

**Royal Fidelity (Barbados) Investment Fund Limited – Premium Income Fund**

**Financial Statements**

**For the year ended 30 June 2021**

## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders of Royal Fidelity (Barbados) Investment Fund Limited – Premium Income Fund

#### *Opinion*

We have audited the financial statements of Royal Fidelity (Barbados) Investment Fund Limited – Premium Income Fund (the Fund), which comprise the statement of financial position as of 30 June 2021, and the statements of comprehensive income, changes in net assets attributable to holders of Class B redeemable participating shares and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as of 30 June 2021 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### *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 are independent of the Group in accordance with the International Ethics Standards Board of Accountants’ (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Responsibilities of the Board of Directors for the Financial Statements*

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

In preparing the financial statements, management is responsible for assessing the Fund’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Fund’s financial reporting process.

#### *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.

## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders of Royal Fidelity (Barbados) Investment Fund Limited – Premium Income Fund

#### *Auditor's Responsibilities for the Audit of the Financial Statements (Continued)*

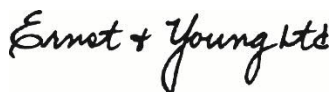
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

#### *Other Matter*

This report is made solely to the Fund's shareholders, as a body, in accordance with Section 32 of the Mutual Funds Act, 2002 of Barbados. Our audit work has been undertaken so that we might state to the Fund's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.



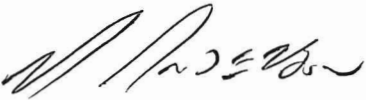
Barbados  
21 October 2021


**Royal Fidelity (Barbados) Investment Fund Limited – Premium Income Fund**  
**(Established under the laws of Barbados)**

**Statement of Financial Position**  
**As of 30 June 2021**  
**(Expressed in Barbados dollars)**

	2021	2020
	\$	\$
<b>ASSETS</b>		
Cash at bank [Note 5(e)]	-	21,821
Financial assets at fair value through profit or loss [Note 3]	30,769,234	27,204,231
Withholding taxes receivable	276,128	276,128
Redemptions paid in advance	68,216	-
Other assets	-	4,300
<b>Total assets</b>	<b>31,113,578</b>	<b>27,506,480</b>
<b>LIABILITIES</b>		
Margin credit facility [Note 5(e)]	46,942	-
Redemptions payable	-	4,130
Management fee payable [Note 5(a)]	19,420	17,716
Accrued expenses and other liabilities	12,200	8,400
Subscriptions received in advance	21,376	-
<b>Liabilities (excluding net assets attributable to holders of Class B redeemable participating shares)</b>	<b>99,938</b>	<b>30,246</b>
<b>Net assets attributable to holders of Class B redeemable participating shares [Note 4]</b>	<b>31,013,640</b>	<b>27,476,234</b>

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

  
 Director

  
 Director

19 October 2021  
 Date

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

# Royal Fidelity (Barbados) Investment Fund Limited – Premium Income Fund

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

	2021 \$	2020 \$
<b>INVESTMENT INCOME</b>		
Net change in unrealised appreciation of financial assets at fair value through profit or loss [Note 3]	1,567,623	847,228
Net realised gain on financial assets at fair value through profit or loss [Note 3]	<u>194,123</u>	<u>55,702</u>
<b>Total investment income</b>	<b><u>1,761,746</u></b>	<b><u>902,930</u></b>
<b>EXPENSES</b>		
Management fee [Note 5(a)]	218,447	203,748
Audit fees	3,100	10,528
Interest	-	-
Other	<u>22,378</u>	<u>18,058</u>
<b>Total expenses</b>	<b><u>243,925</u></b>	<b><u>232,334</u></b>
<b>Increase in net assets attributable to holders of Class B redeemable participating shares</b>	<b><u>1,517,821</u></b>	<b><u>670,596</u></b>
<b>Attributable to:</b>		
Series B1 redeemable participating shares	1,241,853	572,210
Series B3 redeemable participating shares	<u>275,968</u>	<u>98,386</u>
	<b><u>1,517,821</u></b>	<b><u>670,596</u></b>
<b>Increase in net assets per redeemable participating share [Note 6]</b>		
Series B1 redeemable participating shares	0.09	0.04
Series B3 redeemable participating shares	0.09	0.04

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

## Royal Fidelity (Barbados) Investment Fund Limited – Premium Income Fund

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

	2021		2020	
	Number of Shares	\$	Number of Shares	\$
<b>Series B1 Shares</b>				
Balance as of the beginning of the year	14,756,216	23,582,358	14,152,893	22,027,258
Subscriptions	986,483	1,625,397	1,204,257	1,948,232
Redemptions	(1,442,256)	(2,356,386)	(600,934)	(965,342)
Increase in net assets attributable to holders of Series B1 shares	-	1,241,853	-	572,210
<b>Balance as of the end of the year</b>	<b><u>14,300,443</u></b>	<b><u>24,093,223</u></b>	<b><u>14,756,216</u></b>	<b><u>23,582,358</u></b>
<b>Net asset value per share: \$1.68 (2020: \$1.60)</b>				
<b>Series B3 shares</b>				
Balance as of the beginning of the year	2,435,996	3,893,876	2,430,999	3,785,164
Subscriptions	1,689,492	2,781,292	198,997	321,238
Redemptions	(18,977)	(30,717)	(194,000)	(310,912)
Increase in net assets attributable to holders of Series B3 shares	-	275,966	-	98,386
<b>Balance as of the end of the year</b>	<b><u>4,106,511</u></b>	<b><u>6,920,417</u></b>	<b><u>2,435,996</u></b>	<b><u>3,893,876</u></b>
<b>Net asset value per share: \$1.68 (2020: \$1.60)</b>				
<b>Total net assets attributable to holders of Class B redeemable participating shares</b>		<b><u>31,013,640</u></b>		<b><u>27,476,234</u></b>

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

# Royal Fidelity (Barbados) Investment Fund Limited – Premium Income Fund

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

	2021 \$	2020 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Purchases of financial assets at fair value through profit or loss [Note 3]	(3,300,136)	(1,208,103)
Proceeds from sales of financial assets at fair value through profit or loss [Note 3]	1,496,879	448,448
Decrease/ (increase) in other assets	4,300	(1,250)
Payment of expenses	(242,550)	(214,618)
<b>Net cash used in operating activities</b>	<b>(2,041,507)</b>	<b>(975,523)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from subscriptions of Class B redeemable participating shares	4,428,062	2,269,470
Payments for redemptions of Class B redeemable participating shares	(2,455,318)	(1,278,107)
<b>Net cash from financing activities</b>	<b>1,972,744</b>	<b>991,363</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<b>(68,763)</b>	<b>15,840</b>
Cash and cash equivalents as of the beginning of the year	21,821	5,981
<b>Cash and cash equivalents as of the end of the year</b>	<b>(46,942)</b>	<b>21,821</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Cash at bank	-	21,821
Margin credit facility	(46,942)	-
	<b>(46,942)</b>	<b>21,821</b>

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

## **Royal Fidelity (Barbados) Investment Fund Limited – Premium Income Fund**

### **Notes to the Financial Statements For the year ended 30 June 2021 (Expressed in Barbados dollars)**

#### **1. General Information**

Royal Fidelity (Barbados) Investment Fund Limited – Premium Income Fund (the Fund) is a sub fund of Royal Fidelity (Barbados) Investment Fund Limited (the Umbrella Fund), which is incorporated under the Companies Act, 1982 of Barbados and is licensed as a mutual fund under the Mutual Funds Act, 2002.

The Fund 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 4]. The investment objective of the Fund is to provide long term, above average income and capital stability with a moderate level of investment risk, which it achieves by investing in Royal Fidelity (Barbados) Investment Fund Limited – Fixed Income Fund, an investment holding vehicle of the Umbrella Fund, that invests in a diversified portfolio of fixed income securities of entities domiciled principally in the Caribbean, including investment funds invested in such fixed income securities.

The Fund's Class B redeemable participating shares are listed for informational purposes, but not traded, on the Barbados Stock Exchange (BSE), and the registered office of the Umbrella Fund is located at Fidelity House, 27 Pine Road, St. Michael, Barbados. The Fund's activities are managed entirely by service providers [Note 5].

Other sub funds exist under the Umbrella Fund, and individual financial statements are prepared for each sub fund that can be obtained from the registered office of the Umbrella Fund.

#### **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**

The financial statements are prepared in accordance with International Financial Reporting Standards as promulgated by the International Accounting Standards Board (IASB), and under the historical cost convention, except as disclosed in the accounting policies below.

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 Fund's 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).

The ongoing COVID-19 pandemic has increased the estimation uncertainty in the preparation of the financial statements. The estimation uncertainty is associated with the extent and duration of disruption to business as a result of actions from consumers, businesses and governments to contain the spread of the virus and the extent and duration of the expected economic downturn in the economy. This includes forecasts for economic growth, unemployment, interest rates and inflation.

We however do not expect these disruptions to have a significant impact on our business, results of operations, financial condition, and cash flows.



## Royal Fidelity (Barbados) Investment Fund Limited – Premium Income Fund

### Notes to the Financial Statements For the year ended 30 June 2021 (Expressed in Barbados dollars)

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

##### (a) Basis of preparation (continued)

###### *New standards, amendments and interpretations adopted by the Fund*

Standards and amendments and interpretations to published standards that became effective for the Fund's financial year beginning on 1 July 2020 were either not relevant or not significant to the Fund's operations and accordingly did not have a material impact on the Fund's accounting policies or financial statements.

###### *Standards issued but not yet effective*

The application of new standards and amendments and interpretations to existing standards that have been published but are not yet effective are not expected to have a material impact on the Fund's accounting policies or financial statements in the financial period of initial application.

##### (b) Investment entity

The Fund meets the definition of an investment entity 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 fair value through profit or loss.

Management has determined that the Fund meets 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 Fund effects multiple investments through its holdings in Royal Fidelity (Barbados) Investment Fund Limited – Fixed Income Fund.

Accordingly, investments in subsidiaries and associates are recognised as financial assets at fair value through profit or loss and measured in accordance with the accounting policies disclosed in Note 2(e). These financial statements are the only financial statements presented by the Fund.

##### (c) Foreign currency translation

The financial statements are presented in Barbados dollars, which is the Fund's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing as of the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in 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 comprise 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.

## Royal Fidelity (Barbados) Investment Fund Limited – Premium Income Fund

### Notes to the Financial Statements For the year ended 30 June 2021 (Expressed in Barbados dollars)

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

##### (e) Financial assets at fair value through profit or loss

###### *Classification and Measurement of Financial Assets*

The Fund classifies its financial assets as financial assets at fair value through profit or loss (FVTPL). The classification and subsequent measurement of financial assets is determined based on the Fund's business model for managing the asset and the cash flow characteristics of the financial assets.

The business model assessment is that the Fund's financial assets are not held solely to collect the contractual cash flows from the financial assets or to collect both the contractual cash flows and cash flows arising from the sale of financial assets. As neither of these are applicable, because the financial assets are held for trading purposes, then the financial assets are classified as part of the 'other' IFRS 9 business model and measured at FVTPL.

The business model represents the Fund's objectives in managing financial assets. Factors considered by the Fund in determining the business model for a group of financial assets include: past experience regarding the manner in which the cash flows for the financial assets were collected; the manner in which the performance of financial assets is evaluated and reported to key management personnel; and the approach to assessing and managing risks associated with the financial assets; and where applicable, the compensation structure for personnel involved in the processes surrounding the financial assets.

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

The Fund measures financial assets at their fair value, Transaction costs of financial assets at fair value through profit or loss are expensed as incurred.

###### *Reclassification*

Financial assets are reclassified only when the business model for the relevant class of financial assets, as a whole, changes and such reclassification is prospective and is effective from the first financial period subsequent to the change in business model.

###### *Derecognition*

Financial assets are derecognized when the contractual rights to receive cash flows from the financial assets have expired or when the Fund has transferred substantially all risks and rewards of ownership. If the Fund has neither transferred nor retained substantially all the risks and rewards of ownership, an assessment is made whether the Fund has retained control of the financial assets.

Where the Fund has not retained control, financial assets are derecognized and any rights or obligations retained or created as part of the transaction are recognized as separate assets or liabilities. Alternatively, where the Fund has retained control, the Fund continues to recognize the financial assets to the extent of its continuing involvement in the financial assets.

## Royal Fidelity (Barbados) Investment Fund Limited – Premium Income Fund

### Notes to the Financial Statements For the year ended 30 June 2021 (Expressed in Barbados dollars)

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

##### (e) Financial assets at fair value through profit or loss (continued)

###### *Gains or losses*

Gains or losses arising from sales of financial assets are recognized in the statement of comprehensive income as a part of net income in the financial period in which they arise.

##### (f) Redeemable participating shares

The Fund issues 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 Fund at any time for cash equal to a proportionate share of the Fund's net asset value. The redeemable participating shares are carried at the redemption amount that would be payable as of the date of the statement of financial position if the holders were to exercise the right to put the shares back to the Fund.

Redeemable participating shares are issued and redeemed at the holder's option at prices based on the Fund's net asset value per share at the time of issue or redemption. The Fund's net asset value per share is calculated by dividing the net assets attributable to holders of redeemable participating shares with the total number of outstanding redeemable participating shares.

##### (g) 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 Fund estimates 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.

##### (h) Taxation

The Fund is licensed as an authorised mutual fund under the Mutual Funds Act, 2002 and is therefore not subject to corporate taxes on income derived from its investing activities, as all income is designated to be income of the redeemable participating shareholders. The Fund incurs withholding taxes imposed by certain countries on investment income and capital gains for investments domiciled in those countries. Such income and gains are recorded gross of withholding taxes in the statement of comprehensive income, and withholding taxes are shown as a separate line item.

## Royal Fidelity (Barbados) Investment Fund Limited – Premium Income Fund

### Notes to the Financial Statements For the year ended 30 June 2021 (Expressed in Barbados dollars)

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

##### (i) Corresponding figures

Where necessary, corresponding figures are adjusted to conform with changes in presentation in the current period.

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

The Fund ranks its financial assets 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 Fund's 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 Fund considers relevant and observable market prices in its 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 Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

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.

## Royal Fidelity (Barbados) Investment Fund Limited – Premium Income Fund

### Notes to the Financial Statements For the year ended 30 June 2021 (Expressed in Barbados dollars)

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

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, including investment entities.

	2021 \$	2020 \$
<i>Level 3</i>		
Investment entities	30,769,234	27,204,231
<b>Total</b>	<b>30,769,234</b>	<b>27,204,231</b>

As of 30 June 2021, the cost of financial assets at fair value through profit or loss is \$26,073,553 (2020: \$24,076,173).

Movements in Level 3 securities comprise:

	2021 \$	2020 \$
Balance as of the beginning of the year	27,204,231	25,541,646
Purchases	3,300,136	1,208,103
Sales	(1,496,879)	(448,448)
Net realised gain	194,123	55,702
Net change in unrealised appreciation	1,567,623	847,228
<b>Balance as of the end of the year</b>	<b>30,769,234</b>	<b>27,204,231</b>

Investment entities comprise the investment in the shares of Royal Fidelity (Barbados) Investment Fund Limited – Fixed Income Fund (the Fixed Income Sub Fund). As of 30 June 2021, the Fund owned 24,223,929 (2020: 22,782,205) shares of the Fixed Income Sub Fund, representing 65.92% (2020: 64.03%) of total outstanding shares.

The financial position and performance of the Fixed Income Sub Fund are disclosed in the attached financial statements.

## Royal Fidelity (Barbados) Investment Fund Limited – Premium Income Fund

### Notes to the Financial Statements For the year ended 30 June 2021 (Expressed in Barbados dollars)

#### 4. Share Capital

The authorised share capital of the Fund is unlimited, and currently comprises non-voting Class B redeemable participating shares (redeemable participating shares). Redeemable participating shares fully participate in the profits and losses of the Fund. The Class B redeemable participating shares are divided into three (3) series of shares: B1, B2 and B3, and each of B1 and B3 were initially issued at \$1.36 per share. Thereafter, the 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 as of the 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%. The minimum initial investment is \$1,000 with a minimum subsequent investment of \$250.

Income and expenses (other than expenses attributable to a specific series) are allocated to each series of Class B redeemable participating shares based on their relative NAV. Class B redeemable participating shares may be redeemed at the holder's option, upon giving fifteen (15) days prior written notice, at the NAV per share as of the valuation date less a redemption fee of up to 2.00% for Series B1 and B2 (minimum of \$50); no redemption fee is applicable to Series B3. 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.

As of 30 June 2021, related parties owned 3,365,362 (2020: 3,228,977) Series B1 shares and 4,054,184 (2020: 1,668,569) Series B3 shares.

#### 5. Related Party Balances and Transactions

The Fund does not have employees and its 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 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 24 November 2008, Royal Fidelity Merchant Bank & Trust (Barbados) Limited (the Investment Manager), a bank incorporated and licensed in Barbados, serves as the Fund's investment manager. The Investment Manager is responsible for the implementation of the Fund's investment strategy and has sole responsibility for the investing and reinvesting of the Fund's assets.

The Investment Manager is entitled to a management fee of 0.75% per annum of the NAV of each Series, payable monthly in arrears. The management fee covers administration and custody fees; accordingly, such fees are included in management fee in the statement of comprehensive income.

The Investment Manager is also entitled to receive an incentive fee if the performance of the Fund exceeds the target rate set by the Directors from time to time (the benchmark rate), which is set by reference to the commercial bank upper lending prime rate published by the Central Bank of Barbados. Should the NAV per share on a valuation date exceed the highest NAV per share on a previous valuation date in the last twelve (12) months plus the cumulative benchmark rate for each of the months since that point in time, the Investment Manager is entitled to an incentive fee equal to twenty percent (20%) of the excess return. For the purposes of calculating the incentive fee, NAV per share is the amount calculated after deducting management fees and before incentive fee.

## Royal Fidelity (Barbados) Investment Fund Limited – Premium Income Fund

### Notes to the Financial Statements For the year ended 30 June 2021 (Expressed in Barbados dollars)

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

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

The management fee expense during the period totaled \$180,182 and \$38,265 (2020: \$174,495 and \$29,253) for Series B1 and Series B3, respectively. There were no incentive fees for Series B1 and Series B3 charged for the years ended 2021 and 2020.

##### (b) Administration

Pursuant to an agreement with the Umbrella Fund dated 24 November 2008, Royal Fidelity Capital Markets (Barbados) Limited (the Administrator), a company incorporated and licensed in Barbados, serves as the Fund's administrator. The Administrator is entitled to an administration fee, which is paid out of the management fee.

##### (c) Custody

Pursuant to an agreement with the Umbrella Fund dated 24 November 2008, Royal Bank of Canada Financial Corporation (the Custodian), a bank incorporated and licensed in Barbados and an affiliate of the Investment Manager, serves as the Fund's primary custodian and escrow agent. The Custodian is entitled to a custodian fee, which is paid out of the management fee.

##### (d) Directors and officers

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

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

The Fund has demand deposit accounts with the Investment Manager, which do not earn interest. As of 30 June 2021, the balances totaled \$Nil (2020: \$21,821). The Fund did not earn interest income on the deposits during the current and prior years.

The Fund has a line of credit of \$1,500,000 with the Investment Manager, which incurs interest at a rate of 6.00% per annum. The Fund has pledged its financial assets in support of this margin credit facility. As of 30 June 2021, the margin balance totaled \$46,942 (2020: \$Nil). Interest expense incurred on the facility during the year totaled \$Nil (2020: \$Nil).

##### (f) Other

The Fund has other related party balances and transactions through its investment in the Fixed Income Sub Fund, the financial statements of which are attached.

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

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. The weighted average number of outstanding Series B1 and B3 redeemable participating shares during the year amounted to 14,300,443 and 3,086,632 (2020: 14,374,404 and 2,408,721), respectively.

## Royal Fidelity (Barbados) Investment Fund Limited – Premium Income Fund

### Notes to the Financial Statements For the year ended 30 June 2021 (Expressed in Barbados dollars)

#### 7. Financial Risk Management

The Fund engages in transactions that expose it to market risk (which includes price, currency and interest rate risks), credit risk and liquidity risk in the normal course of operations. The Fund's financial performance is affected by its ability to understand and effectively manage these risks.

The Fund's 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 Fund.

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 Fund is willing to accept and the market environment in which the Fund operates. In addition, the Fund monitors and measures the overall level of risk in relation to the aggregate risk exposure across all risk types and activities.

The Fund invests solely in the Fixed Income Sub Fund that has an investment objective that is consistent with that of the Fund, which results in the Fund being indirectly exposed to market, credit and liquidity risks of the Fixed Income Sub Fund. These risks are disclosed in Note 6 of the attached financial statements of the Fixed Income Sub Fund.

#### *Concentration of risks*

Concentration of risk indicates the relative sensitivity of the Fund's 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 Fund has 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 Fund's 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. The price risk of the portfolio of financial assets is managed through diversification of the investment portfolio of the Fixed Income Sub Fund. The asset allocation guidelines of the Fund and the Fixed Income Sub Fund are recommended by the Investment Manager and approved by the Directors.

##### *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 indirectly exposed to currency risk through its investment in the Fixed Income Sub Fund.



## Royal Fidelity (Barbados) Investment Fund Limited – Premium Income Fund

### Notes to the Financial Statements For the year ended 30 June 2021 (Expressed in Barbados dollars)

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

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

###### *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 Fund is indirectly exposed to interest rate risk through its investment in the Fixed Income Sub Fund.

##### (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 Fund. The Fund is exposed to credit risk both indirectly through its investment in the Fixed Income Sub Fund, and directly through cash balances and securities held in custody, which are placed with financial institutions in good standing with the relevant regulators.

##### (c) Liquidity risk

Liquidity risk is the risk that the Fund is unable to meet its payment obligations associated with its financial liabilities when they come due. The Fund is exposed to monthly redemptions of Class B redeemable participating shares, however its financial assets are generally longer term. The Fund has the ability to redeem its positions in the Fixed Income Sub Fund on a monthly basis to meet payment obligations, subject to the liquidity risk of the Fixed Income Sub Fund. Further, the Fund has the ability to borrow in the short term using its financial assets as collateral.

All financial liabilities are due on demand, however amounts owing to Class B 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.

#### 8. Fair Value of Financial Instruments

Financial instruments utilised by the Fund comprise the recorded financial assets and liabilities disclosed in the financial statements. The Fund's financial instruments are principally short term in nature, have interest rates that reset to market rates, or are carried at fair value; accordingly, their fair values approximate their carrying values.

#### 9. Capital Management

The capital of the Fund is 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 Fund is subject to monthly subscriptions and redemptions at the discretion of the shareholders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for shareholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

## **Royal Fidelity (Barbados) Investment Fund Limited – Premium Income Fund**

**Notes to the Financial Statements**  
**For the year ended 30 June 2021**  
**(Expressed in Barbados dollars)**

### **9. Capital Management (Continued)**

In order to maintain or adjust the capital structure, the Fund:

- monitors the level of monthly subscriptions and redemptions relative to financial assets it expects to be able to liquidate within one (1) month.
- issues new shares and redeems existing shares in accordance with the constitutional documents of the Fund, which include the ability to restrict redemptions and require certain minimum holdings and subscriptions.

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

**Royal Fidelity (Barbados) Investment Fund Limited – Fixed  
Income Fund**

**Financial Statements**

**For the year ended 30 June 2021**

## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders of Royal Fidelity (Barbados) Investment Fund Limited – Fixed Income Fund

#### *Opinion*

We have audited the financial statements of Royal Fidelity (Barbados) Investment Fund Limited – Fixed Income Fund (the Fund), which comprise the statement of financial position as of 30 June 2021, and the statements of comprehensive income, changes in net assets attributable to holders of redeemable participating shares and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as of 30 June 2021 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### *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 are independent of the Fund in accordance with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Responsibilities of Management and the Board of Directors for the Financial Statements*

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

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Fund's financial reporting process.

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

## **INDEPENDENT AUDITOR'S REPORT (Continued)**

### **To the Shareholders of Royal Fidelity (Barbados) Investment Fund Limited – Fixed Income Fund**

#### *Auditor's Responsibilities for the Audit of the Financial Statements (Continued)*

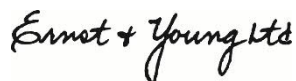
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

#### *Other Matter*

This report is made solely to the Fund's shareholders, as a body, in accordance with Section 32 of the Mutual Funds Act, 2002 of Barbados. Our audit work has been undertaken so that we might state to the Fund's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.




Barbados  
21 October 2021


**Royal Fidelity (Barbados) Investment Fund Limited – Fixed Income Fund**  
(Established under the laws of Barbados)

**Statement of Financial Position**  
**As of 30 June 2021**  
(Expressed in Barbados dollars)

	2021 \$	2020 \$
<b>ASSETS</b>		
Cash and cash equivalents	1,082,307	1,053,731
Financial assets at fair value through profit or loss [Note 3]	45,439,532	41,277,928
Withholding taxes receivable	<u>179,388</u>	<u>178,888</u>
<b>Total assets</b>	<u><b>46,701,227</b></u>	<u><b>42,510,547</b></u>
<b>LIABILITIES</b>		
Accrued expenses and other liabilities	23,000	23,500
Subscriptions received in advance	<u>-</u>	<u>-</u>
<b>Liabilities (excluding net assets attributable to holders of redeemable participating shares)</b>	<u><b>23,000</b></u>	<u><b>23,500</b></u>
<b>Net assets attributable to holders of redeemable participating shares [Note 4]</b>	<u><u><b>46,678,227</b></u></u>	<u><u><b>42,487,047</b></u></u>

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

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

19 October 2021  
\_\_\_\_\_  
Date

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

# Royal Fidelity (Barbados) Investment Fund Limited – Fixed Income Fund

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

	2021 \$	2020 \$
<b>INVESTMENT INCOME</b>		
Interest	1,025,570	1,396,294
Dividend [Note 5(f)]	-	36,794
Net realised loss on financial assets at fair value through profit or loss	(4,992)	(1,108,462)
Net change in unrealised appreciation of financial assets at fair value through profit or loss	1,739,151	1,214,017
<b>Total investment income</b>	<b>2,759,729</b>	<b>1,538,643</b>
<b>EXPENSES</b>		
Interest [Note 5 (e)]	455	7,159
Audit fees	37,577	23,222
Other	2,443	11,868
<b>Total expenses</b>	<b>40,475</b>	<b>42,249</b>
<b>Increase in net assets attributable to holders of redeemable participating shares</b>	<b>2,719,254</b>	<b>1,496,394</b>

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

## Royal Fidelity (Barbados) Investment Fund Limited – Fixed Income Fund

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

	2021		2020	
	Number of Shares	\$	Number of Shares	\$
Balance as of the beginning of the year	35,579,490	42,487,047	36,201,077	41,728,113
Subscriptions	2,789,308	3,456,773	996,389	1,208,102
Redemptions	(1,619,531)	(1,984,847)	(1,617,976)	(1,945,562)
Increase in net assets attributable to holders of redeemable participating shares	-	2,719,254	-	1,496,394
<b>Balance as of the end of the year</b>	<b><u>36,749,267</u></b>	<b><u>46,678,227</u></b>	<b><u>35,579,490</u></b>	<b><u>42,487,047</u></b>
<b>Net asset value per share: \$1.27 (2020: \$1.19)</b>				

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



# Royal Fidelity (Barbados) Investment Fund Limited – Fixed Income Fund

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

	2021 \$	2020 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Purchases of financial assets at fair value through profit or loss	(3,565,333)	(3,573,907)
Proceeds from sales of financial assets at fair value through profit or loss	1,206,441	4,921,946
Net (increase)/ decrease in withholding taxes receivable	(500)	33,869
Interest received	957,017	1,469,487
Dividends received	-	69,794
Interest paid	(455)	(7,159)
Payment of expenses	(40,520)	(35,090)
<b>Net cash (used in)/ from operating activities</b>	<b>(1,443,350)</b>	<b>2,878,940</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from subscriptions of redeemable participating shares	3,456,773	1,208,102
Payments for redemptions of redeemable participating shares	(1,984,847)	(1,945,562)
<b>Net cash from/ (used in) financing activities</b>	<b>1,471,926</b>	<b>(737,460)</b>
<b>Net increase in cash and cash equivalents</b>	<b>28,576</b>	<b>2,141,480</b>
Cash and cash equivalents as of the beginning of the year	1,053,731	(1,087,749)
<b>Cash and cash equivalents as of the end of the year</b>	<b>1,082,307</b>	<b>1,053,731</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Cash at bank	1,082,307	1,053,731
	<b>1,082,307</b>	<b>1,053,731</b>

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

## Royal Fidelity (Barbados) Investment Fund Limited – Fixed Income Fund

### Notes to the Financial Statements For the year ended 30 June 2021 (Expressed in Barbados dollars)

#### 1. General Information

Royal Fidelity (Barbados) Investment Fund Limited – Fixed Income Fund (the Fund) is an investment holding vehicle for Royal Fidelity (Barbados) Investment Fund Limited (the Umbrella Fund), which is incorporated under the Companies Act, 1982 of Barbados and is licensed as a mutual fund under the Mutual Funds Act, 2002.

The Fund's investment objective is to provide long term, above average income and capital stability with a moderate level of investment risk, which it achieves by investing in a diversified portfolio of fixed income securities of entities domiciled principally in the Caribbean, including investment funds invested in such fixed income securities.

The registered office of the Umbrella Fund is located at Fidelity House, 27 Pine Road, St. Michael, Barbados. The Fund's activities are managed entirely by the Umbrella Fund's service providers [Note 5].

Sub funds exist under the Umbrella Fund, and individual financial statements are prepared for each sub fund that can be obtained from the registered office of the Umbrella Fund.

#### 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

The financial statements are prepared in accordance with International Financial Reporting Standards as promulgated by the International Accounting Standards Board (IASB), and under the historical cost convention, except as disclosed in the accounting policies below.

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 Fund's 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).

The ongoing COVID-19 pandemic has increased the estimation uncertainty in the preparation of the financial statements. The estimation uncertainty is associated with the extent and duration of disruption to business as a result of actions from consumers, businesses and governments to contain the spread of the virus and the extent and duration of the expected economic downturn in the economy. This includes forecasts for economic growth, unemployment, interest rates and inflation.

We however do not expect these disruptions to have a significant impact on our business, results of operations, financial condition, and cash flows.

##### *New standards, amendments and interpretations adopted by the Fund*

Standards and amendments and interpretations to published standards that became effective for the Fund's financial year beginning on 1 July 2020 were either not relevant or not significant to the Fund's operations and accordingly did not have a material impact on the Fund's accounting policies or financial statements.

## Royal Fidelity (Barbados) Investment Fund Limited – Fixed Income Fund

### Notes to the Financial Statements For the year ended 30 June 2021 (Expressed in Barbados dollars)

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

##### (a) Basis of preparation (continued)

###### *Standards issued but not yet effective*

The application of new standards and amendments and interpretations to existing standards that have been published but are not yet effective are not expected to have a material impact on the Fund's accounting policies or financial statements in the financial period of initial application.

##### (b) Investment entity

The Fund meets the definition of an investment entity 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 fair value through profit or loss.

Management has determined that the Fund meets 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 Fund effects multiple investments through its holdings in fixed income securities and investment funds.

Accordingly, investments in subsidiaries and associates are recognised as financial assets at fair value through profit or loss and measured in accordance with the accounting policies disclosed in Note 2(e). These financial statements are the only financial statements presented by the Fund.

##### (c) Foreign currency translation

The financial statements are presented in Barbados dollars (BBD), which is the Fund's functional and presentation currency. The Fund's investment activities are conducted principally in BBD and United States dollars (US\$).

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing as of the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in 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 comprise 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.

## Royal Fidelity (Barbados) Investment Fund Limited – Fixed Income Fund

### Notes to the Financial Statements For the year ended 30 June 2021 (Expressed in Barbados dollars)

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

##### (e) Financial assets at fair value through profit or loss

###### *Classification and Measurement of Financial Assets*

The Fund classifies its financial assets as financial assets at fair value through profit or loss (FVTPL). The classification and subsequent measurement of financial assets is determined based on the Fund's business model for managing the asset and the cash flow characteristics of the financial assets.

The business model assessment is that the Fund's financial assets are not held solely to collect the contractual cash flows from the financial assets or to collect both the contractual cash flows and cash flows arising from the sale of financial assets. As neither of these are applicable, because the financial assets are held for trading purposes, then the financial assets are classified as part of the 'other' IFRS 9 business model and measured at FVTPL.

The business model represents the Fund's objectives in managing financial assets. Factors considered by the Fund in determining the business model for a group of financial assets include: past experience regarding the manner in which the cash flows for the financial assets were collected; the manner in which the performance of financial assets is evaluated and reported to key management personnel; and the approach to assessing and managing risks associated with the financial assets; and where applicable, the compensation structure for personnel involved in the processes surrounding the financial assets.

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

The Fund measures financial assets at their fair value. Transaction costs of financial assets at fair value through profit or loss are expensed as incurred. Regular way purchases and sales of financial assets are recognized on the trade date – the date on which the Fund commits to originate, purchase or sell the asset.

###### *Reclassification*

Financial assets are reclassified only when the business model for the relevant class of financial assets, as a whole, changes and such reclassification is prospective and is effective from the first financial period subsequent to the change in business model.

###### *Derecognition*

Financial assets are derecognized when the contractual rights to receive cash flows from the financial assets have expired or when the Fund has transferred substantially all risks and rewards of ownership. If the Fund has neither transferred nor retained substantially all the risks and rewards of ownership, an assessment is made whether the Fund has retained control of the financial assets.

Where the Fund has not retained control, financial assets are derecognized and any rights or obligations retained or created as part of the transaction are recognized as separate assets or liabilities. Alternatively, where the Fund has retained control, the Fund continues to recognize the financial assets to the extent of its continuing involvement in the financial assets.

## Royal Fidelity (Barbados) Investment Fund Limited – Fixed Income Fund

### Notes to the Financial Statements For the year ended 30 June 2021 (Expressed in Barbados dollars)

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

##### (e) Financial assets at fair value through profit or loss (continued)

###### *Gains or losses*

Gains or losses arising from sales of financial assets are recognized in the statement of comprehensive income as a part of net income in the financial period in which they arise.

##### (f) Redeemable participating shares

The Fund issues 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 Fund at any time for cash equal to a proportionate share of the Fund's net asset value. The redeemable participating shares are carried at the redemption amount that would be payable as of the date of the statement of financial position if the holders were to exercise the right to put the shares back to the Fund.

Redeemable participating shares are issued and redeemed at the holder's option at prices based on the Fund's net asset value per share at the time of issue or redemption. The Fund's net asset value per share is calculated by dividing the net assets attributable to holders of redeemable participating shares with the total number of outstanding redeemable participating shares.

##### (g) 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 Fund estimates 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.

##### (h) Taxation

The Fund is licensed as an authorised mutual fund under the Mutual Funds Act, 2002 and is therefore not subject to corporate taxes on income derived from its investing activities, as all income is designated to be income of the redeemable participating shareholders. The Fund's operations do not subject it to taxation in any other jurisdiction.

## Royal Fidelity (Barbados) Investment Fund Limited – Fixed Income Fund

### Notes to the Financial Statements For the year ended 30 June 2021 (Expressed in Barbados dollars)

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

##### (i) Corresponding figures

Where necessary, corresponding figures are adjusted to conform with changes in presentation in the current period.

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

The Fund ranks its financial assets 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 Fund's 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 Fund considers relevant and observable market prices in its 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 Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

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.

## Royal Fidelity (Barbados) Investment Fund Limited – Fixed Income Fund

### Notes to the Financial Statements For the year ended 30 June 2021 (Expressed in Barbados dollars)

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

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, including investment funds.

The table below discloses all securities by class.

Units/Nominal Value			2021	2020
			\$	\$
<b>Investment Funds</b>				
<i>Level 3</i>				
577,052	563,077	Royal Fidelity International Investment Fund Limited – Targeted Income Sub Fund	15,067,971	14,737,980
<b>Total Investment Funds</b>			<b>15,067,971</b>	<b>14,737,980</b>
<b>Corporate Debt Securities</b>				
<i>Level 2</i>				
-	1,000,000	Cave Shepherd & Co. Limited 3.25% Due 31/08/2020	-	1,000,000
6,000,000	6,000,000	N.S.R. Ltd. 5% Secured Bond Maturing Sep 30 2029	5,900,400	6,000,000
5,000,000	5,000,000	Williams Industry Tranche 4 5.25% June 2023	5,197,000	5,184,000
1,100,000	1,100,000	Williams Industry Tranche 6 5.25% December 2024	1,149,610	1,122,990
625,000	750,000	Williams Renewable Energy Ltd. Series C 4.5% Amortizing Jun 30 2026	654,438	750,000
250,000	-	BOSS 5% Bond Due September 2024	250,000	-
250,000	-	BOSS 5% Bond Due October 2024	250,000	-
250,000	-	BOSS 5% Bond Due November 2024	250,000	-
250,000	-	BOSS 5% Bond Due December 2024	250,000	-
1,000,000	-	Cave Shepherd & Co. Limited 3.75% Due 31/08/2022	1,000,000	-
500,000	-	Williams Renewable Energy Ltd. Series B 4% 31/12/2024	500,000	-
479,167	-	Williams Renewable Energy Ltd. Series C 5% 31/12/2032	479,167	-
			15,880,615	14,056,990
<i>Level 3</i>				
7,840,000	7,840,000	Needham's Point Holdings 6.75% Jan. 7 2021	6,958,000	5,958,400
			6,958,000	5,958,400
<b>Total Corporate Debt Securities</b>			<b>22,838,615</b>	<b>20,015,390</b>

## Royal Fidelity (Barbados) Investment Fund Limited – Fixed Income Fund

Notes to the Financial Statements  
For the year ended 30 June 2021  
(Expressed in Barbados dollars)

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

		<b>Government Debt Securities</b>	
		<i>Level 3</i>	
495,465	495,465	Barbados Revenue Authority Withholding Tax Recoverable Securitized 4.335%	460,249
1,412,682	1,110,641	Government of Barbados Debt Exchange Series B Bond 31/12/2033	1,253,756
5,943,350	5,943,350	Government of Barbados Debt Exchange Series D Bond 31/8/2053	4,298,825
535,700	535,700	Government of Barbados 6.5% 10/01/2029	
		22/11/2019 Oppenheimer and Co Inc.	1,082,114
-	32,800	Government of Barbados 6.5% 01/01/2021	
		22/11/2019 Oppenheimer and Co Inc.	-
		<b>Total Government Debt Securities</b>	<b>7,094,944</b>
		<b>Total – all levels</b>	<b>45,001,530</b>
		Accrued interest	438,002
		<b>Total</b>	<b>45,439,532</b>
			<b>41,277,928</b>



## Royal Fidelity (Barbados) Investment Fund Limited – Fixed Income Fund

### Notes to the Financial Statements For the year ended 30 June 2021 (Expressed in Barbados dollars)

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

As of 30 June 2021, the cost of financial assets at fair value through profit or loss is \$45,415,525 (2020: \$43,061,564), of which \$29,711,358 (2020: \$29,211,562) represents Level 3 securities.

Movements in Level 3 securities comprise:

	<b>Investment funds \$</b>	<b>Corporate debt securities \$</b>	<b>Government debt securities \$</b>	<b>Total \$</b>
Balance as of 1 July 2020	14,737,980	5,958,400	6,155,109	26,851,489
Purchases	367,693	-	197,641	565,334
Sales	-	-	(60,608)	(60,608)
Net realised gain	-	-	(4,992)	(4,992)
Net change in unrealised appreciation/(depreciation)	<u>(37,702)</u>	<u>999,600</u>	<u>807,794</u>	<u>1,769,692</u>
<b>Balance as of 30 June 2021</b>	<b><u>15,067,971</u></b>	<b><u>6,958,000</u></b>	<b><u>7,094,944</u></b>	<b><u>29,120,915</u></b>

	<b>Investment funds \$</b>	<b>Corporate debt securities \$</b>	<b>Government debt securities \$</b>	<b>Total \$</b>
Balance as of 1 July 2019	11,579,269	-	5,759,136	17,338,405
Transfers from Level 2	-	7,840,000	-	7,840,000
Purchases	2,436,907	-	1,137,000	3,573,907
Sales	-	-	(3,996,946)	(3,996,946)
Net realised gain	-	-	1,108,462	1,108,462
Net change in unrealised appreciation/depreciation	<u>721,804</u>	<u>(1,881,600)</u>	<u>2,147,457</u>	<u>987,661</u>
<b>Balance as of 30 June 2020</b>	<b><u>14,737,980</u></b>	<b><u>5,958,400</u></b>	<b><u>6,155,109</u></b>	<b><u>26,851,489</u></b>

The cost of securities transferred to Level 3 totaled \$Nil (2020: \$7,618,128). Investment funds comprise the investments in redeemable participating shares of related party funds [Note 5].

#### 4. Share Capital

The authorised share capital of the Fund is unlimited, and currently comprises non-voting redeemable participating shares (redeemable participating shares). Redeemable participating shares fully participate in the profits and losses of the Fund

## **Royal Fidelity (Barbados) Investment Fund Limited – Fixed Income Fund**

### **Notes to the Financial Statements For the year ended 30 June 2021 (Expressed in Barbados dollars)**

#### **4. Share Capital (Continued)**

The redeemable participating shares were initially issued at \$1.00 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 as of the 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 as of the valuation date.

As of 30 June 2021 and 2020, all of the redeemable participating shares are owned by Premium Income Fund and Select Balanced Fund (the sub funds), which are sub funds of the Umbrella Fund.

#### **5. Related Party Balances and Transactions**

The Fund does not have employees and its 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 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 24 November 2008, Royal Fidelity Merchant Bank & Trust (Barbados) Limited (the Investment Manager), a bank incorporated and licensed in Barbados, serves as the Fund's investment manager. The Investment Manager is responsible for the implementation of the Fund's investment strategy and has sole responsibility for the investing and reinvesting of the Fund's assets.

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

##### **(b) Administration**

Pursuant to an agreement with the Umbrella Fund dated 24 November 2008, Royal Fidelity Capital Markets (Barbados) Limited (the Administrator), a company incorporated and licensed in Barbados, serves as the Fund's administrator. The Administrator is entitled to an administration fee, which is paid out of the management fee.

##### **(c) Custody**

Pursuant to an agreement with the Umbrella Fund dated 24 November 2008, Royal Bank of Canada Financial Corporation (the Custodian), a bank incorporated and licensed in Barbados and an affiliate of the Investment Manager, serves as the Fund's primary custodian and escrow agent. The Custodian is entitled to a custodian fee, which is paid out of the management fee.

##### **(d) Directors and officers**

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

## Royal Fidelity (Barbados) Investment Fund Limited – Fixed Income Fund

### Notes to the Financial Statements For the year ended 30 June 2021 (Expressed in Barbados dollars)

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

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

The Fund has demand deposit accounts with the Investment Manager, which do not earn interest. As of 30 June 2021, the balances totaled \$1,082,307 (2020: \$1,053,731).

The Fund has a line of credit of with the Investment Manager up to 50.00% of the fair value of its financial assets, which incurs interest at a rate of 6.00% per annum. The Fund has pledged its financial assets in support of this margin credit facility. As of 30 June 2021 and 2020, the balance totaled \$Nil. Interest expense incurred on the facility during the year totaled \$455 (2020: \$7,159).

##### (f) Financial assets at fair value through profit or loss

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

	2021 \$	2020 \$
<i>Investment funds</i>		
Royal Fidelity International Investment Fund Limited – Targeted Income Sub Fund	15,067,971	14,737,980
	<u>15,067,971</u>	<u>14,737,980</u>

Dividend income earned during the year on these financial assets totaled \$Nil (2020: \$36,794).

#### 6. Financial Risk Management

The Fund engages in transactions that expose it to market risk (which includes price, currency and interest rate risks), credit risk and liquidity risk in the normal course of operations. The Fund's financial performance is affected by its ability to understand and effectively manage these risks.

The Fund's 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 Fund.

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 Fund is willing to accept and the market environment in which the Fund operates. In addition, the Fund monitors and measures the overall level of risk in relation to the aggregate risk exposure across all risk types and activities.

## Royal Fidelity (Barbados) Investment Fund Limited – Fixed Income Fund

### Notes to the Financial Statements For the year ended 30 June 2021 (Expressed in Barbados dollars)

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

##### (a) Market risk

###### *Concentration of risks*

Concentration of risk indicates the relative sensitivity of the Fund's 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 Fund has 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 Fund's policies and procedures include specific guidelines to maintain appropriate diversification.

###### *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 Fund's investments in equity securities, debt 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 effect on the fair value of financial assets at fair value through profit or loss due to changes in market prices of 1.00%, with all other variables held constant, is as follows:

	2021 \$	2020 \$
Corporate debt securities	228,386	200,154
Investment funds	150,680	147,380
Government debt securities	70,949	61,551
	<u>450,015</u>	<u>409,085</u>

The Fund has significant geographical concentration risk, with approximately 66.52% (2020: 63.97%) of the financial assets at fair value through profit or loss representing issuers of securities domiciled in Barbados and 33.48% (2020: 36.03%) representing issuers of securities domiciled in the Commonwealth of The Bahamas. Further, the Fund's investments in government debt securities principally comprise debt securities issued by the Government of Barbados.

## Royal Fidelity (Barbados) Investment Fund Limited – Fixed Income Fund

### Notes to the Financial Statements For the year ended 30 June 2021 (Expressed in Barbados dollars)

#### 6. 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 directly exposed to currency risk through its investments in financial assets at fair value through profit or loss denominated in US\$. However, this risk is mitigated because the BBD: US\$ exchange rate is fixed at 2:1.

(Expressed in Barbados dollars)	BBD \$	US\$ \$	Total \$
<b>As of 30 June 2021</b>			
Financial assets at fair value through profit or loss	<u>30,371,561</u>	<u>15,067,971</u>	<u>45,439,532</u>
	<b><u>30,371,561</u></b>	<b><u>15,067,971</u></b>	<b><u>45,439,532</u></b>
<b>As of 30 June 2020</b>			
Financial assets at fair value through profit or loss	<u>26,539,949</u>	<u>14,737,979</u>	<u>41,277,928</u>
	<b><u>26,539,949</u></b>	<b><u>14,737,979</u></b>	<b><u>41,277,928</u></b>

###### *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 Fund takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its fair value risk through its cash at bank and financial assets at fair value through profit or loss, which earn interest at fixed rates. The Fund has elected not to hedge its exposure to fair value interest rate risk, and considers it to be minimal, as it maintains cash solely for liquidity purposes.

The Fund also takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its cash flow risk through its financial assets at fair value through profit or loss, which earn interest/coupons at interest rates based on market interest rates or have short terms to maturity. The Fund has elected not to hedge its exposure to cash flow interest rate risk, and considers it to be minimal, as the respective securities represent 0.00% of total financial assets for 2021 and 2020.

The Fund's corporate debt securities earn interest at fixed rates ranging from 3.25% to 6.75% (2020: 3.25% to 6.75%) per annum, and its government debt securities earn interest at fixed rates ranging from 1% to 6.5% (2020: 1.00% to 6.50%) per annum.

## Royal Fidelity (Barbados) Investment Fund Limited – Fixed Income Fund

### Notes to the Financial Statements For the year ended 30 June 2021 (Expressed in Barbados dollars)

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

##### (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 Fund. The Fund's investment strategy exposes it to significant credit risk, as its financial assets are primarily fixed income securities with fixed maturity dates. The Fund seeks to minimise its exposure to credit risk through investing principally in fixed income securities of government entities and reputable public and private companies. Further, cash balances and securities held in custody are placed with financial institutions in good standing with the relevant regulators.

Maximum credit exposure at the year-end approximates the carrying value of all financial assets. The classes of financial instruments to which the Fund is most exposed to credit risk are investments in corporate debt securities and government debt securities (Note 3) and cash at banks.

##### (c) Liquidity risk

Liquidity risk is the risk that the Fund is unable to meet its payment obligations associated with its financial liabilities when they come due. The Fund is exposed to monthly redemptions of redeemable participating shares, however its financial assets are generally longer term. The Fund has the ability to liquidate/redeem its debt securities positions on relatively short notice, 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. Further, the Fund has the ability to borrow in the short term using its financial assets as collateral.

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. The maturity profile of financial assets with fixed maturity dates is disclosed below. All other financial assets are due on demand or have no fixed maturity dates.

	Less than 1 year \$	1 to 5 years \$	Over 5 years \$	Total \$
<b>As of 30 June 2021</b>				
Corporate debt securities	6,958,000	9,501,048	6,379,567	22,838,615
Government debt securities	-	-	7,094,944	7,094,944
	<u><b>6,958,000</b></u>	<u><b>9,501,048</b></u>	<u><b>13,474,511</b></u>	<u><b>29,933,559</b></u>
<b>As of 30 June 2020</b>				
Corporate debt securities	1,000,000	12,265,390	6,750,000	20,015,390
Government debt securities	-	-	6,155,109	6,155,109
	<u><b>1,000,000</b></u>	<u><b>12,265,390</b></u>	<u><b>12,905,109</b></u>	<u><b>26,170,499</b></u>

## **Royal Fidelity (Barbados) Investment Fund Limited – Fixed Income Fund**

### **Notes to the Financial Statements For the year ended 30 June 2021 (Expressed in Barbados dollars)**

#### **7. Fair Value of Financial Instruments**

Financial instruments utilised by the Fund comprise the recorded financial assets and liabilities disclosed in the financial statements. The Fund's financial instruments are principally short term in nature, have interest rates that reset to market rates, or are carried at fair value; accordingly, their fair values approximate their carrying values.

Financial instruments, for which the fair value hierarchy is not disclosed, are principally Level 2 in the fair value hierarchy.

#### **8. Capital Management**

The capital of the Fund is 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 Fund is subject to monthly subscriptions and redemptions at the discretion of the shareholders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for shareholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

In order to maintain or adjust the capital structure, the Fund:

- monitors the level of monthly subscriptions and redemptions relative to financial assets it expects to be able to liquidate within one (1) month.
- issues new shares and redeems existing shares in accordance with the constitutional documents of the Fund, which include the ability to restrict redemptions and require certain minimum holdings and subscriptions.

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