CARIBBEAN COURT OF JUSTICE

TRUST FUND

ANNUAL REPORT 2019

GROWTH

STABILITY

PROTECTION

LONGEVITY

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COMPOSITION OF THE BOARD OF TRUSTEES

The Board of Trustees is comprised of nominees from the following institutions as defined in the "Revised Agreement Establishing the Caribbean Court of Justice Trust Fund." The composition is as follows:

INSTITUTION	REPRESENTATIVE TRUSTEE	BOARD AND COMMITTEE POSITION
Caribbean Congress of Labour	**Dr. Linton Lewis**	Chairman
University of the West Indies	**Mrs. Christine Sahadeo**	Vice-Chairman; Chairman - Finance and Investment Committee
Caribbean Association of Banks Inc.	**Mr. Dalton Lee**	Trustee
Conference of Heads of the Judiciary of Member States of the Caribbean Community	**Chief Justice Ivor Archie**	Member - Audit Committee
Insurance Association of the Caribbean	**Mr. M. Musa Ibrahim**	Member - Finance and Investment Committee
Institute of Chartered Accountants of the Caribbean	**Mrs. Marina Andrea St Rose**	Member - Finance and Investment Committee
CARICOM Secretariat	**Mr. Oswald Barnes**	Chairman - Audit Committee
Caribbean Association of Industry and Commerce	**Mr. Ramesh Dookhoo**	Member - Audit Committee
Organisation of Commonwealth Caribbean Bar Associations	**Mr. Ruggles Ferguson**	Trustee

COMPOSITION OF THE BOARD OF TRUSTEES
(Continued)

Top: **Dr. Linton Lewis;** Chairman,
Top Row (l-r): **Mrs. Christine Sahadeo;** Vice Chairman; Chairman, Finance and Investment Committee,
Mrs. Marina Andrea St. Rose; Member, Finance and Investment Committee, **Chief Justice Ivor Archie;** Member Audit Committee;
Mr. Oswald Barnes; Chairman, Audit Committee.







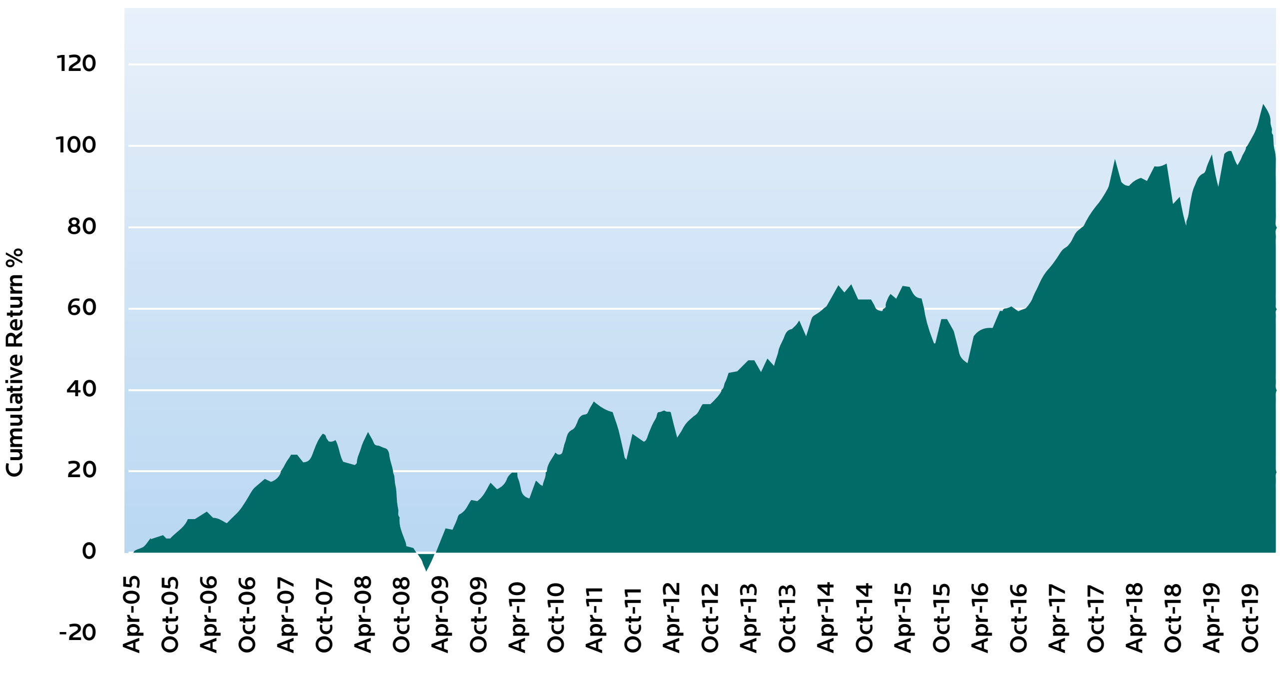
Bottom Row (l-r): **Mr. Ramesh Dookhoo;** Member, Audit Committee, **Mr. M. Musa Ibrahim;** Member; Finance and Investment Committee, **Mr. Ruggles Ferguson;** Trustee, **Mr. Dalton Lee;** Trustee.

REPORT OF THE BOARD OF TRUSTEES

Global markets surpassed broad investor expectations in 2019, as the decade ended with fundamentals reflecting evidence of a year's worth of coordinated accommodative monetary policy decisions and fiscal stimulus measures. Volatility was relatively muted during the year despite ongoing trade tensions between the US and China and global political uncertainty, which at times overshadowed the positive impact on major equity markets of interest rate cuts that began early in the year. The last quarter of the year was decidedly bullish as investment outlook rallied on apparent progress in US-China trade negotiations, and an election outcome in the UK which was largely viewed as beneficial to financial markets. I am pleased to report, on behalf of the Board of Trustees, on the performance of the Caribbean Court of Justice Trust Fund for the year ended December 31, 2019.

The Caribbean Court of Justice Trust Fund ("the Trust Fund") generated a +17.0% return, net of fees and disbursements, in fiscal year 2019, resulting in an annualised return of +5.2% and a cumulative return of +110.9% since inception. The Trust Fund has consistently built upon its capital endowment, disbursing more than 75% of its original capital in fulfilling its primary mandate over the last 14 years of operations, while balancing the obligation to maintain the long-term value of endowment assets for future funding obligations, after accounting for inflation.

Chart 1: Cumulative Return Since Inception (April 2005 to December 2019)



REPORT OF THE BOARD OF TRUSTEES

(Continued)

Background

The Trust Fund was endowed with its initial capital in April 2005 with the mandate to provide the financial resources necessary to fund the Caribbean Court of Justice ("the Court") and the Regional Judicial and Legal Services Commission ("the Commission") in perpetuity. The investment philosophy is the set of beliefs and principles that guides the Trust Fund's decision-making process. The Board of Trustees manages the resources of the Trust Fund in accordance with the following philosophy:

> *"The fund will be invested prudently with a long-term investment horizon in a wide range of tax-efficient international instruments so as to produce an optimal gross rate of return with reasonable security of its capital."*

The Board has developed Investment Guidelines for the Trust Fund which were approved by the CARICOM Heads of Government. In order to have a reasonable likelihood of satisfying the funding requirements of the Court and the Commission over the long term, these approved Guidelines permit a significant exposure to growth assets, such as public and private equity, within a diversified portfolio complemented by allocations to risk-reducing and inflation protection assets.

The Board of Trustees continues to uphold its fiduciary responsibility to manage the assets of the Trust Fund prudently to fulfil its long-term objective. During the course of the year, the Board met five times, and the Finance & Investment Committee and the Audit Committee met three times and twice respectively.

The Markets in 2019

Positive investor sentiment dominated the first quarter of the year, as investors looked past the uncertainty arising from the increasing likelihood of a "no-deal" Brexit and its potentially chaotic consequences, political tensions within the Eurozone arising from elections in several countries within the region in the near term, and continued concerns over a global economic growth slowdown. Oil prices surged in the first quarter amid the possibility of increasing demand based on progress in the trade negotiations between the US and China, and declining inventories, as the sanctions on Venezuelan oil exports coupled with the production cuts imposed by OPEC to limit supply.

Global equity markets struggled in the second and third quarters of the year amid deepening concerns over slowing global economic growth and rising geopolitical tensions, despite accommodative monetary policy measures, which included interest rate cuts and asset purchase programmes, by policy makers in the US and Europe. Geopolitical tensions remained heightened in this period as sanctions on Iran were instated following multiple attacks on oil tankers in the Middle East. In the US, weeks of speculation preceded the commencement of a formal impeachment inquiry, into the actions of the incumbent US President, by the US Congress (the legislative branch of the US Government). Political uncertainty increased in the UK following the resignation of British Prime Minister Theresa May in June, and the consequent competition for the leadership of the Conservative party, burdened non-US developed equity markets. Prime Minister Boris Johnson won the battle for party leadership, but quickly faced the tough task of Brexit negotiations.

Early missteps in these negotiations, including a decision to suspend the UK Parliament from September 11 to October 14, prior to the then October 31 Brexit deadline, which was viewed by many as a circumvention of the democratic process, added to the political uncertainty. The rally in oil prices continued in the second quarter, as supply concerns increased following the heightened sanctions against Iran previously mentioned, and as OPEC agreed to maintain production limits for an extended period. Concerns over demand dominated in the third quarter as fears of an extended trade war overshadowed the support of supply constraints, and oil prices oscillated within a tight, declining range during the period.

Global equity markets surged in the last quarter of the year, with major indices reaching fresh highs in December. Investors were encouraged by renewed optimism on the trade negotiations between the US and China and fading uncertainty surrounding Brexit. British Prime Minister Boris Johnson secured a majority in the general election held mid-December 2019 and immediately pushed through a draft Brexit withdrawal agreement in the British

REPORT OF THE BOARD OF TRUSTEES
(Continued)

Parliament, which included a one-year transitional period until December 2020. US equity markets focussed on the positive impact of the preliminary trade agreement between the US and China, looking past the political risk arising from the impeachment of US President Trump and clear evidence of a divided House of Representatives. Emerging market equities outperformed developed market equities during the last quarter, supported by accommodative monetary policy measures in China and Argentina, despite geopolitical tensions in Hong Kong, Venezuela and Iran. Oil prices ended the last month of the year with higher prices as OPEC announced larger production cuts than expected by investors at its meeting in December.

Table 1 below highlights the quarterly and annual returns on major indices for 2019.

Table 1: Major Indices - Quarterly and Annual Returns 2019

Index	Q1 2019	Q2 2019	Q3 2019	Q4 2019	2019
MSCI ACWI	+ 12.2%	+ 3.6%	0.0%	+ 9.0%	+ 26.5%
DJ US Total	+ 14.0%	+ 4.1%	+ 1.1%	+ 9.0%	+ 30.9%
S&P 500	+ 13.6%	+ 4.3%	+ 1.7%	+ 9.1%	+ 31.5%
MSCI ACWI Ex-US	+ 10.3%	+ 3.0%	- 1.8%	+ 8.9%	+ 21.5%
MSCI EAFE	+ 10.0%	+ 3.7%	- 1.1%	+ 8.2%	+ 22.0%
MSCI Emerging Markets	+ 9.9%	+ 0.6%	- 1.1%	+ 11.8%	+ 18.4%
FTSE WGBI	+ 1.7%	+ 3.6%	+ 0.8%	- 0.4%	+ 5.9%
S&P Natural Resources	+ 16.2%	+ 12.1%	- 4.5%	+ 7.5%	+ 17.6%
HFRI Composite	+ 5.0%	+ 1.7%	- 1.1%	+ 3.1%	+8.4%

Source: Mercer Monthly Market Summaries and Quarterly Reports 2019

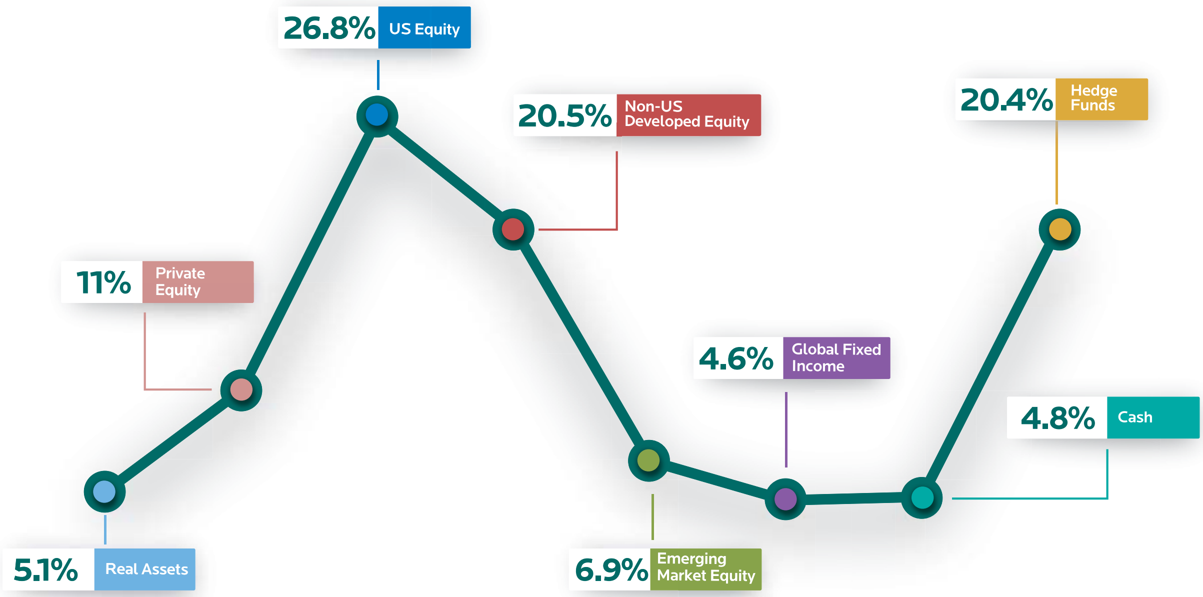
REPORT OF THE BOARD OF TRUSTEES
(Continued)

Management of the Portfolio

The Trust Fund is an institutional endowment fund that manages the portfolio with the long-term focus necessary to achieve the mandate of funding the Court and the Commission in perpetuity. The strategic asset allocation of the portfolio has been structured, with assistance from the services provided by the Trust Fund's investment advisor, Pavilion, a Mercer Practice, to attain a target rate of return over the long-term within acceptable risk parameters, and is diversified across a selection of growth, risk-reducing and inflation-protection asset classes. The strategic asset allocation comprises the long-term investment weightings for these core asset classes which best suit the goals and constraints of the Trust Fund. The weightings take into account the expected returns, volatility, behaviour of, and correlations amongst, these assets through full market cycles. The strategic portfolio allocation is biased toward public equity because of the Trust Fund's need to maintain liquid earning assets to fund current operations, while preserving the purchasing power of assets.

The target mix of assets may deviate from the strategic allocation from time to time, as the Trust Fund seeks to adjust the portfolio to take advantage of shorter-term market conditions, without losing sight of the longer-term objective. The portfolio allocation as at December 31, 2019 is provided in Chart 2 below:

Chart 2: Portfolio Asset Composition as at December 31, 2019 (%)



REPORT OF THE BOARD OF TRUSTEES

(Continued)

Management of the Portfolio (Continued)

Consistent with the long-term strategic asset allocation, equities, made up of US, non-US developed markets, and emerging markets, comprise the majority of the portfolio. This allocation was structured to optimise, over the long-term, the probability of achieving the target rate of return, whilst being cognizant of the need to maintain appropriate risk constraints to protect the capital of the fund. The target mix among the different sub-sectors in equities is primarily determined from medium-term return expectations based on valuations versus historical norm, prevailing economic and geopolitical conditions, and current business cycle. The Trust Fund recognises that certain equity markets are highly efficient, but seeks to pursue active management strategies in other equity markets or niche sectors within efficient markets, to enhance the potential for additional net return each year. The Trust Fund is mindful of the need to control costs, and adopts an optimal mix of passive strategies and active, high conviction strategies in this regard.

Hedge fund of funds investments are expected to continue to fulfil a critical role in risk reduction without significantly sacrificing return in the long run, as these investments remain less than perfectly correlated with equities. Hedge funds have the potential to create value through active management across different asset classes, and continue to be preferred compared to other risk-reducing assets (cash, fixed income) because of, amongst other factors, the portfolio's need to maintain the purchasing power of its capital.

Private equity is expected to continue to contribute positively to return in the long run, as the existing diversified portfolio of private equity investments progresses to the mature stage. The Trust Fund has ceased adding to its existing private equity funds of funds portfolio because of the estimated longevity of the portfolio under projected payout ratios in comparison to the typical life cycle of a private equity fund investment.

Real assets, which include oil, gas, as well as real estate, timber, gold, and other commodities, are viewed as an inflation protection hedge within the portfolio. The return of global economic growth, and consequent inflation, in response to aggressive fiscal stimulus plans and accommodative monetary policy measures continue to support the inclusion of inflation protection assets in the portfolio over the long-term.

The Trust Fund has consistently adopted a disciplined approach to rebalancing the portfolio in scenarios of increasing asset prices, while maintaining the long-term focus of the Fund. This disciplined process is a cornerstone of prudent investing and will continue to provide the benefit of crystallising unrealised gains, whilst potentially reducing volatility in the Fund's returns, and portfolio risk. Correspondingly, by reinvesting proceeds in underperforming asset classes, which are attractively valued for future performance, the Trust Fund may be able to enhance its long-term return potential.

Annual Returns on the Portfolio, Since Inception

The benefits of maintaining a diversified strategic long-term asset allocation have been proven throughout the varying market conditions experienced since inception. The Trust Fund earned a return of +17.0% in 2019, benefiting from the double digit returns generated by most major equity indices, as highlighted in the index returns provided in Table 1 above. The return of +17.0% in 2019 brought the annualised and cumulative net returns since inception (April 2005) to +5.2% p.a. and +110.9% respectively

The continuing commitment to the long-term allocation has rewarded the Trust Fund with positive returns in ten of the fourteen full calendar years of existence (2006 to 2019), with returns exceeding 9% in eight of the ten positive years. The total rates of return earned by the portfolio for the complete calendar years since inception are shown in Table 2. All returns in this report are stated net of investment management expenses, consistent with industry standards.

REPORT OF THE BOARD OF TRUSTEES
(Continued)

Table 2: Historical Fund Returns

January 1 to December 31	Period Return	Annualised Rate from Inception
2006	+ 10.4%	+ 9.3%
2007	+ 9.2%	+ 9.3%
2008	- 19.5%	+ 0.7%
2009	+ 15.9%	+ 3.5%
2010	+ 10.3%	+ 4.7%
2011	- 1.8%	+ 3.7%
2012	+ 10.1%	+ 4.5%
2013	+ 12.2%	+ 5.4%
2014	+ 1.6%	+ 5.0%
2015	- 3.4%	+ 4.2%
2016	+ 5.0%	+ 4.2%
2017	+ 17.2%	+ 5.2%
2018	- 5.3%	+ 4.4%
2019	+ 17.0%	+ 5.2%

Movement in Fund Balance

The balance of the Fund as at December 31, 2018 was US$78,214,408. The positive annual return of +17.0%, and consequent gain in fair value of investments, outweighed the draw of the disbursements to the Court and the Commission for the financial year 2019. The result was a net increase in the market value of the fund after disbursements from US$78,214,408 at the start of the year to end 2019 at US$82,557,583. After deducting amounts due to the Court with respect to non-judicial staff pensions, the net balance of the fund at the end of the financial year 2019 was US$78,641,583.

REPORT OF THE BOARD OF TRUSTEES

(Continued)

	2019	2018	April 2005 to December 2019
Opening Fund Balance	**78,214,408**	**90,725,154**	**100,946,142**
Additional Contributions	0	0	13,121,518
	78,214,408	90,725,154	114,067,660
Interest & Dividends [1]	917,149	767,190	22,098,729
Realised Gains/ (Losses)	1,685,135	3,292,064	27,776,735
Net Gain/(Loss) in Fair Value on Investments	10,095,999	(8,208,924)	17,496,756
Investment Income	12,698,283	(4,149,700)	67,372,220
Investment Management Expenses	(309,700)	(327,914)	(5,199,956)
Net Investment Income	12,388,583	(4,477,614)	62,172,264
Trust Fund Administrative Expenses [2]	(650,543)	(669,969)	(9,742,881)
Net Gain/(Loss) in Fund Before Disbursements	**11,738,040**	**(5,147,583)**	**54,429,383**
Disbursements to Court & Commission	(7,605,380)	(7,622,090)	(87,512,991)
Net Receipts from Court & Commission	210,515	258,927	3,573,531
Net Change in Fund Balance (excluding Additional Contributions)	4,343,175	(12,510,746)	(31,510,078)
Fund Balance @ December 31	**82,557,582**	**78,214,408**	**82,557,582**
Due to Court re non-judicial staff pensions	(3,916,000)	(3,118,000)	(3,916,000)
Closing Net Fund Balance	**78,641,583**	**75,096,408**	**78,641,583**

The Trust Fund maintained its commitment to a disciplined rebalancing approach and recorded net Realised Gains of US$1,685,135, crystallising mark to market gains during the year on assets for which there had been a significant increase in market value.

Administrative expenses showed a 12% decrease, U$19,426, in the current financial year. The ratio of investment management expenses plus administrative expenses of the Trust Fund expressed as a percentage of the average fund balance was 1.2%, in line with the average of 1% maintained in all previous years since inception of the portfolio in 2005, and consistent with expense ratios for international endowment funds.

[1] Including Net Foreign Exchange Gains/ (Losses)

[2] Including Depreciation

REPORT OF THE BOARD OF TRUSTEES

(Continued)

The Fund recorded a Net Gain before Disbursements of US$11,738,040 for the financial year. This increased the cumulative Net Gain in the Fund before Disbursements since inception to US$54,429,383.

Disbursements to fund the expenses of the Court and the Commission amounted to US$7,605,380 in the financial year ended December 31, 2019, bringing cumulative disbursements since inception to US$87,512,991, which represents a cumulative disbursement of approximately 77% of the total capital received. The Trust Fund received US$210,515 from the Court during the financial year which comprised net remittances pertaining to non-judicial staff pensions held on behalf of the Court.

The Fund experienced a net positive change in 2019, after disbursements and total expenses, of US$4,343,175, resulting in a balance of US$82,557,582 at the end of the financial year.

Outlook for 2020

At the start of the year, the world economy seemed well set to experience a modest rebound in 2020. The World Bank[3] forecasted a slight increase in global economic growth to 2.5% in 2020, in comparison to estimated 2.4% growth in 2019, on the assumption that trade and investment would gradually recover within the current year. The report cited potential risks from continuing trade policy uncertainty, its negative impact on business confidence and investment globally, and geopolitical concerns. The report also noted continued softness in manufacturing among advanced economies, in contrast to expectations for accelerated growth in emerging and developing economies. Improved performance within these economies was expected to remain limited to a small group of large economies, as opposed to synchronised economic growth.

These expectations were quickly sidetracked with the global disruption caused by the COVID-19 pandemic. The pandemic has resulted in meaningful business and social disruption, with severe immediate economic impact. The depth of the impact on the world economy, and financial markets, and the shape of the recovery are unknown, and there is material economic uncertainty. What is fairly certain is that the risk of global recession is higher at the time of writing in comparison to the start of the current year.

The main themes prevailing at the time of writing are seen to be:

- the likelihood of global recession
- low global interest rates, the effect of fiscal stimulus – How effective will accommodative monetary policy be after almost a decade of low interest rates? Will fiscal stimulus packages be enough?
- divergent growth prospects in business sectors and regions
- positioning for the US Presidential elections in the US

Recessionary conditions are typically exemplified by higher than normal unemployment, falling Interest rates and bond yields. The yield curve typically steepens as investors shun longer duration assets, which are viewed as more risky under the current economic and business conditions. In a similar "risk-off" stance, the stock market might experience sharp declines, but usually starts to rise well before the recovery phase clearly emerges. Under these conditions, market liquidity understandably tightens, resulting in widening credit spreads and rising defaults, which may remain elevated until signs of the early expansion are clearly evident.

The performance of economies and individual companies may diverge substantially during 2020, even within the same region or sector, depending on the sensitivity of the economic base and earnings to variables such as tight liquidity conditions, lower demand, extended supply chain disruption, and interest rate or trade uncertainty. This divergence could lead to investors deriving benefits from active management.

[3]https://www.worldbank.org/en/publication/global-economic-prospects

REPORT OF THE BOARD OF TRUSTEES

(Continued)

Summary

The Trustees continue to manage the assets of the Trust Fund in keeping with its stated investment philosophy and the long-term objective of funding the Court and the Commission in perpetuity. In 2019, the Trustees remained cognizant of the long-term goal, whilst repositioning the portfolio appropriately to adjust to market conditions.

Contributions received from the participating Member Governments and the Government of the Commonwealth of the Bahamas have amounted to US$114,067,660 since inception. After total net disbursements to the Court and the Commission of US$83,939,460 and total expenses of the Trust Fund of US$14,942,837 since inception, the balance of the Fund as at December 31, 2019 is US$82,557,582.

The Trust Fund recorded a return of +17.0% for 2019, which brought the annualised and cumulative net returns since inception (April 2005) to +5.2% p.a. and +110.9% respectively.

The importance of maintaining a diversified long-term strategic asset allocation has been proven throughout the varying market conditions experienced since the Trust Fund's inception in 2005. The Trust Fund's portfolio is appropriately spread across different asset classes, and the resultant diversification effect reduces the inherent risk of the portfolio. The Board of Trustees remains confident that the strategic asset allocation of the portfolio will enhance the probability of success in achieving the Trust Fund's long-term objectives, despite potential variability in annual returns.

Appreciation

I would like to thank the Board of Trustees and its various Committees, for continuing to employ a prudent and proactive approach in guiding the Trust Fund along the path of fulfilling its long-term objective. The Board would like to record appreciation for the continued contribution of our independent investment adviser, Pavilion, a Mercer Practice. The Board would also like to extend appreciation to the Management Team for their continued diligence and professional commitment throughout the year.

Dr. Linton Lewis
Chairman

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Management is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of the Caribbean Court of Justice Trust Fund ("the Fund"), which comprise the statement of financial position as at 31 December 2019, the statement of comprehensive income, statement of changes in fund balance and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the Fund keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal controls that assures security of the Fund's assets, detection/prevention of fraud, and the achievement of Fund operational efficiencies;
- Ensuring that the system of internal controls operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations; and
- Using reasonable and prudent judgement in the determination of estimates.

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

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

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

Ram Ramsaran

Accountant
3 August 2020

INDEPENDENT AUDITOR'S REPORT
TO THE TRUSTEES OF CARIBBEAN COURT OF JUSTICE TRUST FUND

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Caribbean Court of Justice Trust Fund ("the Fund"), which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in fund balance and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information included in the Fund's 2019 Annual Report

Other information consists of the information included in the Fund's 2019 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Fund's 2019 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and the Board of Trustees for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Trustees is responsible for overseeing the Fund's financial reporting process.

INDEPENDENT AUDITOR'S REPORT
TO THE TRUSTEES OF CARIBBEAN COURT OF JUSTICE TRUST FUND

(Continued)

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

Port of Spain,
TRINIDAD:
3 August, 2020

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	2019 US$	2018 US$
Assets			
Cash and cash equivalents	4	**3,930,683**	4,381,011
Accounts receivable		**6,955**	5,973
Interest receivable		**4,532**	4,534
Other assets		**5,594**	8,468
Investments at fair value through profit or loss	6	**78,672,565**	73,810,054
Property, plant and equipment	8	**65,103**	86,365
Total assets		**82,685,432**	78,296,405
Liabilities			
Accounts payable and accrued expenses		**127,849**	81,997
Due to Court - non-judicial staff pensions	16	**3,916,000**	3,118,000
Total liabilities		**4,043,849**	3,199,997
Total net assets		**78,641,583**	75,096,408
Fund balance			
Capital contributions	9	**114,067,660**	114,067,660
Accumulated deficit		**(35,426,077)**	(38,971,252)
Total fund balance		**78,641,583**	75,096,408

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

These financial statements were approved by the Board of Trustees and authorised for issue on 3 August 2020 and are signed on its behalf by:

: Trustee

: Trustee

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 US$	2018 US$
Income			
Interest and other income		**85,017**	93,610
Dividends		**830,642**	678,375
Realised gain on investments		**1,685,135**	3,292,064
Net unrealised gain/(loss) on investments at fair value through profit or loss		**10,095,999**	(8,208,924)
		12,696,793	(4,144,875)
Expenditure			
Staff costs	10	**333,537**	358,291
Investment management expenses		**309,700**	327,914
Board expenses	10	**102,138**	100,960
Property related expenses		**83,553**	84,738
General administrative expenses		**66,386**	73,418
Professional fees		**42,544**	25,490
Depreciation	8	**22,385**	27,072
		960,243	997,883
Net operating income/(loss) for the year		**11,736,550**	(5,142,758)
Net foreign exchange gain/(loss)		**1,490**	(4,825)
Net income/(loss) for the year		**11,738,040**	(5,147,583)
Other comprehensive income		**–**	–
Total comprehensive income/(loss) for the year		**11,738,040**	(5,147,583)

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

STATEMENT OF CHANGES IN FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2019

	Capital contributions US$	Accumulated deficit US$	Fund balance US$
Balance at 1 January 2018	114,067,660	(26,176,506)	87,891,154
Total comprehensive loss for the year	–	(5,147,583)	(5,147,583)
Change in accumulated value due to Court (Note 16)	–	(25,073)	(25,073)
Transfers to the Court (Note 18)	–	(7,622,090)	(7,622,090)
Balance at 31 December 2018	114,067,660	(38,971,252)	75,096,408
Balance at 1 January 2019	114,067,660	(38,971,252)	75,096,408
Total comprehensive income for the year	–	11,738,040	11,738,040
Change in accumulated value due to Court (Note 16)	–	(587,485)	(587,485)
Transfers to the Court (Note 18)	–	(7,605,380)	(7,605,380)
Balance at 31 December 2019	114,067,660	(35,426,077)	78,641,583

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 US$	2018 US$
Operating activities			
Net income/(loss) for the year		**11,738,040**	(5,147,583)
Adjustments to reconcile net income to net cash flows:			
Depreciation	8	**22,385**	27,072
Interest income		**(85,017)**	(82,663)
Dividend income		**(830,642)**	(678,375)
Net foreign exchange differences		**23,167**	(314)
Decrease in accounts receivable and other assets		**1,892**	47
Increase/(decrease) in accounts payable and accrued expenses		**45,852**	(114,654)
Other movements included in net income		**(158,065)**	(158,639)
Purchase of investments		**(2,603,296)**	(5,451,441)
Redemption of investments		**9,679,968**	13,362,076
Net realised and unrealised (gains)/losses on investments		**(11,781,134)**	4,916,860
		6,053,150	6,672,386
Interest received		**61,815**	88,680
Dividends received		**830,642**	678,375
Net cash flows generated from operating activities		**6,945,607**	7,439,441
Investing activities			
Purchase of property, plant and equipment	8	**(1,070)**	(5,511)
Net cash flows used in investing activities		**(1,070)**	(5,511)

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

(Continued)

	Note	2019 US$	2018 US$
Financing activities			
Funds received from the Court re: non-judicial staff pensions	16	**210,515**	258,927
Transfers to the Court	18	**(7,605,380)**	(7,622,090)
Net cash flows used in financing activities		**(7,394,865)**	(7,363,163)
Net (decrease)/increase in cash and cash equivalents		**(450,328)**	70,767
Cash and cash equivalents at beginning of the year		**4,381,011**	4,310,244
Cash and cash equivalents at end of the year	4	**3,930,683**	4,381,011

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. General information and principal activities

The Caribbean Court of Justice Trust Fund (the Trust Fund) was established by the CARICOM Heads of Government (the Members) in accordance with the "Revised Agreement establishing the Caribbean Court of Justice Trust Fund" (the Agreement) effective 27 January 2004. The Board of Trustees was inaugurated at its first Meeting on 22 August 2003, and operations commenced on 1 May 2004.

The Trust Fund operates as a legal entity under the Agreement which is registered in accordance with the provisions of Article 102 of the Charter of the United Nations. The Trust Fund is not amenable to the jurisdiction of any one sovereign state. It is domiciled in the Republic of Trinidad and Tobago, and its registered office is at 22 Cornelio Street, Woodbrook, Port of Spain, Trinidad and Tobago. During the year, the Trust Fund employed six (6) members of staff.

The Agreement establishes certain privileges and immunities to enable the Trust Fund and its Officers to discharge its duties and responsibilities. In accordance with Article XII of the Agreement the Trust Fund, its assets, property, income and its operations and transactions are exempt in its country of domicile (Trinidad and Tobago) from all taxation, all customs duties on goods imported for its official use and all other imposts. The privileges and immunities are encompassed in the Headquarters Agreement established with the Government of Trinidad and Tobago.

The purpose of the Trust Fund is to provide the resources necessary to finance the capital and operating budget of the Caribbean Court of Justice (the Court) and the Regional Judicial and Legal Services Commission (the Commission) in perpetuity. Its principal activity is the management of an endowment fund. The investment objective is to seek medium to long-term capital growth through investment in a diversified portfolio of tax-efficient international instruments, including equity and equity-related instruments, alternative investment securities and fixed income, in order to produce an optimal net long-term rate of return with reasonable security of capital.

The Trust Fund has engaged Mercer Investment Consulting Inc. as independent Investment Adviser. The Trust Fund's Custodian is State Street Bank and Trust Company.

2. Significant accounting policies

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

2.1 Basis of preparation

These financial statements are presented in US dollars (US$), the Trust Fund's functional and presentation currency, and have been prepared in accordance with International Financial Reporting Standards (IFRS) on a historical cost basis, except for financial assets measured at fair value through profit or loss.

2.2 Changes in accounting policies and disclosures

New standards and amendments/revisions to published standards and interpretations effective in 2019

The following amendments to published standards are mandatory for accounting periods beginning on or after 1 January 2019:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Continued)

2. Significant accounting policies (continued)

2.2 Changes in accounting policies and disclosures (continued)

New standards and amendments/revisions to published standards and interpretations effective in 2019 (continued)

- **IFRS 16: Leases**

IFRS 16: Leases (IFRS 16) replaces IAS 17: Leases (IAS 17) and specifies how to recognize, measure, present and disclose leases. IFRS 16 provides a single lessee accounting model which requires the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less, or the underlying asset has a low value.

IFRS 16 eliminates the IAS 17 dual accounting model for leases which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases and has now been replaced with a single on-balance sheet accounting model, similar to current finance lease accounting. Lessees will now be required to separately recognise interest expense on the lease liability and depreciation expense on the asset, in the income statement.

On transition to IFRS 16, the Trust Fund elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Trust Fund applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

On transition and subsequently, the Trust Fund has elected to use the following recognition exemptions when applying IFRS 16 to all leases previously classified as operating leases under IAS 17:

- not to recognise right-of-use assets and liabilities for short-term leases of twelve (12) months or less; and
- not recognise right-of-use assets and liabilities for leases of low value assets.

Consequently, the adoption of IFRS 16 had no material effect on the Trust Fund's financial statements and the comparative information presented for 2018 was not restated.

New standards and amendments/revisions to published standards and interpretations effective in 2019 but not applicable to the Trust Fund

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January, 2019. The Trust Fund has not adopted the following new and revised IFRSs and IFRIC interpretations that have been issued. The amendments had no impact on the Trust Fund's financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
(Continued)

2. Significant accounting policies (continued)

2.2 Changes in accounting policies and disclosures (continued)

New standards and amendments/revisions to published standards and interpretations effective in 2019 but not applicable to the Trust Fund (continued)

- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- Annual Improvements to IFRSs 2015–2017 Cycle (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23)

New standards, interpretations and revised or amended standards that are not yet effective and have not been early adopted by the Trust Fund

The following is a list of new IFRSs, interpretations and amendments that are not yet effective for annual periods beginning on 1 January 2019 and which have not been early adopted by the Trust Fund. Management is currently evaluating the impact of adoption, but does not anticipate there would be a material impact on the Trust Fund's financial statements.

Effective 1 January 2020:

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)

Effective 1 January 2022:

- IFRS 17 Insurance Contracts

2.3 Summary of significant accounting policies

a) Cash and cash equivalents

Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less and are carried at cost, which approximates fair value.

b) Financial instruments

In accordance with its business model (refer to Note 6), the Trust Fund's financial instruments (financial assets and financial liabilities) are classified as at fair value through profit or loss.

The Trust Fund's financial instruments are recognised in its statement of financial position when it becomes a party to the contractual obligation of the instrument.

Regular purchases and sales of investments are recognised on the trade date, the date on which the Trust Fund commits to purchase or sell the asset.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Continued)

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

b) Financial instruments (continued)

A financial asset is derecognised when the rights to receive the cash flows from the asset have expired or where all the risks and rewards of ownership of the asset have been transferred. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

c) Financial assets

The Trust Fund's financial assets include investment securities, cash and cash equivalents (cash, money market accounts and income funds), interest receivable and other current assets.

IFRS 9 requires all financial assets, on initial recognition, to be classified as measured at either amortised cost or fair value, depending on the business model (refer to Note 6) for managing the financial assets and the contractual cash flows. In accordance with its business model, the Trust Fund's financial assets are classified as at fair value through profit or loss.

Initial recognition and subsequent measurement

The Trust Fund's financial assets are initially measured at fair value. All recognised financial assets are subsequently measured at either amortised cost or fair value depending on their classification.

Transaction costs that are directly attributable to the acquisition of financial assets classified at fair value through profit or loss are recognised immediately in profit or loss.

If the asset is not subsequently measured at fair value through profit or loss, then the initial measurement is at fair value plus transaction costs that are directly attributable to the acquisition of the asset.

Reclassification

If the Trust Fund's business model for managing its financial assets changes, those assets must be reclassified. Such reclassification shall be applied prospectively from the reclassification date, and any previously recorded gains, losses or interest shall not be restated.

For financial assets measured at fair value which are reclassified, the fair value is determined at the reclassification date. Any gain or loss arising from a difference between the previous carrying amount and fair value is recorded in profit or loss.

For financial assets measured at amortised cost which are reclassified, the fair value at the reclassification date becomes its new carrying value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
(Continued)

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

c) Financial assets (continued)

Financial assets at fair value through profit or loss

In accordance with IFRS 9, all financial assets are measured at fair value through profit or loss (FVTPL).

Financial assets are classified as at FVTPL, and subsequently measured at fair value, with any gains or losses arising on re-measurement of fair value recognised in profit or loss, and reflected in the line item captioned "Net gain/(loss) in fair value on investments at fair value through profit or loss".

Debt instruments that do not meet the amortised cost criteria, or that meet the criteria, but the Trust Fund has chosen to designate as at fair value through profit or loss at initial recognition, are measured at FVTPL. Interest income on debt instruments at FVTPL is recognised in profit or loss under the line item captioned "Interest income".

Investments in equity instruments are mandatorily classified and measured at FVTPL. Equity investments that are held for trading must be measured at FVTPL. A financial asset is held for trading if:

i) it has been acquired principally for the purpose of selling it in the near term, or

ii) on initial recognition, it is part of a portfolio of identified financial instruments that the Trust fund manages together and has evidence of a recent actual pattern of short-term profit taking.

For equity investments that are not held for trading, the Trust Fund may elect on initial recognition to designate those investments as at fair value through other comprehensive income (FVTOCI) and to present gains and losses on those instruments in other comprehensive income. No election of such has been made by the Trust Fund. Dividend income on investments in equity instruments at FVTPL is recognised in profit or loss under the line item captioned "Dividends".

d) Financial liabilities

The Trust Fund's financial liabilities include accounts payables, accrued liabilities and amounts due to the Court.

Initial recognition and subsequent measurement

The Trust Fund's financial liabilities are initially measured at fair value and are subsequently measured at either FVTPL or at amortised cost. Transaction costs that are directly attributable to the issue of financial liabilities that are not at FVTPL, are deducted from the fair value of the financial liability.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
(Continued)

2. **Significant accounting policies** (continued)

2.3 **Summary of significant accounting policies** (continued)

d) **Financial liabilities** (continued)

Initial recognition and subsequent measurement (continued)

For changes in fair value of a financial liability designated at FVTPL which are attributable to changes in the credit risk of that liability, that part of a fair value change due to the Trust Fund's own credit risk will be recorded in other comprehensive income rather than in the income statement, unless this creates an accounting mismatch.

e) **Fair value measurement**

The Trust Fund measures its investments in financial instruments at fair value at each reporting date. Fair value related disclosures for financial instruments that are measured at fair value are reflected in Note 7.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market or, in the absence of a principal market, in the most advantageous market to which the Trust Fund has access at that date. The fair value of a liability reflects the risk of its non-performance.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value for financial instruments traded in organized financial markets is based on their quoted market prices for those instruments at the reporting date. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, and the instrument is not actively traded on recognized exchanges, fair value is determined using valuation techniques (e.g. discounted cash flow analysis or industry accepted valuation models) that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. Where discounted cash flow techniques are used, future cash flows are based on best estimates and the discount rate is a market related rate at the reporting date for an instrument with similar terms and conditions. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

For financial reporting purposes, fair value measurements are categorised within the fair value hierarchy into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety (Refer to Note 7), which are summarised as follows:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Continued)

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

e) Fair value measurement (continued)

- Level 1 inputs are quoted market prices (unadjusted) in active markets for identical instruments that can be accessed at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly;
- Level 3 inputs are unobservable inputs for the asset or liability.

Transfers between levels of the fair value hierarchy are deemed to have occurred at the date of the event or change in circumstances during the reporting period.

f) Property, plant and equipment

Property is stated at cost net of accumulated depreciation. Depreciation is provided for at rates expected to write off the cost of the assets over their estimated useful lives. Leasehold improvements are depreciated over the period of the lease.

Depreciation on all classes of property, plant and equipment is computed as follows:

	Rate	**Basis**
Motor vehicles	25%	Reducing balance
Equipment, furniture and fittings	12 ½% - 50%	Straight line
Leasehold improvements	33 ⅓%	Straight line

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining net income. Costs of repairs are charged to the statement of profit or loss and comprehensive income when the expenditure is incurred.

g) Operating lease

The Trust Fund has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

Short-term leases and leases of low-value assets
The Trust Fund has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Trust Fund recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term consistent with the accounting guidelines for operating leases under IAS 17. Operating leases are leases that do not transfer substantially all the risks and rewards of ownership to the lessee.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Continued)

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

g) Operating lease (continued)

The Trust Fund has entered into a one year operating lease for the occupation of its registered office (refer to Note 19). Either party has the option to terminate the agreement by serving notice in writing.

h) Capital contributions

Members' contributions are accounted for on an accruals basis. Third party contributions have been received from the Government of the Commonwealth of the Bahamas which is not a participant in the Court. As described in Note 9, it was agreed amongst the Members that the Government of the Commonwealth of the Bahamas will make such contributions in accordance with Article IV of the "Revised Agreement Establishing the Caribbean Court of Justice Trust Fund".

i) Court and Commission pensions

Non-Judicial Staff pensions

The Court provides its non-judicial staff and staff of the Commission with a defined contribution pension plan. Under this plan, the employees of the Court and the Commission make contributions which are deducted from their salaries and are matched with employer contributions from the Court and the Commission.

These contributions are remitted to the Trust Fund by the Court periodically and upon receipt the Trust Fund records a liability under the heading 'Due to Court - Non-judicial staff pensions' (refer to Note 16).

Balances accumulated under this plan are calculated by an independent third party administrator on behalf of the Court and the Commission, in accordance with an agreed formula between the Court and the Commission and their employees. The administrator advises the Court and the Commission of the accumulated amounts at the end of each financial year.

Based on the administrator's report, the Trust Fund records any resulting change in accumulated values against the amount shown as 'Due to Court - Non-judicial staff pensions'.

When a staff member reaches retirement, the Court's actuary will determine the pension entitlement for that employee based on their accumulated balance using appropriate actuarial assumptions. The Trust Fund will, at the request of the Court, provide to the Court the funds necessary to pay the pension for each employee on this basis. These amounts are treated as distributions from the heading 'Due to Court - Non-judicial staff pensions' and are accounted for when disbursements are made.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Continued)

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

i) Court and Commission pensions (continued)

Judges' pensions

The Court provides its judges with a defined benefit pension plan. An actuarial valuation is obtained by the Court at the end of each financial year in respect of the pension arrangements for its judges (refer to Note 17). The Trust Fund pays the pension obligations of the Court for judges as they fall due. These amounts are not recorded as a liability of the Trust Fund, and are treated as distributions out of the fund balance and accounted for when disbursements are made.

j) Transfers to/from the Court

The Court submits biennial budgets in relation to the expenditure requirements of the Court and the Commission. These projections are considered by the Board of Trustees and, after consultation, the necessary financing is remitted to the Court upon request.

Disbursement requests made by the Court include pension payments for judges. These amounts are treated as distributions out of the fund balance and are accounted for when disbursement requests by the Court are made, after approval by the Board of Trustees.

Funds surplus to the Court's requirements in any year may be returned to the Trust Fund. These funds are treated as credits to the fund balance, and accounted for when remitted by the Court (refer to Note 18).

k) Revenue and expenditure

Income and expenditure are accounted for on the accruals basis. Interest income includes coupons earned on fixed income investments, as well as accrued discounts on treasury bills and other discounted investments. Dividend income is recognised when the right to receive the income is established, usually the ex-dividend date.

l) Foreign currency translation

The financial statements are presented in United States dollars, which is the functional and presentation currency of the Fund. Transactions in foreign currencies including Trinidad and Tobago currency are translated at exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing rate at the reporting date and any gains or losses arising are taken to the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(Continued)

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

l) Foreign currency translation (continued)

Non-monetary items that are measured in terms of historical cost in foreign currencies are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated at the exchange rates at the date the fair value was determined. Foreign exchange gains or losses thus arising are recognised consistently with the fair value gains or losses, directly in the fund balance or the statement of profit or loss and comprehensive income as appropriate.

m) Taxation

The Trust Fund is exempt from all forms of taxation in Trinidad and Tobago, its country of domicile, including taxes on interest income, dividends and capital gains, as well as withholding taxes. Dividend income in some jurisdictions is subject to withholding taxes which are deducted at the source of the income. Dividend income is reflected net of withholding taxes where applicable.

n) Comparative information

Where necessary comparative figures have been adjusted to conform with changes in the presentation in the current year.

3. Significant accounting judgements and estimates

The preparation of financial statements in conformity with IFRS requires Management to make certain significant estimates, assumptions and judgements that affect amounts reported in the financial statements and accompanying disclosures. Actual results could differ from these estimates. Management has made the following judgements in the application of accounting policies which may have the most significant effect on the amounts reported in the financial statements.

Fair value of financial instruments

For financial instruments that trade infrequently and have little price transparency, fair value requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. The fair value of the financial instruments is determined using a variety of valuation techniques that included the use of valuation models. The inputs for these models are taken from observable markets where possible, but where this is not feasible, estimation is required to establish fair values. These estimates included considerations of liquidity, credit risk and volatility.

Changes in assumptions about these factors could affect the reported fair value of financial instruments in the statement of financial position and the level where the instruments are disclosed in the fair value hierarchy. Information about the valuation techniques and inputs used in determining the fair values are disclosed in Note 7.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Continued)

3. Significant accounting judgements and estimates (continued)

Classification of investments

Management evaluates at the time of acquisition of its financial instruments whether they should be classified as at amortised cost, FVTPL or FVTOCI. Management has considered the detailed criteria for determination of such classification, including its business model (Refer to Note 6), and is satisfied that its investments are properly classified as at FVTPL.

	2019 US$	2018 US$
4. Cash and cash equivalents		
Cash at bank	**469,952**	225,008
Money market accounts	**2,780,888**	3,152,949
Income funds	**679,843**	1,003,054
	3,930,683	4,381,011

5. Fair values of financial instruments

The Trust Fund determines the fair value of all financial assets and liabilities at the reporting date and separately discloses this information where these fair values are different from carrying amounts. The fair value of the Trust Fund's financial assets is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

For financial assets and liabilities that are liquid or have a maturity of less than three months, the carrying value is deemed to approximate their fair values due to the short-term maturities of those instruments. These include cash and cash equivalents, interest receivable and other current assets, accounts payable and other current liabilities.

The carrying values of the financial instruments in the financial statements equate the fair value.

6. Investments at fair value through profit or loss

In accordance with its business model, the Trust Fund's investments are classified as at FVTPL.

Business model

The Trust Fund's investments are traded in organized financial markets. Transactions are recorded on a trade date basis and interest is recognized when earned. Private Equity Funds of Funds and Hedge Funds of Funds investments are valued at year-end based on net asset values (NAVs).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(Continued)

6. Investments at fair value through profit or loss (continued)

Business model (continued)

The Trust Fund's business model has been determined based on the way in which the investment portfolio is managed, as well as the way in which the information is provided to the Board. Factors considered include the policies and objectives outlined in the Investment Guidelines and the application thereof, the basis for disposal of investments, the process utilized by Management in monitoring and assessing the performance of the portfolio, and the basis upon which the Board evaluates the performance of the portfolio.

The Trust Fund's financial instruments are not acquired with the explicit intention to hold over the long term to maturity or in perpetuity, although some assets may be held to maturity.

While the portfolio's focus and objective are long-term in nature, each asset is individually assessed on an ongoing basis and may be disposed of prior to maturity for the following reasons, among others:

- to realise capital gains;
- if liquidity is required, and
- desired changes to the asset allocation.

The Trust Fund has therefore designated all of its financial instruments as at FVTPL since those assets are managed, evaluated and reported internally on a fair value basis and are not expected to be held for the medium to long-term for strategic purposes.

Set out below are the Trust Fund's financial instruments, excluding those with carrying amounts which are reasonable approximations of fair value (refer to Note 5):

	2019 **US$**	**2018** **US$**
Fixed income securities	**554,094**	549,287
Equities	**48,984,800**	42,184,696
Private equity funds of funds	**9,046,437**	9,004,871
Hedge funds of funds	**16,850,632**	18,503,734
Debt fund	**3,236,602**	3,567,466
	78,672,565	73,810,054

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Continued)

7. Financial instruments - fair value

IFRS 13 requires disclosures relating to fair value measurements using a three-level fair value hierarchy.

Fair value hierarchy

The Trust Fund measures fair values using the following hierarchy which reflects the significance of the inputs used in making the measurements:

- Level 1: derived from inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: derived from inputs other than quoted prices included in Level 1, that are observable for the asset, either directly (i.e. as prices), or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques in which all significant inputs are directly observable from market data.
- Level 3: derived from inputs that are unobservable. This category includes all instruments for which the valuation techniques include inputs for the instrument which are not based on observable market data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect the differences between the instruments.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Trust Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the date of the event or change in circumstances during the reporting period.

For the purpose of fair value disclosures, the Trust Fund has determined classes of instruments on the basis of the nature, characteristics and risks of the instrument, and the level of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(Continued)

7. **Financial instruments - fair value** (continued)

Fair value hierarchy (continued)

The following table analyses the Trust Fund's financial instruments recognized at fair value at the reporting date, by the level in the fair value hierarchy.

Recurring fair value measurement of financial instruments

	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
2019				
Fixed income securities	**–**	**554,094**	**–**	**554,094**
Equities	**48,984,800**	**–**	**–**	**48,984,800**
Private equity funds of funds	**–**	**–**	**9,046,437**	**9,046,437**
Hedge funds of funds	**–**	**–**	**16,850,632**	**16,850,632**
Debt funds	**–**	**3,236,602**	**–**	**3,236,602**
	48,984,800	**3,790,696**	**25,897,069**	**78,672,565**
2018				
Fixed income securities	–	549,287	–	549,287
Equities	42,184,696	–	–	42,184,696
Private equity funds of funds	–	–	9,004,871	9,004,871
Hedge funds of funds	–	–	18,503,734	18,503,734
Debt funds	–	3,567,466	–	3,567,466
	42,184,696	4,116,753	27,508,605	73,810,054

Transfers between levels

There were no transfers amongst the three levels during the reporting period.

- Financial instruments are transferred from Level 1 to Level 2 if they cease to be traded in an active market during the year and quoted prices in active markets are no longer available for those instruments.
- Financial instruments are transferred from Level 2 to Level 1 where certain equities and funds are listed on a stock exchange during the reporting period for the first time and are considered to be traded in an active market. Fair values for these financial instruments at the reporting date are based on quoted market prices.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Continued)

7. Financial instruments - fair value (continued)

Transfers between levels (continued)

- Transfers to or from Level 3 are dependent on the existence of unobservable pricing inputs. Financial instruments are transferred to Level 3 where a previously active market or pricing based on such market ceases or becomes unobservable.

Valuation techniques

Level 1 instruments

When fair values of publicly traded equities, equity-related securities and managed funds are based on quoted market prices in an active market for identical assets without any adjustments, the instruments are included within Level 1 of the hierarchy. The Trust Fund values these investments at quoted market price at the close of trading on the reporting date.

The Trust Fund categorises these investments as Level 1.

Level 2 instruments

The Trust Fund invests in fixed income securities, treasury bills and mutual funds. In the absence of a quoted price in an active market, fair values at the reporting date are obtained using valuation techniques based on observable data. Observable data is considered to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by an independent source which is actively involved in the relevant market.

These instruments are valued using observable inputs such as recently executed transaction prices in securities of the issuer or comparable issuers, discounted cash flows based on yield curves, and quoted prices of the underlying securities. Adjustments are made to the valuations if necessary to recognise differences in the instrument's terms.

To the extent that the significant inputs are observable, the Trust Fund categorises these investments as Level 2.

Level 3 instruments

The Trust Fund invests in managed funds (Private Equity Funds of Funds and Hedge Funds of Funds) which are not quoted in active markets. Investments in those funds are valued based on the NAV per unit published by the administrator of those funds. Such a NAV is adjusted by the individual fund managers to reflect assumptions incorporating unobservable factors specific to the asset, including liquidity risk, limitations on redemption and other factors.

The Trust Fund, as part of its due diligence prior to investing, considers the valuation techniques and inputs used by the individual fund managers in valuing the Private Equity Funds of Funds and Hedge Funds of Funds investments, to ensure that they are reasonable and appropriate.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Continued)

7. Financial instruments - fair value (continued)

Valuation techniques (continued)

Level 3 instruments (continued)

The objective of these valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset in an orderly transaction, i.e. not a forced sale, between market participants at the measurement date.

Valuation techniques include net present value and discounted cash flow models, market approach and comparison with similar instruments for which market observable prices exist, as well as mathematical models such as Black-Scholes and polynomial option pricing models.

Inputs used in valuation techniques include risk-free interest rates, credit spreads and other premia used in estimating discount rates, price information, foreign currency exchange rates, as well as volatility statistics, liquidity statistics and asset correlations.

Fair value is determined by each Funds of Funds manager using the various valuation techniques and relevant valuation models, with significant adjustments based on unobservable inputs, arising from assumptions applied by the individual fund manager. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, the Trust Fund categorises these investments as Level 3.

Sensitivity analysis to significant changes in unobservable inputs within Level 3

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 31 December 2019 are shown below:

	Input used	Sensitivity used +/-%	Effect on fair value US$
Hedge Funds of Funds	NAV	5	842,532
	NAV	10	1,685,063
	NAV	15	2,527,595
Private Equity Funds of Funds	NAV	5	452,322
	NAV	10	904,644
	NAV	15	1,356,966

Significant decreases in the NAVs would result in a significantly lower fair value measurement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Continued)

7. Financial instruments - fair value (continued)

Valuation techniques (continued)

Level 3 instruments (continued)

Level 3 reconciliation

There were transfers into or out of Level 3. The following table shows a reconciliation of all movements in the fair value of financial instruments categorized within Level 3 between the beginning and end of the reporting period.

2019	**Private equity funds of funds US$**	**Hedge funds of funds US$**	**Total US$**
Balance at 1 January 2019	**9,004,871**	**18,503,734**	**27,508,605**
Total realised gains	**57,767**	**2,626**	**60,393**
Subscriptions	**–**	**–**	**–**
Redemptions	**–**	**(3,043,384)**	**(3,043,384)**
Capital calls	**440,000**	**–**	**440,000**
Distributions	**(1,115,716)**	**–**	**(1,115,716)**
Unrealised gains included in comprehensive income	**659,515**	**1,387,656**	**2,047,171**
Balance at 31 December 2019	**9,046,437**	**16,850,632**	**25,897,069**
2018			
Balance at 1 January 2018	8,254,393	19,946,393	28,200,786
Total realised gains	101,414	45,640	147,054
Subscriptions	–	5,934	5,934
Redemptions	–	(1,425,310)	(1,425,310)
Capital calls	1,132,000	–	1,132,000
Distributions	(1,498,309)	–	(1,498,309)
Unrealised gains/(losses) included in comprehensive income	1,015,373	(68,923)	946,450
Balance at 31 December 2018	9,004,871	18,503,734	27,508,605

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Continued)

8. Property plant and equipment

	Motor vehicles US$	Equipment & furniture US$	Leasehold improvements US$	Total US$
Cost				
Balance at 31 December 2018	154,387	137,770	12,438	304,595
Additions at cost	–	1,070	–	1,070
Exchange adjustments	(159)	339	8	188
Disposals	–	(885)	–	(885)
Balance at 31 December 2019	154,228	138,294	12,446	304,968
Accumulated depreciation				
Balance at 31 December 2018	(80,316)	(125,476)	(12,438)	(218,230)
Charge for the year	(18,466)	(3,919)	–	(22,385)
Exchange adjustments	(50)	(77)	(8)	(135)
Disposals	–	885	–	885
Balance at 31 December 2019	(98,832)	(128,587)	(12,446)	(239,865)
Net book value at 31 December 2019	55,396	9,707	–	65,103

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Continued)

8. Property plant and equipment (continued)

	Motor vehicles US$	Equipment & furniture US$	Leasehold improvements US$	Total US$
Cost				
Balance at 31 December 2017	154,311	132,195	12,432	298,938
Additions at cost	–	5,511	–	5,511
Exchange adjustments	76	64	6	146
Disposals	–	–	–	–
Balance at 31 December 2018	154,387	137,770	12,438	304,595
Accumulated depreciation				
Balance at 31 December 2017	(58,111)	(120,522)	(12,432)	(191,065)
Charge for the year	(22,177)	(4,895)	–	(27,072)
Exchange adjustments	(28)	(59)	(6)	(93)
Disposals	–	–	–	–
Balance at 31 December 2018	(80,316)	(125,476)	(12,438)	(218,230)
Net book value at 31 December 2018	74,071	12,294	–	86,365

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Continued)

9. **Capital contributions**	**2019 US$**	**2018 US$**
At beginning of year	**114,067,660**	114,067,660
Third party contributions	**–**	–
At end of year	**114,067,660**	114,067,660
Represented by:		
Members' contributions and escrow	**104,907,660**	104,907,660
Third party contributions	**9,160,000**	9,160,000
At end of year	**114,067,660**	114,067,660

The initial capital totalling US$99,500,000 was raised by the Caribbean Development Bank on behalf of the Members on 16 July 2004 and remitted to the Trust Fund on 7 April 2005 along with escrow interest earned of US$1,446,142. Additional contributions amounting to US$3,961,518 were received from Members in 2006.

Third party contributions

The Members accepted a third party contribution of US$9,160,000 from the Government of the Commonwealth of the Bahamas, which was paid over a period of nine years in the sum of US$1,017,778 per annum commencing July 2006. The last payment was received in July 2014. This contribution is premised on the key condition that any such amounts paid shall be converted into membership contributions should the Government of the Commonwealth of the Bahamas become a Member of the Court.

10. Related parties

Parties are considered to be related if (a) one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions or (b) the party is a member of key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities, directly or indirectly, of the organization or have the power to participate in the financial and operating policy decisions of the Trust Fund. Members of the Board, as well as members of key management are considered to be related parties for the Trust Fund.

Staff costs totalled US$333,537 (2018: US$358,291) for the year, including bonuses of US$8,356 (2018: US$7,213). Short-term benefits for key management amounted to US$268,446 (2018: US$292,420) and other staff costs amounted to US$65,091 (2018: US$65,871).

Board expenses totalled US$102,138 (2018: US$100,960) for the year, of which honoraria payments to Trustees amounted to US$21,300 (2018: US$20,900) and other board expenses amounted to US$80,838 (2018: US$80,060).

No commercial transactions are entered into by the Trust Fund with related parties in the normal course of business.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Continued)

11. Capital management

The primary objective of the Trust Fund's capital management is to achieve capital growth in order to provide the resources necessary to finance the capital and operating budget of the Court and the Commission in perpetuity.

The capital structure of the Trust Fund consists of capital contributions from Members, approved third parties, and retained deficits after distributions to the Court. These resources are invested in a diversified portfolio of tax-efficient instruments, including fixed income and equity securities, in order to produce an optimal net long-term rate of return with reasonable security of capital.

Assets are invested and managed by considering the purpose, terms, distribution requirements and other circumstances of the Trust Fund. Investment and management decisions in respect of individual assets are evaluated in the context of the portfolio as a whole and as a part of an overall investment strategy, reflecting risk and return objectives reasonably suited to the Trust Fund. Management reviews the adequacy of its capital available to fulfil its objective on an ongoing basis. A formal assessment is conducted biennially and the Board submits a report on the adequacy of the resources to the Members for consideration.

No externally imposed capital requirements apply to the Trust Fund.

12. Financial risk management

The Trust Fund is exposed to a variety of financial risks through the financial instruments it holds. Financial risk includes liquidity risk, credit risk and market risk. Market risk arises through the effects of changes in interest rates, foreign currency and debt and equity prices.

Risks inherent in the Trust Fund's investment activities are managed through a process of ongoing identification, measurement and monitoring within the framework of investment limits and other controls. The Board is responsible for the overall risk management approach and for approving the investment principles and strategies as detailed in the Investment Guidelines. The Board, through the Finance and Investment Committee, is responsible for the development of the risk strategy, as well as the approval and monitoring of the relevant risk decisions.

The effects of these risks are disclosed in Notes 13 to 15 and enable users to evaluate the nature and extent of risks arising from the financial instruments. These disclosures have no quantitative impact on the financial statements.

13. Liquidity risk

Liquidity risk arises from fluctuations in cash flows. Liquidity risk management ensures that the Trust Fund is able to honour all of its financial commitments as they fall due.

The Trust Fund manages liquidity risk by continuously monitoring forecast and actual cash flows, matching the maturity profiles of financial assets and liabilities, as well as by ensuring that sufficient cash and marketable instruments are available to meet short-term requirements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Continued)

13. Liquidity risk (continued)

At the start of each year the Trust Fund sets aside in liquid assets the amount required to meet the annual financial requirements of the Court, the Commission and the Trust Fund. Except for Private Equity Funds of Funds and Hedge Funds of Funds holdings, the balance of the portfolio is invested widely in marketable assets which are traded in active and liquid markets, and can therefore be liquidated in the event of an unforeseen interruption of cash flow. All investments can be disposed of during the course of any financial year.

Funds of Funds assets exhibit unique liquidity characteristics, with the actual underlying assets typically being more illiquid in nature than direct equity holdings. These Funds of Funds may include an initial minimum holding (lock-up) period, contractual terms for redemption frequency, as well as the right of the Funds of Funds manager to suspend redemptions. Redemption suspensions may occur to protect the interests of redeeming and continuing investors when there is a significant decrease in liquidity.

Amounts due to the Court as described in Note 2.3 j) are due on demand. Other financial liabilities, namely accounts payable and accrued liabilities, are due within one year.

The table below summarizes the financial instruments at their carrying amounts categorized by the earlier of contractual re-pricing or maturity dates.

	Up to 1 year US$	1 to 5 years US$	Over 5 years US$	Non-interest bearing US$	Total US$
2019					
Fixed income securities	**–**	**554,094**	**–**	**–**	**554,094**
Equities	**–**	**–**	**–**	**48,984,800**	**48,984,800**
Private equity funds of funds	**–**	**–**	**–**	**9,046,437**	**9,046,437**
Hedge funds of funds	**–**	**–**	**–**	**16,850,632**	**16,850,632**
Debt fund	**–**	**–**	**–**	**3,236,602**	**3,236,602**
	–	**554,094**	**–**	**78,118,471**	**78,672,565**
2018					
Fixed income securities	–	549,287	–	–	549,287
Equities	–	–	–	42,184,696	42,184,696
Private equity funds of funds	–	–	–	9,004,871	9,004,871
Hedge funds of funds	–	–	–	18,503,734	18,503,734
Debt fund	–	–	–	3,567,466	3,567,466
	–	549,287	–	73,260,767	73,810,054

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Continued)

14. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge a contractual obligation.

The Trust Fund is exposed to the risk of credit-related losses that can occur as a result of a counterparty or issuer being unable or unwilling to honour its contractual obligations. These exposures exist within fixed income securities and similar securities, as well as cash and cash equivalents. These classes of financial assets are not subject to IFRS 9's impairment requirements as they are measured at FVTPL (refer to Note 6).

The Board of Trustees has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults, and has established guidelines for investment in institutions which meet certain minimum criteria. The Trust Fund monitors the creditworthiness of its counterparties by reviewing their credit ratings, as well as financial news and reports.

All cash and cash equivalent instruments are placed with financial institutions which have a minimum investment rating or financial profile as established by the Board. The credit risk on non-regional liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. All transactions in listed securities are paid for or settled after trade, using asset managers or brokers approved by the Board. The risk of default is considered minimal as payment is made on a purchase once the securities have been received by the asset manager or broker. Delivery of securities sold is only made upon receipt of payment by the asset manager or broker.

Selected approved asset managers are authorized to purchase suitable securities on a discretionary basis based on an analysis by the asset manager of the companies' prospectuses and due diligence procedures. Asset managers who participate in the fixed income space are limited to investment grade securities. With respect to investments purchased regionally, the Trustees consider analyses presented by Management to ensure that the securities satisfy standards established by the Board.

Investments in Private Equity Funds of Funds and Hedge Funds of Funds are effected through asset managers who themselves invest in a diversified range of funds that select the underlying investments. At each stage of the process, due diligence is conducted to identify appropriate and suitable investments. The purpose of investing in Funds of Funds is for potential increased diversification and reduction of overall market risk of the portfolio.

The carrying amount of financial instruments recorded in the financial statements represents the Trust Fund's maximum exposure to credit risk on financial instruments not subject to the IFRS 9's impairment requirements on the reporting date, hence no separate maximum exposure to credit risk disclosure is provided on these instruments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Continued)

14. **Credit risk** (continued)

Credit quality of financial instruments

The Trust Fund's credit risk exposure on fixed income securities is analysed by the following S&P credit risk ratings:

	2019 US$	2018 US$
BBB to BBB+	554,094	549,287

Risk concentrations of financial instruments by geographical distribution

The Trust Fund's investments are analysed by the following asset classes and geographical regions:

2019	Regional US$	Non-regional US$	Total US$
Corporate bonds	**554,094**	**–**	**554,094**
Equities	**–**	**48,984,800**	**48,984,800**
Private equity funds of funds	**–**	**9,046,437**	**9,046,437**
Hedge funds of funds	**–**	**16,850,632**	**16,850,632**
Debt fund	**–**	**3,236,602**	**3,236,602**
	554,094	**78,118,471**	**78,672,565**

2018	Regional US$	Non-regional US$	Total US$
Corporate bonds	549,287	–	549,287
Equities	–	42,184,696	42,184,696
Private equity funds of funds	–	9,004,871	9,004,871
Hedge funds of funds	–	18,503,734	18,503,734
Debt fund	–	3,567,466	3,567,466
	549,287	73,260,767	73,810,054

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Continued)

15. Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables. Market risk comprises three types of risk: foreign currency risk, interest rate risk and equity price risk.

The Trust Fund's investments are susceptible to market price risk arising from fluctuations in market prices. Management, in conjunction with the Trust Fund's Investment Adviser, closely monitors the exposure of the Trust Fund's investment portfolio to changes in market prices and is therefore able to minimise the risk resulting from such fluctuations.

a) Foreign currency risk

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

The Trust Fund has no significant foreign exchange exposure since liabilities are funded by assets in the same currency. The Trust Fund's liability to meet the expenses of the Court and Commission in perpetuity arises primarily in US$. The Trust Fund's administrative expenses arise in US$ as well as Trinidad and Tobago dollars (TT$). The Trust Fund matches its liabilities by investing in US$ and TT$.

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

The Trust Fund is exposed to risks associated with the effects of fluctuations in prevailing market interest rates on the market value of its fixed rate financial instruments and the impact on the fund balance.

Management of interest rate risk includes maintaining a diversified portfolio of cash, equities and bonds and adjusting the average duration of fixed income securities as interest rates change.

Interest rate sensitivity

The sensitivity of the Fund balance is analysed by maturity of the asset and is calculated by revaluing fixed rate financial instruments for the effects of the assumed changes in interest rates.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Continued)

15. Market risk (continued)

b) Interest rate risk (continued)

Interest rate sensitivity (continued)

The following table demonstrates Management's best estimate of the sensitivity to reasonable possible changes in interest rates prevailing as at 31 December (with all other variables held constant), and the impact on market value and net assets/fund balance based on the exposure at that date.

		Change in fund balance		
	Increase/ (decrease) in basis points	Up to 5 years US$	Over 5 years US$	Total US$
2019				
Fixed income securities	**+50**	**(7,232)**	**–**	**(7,232)**
	+100	**(14,348)**	**–**	**(14,348)**
	+150	**(21,351)**	**–**	**(21,351)**
	-50	**7,345**	**–**	**7,345**
	-100	**14,810**	**–**	**14,810**
	-150	**22,396**	**–**	**22,396**
2018				
Fixed income securities	+50	(9,506)	–	(9,506)
	+100	(18,819)	–	(18,819)
	+150	(27,942)	–	(27,942)
	-50	9,704	–	9,704
	-100	19,611	–	19,611
	-150	29,725	–	29,725

c) Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The Trust Fund's equity and equity-related investments are susceptible to equity price risk arising from fluctuations in equity indices.

The Trust Fund's investments in equity and equity-related securities may be held for the medium to long term for strategic purposes, and are not held for short-term trading purposes. Management, in conjunction with the Trust Fund's Investment Adviser, closely monitors the exposure of the Trust Fund's investment portfolio to changes in equity indices and is therefore able to minimise the risk resulting from such fluctuations.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
(Continued)

15. Market risk (continued)

c) Equity price risk (continued)

The table below indicates Management's best estimate of reasonable possible changes in the fair value of equity and equity-related instruments, with all other variables held constant, and the effect on net assets/ fund balance as at 31 December:

	Change in equity price 2019 +/-%	**Effect on fund balance 2019 US$**	**Change in equity price 2018 +/-%**	**Effect on fund balance 2018 US$**
U.S. equities	5	1,110,234	5	966,884
	10	2,220,468	10	1,933,767
	15	3,330,702	15	2,900,651
Non U.S. equities	5	844,769	5	735,755
	10	1,689,538	10	1,471,511
	15	2,534,307	15	2,207,266
Emerging markets	5	284,973	5	239,852
	10	569,946	10	479,704
	15	854,918	15	719,556
Debt funds	5	161,830	5	178,373
	10	323,660	10	356,747
	15	485,490	15	535,120
Real assets	5	209,264	5	166,744
	10	418,528	10	333,488
	15	627,792	15	500,232

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Continued)

16. Due to Court - Non-judicial Staff Pensions

The Court provides its non-judicial staff and staff of the Commission with a defined contribution pension plan (refer to Note 2.3 i).

	2019 US$	2018 US$
At beginning of year	**3,118,000**	2,834,000
Funds received from the Court	**210,515**	258,927
Change in accumulated value	**587,485**	25,073
At end of year	**3,916,000**	3,118,000

17. Judges' pensions

The Court provides its judges with a defined benefit pension plan and obtains an actuarial valuation at the end of each financial year in respect of that obligation (refer to Note 2.3 i).

The Court's defined benefit obligation amounted to US$11,531,000 at 31 December 2019 (2018: US$10,752,000).

The Trust Fund is the sole provider of funding to the Court for its defined benefit pension obligation to its judges, and pays to the Court the pensions for judges as they fall due. These amounts are not recorded as a liability of the Trust Fund, and are treated as distributions out of the fund balance and accounted for when disbursements are requested and made.

This arrangement is consistent with the purpose of the Trust Fund, which is to provide the resources necessary to finance the capital and operating budget of the Court and the Commission in perpetuity.

While the Court's defined benefit obligation of US$11,531,000 at 31 December 2019 has not been recorded as an obligation of the Trust Fund, should the Trust Fund be terminated as at the reporting date, this amount represents an actuarially determined estimate of the claim against the resources of the Trust Fund by the Court to fund its defined benefit pension obligation to its judges.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Continued)

	2019 US$	2018 US$
18 Accumulated transfers to/from the Court		
Accumulated transfers to the Court (refer to Note 2.3 j)		
At beginning of year	**79,907,611**	72,285,521
During the year	**7,605,380**	7,622,090
At end of year	**87,512,991**	79,907,611
Accumulated transfers from the Court (refer to Note 2.3 j)		
At beginning of year	**874,767**	874,767
During the year	**–**	–
At end of year	**874,767**	874,767

19. Commitment and contingencies

Operating lease commitments – Trust Fund as lessee

The Trust Fund has entered into an arrangement for the lease of a property for a one (1) year period. Lease commitments are as follows:

	2019 US$	2018 US$
Within one year	**25,795**	25,795

Lease rental expense included in property related expenses amounted to US$61,947 (2018: US$61,938) for the year. The lease commitments presented above represent the commitments for the five month period under the current lease which ends in May 2020 (2018: May 2019).

Capital commitments

At the year-end, capital commitments amounted to US$7,596 (2018: nil).

Contingencies

There are nil contingencies at year end (2018: Nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Continued)

20. Events after the reporting period

Management is currently evaluating the potential impact of the Coronavirus disease 2019 (COVID-19) that occurred subsequent to year end, particularly on the valuation of the Trust Fund's Investments. This disease was declared a pandemic by the World Health Organization on March 11, 2020. The extent of the impact on the financial position and performance of the Trust Fund depends on future developments, including but not limited to,

(i) the duration and spread of the outbreak,

(ii) the extent of restrictions and advisories, and

(iii) the effects on the regional and global financial and economic markets, all of which are highly uncertain and cannot be predicted.

The continuation of these circumstances could have an adverse impact on the values of investment assets held by the Trust Fund and the return on same.

The COVID-19 pandemic has prompted significant volatility in the financial markets. As of the date of sign-off there was no material effect from COVID-19 related events or transactions that would impact on the recognition and measurement of the assets and liabilities in the Fund's financial statements as at and for the year ended 31 December 2019. Currently it is not possible to properly estimate the future impact of the COVID-19 pandemic on the realization of the Fund assets in the future. We continue to monitor this situation and its potential impact on the performance of the Fund assets.

NOTES

NOTES

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