

SCOTIABANK TRINIDAD & TOBAGO GROWTH FUND INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2018

SCOTIABANK TRINIDAD & TOBAGO GROWTH FUND INC.

INDEX TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

	<u>Page</u>
1) INDEPENDENT AUDITOR'S REPORT	1 - 3
2) STATEMENT OF FINANCIAL POSITION	4
3) STATEMENT OF COMPREHENSIVE INCOME	5
4) STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE INVESTMENT SHARES	6
5) STATEMENT OF CASH FLOWS	7
6) NOTES TO FINANCIAL STATEMENTS	8 - 25



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, 2018, 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, 2018;
- 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 judgement 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' in a cursive script.

March 25, 2019

SCOTIABANK TRINIDAD & TOBAGO GROWTH FUND INC.

STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2018

(Expressed in Trinidad and Tobago dollars)

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	TT\$ 2,855,145	TT\$ 16,703,927
Financial assets at fair value through profit or loss (Cost: TT\$115,156,913; 2017: TT\$87,929,004) (Notes 3, 7 and 8)	120,920,563	92,965,195
Receivable from Manager (Note 4)	597,036	68,349
Interest receivable	362,536	469,913
Subscriptions receivable	100,000	10,320,000
Dividend Receivable	62,080	62,927
	<hr/>	<hr/>
Total assets	124,897,360	120,590,311
LIABILITIES		
Redemptions payable	835,873	156,000
Accrued expenses	354,228	355,737
Management fees (Note 4)	208,409	181,024
Payable for investments purchased	-	2,552,135
Liabilities (excluding net assets attributable to holders of redeemable investment shares)	<hr/>	<hr/>
	1,398,510	3,244,896
Net assets attributable to holders of redeemable investment shares (Notes 6 and 7)		
	TT\$ <u>123,498,850</u>	TT\$ <u>117,345,415</u>
Net asset value per redeemable investment shares (Note 6)		
Class AT		
TT\$121,607,559/11,502,395 shares; (2017: TT\$117,332,084/11,165,158 shares)	TT\$ <u>10.57</u>	TT\$ <u>10.51</u>
Class NT		
TT\$6,538/625 shares; (2017: TT\$6,528/625 shares)	TT\$ <u>10.46</u>	TT\$ <u>10.44</u>
Class IT		
TT\$1,884,753/168,870 shares; (2017: TT\$6,803/625 shares)	TT\$ <u>11.16</u>	TT\$ <u>10.88</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 25, 2019

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, 2018

(Expressed in Trinidad and Tobago dollars)

	<u>2018</u>	<u>2017</u>
Income		
Dividend income	TT\$ 2,156,491	TT\$ 1,429,802
Interest income	1,732,957	1,425,225
Net realized loss on financial assets fair value through profit or loss and foreign currencies	(294,984)	(149,806)
Net change in unrealized appreciation on financial assets at fair value through profit or loss and foreign currencies	<u>721,988</u>	<u>3,157,622</u>
Total net income	<u>4,316,452</u>	<u>5,862,843</u>
Expenses		
Management fees (Note 4)	2,418,234	1,757,771
Custodian and administration fees	1,054,058	839,072
Other expenses	294,469	278,246
Professional fees	<u>233,371</u>	<u>191,924</u>
Total operating expenses	4,000,132	3,067,013
Less: expenses reimbursed (Note 4)	<u>(658,397)</u>	<u>(628,884)</u>
Net operating expenses	<u>3,341,735</u>	<u>2,438,129</u>
Operating profit	<u>974,717</u>	<u>3,424,714</u>
Withholding taxes	<u>(209,300)</u>	<u>(213,660)</u>
Increase in net assets from operations attributable to holders of redeemable investment shares	TT\$ <u><u>765,417</u></u>	TT\$ <u><u>3,211,054</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, 2018

(Expressed in Trinidad and Tobago dollars)

		<u>Share Capital</u>		<u>Increase in net assets from operations attributable to redeemable investment shareholders</u>		<u>Total net assets attributable to redeemable investment shareholders (at redemption value)</u>
Balance as at December 31, 2016	TT\$	67,689,730	TT\$	1,185,572	TT\$	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		<u>-</u>		<u>3,211,054</u>		<u>3,211,054</u>
Balance as at December 31, 2017	TT\$	112,948,789	TT\$	4,396,626	TT\$	117,345,415
Issue of redeemable investment shares		25,403,905		-		25,403,905
Redemption of redeemable investment shares		(20,015,887)		-		(20,015,887)
Increase in net assets from operations attributable to holders of redeemable investment shares		<u>-</u>		<u>765,417</u>		<u>765,417</u>
Balance as at December 31, 2018	TT\$	<u>118,336,807</u>	TT\$	<u>5,162,043</u>	TT\$	<u>123,498,850</u>

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

SCOTIABANK TRINIDAD & TOBAGO GROWTH FUND INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

(Expressed in Trinidad and Tobago dollars)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Dividend received (net of withholding taxes)	TT\$ 2,102,310	TT\$ 1,426,665
Interest received (net of withholding taxes)	1,604,411	1,082,199
Operating expenses paid	(3,974,255)	(3,099,735)
Reimbursements received from Manager	129,710	861,633
Purchase of financial assets at fair value through profit or loss	(95,281,962)	(49,968,117)
Proceeds from sales of financial assets at fair value through profit or loss	65,288,583	22,943,959
Net change in unrealized depreciation on foreign currencies	<u>(5,470)</u>	<u>(2,520)</u>
Net cash used in operating activities	<u>(30,136,673)</u>	<u>(26,755,916)</u>
Cash flows from financing activities		
Proceeds from subscriptions of redeemable participating shares	35,623,905	52,228,351
Payments for redemption of redeemable participating shares	<u>(19,336,014)</u>	<u>(17,046,492)</u>
Net cash provided by financing activities	<u>16,287,891</u>	<u>35,181,859</u>
Net change in cash and cash equivalents	(13,848,782)	8,425,943
Cash and cash equivalents at beginning of year	TT\$ <u>16,703,927</u>	TT\$ <u>8,277,984</u>
Cash and cash equivalents at end of year	TT\$ <u><u>2,855,145</u></u>	TT\$ <u><u>16,703,927</u></u>
Supplementary information on cash flows from operating activities		
Tax withheld	TT\$ <u><u>209,300</u></u>	TT\$ <u><u>213,660</u></u>

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

SCOTIABANK TRINIDAD & TOBAGO GROWTH FUND INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

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.

SCOTIABANK TRINIDAD & TOBAGO GROWTH FUND INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2018

2. Summary of Significant Accounting Policies (continued)

(a) Standards and amendments to existing standards effective January 1, 2018

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

Classification and measurement of debt assets is 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.

IFRS 9 has been applied retrospectively by the Fund and did not result in a change to the classification or measurement of financial instruments. The Fund's investment portfolio continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. There was no material impact on adoption from the application of the new impairment model.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2018 that have a material effect on the financial statements of the Fund.

(b) New standards, amendments and interpretations effective after 1 January 2018 and have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been early adopted 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 classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The contractual cash flows of the Fund's debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments are measured 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.

SCOTIABANK TRINIDAD & TOBAGO GROWTH FUND INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2018

2. Summary of Significant Accounting Policies (continued)

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.

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.

SCOTIABANK TRINIDAD & TOBAGO GROWTH FUND INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2018

2. Summary of Significant Accounting Policies (continued)

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.

Allocation of gains and losses: Other than the different fee rates discussed in Note 4, profits and losses of the Fund are allocated to each class of shares according to their proportionate interest in the Fund.

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.

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, 2018 an investment with a fair value of TT\$6,000,000 (2017: TT\$5,108,432) has been recorded as investments purchased under agreements to resell in the statement of assets and liabilities. Securities with a fair value of TT\$6,252,651 (2017: TT\$5,121,000) have been pledged as collateral for the Reverse Repurchase Agreement.

SCOTIABANK TRINIDAD & TOBAGO GROWTH FUND INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2018

3. Financial Assets at Fair Value through Profit or Loss

At December 31, 2018 and 2017, the financial assets comprised the following securities segregated by industry sector:

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Common Stock				
Banks	TT\$ 12,730,433	TT\$ 16,468,151	TT\$ 3,810,823	TT\$ 4,496,987
Consumer Staples	4,133,618	3,263,075	4,133,618	3,425,800
Financial services	8,840,087	8,930,784	-	-
Health Care	307,425	246,046	307,425	281,032
Holding Companies	17,769,019	15,563,178	11,771,597	10,430,423
Industrial	583,405	675,956	585,225	599,405
Information Technology	2,766,296	4,600,142	2,766,296	4,921,725
Insurance	-	-	3,486,429	3,097,117
Investment Companies	-	-	775,618	496,254
Oil, Gas & Consumable Fuels	5,938,737	7,470,610	3,294,440	4,365,133
Mutual Funds	21,885,551	23,136,018	16,474,361	19,678,036
Fixed Income				
Banks	5,000,000	5,033,505	-	-
Financial services	12,560,278	12,968,705	9,030,777	9,675,895
Government	6,033,243	6,016,373	12,254,410	12,309,839
Holding Companies	5,651,933	5,591,132	982,975	937,110
Real estate	-	-	2,154,531	2,149,960
Repurchase Agreements	6,000,000	6,000,000	5,108,432	5,108,432
Short-Term Investments	4,956,888	4,956,888	10,992,047	10,992,047
Total financial assets at fair value through profit or loss	TT\$ <u>115,156,913</u>	TT\$ <u>120,920,563</u>	TT\$ <u>87,929,004</u>	TT\$ <u>92,965,195</u>

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

	<u>2018</u>			<u>2017</u>		
<u>Financial Assets at fair value</u>	<u>TT\$</u>	<u>Fair Value</u>	<u>% of total portfolio</u>	<u>TT\$</u>	<u>Fair Value</u>	<u>% of total portfolio</u>
Bermuda		5,188,905	4.29%		3,097,117	3.33%
Cayman Islands		12,236,814	10.12%		13,618,626	14.65%
Jamaica		15,324,124	12.67%		4,304,999	4.63%
Trinidad And Tobago		79,704,658	65.92%		64,014,137	68.86%
United States		8,466,062	7.00%		7,930,316	8.53%
Total financial assets at fair value through profit or loss	TT\$ <u>120,920,563</u>	<u>100.00%</u>		TT\$ <u>92,965,195</u>	<u>100.00%</u>	

SCOTIABANK TRINIDAD & TOBAGO GROWTH FUND INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2018

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

As at December 31, 2018 the portfolio consists of 39 (2017: 31) positions, primarily located in Trinidad and Tobago. The three largest concentrations are in NCB Financial Group Ltd (10%), CLICO Investment Fund (7%) and Massy Holdings Limited (7%) (2017: Scotia US Growth Fund (10%), CLICO Investment Fund (8%) 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, 2018:

Country	Strategy	Currency	Number of Investee Funds	Investment Fair Value	% of Net Assets Attributable to Holders of Investment Shares
Cayman Islands	Equity	USD	1	7,974,296	6.46%
United States	Equity	USD	5	3,619,874	2.93%
Trinidad And Tobago	Fixed Income	TTD	3	11,541,848	9.35%
				23,136,018	18.74%

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	Fixed Income	TTD	2	7,922,576	6.75%
				19,678,036	16.76%

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, 2018

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, 2018 was TT\$5,411,190 and TT\$ NIL (2017: TT\$2,646,725 and TT\$ NIL), respectively. The Fund intends to continue opportunistic trading in other funds. As at December 31, 2018 and 2017, there were no capital commitment obligations and no amounts due to Investee Funds for unsettled purchases.

During the year ended December 31, 2018 total net realized gains/losses incurred on investments in Investee Funds were TT\$ NIL(2017: TT\$ NIL).

At December 31, 2018 and 2017, the Fund held investments in the following Investee Funds in the amounts illustrated below.

As at December 31, 2018

Fund Name	Share Class	Investment Fair Value	Investment Objectives
Clico Investment Fund		8,454,200	The Fund invests only in cash or government treasury bills.
Consumer Discretionary SPDR		402,894	The Consumer Discretionary Select Sector SPDR® Fund seeks to provide investment results that, before expenses, correspond generally to the price and yield performance of the Consumer Discretionary Select Sector Index (the "Index")
Dynamic American Fund*	Class I	1,454,406	The Fund invests primarily in equity securities of United States based businesses.
Energy Select Sector SPDR Fund		396,729	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	743,123	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.
Roytrin Mutual Income & Growth Fund		2,875,952	The Roytrin Income & Growth Fund is an open-ended mutual fund that specifically targets investors with medium to long-term investment objectives, who are seeking income and growth from a combination of fixed income and equity securities.
Scotiabank US Growth Fund*	Class IU	7,974,296	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	211,697	The Fund invests primarily in fixed income securities, issued or guaranteed by government or corporations in Trinidad and Tobago.
Vanguard Consumer Staples ETF		622,721	The fund invests in the stocks of companies that provide direct to consumer products, that based on consumer spending habits, are considered nondiscretionary.
Total		23,136,018	

SCOTIABANK TRINIDAD & TOBAGO GROWTH FUND INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2018

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

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 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	

*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. 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

SCOTIABANK TRINIDAD & TOBAGO GROWTH FUND INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2018

4. Management Agreement (continued)

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, 2018, the management fee was set at 2.00% (2017: 2.00%) for Class AT shares and 2.45% (2017: 2.45%) for Class NT shares, which amounted to TT\$2,418,234 (2017: TT\$1,757,771).

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, 2018, the Manager voluntarily applied a management expense ratio cap on management fees and operating expenses of 2.75% (2017: 2.75%) for Class AT shares 3.20 (2017: 3.20%) for Class NT shares, and 0.75% (2017: 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, 2018 was TT\$658,397 (2017: TT\$628,884). As of December 31, 2018 TT\$218,116 (2017: TT\$15,718) related to the management expense ratio cap and TT\$378,920 (2017: TT\$52,631) 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, 2018, the Sub-Manager held 100 (2017: 100) Governance Shares. All fees payable to the Sub-Manager are being borne by the Manager.

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% (2017: 5%) of the total amount paid by the subscriber for Class AT shares. No initial subscription charge is levied against Class NT and Class IT subscribers.

6. Share Capital

Authorized:

100 Governance Shares of no par value

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

SCOTIABANK TRINIDAD & TOBAGO GROWTH FUND INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2018

6. Share Capital (continued)

Issued:

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

	<u>2018</u>		<u>2017</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	2,243,800	23,555,909	6,003,795	62,460,851
Shares redeemed during the year	(1,906,563)	(20,015,887)	(1,246,257)	(12,940,912)
Class NT				
Shares issued during the year	-	-	-	-
Shares redeemed during the year	-	-	-	-
Class II				
Shares issued during the year	168,245	1,847,996	-	-
Shares redeemed during the year	-	-	(400,000)	(4,260,880)

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, 2018 and 2017.

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.

SCOTIABANK TRINIDAD & TOBAGO GROWTH FUND INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2018

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, 2018, 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\$5,721,794 (2017: TT\$3,211,388), 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\$5,721,794 (2017: TT\$3,211,388), ignoring the effects of any management fees.

The overall market exposures as at December 31, 2018 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, 2018 and 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 9 funds (2017:6) 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.

SCOTIABANK TRINIDAD & TOBAGO GROWTH FUND INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2018

7. Financial Risk Management (continued)

Price risk (continued):

As at December 31, 2018:

Strategy	Underlying risk exposures	Number of Funds	Reasonable possible change (%)	Impact on profit (+ or - \$)
Fixed Income	I, F, O	3	5%	577,092
Equity - US Value	F, O	6	10%	1,159,417

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

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\$20,655,518 (2017: 23,016,867) 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, 2018 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\$2,065,552 (2017: TT\$2,301,687) ignoring the effects of any management fees. Conversely, if the foreign currencies at December 31, 2018 had decreased by 10% relative to the TT\$ this would have decreased net assets attributable to holders of Redeemable Investment Shares by approximately TT\$2,065,552 (2017: TT\$2,301,687) ignoring the effects of any management fees.

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, 2018 and 2017, 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.

SCOTIABANK TRINIDAD & TOBAGO GROWTH FUND INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2018

7. Financial Risk Management (continued)

Interest rate risk (continued):

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, 2018

	Up to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
Assets					
Cash and cash equivalents	-	-	-	2,855,145	2,855,145
Financial assets at fair value through profit or loss	15,679,251	7,642,074	17,245,278	80,353,960	120,920,563
Other assets	-	-	-	1,121,652	1,121,652
Total assets	15,679,251	7,642,074	17,245,278	84,330,757	124,897,360
Liabilities					
Other liabilities	-	-	-	1,398,510	1,398,510
Redeemable investment shares	-	-	-	123,498,850	123,498,850
Total liabilities (including redeemable investment shares)	-	-	-	124,897,360	124,897,360
Interest sensitivity gap	15,679,251	7,642,074	17,245,278		

SCOTIABANK TRINIDAD & TOBAGO GROWTH FUND INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2018

7. Financial Risk Management (continued)

Interest rate risk (continued):

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
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		

At December 31, 2018, 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\$355,524 (2017: TT\$302,940) 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\$349,048 (2017: TT\$297,273) 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, 2018 had a credit rating from S&P of AA- (2017: 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, 2018

7. Financial Risk Management (continued)

Credit risk (continued):

At December 31, 2018 and 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	2018	2017
AA-	0.00%	1.17%
B	0.00%	2.15%
BB-	10.51%	11.15%
N/A (Not rated)*	89.49%	85.53%
Total	100.00%	100.00%

*Fixed income investments not rated have a total value of TT\$36,304,084 (2017: TT\$35,216,090). Of this, TT\$13,434,623 (2017: TT\$11,425,858) 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.

The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. At 31 December 2018 and 2017, receivable from Manager, interest receivable, subscriptions receivable, dividend receivable and cash and cash equivalents are held with counterparties with a credit rating of AA- or higher and are due to be settled within 1 week. Management consider the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

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.

SCOTIABANK TRINIDAD & TOBAGO GROWTH FUND INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2018

7. Financial Risk Management (continued)

Liquidity risk (continued):

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.

As of December 31, 2018, 19% (2017: 21%) 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 realized 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, 2018 and 2017, 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, 2018

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, 2018

	<u>Level 1</u>		<u>Level 2</u>		<u>Level 3</u>		<u>Total Balance</u>
<u>Financial assets at fair value</u>							
<u>through profit of loss</u>							
Common Stock	TT\$ 57,217,942		TT\$ -		TT\$ -		TT\$ 57,217,942
Mutual Funds	23,136,018		-		-		23,136,018
Fixed Income	-		40,566,603		-		40,566,603
<hr/>							
Total financial assets at fair value through profit of loss	TT\$ 80,353,960		TT\$ 40,566,603		TT\$ -		TT\$ 120,920,563

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</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
<hr/>							
Total financial assets at fair value through profit of loss	TT\$ 51,791,912		TT\$ 41,173,283		TT\$ -		TT\$ 92,965,195

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, 2018 and 2017.

There were no transfers between Levels during the period ended December 31, 2018 and 2017.

SCOTIABANK TRINIDAD & TOBAGO GROWTH FUND INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2018

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, 2018 and 2017, 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, 2018, the company has measured tax liabilities with respect to foreign withholding taxes on dividend/interest income for \$209,300 (2017: \$213,660).

10. Subsequent Events

From January 1, 2019 to March 25, 2019 the Fund received subscriptions of \$3,595,087 and redemptions of \$1,716,082.

There are no other subsequent events.