

Financial Statements of

ROYTRIN US DOLLAR INCOME FUND

December 31, 2017

(Expressed in United States dollars)

ROYTRIN US DOLLAR INCOME FUND

December 31, 2017

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**Statement of Trustee's Responsibilities
Roytrin US Dollar Income Fund**

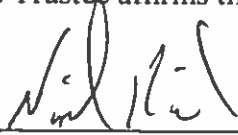
The Trustee is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of Roytrin US Dollar Income Fund, which comprise the statement of financial position as at December 31, 2017, the statements of profit or loss and other comprehensive income, changes in net assets attributable to unitholders and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the Fund keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Fund's assets, detection/prevention of fraud and the achievement of operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that complies with laws and regulations; to which the Fund is subject, but not limited to the Fund's governing documentation; and
- Using reasonable and prudent judgement in the determination of estimates.

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

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

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



Trustee

April 30, 2018



Trustee

April 30, 2018



**KPMG
Chartered Accountants**

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**Independent Auditors' Report
To the Trustee of Roytrin US Dollar Income Fund**

Opinion

We have audited the financial statements of Roytrin US Dollar Income Fund ("the Fund"), which comprise the statement of financial position as at December 31, 2017, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of 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 (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Trinidad and Tobago, and we have fulfilled our other ethical responsibilities in accordance with these requirements and with the IESBA Code.

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

Other Matter

The financial statement of the Fund for the year ended December 31, 2016, were audited by another firm of auditors whose report dated, May 12, 2017, expressed an unmodified opinion on those financial statements.



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

The Trustee is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and for such internal control as the Trustee 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, the Trustee 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 the Trustee either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustee.



Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

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

KPMG

Chartered Accountants

Port of Spain
Trinidad and Tobago
April 30, 2018

ROYTRIN US DOLLAR INCOME FUND

Statement of Financial Position

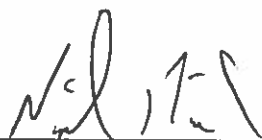
December 31, 2017

(Expressed in United States dollars)

	Notes	2017	2016
		\$	\$
ASSETS			
Investment securities	5	315,938,027	312,923,027
Interest income receivable		3,717,013	3,946,443
Other receivables		185,481	3,059,520
Cash and cash equivalents		<u>13,988,857</u>	<u>23,931,965</u>
Total assets		<u>333,829,378</u>	<u>343,860,955</u>
LIABILITIES			
Distributions payable		26,606	26,818
Management fees		166,905	57,337
Other payables		<u>26,750</u>	<u>404,402</u>
Total liabilities (excluding net assets attributable to unitholders)		<u>220,261</u>	<u>488,557</u>
Net Assets		<u>333,609,117</u>	<u>343,272,398</u>
Net assets attributable to unitholders		<u>333,609,117</u>	<u>343,372,398</u>
Number of participating units	6	<u>12,784,683</u>	<u>13,522,758</u>
Net asset value per unit		<u>26.094</u>	<u>25.392</u>

The notes on pages 9 to 38 are an integral part of these financial statements.

On April, 30, 2018 the Trustee of the Roytrin US Dollar Income Fund authorised these financial statements for issue.



Trustee



Trustee

ROYTRIN US DOLLAR INCOME FUND

Statement of Profit or Loss and Other Comprehensive Income

Year ended December 31, 2017

(Expressed in United States dollars)

	Notes	2017	2016
		\$	\$
Income			
Interest income		12,997,407	17,060,115
Net realised gain on disposal of investment securities		<u>2,138,678</u>	<u>-</u>
Total income		<u>15,136,085</u>	<u>17,060,115</u>
Expenses			
Management fees	7	(6,960,273)	(7,061,078)
Impairment loss on financial assets		-	(7,336,688)
Net realised loss on disposal of investment securities		-	(429,492)
Other administrative expenses		<u>(56,111)</u>	<u>(28,397)</u>
Total expenses		<u>(7,016,384)</u>	<u>(14,855,655)</u>
Net income for the year before distributions		8,119,701	2,204,460
Distributions to unitholders		<u>(6,678,357)</u>	<u>(7,950,546)</u>
Net income (loss) for the year		<u>1,441,344</u>	<u>(5,746,086)</u>
OTHER COMPREHENSIVE INCOME			
<i>Items that are or may be reclassified subsequently to profit and loss:</i>			
Net unrealised gains arising during the year on revaluation of investment securities		<u>8,061,087</u>	<u>21,988,506</u>
Other comprehensive income for the year		<u>8,061,087</u>	<u>21,988,506</u>
Total comprehensive income for the year		<u>9,502,431</u>	<u>16,242,420</u>

The notes on pages 9 to 38 are an integral part of these financial statements.

ROYTRIN US DOLLAR INCOME FUND

Statement of Changes in Net Assets Attributable to Unitholders

Year ended December 31, 2017

(Expressed in United States dollars)

	2017	2016
	\$	\$
Balance as at January 1	<u>343,372,398</u>	<u>360,526,378</u>
Net income (loss) for the year	1,441,344	(5,746,086)
Other comprehensive income for the year	<u>8,061,087</u>	<u>21,988,506</u>
Total comprehensive income for the year	<u>9,502,431</u>	<u>16,242,420</u>
Subscriptions	36,258,498	64,628,028
Redemptions	<u>(55,524,210)</u>	<u>(98,024,428)</u>
Balance as at December 31	<u>333,609,177</u>	<u>343,372,398</u>
	2016	2015
	\$	\$
Balance as at January 1	<u>360,526,378</u>	<u>419,613,616</u>
Net loss for the year	(5,746,086)	(908,030)
Other comprehensive income (loss) for the year	<u>21,988,506</u>	<u>(22,856,253)</u>
Total comprehensive income (loss) for the year	<u>16,242,420</u>	<u>(23,764,283)</u>
Subscriptions	64,628,028	64,071,664
Redemptions	<u>(98,024,428)</u>	<u>(99,394,619)</u>
Balance as at December 31	<u>343,372,398</u>	<u>360,526,378</u>

The notes on pages 9 to 38 are an integral part of these financial statements.

ROYTRIN US DOLLAR INCOME FUND

Statement of Cash Flows

Year ended December 31, 2017

(Expressed in United States dollars)

	2017	2016
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before distributions	8,119,701	2,204,460
Adjustment:		
Net realised (gain) loss on disposal of investment securities	<u>(2,138,678)</u>	429,492
Net income before working capital changes	5,981,023	2,633,952
Changes in:		
- Interest income and other receivables	3,103,469	(2,130,712)
- Other payables	(268,296)	(1,320,027)
Purchase of investments securities	(85,231,920)	(95,903,896)
Proceeds from disposal of investment securities	<u>92,416,685</u>	<u>145,543,944</u>
Net cash from operating activities	<u>16,000,961</u>	<u>48,823,261</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Subscriptions and interest re-invested	36,258,498	64,628,028
Redemptions	(55,524,210)	(98,024,428)
Distributions paid	<u>(6,678,357)</u>	<u>(7,950,546)</u>
Net cash used in financing activities	<u>(25,944,069)</u>	<u>(41,346,946)</u>
Net (decrease) increase in cash and cash equivalents	(9,943,108)	7,476,315
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>23,931,965</u>	<u>16,455,650</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>13,988,857</u>	<u>23,931,965</u>

The notes on pages 9 to 38 are an integral part of these financial statements.

ROYTRIN US DOLLAR INCOME FUND

Notes to the Financial Statements

December 31, 2017

(Expressed in United States dollars)

1. Description of the Fund

The following brief description of the Roytrin US Dollar Income Fund (the Fund) is provided for general information purposes only. Reference should be made to the Trust Deed and Rules of the Fund for more complete information.

General information

The Fund is an open-ended fund registered in Trinidad and Tobago and was established by RBC Royal Bank (Trinidad and Tobago) Limited, under a Trust Deed dated 1 May 2001. The principal activity of the Fund is to provide investors having similar investment objectives the opportunity to access professional investment management in achieving maximum income returns, minimization of risk and reasonable safety of capital. The Trustee of the Fund is RBC Trust (Trinidad and Tobago) Limited and the Investment Manager is RBC Investment Management (Caribbean) Limited.

Subscriptions

Subscriptions to the Fund are made by investors at a price per unit (subscription price) based on the net asset value per unit. Units may be subscribed at a minimum value of US\$100 and US\$25 thereafter.

Distributions

The net income and net realized capital gains of the Fund are calculated and accrued to the investor daily and distributed monthly. Investors have the option to either receive a cash distribution, or to reinvest income distributions into units at the prevailing subscription price per unit as at the date of distribution.

Redemptions

Units are redeemed without charge at a price per unit (bid price) based on the net asset value per unit at the date of receipt of the request for redemption. Units may be redeemed in cash up to a limit of US\$50,000 or one percent of the net asset value of the Fund, whichever is lower, during any ninety day period for any one investor.

Taxation

Distributions paid to resident unitholders are not subject to tax. For distributions paid to non-resident unitholders, tax on interest income is withheld at the rates applicable to the country in which the unitholders reside.

ROYTRIN US DOLLAR INCOME FUND

Notes to the Financial Statements

December 31, 2017

(Expressed in United States dollars)

2. Significant Accounting Policies

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

a. Basis of preparation and measurement

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

These financial statements are prepared under the historical cost convention as modified by the revaluation of available-for-sale investment securities.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Trustee to exercise their 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 4.

b. Foreign currency transactions

(i) Functional and presentation currency

The financial statements are presented in United States dollars which is the Fund's functional and presentational currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. IFRS allows net foreign exchange gains/losses to be netted with realised gains/losses shown separately.

c. Investment securities

The Fund classifies its investment securities as available-for-sale. Management determines the classification of its investment securities at initial recognition.

ROYTRIN US DOLLAR INCOME FUND

Notes to the Financial Statements

December 31, 2017

(Expressed in United States dollars)

2. Significant Accounting Policies (continued)

c. *Investment securities* (continued)

Available-for-sale investment securities

Available-for-sale investments are those investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

(i) *Measurement*

Available-for-sale investment securities are initially recognised at cost (which includes transaction costs) and are subsequently remeasured at fair value based on quoted market prices where available or discounted cash flow models. Unrealised gains and losses arising from changes in the fair value of investment securities classified as available-for-sale are recognised in other comprehensive income. When the securities are disposed of, the related accumulated fair value adjustments previously recognised in other comprehensive income are adjusted and recognised in profit or loss.

(ii) *Fair value estimation*

The fair values of quoted investments in active markets are based on current bid prices. For unlisted securities and those where the market is not active, the Fund establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, pricing models and other valuation techniques commonly used by market participants.

All purchases and sales of investment securities are recognized on the settlement date.

d. *Impairment of financial assets*

The Fund assesses at each reporting date whether there is objective evidence that an investment security is impaired. If there is objective evidence that an impairment loss has been incurred for an unquoted investment, the amount of the impairment loss is measured as the difference between the carrying amount of the investment and the present value of future cash flows discounted at the current market rate of return for a similar financial asset. The loss is recognised in profit or loss.

ROYTRIN US DOLLAR INCOME FUND

Notes to the Financial Statements

December 31, 2017

(Expressed in United States dollars)

2. Significant Accounting Policies (continued)

d. Impairment of financial assets (continued)

Objective evidence that an investment security is impaired includes observable data that comes to the attention of the Fund about the following loss events:

- (i) significant financial difficulty of the issuer or debtor;
- (ii) a breach of contract, such as default or delinquency in payments;
- (iii) it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization;
- (iv) the disappearance of an active market for that financial asset because of financial difficulties;
- (v) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of individual assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - adverse changes in the payment status of issuers or debtors in the group; or
 - national or local economic conditions that correlate with defaults on assets in the group.

e. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits with banks and short term investments with maturities less than three months.

f. Provisions

Provisions are recognized when the Fund has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

ROYTRIN US DOLLAR INCOME FUND

Notes to the Financial Statements

December 31, 2017

(Expressed in United States dollars)

2. Significant Accounting Policies (continued)

g. Net assets attributable to unitholders

Units are redeemable at the unitholder's option subject to certain restrictions as outlined in Note 1 and are classified as financial liabilities. The distribution on these units is recognised in profit and loss. The units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net asset value as determined under the Trust Deed.

h. Interest income

Interest income is recognised in profit or loss for all interest bearing instruments on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortised cost of an investment security and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the investment security.

Once an investment security has been written down as a result of an impairment loss, interest income is recognised thereafter using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

i. Expenses

Expenses are accounted for on the accrual basis.

j. Subscriptions and redemptions

Subscriptions and redemptions are recorded when the subscription and redemption is incurred.

ROYTRIN US DOLLAR INCOME FUND

Notes to the Financial Statements

December 31, 2017

(Expressed in United States dollars)

3. New and Revised International Financial Reporting Standards

New standards or amendments and forthcoming requirements

a. New and amended standards adopted by the Fund

The following standards have been adopted by the Fund for the first time for the financial year beginning on or after January 1, 2017:

- Amendments to IAS 7, *Statement of Cash Flows*, effective for accounting periods beginning on or after January 1, 2017, requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.

The adoption of these amendments did not result in any change to the presentation and disclosures in the financial statements.

b. New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2017, and earlier application is permitted; however, the Fund has not early adopted these new or amended standards in preparing these financial statements.

The new standards listed below are those that could potentially have an impact on the Fund's performance, financial position or disclosures in the period of initial application. The potential impact of each standard is discussed below.

IFRS 9 Financial Instruments

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted; the Fund is therefore required to adopt IFRS 9 from January 1, 2018. The standard replaces IAS 39 *Financial Instruments: Recognition and Measurement* and sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

ROYTRIN US DOLLAR INCOME FUND

Notes to the Financial Statements

December 31, 2017

(Expressed in United States dollars)

3. **New and Revised International Financial Reporting Standards** (continued)

New standards or amendments and forthcoming requirements (continued)

b. New standards and interpretations not yet adopted (continued)

IFRS 9 Financial Instruments (continued)

(i) IFRS 9 Implementation Strategy

The Fund's IFRS 9 implementation process is governed by members of Investment Management. This included members of Risk, Finance and the Director of Investment Management.

The Fund has completed its review of the impact assessment including the accounting analysis and has concluded that it has already met the classification and measurement.

(ii) Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

ROYTRIN US DOLLAR INCOME FUND

Notes to the Financial Statements

December 31, 2017

(Expressed in United States dollars)

3. **New and Revised International Financial Reporting Standards** (continued)

New standards or amendments and forthcoming requirements (continued)

b. New standards and interpretations not yet adopted (continued)

IFRS 9 Financial Instruments (continued)

(ii) *Classification – Financial assets* (continued)

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is classified into one of these categories on initial recognition. However, for financial assets held at initial application, the business model assessment is based on facts and circumstances at that date. Also, IFRS 9 permits new elective designations at FVTPL or FVOCI to be made on the date of initial application and permits or requires revocation of previous FVTPL elections at the date of initial application depending on the facts and circumstances at that date.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

ROYTRIN US DOLLAR INCOME FUND

Notes to the Financial Statements

December 31, 2017

(Expressed in United States dollars)

3. New and Revised International Financial Reporting Standards (continued)

New standards or amendments and forthcoming requirements (continued)

b. New standards and interpretations not yet adopted (continued)

IFRS 9 Financial Instruments (continued)

(ii) Classification – Financial assets (continued)

Preliminary impact assessment

Based on its preliminary high-level assessment of possible changes to the classification and measurement of financial assets held, the Fund's current expectation is that:

- debt securities that are classified as available for sale under IAS 39 may, under IFRS 9, be measured at amortised cost, FVOCI or FVTPL, depending on the particular circumstances;
- equity securities classified as available for sale under IAS 39 that are held for long-term strategic purposes would generally be designated as measured at FVOCI.

The Fund's assessment is however on-going and will include a detailed review of the contractual terms of all financial assets. At that stage, the final impact will be determined.

(iii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- lease receivables;
- financial guarantee contracts issued; and
- loan commitments issued

ROYTRIN US DOLLAR INCOME FUND

Notes to the Financial Statements

December 31, 2017

(Expressed in United States dollars)

3. New and Revised International Financial Reporting Standards (continued)

New standards or amendments and forthcoming requirements (continued)

b. New standards and interpretations not yet adopted (continued)

IFRS 9 Financial Instruments (continued)

(iii) Impairment of financial assets (continued)

No impairment loss will be recognised on equity investments.

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

- 12-month ECLs: these are ECLs that result from possible default events on a financial instrument within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

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

The assessment of whether credit risk on a financial asset has increased significantly will be one of the critical judgements in implementing the impairment model of IFRS 9. When assessing this, the Fund will consider reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis, based on the Fund's historical experience and expert credit assessment and including forward-looking information.

ROYTRIN US DOLLAR INCOME FUND

Notes to the Financial Statements

December 31, 2017

(Expressed in United States dollars)

3. New and Revised International Financial Reporting Standards (continued)

New standards or amendments and forthcoming requirements (continued)

b. New standards and interpretations not yet adopted (continued)

IFRS 9 Financial Instruments (continued)

(iii) Impairment of financial assets (continued)

Measurement of ECL

ECLs are a probability-weighted estimate of credit losses and will be measured as follows:

- *financial assets that are not credit-impaired at the reporting date*: the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Fund expects to receive);
- *financial assets that are credit-impaired at the reporting date*: the difference between the gross carrying amount and the present value of estimated future cash flows;
- *undrawn loan commitments*: the present value of the difference between the contractual cash flows that are due to the Fund if the commitment is drawn down and the cash flows that the Fund expects to receive; and
- *financial guarantee contracts*: the expected payments to reimburse the holder less any amounts that the Fund expects to recover.

Financial assets that are credit-impaired are defined by IFRS 9 in a similar way to financial assets that are impaired under IAS 39.

Preliminary impact assessment

The most significant impact on the Fund's financial statements from the implementation of IFRS 9 is expected to result from the new impairment requirements. The Fund is not yet able to provide quantitative information about the expected impact, since the Fund has no history of impairment.

ROYTRIN US DOLLAR INCOME FUND

Notes to the Financial Statements

December 31, 2017

(Expressed in United States dollars)

3. New and Revised International Financial Reporting Standards (continued)

New standards or amendments and forthcoming requirements (continued)

b. New standards and interpretations not yet adopted (continued)

IFRS 9 Financial Instruments (continued)

(iv) Classification – Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes will generally be presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

The Fund has not designated any financial liabilities as at FVTPL and it has no current intention to do so. The Fund's preliminary assessment did not indicate any material impact regarding the classification of financial liabilities under IFRS 9.

(v) Disclosures

IFRS 9 will require extensive new disclosures, in particular about credit risk and ECLs. The Fund's assessment included an analysis to identify data gaps against current processes and the Fund has completed implementation of the system and controls changes that it believes will be necessary to capture the required data.

(vi) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Fund will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will generally be recognised in retained earnings and reserves as at January 1, 2018.

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3. **New and Revised International Financial Reporting Standards** (continued)

New standards or amendments and forthcoming requirements (continued)

b. New standards and interpretations not yet adopted (continued)

IFRS 9 Financial Instruments (continued)

(vi) Transition (continued)

The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted; the Fund is therefore required to adopt IFRS 15 from January 1, 2018.

The standard establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 11, *Construction Contracts*, IAS 18, *Revenue* and IFRIC 13, *Customer Loyalty Programmes*.

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

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3. New and Revised International Financial Reporting Standards (continued)

New standards or amendments and forthcoming requirements (continued)

b. New standards and interpretations not yet adopted (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

Management has assessed that the main impact of this standard is in respect of investment income. The Fund earns investment income on the portfolio of investment securities. Based on preliminary review, IFRS 15 is not expected to have a material impact on the timing and recognition of investment income. However, the Fund has not yet completed its detailed assessment and the financial impact has not yet been determined.

There will be new qualitative and quantitative disclosure requirements to describe the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

IFRS 16 Leases

IFRS 16, *Leases*, which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Companies will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest and the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short-term leases and for low-value items with a value of US\$5,000 or less.

Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases. Finance lease accounting will be based on IAS 17 lease accounting, with recognition of net investment in lease comprising lease receivable and residual asset. Operating lease accounting will be based on IAS 17 operating lease accounting.

The Fund is assessing the impact that this standard will have on its 2019 financial statements.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Fund.

ROYTRIN US DOLLAR INCOME FUND

Notes to the Financial Statements

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4. Critical accounting estimates and judgments in applying accounting principles

a. Impairment losses on financial assets

The Fund reviews its investment portfolios to assess impairment at least on an annual basis. In determining whether an impairment loss should be recorded in profit or loss, the Fund makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from investment securities. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

b. Fair value of financial assets

The fair values of financial assets that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates.

5. Investment securities

	<u>2017</u>	<u>2016</u>
	\$	\$
Government debt securities	85,353,363	80,725,060
Corporate debt securities	218,525,530	232,197,967
Short term investments	<u>12,059,134</u>	<u>-</u>
Total investment securities	<u>315,938,027</u>	<u>312,923,027</u>

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6. Number of participating units

	<u>2017</u>	<u>2016</u>
	No.	No.
Units outstanding at beginning of year	13,522,758	14,888,582
Movement for the year	<u>(738,075)</u>	<u>(1,365,824)</u>
Units outstanding at end of year	<u>12,784,683</u>	<u>13,522,758</u>

7. Management fees

Management fees are paid to the trustee at a rate of up to 2% of the average net assets of the Fund calculated on a daily basis.

8. Distributions

	<u>2017</u>	<u>2016</u>
	%	%
Actual rate of return without the reinvestment option (See Note 1 – Distributions)	<u>4.48</u>	<u>7.36</u>
Actual rate of return with the reinvestment option (See Note 1 – Distributions)	<u>4.51</u>	<u>7.40</u>

ROYTRIN US DOLLAR INCOME FUND

Notes to the Financial Statements

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(Expressed in United States dollars)

9. Related Party Transactions

A party is related to the Fund if:

- (a) The party is a subsidiary or an associate of the Fund;
- (b) The party is, directly or indirectly, either under common control or subject to significant influence with the Fund, or has significant influence over or joint control of the Fund.
- (c) The party is a close family member of a person who is part of key management personnel or who controls the Fund;
- (d) The party is controlled or significantly influenced by a member of key management personnel or by a person who controls the Fund;
- (e) The party is a joint venture in which the Fund is a venture partner;
- (f) The party is a member of the Fund's or its parent's key management personnel;
- (g) The party is a post-employment benefit plan for Fund's employees.
- (h) The party, or any member of a group of which it is a part, provides key management personnel services to the Fund.

The related party transactions and balances are as follows:

	<u>2017</u>	<u>2016</u>
	\$	\$
Cash and cash equivalents	13,988,857	23,931,965
Net assets attributable to unitholders	25,480,345	9,376,623
Management fees	6,960,273	7,061,078
Distributions to unitholders	435,330	515,375

In the normal course of business, the Fund maintains account relationships with various affiliated parties in accordance with established commercial practice.

ROYTRIN US DOLLAR INCOME FUND

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(Expressed in United States dollars)

10. Financial risk management

a. Risk management

The Fund's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risk. Taking risk is core to the financial business and operational risks are an inevitable consequence of being in business. The Trustee's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects in the Fund's financial performance by focusing on the unpredictability of financial markets.

The Trustee's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls and to monitor the risks and adherence to limits by means of reliable and up to date information systems. The most important types of risks to the Fund are liquidity risk, market risk, and credit risk. Market risks include currency risk, interest rate risk and other price risk.

While the Trustee is ultimately responsible for identifying and controlling risks, there are separate independent bodies responsible for managing and monitoring risks as follows:

Board of directors

The Board of Directors of the trustee has overall responsibility and oversight for corporate governance and specifically, approval of the investment policy and limits of authority. The Board of Directors has delegated authority to the Investment Committee and the Sub-Investment Committee as appropriate.

Investment policy committee

The Investment Policy Committee is the body responsible for approving all Statements of Investment Policy (SIP) and reviewing compliance with same. The Investment Policy Committee meets on a quarterly basis to review and ratify any changes to the SIP.

Investment strategy committee

The Investment Strategy Committee is engaged in providing guidance to the Investment Manager relative to economic and capital markets. In this regard, input would include economic data, foreign currency perspectives, local, regional and international equity and fixed income information. From this body of information, the Committee shall distill its views with respect to an assessment of global fiscal and monetary conditions, projected economic growth, inflation, direction of interest rates, major currencies and stock prices.

ROYTRIN US DOLLAR INCOME FUND

Notes to the Financial Statements

December 31, 2017

(Expressed in United States dollars)

10. Financial risk management (continued)

a. Risk management (continued)

Excessive risk concentration

In order to avoid an excessive concentration of risk, the Fund's investment policy and risk management procedures include specific guideline to ensure the maintenance of a diversified portfolio.

The Investment Manager is mandated within prescribed limits to manage excessive concentration risk when they arise.

b. Classification of financial instruments

	<u>2017</u>	<u>2016</u>
	\$	\$
Financial assets available for sale		
Investment securities	315,938,027	312,923,027
Loans and receivables – armotised cost		
Interest income receivable	3,717,013	3,946,443
Other receivables	185,481	3,059,520
Cash and cash equivalents	<u>13,988,857</u>	<u>23,931,965</u>
Total financial assets	<u>333,829,378</u>	<u>343,860,955</u>
Financial liabilities at armotised cost		
Distributions payable	26,606	26,818
Management fees payable	166,905	57,337
Other payables	26,750	404,402
Net assets attributable to unitholders	<u>333,609,117</u>	<u>343,372,398</u>
Total financial liabilities	<u>333,829,378</u>	<u>343,860,955</u>

c. Liquidity risk

The Fund is exposed to daily cash redemptions of units. At least 5% of the investment portfolio is usually held in short-term instruments that can be quickly converted to cash. The Fund also has the ability to borrow in the short term to ensure settlement. The Trust Deed also permits the Fund to settle in specie in proportion to the underlying assets, if the redemptions of a unit holder are in excess of 1% of the Fund.

In accordance with the Fund's policy, the Investment Manager monitors the Fund's liquidity position on a daily basis with Investment Policy Committee the performing a quarterly review.

ROYTRIN US DOLLAR INCOME FUND

Notes to the Financial Statements

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(Expressed in United States dollars)

10. Financial risk management (continued)

c. Liquidity risk (continued)

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	2017				
	Carrying amount	Contractual cash flow			
		Total	Up to 1 year	1 – 5 years	Over 5 years
\$	\$	\$	\$	\$	
Financial liabilities					
Net assets attributable to unitholders	333,609,117	348,654,888	348,654,888	-	-
Distributions payable	26,606	26,606	26,606	-	-
Management fees payable	166,905	166,905	166,905	-	-
Other payables	26,750	26,750	26,750	-	-
Total financial liabilities	333,829,378	348,875,149	348,875,149	-	-
	2016				
	Carrying amount	Contractual cash flow			
		Total	Up to 1 year	1 – 5 years	Over 5 years
\$	\$	\$	\$	\$	
Financial liabilities					
Net assets attributable to unitholders	343,372,398	368,781,955	368,781,955	-	-
Distributions payable	26,818	26,818	26,818	-	-
Management fees payable	57,337	57,337	57,337	-	-
Other payables	404,402	404,402	404,402	-	-
Total financial liabilities	343,860,955	369,270,512	369,270,512	-	-

ROYTRIN US DOLLAR INCOME FUND

Notes to the Financial Statements

December 31, 2017

(Expressed in United States dollars)

10. Financial risk management (continued)

d. Market price risk

The Fund is exposed to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate products, which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates and credit spreads. All investment securities present a risk of loss of capital. The Investment Manager moderates this risk through a careful selection of securities and other financial instruments within specified limits. The Fund's overall market positions are reviewed on a quarterly basis by the Investment Policy Committee and Board of Directors.

e. Interest rate risk

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Fund takes on exposure to the effects of fluctuations in prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Investment Policy Committee sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored on a quarterly basis by the Investment Policy Committee and Board of Directors.

The table below summarizes the Fund's exposure to interest rate risks. It includes the Fund's financial instruments at carrying amounts, categorized by the earlier of contractual repricing or maturity dates.

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(Expressed in United States dollars)

10. Financial risk management (continued)

e. Interest rate risk (continued)

	2017				Total
	Up to 1 year	1 – 5 years	Over 5 years	Non- interest bearing	
	\$	\$	\$	\$	
Financial assets					
Investment securities	12,409,554	106,613,334	196,915,139	-	315,938,027
Interest income receivable	-	-	-	3,717,013	3,717,013
Other receivables	-	-	-	185,481	185,481
Cash and cash equivalents	13,988,857	-	-	-	13,988,857
Total financial assets	<u>26,398,411</u>	<u>106,613,334</u>	<u>196,915,139</u>	<u>3,902,494</u>	<u>333,829,378</u>
Financial liabilities					
Net assets attributable to unitholders	333,609,117	-	-	-	333,609,117
Distributions payable	-	-	-	26,606	26,606
Management fees payables	-	-	-	166,905	166,905
Other payables	-	-	-	26,750	26,750
Total financial liabilities	<u>333,609,117</u>	<u>-</u>	<u>-</u>	<u>220,261</u>	<u>333,829,378</u>
Total interest repricing gap	<u>(307,210,706)</u>	<u>106,613,334</u>	<u>196,915,139</u>	<u>3,682,233</u>	<u>-</u>

ROYTRIN US DOLLAR INCOME FUND

Notes to the Financial Statements

December 31, 2017

(Expressed in United States dollars)

10. Financial risk management (continued)

e. Interest rate risk (continued)

	2016				Total
	Up to 1 year	1 – 5 years	Over 5 years	Non- interest bearing	
	\$	\$	\$	\$	
Financial assets					
Available-for-sale					
Investment securities	872,478	92,315,951	219,734,598	-	312,923,027
Interest income receivable	-	-	-	3,946,443	3,946,443
Other receivables	-	-	-	3,059,520	3,059,520
Cash and cash equivalents	23,931,965	-	-	-	23,931,965
Total financial assets	24,804,443	92,315,951	219,734,598	7,005,963	343,860,955
Financial liabilities					
Net assets attributable to unitholders	343,372,398	-	-	-	343,372,398
Distributions payable	-	-	-	26,818	26,818
Management fees payables	-	-	-	57,337	57,337
Other payables	-	-	-	404,402	404,402
Total financial liabilities	343,372,398	-	-	488,557	343,860,955
Total interest repricing gap	(318,567,955)	92,315,951	219,734,598	6,517,406	-

ROYTRIN US DOLLAR INCOME FUND

Notes to the Financial Statements

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(Expressed in United States dollars)

10. Financial risk management (continued)

e. *Interest rate risk* (continued)

Sensitivity of possible movements in interest rates

Stress testing is used as a market risk measurement technique which provides an indication of the potential size of losses that could arise in extreme conditions. The stress test conducted by the Fund includes risk factor testing, where stress movements are applied to each risk category. An analysis was conducted to demonstrate the sensitivity to reasonable possible movements in interest rates in respect of the Fund's fixed income portfolio.

As at December 31, 2017, had the interest rates increased or decreased by 100 basis points with all other variables held constant, the increase or decrease in net assets would amount to \$18,070,313 (2016: \$17,457,654), arising substantially from the increase/decrease in market values of debt securities.

f. *Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Substantially all of the Fund's financial assets and liabilities are denominated in US\$, hence the Fund is not exposed to any material currency risk.

g. *Credit risk*

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. Credit exposures arise principally in investment activities that bring debt securities and other bills into the Fund's asset portfolio. Credit risk is mitigated to some extent by limiting the Fund's total exposure to a single credit. The Fund also reduces this risk by prudent credit analysis of issuers to restrict questionable credits in the Fund. The Fund also manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The trustee has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating and are validated, where appropriate, by comparisons with externally available data. The rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. Risk ratings are subject to regular revision. The credit quality review process allows the trustee to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

ROYTRIN US DOLLAR INCOME FUND

Notes to the Financial Statements

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(Expressed in United States dollars)

10. Financial risk management (continued)

g. Credit risk (continued)

(i) Internal ratings scale and mapping of external ratings

<u>Internal rating</u>	<u>Description of the grade</u>	<u>External rating: Standard & Poor's equivalent</u>
1	Excellent	AAA, AA, A
2	Very good	BBB
3	Good	BB
4	Special mention	B, CCC
5	Unacceptable	CC, C

The ratings of the major rating agency shown in the table above are mapped to our rating classes based on the long-term average default rates of each external grade. The Fund uses the external ratings where available to benchmark our internal credit risk assessment. Observed defaults per rating category vary year on year, especially over an economic cycle. Where a credit is not assigned a risk rating under the internal risk rating system and cannot be benchmarked against an international rating, these have been classified as unrated. These would include equities, local corporate bonds and funds held in a managed pool by a foreign investment broker.

(ii) Impairment and provisioning policies

Impairment charges are recognized for financial reporting purposes only for losses that have been incurred at the reporting date based on objective evidence of impairment (see Note 4(a)).

The Fund's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at the reporting date on a case-by-case basis, and are applied to all individually significant accounts.

There were no impaired assets as at December 31, 2017 (2016: \$7,336,688).

ROYTRIN US DOLLAR INCOME FUND

Notes to the Financial Statements

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10. Financial risk management (continued)

g. Credit risk (continued)

(iii) Investment securities and interest income receivable neither past due nor impaired

The credit quality of the investment securities and interest income receivable that are neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Fund.

	2017			
	Government debt securities	Corporate debt securities	Short term investments	Total
	\$	\$	\$	\$
1. Excellent (AAA, AA, A)	10,000,102	61,234,328	10,887,112	82,121,542
2. Very good (BBB)	51,537,790	95,833,746	-	147,371,536
3. Good (BB)	22,314,940	58,375,600	1,001,556	81,692,096
4. Special mention (B, CCC)	2,807,358	5,490,486	-	8,297,844
5. Unacceptable (CC, C)	-	-	-	-
6. Unrated	-	-	172,022	172,022
Total	86,660,190	220,934,160	12,060,690	319,655,040

	2016			
	Government debt securities	Corporate debt securities	Short term investments	Total
	\$	\$	\$	\$
1. Excellent (AAA, AA, A)	9,917,906	57,854,943	-	67,772,849
2. Very good (BBB)	44,222,793	92,224,934	-	136,447,727
3. Good (BB)	24,650,114	70,460,269	510,195	95,620,578
4. Special mention (B, CCC)	3,103,641	13,716,585	-	16,820,226
5. Unacceptable (CC, C)	-	-	-	-
6. Unrated	-	-	208,090	208,090
Total	81,894,454	234,256,731	718,285	316,869,470

ROYTRIN US DOLLAR INCOME FUND

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10. Financial risk management (continued)

g. Credit risk (continued)

iv. Maximum exposure to credit risk

The table below represents a worst case scenario of the credit risk exposure of the Fund at December 31, 2017 and 2016.

	<u>Maximum exposure</u>	
	<u>2017</u>	<u>2016</u>
	\$	\$
Investment securities		
- Government debt securities	85,353,363	80,725,060
- Corporate debt securities	218,525,530	231,689,543
- Short term investments	12,059,134	508,424
Interest income receivable		
- Government debt securities	1,306,827	1,169,394
- Corporate debt securities	2,408,630	2,775,279
- Short term investments	1,556	1,770
Other receivables	185,481	3,059,520
Cash and cash equivalents	<u>13,988,857</u>	<u>23,931,965</u>
As at December 31	<u>333,829,378</u>	<u>343,860,955</u>

v. Investment securities and interest income receivable are summarized as follows:

	<u>2017</u>		<u>2016</u>	
	<u>Investment securities</u>	<u>Interest income receivable</u>	<u>Investment securities</u>	<u>Interest income receivable</u>
	\$	\$	\$	\$
Neither past due nor impaired	<u>315,938,027</u>	<u>3,717,013</u>	<u>312,923,027</u>	<u>3,946,443</u>
Allowance for impairment	NIL	-	NIL	-

ROYTRIN US DOLLAR INCOME FUND

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11. Fair value of financial instruments

a. Valuation Models

The Fund's financial assets are measured at fair value at the end of each reporting period. The Fund measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from quoted prices).
- Level 3 fair value measurements are those from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

b. Fair value of financial assets and financial liabilities that are not measured at fair value

Management considers that the carrying amounts of the following financial assets and financial liabilities recognised in these financial statements approximate to their fair values due to the short maturities on these instruments.

	2017		2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Financial assets				
Interest income receivable	3,717,013	3,717,013	3,946,443	3,946,443
Other receivables	185,481	185,481	3,059,520	3,059,520
Cash and cash equivalents	13,988,857	13,988,857	23,931,965	23,931,965
	17,891,351	17,891,351	30,937,928	30,937,928
Financial liabilities				
Distributions payable	26,606	26,606	26,818	26,818
Management fees payable	166,905	166,905	57,337	57,337
Other payables	26,750	26,750	404,402	404,402
	220,261	220,261	488,557	488,557

ROYTRIN US DOLLAR INCOME FUND

Notes to the Financial Statements

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11. Fair value of financial instruments (continued)

c. Fair value of financial assets that are measured at fair value on a recurring basis.

The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	2017 \$	2016 \$		
1) Investment securities – foreign corporate / government securities, and mutual fund investments.	298,146,707	307,418,636	Level 1	Quoted market prices
2) Investment securities – corporate / government securities and short term investments.	17,791,320	5,504,390	Level 2	These are valued using an internally generated discounted cash flow model. The model considers key inputs from observable yield curves at the end of the reporting period.

ROYTRIN US DOLLAR INCOME FUND

Notes to the Financial Statements

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(Expressed in United States dollars)

11. Fair value of financial instruments (continued)

c. Fair value of financial assets that are measured at fair value on a recurring basis (continued)

The table below presents the Fund's financial instruments that are classified as available-for-sale in their respective categories:

	2017			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets – available-for-sale				
Investment securities	298,146,707	17,791,320	-	315,938,027

	2016			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets - available-for-sale				
Investment securities	307,418,636	5,504,390	-	312,923,026

12. Events after the Reporting Date

There has been no significant event after the reporting date, which in the opinion of the Board of Directors requires recognition or disclosure in these financial statements.