,017
Financial assets	5,6	5,009,976,859	4,503,767,936
Receivables and prepayments	7	417,350,610	184,764,693
TOTAL ASSETS		**5,874,076,399**	**5,030,205,646**
LIABILITIES			
Current liabilities			
Other payables	8	386,923,889	296,949,447
Financial liabilities	9	100,729,900	23,674,010
TOTAL LIABILITIES		**487,653,789**	**320,623,457**
NET ASSETS		**5,386,422,610**	**4,709,582,189**
PUBLIC EQUITY			
Contributed capital		1,802,915,245	1,620,701,967
Accumulated surplus		3,583,507,365	3,088,880,222
		5,386,422,610	**4,709,582,189**

Ewart Williams

MR. EWART WILLIAMS
(Chairman)

DR. ALVIN HILAIRE

MRS. SUZETTE TAYLOR-LEE CHEE

MR. BEVAN NARINESINGH

DR. DORIAN NOEL

REPUBLIC OF TRINIDAD AND TOBAGO
AUDITOR GENERAL
24.11.2023

The accompanying notes form an integral part of these financial statements

Heritage and Stabilisation Fund of the Republic of Trinidad and Tobago

Statement of Comprehensive Income
for the year ended 30 September 2023
(Expressed in United States Dollars)

	Note	Sep-23 $	Sep-22 $
Income			
Investment income	10	586,758,965	128,653,381
Investment expenses	11	(18,497,037)	(927,305,831)
Gain on sale of financial assets		192,855,843	259,420,936
Loss on sale of financial assets		(260,911,625)	(369,249,488)
Income/(loss) from investments		**500,206,146**	**(908,481,002)**
Other income		317,513	850,409
Total income/(loss)		**500,523,659**	**(907,630,593)**
Operating expenses			
Management fees	12	(1,595,712)	(1,549,225)
Subscription fees		(16,345)	(15,805)
Bank charges		(5,255)	(5,894)
Audit fees		(6,578)	(2,618)
Licence fees		(19,235)	(19,310)
Total operating expenses		**(1,643,125)**	**(1,592,851)**
Net profit/(loss) for the year before tax		**498,880,534**	**(909,223,444)**
Withholding tax expense		(4,253,391)	(4,233,474)
Net profit/(loss) for the year after tax		**494,627,143**	**(913,456,918)**
Total comprehensive income/(loss) for the year		**494,627,143**	**(913,456,918)**

The accompanying notes form an integral part of these financial statements

Heritage and Stabilisation Fund of the Republic of Trinidad and Tobago

Statement of Changes in Equity
for the year ended 30 September 2023
(Expressed in United States Dollars)

	Contributed Capital	Accumulated Surplus	Total
	$	$	$
Balance as at 1 October 2021	**1,456,707,468**	**4,002,337,140**	**5,459,044,608**
Contributions by Government for the year	163,994,499	-	**163,994,499**
Total comprehensive loss for the year	-	(913,456,918)	**(913,456,918)**
Balance as at 30 September 2022	**1,620,701,967**	**3,088,880,222**	**4,709,582,189**
Balance as at 1 October 2022	**1,620,701,967**	**3,088,880,222**	**4,709,582,189**
Contributions by Government for the year	182,213,278	-	**182,213,278**
Total comprehensive income for the year	-	494,627,143	**494,627,143**
Balance as at 30 September 2023	**1,802,915,245**	**3,583,507,365**	**5,386,422,610**

The accompanying notes form an integral part of these financial statements

Heritage and Stabilisation Fund of the Republic of Trinidad and Tobago

Statement of Cash Flows
for the year ended 30 September 2023
(Expressed in United States Dollars)

	Note	Sep-23 $	Sep-22 $
Cash flows from operating activities			
Net profit/(loss) for the year before withholding tax		498,880,534	(909,223,444)
Adjustments			
Interest income		(117,069,878)	(63,461,658)
Dividend income		(53,785,195)	(65,191,723)
Fair value adjustment on financial assets and liabilities at fair value through profit or loss		(415,903,892)	909,919,755
Net realised loss from the sale of financial assets		68,055,781	109,828,552
Cash outflows before changes in operating assets and liabilities		**(19,822,650)**	**(18,128,518)**
Changes in operating assets and liabilities			
Increase in receivables and prepayments		(229,351,586)	(81,201,885)
Increase in other payables		89,974,442	106,223,409
Withholding tax paid		(4,253,391)	(4,233,474)
Net cash (used in)/from operating activities		**(163,453,185)**	**2,659,532**
Cash flows from investing activities			
Interest received		113,500,259	61,448,585
Dividend received		54,120,483	66,904,625
Net purchase of financial assets		(81,303,268)	(108,846,387)
Net cash flows from investing activities		**86,317,474**	**19,506,823**
Cash flows from financing activities			
Contributed capital		182,213,278	163,994,499
Net cash flows from financing activities		**182,213,278**	**163,994,499**
Effects of exchange rate changes on cash and cash equivalents		**(1,654)**	**(14,529)**
Net increase in cash and cash equivalents		105,075,913	186,146,325
Cash and cash equivalents at beginning of year		341,673,017	155,526,692
Cash and cash equivalents at end of the year	4	**446,748,930**	**341,673,017**

The accompanying notes form an integral part of these financial statements

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.

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.

b) Changes in accounting policies and disclosures

i. New standards and interpretations adopted by the Fund

There were no new standards and interpretations adopted by the Fund during the financial year.

ii. New standards and interpretations that are not yet effective and have not been early adopted by the Fund

There are new standards, amendments and interpretations to existing standards that are not yet effective for accounting periods beginning on or after January 1 2022 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 the new and revised standards. 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:

- Amendment to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors -Definition of Accounting Estimates (effective 1 January 2023).

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

2. Accounting Policies (continued)

b) Changes in accounting policies and disclosures (continued)

ii. New standards and interpretations that are not yet effective and have not been early adopted by the Fund (continued)

- Amendment to IAS 12 – Income Taxes- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective January 1, 2023)

  The amendments introduce an exception to the initial recognition exemption in IAS 12. Applying this exception, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. This standard is not relevant to the Fund.

- Amendments to IAS 1 – Presentation of Financial Statements- Classification of Liabilities as Current or Non-Current (effective 1 January 2023).

  The amendments clarify the requirements for classifying liabilities as current or non-current, it specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists. Management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant. Additionally, the amendments clarify the situations that are considered settlement of a liability.

- Amendments IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies (effective 1 January 2023).

  The amendments require that an entity discloses its material accounting policy information instead of its significant accounting policies. Several paragraphs were added to explain how an entity can identify a material accounting policy information and examples given of when an accounting policy is likely to be material. Additionally, amendments were made to the IFRS Practice Statement by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process'.

2. Accounting Policies (continued)

b) Changes in accounting policies and disclosures (continued)

iii. 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, 2022 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, 2023)

IFRS 17 would replace IFRS 4 on accounting for insurance contracts; 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.

This standard is not relevant to the Fund as it does not issue insurance contracts.

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)

2. Accounting Policies (continued)

e) *Investment Securities* (continued)

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.

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.

2. Accounting Policies (continued)

e) *Investment Securities* (continued)

Impairment of financial assets (continued)

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;
- Risk parameters under which portfolio assets are managed to meet the objectives;

2. Accounting Policies (continued)

e) Investment Securities (continued)

Business model assessment (continued)

- 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.

2. Accounting Policies (continued)

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.

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.

2. Accounting Policies (continued)

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.

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.

2. Accounting Policies (continued)

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.

2. Accounting Policies (continued)

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 judgements 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:

- ***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, judgement is required to establish fair values. The judgements 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, people and 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 Policy that is 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.

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	ICE Bank of America 1-5 Year U.S. Treasury Index*	0.50%
U.S. Core Domestic Fixed Income	Bloomberg U.S. Aggregate Bond Index*	1.00%

*There was no change in the Performance Index however, the benchmark name was updated to reflect the acquisition and subsequent rebranding of the index.

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.

(Expressed in United States Dollars)

3. Financial Risk Management (continued)

b) Portfolio Performance

The portfolio performance for the twelve months ended 30 September, 2023 was as follows:

12 Months Performance			
Portfolio	**Fund**	**Benchmark Return**	**Benchmark Composition**
Composite	10.59%	8.56%	ICE Bank of America 1-5 Year U.S. Treasury Index, US 1-month LIBID, Bloomberg U.S. Aggregate Bond Index, Russell 3000 (ex-Energy), MSCI EAFE (Ex Energy)
US Short Duration Fixed Income	0.52%	0.54%	ICE Bank of America 1-5 Year U.S. Treasury Index
US Core Fixed Income	0.43%	0.31%	Bloomberg U.S. Aggregate Bond Index
US Core Domestic Equity	4.37%	3.47%	Russell 3000 (Ex Energy)
Non US Core International Equity	4.87%	4.25%	MSCI EAFE (Ex Energy)
USD Fixed Deposits	0.29%	0.00%	N/A

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.

(Expressed in United States Dollars)

3. Financial Risk Management (continued)

c) Portfolio Risk (continued)

Credit Risk (continued)

The table below summarises the credit quality of the Fund's debt securities as at September 30, 2023:

Credit Rating	2023	2022
AAA	10.81%	11.76%
AA	66.92%	64.74%
A	7.08%	6.06%
BBB	15.15%	17.21%
Not Rated*	0.04%	0.23%

* Not Rated debt securities refer to securities that are issued or unconditionally guaranteed by the agency of a sovereign government. Credit rating for these investments is implicitly tied to the credit rating of the associated government.

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

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

Money-market counterparts should have a minimum credit rating of A1 from Standard & Poor's, or P1 from Moody's.

3. Financial Risk Management (continued)

c) Portfolio Risk (continued)

Counterparty Risk

In addition to ensuring counterparties meet minimum credit rating requirements, counterparty risk is also managed by limiting the exposure to a single institution. In the case of money-market counterparts, exposure to any one counterparty is limited to 3% of the Fund. While in the case of OTC currency forwards, 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 Bloomberg 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.

(Expressed in United States Dollars)

3. Financial Risk Management (continued)

c) *Portfolio Risk (continued)*

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.

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 2023 and 30 September 2022 as follows:

	Sep-23	Sep-22
	$	$
Change in Net Assets	20,441,854	16,093,586

The following table illustrates the currency concentration exposure of financial assets and liabilities held by the Fund as at 30 September 2023 and 2022:

(Expressed in United States Dollars)

3. Financial Risk Management (continued)

c) *Portfolio Risk (continued)*

Market Risk (continued)

i. *Currency Risk (continued)*

Financial Assets

Currency	Sep-23 % of financial assets	Sep-22 % of financial assets
Australian dollar	0.86	1.34
Canadian dollar	0.11	0.40
Danish krone	1.05	0.48
Euro	7.48	4.76
Hong Kong dollar	0.32	0.44
Israeli shequel	0.05	0.19
Japanese yen	5.66	4.52
New Zealand dollar	0.00	0.00
Norwegian krone	0.00	0.32
Singapore dollar	0.05	0.21
Swedish krona	0.84	0.16
Swiss franc	1.66	1.53
British pound	2.36	2.78
United States dollar	79.56	82.87
Total	**100.00**	**100.00**

Financial Liabilities

Currency	Sep-23 % of financial liabilities	Sep-22 % of financial liabilities
United States dollar	100.00	100.00
Total	**100.00**	**100.00**

(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.

	2023		2022	
	Portfolio	**Index**	**Portfolio**	**Index**
US Short Duration Fixed Income	2.62	2.57	2.12	2.55
US Core Fixed Income	6.17	6.15	6.04	6.20

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.

(Expressed in United States Dollars)

3. Financial Risk Management (continued)

c) *Portfolio Risk (continued)*

Market Risk (continued)

iii. Price Risk (continued)

The tables below summarise the sector concentrations within the Fund:

US Short Duration Fixed Income - Sector Concentrations

	2023		2022	
	US Short Duration Mandate	**ICE Bank of America 1-5 Year US Treasury Index**	**US Short Duration Mandate**	**ICE Bank of America 1-5 Year US Treasury Index**
US Treasuries	62.87%	100.00%	55.01%	100.00%
Agencies	14.25%		20.30%	
Supranational	14.78%		14.19%	
Local Authorities	4.97%		5.08%	
Sovereign	1.19%		2.37%	
CMBS	1.42%		2.41%	
MBS	0.50%		0.59%	
Corporates	0.02%		0.05%	
Total	**100.00%**		**100.00%**	**100.00%**

Note: Methodology based on Bloomberg Global Sector Classification Scheme (BCLASS).

US Core Fixed Income - Sector Concentrations

	2023		2022	
	US Core Fixed Income Mandate	**Bloomberg US Aggregate Bond Index**	**US Core Fixed Income Mandate**	**Bloomberg US Aggregate Bond Index**
Corporates	34.72%	24.75%	35.46%	23.86%
US Treasuries	26.96%	41.24%	27.32%	40.97%
MBS	29.40%	26.68%	26.67%	27.61%
CMBS	3.58%	1.73%	4.34%	1.89%
ABS	3.45%	0.50%	3.88%	0.39%
Government Related	1.89%	5.10%	2.33%	5.28%
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Note: Methodology based on Bloomberg Global Sector Classification Scheme (BCLASS).

(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

	2023		2022	
	US Core Equity Mandate	**Russell 3000 Ex-Energy Index**	**US Core Equity Mandate**	**Russell 3000 Ex-Energy Index**
Technology	31.50%	31.12%	26.49%	26.20%
Consumer Discretionary	15.33%	15.12%	15.80%	15.73%
Industrials	14.05%	13.60%	13.98%	13.35%
Health Care	13.64%	13.43%	15.38%	14.98%
Financials	10.60%	11.18%	11.41%	12.02%
Consumer Staples	5.10%	5.33%	5.74%	5.92%
Real Estate	3.02%	3.00%	3.68%	3.65%
Telecommunications	2.23%	2.38%	2.39%	2.49%
Utilities	2.47%	2.74%	3.13%	3.50%
Basic Materials	2.06%	2.10%	2.00%	2.16%
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Note: Methodology based on Russell Industry Classification Benchmark (ICB).

Non-US International Equity - Sector Concentrations

	2023		2022	
	Non-US International Equity Mandate	**MSCI EAFE EX-Energy Index**	**Non-US International Equity Mandate**	**MSCI EAFE EX-Energy Index**
Financials	18.10%	20.06%	16.37%	18.51%
Industrials	17.81%	16.71%	14.90%	15.81%
Consumer Staples	11.02%	10.27%	14.28%	11.85%
Consumer Discretionary	14.52%	12.64%	10.50%	11.53%
Health Care	14.15%	14.05%	15.17%	14.57%
Materials	6.59%	7.85%	8.28%	7.87%
Communication Services	3.79%	4.34%	5.67%	5.07%
Real Estate	1.97%	2.44%	3.28%	2.92%
Information Technology	8.52%	8.12%	8.86%	8.33%
Utilities	3.53%	3.52%	2.69%	3.54%
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Note: Methodology based on Global Industry Classification Standard (GICS).

(Expressed in United States Dollars)

3. Financial Risk Management (continued)

c) *Portfolio Risk (continued)*

Market Risk (continued)

iii. Price Risk (continued)

The table below summarises 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-23	Sep-22
Effect on net assets attributable to redeemable shares of a 1% increase/decrease in the share price	22,711,115	18,338,663

The table below summarises 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-23	Sep-22
Effect on net assets attributable to fixed income securities of a 25 basis points increase/decrease in interest rates	6,627,972	6,314,934

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.

(Expressed in United States Dollars)

3. Financial Risk Management (continued)

Liquidity Risk

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:

	Sep-23			
	Less than 1 month	1 - 12 months	> 12 months	Total
	$	$	$	$
Non-Derivative Financial Liabilities				
Investment purchased	374,799,443	6,008,672	-	380,808,115
Foreign currency purchased	554,694	-	-	554,694
Interest payable	4,639	1,446,622	-	1,451,261
Due to money market	-	-	-	-
Due to brokers	-	-	-	-
Accrued expenses	2,675,590	939,499	85,793	3,700,882
Other Payables	220	408,650	-	408,870
	378,034,586	**8,803,443**	**85,793**	**386,923,822**

	Sep-22			
	Less than 1 month	1 - 12 months	> 12 months	Total
	$	$	$	$
Non-Derivative Financial Liabilities				
Investment purchased	291,239,183	-	-	291,239,183
Foreign currency purchased	1,993,154	-	-	1,993,154
Interest payable	1	-	-	1
Due to money market	-	-	-	-
Due to brokers	448,976	-	-	448,976
Accrued expenses	2,329,245	537,255	3,150	2,869,650
Other Payables	22,242	376,241	-	398,483
	296,032,801	**913,497**	**3,150**	**296,949,447**

(Expressed in United States Dollars)

3. Financial Risk Management (continued)

Liquidity Risk (continued)

The table below analyses the Fund's derivative financial instruments in a payable position:

	Sep-23			
	Less than 1 month	1 - 12 months	> 12 months	Total
	$	$	$	$
Derivative Financial Liabilities				
TBA	-	-	100,729,900	100,729,900
	-	-	**100,729,900**	**100,729,900**

	Sep-22			
	Less than 1 month	1 - 12 months	> 12 months	Total
	$	$	$	$
Derivative Financial Liabilities				
TBA			23,674,010	23,674,010
	-	-	**23,674,010**	**23,674,010**

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.

(Expressed in United States Dollars)

4. Cash and cash equivalents

	Sep-23 $	Sep-22 $
Cash at bank	86,660,718	333,979,364
Cash at broker	116,096	7,709,994
Fixed Deposits	359,990,111	-
	446,766,925	**341,689,358**
Net effect of exchange rate changes	(17,995)	(16,341)
	446,748,930	**341,673,017**

5. Financial assets

	Sep-23 $	Sep-22 $
Fair value through profit or loss	5,009,976,859	4,503,767,936
	5,009,976,859	**4,503,767,936**

Financial Assets at fair value through profit or loss		
Fixed income investments		
Cost	2,838,173,321	2,740,304,520
Net Diminution in Market Value	(193,579,351)	(214,330,869)
	2,644,593,970	**2,525,973,651**
Equity		
Cost	1,776,344,805	1,727,674,368
Net Appreciation in Market Value	494,766,742	106,191,940
	2,271,111,547	**1,833,866,308**
Financial Derivatives		
Cost	141,478,828	196,678,965
Fair Value Adjustments	(47,207,486)	(52,750,988)
	94,271,342	**143,927,977**
Total Financial assets at fair value through profit or loss	**5,009,976,859**	**4,503,767,936**

(Expressed in United States Dollars)

6. Fair value of financial assets

(a) Debt and equity securities

	Sep-23		Sep-22	
	Fair value $	% of net assets	Fair value $	% of net assets
Total debt securities	2,644,593,970	49.10	2,525,973,651	53.63
Total equity	2,271,111,547	42.16	1,833,866,308	38.94
Total derivatives	94,271,342	1.75	143,927,977	3.06
Total Financial Assets	**5,009,976,859**	**93.01**	**4,503,767,936**	**95.63**

(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-23			
	Level 1 $	Level 2 $	Level 3 $	Total $
Financial Assets				
Asset Backed Securities	-	56,317,569	-	56,317,569
Collateralized Mortgage-Backed Securities (CMO)	-	3,823,093	-	3,823,093
Corporate Bonds	-	514,830,392	-	514,830,392
Government Issues	-	1,309,936,073	-	1,309,936,073
Mortgage Backed Securities	-	538,454,294	-	538,454,294
Municipals	-	25,188,793	-	25,188,793
Real Estate Investment Trust	-	34,726,490	-	34,726,490
Supranationals		161,317,266	-	161,317,266
Fixed Income	-	2,644,593,970	-	2,644,593,970
				-
Real Estate Investment Trust	44,021,344	-	-	44,021,344
Preferred Stock	3,899,406	-	-	3,899,406
Common Stock	2,223,190,797	-	-	2,223,190,797
Equity	2,271,111,547	-	-	2,271,111,547
Credit Default Swaps	-	(622,556)	-	(622,556)
Interest Rate Swaps	-	(283,043)	-	(283,043)
Mortgage Back Securities - To Be Announced	-	98,204,550	-	98,204,550
Futures	(3,027,609)	-	-	(3,027,609)
Derivatives	(3,027,609)	97,298,951	-	94,271,342
Total Financial Assets	2,268,083,938	2,741,892,921	-	5,009,976,859

(Expressed in United States Dollars)

6. Fair value of financial assets (continued)

(b) Fair Value Hierarchy (continued)

	Sep-22			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Financial Assets				
Asset Backed Securities	-	62,991,619	-	62,991,619
Collateralized Mortgage-Backed Securities (CMO)	-	4,480,982	-	4,480,982
Corporate Bonds	-	772,159,463	-	772,159,463
Government Issues	-	1,237,746,471	-	1,237,746,471
Mortgage Backed Securities	-	386,796,710	-	386,796,710
Municipals	-	33,610,724	-	33,610,724
Real Estate Investment Trust	-	28,187,682	-	28,187,682
Fixed Income	-	2,525,973,651	-	2,525,973,651
				-
Real Estate Investment Trust	41,141,170	-	-	41,141,170
Preferred Stock	10,975	-	-	10,975
Common Stock	1,792,282,948	-	-	1,792,282,948
Other Equity	431,215	-	-	431,215
Equity	1,833,866,308	-	-	1,833,866,308
Credit Default Swaps	-	70,061	-	70,061
Mortgage Back Securities - To Be Announced	-	149,602,740	-	149,602,740
Futures	(5,744,824)	-	-	(5,744,824)
Derivatives	(5,744,824)	149,672,801	-	143,927,977
Total Financial Assets	1,828,121,484	2,675,646,452	-	4,503,767,936

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.

(Expressed in United States Dollars)

6. Fair value of financial assets (continued)

(c) Transfers between Fair Value Hierarchy levels

As at September 30, 2023, there were no transfers between the fair valuation levels.

(d) Collateral

Securities and cash pledged as collateral were as follows:

	Sep-23	Sep-22
	$	$
Fixed Income	2,980,000	480,000
	2,980,000	**480,000**

7. Receivables and prepayments

	Sep-23	Sep-22
	$	$
Pending Trades	377,797,939	156,527,394
Interest Receivable	15,687,396	12,117,777
Dividends Receivable	4,052,765	4,388,053
Other Receivables	19,812,510	11,731,469
	417,350,610	**184,764,693**

Accounts receivable as at 30 September, 2023 include Pending Trades – Investments, and Foreign Currency sold in the amounts of USD377,247,482 and USD550,457 respectively which will subsequently be settled during the period October – November 2023.

8. Other payables

	Sep-23	Sep-22
	$	$
Pending Trades	381,362,809	293,232,336
Accruals	3,700,882	2,869,651
Other Payables	1,860,198	847,460
	386,923,889	**296,949,447**

As at 30 September, 2023 there were Pending Trades – Investments and Foreign Currency purchased of USD380,808,115 and USD554,694. Subsequent settlement will occur during the period October – November 2023.

(Expressed in United States Dollars)

9. Financial liabilities

Financial liabilities at fair value through profit or loss

	Sep-23	Sep-22
	$	$
Cost	102,158,730	24,514,316
Fair Value Adjustments	(1,428,830)	(840,306)
	100,729,900	**23,674,010**

10. Investment income

	Sep-23	Sep-22
	$	$
Interest Income		
Cash at bank	1,359	31,677
Financial assets at fair value through profit or loss	79,974,324	59,187,693
Amortisation of bond discount	20,682,022	3,940,603
Short term securities	1,365,697	301,685
Fixed Deposits	15,046,476	-
	117,069,878	**63,461,658**
Dividend income	**53,785,195**	**65,191,723**
Fair value adjustments on financial assets and liabilities at fair value through profit or loss	415,903,892	-
Total	**586,758,965**	**128,653,381**

11. Investment expenses

	Sep-23	Sep-22
	$	$
Amortization of bond premium	5,893,660	5,501,983
External managers' fees	10,360,256	11,430,501
Fair value adjustments on financial assets and liabilities at fair value through profit or loss	-	909,919,755
Custodian's fees	436,515	311,425
External managers' expenses	1,806,606	142,167
Total	**18,497,037**	**927,305,831**

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 (o)). During the current year ended September 30, 2023, capital contributions of USD182,213,278 were received.

15. Withdrawals

Withdrawals from the Fund are made in accordance with the criteria set out under Section 15 and 15A of the Act, (see note 2 (p)). For the financial year ended September 30, 2023, there were no withdrawals.