



Annual Report 2017

Scotiabank Trinidad & Tobago Fixed Income Fund Inc.
Scotiabank Trinidad & Tobago Growth Fund Inc.

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**Scotiabank Trinidad & Tobago Fixed Income Fund Inc. and Scotiabank Trinidad & Tobago Growth Fund Inc.
Annual Report
2017**

A. BOARD OF DIRECTORS REPORT

The Board of Directors (the “Directors”) of Scotiabank Trinidad & Tobago Fixed Income Fund Inc. and Scotiabank Trinidad & Tobago Growth Fund Inc. are pleased to present the annual report on the activities and financial results for both Funds for the fiscal year ended December 31, 2017.

Results

Scotiabank Trinidad & Tobago Fixed Income Fund Inc.

The Scotiabank Trinidad & Tobago Fixed Income Fund Inc.’s (the “Fund”) net asset value increased by 59% to TT\$476.1 million at December 31, 2017 from TT\$299.5 million at December 31, 2016. The increase is attributed to investment performance of TT\$8.9 million and net sales of TT\$169.4 million, offset by cash distributions of TT\$1.60 million. The net asset value per share for the Fund’s Class AT shares increased from TT\$10.00 at December 31, 2016 to TT\$10.19 at December 31, 2017. The Fund’s Class AT shares had a dividend yield of 1.18% in 2017. The return of 2.32% in 2017 for the Fund’s Class AT shares was primarily due the Fund’s exposure to mortgages and foreign-denominated assets.

Scotiabank Trinidad & Tobago Growth Fund Inc.

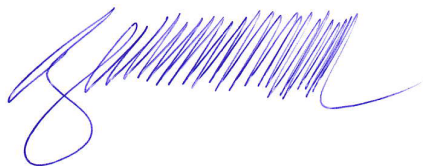
The Scotiabank Trinidad & Tobago Growth Fund Inc.’s (the “Fund”) net asset value increased by 70.4% to TT\$117.3 million at December 31, 2017 from TT\$68.9 million at December 31, 2016. This increase is attributed to investment performance of TT\$3.2 million and net sales of TT\$45.3 million. The net asset value per Class AT share for the Fund increased from TT\$10.11 at December 31, 2016 to TT\$10.51 at December 31, 2017. The return of 3.98% in 2017 for the Fund’s Class AT shares was primarily attributed to the Fund’s exposure to cross-listed securities.

Board

During the period, the Board of Directors continued to discharge its duties of providing guidance to management and oversight of the Fund’s business affairs. There were no changes in the composition of the Board of Directors in 2017.

Appreciation

I would like to thank our valued shareholders for their continued support and confidence. I would also like to thank the members of the Board of Directors, our stakeholders and the entire team at Scotia Asset Management (St Lucia) Inc. and Scotiabank & Trust (Cayman) Ltd. for their contributions over the past year.



Rhory McNamara
Director

B. MANAGEMENT REPORT

i. ECONOMIC REVIEW

There has been an upswing in global economic activity with an estimated 3.6% growth being realized in 2017. The pick-up in global activity was supported by improved external factors - a benign global financial environment and a recovery in advanced economies. Improvements were also reflective of firmer domestic demand in advanced economies and China, and improvement in other large emerging market economies. The most noticeable improvements during the year were seen with stronger economic activity in the United States and Canada, while the continued recovery in global investment spurred stronger manufacturing activity. Growth in China and other parts of Asia remained strong, which supported recovery in key emerging market economies. However, uncertainty surrounding the North American Free Trade Agreement and significant monetary policy tightening over the past two years has been of concern to the Mexican economy. Commodity prices also remained softer during the year but improved towards the latter part of 2017, pushed by stronger demand from China.

The Trinidad & Tobago economy remained in recession during 2017. The ongoing weakness in the economy has been due to a slowdown in both the energy and non-energy industries. The WTI Crude Oil price ended 2016 at US\$53.72/bbl and increased by 12.5% to end 2017 at US\$60.42/bbl. During the first nine months of 2017 GDP growth averaged 2.1% relative to 8.5% during the same period of 2016. Based on estimates from the Central Bank, the energy sector improved by 1.1%, while the non-energy sector declined by 3.6% compared to declines of 13.3% and 5.9% respectively, during the same period of 2016. During the 3rd quarter of 2017, crude oil production increased by 3.8% owing to a moderate increase from bpTT, which added new condensate production through its Juniper start up, in addition to small independent producers that registered improvements in 2017. Refinery activities remained constrained as Petrotrin was negatively impacted by the passage of Tropical Storm Bret, in addition to contending with production challenges which resulted in a scaling back of refinery throughput. Natural gas output improved, especially in the 3rd quarter, which is reflective of increased operating time at trains 1 and 3 relative to the prior two quarters when plants saw significant downtime for maintenance. With respect to the non-energy sector there was a 3.6% decline in growth during the first nine months of 2017, which was slower than the 5.9% reduction that was registered during the same period of the prior year. The reduction was driven primarily by a downturn in construction (5.1%), distribution (6.8%), transport (2.2%) and manufacturing (1.3%). Agriculture and government were the only sectors to have recorded improved performance during the first nine months of 2017.

For the period January – September 2017, the current account deficit was estimated at 3.8% of GDP (US\$625M), a reduction from 9.4% of GDP (US\$1,579M) during the same period of 2016. This performance emanated from an expansion in total exports which was 20.0% higher during the review period relative to the same period of 2016. Earnings from energy exports were estimated at US\$5.6B, which is reflective of an improvement in the prices of both crude oil and natural gas. Import levels were lower as capital imports fell by 41.2%. With the slowing in economic activities, there was an uptick in the unemployment rate to 4.5% in Q12017, relative to 3.8% in the same period of 2016. The highest rate of unemployment was registered for petroleum & gas (9.1%) and construction (8.0%). With a subdued economic environment and waning demand, price movement for CY2017 was roughly 1.3%. Most of the pressure in prices emanated from the tax package that was unveiled by the GoRTT in October 2017. The FX market remains tight and the attendant pressure persists, with the TTD depreciating marginally against its US counterpart by roughly 0.1%, which was less than the 4.7% loss in value that was recorded at the end of CY2016. The rate of depreciation has slowed with the continued support from the reserves, which has declined by US\$1.1B during the year.

For FY2016/17 the fiscal balance moved higher to 8.5% of GDP, up from 5.0% in the prior financial year. This performance occurred due to the significant downturn in non-energy revenues and lower than budgeted capital revenues from sale of one-off items during the year. Intake of total revenue was lower than the previous year by \$7.2B, and \$10.0B less than budgeted for the financial year. Given the revenue out-turn, there was a \$5.8B increase in the non-energy fiscal deficit to reach \$20.4B. Expenditure for FY2016/17 was \$2.5B less than FY2015/16 due in part to lower spending on goods and services and transfers and subsidies, which is against the backdrop of the GoRTT goal of fiscal consolidation. Funding of the deficit for FY2016/17 was attained with a US\$250M drawdown from the Heritage Stabilization Fund, in addition to borrowings from both the local and external market. Approximately \$8.2B was attained through bond market issues, in addition to a US\$300M 15-year loan which was accessed from Corporacion Andina de Fomento (CAF). Based on the budget that was crafted for FY2017/18, the fiscal deficit is being targeted to be slashed by more than 50% to 3.1%. The gap is slated to be funded by increased corporate tax, extension of royalties on oil and gas, and recovery of \$15B owed by CL Financial.

For the first quarter of FY2017/18, there was a TT\$228.3 million fiscal deficit relative to the TT\$2,468.0 million a year earlier. This reduction in the deficit emanated from greater levels of revenues as petroleum prices increased and natural gas production improved. There was also an 11.3% reduction in total expenditure which was reflective of a reduction in outlays on rent, leases and contracted services, in addition to a prioritization of payments for goods and services. There was also a reduction in spending for transfers and subsidies which was evident in lower transfers to households (petroleum subsidy), and subventions to statutory boards and similar bodies.

The Trinidadian economy is expected to improve by roughly 0.5% in 2018, as oil prices remain within the band of US\$50-60/bbl, and a boost in energy production materializes from the onboarding of the Juniper facility. This would have some spillover effects on the non-energy sectors and, by extension, employment levels. Such performance would also auger well for the fiscal outlook of Trinidad, however, the slowing in the rate of acquisition of the remaining balance from CLICO is expected to continue to retard the growth of the GoRTT coffers. The Government should ensure that fiscal consolidation measures are put in place to aid improvement in its fiscal balance and debt trajectory. FX challenges are expected to remain, which is anticipated to result in a further decline in the net international reserve, but at a slower rate than prior periods.

B. MANAGEMENT REPORT CONTINUED

ii. FINANCIAL MARKET REVIEW

There was an uptick in the financial markets during 2017 despite uncertainties surrounding BREXIT, NAFTA negotiations, and immigration policies slated by the US President. Corporate earnings were higher during the year, inflation remained tame and nearly all global economies experienced growth. The Canadian economy delivered strong growth prompting the Bank of Canada to raise interest rates two times, driving 2-Year bond yields to more than double their levels at the start of 2017 and boosting the Loonie. The Fed rate was increased three times by roughly 25bps on each occasion. The US stock market maintained a bullish stance, with the S&P 500 racking up 62 new all-time highs during the year. Financial stocks were strong performers as they benefited from higher interest rates, deregulation and tax reform. Business and consumer confidence reached record levels during the year. Longer term yields continued to be influenced mainly by volatility in the US term structure, which was affected by uncertainty concerning the US Government's debt ceiling, particularly in Q32017.

The repo rate remained unchanged at 4.75% against the backdrop of weak economic activities and subdued price movement within the Trinidadian economy. The short-term 3-Month rate rose by 1 basis point to 1.21%, however the 1-Year rate was unchanged by the end of December 2017 at 2.72%. The rate on the 10-Year TT Treasury bond was lower by 4 basis points to reach 4.34% as at December 2017. As at end December 2017, the 15-Year rate remained unchanged at 5.06%. USD liquidity within the local market remained tight despite increased earnings from energy exports. This out-turn can be partially explained by lower energy sector conversion during the past 12 months. The shortfall in liquidity continues to be supported by drawdowns from the net international reserve which is lower by roughly US\$1.1B relative to end 2016. The sovereign was downgraded by Standard & Poor's from "A-" to "BBB+" with a stable outlook, while Moody's lowered its rating from "Baa3" to "Ba1" with a stable outlook during April 2017. The state-owned refinery PETROTRIN also had its credit rating lowered by Moody's to "B1" from "Ba3". Additionally, Trinidad Generation Unlimited also suffered lowered ratings in April 2017 to "BBB-" from "BBB" on the back of the sovereign downgrade. The credit downgrade was against the backdrop of fiscal pressures, which by extension caused worsened debt levels.

The Government of Trinidad & Tobago came to market with issues of TT\$1.0B (8 years @ 4.1%) in February 2017, TT\$1.0B (15 years @ 4.25%) in May 2017, TT\$1.0B (12 years @ 3.85%) in September 2017, and TT\$1.0B (14 years @ 4.65%) in November 2017. The Trinidad & Tobago Housing Development Corporation also obtained a TT\$301.7M GoRTT guaranteed fixed rate loan due 2024, in February 2017.

The TT Composite Index realized gains of 4.7% during 2017, with a significant contribution from the Cross Listed Index (up 38.7%), which now accounts for 28% of the TT Composite Index. A majority of the gains (in both the Cross Listed and Composite Indexes) was led by a financial institution which realized returns of 109.0% for 2017. The All TT Index declined by 5.75% for 2017, driven by the manufacturing sector which suffered a downturn in Q4.

B. MANAGEMENT REPORT CONTINUED

iii. INVESTMENT PERFORMANCE REVIEW

The Scotiabank Trinidad & Tobago Fixed Income Fund Inc.

The Fund ended 2017 with a Net Asset Value (NAV) of TT\$476.1 million, representing an approximate 59% increase compared to the prior year. At December 31, 2017, the Fund's Class AT NAV per share was TT\$10.19, its annual return was 2.32%, and its dividend yield was 1.18%.

During the year, the Fund Manager maintained its investment strategy of holding sizeable exposure to USD-denominated assets and keeping the Fund's duration relatively short, based on the expected depreciation of the local currency against the USD and rising interest rates. As such, the Fund's exposure to USD remained reasonably high at 26.2%, and its duration of 3.11 years was well below the mandated maximum duration of 6 years. The Fund was able to increase its yield by reducing the allocation to short-term securities from 31.7% to 25.9%. The Fund's exposure to mortgages and foreign-denominated assets contributed positively to the Fund's performance. However, those positive contributions were offset by volatility in global capital markets, lower commodity prices, and a rise in local interest rates, which impacted the Fund's TTD-denominated assets. The Central Bank maintained its benchmark rate at 4.75% in 2017, which resulted in lower prices for the Fund's local bond holdings.

The Fund Manager forecasts that interest rates may increase, albeit at a more moderate pace. The Fund Manager will continue to manage the duration of the Fund to mitigate the potential loss from a rise in interest rates. In addition, the Fund will continue to be rebalanced to gradually increase its exposure to USD-denominated assets.

The Scotiabank Trinidad & Tobago Growth Fund Inc.

The Fund ended the year with a NAV of TT\$117.3 million, representing a 70.4% increase compared to the prior year. At December 31, 2017, the Class AT shares of the Fund had a NAV per share of TT\$10.51 and an annual return of 3.98%.

During the year, The Fund saw a 14.94% increase in the market value of USD held in the portfolio. Despite this increase, the proportion of USD to TTD assets in the Fund declined from 28.0% (Dec. 2016) to 21.4% (Dec. 2017), largely due to significant inflows and the unavailability of USD in the market. Nonetheless, we continue to maintain a positive view of the US stock market and the USD relative to the TTD. The Fund maintained its defensive positioning and increased its fixed income exposure given the volatility in the equities market. Additionally, the Fund increased exposure to cross listed stocks to capitalize on the expected growth in other sovereigns, such as Jamaica. This strategy benefited the Fund, however, this was offset by weakness in Trinidad and Tobago equities resulting from the continued deterioration in the local macroeconomic environment.

The Fund Manager continues to have a positive outlook for US equities in 2018. Nevertheless, volatility is expected which may provide buying opportunities. The Fund Manager also expects continued positive performance for cross-listed stocks. The local economy is expected to exhibit continued weakness for at least the first half of 2018, followed by potential improvement in the latter part of the year due to expectations of an increase in energy prices. The Fund Manager will continue to maintain its holdings in strong dividend-paying stocks and companies with diversified revenue streams.

B. MANAGEMENT REPORT CONTINUED

iv. FINANCIAL RESULTS REVIEW

Scotiabank Trinidad & Tobago Fixed Income Fund

Summary of Results

The Fund's net asset value increased by 59% to TT\$476.1 million at December 31, 2017 from TT\$299.5 million at December 31, 2016. The increase is attributed to investment performance of TT\$8.9 million and net sales of TT\$169.4 million, offset by cash distributions of TT\$1.60 million. The investment performance of the Fund includes earned income and expenses which vary year over year due to portfolio activity. The Fund's expenses increased as compared to the previous period mainly as a result of changes in average net assets and portfolio activity. Income increased as compared to the previous period due to changes in the Fund's income earning investments. The Fund had TT\$61.7 million in cash at December 31, 2017, which the manager believed was sufficient to manage liquidity.

Financial Highlights

	2017	2016
	TT\$ (000's)	TT\$ (000's)
Total Assets	480,546	302,057
Total Liabilities	4,418	2,570
Net Assets attributable to holders of investment shares	476,128	299,487
Net Income (before distributions / dividends)	8,889	7,444
Net Income (after distributions / dividends)	7,249	6,396

As at December 31, 2017

	Class AT	Class NT	Class IT
NAV	475,906,845	7,093	214,359
Shares	46,712,215	664	20,067
NAV per Share	10.19	10.68	10.68

As at December 31, 2016

	Class AT	Class NT	Class IT
NAV	288,580,371	6,966	10,899,187
Shares	28,867,672	662	1,055,031
NAV per Share	10.00	10.52	10.33

Scotiabank Trinidad & Tobago Growth Fund

Summary of Results

The Fund's net asset value increased by 70.4% to TT\$117.3 million at December 31, 2017 from TT\$68.9 million at December 31, 2016. This increase is attributed to investment performance of TT\$3.2 million and net sales of TT\$45.3 million. The investment performance of the Fund includes earned income and expenses which vary year over year due to portfolio activity. The Fund's expenses increased as compared to the previous period mainly as a result of changes in average net assets and portfolio activity. Income increased as compared to the previous period due to changes in the Fund's income earning investments. The Fund had TT\$16.7 million in cash at December 31, 2017 which the manager believed was sufficient to manage liquidity.

Financial Highlights

	2017	2016
	TT\$ (000's)	TT\$ (000's)
Total Assets	120,590	69,445
Total Liabilities	3,245	570
Net Assets attributable to holders of investment shares	117,345	68,875
Net Income (before distributions / dividends)	3,211	1,850
Net Income (after distributions / dividends)	3,211	1,850

As at December 31, 2017

	Class AT	Class NT	Class IT
NAV	117,332,084	6,528	6,803
Shares	11,165,158	625	625
NAV per Share	10.51	10.44	10.88

As at December 31, 2016

	Class AT	Class NT	Class IT
NAV	64,756,472	6,312	4,112,518
Shares	6,407,620	625	400,625
NAV per Share	10.11	10.09	10.27

v. RELATED PARTY TRANSACTIONS

All related party transactions are documented in "Management Agreement" in Note 4 and "Other Related Party Transactions" in Note 5 of the Notes to Financial Statements

AUDITED FINANCIAL STATEMENTS

The Scotiabank Trinidad & Tobago Fixed Income Fund Inc.

The Scotiabank Trinidad & Tobago Growth Fund Inc.

As at December 31, 2017

SCOTIABANK TRINIDAD & TOBAGO FIXED INCOME FUND INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2017

SCOTIABANK TRINIDAD & TOBAGO FIXED INCOME FUND INC.

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DECEMBER 31, 2017

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Independent Auditor's Report

To the Board of Directors of Scotiabank Trinidad & Tobago Fixed Income Fund Inc.

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Scotiabank Trinidad & Tobago Fixed Income Fund Inc. (the "Fund") as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

Scotiabank Trinidad & Tobago Fixed Income Fund Inc.'s financial statements comprise:

- the statement of financial position as at December 31, 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in net assets attributable to holders of redeemable investment shares for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.



Responsibilities of management for the financial statements

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

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.

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 scepticism 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.



Auditor's responsibilities for the audit of the financial statements (continued)

- 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 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.

Other Matter

This report, including the opinion, has been prepared for and only for the Fund in accordance with the terms of our engagement letter and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

A handwritten signature in black ink that reads "PricewaterhouseCoopers".

March 27, 2018

SCOTIABANK TRINIDAD & TOBAGO FIXED INCOME FUND INC.

STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2017

(Expressed in Trinidad and Tobago dollars)

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	61,665,186	38,345,816
Financial assets at fair value through profit or loss (Cost: TT\$406,104,959; 2016: TT\$258,190,116) (Notes 3, 7 and 8)	409,864,125	259,082,822
Interest receivable	5,466,320	3,458,787
Subscriptions receivable	3,521,284	1,083,500
Receivable from Manager (Note 4)	29,354	86,021
	<u>480,546,269</u>	<u>302,056,946</u>
LIABILITIES		
Payable for investments purchased	100,000	1,397,581
Redemptions payable	1,791,165	73,338
Tax withholding liability	1,303,865	123,286
Accrued expenses	627,075	617,993
Management fees (Note 4)	595,867	358,224
	<u>4,417,972</u>	<u>2,570,422</u>
Liabilities (excluding net assets attributable to holders of redeemable investment shares)		
	<u>4,417,972</u>	<u>2,570,422</u>
Net assets attributable to holders of redeemable investment shares (Notes 6 and 7)	<u>476,128,297</u>	<u>299,486,524</u>
Net asset value per redeemable investment shares (Note 6)		
Class AT (TT\$475,906,845/46,712,215 shares; 2016: TT\$288,580,371/28,867,672 shares)	<u>10.19</u>	<u>10.00</u>
Class NT (TT\$7,093/664 shares; 2016: TT\$6,966/662 shares)	<u>10.68</u>	<u>10.52</u>
Class IT (TT\$214,359/20,067 shares; 2016: TT\$10,899,187/1,055,031 shares)	<u>10.68</u>	<u>10.33</u>

Approved for issuance on behalf of Scotiabank Trinidad & Tobago Fixed Income Fund Inc.'s
Board of Directors by:

Rhory McNamara
Rhory McNamara
Director

Chester Hinkson
Chester Hinkson
Director

Date : March 27, 2018

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

SCOTIABANK TRINIDAD & TOBAGO FIXED INCOME FUND INC.

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2017

(Expressed in Trinidad and Tobago dollars)

	<u>2017</u>	<u>2016</u>
Income		
Interest income	14,904,763	8,655,718
Other income	42,412	-
Dividend income	19,202	59,214
Net realized gain on financial assets at fair value through profit or loss and foreign currencies	133,199	1,857,272
Net change in unrealized appreciation on financial assets at fair value through profit or loss and foreign currencies	<u>2,853,144</u>	<u>3,181,509</u>
Total net income	<u>17,952,720</u>	<u>13,753,713</u>
Expenses		
Management fees (Note 4)	5,882,351	3,586,074
Custodian and administration fees	2,041,193	1,390,213
Other expenses	335,288	86,625
Professional fees	<u>220,438</u>	<u>345,220</u>
Total operating expenses	<u>8,479,270</u>	<u>5,408,132</u>
Less: expenses reimbursed (Note 4)	<u>(585,114)</u>	<u>(776,021)</u>
Withholding taxes	<u>1,169,881</u>	<u>1,677,580</u>
Operating profit	<u>8,888,683</u>	<u>7,444,022</u>
Finance costs		
Distributions to holders of redeemable investment shares	<u>(1,640,147)</u>	<u>(1,047,915)</u>
Gain after distributions	<u>7,248,536</u>	<u>6,396,107</u>
Increase in net assets from operations attributable to holders of redeemable investment shares	<u>7,248,536</u>	<u>6,396,107</u>

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

SCOTIABANK TRINIDAD & TOBAGO FIXED INCOME FUND INC.**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE
TO HOLDERS OF REDEEMABLE INVESTMENT SHARES****YEAR ENDED DECEMBER 31, 2017**

(Expressed in Trinidad and Tobago dollars)

	Share Capital	Increase in net assets from operations attributable to holders of redeemable investment shares	Total net assets attributable to holders of redeemable investment shares (at redemption value)
Balance as at December 31, 2015	220,295,872	(5,005,401)	215,290,471
Issue of redeemable investment shares	163,631,291	-	163,631,291
Redemption of redeemable investment shares	(85,831,345)	-	(85,831,345)
Increase in net assets from operations attributable to holders of redeemable investment shares	-	6,396,107	6,396,107
Balance as at December 31, 2016	298,095,818	1,390,706	299,486,524
Issue of redeemable investment shares	246,713,585	-	246,713,585
Redemption of redeemable investment shares	(77,320,348)	-	(77,320,348)
Increase in net assets from operations attributable to holders of redeemable investment shares	-	7,248,536	7,248,536
Balance as at December 31, 2017	467,489,055	8,639,242	476,128,297

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

SCOTIABANK TRINIDAD & TOBAGO FIXED INCOME FUND INC.**STATEMENT OF CASH FLOWS****YEAR ENDED DECEMBER 31, 2017**

(Expressed in Trinidad and Tobago dollars)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Interest received	13,158,469	7,521,013
Other income received	42,412	-
Dividend received	19,202	59,214
Operating expenses paid	(8,232,545)	(4,715,133)
Operating expenses paid on behalf of manager	-	(308,123)
Reimbursements received from manager	641,781	1,641,356
Purchase of financial assets at fair value through profit or loss	(345,381,061)	(128,166,954)
Proceeds from sale and maturity of financial assets at fair value through profit or loss	196,037,979	50,955,238
	<u>(143,713,763)</u>	<u>(73,013,389)</u>
Net cash used in operating activities		
Cash flows from financing activities		
Proceeds from subscriptions of redeemable investment shares	242,752,709	161,840,491
Payments for redemption of redeemable investment shares	(75,602,521)	(85,758,007)
Distribution paid to holders of redeemable investments	(117,055)	(122,415)
	<u>167,033,133</u>	<u>75,960,069</u>
Net cash provided by financing activities		
Net change in cash and cash equivalents	23,319,370	2,946,680
Cash and cash equivalents at beginning of the year	<u>38,345,816</u>	<u>35,399,136</u>
Cash and cash equivalents at end of the year	<u>61,665,186</u>	<u>38,345,816</u>
Non-cash transaction reinvested distributions	<u>(1,523,092)</u>	<u>(925,500)</u>

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

SCOTIABANK TRINIDAD & TOBAGO FIXED INCOME FUND INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

1. Incorporation and Principal Activities

Scotiabank Trinidad & Tobago Fixed Income Fund Inc. (the “Fund”) was incorporated under the laws of Saint Lucia on September 20, 2012 and is licensed in Saint Lucia by the Financial Services Regulatory Authority, Ministry of Finance of Saint Lucia, as a public international mutual fund. On January 22, 2013, the Fund also registered under The Mutual Funds Law (revised) of the Cayman Islands. The Fund commenced operations on October 17, 2013.

The Fund is a Trinidad and Tobago Dollar-denominated open-ended investment Fund. The registered office of the Fund is located at 20 Micoud Street, Castries, Saint Lucia. No application has been made for the Fund to be listed on any stock exchange.

The Fund’s investment objective is to provide income and modest capital gains. The Fund is designed to invest primarily in fixed income securities, issued or guaranteed by the Trinidadian or foreign governments, or issued by Trinidadian or foreign corporations.

Scotia Asset Management (St. Lucia) Inc. is the Manager (the “Manager”), Scotiabank and Trust (Cayman) Ltd. is the Sub-Manager (the “Sub-Manager”), Scotia Investments Trinidad & Tobago Limited is the Portfolio Manager (the “Portfolio Manager”).

ADCO Fund Administrators Inc. is the Fund Administrator (the “Fund Administrator”). State Street Cayman Trust Company, Ltd. is the sub-administrator, (the “Sub-Administrator”) and State Street Bank and Trust Company is the custodian (the “Custodian”).

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

Basis of preparation:

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgment in the process of applying the Fund’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 8.

All references to net assets throughout this document refer to net assets attributable to holders of Redeemable Investment Shares unless otherwise stated. Net assets per share information as disclosed in the Statement of Financial Position for each class of investment shares as disclosed in Note 6 has been determined as total assets less total liabilities (excluding net assets attributable to holders of Redeemable Investment Shares) divided by the number of outstanding shares of each class of Redeemable Investment Shares.

(a) Standards and amendments to existing standards effective January 1, 2017 that are adopted by the Fund.

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning January 1, 2017 that would be expected to have a material impact on the Fund.

(b) New standards, amendments and interpretations effective after January 1, 2017 and have not been early adopted.

SCOTIABANK TRINIDAD & TOBAGO FIXED INCOME FUND INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

2. Summary of Significant Accounting Policies (continued)

IFRS 9 'Financial Instruments' addresses the classification, measurement and derecognition of financial assets and liabilities. It replaces the multiple classification and measurement models in IAS 39 and is effective for reporting periods beginning on or after 1 January 2018.

Classification and measurement of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognised at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss (ECL) impairment model.

On adoption of IFRS 9 the Fund's investment portfolio will continue to be classified as fair value through profit or loss. Other financial assets which are held for collection will continue to be measured at amortised cost with no material impact expected from application of the new impairment model. As a result, the adoption of IFRS 9 is not expected to have a material impact on the Fund's financial statements.

In addition to the above, a number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

Valuation of financial assets at fair value through profit or loss: The Fund's investments are considered trading securities and consequently categorized as financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognized at fair value, which is considered the cost basis of the financial assets. The Fund records security transactions on a trade date basis, recognizing the cost or sales proceeds of financial assets sold or purchased on an average cost basis. Financial assets are valued on the valuation date at fair value, using data provided by one or more reputable third party pricing vendors which are in turn based upon (1) last traded price on the exchange upon which such financial assets are traded, (2) valuation models using observable market inputs, or (3) prices quoted by the principal market makers for non-exchange traded financial assets. Management evaluates the reliability of the pricing data received at each report date. All related realized gains and losses are recognized in the Statement of Comprehensive Income as income as they occur.

Valuation of investments in other funds: The Fund's investments in other funds ("Investee Funds") are subject to the terms and conditions of the respective Investee Fund's offering documentation. The investments in Investee Funds are valued based on the latest available redemption prices of such units for each Investee Fund, as determined by the Investee Funds' administrators. The Fund reviews the details of the reported information obtained from the Investee Funds and considers:

- The liquidity of the Investee Fund or its underlying investments;
- The value date of the net asset value ("NAV") provided;
- Any restrictions on redemptions; and
- The basis of accounting and, in instances where the basis of accounting is other than fair value, fair valuation information provided by the Investee Fund's advisors.

If necessary, the Fund makes adjustments to the NAV of various Investee Funds to obtain the best estimate of fair value. Other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss in the statement of comprehensive income include the change in fair value of each Investee Fund.

SCOTIABANK TRINIDAD & TOBAGO FIXED INCOME FUND INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

2. Summary of Significant Accounting Policies (continued)

Fair value estimation: The fair value of financial assets and liabilities that are not traded in an active market (for example, structured notes and mortgages) is determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models, and other valuation techniques commonly used by market participants making the maximum use of market inputs and replying as little as possible on entity-specific inputs.

Functional and presentation currency: Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Trinidad and Tobago Dollar ("TT\$"), which reflects the Fund's primary activity of investing in TT\$ denominated investment grade securities issued or guaranteed by the Trinidadian or foreign government, or issued by Trinidadian or foreign corporations. The Fund has adopted the TT\$ as its presentation currency.

Accounting for investments and investment income: Security transactions are accounted for on a trade date basis. Realized gains and losses on sales of financial assets are calculated on an average cost basis.

Redeemable investment shares and governance shares: Redeemable investment shares (the "Redeemable Investment Shares") are redeemable at the shareholder's option and are classified as financial liabilities. Any distribution on such Redeemable Investment Shares is recognized in the Statement of Comprehensive Income as finance costs. The Redeemable Investment Shares can be put back to the Fund by the holder at any dealing day for cash equal to a proportionate share of the respective Fund's net assets. The Redeemable Investment Shares are carried at the redemption amount that would be payable at the dealing day if the shareholder exercised its right to put the share back to the Fund. Governance shares (the "Governance Shares") are not redeemable, and do not participate in the net income or dividends of the Fund as per the Fund's articles of association.

Interest income: Interest income on financial assets is accrued on a daily basis. Interest income on financial assets includes interest and discount earned (net of premium), which is the difference between the face value and the original cost, including original issue discount, amortized using the effective yield method over the term of the financial assets. Interest is recognized in the Statement of Comprehensive Income using the effective yield method and includes discount accreted and premium amortized over the remaining period to maturity of individual assets.

Expenses: Expenses directly attributable to the Fund are recorded on an accrual basis.

Translation of foreign currency amounts: Assets and liabilities denominated in currencies other than the TT\$ ("foreign currencies") are translated at the rates prevailing on the date of valuation and exchange differences are reflected in the Statement of Comprehensive Income in the period in which they arise. Transactions in foreign currencies are translated at prevailing exchange rates at the date of the transaction. The Fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on financial assets from the fluctuations arising from changes in market prices of financial assets held. Such fluctuations are included with the net realized gain or loss on financial assets at fair value through profit or loss and/or the net change in unrealized appreciation on financial assets at fair value through profit or loss.

Distribution policy: The Fund will only distribute income and/or capital gains when determined by the Board of Directors of the Fund. Distributions will be automatically reinvested in additional Redeemable Investment Shares of the Fund, unless a written election to receive cash payments is received by the Manager or its agent. Distributions are recognized as a finance cost in the Statement of Comprehensive Income.

Cash and cash equivalents: Cash and cash equivalents comprise cash, fixed term deposits and short term bonds with original maturity of less than 90 days.

Capital risk management: The capital of the Fund is represented by the net assets attributable to holders of Redeemable Investment Shares. The amount of net asset attributable to holders of Redeemable Investment Shares can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of

SCOTIABANK TRINIDAD & TOBAGO FIXED INCOME FUND INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

2. Summary of Significant Accounting Policies (continued)

Capital risk management (continued)

shareholders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund. In order to maintain or adjust the capital structure, the Fund's policy is to perform the following:

- Monitor the level of daily subscriptions and redemptions relative to the liquid assets and adjusts the amount of distributions the Fund pays to redeemable shareholders.
- Redeem and issue new shares in accordance with the constitutional documents of the Fund, which include the ability to restrict redemptions and require certain minimum holdings and subscriptions.

The Board of Directors and the Portfolio Manager monitor capital on the basis of the value of net assets attributable to Redeemable Investment Shares.

Reverse Repurchase Agreements

Securities purchased under agreements to resell ("Reverse Repurchase Agreements" or "Reverse Repo") are treated as collateralized financing transactions and are recorded at their contracted resell amounts plus accrued interest.

The Fund receives collateral under reverse repurchase agreements which is valued daily.

At December 31, 2017 an investment with a fair value of TT\$29,436,211 (2016: TT\$NIL) has been recorded as investments purchased under agreements to resell in the statement of assets and liabilities. Securities with a fair value of TT\$29,634,212 (2016: TT\$NIL) have been pledged as collateral for the Reverse Repurchase Agreement.

3. Financial Assets at Fair Value through Profit or Loss

At December 31, 2017 and 2016 the financial assets comprised the following debt securities:

		<u>2017</u>		<u>2016</u>	
		<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Government and Agency Bonds and Notes	TT\$	160,736,844	TT\$ 163,421,323	TT\$ 79,480,170	TT\$ 80,831,353
Corporate Bonds and Notes		135,126,385	136,149,413	123,430,988	122,724,335
Short-Term Investments		92,867,421	92,867,421	32,569,766	32,585,445
Mortgages		15,310,768	15,310,768	17,296,235	17,296,235
Mutual Funds		<u>2,063,541</u>	<u>2,115,200</u>	<u>5,412,957</u>	<u>5,645,454</u>
Total financial assets at fair value through profit and loss	TT\$	<u>406,104,959</u>	TT\$ <u>409,864,125</u>	TT\$ <u>258,190,116</u>	TT\$ <u>259,082,822</u>

SCOTIABANK TRINIDAD & TOBAGO FIXED INCOME FUND INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

3. Financial Assets at Fair Value through Profit or Loss (continued)

The following summarizes the investment portfolio segregated by country of issuer:

<u>Financial Assets at fair value</u>	<u>2017</u>		<u>2016</u>	
	<u>Fair Value</u>	<u>% of total portfolio</u>	<u>Fair Value</u>	<u>% of total portfolio</u>
Aruba	TT\$ 8,198,894	2.00%	TT\$ 6,615,153	2.55%
Bahamas	2,830,660	0.69%	-	0.00%
Cayman Islands	16,094,508	3.93%	16,185,738	6.25%
Dominican Republic	5,165,813	1.26%	5,045,555	1.95%
El Salvador	1,471,061	0.36%	-	0.00%
Italy	-	0.00%	4,910,634	1.89%
Jamaica	4,370,234	1.07%	4,315,002	1.67%
Mexico	5,160,551	1.26%	5,125,459	1.98%
Netherlands	-	0.00%	3,538,802	1.37%
Panama	18,393,998	4.49%	10,200,932	3.94%
Poland	4,763,979	1.16%	4,802,617	1.85%
Trinidad & Tobago	320,156,372	78.11%	181,927,792	70.21%
United States	23,258,055	5.67%	16,415,138	6.34%
Total financial assets at fair value through profit or loss	TT\$ 409,864,125	100.00%	TT\$ 259,082,822	100.00%

As at December 31, 2017 the portfolio consists of 78 (2016: 68) positions, primarily located in Trinidad and Tobago. The three largest concentrations are in Guardian Holdings Limited (6%), Trinidad, Tobago Water & Sewerage Authority (6%) and Trinidad and Tobago Government Debt (5%) (2016: Guardian Holdings Limited (9%), Trinidad and Tobago Water & Sewerage Authority (9%) and First Caribbean International Bank (Trinidad and Tobago) Limited (9%)). The contractual interest rates range from 0.01% to 9.75% (2016: from 0.01% to 9.75%) and maturity dates of the securities range from 2018 to 2039 (2016: 2017 to 2039). The current year yields range from 0.01% to 8.44% (2016: 0.01% to 8.50%).

Mortgages comprise 4% (2016: 7%) of the portfolio. All of the 25 (2016: 26) mortgage positions held by the Fund are fully secured by mortgage liens. No individual mortgage exceeds 1% of the Fund's portfolio. The amount to be lent in respect of any individual property is based on the appraised value and the type of property involved. All of the Fund's mortgage investments are either advanced to customers in Trinidad and Tobago or are secured by property in Trinidad and Tobago.

Fair value of investment in mortgages was determined by management using a portfolio approach. As such, all mortgages are fair valued which approximates amortized cost.

There is no quoted price in an active market for the mortgage investments. The Manager makes its determination of fair value based on its assessment of the current lending market for mortgage investments of same or similar terms. Typically, the fair value of these mortgages investments approximate their carrying values given all mortgages have variable rates that re-price with market rate changes, and the maximum period between re-pricing dates is twelve months.

The interest rates on mortgages range from 5.50% to 6.75% (2016: 5.50% to 6.75%) and maturity dates range from 2023 to 2039 (2016: 2023 to 2039).

The Fund considers all of its Investee Funds to be investments in unconsolidated structured entities. The Fund invests in Investee Funds whose objectives are to seek income through investment in a range of short to intermediate term high quality debt instruments. The Investee Funds finance their operations by issuing redeemable shares which are

SCOTIABANK TRINIDAD & TOBAGO FIXED INCOME FUND INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

3. Financial Assets at Fair Value through Profit or Loss (continued)

puttable at the holder's option and entitles the holder to a proportional stake in the respective fund's net assets. The Fund holds redeemable shares in each of its Investee Funds.

The change in fair value of each Investee Fund is included in the Statement of Comprehensive Income in "Net change in unrealized appreciation on financial assets at fair value through profit or loss and foreign currencies".

The Fund's investments in Investee Funds are subject to the terms and conditions of the respective Investee Fund's offering documentation and are susceptible to market price risk arising from uncertainties about future values of those Investee Funds. The Manager makes investment decisions after extensive due diligence of the underlying fund, its strategy and the overall quality of the underlying fund's manager. All of the Investee Funds in the investment portfolio are managed by portfolio managers who are compensated by the respective Investee Funds for their services. Such compensation generally consists of an asset based fee and a performance based incentive fee and is reflected in the valuation of the Fund's investment in each of the Investee Funds.

The Fund has the right to request daily redemptions of its investments in Investee Funds.

The exposure to investments in Investee Funds at fair value by strategy employed is disclosed in the following table. These investments are included in financial assets at fair value through profit or loss in the Statement of Financial Position.

As at December 31, 2017:

Country	Strategy	Currency	Number of Investee Funds	Investment Fair Value	% of Net Assets Attributable to Holders of Investment Shares
Trinidad And Tobago	Fixed Income	TTD	3	2,115,200	0.44%

As at December 31, 2016:

Country	Strategy	Currency	Number of Investee Funds	Investment Fair Value	% of Net Assets Attributable to Holders of Investment Shares
Trinidad And Tobago	Fixed Income	TTD	2	5,645,454	1.89%

The Fund's holding in an Investee Fund, as a percentage of the Investee Fund's total net asset value may vary from time to time dependent on the volume of subscriptions and redemptions at the Investee Fund level. It is possible that the Fund may, at any point in time, hold a majority of an Investee Fund's total units in issue.

The Fund's maximum exposure to loss from its interests in Investee Funds is equal to the total fair value of its investments in Investee Funds. Once the Fund has disposed of its shares in an Investee Fund the Fund ceases to be exposed to any risk from that Investee Fund.

The Fund's investment strategy entails trading in other funds on a regular basis. Total purchases and sales in Investee Funds during the year ended December 31, 2017 was \$524,124 and \$4,043,704 (2016: \$11,223,266 and \$6,034,050). The Fund intends to continue opportunistic trading in other funds. As at December 31, 2017 and 2016, there were no capital commitment obligations and no amounts due to Investee Funds for unsettled purchases.

During the year ended December 31, 2017 total net gains incurred on investments in Investee Funds were \$170,164 (2016: \$223,740).

SCOTIABANK TRINIDAD & TOBAGO FIXED INCOME FUND INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

3. Financial Assets at Fair Value through Profit or Loss (continued)

At December 31, 2017, the Fund held investments in the following Investee Funds in the amounts illustrated below

As at December 31, 2017

Fund Name	Share Class	Investment Fair Value	Investment Objectives
Abercrombie Monthly Fixed Income Fund		508,102	The Fund's objective is to provide investors with a relatively attractive yield while simultaneously preserving capital and maintaining liquidity.
Paria Monthly Fixed Income Fund		1,098,072	The Fund's investment objective is to seek in the first instance, income through investment in range of short to intermediate term high quality debt instruments such as treasury bills and notes, certificates of deposits and securities of all kinds including bonds in U.S. Dollars.
Roytrin TT Dollar Income Fund		509,026	The Fund's investment objective is to provide a high level of interest income in keeping with the highest short-term interest rates available whilst ensuring greater safety of capital.
Total		2,115,200	

As at December 31, 2016

Fund Name	Share Class	Investment Fair Value	Investment Objectives
Abercrombie Monthly Fixed Income Fund		503,552	The Fund's objective is to provide investors with a relatively attractive yield while simultaneously preserving capital and maintaining liquidity.
Paria Monthly Fixed Income Fund		5,141,902	The Fund's investment objective is to seek in the first instance, income through investment in range of short to intermediate term high quality debt instruments such as treasury bills and notes, certificates of deposits and securities of all kinds including bonds in U.S. Dollars.
Total		5,645,454	

4. Management Agreement

The Manager has responsibility for the general administration of the Fund, but has delegated the performance of most tasks to third parties.

The Manager is entitled to a fee (the "management fee") at rates disclosed in the table below. The management fee is paid out of the assets of the Fund and is accrued daily and paid quarterly in arrears. Out of this fee, the Manager is required to pay the fees of the Sub-Manager and Portfolio Manager and any other person to whom functions are delegated by the Manager, along with all investment related direct expenses. The Manager may also pay trailing commissions to Distributors out of the management fee (Note 5). The Manager and/or Sub-Manager may choose from time to time to absorb any portion of the annual management fee on any class of shares of the Fund.

SCOTIABANK TRINIDAD & TOBAGO FIXED INCOME FUND INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

4. Management Agreement (continued)

The Manager is entitled to a management fee from the classes of Redeemable Investment Shares as listed below:

<u>Class</u>	<u>Management fee per annum</u>
AT	Up to 1.90%
NT	Up to 2.35%
IT	NIL

No management fees are charged on Class IT shares. Instead, Class IT investors negotiate a separate fee that is paid directly to the Manager. For the year ended December 31, 2017, the management fee was set at 1.50% (2016: 1.50%) for Class AT shares and 1.95% (2016: 1.95%) for Class NT shares, which amounted to TT\$5,882,351 (2016: TT\$3,586,074), of which TT\$595,867 (2016: TT\$358,224) was payable as at December 31, 2017.

The Fund also incurs certain operating expenses. Such expenses may include, but are not limited to, administration costs, interest on borrowed funds, auditing expenses, legal expenses, insurance, licensing, accounting, fees and disbursement of transfer agents, registrars, custodians, sub-custodians and escrow agents and the annual registration fee payable in St Lucia, the Cayman Islands and any other jurisdictions where the Fund may be registered from time to time. The Manager has subcontracted third party service providers to perform these services. The Manager and/or Sub-Manager may choose to absorb any of these operating expenses at any time.

For the year ended December 31, 2017, the Manager voluntarily applied a management expense ratio cap on management fees and operating expenses of 2.00% (2016: 2.00%) for Class AT shares, 2.45% (2016: 2.45%) for Class NT shares, and 0.50% (2016: 0.50%) for Class IT shares. As a result of the management expense ratio cap, total management fee and operating expenses reimbursable by the Manager and/or Sub-Manager for the year ending December 31, 2017 was TT\$585,114 (2016: TT\$776,021), of which TT\$29,354 (2016: TT\$86,021) was receivable as at December 31, 2017 and was subsequently paid to the Fund.

5. Other Related Party Transactions

At December 31, 2017, the Sub-Manager held 100 (2016: 100) Governance Shares. All fees payable to the Sub-Manager are being borne by the Manager.

During the year ended December 31, 2017, on behalf of the Manager the Fund paid TT\$NIL to the Portfolio Manager and TT\$NIL to sub-distributors (2016: TT\$222,472, TT\$85,651, respectively), of which TT\$NIL (2016: TT\$86,021) is recorded as a receivable from Manager in the Statement of Financial Position.

At December 31, 2017, a related party fund, Scotiabank Trinidad & Tobago Growth Fund Inc. held 19,424 (2016: 19,350) units of class IT shares valued at TT\$207,491 (2016: TT\$199,904). The Manager of the Fund is also the manager of Scotiabank Trinidad & Tobago Growth Fund Inc.

The mortgage investments held by the Fund are purchased from and administrated by Scotiabank Trinidad & Tobago Limited.

Under the terms of the sub-distributorship agreement dated December 18, 2012, Scotiabank & Trust (Cayman) Ltd. (the "Distributor") is responsible for the distribution of Redeemable Investment Shares of the Fund in accordance with the terms of the prospectus. The Distributor may appoint sub-distributors. The sub-distributors are entitled to all initial subscription charges levied against subscribers. The subscription charge is levied solely at the discretion of the Sub-Manager at up to 5% (2016: 5%) of the total amount paid by the subscriber for shares.

SCOTIABANK TRINIDAD & TOBAGO FIXED INCOME FUND INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

6. Share Capital

Authorized:

100 Governance Shares of no par value
300,000,000 Redeemable Investment Shares of no par value

Issued:

Total shares issued or redeemed during the year and the corresponding share capital can be summarized as follows:

	<u>2017</u>		<u>2016</u>	
Governance Shares	<u>Shares</u>	<u>TT\$</u>	<u>Shares</u>	<u>TT\$</u>
Shares issued during the year	-	-	-	-
Shares redeemed during the year	-	-	-	-
Redeemable Investment Shares				
Class AT				
Shares issued during the year	24,268,630	245,190,493	16,375,081	162,705,791
Shares redeemed during the year	(6,573,275)	(66,454,634)	(8,414,957)	(83,531,345)
Reinvestment	149,188	1,511,914	87,477	871,232
Class NT				
Shares issued during the year	-	-	-	-
Shares redeemed during the year	-	-	-	-
Reinvestment	2	27	3	26
Class IT				
Shares issued during the year	-	-	-	-
Shares redeemed during the year	(1,036,034)	(10,865,714)	(224,750)	(2,300,000)
Reinvestment	1,070	11,151	4,563	54,242

The Governance Shares are held exclusively by the Sub-Manager, who has full voting rights.

Shares that are redeemed within 90 days of purchase may be subject to a redemption fee up to 2% of the redemption amount. TT\$NIL redemption fees were levied during the years ended December 31, 2017 and 2016.

Each of the classes of Redeemable Investment Shares are issued and redeemable daily at a price equal to the net asset value per share on the valuation day on which the notification is received, as long as it is received before the Fund's close of business. The net asset value per share for any valuation date is determined by dividing the value of the value per share on the valuation day on which the notification is received, as long as it is received before the Fund's close of business. The net asset value per share for any valuation date is determined by dividing the value of the assets of the respective share class less its liabilities at the close of business on such valuation day by the number of Redeemable Investment Shares outstanding in the share class on that date.

The Redeemable Investment Shares confer no voting rights and no entitlement to receive notice of, or attend at, general meetings of the Fund. The Redeemable Investment Shares carry the right to participate in dividends and all other distributions of the Fund.

The Fund's capital is primarily represented by these Redeemable Investment Shares. In accordance with the objectives outlined in Note 1 and the risk management policies in Note 7, the Fund endeavors to invest the subscriptions received from redeemable investment shareholders into appropriate investments while maintaining sufficient liquidity to meet redemptions, being augmented by disposal of fixed income securities where necessary.

SCOTIABANK TRINIDAD & TOBAGO FIXED INCOME FUND INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

7. Financial Risk Management

The Fund's investment activities expose it to various types of risk which are associated with the financial assets and markets in which it invests.

Price risk: All financial assets present a risk of loss of capital. The Portfolio Manager moderates this risk through a careful selection of the financial assets. Maximum risk resulting from financial assets is determined by the fair value of the financial assets. The Fund's overall positions are monitored on a daily basis by the Portfolio Manager. As the Fund's objective is to invest in fixed income securities none of its holdings are susceptible to any significant market fluctuations other than those described in interest rate risk and credit risk below.

The overall market exposures as at December 31, 2017 are presented in Note 3.

The Fund invests in other funds and is susceptible to market price risk arising from uncertainties about future values of those Investee Funds. The investment manager makes investment decisions after an extensive assessment of the underlying fund, its strategy and the overall quality of the underlying fund's manager. The Fund's policy requires the Portfolio Manager to complete a full reassessment of each of the Investee Funds on a regular basis and track the performance of each Investee Fund on a daily basis.

At December 31, 2017, the exposure to investments in Investee Funds at fair value by strategy employed is disclosed in Note 3. These investments are included in financial assets at fair value through profit or loss in the Statement of Financial Position.

The performance of investments held by the Fund is monitored by the Fund's Manager on a daily basis.

The table below summarises the impact on the Fund's net assets attributable to holders of redeemable investment shares, of reasonable possible changes in the returns of each of the strategies to which the Fund is exposed through the 3 funds (2016: 2) in which it invests at year end. A reasonably possible change is management's assessment, based on historical data sourced from the underlying Investee Funds, of what a reasonably possible percentage movement is in the value of a fund following each respective strategy over a 12-month period. The impact on net assets attributable to holders of redeemable investment shares is calculated by applying the reasonably possible movement determined for each strategy to the value of each Investee Fund held by the Fund.

The analysis is based on the assumption that returns on each strategy have increased or decreased, as disclosed, with all other variables held constant. The underlying risk disclosures represent the market risks to which the underlying funds are directly exposed. I, F, O represents interest rate, foreign currency and other price risks, respectively.

As at December 31, 2017

Strategy	Underlying risk exposures	Number of Funds	Reasonable possible change (%)	Impact on profit (+ or - \$)
Fixed Income	I, F, O	3	5%	105,760

As at December 31, 2016

Strategy	Underlying risk exposures	Number of Funds	Reasonable possible change (%)	Impact on profit (+ or - \$)
Fixed Income	I, F, O	2	5%	282,273

Currency risk: When the Fund buys or holds an investment that is denominated in a currency other than Trinidad & Tobago dollars, changes in the exchange rate between that foreign currency and the Trinidad & Tobago dollar will affect the value of the Fund.

Currency exchange rates may fluctuate over short periods of time and are generally determined by supply and demand in the currency exchange markets and the relative merits of investments in different countries, actual or perceived changes in interest rates and other complex factors. Currency exchange rates can be affected unpredictably

SCOTIABANK TRINIDAD & TOBAGO FIXED INCOME FUND INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

7. Financial Risk Management (continued)

Currency risk (continued)

by intervention (or the failure to intervene) by government or central banks, or by currency controls or political developments.

In accordance with the Fund's policy, the Portfolio Manager monitors the financial assets and liabilities exposure to currency risk.

Interest rate risk: Funds that invest in fixed income securities, such as bonds, money market instruments, mortgages and loans, are affected by changes in the general level of interest rates. In general, when interest rates rise, the value of these investments tends to fall. When rates fall, fixed income securities tend to increase in value. Fixed income securities with longer terms to maturity are generally more sensitive to changes in interest rates.

Substantially all of the Fund's mortgage investments are subject to cash flow interest rate risk due to fluctuations in the prevailing levels of market interest rates. Substantially all mortgages issued bear variable interest rates linked to the Trinidad and Tobago prime rate and re-price as and when these rates (market rates) change. Accordingly the Fund is not exposed to significant market interest rate risk on mortgage investments.

The Fund's interest-bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The table below summarizes the Fund's exposure to interest rate risks. It includes the Fund's financial assets and liabilities, categorized by the earlier of contractual re-pricing or maturity dates:

At December 31, 2017

	Up to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
Assets					
Cash and cash equivalents	-	-	-	76,796,486	76,796,486
Financial assets at fair value through profit or loss	133,750,718	115,257,694	158,740,513	2,115,200	409,864,125
Other assets	-	-	-	9,016,958	9,016,958
Total assets	133,750,718	115,257,694	158,740,513	87,928,644	495,677,569
	Up to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
Liabilities					
Other liabilities	-	-	-	19,549,272	19,549,272
Redeemable investment shares	-	-	-	476,128,297	476,128,297
Total liabilities (including redeemable investment shares)	-	-	-	495,677,569	495,677,569
Interest sensitivity gap	133,750,718	115,257,694	158,740,513		

SCOTIABANK TRINIDAD & TOBAGO FIXED INCOME FUND INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

7. Financial Risk Management (continued)

Interest rate risk (continued):

At December 31, 2016

	Up to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
Assets					
Cash and cash equivalents	-	-	-	38,345,816	38,345,816
Financial assets at fair value through profit or loss	95,903,661	99,711,170	57,822,537	5,645,454	259,082,822
Other assets	-	-	-	4,628,308	4,628,308
Total assets	95,903,661	99,711,170	57,822,537	48,619,578	302,056,946
	Up to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
Liabilities					
Other liabilities	-	-	-	2,570,422	2,570,422
Redeemable investment shares	-	-	-	299,486,524	299,486,524
Total liabilities (including redeemable investment shares)	-	-	-	302,056,946	302,056,946
Interest sensitivity gap	95,903,661	99,711,170	57,822,537		

At December 31, 2017, should interest rates have lowered by 25 basis points with all other variables remaining constant and ignoring the effects of any management fees, the change in the increase in net assets attributable to holders of Redeemable Investment Shares for the period would amount to approximately TT\$5,654,385 (2016: TT\$1,268,758) higher arising substantially from the increase in market values of debt securities. If interest rates had risen by 25 basis points with all other variables remaining constant and ignoring the effects of any management fees, the change in the decrease in net assets attributable to holders of Redeemable Investment Shares would amount to approximately TT\$5,523,926 (2016: TT\$1,243,561) higher arising substantially from the decrease in market values of debt securities.

Credit risk: Financial assets which potentially expose the Fund to credit risk consist primarily of cash and cash equivalents, interest receivable, and investments. The Fund takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Investments in debt securities, structured notes, and mortgages expose the Fund to the risk that an issuer will default on the payment of interest, principal or both. The extent of the Fund's exposure to credit risk in respect of these financial assets approximates their carrying value as recorded in the Fund's Statement of Financial Position.

Scotiabank Trinidad & Tobago Limited services the mortgage investments on behalf of the Fund and performs ongoing monitoring of the performance and servicing of the mortgage investments, maintenance of the collateral and updating credit risk assessment based on the loan history and any changes in the mortgages circumstances. At December 31, 2017 and 2016 there are no mortgage investments in past due status (over 90 days overdue).

The majority of transactions of financial assets undertaken by the fund are cleared through and held in custody by a reputable custodian. The Fund's cash is held by the same custodian. The clearing and depository operations for the Fund's security transactions are mainly concentrated with one custodian. The Custodian is a member of a major securities exchange and at December 31, 2017 had a credit rating from S&P of AA- (2016: AA-). The Fund is subject to credit risk and possible losses should the Custodian be unable to fulfil its obligations to the Fund. At December 31, 2017 and 2016, substantially all cash and cash equivalents balances are either held with or placed in custody with the Custodian.

SCOTIABANK TRINIDAD & TOBAGO FIXED INCOME FUND INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

7. Financial Risk Management (continued)

Credit risk (continued):

The Fund's fixed income investments in financial assets at fair value through profit and loss have an investment grade provided by S&P or CariCRIS. The ratings are as follows:

S&P or CariCRIS Rating	2017	2016
AA-	2.05%	3.53%
A+	2.32%	3.86%
A-	0.00%	7.01%
BBB	2.98%	3.88%
BBB+	7.69%	4.50%
BBB-	4.37%	4.59%
BB	1.51%	2.45%
BB+	1.96%	2.02%
BB-	4.73%	6.98%
B	1.07%	1.71%
B+	0.00%	1.39%
N/A (Not rated)*	71.32%	58.08%
Total	100.00%	100.00%

*Fixed income investments not rated have a total value of TT\$290,863,824 (2016: TT\$147,219,762). Of this, TT\$146,787,163 (2016: TT\$46,499,793) are backed and secured by the Government of Trinidad & Tobago.

All remaining unrated fixed income investments have no history of default, have been assessed by management in the current year and are not considered to be at risk of default.

Concentration risk: This is the risk associated with funds that concentrate their investments in a particular issuer, issuers, sector, or in a single country or geographic region. This allows the Fund to focus on the potential of that particular sector, country or region, or of a relatively few number of securities. However, funds that concentrate their investments tend to have greater fluctuations in price than funds with broader diversification. Funds that invest in fewer securities, sectors, countries or regions have greater concentration risk.

Liquidity risk: Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial instrument quickly close to its fair value.

The Fund invests in mortgage investments which are not realizable in the short term and it's the Fund's strategy to hold mortgages to maturity/repayment. As there is no active market the Fund is not able to readily liquidate such investments when it chooses.

All liabilities are due on demand or within one year.

The Fund is exposed to daily cash redemptions of Redeemable Investment Shares. Payment of redemption proceeds will normally be dispatched within seven business days after the relevant dealing day at the risk and expense of the shareholder, subject to delay where necessary to conduct an orderly liquidation of appropriate assets to satisfy the redemption requests.

Under certain circumstances the Directors of the Fund have the ability to suspend the determination of the net assets attributable to holders of Redeemable Investment Shares if it is considered in the best interest of the shareholder

SCOTIABANK TRINIDAD & TOBAGO FIXED INCOME FUND INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

7. Financial Risk Management (continued)

Liquidity risk (continued):

group as a whole. During the suspension of the net assets attributable to holders of Redeemable Investment Shares, the subscription and redemption of shares would also be suspended.

As of December 31, 2017, 0.4% (2016: 1.9%) of financial assets at fair value through profit or loss comprise investments in Investee Funds that have been fair valued in accordance with the policies set out in Note 2.

The shares of the Investee Funds are not publicly traded; redemption can only be made by the Fund on the redemption dates and subject to the required notice periods specified in the offering documents of each of the Investee Funds.

Although the investments in Investee Funds offer daily redemptions, the Investee Fund may restrict its redemptions. As a result, the carrying values of the Investee Funds may not be indicative of the values ultimately realised on redemption. In addition, the Fund may be materially affected by the actions of other investors who have invested in the Investee Funds in which the Fund has invested.

Fair values: At December 31, 2017 and 2016, investments are carried at fair value and the carrying amounts of all other assets and liabilities on the Statement of Financial Position approximated their fair values.

8. Fair Value Disclosure

IFRS 13 requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

The level in the fair value hierarchy within which the fair value measurement is categorized 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 this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. 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.

The determination of what constitutes 'observable' requires significant judgment by the Portfolio Manager. The Portfolio Manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

SCOTIABANK TRINIDAD & TOBAGO FIXED INCOME FUND INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

8. Fair Value Disclosure (continued)

The following table analyses within the fair value hierarchy the Fund's financial assets (by class) measured at fair value:

At December 31, 2017

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Balance</u>
<u>Financial assets at fair value through profit and loss</u>				
Government and Agency Bonds and Notes	TT\$ -	TT\$ 163,421,323	TT\$ -	TT\$ 163,421,323
Corporate Bonds and Notes	-	136,149,413	-	136,149,413
Short-Term Investments	-	92,867,421	-	92,867,421
Mortgages	-	15,310,768	-	15,310,768
Mutual Funds	2,115,200	-	-	2,115,200
Total financial assets at fair value through profit and loss	TT\$ <u>2,115,200</u>	TT\$ <u>407,748,925</u>	TT\$ <u>-</u>	TT\$ <u>409,864,125</u>

At December 31, 2016

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Balance</u>
<u>Financial assets at fair value through profit and loss</u>				
Government and Agency Bonds and Notes	TT\$ -	TT\$ 80,831,353	TT\$ -	TT\$ 80,831,353
Corporate Bonds and Notes	-	122,724,335	-	122,724,335
Short-Term Investments	-	32,585,445	-	32,585,445
Mortgages	-	17,296,235	-	17,296,235
Mutual Funds	5,645,454	-	-	5,645,454
Total financial assets at fair value through profit and loss	TT\$ <u>5,645,454</u>	TT\$ <u>253,437,368</u>	TT\$ <u>-</u>	TT\$ <u>259,082,822</u>

In relation to the above table, further details of the country classifications were disclosed in Note 3.

Financial assets at fair value through profit and loss ("investments") whose values are based on quoted market prices in active markets, and therefore classified within Level 1, would include active listed equities and most exchange traded derivatives. The Fund does not adjust the quoted price for these investments.

Investments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs would be classified within Level 2.

These include commercial paper, U.S. treasury bills, most investment-grade corporate bonds, investments in other funds where redemption is not restricted, certain non-U.S. sovereign obligations, structured notes, mortgages, thinly traded listed equities and some over-the-counter derivatives. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 financial instruments would include private equity, certain restricted investments in other funds, and certain corporate debt securities. As observable prices are not available for these investments, if any such investments were held, the Fund would use valuation techniques to derive the fair value.

SCOTIABANK TRINIDAD & TOBAGO FIXED INCOME FUND INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

8. Fair Value Disclosure (continued)

The Fund does not hold any investments classified within Level 3 as of December 31, 2017 and 2016.

There were no transfers between Levels during the period ended December 31, 2017 and 2016.

For other assets and liabilities carried at amortized cost, their carrying values are a reasonable approximation of fair value, and are classified as level 2. Redeemable investment share values are based on the amount payable on demand and are classified as level 2.

At December 31, 2017 and 2016, there are no assets and liabilities subject to offsetting enforceable rights under a master netting arrangement.

9. Taxation

The Fund is liable to income tax in Saint Lucia on their taxable income at the rate of 1%. In addition, the Fund incurs withholding tax on interest income at a rate of 15% on their Trinidad & Tobago securities. Subscriptions and redemptions of shares are not subject to any duty or tax in Saint Lucia.

As at December 31, 2017, the company has measured tax liabilities with respect to foreign withholding taxes on interest income for \$1,169,881 (2016: \$1,677,580)

10. Subsequent Events

From January 1, 2018 to March 27, 2018 the Fund received subscriptions of TT\$55,748,490 and redemptions of TT\$29,958,334.

There are no other subsequent events.

SCOTIABANK TRINIDAD & TOBAGO GROWTH FUND INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2017

SCOTIABANK TRINIDAD & TOBAGO GROWTH FUND INC.

INDEX TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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Independent Auditor's Report

To the Board of Directors of Scotiabank Trinidad & Tobago Growth Fund Inc.

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Scotiabank Trinidad & Tobago Growth Fund Inc. (the "Fund") as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

Scotiabank Trinidad & Tobago Growth Fund Inc.'s financial statements comprise:

- the statement of financial position as at December 31, 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in net assets attributable to holders of redeemable investment shares for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.



Responsibilities of management for the financial statements

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

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.

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 scepticism 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.



Auditor's responsibilities for the audit of the financial statements (continued)

- 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 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.

Other Matter

This report, including the opinion, has been prepared for and only for the Fund in accordance with the terms of our engagement letter and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

A handwritten signature in black ink that reads "PricewaterhouseCoopers".

March 27, 2018

SCOTIABANK TRINIDAD & TOBAGO GROWTH FUND INC.

STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2017

(Expressed in Trinidad and Tobago dollars)

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	16,703,927	8,277,984
Financial assets at fair value through profit or loss (Cost: TT\$87,929,004; 2016: TT\$58,450,194) (Notes 3, 7 and 8)	92,965,195	60,326,244
Subscriptions receivable	10,320,000	87,500
Interest receivable	469,913	392,869
Receivable from Manager (Note 4)	68,349	301,098
Dividend Receivable	62,927	59,790
	<hr/>	<hr/>
Total assets	<u>120,590,311</u>	<u>69,445,485</u>
LIABILITIES		
Payable for investments purchased	2,552,135	-
Accrued expenses	355,737	461,711
Management fees (Note 4)	181,024	107,772
Redemptions payable	156,000	700
	<hr/>	<hr/>
Liabilities (excluding net assets attributable to holders of redeemable investment shares)	<u>3,244,896</u>	<u>570,183</u>
Net assets attributable to holders of redeemable investment shares (Notes 6 and 7)	<u><u>117,345,415</u></u>	<u><u>68,875,302</u></u>
Net asset value per redeemable investment shares (Note 6)		
Class AT (TT\$117,332,084/11,165,158 shares; 2016: TT\$64,756,472/6,407,620 shares)	<u><u>10.51</u></u>	<u><u>10.11</u></u>
Class NT (TT\$6,528/625 shares; 2016: TT\$6,312/625 shares)	<u><u>10.44</u></u>	<u><u>10.09</u></u>
Class IT (TT\$6,803/625 shares; 2016: TT\$4,112,518/400,625 shares)	<u><u>10.88</u></u>	<u><u>10.27</u></u>

Approved for issuance on behalf of Scotiabank Trinidad & Tobago Growth Fund Inc.'s
Board of Directors by:

Rhory McNamara
Rhory McNamara
Director

Chester Hinkson
Chester Hinkson
Director

Date : March 27, 2018

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

SCOTIABANK TRINIDAD & TOBAGO GROWTH FUND INC.

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2017

(Expressed in Trinidad and Tobago dollars)

	<u>2017</u>	<u>2016</u>
Income		
Dividend income	1,429,802	1,492,781
Interest income	1,425,225	1,014,708
Net realized loss on financial assets fair value through profit or loss and foreign currencies	(149,806)	(383,264)
Net change in unrealized appreciation on financial assets at fair value through profit or loss and foreign currencies	<u>3,157,622</u>	<u>1,407,260</u>
Total net income	<u>5,862,843</u>	<u>3,531,485</u>
 Expenses		
Management fees (Note 4)	1,757,771	1,140,553
Custodian and administration fees	839,072	652,594
Other expenses	278,246	240,419
Professional fees	<u>191,924</u>	<u>304,067</u>
Total operating expenses	<u>3,067,013</u>	<u>2,337,633</u>
Less: expenses reimbursed (Note 4)	<u>(628,884)</u>	<u>(741,824)</u>
Operating profit	<u>3,424,714</u>	<u>1,935,676</u>
Withholding taxes	<u>(213,660)</u>	<u>(85,759)</u>
Increase in net assets from operations attributable to holders of redeemable investment shares	<u><u>3,211,054</u></u>	<u><u>1,849,917</u></u>

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

SCOTIABANK TRINIDAD & TOBAGO GROWTH FUND INC.

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE
TO HOLDERS OF REDEEMABLE INVESTMENT SHARES**

YEAR ENDED DECEMBER 31, 2017

(Expressed in Trinidad and Tobago dollars)

	Share Capital	Increase in net assets from operations attributable to redeemable investment shareholders	Total net assets attributable to redeemable investment shareholders (at redemption value)
Balance as at December 31, 2015	59,278,673	(664,345)	58,614,328
Issue of redeemable investment shares	23,732,374	-	23,732,374
Redemption of redeemable investment shares	(15,321,317)	-	(15,321,317)
Increase in net assets from operations attributable to holders of redeemable investment shares	-	1,849,917	1,849,917
Balance as at December 31, 2016	67,689,730	1,185,572	68,875,302
Issue of redeemable investment shares	62,460,851	-	62,460,851
Redemption of redeemable investment shares	(17,201,792)	-	(17,201,792)
Increase in net assets from operations attributable to holders of redeemable investment shares	-	3,211,054	3,211,054
Balance as at December 31, 2017	<u>112,948,789</u>	<u>4,396,626</u>	<u>117,345,415</u>

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

SCOTIABANK TRINIDAD & TOBAGO GROWTH FUND INC.

STATEMENT OF CASH FLOWS

YEAR END DECEMBER 31, 2017

(Expressed in Trinidad and Tobago dollars)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Dividend received	1,426,665	1,432,991
Interest received	1,082,199	810,518
Operating expenses paid	(3,099,735)	(2,213,665)
Operating expenses paid on behalf of the Manager	-	(97,421)
Reimbursements received from Manager	861,633	879,540
Purchase of financial assets at fair value through profit or loss	(49,968,117)	(17,496,594)
Proceeds from sales of financial assets at fair value through profit or loss	22,943,959	12,705,559
Net change in unrealized depreciation on foreign currencies	<u>(2,520)</u>	<u>(17,990)</u>
Net cash used in operating activities	<u>(26,755,916)</u>	<u>(3,997,062)</u>
Cash flows from financing activities		
Proceeds from subscriptions of redeemable participating shares	52,228,351	23,751,674
Payments for redemption of redeemable participating shares	<u>(17,046,492)</u>	<u>(15,320,617)</u>
Net cash provided by financing activities	<u>35,181,859</u>	<u>8,431,057</u>
Net change in cash and cash equivalents	8,425,943	4,433,995
Cash and cash equivalents at beginning of year	<u>8,277,984</u>	<u>3,843,989</u>
Cash and cash equivalents at end of year	<u>16,703,927</u>	<u>8,277,984</u>
Supplementary information on cash flows from operating activities		
Tax withheld	<u>213,660</u>	<u>85,759</u>

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

SCOTIABANK TRINIDAD & TOBAGO GROWTH FUND INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

1. Incorporation and Principal Activities

Scotiabank Trinidad & Tobago Growth Fund Inc. (the “Fund”) was incorporated under the laws of Saint Lucia on September 20, 2012 and is licensed in Saint Lucia by the Financial Services Regulatory Authority, Ministry of Finance of Saint Lucia, as a public international mutual fund. On February 7, 2013, the Fund also registered under The Mutual Funds Law (revised) of the Cayman Islands. The Fund commenced operations on October 17, 2013.

The Fund is a Trinidad and Tobago Dollar-denominated open-ended investment Fund. The registered office of the Fund is located at 20 Micoud Street, Castries, Saint Lucia. No application has been made for the Fund to be listed on any stock exchange.

The Fund’s investment objective is to achieve a balance of current income and long-term capital appreciation, with a bias towards capital appreciation. The Fund is designed to invest primarily in a mix of equity and fixed income securities from Trinidad and Tobago and from around the world.

Scotia Asset Management (St. Lucia) Inc. is the Manager (the “Manager”), Scotiabank and Trust (Cayman) Ltd. is the Sub-Manager (the “Sub-Manager”), Scotia Investments Trinidad & Tobago Limited is the Portfolio Manager (the “Portfolio Manager”), and ADCO Fund Administrators Inc. is the Fund Administrator (the “Fund Administrator”).

State Street Cayman Trust Company, Ltd. is the sub-administrator, (the “Sub-Administrator”), and State Street Bank and Trust Company as custodian (the “Custodian”).

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

Basis of preparation:

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgment in the process of applying the Fund’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 8.

All references to net assets throughout this document refer to net assets attributable to holders of Redeemable Investment Shares unless otherwise stated. Net assets per share information as disclosed in the Statement of Financial Position for each class of investment shares as disclosed in Note 6 has been determined as total assets less total liabilities (excluding net assets attributable to holders of Redeemable Investment Shares) divided by the number of outstanding shares of each class of Redeemable Investment Shares.

(a) Standards and amendments to existing standards effective January 1, 2017 that are adopted by the Fund.

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning January 1, 2017 that would be expected to have a material impact on the Fund.

(b) New standards, amendments and interpretations effective after 1 January 2017 and have not been early adopted

SCOTIABANK TRINIDAD & TOBAGO GROWTH FUND INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

2. Summary of Significant Accounting Policies (continued)

IFRS 9 'Financial Instruments' addresses the classification, measurement and derecognition of financial assets and liabilities. It replaces the multiple classification and measurement models in IAS 39 and is effective for reporting periods beginning on or after 1 January 2018.

Classification and measurement of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognised at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss (ECL) impairment model.

On adoption of IFRS 9 the Fund's investment portfolio will continue to be classified as fair value through profit or loss. Other financial assets which are held for collection will continue to be measured at amortised cost with no material impact expected from application of the new impairment model. As a result, the adoption of IFRS 9 is not expected to have a material impact on the Fund's financial statements.

In addition to the above, a number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

Valuation of financial assets at fair value through profit or loss: The Fund's investments are considered trading securities and consequently categorized as financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognized at fair value, which is considered the cost basis of the financial assets. The Fund records security transactions on a trade date basis, recognizing the cost or sales proceeds of financial assets sold or purchased on an average cost basis. Financial assets are valued on the valuation date at fair value, using data provided by one or more reputable third party pricing vendors which are in turn based upon (1) last traded price on the exchange upon which such financial assets are traded, (2) valuation models using observable market inputs, or (3) prices quoted by the principal market makers for non-exchange traded financial assets. All related realized gains and losses are recognized in the Statement of Comprehensive Income as they occur.

Valuation of investments in other funds: The Fund's investments in other funds ("Investee Funds") are subject to the terms and conditions of the respective Investee Fund's offering documentation. The investments in Investee Funds are valued based on the latest available redemption prices of such units for each Investee Fund, as determined by the Investee Funds' administrators. The Fund reviews the details of the reported information obtained from the Investee Funds and considers:

- The liquidity of the Investee Fund or its underlying investments;
- The value date of the net asset value ("NAV") provided;
- Any restrictions on redemptions; and
- The basis of accounting and, in instances where the basis of accounting is other than fair value, fair valuation information provided by the Investee Fund's advisors.

If necessary, the Fund makes adjustments to the NAV of various Investee Funds to obtain the best estimate of fair value. Other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss in the statement of comprehensive income include the change in fair value of each Investee Fund.

SCOTIABANK TRINIDAD & TOBAGO GROWTH FUND INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

2. Summary of Significant Accounting Policies (continued)

Fair value estimation: The fair value of financial assets and liabilities that are not traded in an active market (for example, debt securities and mortgages) is determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models, and other valuation techniques commonly used by market participants making the maximum use of market inputs and replying as little as possible on entity-specific inputs.

Functional and presentation currency: Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Trinidad and Tobago Dollar ("TT\$"), which reflects the Fund's primary activity of investing in TT\$ denominated investment grade securities from Trinidad and Tobago and from around the world. The Fund has adopted the TT\$ as its presentation currency.

Accounting for investments and investment income: Security transactions are accounted for on a trade date basis. Realized gains and losses on sales of financial assets are calculated on an average cost basis.

Interest is recognized in the Statement of Comprehensive Income using the effective yield method and includes discount accreted and premium amortized over the remaining period to maturity of individual assets.

Dividends are recorded on the ex-dividend date and are included as income on the Statement of Comprehensive Income.

Redeemable investment shares and governance shares: Redeemable investment shares (the "Redeemable Investment Shares") are redeemable at the shareholder's option and are classified as financial liabilities. Any distribution on such Redeemable Investment Shares is recognized in the Statement of Comprehensive Income as finance costs. The Redeemable Investment Shares can be put back to the Fund by the holder at any dealing day for cash equal to a proportionate share of the respective Fund's net assets. The Redeemable Investment Shares are carried at the redemption amount that would be payable at the dealing day if the shareholder exercised its right to put the share back to the Fund. Governance shares (the "Governance Shares") are not redeemable, and do not participate in the net income or dividends of the Fund as per the Fund's articles of association.

Interest income: Interest income on financial assets is accrued on a daily basis. Interest income on financial assets includes interest and discount earned (net of premium), which is the difference between the face value and the original cost, including original issue discount, amortized using the effective yield method over the term of the financial assets. Interest is recognized in the Statement of Comprehensive Income using the effective yield method and includes discount accreted and premium amortized over the remaining period to maturity of individual assets.

Expenses: Expenses directly attributable to the Fund are recorded on an accrual basis.

Translation of foreign currency amounts: Assets and liabilities denominated in currencies other than the TT\$ ("foreign currencies") are translated at the rates prevailing on the date of valuation and exchange differences are reflected in the Statement of Comprehensive Income in the period in which they arise. Transactions in foreign currencies are translated at prevailing exchange rates at the date of the transaction. The Fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on financial assets from the fluctuations arising from changes in market prices of financial assets held. Such fluctuations are included with the net realized gain or loss on financial assets at fair value through profit or loss and/or the net change in unrealized appreciation or depreciation on financial assets at fair value through profit or loss.

SCOTIABANK TRINIDAD & TOBAGO GROWTH FUND INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

2. Summary of Significant Accounting Policies (continued)

Cash and cash equivalents: Cash and cash equivalents comprise cash, fixed term deposits and short term bonds with original maturity of less than 90 days.

Capital risk management: The capital of the Fund is represented by the net assets attributable to holders of Redeemable Investment Shares. The amount of net asset attributable to holders of Redeemable Investment Shares can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of shareholders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund. In order to maintain or adjust the capital structure, the Fund's policy is to perform the following:

- Monitor the level of daily subscriptions and redemptions relative to the liquid assets and adjusts the amount of distributions the Fund pays to redeemable shareholders.
- Redeem and issue new shares in accordance with the constitutional documents of the Fund, which include the ability to restrict redemptions and require certain minimum holdings and subscriptions.

The Board of Directors and the Portfolio Manager monitors capital on the basis of the value of net assets attributable to Redeemable Investment Shares.

Reverse Repurchase Agreements

Securities purchased under agreements to resell ("Reverse Repurchase Agreements" or "Reverse Repo") are treated as collateralized financing transactions and are recorded at their contracted resell amounts plus accrued interest.

The Fund receives collateral under reverse repurchase agreements which is valued daily.

At December 31, 2017 an investment with a fair value of TT\$5,108,432 (2016: TT\$5,000,000) has been recorded as investments purchased under agreements to resell in the statement of assets and liabilities. Securities with a fair value of TT\$5,121,000 (2016: TT\$4,819,415) have been pledged as collateral for the Reverse Repurchase Agreement.

SCOTIABANK TRINIDAD & TOBAGO GROWTH FUND INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

3. Financial Assets at Fair Value through Profit or Loss

At December 31, 2017 the financial assets comprised the following securities segregated by industry sector:

		<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	
Common Stock					
Banks	TT\$ 3,810,823	TT\$ 4,496,987	TT\$ 549,882	TT\$ 546,038	
Consumer Staples	4,133,618	3,425,800	4,133,618	4,348,711	
Health Care	307,425	281,032	307,425	280,937	
Holding Companies	11,771,597	10,430,423	8,419,830	6,913,121	
Industrial	585,225	599,405	-	-	
Information Technology	2,766,296	4,921,725	2,766,296	3,368,673	
Insurance	3,486,429	3,097,117	-	-	
Investment Companies	775,618	496,254	1,532,270	1,494,709	
Oil, Gas & Consumable Fuels	3,294,440	4,365,133	3,294,440	3,459,162	
Mutual Funds	16,474,361	19,678,036	13,827,636	15,745,925	
Fixed Income					
Financial services	9,030,777	9,675,895	9,912,352	10,466,796	
Government	12,254,410	12,309,839	5,465,104	5,482,629	
Holding Companies	982,975	937,110	-	-	
Real estate	2,154,531	2,149,960	2,243,138	2,221,340	
Repurchase Agreements	5,108,432	5,108,432	5,000,000	5,000,000	
Short-Term Investments	10,992,047	10,992,047	998,203	998,203	
Total financial assets at fair value through profit or loss	TT\$ 87,929,004	TT\$ 92,965,195	TT\$ 58,450,194	TT\$ 60,326,244	

The following summarizes the investment portfolio segregated by country of issuer:

<u>2017</u>				<u>2016</u>			
<u>Financial Assets at fair value</u>	TT\$	<u>Fair Value</u>	<u>% of total portfolio</u>	TT\$	<u>Fair Value</u>	<u>% of total portfolio</u>	
Bermuda		3,097,117	3.33%		-	0.00%	
Cayman Islands		13,618,626	14.65%		12,014,535	19.92%	
Jamaica		4,304,999	4.63%		852,460	1.41%	
Saint Lucia		-	0.00%		578,190	0.96%	
Trinidad And Tobago		64,014,137	68.86%		41,391,811	68.61%	
United States		<u>7,930,316</u>	<u>8.53%</u>		<u>5,489,248</u>	<u>9.10%</u>	
Total financial assets at fair value through profit or loss	TT\$	92,965,195	100.00%	TT\$	60,326,244	100.00%	

SCOTIABANK TRINIDAD & TOBAGO GROWTH FUND INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

3. Financial Assets at Fair Value through Profit or Loss (continued)

As at December 31, 2017 the portfolio consists of 31 (2016: 25) positions, primarily located in Trinidad and Tobago. The three largest concentrations are in Scotia US Growth Fund (10%), CLICO Investment Fund (8%) and Massy Holdings Limited (8%) (2016: Scotia US Growth Fund (12%), CLICO Investment Fund (10%) and Massy Holdings Limited (8%)).

The Fund considers all of its Investee Funds to be investments in unconsolidated structured entities. The Fund invests in Investee Funds whose objectives range from achieving medium to long term capital growth. The Investee Funds finance their operations by issuing redeemable shares which are puttable at the holder's option and entitles the holder to a proportional stake in the respective fund's net assets. The Fund holds redeemable shares in each of its Investee Funds.

The change in fair value of each Investee Fund is included in the Statement of Comprehensive Income in "Net change in unrealized appreciation on financial assets at fair value through profit or loss and foreign currencies".

The Fund's investments in Investee Funds are subject to the terms and conditions of the respective Investee Fund's offering documentation and are susceptible to market price risk arising from uncertainties about future values of those Investee Funds. The Manager makes investment decisions after extensive due diligence of the underlying fund, its strategy and the overall quality of the underlying fund's manager. All of the Investee Funds in the investment portfolio are managed by portfolio managers who are compensated by the respective Investee Funds for their services. Such compensation generally consists of an asset based fee and a performance based incentive fee and is reflected in the valuation of the Fund's investment in each of the Investee Funds.

The Fund has the right to request daily redemptions of its investments in Investee Funds.

The exposure to investments in Investee Funds at fair value by strategy employed is disclosed in the following table. These investments are included in financial assets at fair value through profit or loss in the Statement of Financial Position.

As at December 31, 2017:

Country	Strategy	Currency	Number of Investee Funds	Investment Fair Value	% of Net Assets Attributable to Holders of Investment Shares
Cayman Islands	Equity	USD	1	9,027,901	7.69%
United States	Equity	USD	3	2,727,559	2.32%
Trinidad And Tobago	Equity	TTD	2	7,922,576	6.75%
				19,678,036	16.76%

As at December 31, 2016:

Country	Strategy	Currency	Number of Investee Funds	Investment Fair Value	% of Net Assets Attributable to Holders of Investment Shares
Cayman Islands	Equity	USD	1	7,418,363	10.77%
North America	Equity	USD	2	1,839,638	2.67%
Trinidad And Tobago	Fixed Income	TTD	2	6,487,924	9.42%
				15,745,925	22.86%

The Fund's holding in an Investee Fund, as a percentage of the Investee Fund's total net asset value may vary from time to time dependent on the volume of subscriptions and redemptions at the Investee Fund level. It is possible that the Fund may, at any point in time, hold a majority of an Investee Fund's total units in issue.

SCOTIABANK TRINIDAD & TOBAGO GROWTH FUND INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

3. Financial Assets at Fair Value through Profit or Loss (continued)

The Fund's maximum exposure to loss from its interests in Investee Funds is equal to the total fair value of its investments in Investee Funds. Once the Fund has disposed of its shares in an Investee Fund the Fund ceases to be exposed to any risk from that Investee Fund.

The Fund's investment strategy entails trading in other funds on a regular basis. Total purchases and sales in Investee Funds during the year ended December 31, 2017 was TT\$2,646,725 and TT\$Nil (2016: TT\$835,692 and TT\$6,122,537), respectively. The Fund intends to continue opportunistic trading in other funds. As at December 31, 2017 and 2016, there were no capital commitment obligations and no amounts due to Investee Funds for unsettled purchases.

During the year ended December 31, 2017 total net losses incurred on investments in Investee Funds were TT\$ Nil (2016: TT\$65,945).

At December 31, 2017, the Fund held investments in the following Investee Funds in the amounts illustrated below.

As at December 31, 2017

Fund Name	Share Class	Investment Fair Value	Investment Objectives
Clico Investment Fund		7,715,084	The Fund invests only in cash or government treasury bills.
Dynamic American Value Fund*	Class I	1,360,716	The Fund invests primarily in equity securities of United States based businesses.
Energy Select Sector SPDR Fund		498,505	The Fund's objective is to provide investment results that, before expenses, correspond generally to the price and yield performance of the Energy Select Sector Index (the "Index").
Financial Select Sector SPDR Fund*	Class F	868,339	The Fund's objective is to provide investment results that, before expenses, correspond to the performance of The Financial Select Sector. The Index includes financial services firms whose business' range from investment management to commercial & business banking.
Scotiabank US Growth Fund*	Class IU	9,027,901	The Fund invests primarily in the equity securities of U.S. companies to achieve capital appreciation over the long term.
Scotiabank Trinidad and Tobago Fixed Income Fund*	Class IT	207,491	The Fund invests primarily in fixed income securities, issued or guaranteed by government or corporations in Trinidad and Tobago.
Total		19,678,036	

SCOTIABANK TRINIDAD & TOBAGO GROWTH FUND INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

3. Financial Assets at Fair Value through Profit or Loss (continued)

As at December 31, 2016:

Fund Name	Share Class	Investment Fair Value	Investment Objectives
CLICO Investment Fund		6,288,020	The Fund invests only in cash or government treasury bills.
Dynamic American Value Fund*	Class I	1,116,223	The Fund invests primarily in equity securities of United States based businesses.
Financial Select Sector SPDR Fund*	Class F	723,415	The Fund's objective is to provide investment results that, before expenses, correspond to the performance of The Financial Select Sector. The Index includes financial services firms whose business' range from investment management to commercial & business banking.
Scotiabank US Growth Fund*	Class IU	7,418,363	The Fund invests primarily in the equity securities of U.S. companies to achieve capital appreciation over the long term.
Scotiabank Trinidad and Tobago Fixed Income Fund*	Class IT	199,904	The Fund invests primarily in fixed income securities, issued or guaranteed by government or corporations in Trinidad and Tobago.
Total		15,745,925	

*Related party funds

4. Management Agreement

Under the terms of the investment and fund management agreement dated November 5, 2013, the Fund appointed the Fund Administrator with the power and authority to appoint a Manager to manage the affairs and investments of the Fund subject to the overall supervision and control of the Board of Directors of the Fund.

The Manager has responsibility for the general administration of the Fund, but has delegated the performance of most tasks to third parties.

The Manager is entitled to a fee (the "management fee") at rates disclosed in the table below. The management fee is paid out of the assets of the Fund and are accrued daily and paid quarterly in arrears. Out of this fee, the Manager is required to pay the fees of the Sub-Manager and Portfolio Manager and any other person to whom functions are delegated by the Manager, along with all investment related direct expenses. The Manager may also pay trailing commissions to Distributors out of the management fee (Note 5). The Manager and/or Sub-Manager may choose from time to time to absorb any portion of the annual management fees on any class of shares of the Fund.

The Manager is entitled to a management fee from the classes of Redeemable Investment Shares as listed below:

<u>Class</u>	<u>Management fee per annum</u>
AT	Up to 2.25%
NT	Up to 2.70%
IT	NIL

No management fees are charged on Class IT shares. Instead, Class IT investors negotiate a separate fee that is paid directly to the Manager. For the year ended December 31, 2017, the management fee was set at 2.00% (2016: 2.00%) for Class AT shares and 2.45% (2016: 2.45%) for Class NT shares, which amounted to TT\$1,757,771 (2016: TT\$1,140,553).

The Fund also incurs certain operating expenses. Such expenses may include, but are not limited to, administration costs, interest on borrowed funds, auditing expenses, legal expenses, insurance, licensing, accounting, fees and disbursement of transfer agents, registrars, custodians, sub-custodians and escrow agents and the annual registration fee payable in St Lucia, the Cayman Islands and any other jurisdictions where the Fund may be registered from time to time. The Manager has subcontracted third party service providers to perform these services. The Manager and/or Sub-Manager may choose to absorb any of these operating expenses at any time.

SCOTIABANK TRINIDAD & TOBAGO GROWTH FUND INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

4. Management Agreement (continued)

For the year ended December 31, 2017, the Manager voluntarily applied a management expense ratio cap on management fees and operating expenses of 2.75% (2016: 2.75%) for Class AT shares 3.20% (2016: 3.20%) for Class NT shares, and 0.75% (2016: 0.75%) for Class IT shares. As a result of the management expense ratio cap, total management fee and operating expenses reimbursable by the Manager and/or Sub-Manager for the year ending December 31, 2017 was TT\$628,884 (2016: TT\$741,824). As of December 31, 2017 TT\$15,718 (2016: TT\$71,824) related to the management expense ratio cap and TT\$52,631 (2016: TT\$229,274) related to other operating expenses were receivable from the Manager and disclosed in the Statement of Financial Position.

5. Other Related Party Transactions

At December 31, 2017, the Sub-Manager held 100 (2016: 100) Governance Shares. All fees payable to the Sub-Manager are being borne by the Manager.

For the year ended December 31, 2017, on behalf of the Manager the Fund paid TT\$NIL to the Portfolio Manager and TT\$NIL to sub-distributors (2016: TT\$60,165, TT\$37,256, respectively), which was reimbursed during the year. Under the terms of the sub-distributorship agreement dated December 18, 2012, Scotiabank & Trust (Cayman) Ltd. (the "Distributor") is responsible for the distribution of Redeemable Investment Shares of the Fund in accordance with the terms of the prospectus. The Distributor may appoint sub-distributors. The sub-distributors are entitled to all initial subscription charges levied against subscribers. The subscription charge is levied solely at the discretion of the Sub-Manager at up to 5% of the total amount paid by the subscriber for shares.

6. Share Capital

Authorized:

100 Governance Shares of no par value

300,000,000 Redeemable Investment Shares of no par value

Issued:

Total units issued or redeemed during the year and the corresponding share capital and can be summarized as follows:

	<u>2017</u>		<u>2016</u>	
Governance Shares	<u>Units</u>	<u>TT\$</u>	<u>Units</u>	<u>TT\$</u>
Shares issued during the year	-	-	-	-
Shares redeemed during the year	-	-	-	-
Redeemable Investment Shares				
Class AT				
Shares issued during the year	6,003,795	62,460,851	2,378,479	23,732,374
Shares redeemed during the year	(1,246,257)	(12,940,912)	(1,541,145)	(15,321,317)
Class NT				
Shares issued during the year	-	-	-	-
Shares redeemed during the year	-	-	-	-
Class IT				
Shares issued during the year	-	-	-	-
Shares redeemed during the year	(400,000)	(4,260,880)	-	-

SCOTIABANK TRINIDAD & TOBAGO GROWTH FUND INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

6. Share Capital (continued)

The Governance Shares are held exclusively by the Sub-Manager, who has full voting rights.

Shares that are redeemed within 90 days of purchase may be subject to a redemption fee up to 2% of the redemption amount. TT\$NIL redemption fees were levied during the year ended December 31, 2017 and 2016.

Redeemable Investment Shares are issued and redeemable daily at a price equal to the net asset value per share on the valuation day on which the notification is received, as long as it is received before the Fund's close of business. The net asset value per share for any valuation date is determined by dividing the value of the assets of the Fund less its liabilities at the close of business on such valuation day by the number of Redeemable Investment Shares outstanding on that date.

The Redeemable Investment Shares confer no voting rights and no entitlement to receive notice of, or attend at, general meetings of the Fund. The Redeemable Investment Shares carry the right to participate in dividends and all other distributions of the Fund.

The Fund's capital is primarily represented by these Redeemable Investment Shares. In accordance with the objectives outlined in Note 1 and the risk management policies in Note 7, the Fund endeavors to invest the subscriptions received from redeemable investment shareholders into appropriate investments while maintaining sufficient liquidity to meet redemptions, being augmented by disposal of listed securities and Investee Funds with daily redemption terms where necessary.

7. Financial Risk Management

The Fund's investment activities expose it to various types of risk which are associated with the financial assets and markets in which it invests.

Price risk: All financial assets present a risk of loss of capital. The Portfolio Manager moderates this risk through a careful selection of the assets within specified limits. The Fund's overall market positions are monitored on a daily basis by the Portfolio Manager. The Fund's securities are susceptible to market price risk arising from uncertainties about future prices of the investments. Maximum risk resulting from financial assets is determined by the fair value of the financial assets.

At December 31, 2017, the Fund's market risk on the equity portfolio (excluding Mutual Funds) is affected by two main components: change in actual market prices and foreign currency movements. If the market price had increased by 10% with all other variables held constant, this would have increased the equity portion of the Fund's net assets attributable to holders of Redeemable Investment Shares by approximately TT\$3,211,388 (2016: TT\$2,041,135), ignoring the effects of any management fees. Conversely, if the market price had decreased by 10%, this would have decreased the equity portion of the Fund's net assets attributable to holders of Redeemable Investment Shares by approximately TT\$3,211,388 (2016: TT\$2,041,135), ignoring the effects of any management fees.

The overall market exposures as at December 31, 2017 are presented in Note 3.

The Fund invests in other funds and is susceptible to market price risk arising from uncertainties about future values of those Investee Funds. The investment manager makes investment decisions after an extensive assessment of the underlying fund, its strategy and the overall quality of the underlying fund's manager. The Fund's policy requires the Portfolio Manager to complete a full reassessment of each of the Investee Funds on a regular basis and track the performance of each Investee Fund on a daily basis.

SCOTIABANK TRINIDAD & TOBAGO GROWTH FUND INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

7. Financial Risk Management (continued)

Price risk (continued):

At December 31, 2017 and 2016, the exposure to investments in Investee Funds at fair value by strategy employed is disclosed in Note 3. These investments are included in financial assets at fair value through profit or loss in the Statement of Financial Position.

The performance of investments held by the Fund is monitored by the Fund's Manager on a daily basis.

The table below summarises the impact on the Fund's net assets attributable to holders of redeemable investment shares, of reasonable possible changes in the returns of each of the strategies to which the Fund is exposed through the 6 funds (2016:5) in which it invests at year end. A reasonably possible change is management's assessment, based on historical data sourced from the underlying Investee Funds, of what a reasonably possible percentage movement is in the value of a fund following each respective strategy over a 12-month period. The impact on net assets attributable to holders of redeemable investment shares is calculated by applying the reasonably possible movement determined for each strategy to the value of each Investee Fund held by the Fund.

The analysis is based on the assumption that returns on each strategy have increased or decreased, as disclosed, with all other variables held constant. The underlying risk disclosures represent the market risks to which the underlying funds are directly exposed. I, F, O represents interest rate, foreign currency and other price risks, respectively.

As at December 31, 2017:

Strategy	Underlying risk exposures	Number of Funds	Reasonable possible change (%)	Impact on profit (+ or - \$)
Fixed Income	I, F, O	2	5%	396,129
Equity - US Value	F, O	4	10%	1,175,546

As at December 31, 2016:

Strategy	Underlying risk exposures	Number of Funds	Reasonable possible change (%)	Impact on profit (+ or - \$)
Fixed Income	I, F, O	2	5%	324,396
Equity - US Value	F, O	3	10%	925,800

Currency risk: When the Fund buys or holds an investment that is denominated in a currency other than TT\$, changes in the exchange rate between that foreign currency and the TT\$ will affect the value of the Fund.

Changes in exchange rates between currencies or the conversion from one currency to another may cause the value of the financial assets to diminish or increase. Currency exchange rates may fluctuate over short periods of time and are generally determined by supply and demand in the currency exchange markets and the relative merits of investments in different countries, actual or perceived changes in interest rates and other complex factors. Currency exchange rates can be affected unpredictably by intervention (or the failure to intervene) by government or central banks, or by currency controls or political developments. TT\$23,016,867 (2016: 19,576,991) of the financial assets at fair value through profit and loss are denominated in United States dollars (USD).

If the foreign currencies at December 31, 2017 had increased by 10% relative to the TT\$ with all other variables held constant, the impact on all investments would have been an increase in net assets attributable to holders of Redeemable Investment Shares of approximately TT\$2,301,687 (2016: TT\$1,957,699) ignoring the effects of any management fees. Conversely, if the foreign currencies at December 31, 2017 had decreased by 10% relative to the TT\$ this would have decreased net assets attributable to holders of Redeemable Investment Shares by approximately TT\$2,301,687 (2016: TT\$1, 957,699) ignoring the effects of any management fees.

SCOTIABANK TRINIDAD & TOBAGO GROWTH FUND INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

7. Financial Risk Management (continued)

Currency risk (continued):

The Fund's currency exposure is actively managed, typically through the use of currency forward contracts. Investment decisions concerning currencies are made independently of equity investments. The Portfolio Manager's strategy involves defensively hedging back to the portfolio's base currency, when its models suggest a foreign currency is materially overvalued. At December 31, 2017 and 2016, the Fund did not hold any foreign currency forward contracts.

Interest rate risk: Funds that invest in fixed income securities, such as bonds, structured notes, and money market instruments, are affected by changes in the general level of interest rates. In general, when interest rates rise, the value of these investments tends to fall. When rates fall, fixed income securities tend to increase in value. Fixed income securities with longer terms to maturity are generally more sensitive to changes in interest rates

The Fund's interest-bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The Fund's financial assets are in equities, debts and investments in other funds, therefore, the direct impact of changes in interest rates on the market values of the investments are related only to the debt securities.

The tables below summarize the Fund's exposure to interest rate risk. It includes the Fund's financial assets and financial liabilities, categorized by the earlier of contractual re-pricing or maturity dates:

At December 31, 2017

	Up to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
Assets					
Cash and cash equivalents	-	-	-	16,703,927	16,703,927
Financial assets at fair value through profit or loss	20,739,414	11,825,855	8,608,014	51,791,912	92,965,195
Other assets	-	-	-	10,921,189	10,921,189
Total assets	20,739,414	11,825,855	8,608,014	79,417,028	120,590,311
	Up to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
Liabilities					
Other liabilities	-	-	-	3,244,896	3,244,896
Redeemable investment shares	-	-	-	117,345,415	117,345,415
Total liabilities (including redeemable investment shares)	-	-	-	120,590,311	120,590,311
Interest sensitivity gap	20,739,414	11,825,855	8,608,014		

SCOTIABANK TRINIDAD & TOBAGO GROWTH FUND INC.**NOTES TO FINANCIAL STATEMENTS (CONTINUED)****DECEMBER 31, 2017****7. Financial Risk Management (continued)****Interest rate risk (continued):****At December 31, 2016**

	Up to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
Assets					
Cash and cash equivalents	-	-	-	8,277,984	8,277,984
Financial assets at fair value through profit or loss	10,928,637	7,791,699	5,448,632	36,157,276	60,326,244
Other assets	-	-	-	841,257	841,257
Total assets	10,928,637	7,791,699	5,448,632	45,276,517	69,445,485
	Up to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
Liabilities					
Other liabilities	-	-	-	570,183	570,183
Redeemable investment shares	-	-	-	68,875,302	68,875,302
Total liabilities (including redeemable investment shares)	-	-	-	69,445,485	69,445,485
Interest Sensitivity Gap	10,928,637	7,791,699	5,448,632		

At December 31, 2017, should interest rates have lowered by 25 basis points with all other variables remaining constant and ignoring the effects of any management fees, the change in the increase/decrease in net assets attributable to holders of Redeemable Investment Shares for the year would amount to approximately TT\$302,940 (2016: TT\$59,996) higher arising substantially from the increase in market values of debt securities. If interest rates had risen by 25 basis points with all other variables remaining constant and ignoring the effects of any management fees, the change in the decrease in net assets attributable to holders of Redeemable Investment Shares would amount to approximately TT\$297,273 (2016: TT\$78,397) lower arising substantially from the decrease in market values of debt securities.

Credit risk: Financial assets which potentially expose the Fund to credit risk consist primarily of cash and cash equivalents and investments in debt securities. The Fund takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Investment in debt securities exposes the Fund to the risk that an issuer will default on the payment of interest, principal or both. The extent of the Fund's exposure to credit risk in respect of these financial assets approximates their carrying value as recorded in the Fund's Statement of Financial Position.

The majority of transactions of financial assets undertaken by the Fund are cleared through and held in custody by a reputable custodian. The Fund's cash is held by this same custodian. The clearing and depository operations for the Fund's security transactions are mainly concentrated with one custodian. The Custodian is a member of a major securities exchange and at December 31, 2017 had a credit rating from S&P of AA- (2016: AA-). The Fund is subject to credit risk and possible losses should the Custodian be unable to fulfill its obligations to the Fund.

SCOTIABANK TRINIDAD & TOBAGO GROWTH FUND INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

7. Financial Risk Management (continued)

Credit risk (continued):

At December 31, 2017, substantially all cash and cash equivalents balances are either held with or placed in custody with the Custodian.

The Fund's fixed income investments in financial assets at fair value through profit and loss have an investment grade provided by S&P or CariCRIS. The ratings are as follows:

S&P or CariCRIS Rating	2017	2016
AA-	1.17%	7.08%
A+	0.00%	9.19%
B	2.15%	3.53%
B+	0.00%	2.39%
BB-	11.15%	4.13%
N/A (Not rated)*	85.53%	73.68%
Total	100.00%	100.00%

*Fixed income investments not rated have a total value of TT\$35,216,090 (2016: TT\$17,808,121). Of this, TT\$11,425,858 (2016: TT\$4,630,169) are backed and secured by the Government of Trinidad & Tobago.

All remaining unrated fixed income investments have no history of default, have been assessed by management in the current year and are not considered to be at risk of default.

Concentration risk: This is the risk associated with funds that concentrate their investments in a particular issuer, sector, or in a single country or geographic region. This concentration allows the Fund to focus on the potential of that particular sector, country or region, or of a relatively few number of securities. However, funds that have such concentrations tend to have greater fluctuations in price than funds with broader diversification. Funds that invest fewer securities, sectors, countries or regions have greater concentration risk.

See Note 3 for significant concentrations in country and related party funds.

Liquidity risk: Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly close to its fair value.

All liabilities are due on demand or within one year.

The Fund is exposed to daily cash redemptions of Redeemable Investment Shares. It therefore invests in equity investments that are traded in an active market and Investee Funds with daily redemption terms, both of which can be readily disposed. Payment of redemption proceeds will normally be dispatched within seven business days after the relevant dealing day at the risk and expense of the shareholder, subject to delay where necessary to conduct an orderly liquidation of appropriate assets to satisfy the redemption requests. The Fund is permitted to invest only a limited proportion of its financial assets in investments that are not actively traded in a secondary market.

Under certain circumstances the Directors of the Fund have the ability to suspend the determination of the net assets attributable to holders of Redeemable Investment Shares, if it is considered in the best interest of the shareholder group as a whole. During the suspension of the net assets attributable to holders of Redeemable Investment Shares, the subscription and redemption of shares would also be suspended.

SCOTIABANK TRINIDAD & TOBAGO GROWTH FUND INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

7. Financial Risk Management (continued)

Liquidity risk (continued):

As of December 31, 2017, 21% (2016: 26%) of financial assets at fair value through profit or loss comprise investments in Investee Funds that have been fair valued in accordance with the policies set out in Note 2.

The shares of the Investee Funds are not publicly traded; redemption can only be made by the Fund on the redemption dates and subject to the required notice periods specified in the offering documents of each of the Investee Funds.

Although the investments in Investee Funds offer daily redemptions, the Investee Fund may restrict its redemptions. As a result, the carrying values of the Investee Funds may not be indicative of the values ultimately realised on redemption. In addition, the Fund may be materially affected by the actions of other investors who have invested in the Investee Funds in which the Fund has invested.

Fair values: At December 31, 2017 and 2016, investments are carried at fair value and the carrying amounts of all other assets and liabilities on the Statement of Financial Position approximated their fair values.

8. Fair Value Disclosure

IFRS 13 requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

The level in the fair value hierarchy within which the fair value measurement is categorized 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 this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. 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.

The determination of what constitutes 'observable' requires significant judgment by the Portfolio Manager. The Portfolio Manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

SCOTIABANK TRINIDAD & TOBAGO GROWTH FUND INC.**NOTES TO FINANCIAL STATEMENTS (CONTINUED)****DECEMBER 31, 2017****8. Fair Value Disclosure (continued)**

The following table analyses within the fair value hierarchy the Fund's financial assets (by class) measured at fair value:

At December 31, 2017

	<u>Level 1</u>		<u>Level 2</u>		<u>Level 3</u>		<u>Total</u> <u>Balance</u>
<u>Financial assets at fair value</u> <u>through profit of loss</u>							
Common Stock	TT\$	32,113,876	TT\$	-	TT\$	-	TT\$ 32,113,876
Mutual Funds		19,678,036		-		-	19,678,036
Fixed Income		-		41,173,283		-	41,173,283
Total financial assets at fair value through profit of loss	TT\$	51,791,912	TT\$	41,173,283	TT\$	-	TT\$ 92,965,195

At December 31, 2016

	<u>Level 1</u>		<u>Level 2</u>		<u>Level 3</u>		<u>Total</u> <u>Balance</u>
<u>Financial assets at fair value</u> <u>through profit of loss</u>							
Common Stock	TT\$	20,411,351	TT\$	-	TT\$	-	TT\$ 20,411,351
Mutual Funds		15,745,925		-		-	15,745,925
Fixed Income		-		24,168,968		-	24,168,968
Total financial assets at fair value through profit of loss	TT\$	36,157,276	TT\$	24,168,968	TT\$	-	TT\$ 60,326,244

In relation to the above table, further details of the country and industry classifications are disclosed in Note 3.

Financial assets at fair value through profit and loss ("investments") whose values are based on quoted market prices in active markets, and therefore classified within Level 1, would include active listed equities and most exchange traded derivatives. The Fund does not adjust the quoted price for these investments.

Investments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs would be classified within Level 2. These include commercial paper, U.S. treasury bills, most investment-grade corporate bonds, investments in other funds where redemption is not restricted, certain non-U.S. sovereign obligations, thinly traded listed equities and some over-the-counter derivatives. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 financial instruments would include private equity, certain restricted investments in other funds, and certain corporate debt securities. As observable prices are not available for these investments, if any such investments were held, the Fund would use valuation techniques to derive the fair value.

The Fund does not hold any investments classified within Level 3 as of December 31, 2017 and 2016.

There were no transfers between Levels during the period ended December 31, 2017 and 2016.

SCOTIABANK TRINIDAD & TOBAGO GROWTH FUND INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

8. Fair Value Disclosure (continued)

For other assets and liabilities carried at amortized cost, their carrying values are a reasonable approximation of fair value, and are classified as level 2. Redeemable investment share values are based on the amount payable on demand and are classified as level 2.

At December 31, 2017 and 2016, there are no assets and liabilities subject to offsetting enforceable rights under a master netting arrangement.

9. Taxation

The Fund is liable to income tax in Saint Lucia on its taxable income at the rate of 1%. In addition, the Fund incurs withholding tax on interest income at a rate of 15% on their Trinidad & Tobago securities. Subscriptions and redemptions of shares are not subject to any duty or tax in Saint Lucia.

As at December 31, 2017, the company has measured tax liabilities with respect to foreign withholding taxes on dividend/interest income for \$213,660 (2016: \$85,759).

10. Subsequent Events

From January 1, 2018 to March 27, 2018 the Fund received subscriptions of \$8,498,087 and redemptions of \$2,948,585.

There are no other subsequent events.

Important information concerning the investment goals, risks, charges and expenses of investing in mutual funds is contained in the relevant prospectus*. Copies of the relevant prospectus are available from the financial institution where you purchased the fund. Investors should carefully consider these before investing. Share values and investment returns for the fund may fluctuate. Past performance is not indicative of future performance. Investments in mutual funds are not guaranteed or covered by your local deposit insurance corporation, other government deposit insurer or The Bank of Nova Scotia, or its subsidiaries/affiliates, their values change frequently, and you may not get back the original amount you invested.

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