

House of Representatives

June 21, 2024

Statement by the Hon. Colm Imbert, MP, Minister of Finance
on the Report of the Auditor General
on the Consolidated Financial Statements
of the Trinidad and Tobago Unit Trust Corporation
for the year ended December 31, 2023

Madam Speaker, I am authorized by Cabinet to make the following Statement on the Report of the Auditor General on the Consolidated Financial Statements of the Trinidad and Tobago Unit Trust Corporation for the year ended December 31, 2023.

In accordance with Section 30, subsections (6) and (7) of the Unit Trust Corporation of Trinidad and Tobago Act, Chap. 83:03 (“the Act”), the Board has forwarded a copy of the balance sheet and accounts together with the report of the Auditor General to the Minister to lay before Parliament. Today, I would like to outline to this Honourable House some of the main highlights of this Report.

For the financial year 2023, the Corporation marketing and investing strategies have maintained the confidence and dedication of its unitholders as well as yielded a confident financial performance which I will highlight now.

- **Total Income**

A total income of \$915.2Mn was recorded when compared to a loss of (\$239.4Mn) in the previous year, mainly resulting from favourable movements in the Fair Values of Investment Securities, which moved from an impairment of \$1,032.7Mn (\$1.03B) in 2022 to a surplus of \$20.6Mn in 2023. This is due

to the adoption of *IFRS 9 – Financial Instruments*, which requires that Investment Securities be valued using the most recent market price at the reporting date. Any adjustments to the values of the investments are reported in the Consolidated Statement of Profit or Loss.

Investment income increased by 14% from \$776.5Mn to \$881.8Mn due to improved dividend declarations and gains realised from increased interest. The TT\$ Income Fund generated the highest income of \$438.2Mn, followed by Growth & Income Fund of \$184.4Mn. Both funds showed growth by 8.0% and 7.6%, respectively. Interest income and dividend income increased by 15.2% and 5.3%, respectively.

- **Annual Net Income**

The annual net income for 2023 was \$57.7Mn; an increase of 10.5% when compared to \$52.2Mn in 2022. This is a direct result of the positive movements in Net Change in Fair Value on Investment Securities as well as higher returns in Investment income.

Consequently, a growth in retained earnings of 4.0%, from \$1.6Mn to \$1.7Mn was achieved.

- **Total Assets**

Total assets marginally increased by \$32.6Mn from \$25,145.3Mn (\$25.145B) in 2022 to \$25,177.9Mn (\$25.178B) in 2023 due mainly to improved cash inflows from the TT\$ and US\$ income funds, which again reflected from the adverse movements in the financial markets.

- **Net Assets attributable to unitholders**

Net assets attributable to unitholders remained relatively flat at \$23,210.7Mn (\$23.21B) as at December 31, 2023.

The Net Assets Attributable to Unitholders represents the amount payable on demand to unitholders in the Growth and Income Fund; the TT Dollar Income Fund; the Universal Retirement Fund; the US Dollar Income Fund; the Corporate Fund; and participating shareholders of the UTC (Cayman) SPC Ltd. Each Fund is primarily responsible for redemption of its units/shares out of its assets.

Initial Capital, which represents the capital subscribed by the Initial Contributors in accordance with Section 17 of the Act and invested in the Growth and Income Fund, was \$4.8Mn at the end of the reporting period, which was unchanged from December 31, 2022. Unit Capital, which represents the Net Asset Value of the five (5) Investment Funds domiciled in Trinidad and Tobago, was as follows, as at December 31, 2023:

- i) Growth and Income Fund - \$4,965.0Mn (\$4.965B);
- ii) TT\$ Income Fund - \$12,210.0Mn (\$12.21B);
- iii) Universal Retirement Fund - \$409.6Mn;
- iv) US\$ Income Fund (expressed in TT\$) - \$5,079.7Mn (\$5.08B); and
- v) Corporate Fund - \$538.8Mn.

- **Growth and Income Fund**

Madame Speaker, the UTC Group paid \$73.2Mn in distributions to unitholders of this Fund an increase of \$17.7Mn or 32% over 2022. This was the net result of the Corporation's long-term investment strategy and effective risk management.

The Growth and Income Fund, Madame Speaker, guarantees that each unitholder that holds units in this Fund for at least three (3) years from the date of purchase, may redeem those units at a price no less than the purchase price of

the units. However, there is significant uncertainty with regard to the timing and the value of these claims. As a consequence, the UTC established the Guarantee Reserve Fund under Section 26(1) of the Act to meet claims under the Guarantee Pricing Plan. The guarantee pricing liability increased from \$2.6Mn in 2022 to \$9.0Mn in 2023 of which a price guarantee charge of \$7.0Mn was recorded.

Distributions to Unitholders

Madame Speaker, the UTC paid a total of \$308.7Mn in distributions to its unitholders, an increase of 20.5% or \$52.4Mn when compared to 2022. This was due to the higher distributions from the Income Funds in response to fluctuations in local and international interest rates.

On another positive note, the Corporation emerged as one of the top five (5) companies in terms of dividends being paid to investors, according to the Trinidad and Tobago Stock Exchange.

Pension and other post-retirement liabilities

Madame Speaker, I wish to comment on the Corporation's pension and other post-retirement liabilities. The financial position of the Group's pension and other post-retirement liabilities as at December 31, 2023 decreased by 60%, from \$36.5Mn in 2022 to \$22.8Mn in 2023. The pension plan for years 2022 and 2023 were in surplus as the Fair value of Plan exceeded the Present Value of Defined Benefit Obligation. The funding ratio of the Plan decreased from 104.0% to 103.8% in 2023 which is considered stable.

Further observation revealed that assets held in Collective Investment Schemes (Universal Retirement Fund and TT\$ Income Fund) declined from \$209.7Mn to \$205.0Mn in 2023. The Plan's assets are invested in accordance with a strategy agreed with the Plan's Trustee and Management Committee and

is largely dictated by statutory constraints and the availability of suitable investments.

Expansion of Services in Regional Market

Madame Speaker, as part of the Corporation's regional development, two (2) wholly-owned regional subsidiaries were incorporated in St. Lucia the Corporation namely:

- i) UTC Fund Management Services STL Limited (FMS); and
- ii) UTC Global Balanced Fund Limited (GBFL).

FMS performs the functions of a management company of a collective investment scheme in the Eastern Caribbean Securities market while GBFL represents the first retail Collective Investment Scheme accessible to investors throughout the Eastern Caribbean Currency Union (ECCU).

In addition, the Corporation entered into a 50/50 joint venture arrangement with GK Capital Management, the investment and advisory arm of GraceKennedy Limited (GK), to offer a suite of collective investment schemes in Jamaica. The operations are conducted through GK Mutual Funds Limited. Three (3) collective investment schemes were launched namely:

- i) GK US\$ Income Fund;
- ii) GK Jamaican Dollar Money Market Fund; and
- iii) GK Jamaican Dollar Growth and Income Fund.

These schemes offer additional investment options to the Jamaican market and are denominated in Jamaican and U.S. dollars, designed to be attractive for both institutional and individual investors. This joint venture contributed \$0.3Mn in profits for the reporting period.

In conclusion, UTC, a locally owned financial institution has proven its strength and stability in the market by not only overcoming the economic downturn caused by COVID-19 pandemic, but attracting new investors and establishing its presence in the Caribbean. UTC maintained the confidence of its investors through the execution of innovative investment strategies and effective risk mitigation methods.

As a consequence, Madam Speaker, the Auditor General, the auditor of the UTC has given an unqualified audit opinion confirming that the consolidated financial statements presented fairly, in all material respects, the financial position of the UTC. The unitholders are reassured that UTC will maintain its consistent solid performance in the upcoming year.

In closing Madame Speaker, for the sixth consecutive year, UTC has retained high ratings from rating agency the Caribbean Information and Credit Rating Services Limited (CariCRIS). UTC achieved a CariAA Issuer/Corporate Credit Rating for Foreign and Local Currency on the regional rating scale and ttAA on the Trinidad and Tobago (T&T) national scale. These ratings clearly establish that UTC's investment portfolio continues to be well managed, with good asset quality and healthy investment returns. Further, UTC's strong risk management practices support the overall improvement in operating efficiency. It is expected that the UTC will maintain its stable credit profile over the next 12 to 15 months.

Madam Speaker, I thank you.