

**ROYAL FIDELITY BAHAMAS OPPORTUNITIES  
FUND LIMITED - UMBRELLA FUND**

**Financial Statements  
30 June 2021**

## **ROYAL FIDELITY BAHAMAS OPPORTUNITIES FUND LIMITED**

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## Independent auditor's report

To the Shareholders of Royal Fidelity Bahamas Opportunities Fund Limited, Targeted Equity Trading Company Limited and Prime Income Trading Company Limited

### Report on the audit of the financial statements

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#### Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Targeted Equity Trading Company Limited and Prime Income Trading Company Limited (each the "Company"), and Targeted Equity Sub Fund, Secure Balanced Sub Fund and Prime Income Sub Fund (each the "Fund") (each a sub fund of Royal Fidelity Bahamas Opportunities Fund Limited) as at 30 June 2021, and each of their financial performance and each of their cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### ***What we have audited***

The Company's and the Fund's financial statements comprise:

- the statement of financial position as at 30 June 2021;
- the statement of comprehensive income for the year then ended;
- the statement of changes in net assets attributable to holders of redeemable participating 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 the summary of significant accounting policies and other explanatory information.

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#### 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 Company and the Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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## Our audit approach

### Overview

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- Overall materiality: Approximately 1% of net assets attributable to holders of redeemable participating shares of the Company and the Fund.
    - Targeted Equity Trading Company Limited - \$689,400
    - Prime Income Trading Company Limited - \$3,036,500
    - Targeted Equity Sub Fund - \$256,100
    - Secure Balanced Sub Fund - \$869,700
    - Prime Income Sub Fund - \$2,597,400
  - In addition to determining materiality, we also assessed, amongst other factors, the following in designing our audit:
    - the risk of material misstatement in the financial statements
    - significant accounting estimates
    - the risk of management override of internal controls
  - Valuation of financial assets at fair value through profit or loss
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### **Audit scope**

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company and the Fund, the accounting processes and controls, and the industry in which the Company and the Fund operates.

The Company's and the Fund's accounting is delegated to an administrator who maintains their own accounting records and controls and reports to management.

As part of our risk assessment, we assessed the control environment and applied professional judgment to determine the extent of testing required over each in-scope balance in the financial statements including relevant controls on which we intended to take reliance and the level of substantive testing.

### **Materiality**

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.



Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

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<b>Overall materiality</b>	Targeted Equity Trading Company Limited - \$689,400 Prime Income Trading Company Limited - \$3,036,500 Targeted Equity Sub Fund - \$256,100 Secure Balanced Sub Fund - \$869,700 Prime Income Sub Fund - \$2,597,400
<b>How we determined it</b>	Approximately 1% of net assets attributable to holders of redeemable participating shares of the Company and the Fund.
<b>Rationale for the materiality benchmark applied</b>	We have applied this benchmark, a generally accepted auditing practice for investment fund audits, as net assets represent the key performance indicator by which the Company and the Fund is evaluated. It encompasses the income earned and capital appreciation of the Company and the Fund as well as the value by which the subscriptions and redemptions are processed. We chose approximately 1% which is within a range of acceptable benchmark thresholds.

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We agreed with those charged with governance that we would report to them misstatements identified during our audit above \$68,900 for the Targeted Equity Trading Company Limited, \$303,700 for the Prime Income Trading Company Limited, \$25,600 for the Targeted Equity Sub Fund, \$87,000 for the Secure Balanced Sub Fund and \$259,700 for Prime Income Sub Fund, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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**Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



## Key audit matter

## How our audit addressed the key audit matter

### *Valuation of financial assets at fair value through profit or loss - Fund*

*Refer to notes 2(e), 3 and 9 to the financial statements for disclosures of related accounting policies and balances.*

The Fund's investment portfolio as at 30 June 2021 is comprised of Level 2 financial assets at fair value through profit or loss which represents their investments in the Targeted Equity Trading Company Limited and the Prime Income Trading Company Limited (the Trading Companies).

The amounts presented on the statements of financial position as fair value through profit or loss are as follows:

- Targeted Equity Sub Fund - \$26,031,045
- Secure Balanced Sub Fund - \$87,784,931
- Prime Income Sub Fund - \$257,750,308

We focused on the valuation of the Fund's investments in the Trading Companies due to the estimation uncertainty inherent in certain investment valuations and the balance represents the principal element of the net asset value as disclosed in the statement of financial position.

Our approach to addressing the matter involved the following procedures, amongst others:

- Tested the operating effectiveness of the net asset value (NAV) control through inspection of source documents supporting the balances and performance of the NAV calculation.
- Tested, on a sample basis, subscriptions and redemptions to validate that transactions are appropriately authorised and settled at the calculated net asset value per share.
- We tested the valuation of the underlying securities held by Trading Companies by performing the procedures over the underlying investment securities. See key audit matter below.

No material misstatements were identified as a result of the procedures we performed.



## Key audit matter

## How our audit addressed the key audit matter

### *Valuation of financial assets at fair value through profit or loss - Company*

*Refer to notes 2(e), 3 and 9 to the financial statements for disclosures of related accounting policies and balances.*

The Company's investment portfolio as at 30 June 2021 is comprised of financial assets at fair value through profit or loss which represents their investments in corporate debt securities, government debt securities, equity securities – preference and ordinary, preference shares, and investment funds.

The amounts presented on the statement of financial position as fair value through profit or loss are as follows:

- Targeted Equity Trading Company Limited - \$69,475,954
- Prime Income Trading Company Limited - \$235,784,574

We focused on the valuation of the Company's investment portfolio due to the estimation uncertainty inherent in certain investment valuations and the balance represents the principal element of the net asset value as disclosed in the statement of financial position.

Our approach to addressing the matter involved the following procedures, amongst others:

- For exchange traded equities and debt securities, compared the prices used by the Company to prices reported by the applicable exchange as of year-end and evaluated trading volumes throughout the year.
- For non-exchange traded equity and debt securities, we verified that no active market existed at year-end and obtained supporting documentation, including recent similar arm's-length market transactions and quoted prices of similar securities and compared to management's price.
- Performed adverse data checks to evaluate any material decline in the market value of equity and debt securities.
- For investments in private equity securities, we assessed the reasonableness of management's assumptions and conclusion on the valuation of unquoted shares. We tested the data inputs of the valuation model to the private equity securities' most recent financial statements. With the assistance of our valuation expert, we performed an independent valuation assessment analysing the sensitivities of valuation results to key inputs and assumptions and compared our results to management's valuation.

No material misstatements were identified as a result of our audit procedures performed.



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## Responsibilities of management and those charged with governance 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 Company's and 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 Company and the Fund or to cease operations, or has no realistic alternative but to do so.

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

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## Auditor's responsibilities for the audit of the financial statements

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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The engagement partner on the audit resulting in this independent auditor's report is Carlton A. Cartwright Jr.

*PricewaterhouseCoopers*  
Chartered Accountants  
Nassau, Bahamas

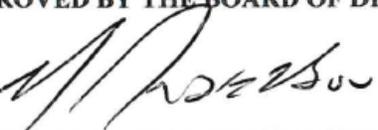
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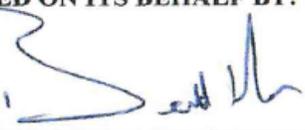
**Royal Fidelity Bahamas Opportunities Fund Limited**  
(Incorporated under the laws of the Commonwealth of The Bahamas)

Statement of Financial Position  
As at 30 June 2021  
(Expressed in Bahamian dollars)

	<b>2021</b>				
	<b>Targeted Equity Trading Company Limited \$</b>	<b>Prime Income Trading Company Limited \$</b>	<b>Targeted Equity Sub Fund \$</b>	<b>Secure Balanced Sub Fund \$</b>	<b>Prime Income Sub Fund \$</b>
<b>ASSETS</b>					
Cash at bank [Note 6(d)]	-	63,266,961	-	-	472,384
Financial assets at fair value through profit or loss [Note 3]	69,475,954	235,784,574	26,031,045	87,784,931	257,750,308
Loans and receivables [Note 4]	-	4,603,064	-	-	-
Other assets [Note 3]	29,204	-	170	1,370,856	1,593,611
<b>Total assets</b>	<b>69,505,158</b>	<b>303,654,599</b>	<b>26,031,215</b>	<b>89,155,787</b>	<b>259,816,303</b>
<b>LIABILITIES</b>					
Margin credit facility [Note 6(d)]	50,880	-	162,321	1,726,019	1,299,681
Subscriptions received in advance	-	1,542,593	150,785	933,306	5,882,391
Management fee payable	-	-	39,600	86,612	210,380
Custody fee payable	-	-	1,250	-	1,400
Accrued expenses and other liabilities	-	-	22,262	49,657	101,087
<b>Total liabilities (excluding net assets attributable to holders of redeemable participating shares)</b>	<b>50,880</b>	<b>1,542,593</b>	<b>376,218</b>	<b>2,795,594</b>	<b>7,494,939</b>
<b>Net assets attributable to holders of redeemable participating shares [Note 5]</b>	<b>69,454,278</b>	<b>302,112,006</b>	<b>25,654,997</b>	<b>86,360,193</b>	<b>252,321,364</b>

APPROVED BY THE BOARD OF DIRECTORS AND SIGNED ON ITS BEHALF BY:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

11 April 2022

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

**Royal Fidelity Bahamas Opportunities Fund Limited**  
(Incorporated under the laws of the Commonwealth of The Bahamas)

Statement of Financial Position (Continued)  
As at 30 June 2021  
(Expressed in Bahamian dollars)

	<b>2020</b>				
	<b>Targeted Equity Trading Company Limited \$</b>	<b>Prime Income Trading Company Limited \$</b>	<b>Targeted Equity Sub Fund \$</b>	<b>Secure Balanced Sub Fund \$</b>	<b>Prime Income Sub Fund \$</b>
<b>ASSETS</b>					
Cash at bank [Note 6(d)]	33,919	18,209,995	-	-	4,095,504
Financial assets at fair value through profit or loss [Note 3]	62,973,344	232,656,615	23,479,788	81,170,480	214,118,714
Loans and receivables [Note 4]	-	4,890,107	-	-	-
Other assets [Note 3]	15,069	-	170	-	-
<b>Total assets</b>	<b>63,022,332</b>	<b>255,756,717</b>	<b>23,479,958</b>	<b>81,170,480</b>	<b>218,214,218</b>
<b>LIABILITIES</b>					
Margin credit facility [Note 6(d)]	-	-	6,773	226,526	5,787
Subscriptions received in advance	-	-	62,531	89,807	5,169,577
Management fee payable	-	-	40,867	81,327	187,155
Custody fee payable	-	-	2,800	-	1,400
Dividends payable	-	-	-	-	-
Accrued expenses and other liabilities	-	-	34,472	31,284	33,165
<b>Total liabilities (excluding net assets attributable to holders of redeemable participating shares)</b>	<b>-</b>	<b>-</b>	<b>147,443</b>	<b>428,944</b>	<b>5,397,084</b>
<b>Net assets attributable to holders of redeemable participating shares [Note 5]</b>	<b>63,022,332</b>	<b>255,756,717</b>	<b>23,332,515</b>	<b>80,741,536</b>	<b>212,817,134</b>

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

## Royal Fidelity Bahamas Opportunities Fund Limited

### Statement of Comprehensive Income For the Year Ended 30 June 2021 (Expressed in Bahamian dollars)

	<b>2021</b>				
	<b>Targeted Equity Trading Company Limited \$</b>	<b>Prime Income Trading Company Limited \$</b>	<b>Targeted Equity Sub Fund \$</b>	<b>Secure Balance Sub Fund \$</b>	<b>Prime Income Sub Fund \$</b>
<b>INVESTMENT INCOME</b>					
Interest	-	12,705,949	-	-	-
Net change in unrealised appreciation of financial assets at fair value through profit or loss	5,063,363	282,012	2,319,416	6,110,645	9,838,824
Net realised gain on financial assets at fair value through profit or loss	193,894	(1,121)	120,451	91,850	1,691,169
Dividend	1,306,729	654,830	-	-	-
<b>Total investment income</b>	<b>6,563,986</b>	<b>13,641,670</b>	<b>2,439,867</b>	<b>6,202,495</b>	<b>11,529,993</b>
<b>EXPENSES</b>					
Interest [Note 6(d)]	5,308	-	507	113,457	147,234
Brokerage commission	24,469	6,348	-	-	-
Management fee [Notes 6(a) and 6(b)]	-	-	505,564	1,007,847	2,328,616
Professional fees	-	-	12,945	54,040	51,246
Custody fee	-	-	15,000	-	16,800
Other	3,286	3,957	6,315	4,517	131,592
<b>Total expenses</b>	<b>33,063</b>	<b>10,305</b>	<b>540,331</b>	<b>1,179,861</b>	<b>2,675,488</b>
<b>Operating profit</b>	<b>6,530,923</b>	<b>13,631,365</b>	<b>1,899,536</b>	<b>5,022,634</b>	<b>8,854,505</b>
Dividends on Series C4 redeemable participating shares [Note 5]	-	-	-	-	(2,444,943)
<b>Increase in net assets attributable to holders of redeemable participating shares [Note 7]</b>	<b>6,530,923</b>	<b>13,631,365</b>	<b>1,899,536</b>	<b>5,022,634</b>	<b>6,409,562</b>

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

## Royal Fidelity Bahamas Opportunities Fund Limited

Statement of Comprehensive Income (Continued)  
For the Year Ended 30 June 2021  
(Expressed in Bahamian dollars)

	<b>2020</b>				
	<b>Targeted Equity Trading Company Limited \$</b>	<b>Prime Income Trading Company Limited \$</b>	<b>Targeted Equity Sub Fund \$</b>	<b>Secure Balance Sub Fund \$</b>	<b>Prime Income Sub Fund \$</b>
<b>INVESTMENT INCOME</b>					
Interest	-	10,436,706	-	-	-
Net change in unrealised appreciation of financial assets at fair value through profit or loss	2,889,614	1,114,227	1,406,899	4,940,615	10,102,318
Net realised gain on financial assets at fair value through profit or loss	1,633,055	9,978	996,465	1,496,428	2,708,782
Dividend	1,859,570	3,799,603	-	-	-
<b>Total investment income</b>	<b>6,382,239</b>	<b>15,360,514</b>	<b>2,403,364</b>	<b>6,437,043</b>	<b>12,811,100</b>
<b>EXPENSES</b>					
Interest [Note 6(d)]	3,864	751	117	6,918	34,046
Brokerage commission	68,320	589	-	-	-
Management fee [Notes 6(a) and 6(b)]	-	-	505,020	952,371	2,135,725
Professional fees	-	-	30,100	39,020	44,390
Custody fee	-	-	16,800	-	16,800
Other	8,422	463	4,844	4,844	5,202
<b>Total expenses</b>	<b>80,606</b>	<b>1,803</b>	<b>556,881</b>	<b>1,003,153</b>	<b>2,236,163</b>
<b>Operating profit</b>	<b>6,301,633</b>	<b>15,358,711</b>	<b>1,846,483</b>	<b>5,433,890</b>	<b>10,574,937</b>
Dividends on Series C4 redeemable participating shares [Note 5]	-	-	-	-	(1,861,494)
<b>Increase in net assets attributable to holders of redeemable participating shares [Note 7]</b>	<b>6,301,633</b>	<b>15,358,711</b>	<b>1,846,483</b>	<b>5,433,890</b>	<b>8,713,443</b>

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

## Royal Fidelity Bahamas Opportunities Fund Limited

### Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares For the Year Ended 30 June 2021 (Expressed in Bahamian dollars)

	<b>2021</b>			
	<b>Targeted Equity Trading Company Limited</b>		<b>Prime Income Trading Company Limited</b>	
	<b>Number of Shares</b>	<b>\$</b>	<b>Number of Shares</b>	<b>\$</b>
Balance as at beginning of the year	5,370,305	63,022,332	32,898,983	255,756,717
Subscriptions	31,667	386,630	5,298,022	42,263,146
Redemptions	(40,871)	(485,607)	(1,202,150)	(9,539,222)
Increase in net assets attributable to holders of redeemable participating shares	<u>-</u>	<u>6,530,923</u>	<u>-</u>	<u>13,631,365</u>
<b>Balance as at end of the year</b>	<b><u>5,361,101</u></b>	<b><u>69,454,278</u></b>	<b><u>36,994,855</u></b>	<b><u>302,112,006</u></b>
<b>Net asset value per share</b>		<b><u>12.96</u></b>		<b><u>8.17</u></b>

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

## Royal Fidelity Bahamas Opportunities Fund Limited

Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares (Continued)  
For the Year Ended 30 June 2021  
(Expressed in Bahamian dollars)

	2021							
	Targeted Equity Sub Fund				Secure Balanced Sub Fund			
	Series A1		Series A3		Series B1		Series B3	
Number of Shares	\$	Number of Shares	\$	Number of Shares	\$	Number of Shares	\$	
Balance as at beginning of the year	2,113,159	20,642,622	253,321	2,689,893	5,564,342	46,039,070	3,982,512	34,702,466
Subscriptions	114,934	1,143,391	43,946	480,131	444,905	3,751,330	54,373	487,528
Redemptions	(97,193)	(971,047)	(21,297)	(229,529)	(418,220)	(3,542,835)	(11,381)	(100,000)
Increase in net assets attributable to holders of Series shares		<u>1,669,014</u>		<u>230,522</u>		<u>2,857,414</u>		<u>2,165,220</u>
<b>Balance as at end of the year</b>	<b><u>2,130,900</u></b>	<b><u>22,483,980</u></b>	<b><u>275,970</u></b>	<b><u>3,171,017</u></b>	<b><u>5,591,027</u></b>	<b><u>49,104,979</u></b>	<b><u>4,025,504</u></b>	<b><u>37,255,214</u></b>
<b>Net asset value per share</b>		<b><u>10.55</u></b>		<b><u>11.49</u></b>		<b><u>8.78</u></b>		<b><u>9.25</u></b>
<b>Total net assets attributable to holders of Class A and B redeemable participating shares</b>				<b><u>25,654,997</u></b>				<b><u>86,360,193</u></b>

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

## Royal Fidelity Bahamas Opportunities Fund Limited

Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares (Continued)  
For the Year Ended 30 June 2021  
(Expressed in Bahamian dollars)

	2021							
	Prime Income Sub Fund							
	Series C1		Series C2		Series C3		Series C4	
	Number of Shares	\$	Number of Shares	\$	Number of Shares	\$	Number of Shares	\$
Balance as at beginning of the year	13,635,830	97,171,391	1,058,829	7,241,980	7,162,939	52,927,602	10,591,569	55,476,161
Subscriptions	3,424,250	24,862,353	644,298	4,500,000	689,328	5,236,889	3,163,047	15,830,678
Redemptions	(751,848)	(5,476,530)	(314,765)	(2,220,000)	(946,486)	(7,073,925)	(485,977)	(2,564,797)
Increase in net assets attributable to holders of Series shares	-	3,676,444	-	237,662		1,864,733	-	630,723
<b>Balance as at end of the year</b>	<b><u>16,308,232</u></b>	<b><u>120,233,658</u></b>	<b><u>1,388,362</u></b>	<b><u>9,759,642</u></b>	<b><u>6,905,781</u></b>	<b><u>52,955,299</u></b>	<b><u>13,268,639</u></b>	<b><u>69,372,765</u></b>
<b>Net asset value per share</b>		<b><u>7.37</u></b>		<b><u>7.03</u></b>		<b><u>7.67</u></b>		<b><u>5.23</u></b>
<b>Total net assets attributable to holders of Class C redeemable participating shares</b>								<b><u>252,321,364</u></b>

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

## Royal Fidelity Bahamas Opportunities Fund Limited

Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares (Continued)  
For the Year Ended 30 June 2021  
(Expressed in Bahamian dollars)

	<b>2020</b>			
	<b>Targeted Equity Trading Company Limited</b>		<b>Prime Income Trading Company Limited</b>	
	<b>Number of Shares</b>	<b>\$</b>	<b>Number of Shares</b>	<b>\$</b>
Balance as at beginning of the year	5,257,933	55,339,690	31,293,303	228,407,446
Subscriptions	472,207	5,585,174	3,989,273	29,850,957
Redemptions	(359,834)	(4,204,165)	(2,383,593)	(17,860,397)
Increase in net assets attributable to holders of redeemable participating shares	<u>-</u>	<u>6,301,633</u>	<u>-</u>	<u>15,358,711</u>
<b>Balance as at end of the year</b>	<b><u>5,370,306</u></b>	<b><u>63,022,332</u></b>	<b><u>32,898,983</u></b>	<b><u>255,756,717</u></b>
<b>Net asset value per share</b>		<b><u>11.74</u></b>		<b><u>7.77</u></b>

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

## Royal Fidelity Bahamas Opportunities Fund Limited

Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares (Continued)  
For the Year Ended 30 June 2021  
(Expressed in Bahamian dollars)

	2020							
	Targeted Equity Sub Fund				Secure Balanced Sub Fund			
	Series A1		Series A3		Series B1		Series B3	
	Number of Shares	\$	Number of Shares	\$	Number of Shares	\$	Number of Shares	\$
Balance as at beginning of the year	2,080,130	18,667,308	270,525	2,610,416	5,223,079	40,304,293	4,049,557	32,758,598
Subscriptions	302,681	3,066,175	36,520	391,800	756,171	6,226,928	166,734	1,423,500
Redemptions	(269,653)	(2,655,909)	(53,724)	(593,758)	(414,908)	(3,390,165)	(233,779)	(2,015,508)
Increase in net assets attributable to holders of Series shares	-	1,565,048	-	281,435	-	2,898,014	-	2,535,876
<b>Balance as at end of the year</b>	<b>2,113,158</b>	<b>20,642,622</b>	<b>253,321</b>	<b>2,689,893</b>	<b>5,564,342</b>	<b>46,039,070</b>	<b>3,982,512</b>	<b>34,702,466</b>
<b>Net asset value per share</b>		<b>9.77</b>		<b>10.62</b>		<b>8.27</b>		<b>8.71</b>
<b>Total net assets attributable to holders of Class A and B redeemable participating shares</b>				<b>23,332,515</b>				<b>80,741,536</b>

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

## Royal Fidelity Bahamas Opportunities Fund Limited

Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares (Continued)  
For the Year Ended 30 June 2021  
(Expressed in Bahamian dollars)

	2020							
	Prime Income Sub Fund							
	Series C1		Series C2		Series C3		Series C4	
	Number of Shares	\$	Number of Shares	\$	Number of Shares	\$	Number of Shares	\$
Balance as at beginning of the year	11,858,251	80,230,267	695,556	4,487,519	6,950,935	48,556,251	10,612,558	54,792,240
Subscriptions	2,811,938	19,547,255	725,118	4,700,000	1,866,977	13,349,104	929,373	4,769,183
Redemptions	(1,034,359)	(7,156,256)	(361,845)	(2,371,466)	(1,654,973)	(11,838,971)	(950,362)	(4,961,435)
Increase in net assets attributable to holders of Series shares	-	4,550,125	-	425,927	-	2,861,218	-	876,173
<b>Balance as at end of the year</b>	<b><u>13,635,830</u></b>	<b><u>97,171,391</u></b>	<b><u>1,058,829</u></b>	<b><u>7,241,980</u></b>	<b><u>7,162,939</u></b>	<b><u>52,927,602</u></b>	<b><u>10,591,569</u></b>	<b><u>55,476,161</u></b>
<b>Net asset value per share</b>		<b><u>7.13</u></b>		<b><u>6.84</u></b>		<b><u>7.39</u></b>		<b><u>5.24</u></b>
<b>Total net assets attributable to holders of Class C redeemable participating shares</b>								<b><u>212,817,134</u></b>

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

## Royal Fidelity Bahamas Opportunities Fund Limited

### Statement of Cash Flows For the Year Ended 30 June 2021 (Expressed in Bahamian dollars)

	<b>2021</b>				
	<b>Targeted Equity Trading Company Limited</b>	<b>Prime Income Trading Company Limited</b>	<b>Targeted Equity Sub Fund</b>	<b>Secure Balanced Sub Fund</b>	<b>Prime Income Sub Fund</b>
	\$	\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Purchases of financial assets at fair value through profit or loss	(1,672,024)	(59,893,835)	(386,630)	(634,186)	(39,929,331)
Proceeds from sales of financial assets at fair value through profit or loss	426,675	56,454,435	275,240	222,230	7,827,730
Receipts from repayment of loans and receivables	-	287,043	-	-	-
Payment for pending subscription	-	-	-	-	(1,542,593)
Interest received	-	13,298,282	-	-	-
Dividends received	1,306,727	654,183	-	-	-
Interest paid	(5,307)	-	(507)	(113,457)	(147,234)
Payment of expenses	(27,758)	(9,659)	(554,851)	(1,042,743)	(2,437,107)
<b>Net cash used in operating activities</b>	<b>28,313</b>	<b>10,790,449</b>	<b>(666,748)</b>	<b>(1,568,156)</b>	<b>(36,228,535)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from subscriptions of redeemable participating shares	386,630	43,805,739	1,711,776	5,082,357	51,142,734
Payments for redemptions of redeemable participating shares	(499,742)	(9,539,222)	(1,200,576)	(5,013,694)	(17,386,270)
Dividends paid	-	-	-	-	(2,444,943)
<b>Net cash from financing activities</b>	<b>(113,112)</b>	<b>34,266,517</b>	<b>511,200</b>	<b>68,663</b>	<b>31,311,521</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(84,799)</b>	<b>45,056,966</b>	<b>(155,548)</b>	<b>(1,499,493)</b>	<b>(4,917,014)</b>
Cash and cash equivalents as at beginning of the year	33,919	18,209,995	(6,773)	(226,526)	4,089,717
<b>Cash and cash equivalents as at end of the year</b>	<b>(50,880)</b>	<b>63,266,961</b>	<b>(162,321)</b>	<b>(1,726,019)</b>	<b>(827,297)</b>
<b>CASH AND CASH EQUIVALENTS</b>					
Cash at bank	-	63,266,961	-	-	472,384
Margin credit facility	(50,880)	-	(162,321)	(1,726,019)	(1,299,681)
	<b>(50,880)</b>	<b>63,266,961</b>	<b>(162,321)</b>	<b>(1,726,019)</b>	<b>(827,297)</b>

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

## Royal Fidelity Bahamas Opportunities Fund Limited

### Statement of Cash Flows (Continued) For the Year Ended 30 June 2021 (Expressed in Bahamian dollars)

	<b>2020</b>				
	<b>Targeted Equity Trading Company Limited</b>	<b>Prime Income Trading Company Limited</b>	<b>Targeted Equity Sub Fund</b>	<b>Secure Balanced Sub Fund</b>	<b>Prime Income Sub Fund</b>
	\$	\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Purchases of financial assets at fair value through profit or loss	(6,418,280)	(56,606,648)	(1,938,093)	(6,284,200)	(26,458,581)
Proceeds from sales of financial assets at fair value through profit or loss	2,253,256	39,815,729	2,292,471	4,764,628	14,252,375
Net decrease in loans and receivables	-	270,367	-	-	-
Net increase in other assets	(15,069)	-	(170)	-	-
Interest received	-	9,781,771	-	-	-
Dividends received	1,859,570	5,234,927	-	-	-
Interest paid	(3,864)	(751)	(117)	(6,918)	(34,046)
Payment of expenses	(76,742)	(1,052)	(547,230)	(972,835)	(2,178,940)
<b>Net cash used in operating activities</b>	<b>(2,401,129)</b>	<b>(1,505,657)</b>	<b>(193,139)</b>	<b>(2,499,325)</b>	<b>(14,419,192)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from subscriptions of redeemable participating shares	5,585,174	29,850,957	3,488,637	7,686,962	47,181,686
Payments for redemptions of redeemable participating shares	(4,204,165)	(17,860,397)	(3,249,667)	(5,405,673)	(26,328,128)
Dividends paid	-	-	-	-	(2,380,249)
<b>Net cash from financing activities</b>	<b>1,381,009</b>	<b>11,990,560</b>	<b>238,970</b>	<b>2,281,289</b>	<b>18,473,309</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,020,120)</b>	<b>10,484,903</b>	<b>45,831</b>	<b>(218,036)</b>	<b>4,054,117</b>
Cash and cash equivalents as at beginning of the year	1,054,039	7,725,092	(52,604)	(8,490)	35,600
<b>Cash and cash equivalents as at end of the year</b>	<b>33,919</b>	<b>18,209,995</b>	<b>(6,773)</b>	<b>(226,526)</b>	<b>4,089,717</b>
<b>CASH AND CASH EQUIVALENTS</b>					
Cash at bank	33,919	18,209,995	-	-	4,095,504
Margin credit facility	-	-	(6,773)	(226,526)	(5,787)
	<b>33,919</b>	<b>18,209,995</b>	<b>(6,773)</b>	<b>(226,526)</b>	<b>4,089,717</b>

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

## Royal Fidelity Bahamas Opportunities Fund Limited

### Notes to the Financial Statements

30 June 2021

(Expressed in Bahamian dollars)

#### 1. General Information

Royal Fidelity Bahamas Opportunities Fund Limited (the Umbrella Fund) is incorporated under the Companies Act, 1992 of the Commonwealth of The Bahamas (The Bahamas) and is licensed under the Investment Funds Act, 2003. The Umbrella Fund includes three sub funds, Targeted Equity Sub Fund, Secure Balanced Sub Fund and Prime Income Sub Fund (collectively “The Funds”).

The Umbrella Fund invests in the two investment holding vehicles incorporated under the International Business Companies Act, 2000 of the Commonwealth of The Bahamas (The Bahamas) namely, Targeted Equity Trading Company Limited and Prime Income Trading Company Limited (collectively “The Trading Companies”).

##### *Trading Companies*

Targeted Equity Trading Company Limited (TETC) is incorporated under the Companies Act, 1992 of the Commonwealth of The Bahamas (The Bahamas). TETC is an investment holding vehicle for the Umbrella Fund. TETC’s investment objective is to earn a high rate of return through dividend yield and long term capital appreciation, which it achieves by investing in a diversified portfolio of equity securities, debt securities, money market instruments and investment funds denominated in Bahamian dollars.

Prime Income Trading Company Limited (PITC) is incorporated under the Companies Act, 1992 of the Commonwealth of The Bahamas (The Bahamas). PITC is an investment holding vehicle for the Umbrella Fund. PITC’s investment objective is to earn a stable rate of income together with long term preservation of capital, which it achieves by investing in a diversified portfolio of fixed income securities issued by public and private companies incorporated in The Bahamas, debt securities issued by the Government of The Bahamas and its affiliated entities, investment funds invested in fixed income securities, and commercial loans.

##### *The Funds*

Targeted Equity Sub Fund (TESF) is an open-end investment vehicle, which issues Class A redeemable participating shares divided into three (3) series of shares, namely Series A1, A2 and A3 [Note 5]. The investment objective of TESF is to earn a high rate of return through dividend yield and long term capital appreciation, which it achieves by investing in TETC.

Secure Balanced Sub Fund (SBSF) is an open-end investment vehicle, which issues Class B redeemable participating shares divided into three (3) series of shares, namely Series B1, B2 and B3 [Note 5]. The investment objective of SBSF is to earn a high rate of return through dividend yield and long term capital appreciation balanced with a stable rate of income and long term preservation of capital, which it achieves by investing in TETC and PITC.

Prime Income Sub Fund (PISF) is an open-end investment vehicle, which issues Class C redeemable participating shares divided into four (4) series of shares, namely Series C1, C2, C3 and C4 [Note 5]. The investment objective of PISF is to earn a stable rate of income together with long term preservation of capital, which it achieves by investing in PITC.

The Funds’ Class A, Class B and Class C redeemable participating shares are listed on the Bahamas International Securities Exchange (BISX), and the registered office of the Umbrella Fund is located at Providence House, East Hill Street, Nassau, The Bahamas. The Trading Companies’ and the Funds’ activities are managed entirely by service providers [Note 6].

## Royal Fidelity Bahamas Opportunities Fund Limited

### Notes to the Financial Statements

30 June 2021

(Expressed in Bahamian dollars)

#### 2. Summary of Significant Accounting Policies

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

##### (a) Basis of preparation

###### *i) Compliance with IFRS*

These financial statements, comprising the Trading Companies and the Funds, are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

###### *ii) Historical cost convention*

The financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities that are measured at fair value.

###### *iii) Critical estimates and judgments*

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Trading Companies' and the Funds' accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. 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 2(e).

###### *iv) New and amended standards adopted by Trading Companies and the Funds*

There are no standards, interpretations and amendments to published standards that are effective for annual periods beginning on 1 July 2020 that have a material effect on the financial statements of the Trading Companies and the Funds.

###### *v) New and amended standards not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2021 reporting periods and have not been early adopted by the Trading Companies and the Funds. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

## Royal Fidelity Bahamas Opportunities Fund Limited

### Notes to the Financial Statements

30 June 2021

(Continued)

(Expressed in Bahamian dollars)

#### 2. Summary of Significant Accounting Policies (Continued)

##### (b) Investment entity

The Funds meet the definition of an investment entity, as defined in IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*, which provide an exception to consolidation and equity method requirements for investment entities, with investment entities required to recognise investments in subsidiaries and associates at FVTPL.

Management has determined that the Funds meet the characteristics of an investment entity, as: it obtains funds from investors for the purposes of providing investment management services; its business purpose, as set out in its offering documents, is to invest for returns from investment income and capital appreciation; and the performance of investments is measured and evaluated on a fair value basis. Further, the Funds effects multiple investments through its holdings in the Trading Companies.

Accordingly, investments in subsidiaries and associates are recognised as financial assets at FVTPL and measured in accordance with the accounting policies disclosed in Note 2(e).

##### (c) Foreign currency translation and transactions

The financial statements are presented in Bahamian dollars(\$), which is the Trading Companies' and the Funds' functional and presentation currency.

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 of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates, are recognized in the statement of comprehensive income. Translation differences on financial assets measured at fair value through profit or loss are included as a part of the fair value gains and losses.

##### (d) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes demand deposits with banks, other short-term highly liquid financial assets with original contractual maturities of three (3) months or less and drawn-down margin credit facilities provided by banks.

##### (e) Financial assets and liabilities

###### *Financial assets*

###### *Initial recognition and measurement*

The Trading Companies and the Funds classify financial assets, at initial recognition, in the following measurement categories: at amortised cost, and fair value through profit or loss (FVTPL). The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the business model for managing them. The Trading Companies and the Funds initially measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs.

## Royal Fidelity Bahamas Opportunities Fund Limited

### Notes to the Financial Statements

30 June 2021

(Continued)

(Expressed in Bahamian dollars)

#### 2. Summary of Significant Accounting Policies (Continued)

##### (e) Financial assets and liabilities (continued)

###### *Financial assets (continued)*

###### *Initial recognition and measurement (continued)*

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that represent 'solely payments of principal and interest' (SPPI). This assessment is referred to as the SPPI test and is performed at an instrument level.

The Trading Companies' and the Funds' business models for managing financial assets refers to how they manage their financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular-way trades) are recognized on the trade date, which is the date that the Trading Companies and the Funds commit to purchase or sell the asset.

###### *Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in:

- Financial assets at Amortised Cost
- Financial assets at FVTPL

###### *Financial assets at amortised cost*

The financial assets at amortised cost includes cash at bank, loans and receivables and other assets.

Financial assets are measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order 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.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized as part of net income in the statement of comprehensive income when the asset is derecognized, modified or impaired by comparing proceeds from the sale of the asset or collateral to the carrying amount.

###### *Financial assets at FVTPL*

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

## Royal Fidelity Bahamas Opportunities Fund Limited

### Notes to the Financial Statements

30 June 2021

(Continued)

(Expressed in Bahamian dollars)

#### 2. Summary of Significant Accounting Policies (Continued)

##### (e) Financial assets and liabilities (continued)

###### *Financial assets (continued)*

###### *Financial assets at FVTPL (continued)*

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in net income in the statement of comprehensive income.

This category includes listed equity investments, which the Trading Companies and the Funds have not irrevocably elected to classify at fair value through other comprehensive income. Dividends on listed equity investments are also recognized as other income in net income in the statement of comprehensive income when the right of payment has been established.

###### *Write offs*

The Trading Companies and the Funds write off financial assets, in whole or in part, when they have exhausted all practical recovery efforts and have concluded there is no reasonable expectation of recovery. The write offs represent a derecognition event. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Trading Companies' and the Funds' recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

###### *Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Trading Companies and the Funds have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Trading Companies and the Funds have transferred substantially all the risks and rewards of the asset, or (b) the Trading Companies and the Funds have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When the Trading Companies and the Funds have transferred their rights to receive cash flows from an asset or have entered into a pass-through arrangement, they evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Trading Companies and the Funds continue to recognize the transferred asset to the extent of their continuing involvement. In that case, the Trading Companies and the Funds also recognized an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Trading Companies and the Funds have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Trading Companies and the Funds could be required to repay.

## Royal Fidelity Bahamas Opportunities Fund Limited

### Notes to the Financial Statements

30 June 2021

(Continued)

(Expressed in Bahamian dollars)

#### 2. Summary of Significant Accounting Policies (Continued)

##### (e) Financial assets and liabilities (continued)

###### *Financial assets (continued)*

###### *Impairment of financial assets*

The Trading Companies and the Funds assess on a forward looking basis, the expected credit loss (ECL) for debt instruments measured at amortized cost for the exposures arising from cash at bank, loans and receivables and other assets. The Trading Companies and Funds measure ECL and recognize credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at amortized cost are presented in the statement of financial position, net of the allowance for ECL.

The Trading Companies and the Funds apply a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter (“12 Months ECL”). If the Trading Companies and Funds identify a significant increase in credit risk (“SICR”) since initial recognition, the asset is transferred to Stage 2 and their ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any (“Lifetime ECL”). Refer to Note 8 for a description of how the Trading Companies and Funds determine when a SICR has occurred. If the The Trading Companies and the Funds determine that a financial asset is credit-impaired, the asset is transferred to Stage 3 and their ECL is measured as a Lifetime ECL.

The definition of credit impaired assets and definition of default is explained in Note 8. For financial assets that are purchased or originated credit-impaired (“POCI assets”), the ECL is always measured as a lifetime ECL. Note 8 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the The Trading Companies and the Funds incorporate forward-looking information in the ECL models.

###### *Financial liabilities*

Financial liabilities are classified and subsequently measured at amortized cost. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

###### *Derecognition*

Financial liabilities are derecognized when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expired).

## Royal Fidelity Bahamas Opportunities Fund Limited

### Notes to the Financial Statements

30 June 2021

(Continued)

(Expressed in Bahamian dollars)

#### 2. Summary of Significant Accounting Policies (Continued)

##### (f) Redeemable participating shares

The Trading Companies and the Funds issue redeemable participating shares, which are redeemable at the holder's option and are classified as financial liabilities. Redeemable participating shares can be put back to the Trading Companies and the Funds at any time for cash equal to a proportionate share of the Trading Companies' and the Funds' net asset value. The redeemable participating shares are carried at the redemption amount that would be payable at date of the statement of financial position if the holders were to exercise the right to put the shares back to the Trading Companies and the Funds.

Redeemable participating shares are issued and redeemed at the holder's option at prices based on the Trading Companies' and the Funds' net asset value per share at the time of issue or redemption, less a redemption fee for shares redeemed. The Trading Companies' and the Funds' net asset values per share are calculated by dividing the net assets attributable to holders of redeemable participating shares with the total number of outstanding redeemable participating shares.

##### (g) Dividend distributions

Dividend distributions to holders of Series C4 redeemable participating shares are recognised in the statement of comprehensive income as finance costs, in the financial period in which they are approved by PISF's directors and no longer at the discretion of PISF.

##### (h) Income and expense recognition

Interest income and expense are recognised in the statement of comprehensive income using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments throughout the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Funds estimate cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and commissions paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Dividend income is recognised when the right to receive payment has been established.

Other income and expenses are recognised on the accrual basis.

##### (i) Taxation

The Umbrella Fund is incorporated under the laws of The Bahamas and is therefore not subject to income, capital gains or other corporate taxes. The Trading Companies' and the Funds' operations do not subject them to taxation in any other jurisdiction.

## Royal Fidelity Bahamas Opportunities Fund Limited

### Notes to the Financial Statements

30 June 2021

(Continued)

(Expressed in Bahamian dollars)

### 3. Financial Assets at Fair Value Through Profit or Loss

Financial assets are ranked based on the hierarchy of valuation techniques required by IFRS, which is determined based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Trading Companies' and the Funds' market assumptions. These two (2) types of inputs lead to the following fair value hierarchy:

*Level 1* – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

*Level 2* – 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 3* – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

This hierarchy requires the use of observable market data when available. The Trading Companies and the Funds consider relevant and observable market prices in their valuations where possible.

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

The determination of what constitutes 'observable' requires significant judgment by the Trading Companies and the Funds. The Trading Companies and the Funds consider observable data to be 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.

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from the exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1.

Financial instruments 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 are classified within Level 2.

Financial instruments classified within Level 3 have significant unobservable inputs, as they trade infrequently. Level 3 instruments include unlisted securities that have significant unobservable components.

## Royal Fidelity Bahamas Opportunities Fund Limited

### Notes to the Financial Statements

30 June 2021

(Continued)

(Expressed in Bahamian dollars)

### 3. Financial Assets at Fair Value Through Profit or Loss (Continued)

The following table analyses the fair value hierarchy of the Trading Companies' and Funds' investments:

30 June 2021	Targeted Equity Trading Company Limited \$	Prime Income Trading Company Limited \$	Targeted Equity Sub Fund \$	Secure Balanced Sub Fund \$	Prime Income Sub Fund \$
<i>Level 2</i>					
Corporate debt securities	-	168,357,786	-	-	-
Government debt securities	-	44,899,056	-	-	-
Equity securities -preference shares	-	10,925,652	-	-	-
Equity securities – ordinary shares	65,225,481	-	-	-	-
Investment entities – Trading Companies	-	-	26,031,045	87,784,931	257,750,308
Investment funds	<u>2,041,274</u>	<u>10,568,040</u>	<u>                  </u>	<u>                  </u>	<u>                  </u>
	<u>67,266,755</u>	<u>234,750,534</u>	<u>26,031,045</u>	<u>87,784,931</u>	<u>257,750,308</u>
<i>Level 3</i>					
Equity securities – ordinary shares	<u>2,209,199</u>	-	-	-	-
	<u>2,209,199</u>	-	-	-	-
Total - all levels	69,475,954	234,750,534	26,031,045	87,784,931	257,750,308
Accrued interest	-	<u>1,034,040</u>	-	-	-
<b>Total</b>	<b><u>69,475,954</u></b>	<b><u>235,784,574</u></b>	<b><u>26,031,045</u></b>	<b><u>87,784,931</u></b>	<b><u>257,750,308</u></b>
<b>Cost - all securities</b>	<b><u>45,452,237</u></b>	<b><u>232,121,145</u></b>	<b><u>13,614,595</u></b>	<b><u>54,108,640</u></b>	<b><u>202,978,182</u></b>
<b>Cost - level 3 securities</b>	<b><u>1,498,507</u></b>	<b><u>                  </u></b>	<b><u>                  </u></b>	<b><u>                  </u></b>	<b><u>                  </u></b>

## Royal Fidelity Bahamas Opportunities Fund Limited

### Notes to the Financial Statements

30 June 2021

(Continued)

(Expressed in Bahamian dollars)

### 3. Financial Assets at Fair Value Through Profit or Loss (Continued)

30 June 2020 (Restated: Note 13)	Targeted Equity Trading Company Limited \$	Prime Income Trading Company Limited \$	Targeted Equity Sub Fund \$	Secure Balanced Sub Fund \$	Prime Income Sub Fund \$
<i>Level 2</i>					
Corporate debt securities	-	168,660,189	-	-	-
Government debt securities	-	42,791,086	-	-	-
Equity securities -preference shares	-	8,976,762	-	-	-
Equity securities – ordinary shares	59,249,729	-	-	-	-
Investment entities – Trading Companies			23,479,788	81,170,480	214,118,714
Investment funds	<u>2,025,892</u>	<u>10,602,206</u>	<u>23,479,788</u>	<u>81,170,480</u>	<u>214,118,714</u>
	<u>61,275,621</u>	<u>231,030,243</u>	<u>23,479,788</u>	<u>81,170,480</u>	<u>214,118,714</u>
<i>Level 3</i>					
Equity securities – ordinary shares	<u>1,697,727</u>	-	-	-	-
	<u>3,723,619</u>	-	-	-	-
Total - all levels	62,973,348	231,030,243	23,479,788	81,170,480	214,118,714
Accrued interest	-	<u>1,626,372</u>	-	-	-
<b>Total</b>	<b><u>62,973,348</u></b>	<b><u>232,656,615</u></b>	<b><u>23,479,788</u></b>	<b><u>81,170,480</u></b>	<b><u>214,118,714</u></b>
<b>Cost - all securities</b>	<b><u>44,012,994</u></b>	<b><u>228,682,866</u></b>	<b><u>13,382,754</u></b>	<b><u>53,604,834</u></b>	<b><u>169,185,412</u></b>
<b>Cost - level 3 securities</b>	<b><u>1,498,507</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

The Funds and Trading Companies have interests in structured entities that are unconsolidated. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. The Funds and Trading Companies have an interest in a structured entity when they have a contractual or non-contractual involvement that exposes them to variable returns from the performance of the entity. The Funds' and Trading Companies' interests includes investments in investment funds where maximum exposure to loss is equal to the carrying amounts disclosed in Note 3 above.

TETC invests in an underlying investment fund whose investment objective is to provide investors with equity-like growth potential with substantially less volatility than the S&P 500 Index by investing through other investment funds in a portfolio of institutional alternative investment managers, largely pursuing a long-short equity investment strategy.

## Royal Fidelity Bahamas Opportunities Fund Limited

### Notes to the Financial Statements

30 June 2021

(Continued)

(Expressed in Bahamian dollars)

### 3. Financial Assets at Fair Value Through Profit or Loss (Continued)

PITC invests in an underlying investment fund whose investment objective is to earn a high rate of income together with long term preservation of capital by investing through other investment funds in a diversified portfolio of investment funds, and fixed income securities issued by international governments, and public and private international companies.

PITC also invests in an underlying investment fund whose investment objective is to preserve the principal value of the investment while returning a yield approximately equal to the Bahamian prime rate by investing primarily in a diversified mix of high yield, high quality short-term and long-term fixed income securities. These investments may include corporate bonds and commercial papers, mortgage-related and asset backed securities, government registered stocks and preferred stock investments

As at 30 June 2021, the B\$ Prime rate is 4.25% (2020: 4.25%).

Movements in Level 3 securities comprise:

	<b>Equity Securities -Ordinary Shares \$</b>	<b>Total \$</b>
Balance as at 1 July 2020	1,697,727	1,697,727
Purchases	-	-
Sales	-	-
Net realised gain	-	-
Net change in unrealised appreciation/depreciation	511,472	511,472
<b>Balance as at 30 June 2021</b>	<b>2,209,199</b>	<b>2,209,199</b>
Balance as at 1 July 2019	1,743,458	1,743,458
Purchases	-	-
Sales	-	-
Net realised gain	-	-
Net change in unrealised appreciation/depreciation	(45,731)	(45,731)
<b>Balance as at 30 June 2020</b>	<b>1,697,727</b>	<b>1,697,727</b>

## Royal Fidelity Bahamas Opportunities Fund Limited

### Notes to the Financial Statements

30 June 2021

(Continued)

(Expressed in Bahamian dollars)

### 3. Financial Assets at Fair Value Through Profit or Loss (Continued)

The Level 3 equity securities consist of private equity positions. The Trading Company utilises comparable trading multiples in arriving at the valuation for these positions. Management determines comparable public companies (peers) based on industry, size, developmental stage and strategy. Management then calculates trading multiples for each comparable company identified. The trading multiples are then discounted for considerations such as illiquidity and differences between the comparable companies based on company-specific facts and circumstances. Following table presents the valuation technique, unobservable inputs and the sensitivity analysis for each of the level 3 securities:

Security Description	Fair Value as at 30 June 2021	Valuation Technique	Unobservable Inputs	Weighted average input	Reasonable possible shift +/- (absolute value)	Change in Valuation +/- (absolute value)
Sea Ventures Limited	115,232	Comparable trading multiples	Discount for lack of marketability	30%	10%	16,462
Consolidated Water (Bahamas) Ltd	1,738,467	Comparable trading multiples	Discount for lack of marketability	30%	10%	248,352
Royal Fidelity Private Equity Fund Limited – Class C	<u>355,500</u>	Asset-Based Value	Net Asset Value	\$1,007,485	3%	10,665
	<u><b>2,209,199</b></u>					
Security Description	Fair Value as at 30 June 2020	Valuation Technique	Unobservable Inputs	Weighted average input	Reasonable possible shift +/- (absolute value)	Change in Valuation +/- (absolute value)
Sea Ventures Limited	600,569	Comparable trading multiples	Discount for lack of marketability	30%	10%	85,796
Consolidated Water (Bahamas) Ltd	741,658	Comparable trading multiples	Discount for lack of marketability	30%	10%	105,951
Royal Fidelity Private Equity Fund Limited – Class C	<u>355,500</u>	Asset-Based Value	Net Asset Value	\$1,077,570	3%	10,665
	<u><b>1,697,727</b></u>					

## Royal Fidelity Bahamas Opportunities Fund Limited

### Notes to the Financial Statements

30 June 2021

(Continued)

(Expressed in Bahamian dollars)

### 3. Financial Assets at Fair Value Through Profit or Loss (Continued)

The Funds hold the investment in the shares of the Trading Companies. As at June 30, the Funds owned the following shares:

#### Targeted Equity Trading Company Limited

	2021		2020	
	Shares	Ownership percentage	Shares	Ownership percentage
Targeted Equity Sub Fund	<u>2,009,308</u>	37.48%	<u>2,000,783</u>	37.26%
Secure Balanced Sub Fund	<u>3,351,793</u>	62.52%	<u>3,369,523</u>	62.74%

#### Prime Income Trading Company Limited

	2021		2020	
	Shares	Ownership percentage	Shares	Ownership percentage
Secure Balanced Sub Fund	<u>5,432,272</u>	14.68%	<u>5,354,993</u>	16.28%
Prime Income Sub Fund	<u>31,562,583</u>	85.32%	<u>27,543,990</u>	83.72%

Included in other assets of the Funds are pending subscriptions to shares of the Trading Companies and redemptions paid in advance as at 30 June 2021.

	Pending Subscription	Redemptions paid in advance
Targeted Equity Trading Company Limited	-	29,204
Targeted Equity Sub Fund	-	170
Secure Balanced Sub Fund	-	1,370,856
Prime Income Sub Fund	1,542,593	51,018

## Royal Fidelity Bahamas Opportunities Fund Limited

### Notes to the Financial Statements

30 June 2021

(Continued)

(Expressed in Bahamian dollars)

#### 4. Loans and Receivables

PITC invests in commercial loans, which earn interest at a rate of B\$ Prime rate plus 1.75% per annum and have monthly repayments over periods of up to fifteen (15) years.

#### 5. Share Capital

The authorised share capital of the Umbrella Fund is \$100,000, divided into 1,000 voting non-redeemable non-participating Class M shares of no par value (management shares) and 100,000,000 non-voting redeemable participating shares with a par value of \$0.001 per share further divided into various classes of shares. Management shares carry full voting rights, but are not entitled to participate in the profits of the Trading Companies and the Funds. All management shares have been issued by the Umbrella Fund and are owned by the Investment Manager [Note 6 (a)].

The Trading Companies' and the Funds' authorised share capital are:

	2021		
	Authorized share capital	Par value	Class
	Shares	\$	
Targeted Equity Trading Company	50,000,000	0.001	
Prime Income Trading Company	100,000,000	0.001	
Targeted Equity Sub Fund	10,000,000	0.001	A
Secure Balanced Sub Fund	20,000,000	0.001	B
Prime Income Sub Fund	40,000,000	0.001	C

#### *Trading Companies*

Redeemable participating shares fully participate in the profits and losses of the Trading Companies. Redeemable participating shares of the Trading Companies were initially issued at \$5.00 per share. Thereafter, redeemable participating shares are issued on the first business day of each calendar month (dealing date) at the net asset value (NAV) per share at close of the last business day of the calendar month that precedes the dealing date (valuation date). Redeemable participating shares may be redeemed at the holder's option, upon giving fifteen (15) days prior written notice, at the NAV per share at valuation date.

As at 30 June 2021 and 2020, all redeemable participating shares of PITC are owned by PISF and SBSF and all redeemable participating shares of TETC are owned by TESH and SBSF.

#### *The Funds*

Class A redeemable participating shares carry no voting rights, but are entitled to fully participate in the profits and losses of TESH. Class A redeemable participating shares are divided into three (3) series of shares: A1, A2 and A3, and each were initially issued at \$5.00 per share. Thereafter, Class A redeemable participating shares are issued on the first business day of each calendar month (dealing date) at the net asset value (NAV) per share at close of the last business day of the calendar month that precedes the dealing date (valuation date), net of a sales commission of up to 2.00% on Series A1, and up to 1.00% on Series A2; no sales commission is applicable to Series A3. The minimum initial investment is \$500 for Series A1, \$100,000 for Series A2 and \$1,000 for Series A3; with a minimum subsequent investment of \$100 for Series A1 and \$1,000 for Series A2 and A3.

As at 30 June 2021, related parties owned 141,758 (2020: 134,699) Series A1 shares and 275,970 (2020: 158,255) Series A3 shares.

## Royal Fidelity Bahamas Opportunities Fund Limited

### Notes to the Financial Statements

30 June 2021

(Continued)

(Expressed in Bahamian dollars)

#### 5. Share Capital (Continued)

Class B redeemable participating shares carry no voting rights, but are entitled to fully participate in the profits and losses of SBSF. Class B redeemable participating shares are divided into three (3) series of shares: B1, B2 and B3, and each were initially issued at \$5.00 per share. Thereafter, Class B redeemable participating shares are issued on the first business day of each calendar month (dealing date) at the net asset value (NAV) per share at close of the last business day of the calendar month that precedes the dealing date (valuation date), net of a sales commission of up to 2.00% on Series B1 and B2; no sales commission is applicable to Series B3. The minimum initial investment is \$1,000 for Series B1 and B3, and \$100,000 for Series B2; with a minimum subsequent investment of \$500 for Series B1 and \$1,000 for Series B2 and B3.

As at 30 June 2021, related parties owned 331,602 (2020: 235,699) Series B1 shares and 4,025,496 (2020: 3,982,504) Series B3 shares. SBSF also had subscriptions received in advance from related parties totaling \$Nil (2020: \$53,273) for Series B3 shares.

Class C redeemable participating shares carry no voting rights, but are entitled to fully participate in the profits and losses of PISF. Class C redeemable participating shares are divided into four (4) series of shares: C1, C2, C3 and C4, and each were initially issued at \$5.00 per share. Thereafter, Class C redeemable participating shares are issued on the first business day of each calendar month (dealing date) at the net asset value (NAV) per share at close of the last business day of the calendar month that precedes the dealing date (valuation date), net of a sales commission of up to 1.00% on Series C1 and C4, and up to 0.50% on Series C2; no sales commission is applicable to Series C3. The minimum initial investment is \$1,000 for Series C1, C3 and C4, and \$100,000 for Series C2; with a minimum subsequent investment of \$500 for Series C1 and \$1,000 for Series C2, C3 and C4.

As at 30 June 2021, related parties owned 4,525,703 (2020: 3,464,516) Series C1 shares, nil (2020: nil) Series C2 shares, 6,905,781 (2020: 7,162,939) Series C3 shares and nil (2020: nil) Series C4 shares. PISF also had subscriptions received in advance from related parties totaling \$nil (2020: \$nil) for Series C1 shares, \$nil (2020: \$nil) for Series C3 shares and \$nil (2020: \$nil) for Series C4 shares.

Income and expenses (other than expenses attributable to a specific series) are allocated to each series of Class A, B, and C redeemable participating shares based on their relative NAV. Class A, B and C redeemable participating shares may be redeemed at the holder's option, upon giving fifteen (15) days prior written notice, at the NAV per share at valuation date less a redemption fee of up to 2.00% for Series A1, A2, B1, B2, C1, C2, and C4 (minimum of \$50); no redemption fee is applicable to Series A3, B3, and C3. The redemption fee is determined based on the length of time the shares are outstanding, with a higher fee for the shorter the outstanding period. Partial redemptions are permitted provided that the remaining investment of the shareholder is not less than the minimum initial investment for the applicable series, otherwise the Fund can require full redemption.

Dividend distributions to holders of Series C4 redeemable participating shares are declared and paid semi-annually in June and December of each year, based on the rate determined by the directors. Dividend distributions are paid to each shareholder based on the NAV of his/her shareholding at inception of the respective period prorated for the length of time each shareholder was invested in the respective shareholding in Series C4 redeemable participating shares. For shareholders investing in Series C4 redeemable participating shares after the beginning of the respective period, an allocation of additional shares is made to equalise their shareholding based on the NAV per share after the dividend distribution to maintain their respective NAV. The dividend distribution rate for the year ended 30 June 2021 determined by the Directors was 4.00% (2020: 3.50%). Dividends distribution amounted to \$2,444,943 (2020: \$1,861,494).

## Royal Fidelity Bahamas Opportunities Fund Limited

### Notes to the Financial Statements

30 June 2021

(Continued)

(Expressed in Bahamian dollars)

#### 6. Related Party Balances and Transactions

The Trading Companies and the Funds do not have employees and their activities are directed and managed by the service providers of the Umbrella Fund, all of which are related parties. Related parties include those entities and individuals that have the ability to control or exercise significant influence over the Trading Companies and the Fund in making financial or operational decisions, and entities that are controlled, jointly controlled or significantly influenced by them.

##### (a) Investment management

Pursuant to an agreement with the Umbrella Fund dated 2 November 2012, RF Bank & Trust (Bahamas) Limited (the Investment Manager) (formerly Royal Fidelity Merchant Bank & Trust Limited), a bank incorporated and licensed in The Bahamas, serves as the Fund's investment manager. The Investment Manager is responsible for the implementation of the Trading Companies and the Funds' investment strategy and has sole responsibility for the investing and reinvesting of the related assets.

The fees charged by the Investment Manager for services rendered to the Trading Companies are borne directly by the sub funds.

The Investment Manager is entitled to a management fee per annum of the Funds' NAV plus applicable taxes, payable monthly in arrears. The management fee covers administration and registrar and transfer agent fees; accordingly, such fees are included in management fee in the statement of comprehensive income.

The rates for each Series are as follow:

	<b>Targeted Equity Sub Fund %</b>	<b>Secure Balanced Sub Fund %</b>	<b>Prime Income Sub Fund %</b>
Series A1 redeemable participating shares	2.00	-	-
Series A3 redeemable participating shares	0.90	-	-
Series B1 redeemable participating shares	-	1.25	-
Series B3 redeemable participating shares	-	0.85	-
Series C1 redeemable participating shares	-	-	1.00
Series C2 redeemable participating shares	-	-	0.65
Series C3 redeemable participating shares	-	-	0.55
Series C4 redeemable participating shares	-	-	1.25

## Royal Fidelity Bahamas Opportunities Fund Limited

### Notes to the Financial Statements

30 June 2021

(Continued)

(Expressed in Bahamian dollars)

#### 6. Related Party Balances and Transactions (Continued)

##### (a) Investment management (continued)

The management fee expenses during the year are:

	Targeted Equity Sub Fund \$	2021 Secure Balanced Sub Fund \$	Prime Income Sub Fund \$
Series A1 redeemable participating shares	477,165	-	-
Series A3 redeemable participating shares	28,399	-	-
Series B1 redeemable participating shares	-	667,235	-
Series B3 redeemable participating shares	-	340,612	-
Series C1 redeemable participating shares	-	-	1,137,582
Series C2 redeemable participating shares	-	-	62,098
Series C3 redeemable participating shares	-	-	294,181
Series C4 redeemable participating shares	-	-	834,755
	<u>505,564</u>	<u>1,007,847</u>	<u>2,328,616</u>

	Targeted Equity Sub Fund \$	2020 Secure Balanced Sub Fund \$	Prime Income Sub Fund \$
Series A1 redeemable participating shares	477,059	-	-
Series A3 redeemable participating shares	27,961	-	-
Series B1 redeemable participating shares	-	622,456	-
Series B3 redeemable participating shares	-	329,915	-
Series C1 redeemable participating shares	-	-	981,389
Series C2 redeemable participating shares	-	-	53,881
Series C3 redeemable participating shares	-	-	315,166
Series C4 redeemable participating shares	-	-	785,289
	<u>505,020</u>	<u>952,371</u>	<u>2,135,725</u>

##### (b) Administration

Pursuant to an agreement with the Umbrella Fund dated 2 November 2012, RF Bank & Trust (Bahamas) Limited serves as the Trading Companies' and the Funds' administrator and is entitled to an administration fee, which is paid out of the management fee.

## Royal Fidelity Bahamas Opportunities Fund Limited

### Notes to the Financial Statements

30 June 2021

(Continued)

(Expressed in Bahamian dollars)

#### 6. Related Party Balances and Transactions (Continued)

##### (c) Directors and officers

Certain directors of the Trading Companies and the Funds are also directors or officers of the Investment Manager and its subsidiaries; and the Custodian.

##### (d) Cash at bank and margin credit facility

The Trading Companies and the Funds have demand deposit accounts with the Investment Manager, which do not earn interest. As at 30 June, the balances totaled:

	<b>Cash at bank</b>	
	<b>2021</b>	<b>2020</b>
	\$	\$
Targeted Equity Trading Company Limited	-	33,919
Prime Income Trading Company Limited	63,266,961	18,209,995
Targeted Equity Sub Fund	-	-
Secure Balanced Sub Fund	-	-
Prime Income Sub Fund	472,384	4,095,504

The Trading Companies and the Funds have a line of credit with the Investment Manager up to 50.00% of the fair value of their financial assets, which incurs interest at a rate of 6.75% per annum. The Trading Companies and the Funds have pledged their financial assets in support of these facilities. As at 30 June, the balance and interest expenses incurred on the facilities totaled:

	<b>Margin credit facility</b>		<b>Interest expense</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	\$	\$	\$	\$
Targeted Equity Trading Company Limited	50,880	-	5,308	3,864
Prime Income Trading Company Limited	-	-	-	751
Targeted Equity Sub Fund	162,321	6,773	507	117
Secure Balanced Sub Fund	1,726,019	226,526	113,457	6,918
Prime Income Sub Fund	1,299,681	5,787	147,234	34,046

## Royal Fidelity Bahamas Opportunities Fund Limited

### Notes to the Financial Statements

30 June 2021

(Continued)

(Expressed in Bahamian dollars)

#### 6. Related Party Balances and Transactions (Continued)

##### (e) Other

The Funds have other related party balances and transactions through its investment in the Trading Companies. The balances are as follow:

##### Targeted Equity Trading Company Limited

As at 30 June 2021, Targeted Equity Trading Company Limited has investments in securities of related parties classified as financial assets at fair value through profit or loss, which comprise:

	2021	2020
	\$	\$
<i>Equity securities – ordinary shares</i>		
Bahamas Property Fund Limited	2,705,736	2,534,496
Royal Fidelity Private Equity Fund Limited – Class C	355,500	355,500
<i>Investment funds</i>		
Royal Fidelity Bahamas International Investment Fund Limited – Alternative Strategies Sub Fund	2,040,194	2,024,811
	<u>5,101,430</u>	<u>4,914,807</u>

##### Prime Income Trading Company

As at 30 June 2021, Prime Income Trading Company has investments in securities of related parties classified as financial assets at fair value through profit or loss, which comprise:

	2021	2020
	\$	\$
<i>Corporate debt securities</i>		
RF Holdings Ltd. Series A fixed rate	9,009,000	10,010,000
<i>Investment funds</i>		
Royal Fidelity Bahamas International Investment Fund Limited – High Yield Income Sub Fund	9,490,737	9,524,904
	<u>18,499,737</u>	<u>19,534,904</u>

## Royal Fidelity Bahamas Opportunities Fund Limited

### Notes to the Financial Statements

30 June 2021

(Continued)

(Expressed in Bahamian dollars)

#### 7. Increase in Net Assets per Redeemable Participating Share

The following table summarizes the increase in net assets per redeemable participating shares, weighted average number of shares, and increase in net assets per redeemable participating shares. Increase in net assets per redeemable participating share is calculated by dividing the increase in net assets attributable to holders of redeemable participating shares by the weighted average number of redeemable participating shares during the year.

2021	Targeted Equity Sub Fund \$	Secure Balanced Sub Fund \$	Prime Income Sub Fund \$
<b>Increase in net assets attributable to:</b>			
Series A1 redeemable participating shares	1,669,014	-	-
Series A3 redeemable participating shares	230,522	-	-
Series B1 redeemable participating shares	-	2,857,414	-
Series B3 redeemable participating shares	-	2,165,220	-
Series C1 redeemable participating shares	-	-	3,676,444
Series C2 redeemable participating shares	-	-	237,662
Series C3 redeemable participating shares	-	-	1,864,733
Series C4 redeemable participating shares	-	-	630,723
	<u>1,899,536</u>	<u>5,022,634</u>	<u>6,409,562</u>
<b>Weighted average number of shares:</b>			
Series A1 redeemable participating shares	2,122,834	-	-
Series A3 redeemable participating shares	256,604	-	-
Series B1 redeemable participating shares	-	5,608,050	-
Series B3 redeemable participating shares	-	3,995,234	-
Series C1 redeemable participating shares	-	-	15,169,674
Series C2 redeemable participating shares	-	-	1,304,211
Series C3 redeemable participating shares	-	-	6,722,083
Series C4 redeemable participating shares	-	-	12,153,844
<b>Increase in net assets per redeemable participating share:</b>			
Series A1 redeemable participating shares	0.79	-	-
Series A3 redeemable participating shares	0.90	-	-
Series B1 redeemable participating shares	-	0.51	-
Series B3 redeemable participating shares	-	0.54	-
Series C1 redeemable participating shares	-	-	0.24
Series C2 redeemable participating shares	-	-	0.18
Series C3 redeemable participating shares	-	-	0.28
Series C4 redeemable participating shares	-	-	0.05

## Royal Fidelity Bahamas Opportunities Fund Limited

### Notes to the Financial Statements

30 June 2021

(Continued)

(Expressed in Bahamian dollars)

#### 7. Increase in Net Assets per Redeemable Participating Share (Continued)

2020	Targeted Equity Sub Fund \$	Secure Balanced Sub Fund \$	Prime Income Sub Fund \$
<b>Increase in net assets attributable to:</b>			
Series A1 redeemable participating shares	1,565,048	-	-
Series A3 redeemable participating shares	281,435	-	-
Series B1 redeemable participating shares	-	2,898,014	-
Series B3 redeemable participating shares	-	2,535,876	-
Series C1 redeemable participating shares	-	-	4,550,125
Series C2 redeemable participating shares	-	-	425,927
Series C3 redeemable participating shares	-	-	2,861,218
Series C4 redeemable participating shares	-	-	876,173
	<u>1,846,483</u>	<u>5,433,890</u>	<u>8,713,443</u>
<b>Weighted average number of shares:</b>			
Series A1 redeemable participating shares	2,139,347	-	-
Series A3 redeemable participating shares	258,228	-	-
Series B1 redeemable participating shares	-	5,323,266	-
Series B3 redeemable participating shares	-	3,950,389	-
Series C1 redeemable participating shares	-	-	12,578,348
Series C2 redeemable participating shares	-	-	1,113,535
Series C3 redeemable participating shares	-	-	7,360,778
Series C4 redeemable participating shares	-	-	10,698,063
<b>Increase in net assets per redeemable participating share:</b>			
Series A1 redeemable participating shares	0.73	-	-
Series A3 redeemable participating shares	1.09	-	-
Series B1 redeemable participating shares	-	0.54	-
Series B3 redeemable participating shares	-	0.64	-
Series C1 redeemable participating shares	-	-	0.36
Series C2 redeemable participating shares	-	-	0.38
Series C3 redeemable participating shares	-	-	0.39
Series C4 redeemable participating shares	-	-	0.08

## Royal Fidelity Bahamas Opportunities Fund Limited

### Notes to the Financial Statements

30 June 2021

(Continued)

(Expressed in Bahamian dollars)

#### 8. Financial Risk Management

The Trading Companies and the Funds engage in transactions that expose them to market risk (which includes price, currency and interest rate risks), credit risk and liquidity risk in the normal course of operations. The financial performance is affected by their abilities to understand and effectively manage these risks.

The Investment Manager is responsible for identifying and managing risks. The Directors monitor the Investment Manager and are ultimately responsible for the overall financial risk management of the Trading Companies and the Funds.

Monitoring and controlling risks is performed through the establishment of limits by the Directors, which reflect the business strategy, including the level of risk that the Trading Companies and the Funds are willing to accept and the market environment in which they operate. In addition, the Trading Companies and the Funds monitor and measure the overall level of risk in relation to the aggregate risk exposure across all risk types and activities.

The Funds invest solely in the Trading Companies that have investment objectives that are consistent with those of the Funds, which results in the Funds being indirectly exposed to market, credit and liquidity risks of the Trading Companies.

##### *Concentration of risks*

Concentration of risk indicates the relative sensitivity of the performance to developments affecting a particular industry or geographical location, and arises: when a significant proportion of financial instruments or contracts are entered into with the same counterparty; or where a significant proportion of counterparties are engaged in similar business activities, or activities in the same geographical region, or that have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of currency risk arises when the Trading Companies and the Funds have a significant net open position in a single foreign currency, or aggregate net open positions in several currencies that are historically positively correlated. Concentration of liquidity risk arises from the repayment terms of financial liabilities, sources of borrowing facilities or reliance on a particular market in which to realise liquid assets.

To mitigate excessive concentration of risk, the policies and procedures include specific guidelines to maintain appropriate diversification.

##### (a) Market risk

###### *Price risk*

Price risk is the risk that the fair values and/or amounts realised on sales of financial instruments may fluctuate significantly as a result of changes in market prices. Price risk arises from the Trading Companies' investments in debt securities, equity securities and investment funds and is managed through diversification of the portfolio, with asset allocation guidelines recommended by the Investment Manager and approved by the Directors.

The Trading Companies have significant geographical concentration risk because all of its financial assets are issued by entities domiciled in The Bahamas. Trading levels in The Bahamas, whether on the Bahamas International Securities Exchange or over-the-counter markets, are generally low and therefore, the ability of the Trading Companies to liquidate large positions may be difficult and prices received may be severely impacted. The Trading Companies also have investments in securities of private companies, for which there is a limited market.

## Royal Fidelity Bahamas Opportunities Fund Limited

### Notes to the Financial Statements

30 June 2021

(Continued)

(Expressed in Bahamian dollars)

#### 8. Financial Risk Management (Continued)

##### (a) Market risk (continued)

###### *Price risk (continued)*

The Central Bank of The Bahamas has created a secondary market for certain debt securities issued by the Government of The Bahamas, and prices currently being observed in this market and over-the-counter approximate the face values of such securities. Similarly, prices for fixed income securities in The Bahamas currently being observed approximate the face values of such securities. Accordingly, the fair values of current holdings of debt securities and other fixed income securities are not subject to significant price sensitivity.

As of 30 June 2021, TETC's level 2 equity securities would experience an increase/decrease in fair value of B\$3,913,529 (2020: B\$9,479,957) had they experienced a 6.00% (2020: 16.00%) change in market prices, based on the historical performance and reasonable expected future performance of the All Share Index of the Bahamas International Securities Exchange.

The Fund's investee funds would experience the following increases/decreases in fair value based on historical performance and reasonable expected future performance of the respective funds.

Trading Company/ Sub Fund	Investee Funds	Price Change		Increase/Decrease in Fair Value	
		2021 %	2020 %	2021 \$	2020 \$
Targeted Equity Trading Company Limited	Royal Fidelity Bahamas International Investment Fund Limited – Alternative Strategies Sub Fund	20.00	20.00	408,039	404,962
	Royal Fidelity Bahamas International Investment Fund Limited – High Yield Income Sub Fund	5.00	5.00	474,537	476,245
Targeted Equity Sub Fund	Colina Bond Fund Limited	5.00	5.00	53,865	53,865
	Royal Fidelity Bahamas Opportunities Fund Limited – Targeted Equity Trading Company Limited	12.00	12.00	3,123,725	2,817,575
Secure Balances Sub Fund	Royal Fidelity Bahamas Opportunities Fund Limited – Prime Income Trading Company Limited	15.00	15.00	6,654,255	6,244,218
	Royal Fidelity Bahamas Opportunities Fund Limited – Targeted Equity Trading Company Limited	12.00	12.00	5,210,788	4,745,083
Prime Income Sub Fund	Royal Fidelity Bahamas Opportunities Fund Limited – Prime Income Trading Company Limited	15.00	15.00	38,662,548	32,117,807

## Royal Fidelity Bahamas Opportunities Fund Limited

### Notes to the Financial Statements

30 June 2021

(Continued)

(Expressed in Bahamian dollars)

#### 8. Financial Risk Management (Continued)

##### (a) Market risk (continued)

###### *Currency risk*

Currency risk is the risk that the fair values and/or amounts realised on sales of financial instruments or the settlement of financial liabilities may fluctuate due to change in foreign exchange rates. The Fund is not exposed to currency risk, as their financial instruments along with financial activity, and those of the Trading Company, are all denominated in Bahamian dollars.

###### *Interest rate risk*

Fair value and cash flow interest rate risks are the risks that the fair values or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Funds are indirectly exposed to interest rate risk through its investment in the Trading Companies. The Trading Companies take on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both their fair value and cash flow risks through their financial assets.

The Trading Companies have elected not to hedge their exposures to cash flow interest rate risk, and accepts this risk in order to achieve their stated investment objectives. Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of financial assets and liabilities and future cash flow. The Trading Companies hold fixed interest securities that expose the Trading Companies to fair value interest rate risk. The Trading Companies also holds cash that expose the Trading Companies to cash flow interest rate risk. The Trading Companies' policy requires the Investment Manager to manage this risk by measuring the mismatch of the interest rate sensitivity gap of financial assets and liabilities and calculating the average duration of the portfolio of fixed interest securities. The average effective duration of the Trading Companies' portfolio is a measure of the sensitivity of the fair value of the Trading Companies fixed interest securities to changes in market interest rates.

The following table discloses the classes of financial assets and liabilities based on interest rate terms:

	<b>Prime Income Trading Company</b>	
	<b>2021</b>	<b>2020</b>
	\$	\$
<b>Financial assets</b>		
Corporate debt securities		
Fixed interest rates (5.50% – 8.50%)	151,809,913	156,453,399
Floating interest rates (B\$ Prime + 2.00%)	16,547,873	12,206,790
Government debt securities		
Fixed rate (1.75% – 7.00%)	29,908,233	28,907,073
Floating interest rates (B\$ Prime + 0.0156% – 1.625%)	14,990,823	13,884,013
Equity securities – preference shares		
Coupon rates (6%)	1,720,000	-
Floating interest rates (B\$ Prime + 1.5% – 2.25%)	<u>9,205,652</u>	<u>8,976,652</u>
Total financial assets at FVTPL	<u>224,182,494</u>	<u>220,427,927</u>
Loans and receivables		
Floating interest rates (B\$ Prime + 1.75%)	<u>4,603,064</u>	<u>4,890,107</u>
<b>Total financial assets subject to interest rate risk</b>	<b><u>228,785,558</u></b>	<b><u>225,318,034</u></b>

## Royal Fidelity Bahamas Opportunities Fund Limited

### Notes to the Financial Statements

30 June 2021

(Continued)

(Expressed in Bahamian dollars)

#### 8. Financial Risk Management (Continued)

##### (a) Market risk (continued)

###### *Interest rate risk (continued)*

As of 30 June 2021, an increase/decrease in B\$ Prime rate of 50 basis points, with all other variables remaining constant, would increase/decrease interest and preference share dividend income by B\$177,632 and B\$46,039 respectively (2020: B\$130,454 and B\$44,884).

No other Trading Companies and Funds have investments with interest rate risk.

##### (b) Credit risk

Credit risk is the risk that a counterparty will be unable or unwilling to meet a commitment that is entered into with the Trading Companies and the Funds.

The main concentration to which the Funds are exposed arises from the Prime Income Trading Company Limited's investments in debt securities. Prime Income Trading Company Limited's investment strategy exposes it to significant credit risk, as its financial assets are primarily fixed income securities and commercial loans with fixed maturity dates. Prime Income Trading Company Limited seeks to minimise their exposure to credit risk through investing principally in fixed income securities of, and commercial loans to, government entities and reputable public and private companies.

All transactions in listed securities are settled/paid for upon delivery. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

In accordance with the policy, the Investment Manager monitors the credit position of the Trading Companies and of the Funds on a monthly basis and the Management Investment Committee reviews it on a monthly basis.

At 30 June 2021 and 2020, cash at bank, of the Trading Companies and the Funds, are held with financial institutions in good standing with the Central Bank of The Bahamas and/or the Securities Commission of The Bahamas. 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 Trading Companies and the Funds.

###### *Credit risk measurement*

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Trading Companies and the Funds measure credit risk using the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring ECL under IFRS 9.

## Royal Fidelity Bahamas Opportunities Fund Limited

### Notes to the Financial Statements

30 June 2021

(Continued)

(Expressed in Bahamian dollars)

#### 8. Financial Risk Management (Continued)

##### (b) Credit risk (continued)

###### *Credit risk grading*

The Trading Companies and the Funds use internal credit risk ratings that reflects their assessment of the probability of default of individual counterparties. The Trading Companies and the Funds use internal rating models tailored to the various categories of counterparty. Loan specific information collected at the time of application is fed into the rating model. The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade.

For debt securities, external rating agency credit grades are used. These grades are continuously monitored and updated. The probability of default associated with each grade is determined based on realized default rates over the prior 12 months, as published by the rating agency. The Trading Companies' and the Funds' rating method comprises 25 rating levels for instruments not in default and five default classes. The master scale assigns each rating category a specified range of probabilities of default, which is stable over time. The rating methods are subject to an annual validation and recalibration so that they reflect the latest projections in the light of all actually observed defaults.

Given the bulk of the debt securities are held with government of the Bahamas and corporates domiciled in the Bahamas, the credit risk gradings applicable to these securities are in line with the credit risk grading of the Bahamas which is B+.

###### *ECL measurement*

IFRS 9 outlines a three stage model for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit impaired on initial recognition is classified in Stage 1 and has its credit quality continuously monitored by the Trading Companies and the Funds. Financial instrument in Stage 1 have their expected credit loss measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months.
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit impaired. Financial instruments in Stage 2 have their expected credit loss measured based on expected credit losses on a lifetime bases.
- If the financial instrument is credit impaired, the financial instrument is then moved to Stage 3. Financial instruments in Stage 3 have their expected credit loss measured based on expected credit losses on a lifetime bases.

## Royal Fidelity Bahamas Opportunities Fund Limited

### Notes to the Financial Statements

30 June 2021

(Continued)

(Expressed in Bahamian dollars)

#### 8. Financial Risk Management (Continued)

##### (b) Credit risk (continued)

The key judgements and assumptions adopted by the Trading Companies and the Funds in addressing the requirements of IFRS 9 are described below:

##### *Significant increase in credit risk*

The Trading Companies and the Funds consider a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

- Quantitative criteria

The borrower is more than 90 days past due on its contractual payments.

- Qualitative criteria

The borrower meets unlikelihood to pay criteria, which indicates the borrower is in significant financial difficulty, as evidenced by the following:

- The borrower is in breach of financial covenants.
- The borrower has entered significant financial difficulties as evidenced by default or delinquency in payments.
- It is probable that the borrower will enter into financial reorganization.

##### *Measurement of ECL*

The ECL is measured on either a 12 month or lifetime basis depending on whether a significant increase in credit risk has occurred since the initial recognition or whether an asset is considered to be credit impaired. Expected credit losses are the discounted product of the PD, EAD, and LGD defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation either over the next 12 months or over the remaining lifetime of the obligation.
- Exposure at default is based on the amounts the Trading Companies and the Funds expect to be owed at the time of default, over the next 12 months or over the remaining lifetime.
- LGD represents the Trading Companies' and the Funds' expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is calculated on a 12 month or lifetime basis, where 12 month loss given default is the percentage of loss expected to be made if the default occurs in the next 12 months and lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

## Royal Fidelity Bahamas Opportunities Fund Limited

### Notes to the Financial Statements

30 June 2021

(Continued)

(Expressed in Bahamian dollars)

#### 8. Financial Risk Management (Continued)

##### (b) Credit risk (continued)

###### *Measurement of ECL (Continued)*

The ECL is determined by projecting the probability of default, loss given default, and exposure at default for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival. This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12 month probability of default. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile on historical observed data and is assumed to be the same across the assets within a portfolio and credit grade band. This is supported by historical analysis.

The 12 month and lifetime exposure at default is determined based on the contractual repayments owed by the borrower over a 12 month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower.

The 12 month and lifetime loss given default is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.

###### *Forward looking information incorporated in the ECL models*

The assessment of SICR and the calculation of expected credit loss both incorporate forward looking information. The Trading Companies and the Funds have performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. These economic variables and their associated impact on the probability of default, exposure at default, and loss given default vary by financial instrument. Expert judgement has been applied in this process. Forecast of these economic variables provide the best estimate view of the economy over the next five years. The impact of these economic variables on the probability of default, exposure at default, and loss given default has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of loss given default and exposure at default.

As with any forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Funds consider these forecasts to represent its best estimate of the possible outcomes and is appropriately representative of the range of possible scenarios.

Other forward looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political change, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the expected credit loss for these factors.

## Royal Fidelity Bahamas Opportunities Fund Limited

### Notes to the Financial Statements

30 June 2021

(Continued)

(Expressed in Bahamian dollars)

#### 8. Financial Risk Management (Continued)

##### (b) Credit risk (continued)

The Trading companies and Sub funds has assessed ECL for cash at banks, loans and receivables and other financial assets at amortised cost, and such amounts based on the credit quality of the counterparties are immaterial. Accordingly, no allowances for impairment have been recognised.

##### (c) Liquidity risk

Liquidity risk is the risk that the Trading Companies and the Funds may not be able to generate sufficient cash resources to settle their obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Trading Companies and the Funds are exposed to monthly redemptions of redeemable participating shares, however their financial assets are generally longer term. The Funds have the ability to redeem its positions in the Trading Companies on a monthly basis to meet payment obligations, subject to the liquidity risk of the Trading Companies. Further, the Funds have the ability to borrow in the short term using its financial assets as collateral.

Targeted Equity Trading Company Limited has the ability to liquidate/redeem its positions on a daily basis for exchange traded securities, subject to concentration risk, and on a monthly basis for non-exchange traded investment funds to meet payment obligations, as financial assets are principally considered to be marketable and can be sold/redeemed in response to liquidity needs.

Prime Income Trading Company Limited has the ability to liquidate its positions in government debt securities through an established secondary market on relatively short notice and can liquidate other positions to meet payment obligations, subject to concentration risk.

## Royal Fidelity Bahamas Opportunities Fund Limited

### Notes to the Financial Statements

30 June 2021

(Continued)

(Expressed in Bahamian dollars)

#### 8. Financial Risk Management (Continued)

##### (c) Liquidity risk (continued)

Further, the Trading Companies have the ability to borrow in the short term using their financial assets as collateral.

The Trading Companies and the Funds have a line of credit with the Investment Manager up to 50.00% of the fair value of their financial assets, which incurs interest at a rate of 6.75% per annum to ensure settlement. No such borrowings have arisen during the year. The Funds have pledged their financial assets in support of this facility.

##### Targeted Equity Trading Company Limited

All financial liabilities are due on demand, however amounts owing to redeemable participating shareholders are not expected to be demanded in the short term as shareholders typically retain such shares for the medium to long term. All financial assets are current, and either due on demand or within one (1) month.

##### Prime Income Trading Company Limited

The maturity profile of Prime Income Trading Company with fixed maturity dates is disclosed below, and all other financial assets are due on demand or have no fixed maturity dates.

	≤1 year \$	>1 year, ≤5 years \$	>5 years \$	Total \$
<b>As at 30 June 2021</b>				
Corporate debt securities	14,324,399	45,101,300	108,932,087	168,357,786
Government debt securities	7,051,925	8,091,643	29,755,488	44,899,056
Loans and receivables	<u>304,657</u>	<u>1,417,780</u>	<u>2,880,627</u>	<u>4,603,064</u>
	<b><u>21,680,981</u></b>	<b><u>54,610,723</u></b>	<b><u>141,568,202</u></b>	<b><u>217,859,906</u></b>
<b>As at 30 June 2020</b>				
Corporate debt securities	5,837,327	39,518,593	123,304,269	168,660,189
Government debt securities	3,853,910	10,200,213	28,736,963	42,791,086
Loans and receivables	<u>286,914</u>	<u>1,335,415</u>	<u>3,267,778</u>	<u>4,890,107</u>
	<b><u>9,978,151</u></b>	<b><u>51,054,221</u></b>	<b><u>155,309,010</u></b>	<b><u>216,341,382</u></b>

##### Funds

All financial liabilities are due on demand, however amounts owing to Class A, Class B, and Class C redeemable participating shareholders are not expected to be demanded in the short term as shareholders typically retain such shares for the medium to long term. All financial assets are current, and either due on demand or within one (1) month.

## Royal Fidelity Bahamas Opportunities Fund Limited

### Notes to the Financial Statements

30 June 2021

(Continued)

(Expressed in Bahamian dollars)

#### 9. Fair Value of Financial Instruments

Financial instruments utilised comprise the recorded financial assets and liabilities disclosed in the financial statements. Financial instruments, for which the fair value hierarchy is not disclosed, are principally Level 2 in the fair value hierarchy.

#### 10. Capital Management

The capital of the Trading Companies and the Funds are represented by the net assets attributable to the holders of redeemable participating shares. The amount of net assets attributable to these shareholders can change significantly on a monthly basis, as the Trading Companies and the Funds are subject to monthly subscriptions and redemptions at the discretion of the shareholders. The Trading Companies' and the Funds's objective when managing capital is to safeguard the Trading Companies' and the Funds'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 Trading Companies and the Funds.

In order to maintain or adjust the capital structure, the Trading Companies and the Funds:

- monitor the level of monthly subscriptions and redemptions relative to financial assets they expect to be able to liquidate within one (1) month.
- issue new shares and redeems existing shares in accordance with the constitutional documents of the Trading Companies and the Funds, which include the ability to restrict redemptions and require certain minimum holdings and subscriptions.

The Directors and the Investment Manager monitor capital on the basis of the value of net assets attributable to redeemable participating shareholders.

#### 11. COVID-19

In December 2019, a novel strain of coronavirus, ("COVID-19"), surfaced in Wuhan, China. This virus continues to spread around the world, resulting in business and social disruption. COVID-19 was declared a global pandemic by the World Health Organization on 11 March 2020. The operations and business results of the Trading Companies and the Funds could be materially adversely affected. As the COVID-19 pandemic is ongoing and the near term worldwide economic outlook remains uncertain, we cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact our financial statements.

Management continues to monitor the performance of the assets held within the Trading Companies, including assessing for credit risk factors. Management is aware of the recent downgrade of The Bahamas Government and has evaluated the impact on Bahamian government securities. In addition, management monitors investments in the hospitality and transportation, given the heightened risk associated with those industries. Based on those evaluations, which included review of portfolio valuations subsequent to year-end, management does not believe the Trading Companies will experience a significant loss in value at this time.

Management does not believe there is any risk to the Trading Companies' and the Fund's ability to continue as a going concern for the foreseeable future from the reporting date linked to the COVID-19 pandemic.

**Royal Fidelity Bahamas Opportunities Fund Limited****Notes to the Financial Statements****30 June 2021****(Continued)****(Expressed in Bahamian dollars)****12. Subsequent events**

We have evaluated all significant activities through to the date these financial statements were available to be issued and concluded that no additional subsequent events occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

**13. Restatement of Prior Year Comparative Figures**

Restatements to the leveling were made in the prior year to reflect management's reassessment of their leveling policy as presented in the current year. Investment funds as at 31 December 2020 of \$2,025,892 and \$10,602,206 for TETC and PITC have been restated from Level 3 to Level 2 securities as their valuation is based on observable net asset values with subscriptions and redemptions available on a monthly basis. Corporate debt securities as at 31 December 2020 of \$32,781,130 for PITC have been restated from Level 3 to Level 2 as their valuation is based on par values and trades observed in the market. Investment entities – Trading Companies as at 31 December 2020 of \$23,479,788, \$81,170,480, and \$214,118,714 for TESH, SBSF, and PISF have been restated from Level 3 to Level 2 as their valuation is based on observable net asset values with subscriptions and redemptions available on a monthly basis.