JNFM MUTUAL FUNDS LIMITED
- GLOBAL MONEY MARKET FUND

FINANCIAL STATEMENTS

MARCH 31, 2018

KPMG
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INDEPENDENT AUDITORS' REPORT

To the Directors of
JNFM MUTUAL FUNDS LIMITED - GLOBAL MONEY MARKET FUND

Opinion

We have audited the financial statements of JNFM Mutual Funds Limited - Global Money Market Fund ("the Fund"), set out on pages 4 to 26, which comprise the statement of financial position as at March 31, 2018, the statements of comprehensive income, changes in net assets attributable to holders of redeemable shares and cash flows for the period from December 15, 2016 (date of commencement of operations) to March 31, 2018 and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at March 31, 2018, and of its financial performance and cash flows for the period December 15, 2016 to March 31, 2018 in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' 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.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Directors of
JNFM MUTUAL FUNDS LIMITED - GLOBAL MONEY MARKET FUND

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS 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.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditors' 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 auditors' 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.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Directors of
JNFM MUTUAL FUNDS LIMITED - GLOBAL MONEY MARKET FUND

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

- 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 auditors' 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 auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

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

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

KPMG

Chartered Accountants
Kingston, Jamaica

July 31, 2018

JNFM MUTUAL FUNDS LIMITED - GLOBAL MONEY MARKET FUND
Statement of Financial Position
March 31, 2018
(expressed in United States dollars unless otherwise indicated)

	Notes	2018
		$'000
Assets		
Cash and cash equivalents	4,10(b)	2,211
Receivables	5,10(b)	91
Investments	6	4,620
Total assets		6,922
Liability		
Payables, being total liability	7	22
Net assets attributable to holders of redeemable shares	8	6,900
Net asset value per share	8,9	$ 10.03

Approved for issue by the Board of Directors of JNFM Mutual Funds Limited on July 31, 2018 and signed on its behalf by:

Peter Morris — Chairman

Caryl Fenton — Director

JNFM MUTUAL FUNDS LIMITED - GLOBAL MONEY MARKET FUND
Statement of Comprehensive Income
Period from December 15, 2016 to March 31, 2018
(expressed in United States dollars unless otherwise indicated)

	Notes	2018 $'000
Investment and other income		
Interest income		188
Unrealised foreign exchange translation loss		(2)
Realised losses on sale of financial assets		(16)
		170
Administrative expenses		
Investment management fees	10(a)	44
Administration fees	10(a)	21
Custodian fees		10
Irrecoverable General Consumption Tax		9
Audit fees		14
		98
Increase in net assets attributable to holders of redeemable shares		72

JNFM MUTUAL FUNDS LIMITED - GLOBAL MONEY MARKET FUND
Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares
Period from December 15, 2016 to March 31, 2018
(expressed in United States dollars unless otherwise indicated)

	Note	2018
		$'000
Increase in net assets attributable to holders of redeemable shares		72
Contributions and redemption by holders of redeemable shares		
Issue of shares during the period		8,605
Redemption of shares during the period		(1,719)
Total contributions and redemptions by holders of redeemable shares		6,886
Distributions		(58)
Net assets attributable to holders of redeemable shares at March 31, 2018	8	6,900

JNFM MUTUAL FUNDS LIMITED - GLOBAL MONEY MARKET FUND
Statement of Cash Flows
Period from December 15, 2016 to March 31, 2018
(expressed in United States dollars unless otherwise indicated)

	Notes	2018 $'000
Cash Flows from Operating Activities		
Increase in net assets attributable to holders of redeemable shares		72
Adjustments for:		
Unrealised loss on financial assets		2
Interest income		(188)
		(114)
Purchase of investments		(5,970)
Proceeds from sale of investments		1,348
Receivables		(33)
Payables		22
Interest received		130
Cash used in operating activities		(4,617)
Cash Flows from Financing Activities		
Proceeds from issue of redeemable shares	8	8,605
Payment on redemption of redeemable shares	8	(1,719)
Distributions		(58)
Cash provided by financing activities		6,828
Increase in cash and cash equivalents and balance at end of period	4	2,211

1. Identification

JNFM Mutual Funds Limited – Global Money Market Fund ("the Fund") is constituted as an open-ended mutual fund under the umbrella of a single mutual fund company, JNFM Mutual Funds Limited ("JNFM Mutual Funds" or "the company"). The company was incorporated under the Jamaican Companies Act on February 13, 2015 and is registered with the Financial Services Commission. The Fund was registered on August 1, 2015 and is domiciled in Jamaica. Its office is at 2 Belmont Road, Kingston 5. The Fund commenced operations on December 15, 2016.

The company comprises the following segregated funds:

Local Money Market Fund

Global Money Market Fund

Global Fixed Income Fund

Global Diversified Income Fund

Global US Dollar Fixed Income Fund

Global Equity Fund

Each fund's assets are only available to meet liabilities to creditors of that fund and are not available to meet liabilities of other segregated funds or to general creditors of the company.

The objective of the Fund is to preserve capital whilst providing United States dollar (USD) money market returns. The Fund invests in money market instruments denominated in USD, including short term treasury bills, Bank of Jamaica certificates of deposit, Government of Jamaica debt instruments and repurchase agreements.

The company has engaged JN Fund Managers Limited ("JNFM") as investment manager and administrator and JCSD Trustee Services Limited as custodian. JNFM has subscribed to a special share of the company of $1.00 which can only be held by JNFM or its nominee. It confers no rights to receive dividends or to otherwise participate in the profits of the company.

The income of the Fund is exempt from income tax under section 12(t) of the Income Tax Act.

2. Statement of compliance and basis of preparation

(a) Statement of compliance:

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Details of the Fund's accounting policies are included in note 13.

(b) Basis of preparation:

The financial statements are prepared on the historical cost basis, except for investments which are measured at fair value.

2. Statement of compliance and basis of preparation (continued)

(c) Functional and presentation currency:

The financial statements are presented in United States dollars, which is the functional currency of the Fund.

(d) Use of estimates and judgements:

The preparation of the financial statements, in conformity with IFRS, requires management to make estimates and assumptions that affect the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the reporting period. Actual amounts could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 3.

3. Accounting estimates and judgements

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below:

(a) Key sources of estimation uncertainty:

Valuation of financial instruments:

The Fund's accounting policy on fair value measurements is discussed in note 13.

When measuring the fair value of an asset or liability, the Fund uses market observation data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premium used in estimating discount rates.

3. Accounting estimates and judgements (continued)

(b) Key sources of estimation uncertainty (continued):

Considerable judgement is required in interpreting market data to arrive at estimates of fair values. Consequently, the estimates arrived at may be significantly different from the actual price of the instrument in an arm's length transaction.

(c) Critical judgements in applying accounting policies:

There are no critical judgements used in applying the Fund's accounting policies.

It is reasonably probable, based on existing knowledge, that outcomes within the next financial year that are different from these assumptions could require a material adjustment to the carrying amount reflected in the financial statements.

4. Cash and cash equivalents

	2018
	$'000
Cash in hand and bank [note 10(b)]	5
Securities purchased under resale agreements [note 10(b)]	2,206
	2,211

Securities purchased under resale agreements are collateralised by Government of Jamaica (GOJ) securities with fair value of $2,256,000.

5. Receivables

	2018
	$'000
Interest receivable	58
Other receivable	33
	91

6. Investments

	2018
	$'000
Treasury Bills:	
US Treasury N/B 1.125% 01.15.2019	300
US Treasury N/B 1.125% 01.31.2019	48
US Treasury N/B 1.25% 01.31.2019	298
US Treasury N/B 1.375% 06.30.2018	191
US Treasury N/B 1.375% 09.30.2018	323
US Treasury N/B 1.50% 01.31.2019	296
US Treasury N/B 1.50% 02.28.2019	864
US Treasury N/B 1.50% 08.31.2018	65
Balance carried forward to page 11	2,385

6. Investments (continued)

	2018 $'000
Treasury Bills (continued):	
Balance brought forward from page 10	2,385
Certificates of deposit:	
3.70% BOJ US Dollar Certificate of Deposit 2022	501
4.30% BOJ US Dollar Certificate of Deposit 2024	1,000
3.75% JN Bank Limited 2020 [note 10(b)]	281
	1,782
Corporate bond:	
5.50% Jamaica Energy Partners Bond 2018	453
	4,620

7. Payables

	2018 $'000
Accruals	20
Other	2
	22

8. Redeemable shares

The Fund's capital is represented by the redeemable shares.

The analysis of movements in the number of redeemable shares and net assets attributable to holders of redeemable shares during the period is as follows:

	2018 $'000
Increase in net assets attributable to holders of redeemable shares	72
Proceeds from new shares available for investment	8,605
Total inflows	8,677
Value of shares encashed and repaid during the period	(1,719)
Distributions	(58)
Net proceeds for and balance at end of the period	6,900

	2018 Number of shares ('000)
Redeemable shares:	
Issued during the period	860
Redeemed during the period	(172)
Balance as at March 31	688
Net asset value per share	$10.03

8. Redeemable shares (continued)

After the initial offering period, redeemable shares are available for subscription and redemption on each day that is a business day in Jamaica at a price equal to the net asset value per share.

Shares in the Fund rank pari passu and are entitled to participate equally in any dividend or other distributions declared as well as in the event of a termination or liquidation of the Fund. Each share is entitled to one vote at any meeting of the shareholders of the Fund.

9. Net asset value calculation

The net asset value of the Fund is determined by adding the value of all assets of the Fund and subtracting its liabilities. The net asset value per share is determined by dividing the net asset value by the number of shares in issue.

10. Related Party Transactions and Balances

JN Fund Managers Limited, a related party, incorporated in Jamaica and licensed as an investment manager, is contracted to implement the investment strategy of the Fund and to provide administration services. JN Fund Managers Limited receives a management fee and administration fee payable monthly in arrears at an annual rate not exceeding 1.00% and 0.5% respectively, of the net asset value of the Fund.

(a) During the period, transactions with JN Fund Managers Limited were:

	2018
	$'000
Investment management fees	44
Administration fees	21

(b) The balances with JN Fund Managers Limited and other related parties as at the period end are:

	2018
	$'000
Securities purchased under resale agreements:	
JN Fund Managers Limited (note 4)	1,008
Cash and bank balances:	
JN Bank Limited (note 4)	5
Investment	
JN Bank Limited (note 6)	281

(c) JN Fund Managers Limited held 6,114 shares valued at $61,000 in the Fund, as at March 31, 2018.

(d) Key management personnel of JNFM held 302.84 shares valued at $3,000 in the Fund, as at March 31, 2018.

11. Financial risk management

(a) Overview:

The Fund has exposure to the following risks from its operations and the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risks and the Fund's management of capital, represented by the value of net assets.

JNFM Mutual Funds Limited has a risk management framework that seeks to balance strong corporate oversight with well-defined independent risk management functions within the business. The Fund also has appropriate documented strategies, policies and processes, and authority is delegated to JN Fund Managers Limited, which is the Investment Manager and Administrator of the Fund.

The Board of Directors of the company has overall responsibility for the establishment and oversight of the Fund's risk management framework. It also has responsibility for capital management and to ensure prudential operations and regulatory compliance. The Board of Directors manages and reviews major risk exposures and concentrations in the Fund in accordance with best practices and regulatory requirements.

The risk management policies and procedures are established by the JN Group Risk and Compliance Unit of the Investment Manager's ultimate parent company to identify, assess and measure the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits set. The focus of financial risk management for the Fund is to ensure that the use of, and proceeds from, the Fund's financial assets are sufficient to fund the obligations arising from its contractual liabilities. The goal of the investment management process is to, within the policy guidelines, optimise the after-tax investment income and total return by investing in a diversified portfolio of securities, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis.

A key aspect of the management of the Fund's financial risk is matching the timing of cash flows from assets and liabilities. The Fund actively manages its investments using an approach that balances quality, diversification, liquidity and return. The portfolio is reviewed on a periodic basis, as are investment guidelines and limits, with the objective of ensuring that the Fund can meet its obligations without undue cost and in accordance with the Fund's internal requirements.

11. Financial risk management (continued)

(a) Overview (continued):

The JN Group Audit Committee of the Investment Manager's ultimate parent company is responsible for monitoring compliance with the Fund's risk management policies and procedures. The JN Group's Audit Committee is assisted by the JN Group Internal Audit Department which undertakes cyclical reviews of risk management controls and procedures, the results of which are reported to the heads of the Investment Manager's Compliance Department, the JN Group's Risk and Compliance Unit, the JN Group's Audit Committee and the Board of Directors.

(b) Credit risk

Counterparty credit risk

Credit risk is the risk of financial loss to the Fund, if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The risk arises principally from the Fund's investment securities.

With the exception of United States Treasury bills and Bank of Jamaica securities, there is no significant concentration of credit risk related to liquid funds and debt securities. Further, locally issued Bank of Jamaica notes are held with the Central Securities Depository (CSD), while global bonds issued by the Government of Jamaica and other investment assets are held with financial institutions which management regards as reputable and financially sound. These entities are regularly reviewed and risk rated by the JN Group Risk and Compliance Unit of the Investment Manager's ultimate parent company.

Exposure to credit risk

Credit risk exposure is the amount of loss that the Fund would suffer if all counterparties to which the Fund is exposed were to default at once. This is represented substantially by the carrying amount of financial assets shown on the statement of financial position, without taking account of the value of any collateral held.

Investment securities and resale agreements

The Fund limits its exposure to credit risk by investing only with counterparties that have high credit ratings and in Bank of Jamaica securities and United States Treasury securities. Therefore, management does not expect any counterparty to fail to meet its obligations.

The Fund has documented investment policies in place, which guide in managing credit risk on investment securities and resale agreements. The Fund's exposure and the credit ratings of its counterparties are continually monitored and the aggregate value of transactions concluded is spread amongst approved counterparties based on their credit ratings and limits set.

11. Financial risk management (continued)

(b) Credit risk (continued)

Concentration of credit risk

The Fund has significant concentration of credit risk in respect of securities issued by the United States Department of the Treasury and the Bank of Jamaica.

(c) Liquidity risk:

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk is broken down into two primary categories:

(i) *Funding liquidity risk* - the risk that the Fund will not be able to meet the expected and unexpected current and future cash flows without affecting either its daily operations or its financial condition; and

(ii) *Asset/Market liquidity risk* – the risk that the Fund will be unable to liquidate assets in an orderly fashion without incurring loss on liquidation. This usually stems from illiquid markets or market disruptions.

The Fund's rules provide for the daily creation and cancelation of shares and it is therefore exposed to the liquidity risk of meeting shareholders' redemptions at any time. The Fund has in force appropriate guidelines governing payment procedures for shareholders encashing their shares.

The Fund's financial liabilities are due within one month.

There was no change in the nature of exposure to liquidity risk which the Fund is subjected to or its approach to measuring and managing the risk during the period.

(d) Market risk:

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the value of the Fund's assets, the amount of its liabilities and/or the Fund's income. Market risk arises in the Fund due to fluctuations in the value of liabilities and the value of investments held. The Fund is exposed to market risk on all its financial assets.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return. Market risk exposures are measured using sensitivity analysis.

11. Financial risk management (continued)

(d) Market risk (continued):

Management of market risk

For each of the major components of market risk, the Fund has policies and procedures in place which detail how each risk should be monitored and managed. The management of each of these major components of risk and the exposure of the Fund at the reporting date are addressed below.

There was no change in the nature of exposure to market risk to which the Fund is subjected or its approach to measuring and managing the risk during the year.

(i) Foreign currency risk:

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

The Fund has no exposure to foreign currency risk.

(ii) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Fund manages this risk by regularly re-evaluating the yield, duration and modified duration on given financial instruments.

The following table summarises the carrying amounts of recognised assets and liabilities to arrive at the Fund's interest rate gap based on the earlier of contractual repricing and maturity dates. There were no off-balance sheet financial instruments giving rise to interest rate risk.

	2018					
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non Rate Sensitive	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Assets						
Cash and cash equivalents	1,011	1,200	-	-	-	2,211
Investments	191	2,647	782	1,000	-	4,620
Receivables	-	-	-	-	91	91
Total financial assets	1,202	3,847	782	1,000	91	6,922
Payables, being total liability	-	-	-	-	22	22
Total interest rate repricing gap	1,202	3,847	782	1,000	69	6,900
Cumulative interest rate gap	1,202	5,049	5,831	6,831	6,900	

11. Financial risk management (continued)

(d) Market risk (continued):

(ii) Interest rate risk (continued):

The sensitivity of the net assets attributable to shareholders is the effect of the assumed changes in interest rates on net income based on floating rate financial assets and revaluing fixed rate financial assets at fair value through profit or loss for the effects of the assumed changes in interest rates.

The following table indicates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Fund's net assets attributable to shareholders.

	2018 $'000
Change in basis points:	
USD	
-50	33
+50	(32)

Average effective yields by the earlier of the contractual re-pricing or maturity dates:

	2018				
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Weighted Average
	%	%	%	%	%
Cash and cash equivalents	1.37	2.33	-	-	2.10
Treasury bills	-	1.38	-	-	1.38
Certificates of deposit	-	-	3.73	4.30	4.04
Corporate bond	-	5.50	-	-	5.50

(iii) Equity price risk

The Fund has no exposure to equity price risk.

(e) Operational risk:

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Fund's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements, natural and man-made disasters as well as generally accepted standards of corporate behaviour.

11. Financial risk management (continued)

(e) Operational risk (continued):

The Fund's objective is to manage operational risk to achieve the optimal balance between the Fund's financial returns and its performance against the requirements of an effective operational risk management framework.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the JN Group Risk and Compliance Unit of the Investment Manager's ultimate parent company, and in daily operations to the Investment Manager's senior management team. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- risk policies/guidelines for assisting management to understand the ways in which risks can be measured, managed, identified and controlled;
- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirement for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial actions;
- development of business continuity programmes including contingency plans, testing and training;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

There was no change in the Fund's approach to managing operational risk during the period.

(f) Capital management

The Investment Manager's objectives when managing capital are:

(i) To comply with the requirements set by the Fund's rules,

(ii) To ensure a stable base to maximise returns for shareholders,

(iii) To ensure that the Fund has sufficient liquidity to meet its estimated redemptions under both normal and stress conditions; and

(iv) To safeguard the Fund's ability to continue as a going concern.

12. Fair value of financial instruments

The fair values of financial assets that are traded in an active market are based on quoted market prices. For all other financial assets, the Fund determines fair value using other valuation techniques as detailed in note 13(a)(vii).

12. Fair value of financial instruments (continued)

The fair values of cash and cash equivalents, receivables and payables are considered to approximate their carrying values due to their relatively short-term nature.

(a) Accounting classifications and fair values:

The following table shows the carrying amount and fair value of financial assets, including their levels in the fair value hierarchy. The carrying amount of financial assets and liabilities is a reasonable approximation of fair value.

	2018
	Level 2
	$'000
Financial assets measured at fair value:	
US treasury bills	2,385
Certificate of deposit	1,782
Corporate bond	453
	4,620

The following table shows the valuation techniques used in measuring the fair value of investment securities.

Type	**Valuation techniques**
US treasury bills	• Obtain bid price provided by a recognised broker/dealer, namely Oppenheimer and apply price to estimate fair value.
Other investments	• Where the security was issued within 1-2 months of the reporting date, the issue price (i.e. par) is used as an approximation of fair value; or • Where the security pays a variable rate of interest which resets quarterly, coupled with the lack of any material change in the credit quality of the issuer, the par value is used as an approximation of fair value; or • Where the security has a short-term maturity profile, coupled with the lack of any material change in the credit quality of the issuer in the three (3) months prior to the reporting date, the par value is used as an approximation of fair value; or • To price the security, an estimate of the initial credit spread above the yield of the comparable Government of Jamaica security (risk-free interest rate) that the corporate bond is issued at is determined. This credit spread is then added to the applicable risk-free interest rate as at the reporting date to determine the requisite yield to be used to estimate the fair value of the security.

13. Significant accounting policies

The Fund has consistently applied the following accounting policies to the period presented in the financial statements.

(a) Financial instruments:

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of the financial statements, financial assets have been determined to include cash and cash equivalents, receivables and investments. Financial liabilities include payables and net assets attributable to holders of redeemable shares.

(i) Classification:

The Investment Manager determines the classification of investments at the time of purchase and takes account of the purpose for which the investments were acquired. Investments are classified as at fair value through profit or loss.

Loans and receivables are those created or acquired by the Fund, with fixed or determinable payments and are not quoted in an active market. Loans and receivables comprise cash and cash equivalents and receivables.

(ii) Recognition:

The Fund initially recognises securities purchased under resale agreements and debt securities on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Fund becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value, plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

(iii) Derecognition:

The Fund derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Fund is recognised as a separate asset or liability.

The Fund derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

(iv) Offsetting:

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liabilities simultaneously.

13. Significant accounting policies (continued)

(a) Financial instruments (continued):

(v) Measurement:

Financial assets classified as fair value through profit or loss are measured at fair value and changes therein including any interest or dividend income are recognised in statement of comprehensive income. Directly attributable transaction costs are recognised in statement of comprehensive income as incurred.

All non-derivative financial assets classified as loans and receivables are initially recognised at fair value plus directly attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost, using the effective interest rate method. Premiums and discounts are included in the carrying amount of the related instrument and are amortised based on the effective interest rate of the instrument.

The fair value of investments classified at fair value through profit or loss is based on their quoted market bid price at the reporting date. Where a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the reporting date.

(vi) Identification and measurement of impairment:

The carrying amounts of the Fund's financial assets are reviewed at each reporting date to determine whether there is objective evidence that financial instruments not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and the loss event has an impact on the future cash flows of the asset that can be estimated reliably. If any such indication exists, the asset's recoverable amount is estimated at each reporting date. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in statement of comprehensive income.

(vii) Fair value measurement:

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 or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. 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.

13. Significant accounting policies (continued)

(a) Financial instruments (continued):

(vii) Fair value measurement (continued):

If there is no quoted price in an active market, then the Fund uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Fund determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Fund measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Fund on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

(b) Cash and cash equivalents:

Cash and cash equivalents are measured at cost. They comprise cash in hand and at bank and securities purchased under resale agreements, including short term deposits where original maturities do not exceed three months from the reporting date, and other financial instruments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term commitments.

(c) Securities purchased under resale agreements:

Securities purchased under resale agreements ("Reverse repos") are short-term transactions whereby securities are bought with simultaneous agreements to resell the securities on a specified date and at a specified price. Reverse repos are accounted for as short-term collateralised lending and are measured at amortised cost, less impairment.

The difference between the purchase and resale considerations is recognised on the accrual basis over the period of the agreements, using the effective yield method, and is included in interest income.

(d) Receivables:

Receivables are measured at amortised cost less impairment losses.

13. Significant accounting policies (continued)

(e) Payables:

Payables are measured at amortised cost.

(f) Foreign currencies:

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the foreign exchange rate ruling at that date. Transactions in foreign currencies are translated at the foreign exchange rate ruling at the dates of those transactions. Realised and unrealised gains and losses arising from fluctuations in exchange rates are recognised in statement of comprehensive income.

(g) Dividend income:

Dividend income is recognised in statement of comprehensive income on the record date.

(h) Redeemable shares:

The Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The redeemable shares issued by the Fund provide investors with the right to require redemption for cash at a value proportionate to the investor's share in the Fund's net assets at the redemption date and also in the event of the Fund's liquidation. The redeemable shares are classified as financial liabilities and are measured at the present value of the redemption amounts.

(i) Net asset value per share

The net asset value per share is calculated in accordance with the Fund's rules.

(j) Interest income:

Interest income is recognised in statement of comprehensive income on the accrual basis using the effective interest method.

(k) Investment management and administration fees:

Investment management and administration fees are recognised on the accrual basis.

(l) Definition of related party:

A related party is a person or entity that is related to the Fund ("reporting entity").

(1) A person or a close member of that person's family is related to the Fund if that person:

(i) has control or joint control over the Fund;

(ii) has significant influence over the Fund; or

(iii) is a member of the key management personnel of the Fund.

13. Significant accounting policies (continued)

(l) Definition of related party (continued):

(2) An entity is related to the Fund if any of the following conditions applies:

(i) the entity and the Fund are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Fund or an entity related to the Fund;

(vi) the entity is controlled, or jointly controlled by a person identified in (1);

(vii) a person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);

(viii) the entity, or any member of a group of which it is a part provides key management personnel services to the Fund or to the parent of the Fund.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

(m) New and amended standards and interpretations not yet effective:

Certain new and amended standards and interpretations have been issued which are not yet effective for the current period and which the Fund has not early-adopted. The Fund has assessed the relevance of all such new standards, amendments and interpretation with respect to the Fund's operations and has determined that the following are likely to have an effect on its financial statements.

- The Fund is required to adopt IFRS 9, *Financial Instruments* from April 1, 2018. The standard replaces IAS 39, *Financial Instruments: Recognition and Measurement* and sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their contractual cash flows. It contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Based on its preliminary assessment, the management does not believe that the new classification requirements will have a material impact on its accounting for receivables, securities purchased under resale agreements and investments.

13. Significant accounting policies (continued)

(m) New and amended standards and interpretations not yet effective (continued):

- IFRS 9, *Financial Instruments* (continued)

  IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments.

  Under IFRS 9, loss allowances will be measured on either of the following bases:

  (i) 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and

  (ii) Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

  Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for short-term receivables without a significant financing component.

  The Investment Manager believes that impairment losses are not likely to have a significant impact on the Fund. However, management is still in the process of determining the likely financial impact on its financial statements.

  IFRS 9 will require extensive disclosures, in particular for credit risk and ECLs. The Investment Manager is in the process of implementing the system and controls changes that it believes will be necessary to capture the required data.

  Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except that the Fund will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement as well as impairment changes. Differences in the carrying amounts of financial instruments resulting from the adoption of IFRS 9 will generally be recognised in net assets attributable to shareholders as at April 1, 2018.

- The Fund is required to adopt IFRS 15, *Revenue from Contracts with Customers* from January 1, 2018. The standard establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18, *Revenue*, IAS 11, *Construction Contracts and* IFRIC 13, *Customer Loyalty Programmes.*

13. Significant accounting policies (continued)

(m) New and amended standards and interpretations not yet effective (continued):

- IFRS 15, *Revenue from Contracts with Customers* (continued)

  The Fund will apply a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer; or over time, in a manner that best reflects the entity's performance.

  Based on management's preliminary review, IFRS 15 is not expected to have a material impact on the timing and recognition of fees.

- Amendments to IFRS 9, *Financial Instruments,* effective retrospectively for annual periods beginning on or after January 1, 2019 clarifies the treatment of:

  (i) Prepayment features with negative compensation:

  Financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.

  (ii) Modifications to financial liabilities:

  If the initial application of IFRS 9 results in a change in accounting policy arising from modified or exchanged fixed rate financial liabilities, retrospective application is required, subject to particular transitional reliefs. There is no change to the accounting for costs and fees when a liability has been modified, but not substantially. These are recognised as an adjustment to the carrying amount of the liability and are amortised over the remaining term of the modified liability.

  The Fund is assessing the impact that the amended standard will have on its 2020 financial statements.