

**CAYMAN NATIONAL PENSION FUND**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2015**

**CAYMAN NATIONAL PENSION FUND**

**FINANCIAL STATEMENTS**

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## **Independent auditor's report**

### **To the Board of Trustees of Cayman National Pension Fund**

#### **Report on the financial statements**

We have audited the accompanying financial statements of Cayman National Pension Fund (the "Plan"), which comprise the statement of net assets available to participants for benefits as at September 30, 2015 and the statements of comprehensive income, changes in net assets available to participants for benefits and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these 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.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Plan as at September 30, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

March 31, 2016

**CAYMAN NATIONAL PENSION FUND**

**STATEMENT OF NET ASSETS AVAILABLE TO PARTICIPANTS FOR BENEFITS**

**AS AT SEPTEMBER 30, 2015**

(Expressed in Cayman Islands dollars)

	<u>September 30,</u>	
	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and cash equivalents (Notes 3 and 9)	1,395,068	432,858
Due from broker (Note 9)	785,575	124,018
Financial assets at fair value through profit or loss (Notes 4 and 12)	41,820,175	44,135,280
Loans and receivables (Note 5)	1,243,501	1,665,535
Dividend receivables	59,347	52,676
Other receivables	56,465	-
Investments made in advance (Note 8)	<u>569,527</u>	<u>-</u>
 Total assets	 <u>45,929,658</u>	 <u>46,410,367</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses (Note 6)	120,300	71,336
Prepaid contributions	285,726	301,982
Redemptions payable	<u>173,486</u>	<u>286,638</u>
 Liabilities (excluding net assets available to participants for benefits)	 <u>579,512</u>	 <u>659,956</u>
 <b>Net assets available to participants for benefits (Note 8)*</b>	 <u><u>\$45,350,146</u></u>	 <u><u>\$45,750,411</u></u>
 Net asset value per unit (Note 8)		
Participating Units		
\$44,780,619 / 23,152,985.26 units (2014: 45,740,411 / 23,040,846.08 units)	\$ <u>1.934</u>	\$ <u>1.986</u>
RSA Side Pocket Units		
\$569,527 / 569,527.02 units (2014: Nil)	\$ <u>1.000</u>	\$ <u>-</u>

\* Net assets available to participants for benefits are classified as financial liabilities as at September 30, 2015 and as equity as at September 30, 2014.

Approved for issuance on behalf of Cayman National Fund Services Ltd. by:

Susan Levy

Ileana Ebanks

March 31, 2016

March 31, 2016

Approved for issuance on behalf of the Cayman National Pension Fund's Board of Trustees by:

Stuart Dack

Raquel Eden

March 31, 2016

March 31, 2016

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

**CAYMAN NATIONAL PENSION FUND**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**YEAR ENDED SEPTEMBER 30, 2015**

(Expressed in Cayman Islands dollars)

	Year ended September 30,	
	2015	2014
<b>Revenue</b>		
Interest income	203,098	249,168
Dividend income	649,981	585,038
Net realised losses on investments	(206,426)	(4,706)
Net realised losses on foreign currency transactions	(20,083)	(15,201)
Net change in unrealised (depreciation)/appreciation on investments	<u>(1,181,723)</u>	<u>3,346,144</u>
Total revenue	<u>(555,153)</u>	<u>4,160,443</u>
<b>Expenses</b>		
Administrator fees (Note 7)	294,081	274,926
Audit fees	39,800	30,413
Government fees	75,240	38,860
Trustee fees	2,250	2,250
Sundry	<u>46,933</u>	<u>44,556</u>
Total expenses	<u>458,304</u>	<u>391,005</u>
Withholding tax on dividends	<u>173,002</u>	<u>156,842</u>
<b>Net (decrease)/increase in net assets available to participants for benefits/net comprehensive income</b>	<u>\$ (1,186,459)</u>	<u>\$ 3,612,596</u>

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

**CAYMAN NATIONAL PENSION FUND**

**STATEMENT OF CHANGES IN NET ASSETS AVAILABLE TO PARTICIPANTS FOR BENEFITS**

**YEAR ENDED SEPTEMBER 30, 2015**

(Expressed in Cayman Islands dollars)

	Year ended September 30,	
	<u>2015</u>	<u>2014</u>
<b>Net (decrease)/increase in net assets available to participants for benefits/net comprehensive income</b>	<u>(1,186,459)</u>	<u>3,612,596</u>
<b>Contributions and transfers in</b>		
Employers - contributions and transfers in	2,048,178	1,816,064
Employees - contributions and transfers in	<u>1,869,088</u>	<u>1,765,166</u>
Total contributions and transfers in	<u>3,917,266</u>	<u>3,581,230</u>
Benefits paid to holders of units and transfers out	<u>(3,131,072)</u>	<u>(2,956,384)</u>
<b>Net (decrease)/increase in net assets available to participants for benefits</b>	(400,265)	4,237,442
<b>Net assets available to participants for benefits, beginning of year*</b>	<u>45,750,411</u>	<u>41,512,969</u>
<b>Net assets available to participants for benefits, end of year*</b>	<u>\$ 45,350,146</u>	<u>\$45,750,411</u>

\* During the year ended September 30, 2014, net assets available to participants for benefits are classified as equity and classified as financial liabilities as at August 1, 2015 (Note 2).

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

**CAYMAN NATIONAL PENSION FUND**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED SEPTEMBER 30, 2015**

(Expressed in Cayman Islands dollars)

	Year ended September 30,	
	<u>2015</u>	<u>2014</u>
<b>Cash flows from operating activities</b>		
Net (decrease)/increase in net assets available to participants for benefits/net comprehensive income	(1,186,459)	3,612,596
Adjustments to reconcile net (decrease)/increase in net assets from operations available to participants for benefits to net cash provided by operating activities:		
Amortization of bond premium and discount	129,159	106,049
Net realised losses on financial assets and liabilities at fair value	206,426	4,706
Net change in unrealised depreciation/(appreciation) on financial assets and liabilities at fair value through profit and loss	1,181,723	(3,240,095)
Increase in due from broker	(661,557)	(105,980)
Decrease in loans and receivables	422,034	489,698
Decrease in interest receivable	13,096	29,546
Increase in dividend receivable	(6,671)	(5,074)
Increase in other receivables	(56,465)	-
Increase in accounts payable and accrued expenses	<u>48,964</u>	<u>24,114</u>
Net cash provided by operating activities	<u>90,250</u>	<u>915,560</u>
<b>Cash flows from investing activities</b>		
Purchase of investments	(3,314,525)	(7,978,150)
Proceeds from sale of investments	<u>3,529,699</u>	<u>6,217,774</u>
Net cash provided by/(used) in investing activities	<u>215,174</u>	<u>(1,760,376)</u>
<b>Cash flows from financing activities</b>		
Employer contributions	2,039,533	1,820,793
Employee contributions	1,861,477	1,779,503
Benefits paid to participants and transfers out	<u>(3,244,224)</u>	<u>(2,869,633)</u>
Net cash provided by financing activities	<u>656,786</u>	<u>746,373</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	962,210	(98,443)
<b>Cash and cash equivalents, beginning of year</b>	<u>432,858</u>	<u>531,301</u>
<b>Cash and cash equivalents, end of year</b>	\$ <u>1,395,068</u>	\$ <u>432,858</u>
<b>Supplementary information on cash flows from operating activities</b>		
Interest received	\$ <u>311,371</u>	\$ <u>377,906</u>
Dividends received (gross)	\$ <u>643,310</u>	\$ <u>579,965</u>
Withholding tax paid	\$ <u>(173,002)</u>	\$ <u>(156,842)</u>

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

**CAYMAN NATIONAL PENSION FUND**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2015**

(Expressed in Cayman Islands dollars)

**1. Description of the Plan**

**General:** The Cayman National Pension Fund (the “Plan”) is a defined contribution pension plan that commenced operations on June 1, 1997. The Plan replaced the Cayman National Corporation Pension Fund defined benefit plan and was formed in anticipation of new regulatory requirements under the National Pensions Law of the Cayman Islands. The revised Law and regulations were issued on July 21, 1998. The Plan was registered under the National Pensions Law (the “Law”) with the Office of the Superintendent of Pensions (Registration number OSP4/03/B/002) with effect from June 1, 1998. The registered office of the Plan is Suite 6201, 62 Forum Lane, Camana Bay P.O. Box 30239, Grand Cayman KY1-1201.

The Plan was formed by Declaration of Trust (the “Trust Deed”) by four directors of Cayman National Trust Co. Ltd. (“CNT”) on June 9, 1998 for the sole purpose of providing pension benefits to the beneficiaries in accordance with the Plan. CNT was appointed the administrator of the Plan by the Board of Trustees (“the Trustees”). The Plan is administered by Cayman National Fund Services Ltd. (“the Administrator”). The Administrator and CNT are wholly owned subsidiaries of Cayman National Corporation Ltd.

At September 30, 2015, 20.46% (2014: 19.09%) of the membership comprised employees of the Cayman National Group of Companies. Other members include unitholders located in the Cayman Islands.

**Description of the Plan:** The Plan is a defined contribution plan whereby amounts provided at retirement for each member of the Plan are based on the accumulated contributions made on the member's behalf and accumulated investment earnings on those contributions after deduction of administrative expenses. Employees can voluntarily make additional contributions.

**Contributions:** As outlined in the Law, members of the Plan generally contribute at least 5% of earnings. Employers are required to match the employee's contributions up to 5% of the annual pensionable earnings.

**Vesting:** Members are immediately vested with their contributions and the employer's matching contributions, together with the actual earnings thereon.

**Retirement benefits:** The normal retirement date shall not be later than one year after a person has attained sixty years of age. Upon retirement or termination of employment, members are entitled to deferred benefits in accordance with the Law and may require the Administrator to pay an amount equal to the commuted value of such benefits:

1. to another pension plan; or
2. into a prescribed retirement savings arrangement (an “RSA”); or
3. for the purchase of life annuity; or
4. to the member, if the commuted value is less than \$5,000

Early retirement is available at age 50 under the Plan.

On August 1, 2015, the Plan established a side pocket class of units (the “RSA side pocket”) to manage an RSA within the existing structure of the Plan (see Note 8).

**Refund options:** Refund options available to holders of participating units comprise the following:

1. transfer funds to another pension provider;
2. to the member, upon termination of employment if the commuted value is less than \$5,000;
3. to the member, if the commuted value is greater than \$5,000 and all of the following conditions have been met:
  - a member's employment is terminated and
  - the member ceases to reside in the Cayman Islands for a period of two years or
  - if no contributions have been made to a pension plan by or on behalf of the member for a period of two years they can request refund after they cease to reside in the Cayman Islands for a period of six months.



**CAYMAN NATIONAL PENSION FUND**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2015**

(Expressed in Cayman Islands dollars)

**1. Description of the Plan (continued)**

**Transfer options:** The Cayman Islands Pensions Law was amended in November 2011 to allow members to withdraw up to \$35,000 from their pension plan to purchase a home, construct a home, pay off an existing mortgage or purchase a parcel of residential land. During the year, approximately \$131,242 (2014: \$228,061) was withdrawn in relation to this amendment.

**2. Significant accounting policies**

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

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Trustees to exercise its judgment in the process of applying the Plan’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

All references to net assets throughout this document refer to net assets available to participants for benefits unless otherwise stated.

**Standards and amendments to existing standards effective October 1, 2014:** There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning October 1, 2014 that would be expected to have a material impact on the Plan.

**New standards, amendments and interpretations issued but not effective for the financial year beginning October 1, 2014 and not early adopted:** A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after October 1, 2014, and have not been applied in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Plan.

**Cash and cash equivalents:** Cash and cash equivalents comprise of all cash and short-term deposits with original maturities of three months or less.

**Financial assets and liabilities at fair value through profit or loss:** Investments classified as held for trading securities are categorized as financial assets or liabilities at fair value through profit or loss. Financial assets and financial liabilities at fair value through profit or loss are initially recognized at fair value, which is considered the cost basis of the security. The Plan records security transactions on a trade date basis, recognizing the cost or sales proceeds of securities sold or purchased on an average cost basis. Realized and unrealized gains or losses are recorded in the statement of comprehensive income as revenue. Securities are valued on the last day of each month (“Valuation Day”) at fair value, using data provided by one or more reputable third party pricing vendors which is in turn based upon (1) prices quoted on the exchange upon which such securities are traded, (2) valuation models using observable market inputs, or (3) prices quoted by the principal market makers for non-exchange traded investments. The fair value of investments held in other funds are determined based on the attributable net asset value reported by the administrator or Investment Manager of that fund, which represents the price at which the Plan could dispose of its holding on any given valuation date.

## CAYMAN NATIONAL PENSION FUND

### NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

(Expressed in Cayman Islands dollars)

#### **2. Significant accounting policies (continued)**

**Loans and receivables:** Investments classified as loans and receivables are recorded at amortised cost less any impairment loss recognized to reflect unrecoverable amounts. Fixed deposits and debt securities with original terms to maturity which exceed 3 months that are non-derivative financial assets with fixed and determinable payments and are not quoted in an active market are classified as loans and receivables. The Plan records these investment transactions on a trade date basis. Transaction costs are expensed as incurred and have been included in other expenses.

**Investment income:** Interest is accounted for using the effective interest method. The amortisation of any premiums and discounts on acquisition of investments is included within interest income.

**Dividend income:** Dividend income is recognised at the time the income becomes receivable (the "ex-dividend" date).

**Contributions:** Units for contributions received are issued by the Plan on the first day of the month following the month of receipt ("Trading Day"). Unit allocations are based on the net asset value of the Plan, calculated on Trading Day and are issued or redeemed on the Trading Day. Title to contributions passes to the Plan when the funds representing both employee and employer contributions are received by the Plan. Under section 49.1 of the Law, the employer is deemed to hold employee and employer contributions due to the Plan in trust for the employees. Contributions received prior to Trading Day are recorded as prepaid contributions.

**Expenses and benefit payments:** Expenses and benefit payments are accounted for on the accrual basis.

**Foreign currencies:** Foreign currency assets and liabilities are translated into Cayman Islands dollars at the rate of exchange ruling at the year end date. Foreign currency income and expenditure items are converted to Cayman Islands dollars at the rate of exchange ruling on the date of the transaction. The Plan does not isolate that portion of the results of operations resulting from unrealised changes in foreign exchange rates on investments from the unrealised gains/losses arising from changes in value of securities held. Gains and losses on foreign currencies are included in the statement of operations.

**Functional and presentation currency:** Items included in the Plan's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Cayman Islands Dollar, which reflects the Plan's currency of contributions receipts and benefit payments and the economic environment of its members. In addition, the Plan has adopted the Cayman Islands Dollar as its presentation currency. Unless otherwise stated, all balances and transactions presented and disclosed in these financial statements are stated in Cayman Islands Dollars.

**Income taxes:** There are currently no income, profits or capital gains taxes in the Cayman Islands. The Plan may be subject to withholding tax on investment income in other jurisdictions.

**Net assets available to participants for benefits:** As at September 30, 2014 the Plan classified its puttable instruments as equity in accordance with IAS 32 (Amendment), 'Financial instruments: Presentation, which requires puttable financial instruments that meet the definition of a financial liability to be classified as equity where certain strict criteria are met. Those criteria include:

- . the puttable instruments must entitle the holder to a pro-rata share of net assets;
- . the puttable instruments must be the most subordinated class and class features must be identical;
- . there must be no contractual obligations to deliver cash or another financial asset other than the obligation on the issuer to repurchase; and
- . the total expected cash flows from the puttable instrument over its life must be based substantially on the profit or loss of the issuer.

**CAYMAN NATIONAL PENSION FUND**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2015**

(Expressed in Cayman Islands dollars)

**2. Significant accounting policies (continued)**

**Net assets available to participants for benefits (continued)**

These conditions were met until the RSA Side Pocket was created on August 1, 2015(Note 8), at which point the participating units were no longer the sole unit class in the Plan. As a result, net assets available to participants for benefits were classified as liabilities as of August 1, 2015.

**3. Cash and cash equivalents**

Cash and cash equivalents at September 30, 2015 and 2014 comprise the following:

	<u>2015</u>	<u>2014</u>
Current accounts (Note 9)	<u>1,395,068</u>	<u>432,858</u>
	<u>\$1,395,068</u>	<u>\$ 432,858</u>

**CAYMAN NATIONAL PENSION FUND**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2015**

(Expressed in Cayman Islands dollars)

**4. Financial assets at fair value through profit and loss**

The following investments were held by the Plan at September 30, 2015:

**Equities/ Mutual Funds**

<u>Units</u>	<u>Security</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Percentage of total assets</u>
13,256.83	ASIA TIGERS FUND INC	137,685	101,081	0.22%
5,000.00	BERKSHIRE HATHAWAY INC	369,482	543,333	1.18%
11,418.13	BIAS GLOBAL EQUITIES FUND	833,333	889,187	1.94%
72,273.00	CARIBBEAN UTILITIES CO	613,428	632,389	1.38%
145,716.00	CAYMAN NATIONAL CORP LTD	324,210	236,789	0.52%
6,335.00	CHINA FUND INC	134,618	83,992	0.18%
22,897.00	CONSOLIDATED WATER CO., LTD	147,322	221,338	0.48%
3,300.00	CONSUMER DISCRETIONARY SELECT SECTOR SPDR FUND	80,822	204,215	0.44%
14,988.00	GLOBAL X NORWAY 30 ETF	167,552	127,647	0.28%
8,600.00	HEALTH CARE SELECT SECTOR SPDR FUND	207,893	474,648	1.03%
2,600.00	I SHARES S&P GLOBAL	179,424	149,912	0.33%
9,776.00	ISHARES FTSE/XINHUA	349,511	288,962	0.63%
8,769.00	ISHARES MSCI AUSTRAL	167,517	130,950	0.29%
6,900.00	ISHARES MSCI BRAZIL	356,137	126,213	0.27%
14,294.00	ISHARES MSCI CANADA	333,479	273,968	0.60%
7,000.00	ISHARES MSCI EMERGING MARKET	260,132	191,217	0.42%
6,455.00	ISHARES MSCI GERMANY	167,534	133,081	0.29%
19,600.00	ISHARES MSCI JAPAN	167,554	186,690	0.41%
15,352.00	ISHARES MSCI SWITZERLAND	334,814	391,348	0.85%
16,495.00	ISHARES TR-MSCI EAFE INDEX	877,984	787,911	1.72%
6,743.00	ISHARES TR-RUSSELL 2000	376,284	613,613	1.34%
1,500.00	ISHARES TR-DJ US FINL SVC	135,513	106,850	0.23%
62.48	L& C GERMAN REAL ESTATE	76,876	9,110	0.02%
17.62	L & C UK PUBLIC SECTOR REAL ESTATE	32,926	3,046	0.01%
17.00	L& C EUR REAL ESTATE	18,747	6,546	0.01%
250,000.00	MAN BLUECREST	208,333	331,042	0.72%
17,325.00	SPDR S&P MIDCAP 400 ETF TRUST	1,303,394	3,593,349	7.82%
7,200.00	MS INDIA INVEST FUND	182,529	158,280	0.34%
23,814.00	NASDAQ 100 TR	1,149,783	2,019,427	4.40%
21,165.00	POWERSHARES INDIA	370,980	349,752	0.76%
37,964.00	SPDR DOW JONES INDUS	3,375,952	5,144,755	11.20%
60,436.00	S& P DEPOSITORY RECEIPTS	5,957,521	9,651,126	21.00%
2,600.00	TEMPLETON DRAGON FUND	42,812	40,473	0.09%
11,648.00	SELECT SECTOR SPDR AMEX UTILITIES	418,791	420,202	0.91%
1,476.00	VANGUARD ENERGY ETF	167,498	104,255	0.23%
		<u>20,028,370</u>	<u>28,726,697</u>	<u>62.54%</u>

**CAYMAN NATIONAL PENSION FUND**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2015**

(Expressed in Cayman Islands dollars)

**4. Financial assets at fair value through profit and loss (continued)**

The following investments were held by the Plan at September 30, 2015:

**Fixed Income Securities**

<u>Par Value</u>	<u>Security</u>	<u>Interest</u>	<u>Maturity</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Percentage of total assets</u>
225,000.00	ABN AMRCO BANK	4.25%	2/2/2017	193,855	194,310	0.42%
200,000.00	AETNA INC	1.50%	11/15/2017	167,309	166,902	0.36%
200,000.00	ALTERA CORP	1.75%	5/15/2017	168,213	167,490	0.36%
150,000.00	AMERICAN EXPRESS	1.30%	7/29/2016	125,633	125,368	0.27%
200,000.00	AMERICAN EXPRESS CR	2.13%	7/27/2018	168,834	168,125	0.37%
150,000.00	ANNEUSER-BUSCH INBV	1.38%	7/15/2017	125,388	124,975	0.28%
200,000.00	AT&T INC	2.38%	11/27/2018	169,321	168,622	0.37%
250,000.00	AUST & NZ BANK	3.25%	3/1/2016	208,970	210,548	0.46%
500,000.00	BAIDU INC	2.25%	11/28/2017	421,7667	417,646	0.91%
222,000.00	BARCLAYS BANK PLC	5.00%	9/22/2016	191,380	191,593	0.42%
150,000.00	BERKSHIRE HATHAWAY F	1.60%	5/15/2017	126,172	126,330	0.28%
250,000.00	BK OF NOVA SCOTIA	1.38%	12/18/2017	207,210	208,963	0.45%
250,000.00	BK OF NOVA SCOTIA	2.15%	8/3/2016	213,240	210,877	0.46%
250,000.00	CATERPILLAR FIN	1.25%	11/6/2017	208,953	208,117	0.45%
250,000.00	COMWEALTH BK OF AUST	3.25%	3/17/2016	216,060	210,865	0.46%
250,000.00	DUPONT EI DE NEMOURS	1.95%	1/15/2016	208,020	208,983	0.46%
200,000.00	EATON CORP	1.50%	11/2/2017	167,306	166,300	0.36%
250,000.00	FREDDIE MAC	4.75%	11/17/2015	208,893	207,906	0.45%
200,000.00	FREDDIE MAC	5.25%	4/18/2016	168,918	171,230	0.37%
250,000.00	GENERAL ELECTRIC	1.60%	11/20/2017	209,597	211,367	0.46%
250,000.00	GENERAL ELECTRIC	2.30%	4/27/2017	211,458	213,871	0.47%
400,000.00	HSBC USA INC	1.81%	11/14/2023	334,021	333,333	0.73%
250,000.00	ING BANK NV	4.00%	3/15/2016	210,743	211,475	0.46%
150,000.00	INTEL CORP	1.35%	12/15/2017	124,908	125,464	0.27%
250,000.00	JP MORGAN CHASE	3.00%	10/29/2020	215,345	214,831	0.47%
250,000.00	JP MORGAN CHASE	5.15%	10/1/2015	208,333	208,415	0.45%
150,000.00	JPMORGAN CHASE	2.00%	8/15/2017	126,335	126,014	0.27%
250,000.00	KELLOGS CO	4.15%	11/15/2019	215,921	223,244	0.49%
250,000.00	KFW	0.63%	12/15/2016	208,535	208,517	0.45%
250,000.00	KOREA ELECTRIC POWER	3.00%	10/5/2015	211,883	208,367	0.45%
230,000.00	MACQUIRE GRP	4.88%	8/10/2017	198,899	201,049	0.44%
239,000.00	MORGAN STANLEY	3.45%	11/2/2015	199,456	199,205	0.43%
200,000.00	NIPPON TEL & TEL NTT	1.40%	7/18/2017	167,314	166,842	0.36%

**CAYMAN NATIONAL PENSION FUND**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2015**

(Expressed in Cayman Islands dollars)

**4. Financial assets at fair value through profit and loss (continued)**

The following investments were held by the Plan at September 30, 2015 (continued):

**Fixed Income Securities**

<u>Par Value</u>	<u>Security</u>	<u>Interest</u>	<u>Maturity</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Percentage of total assets</u>
200,000.00	ORACLE CORP	5.75%	4/15/2018	179,116	184,180	0.40%
225,000.00	PITNEY BOWES INC	5.75%	9/15/2017	194,848	203,175	0.44%
470,000.00	PRO OF NEW BRUNSWICK	2.75%	6/15/2018	406,022	407,878	0.89%
487,000.00	PROVINCE OF ONTARIO	1.60%	9/21/2016	410,216	409,677	0.89%
250,000.00	PROVINCE OF ONTARIO	1.20%	2/14/2018	207,330	208,885	0.45%
250,000.00	PROVINCE OF ONTARIO	1.10%	10/25/2017	206,958	208,702	0.45%
250,000.00	REPUBLIC OF AUSTRIA	1.75%	6/17/2016	214,284	210,360	0.46%
500,000.00	ROYAL BANK OF CANADA	0.79%	9/9/2016	418,361	417,750	0.92%
250,000.00	ROYAL BANK OF CANADA	1.00%	10/18/2018	208,654	204,225	0.44%
500,000.00	ROYAL BANK OF CANADA	0.80%	4/30/2018	417,209	412,667	0.90%
250,000.00	ROYAL BANK OF CANADA	0.50%	10/31/2016	208,522	206,952	0.45%
250,000.00	ROYAL BANK OF CANADA	2.00%	9/30/2020	208,854	207,292	0.45%
250,000.00	SHELL INT FIN	4.30%	9/22/2019	216,902	226,223	0.49%
494,000.00	SHERWIN WILLIAMS CO	1.35%	9/22/2019	413,710	411,457	0.90%
250,000.00	TARGET CORP	5.88%	7/15/2016	214,242	216,494	0.47%
130,000.00	THE WALT DISNEY CO	1.10%	12/1/2017	108,310	108,312	0.24%
250,000.00	TORONTO DOMINION BK	2.63%	9/10/2018	212,799	213,969	0.47%
200,000.00	UNITED TECH CORP	1.80%	6/1/2017	168,812	168,670	0.37%
200,000.00	VODAFONE GROUP	1.50%	2/19/2018	166,061	165,8167	0.36%
500,000.00	VODAFONE GROUP	1.25%	9/26/2017	416,614	414,879	0.91%
200,000.00	WAL-MART STORES	1.13%	4/11/2018	165,546	166,628	0.36%
	Fixed income securities			11,871,560	11,881,330	25.87%
	Accrued interest on fixed income securities			76,855	76,855	0.17%
	Total fixed income securities (including accrued interest)			11,948,415	11,958,185	26.04%

**CAYMAN NATIONAL PENSION FUND**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2015**

(Expressed in Cayman Islands dollars)

**4. Financial assets at fair value through profit and loss (continued)**

The following investments were held by the Plan at September 30, 2015:

**Managed Accounts  
Equities**

<b><u>Industry</u></b>	<b><u>Cost</u></b>	<b><u>Fair Value</u></b>	<b><u>Percentage of total assets</u></b>
Aerospace/Defense	30,458	30,374	0.07%
Agriculture	22,057	20,501	0.04%
Airlines	26,408	37,774	0.08%
Apparel	4,212	4,584	0.01%
Auto Manufacturers	28,968	24,535	0.05%
Auto Parts&Equipment	2,481	2,346	0.01%
Banks	114,614	131,481	0.29%
Beverages	11,767	20,360	0.04%
Biotechnology	58,933	55,796	0.12%
Chemicals	33,717	31,469	0.07%
Commercial Services	9,830	5,281	0.01%
Computers	87,660	78,498	0.17%
Electric	15,585	15,993	0.03%
Electrical Compo&Equip	1,115	1,141	0.00%
Electronics	12,447	19,638	0.04%
Food	13,879	28,105	0.06%
Forest Products&Paper	6,302	5,259	0.01%
Healthcare-Products	1,058	921	0.00%
Healthcare-Services	46,931	46,852	0.10%
Insurance	82,227	94,683	0.22%
Internet	30,197	33,516	0.07%
Lodging	4,124	5,393	0.01%
Machinery-Constr&Mining	15,578	10,567	0.02%
Machinery-Diversified	4,966	4,253	0.01%
Media	26,579	17,916	0.04%
Miscellaneous Manufactur	12,140	13,689	0.03%
Money Market	26,008	26,008	0.06%
Oil&Gas	45,697	52,932	0.12%
Oil&Gas Services	13,940	9,632	0.02%
Pharmaceuticals	50,407	45,634	0.10%
Retail	132,663	140,332	0.31%
Semiconductors	32,463	31,961	0.07%
Software	6,869	7,644	0.02%

**CAYMAN NATIONAL PENSION FUND**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2015**

(Expressed in Cayman Islands dollars)

**4. Financial assets at fair value through profit and loss (continued)**

The following investments were held by the Plan at September 30, 2015 (continued):

**Managed Accounts (continued)**  
**Equities**

<b><u>Industry</u></b>	<b><u>Cost</u></b>	<b><u>Fair Value</u></b>	<b><u>Percentage of total assets</u></b>
Telecommunications	81,232	74,213	0.16%
Toys/Games/Hobbies	2,712	6,012	0.01%
<b>Total managed accounts</b>	<b>1,096,224</b>	<b>1,135,293</b>	<b>2.47%</b>
<b>Total financial assets at fair value through profit or loss</b>	<b>33,073,009</b>	<b>41,820,175</b>	<b>91.05%</b>
<b>Loans and receivables</b>	<b>1,243,501</b>	<b>1,243,501</b>	<b>2.71%</b>
<b>Total investments</b>	<b>34,316,510</b>	<b>43,063,676</b>	<b>93.76%</b>
<b>Cash and other assets</b>		<b>2,865,982</b>	<b>6.24%</b>
<b>Total assets</b>		<b>45,929,658</b>	<b>100.00%</b>



**CAYMAN NATIONAL PENSION FUND**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2015**

(Expressed in Cayman Islands dollars)

**4. Financial assets at fair value through profit and loss (continued)**

The following investments were held by the Plan at September 30, 2014:

**Equities/ Mutual Funds**

<u>Units</u>	<u>Security</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Percentage of total assets</u>
13,256.83	ASIA TIGERS FUND INC	137,685	131,022	0.28%
5,000.00	BERKSHIRE HATHA WAY INC	369,482	575,583	1.24%
11,418.13	BIAS GLOBAL EQUITIES FUND	833,333	977,582	2.11%
63,743.00	CARIBBEAN UTILITIES CO	536,871	568,375	1.22%
145,716.00	CAYMAN NATIONAL CORP LTD	324,210	267,146	0.58%
6,335.00	CHINA FUND INC	134,618	109,912	0.24%
22,897.00	CONSOLIDATED WATER CO., LTD	147,322	222,864	0.48%
3,300.00	CONSUMER DISCRETIONARY SELECT SECTOR SPDR	80,822	183,398	0.40%
14,988.00	GLOBAL X NORWAY 30 ETF	167,552	204,711	0.44%
8,600.00	HEALTH CARE SELECT SECTOR SPDR FUND	207,893	458,022	0.99%
2,600.00	I SHARES S&P GLOBAL	179,424	167,852	0.36%
9,776.00	ISHARES FTSE/XINHUA	349,511	311,854	0.67%
8,769.00	ISHARES MSCI AUSTRAL	167,517	174,942	0.38%
6,900.00	ISHARES MSCI BRAZIL	356,137	249,838	0.54%
14,294.00	ISHARES MSCI CANADA	333,479	365,569	0.79%
7,000.00	ISHARES MSCI EMERGING MARKET	260,132	242,433	0.52%
6,455.00	ISHARES MSCI GERMANY	167,534	149,003	0.32%
19,600.00	ISHARES MSCI JAPAN	167,554	192,243	0.41%
15,352.00	ISHARES MSCI SWITZERLAND	334,814	415,911	0.90%
16,495.00	ISHARES TR-MSCI EAFE INDEX	877,984	881,383	1.90%
6,743.00	ISHARES TR-RUSSELL 2000	376,284	614,456	1.32%
1,500.00	ISHARES TR-DJ US FINL SVC	135,513	107,638	0.23%
376.54	L& C GERMAN REAL ESTATE	434,306	80,891	0.17%
22.03	L & C UK PUBLIC SECTOR REAL ESTATE	41,158	2,765	0.01%
190.59	L& C EUR REAL ESTATE	199,390	62,507	0.13%
250,000.00	MAN BLUECREST	208,333	340,125	0.73%
17,325.00	SPDR S&P MIDCAP 400 ETF TRUST	1,303,394	3,599,558	7.76%
7,200.00	MS INDIA INVEST FUND	182,529	149,280	0.32%
23,814.00	NASDAQ 100 TR	1,149,783	1,960,488	4.22%
21,165.00	POWERSHARES INDIA	370,980	382,205	0.82%
37,964.00	SPDR DOW JONES INDUS	3,375,952	5,380,448	11.59%
60,436.00	SPDR S&P 500 ETF TRUST	5,957,521	9,922,584	21.38%
2,600.00	TEMPLETON DRAGON FUND	42,812	55,857	0.12%
11,648.00	SELECT SECTOR SPDR AMEX UTILITIES	418,791	408,554	0.88%
1,476.00	VANGUARD ENERGY ETF	167,498	161,278	0.35%
		<u>20,498,118</u>	<u>30,078,273</u>	<u>64.81%</u>

**CAYMAN NATIONAL PENSION FUND**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2015**

(Expressed in Cayman Islands dollars)

**4. Financial assets at fair value through profit and loss (continued)**

The following investments were held by the Plan at September 30, 2014:

**Fixed Income Securities**

<u>Par Value</u>	<u>Security</u>	<u>Interest</u>	<u>Maturity</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Percentage of total assets</u>
225,000.00	ABN AMRCO BANK	4.25%	2/2/2017	198,520	199,519	0.43%
150,000.00	AMERICAN EXPRESS	1.30%	7/29/2016	126,396	125,763	0.27%
200,000.00	AMERICAN EXPRESS CR	2.13%	7/27/2018	169,579	167,750	0.36%
200,000.00	AT&T INC	2.38%	11/27/2018	170,136	168,550	0.36%
250,000.00	AUST & NZ BANK	3.25%	3/1/2016	210,489	215,833	0.47%
500,000.00	BAIDU INC	2.25%	11/28/2017	424,088	422,667	0.91%
222,000.00	BARCLAYS BANK PLC	5.00%	9/22/2016	197,810	198,820	0.43%
250,000.00	BARCLAYS BANK PLC	2.50%	9/21/2015	209,752	212,563	0.46%
250,000.00	BK OF NOVA SCOTIA	1.38%	12/18/2017	207,210	207,208	0.45%
250,000.00	BK OF NOVA SCOTIA	2.15%	8/3/2016	213,240	213,396	0.46%
250,000.00	BLACKROCK INC	3.50%	12/10/2014	209,076	209,438	0.45%
250,000.00	CATERPILLAR FIN	1.25%	11/6/2017	209,245	207,708	0.45%
250,000.00	COCA-COLA CO/ THE	5.35%	11/15/2017	221,692	236,021	0.51%
250,000.00	COCA-COLA HBC FIN	5.50%	9/17/2015	216,297	216,708	0.47%
250,000.00	COMWEALTH BK OF AUST	3.25%	3/17/2016	216,060	216,000	0.47%
250,000.00	DUPONT EI DE NEMOURS	1.95%	1/15/2016	206,950	211,688	0.46%
250,000.00	FREDDIE MAC	4.75%	11/17/2015	213,230	218,958	0.47%
200,000.00	FREDDIE MAC	5.25%	4/18/2016	172,994	179,017	0.39%
250,000.00	GENERAL ELECTRIC	1.60%	11/20/2017	210,180	209,354	0.45%
250,000.00	GENERAL ELECTRIC	2.30%	4/27/2017	213,416	213,667	0.46%
100,000.00	GENERAL ELECTRIC	3.75%	11/14/2014	88,512	83,483	0.18%
250,000.00	HSBC FINANCE CORP	4.35%	10/15/2014	208,493	208,563	0.45%
400,000.00	HSBC USA INC	1.73%	11/14/2023	334,099	333,333	0.72%
250,000.00	ING BANK NV	4.00%	3/15/2016	216,008	217,417	0.47%
400,000.00	INTERAMER DEV BK	4.25%	9/14/2015	336,763	346,000	0.75%
250,000.00	JP MORGAN CHASE	5.15%	10/1/2015	209,441	216,750	0.47%
150,000.00	JPMORGAN CHASE	2.00%	8/15/2017	127,036	126,300	0.27%
250,000.00	KELLOGS CO	4.15%	11/15/2019	217,620	225,958	0.49%
300,000.00	KFW	4.13%	10/15/2014	250,120	250,325	0.54%

**CAYMAN NATIONAL PENSION FUND**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2015**

(Expressed in Cayman Islands dollars)

**4. Financial assets at fair value through profit and loss (continued)**

The following investments were held by the Plan at September 30, 2014:

**Fixed Income Securities (continued)**

<u>Par Value</u>	<u>Security</u>	<u>Interest</u>	<u>Maturity</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Percentage of total assets</u>
250,000.00	KFW	0.63%	12/15/2016	208,702	207,729	0.45%
250,000.00	KOREA ELECTRIC POWER	3.00%	10/5/2015	211,883	212,771	0.46%
250,000.00	MACQUARIE BANK LTD	3.45%	7/27/2015	215,015	212,917	0.46%
230,000.00	MACQUIRE GRP	4.88%	8/10/2017	202,663	206,962	0.45%
250,000.00	MORGAN STANLEY	6.00%	4/28/2015	210,295	214,000	0.46%
250,000.00	MORGAN STANLEY	4.20%	11/20/2014	209,794	208,979	0.45%
239,000.00	MORGAN STANLEY	3.45%	11/2/2015	202,759	204,226	0.44%
200,000.00	NIPPON TEL & TEL NTT	1.40%	7/18/2017	167,669	166,833	0.36%
200,000.00	ORACLE CORP	5.75%	4/15/2018	183,817	189,533	0.41%
225,000.00	PITNEY BOWES INC	5.75%	9/15/2017	198,444	206,513	0.44%
470,000.00	PRO OF NEW BRUNSWICK	2.75%	6/15/2018	411,202	407,960	0.88%
487,000.00	PROVINCE OF ONTARIO	1.60%	9/21/2016	414,725	412,611	0.89%
250,000.00	PROVINCE OF ONTARIO	1.20%	2/14/2018	206,917	206,292	0.44%
250,000.00	PROVINCE OF ONTARIO	1.10%	10/25/2017	206,958	207,063	0.45%
250,000.00	REPUBLIC OF AUSTRIA	1.75%	6/17/2016	214,284	212,625	0.46%
250,000.00	ROYAL BANK OF CANADA	1.00%	10/18/2018	208,758	203,833	0.44%
500,000.00	ROYAL BANK OF CANADA	0.74%	4/30/2018	417,416	415,625	0.90%
250,000.00	ROYAL BANK OF CANADA	0.44%	10/31/2016	208,696	206,646	0.45%
250,000.00	SHELL INT FIN	4.30%	9/22/2019	218,902	228,958	0.49%
494,000.00	SHERWIN WILLIAMS CO	1.35%	12/15/2017	414,628	410,926	0.89%
250,000.00	STANDARD CHARTERED	3.85%	4/27/2015	218,669	212,146	0.46%
250,000.00	TARGET CORP	5.88%	7/15/2016	221,628	227,208	0.49%
250,000.00	TORONTO DOMINION BK	2.63%	9/10/2018	214,266	213,542	0.46%
200,000.00	UNITED TECH CORP	1.80%	6/1/2017	170,084	169,183	0.36%
200,000.00	VODAFONE GROUP	1.50%	2/19/2018	165,814	164,233	0.35%
500,000.00	VODAFONE GROUP	1.25%	9/26/2017	416,591	412,250	0.89%
200,000.00	WAL-MART STORES	1.13%	4/11/2018	165,113	164,333	0.35%
	Fixed income securities			12,710,143	12,764,651	27.50%
	Accrued interest on fixed income securities			89,951	89,951	0.19%
	Total fixed income securities (including accrued interest)			12,800,094	12,854,602	27.70%

**CAYMAN NATIONAL PENSION FUND**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2015**

(Expressed in Cayman Islands dollars)

**4. Financial assets at fair value through profit and loss (continued)**

The following investments were held by the Plan at September 30, 2014:

**Managed Accounts**

**Equities**

<u>Industry</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Percentage of total assets</u>
Aerospace/Defense	30,549	52,281	0.11%
Agriculture	11,231	13,584	0.03%
Airlines	26,088	34,215	0.07%
Auto Manufacturers	6,331	6,680	0.01%
Auto Parts&Equipment	9,056	10,230	0.02%
Banks	100,959	147,571	0.32%
Beverages	12,326	18,541	0.04%
Biotechnology	46,563	53,998	0.12%
Chemicals	23,405	32,582	0.07%
Commercial Services	14,719	14,561	0.03%
Computers	68,762	85,600	0.18%
Distribution/Wholesale	3,185	4,646	0.01%
Electric	31,321	34,961	0.08%
Electrical Compo&Equip	3,962	6,469	0.01%
Electronics	12,447	19,548	0.04%
Food	19,799	29,226	0.06%
Forest Products&Paper	7,497	7,917	0.02%
Healthcare-Products	4,093	5,952	0.01%
Healthcare-Services	42,079	70,086	0.15%
Home Furnishings	5,899	12,380	0.03%
Insurance	59,336	84,617	0.18%
Internet	21,781	26,115	0.06%
Lodging	4,124	6,095	0.01%
Machinery-Constr&Mining	8,605	9,325	0.02%
Machinery-Diversified	15,087	13,870	0.03%
Media	12,715	13,503	0.03%
Mining	5,372	5,387	0.01%
Miscellaneous Manufactur	5,415	16,819	0.04%
Money Market	26,097	26,097	0.06%
Oil&Gas	85,503	109,185	0.24%
Pharmaceuticals	14,463	16,441	0.04%
Retail	94,842	118,436	0.26%
Semiconductors	17,146	23,032	0.05%
Software	15,308	17,106	0.04%
Telecommunications	46,491	50,768	0.11%
Toys/Games/Hobbies	2,712	4,583	0.01%
<b>Total managed accounts</b>	<u>915,268</u>	<u>1,202,404</u>	2.59%
<b>Total financial assets at fair value through profit or loss</b>	<u>34,213,480</u>	<u>44,135,280</u>	95.10%
<b>Loans and receivables</b>	<u>1,665,623</u>	<u>1,665,535</u>	3.59%
<b>Total investments</b>	<u>35,879,103</u>	<u>45,800,815</u>	98.69%
<b>Cash and other assets, net</b>		<u>609,552</u>	1.31%
<b>Total assets</b>		<u>46,410,367</u>	100.00%

**CAYMAN NATIONAL PENSION FUND**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2015**

(Expressed in Cayman Islands dollars)

**4. Financial assets at fair value through profit and loss (continued)**

The Plan's investments are administered by CNT. During the year ended September 30, 2015, the portfolio provided an annual rate of return of -2.59% (2014: 8.64%) for participating units; the rate of return for the period August 1, 2015 to September 30, 2015 for RSA side pocket units was 0% (see Note 8). The annual rate of return is calculated by dividing the increase in net asset value per unit into the NAV per unit at the beginning of the year.

Managed accounts comprise of a portfolio of equities managed by an independent investment advisor.

The following summarises the Plan's holdings in equities and mutual funds that are non-exchange traded, excluding interest in money market funds:

	September 30, 2015		September 30, 2014	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Equities/Mutual Funds	1,238,931	1,170,216	1,463,871	1,716,521

Because of the inherent uncertainty of valuation with such securities, these fair values do not necessarily represent amounts that might be ultimately realized, and the differences could be material. The risk attributable to these investments is increased because of their illiquidity and volatility.

Three London & Capital ("L&C") real estate funds held by the Plan at September 30, 2015 and 2014 all had suspended redemptions. The suspension date of the London and Capital German Real Estate Fund (EURO) was February 27, 2008, and the London and Capital UK Public Sector Real Estate Fund (GBP) and London and Capital UK Real Estate Fund (USD) both were suspended on October 27, 2007. All of these funds remained suspended at the date these financial statements were approved for issuance.

The investment in MAN Bluecrest Fund is a debt instrument with embedded derivatives that links investment returns to a diversified hedge fund portfolio. The product provides for the return of principal if the investments are held to scheduled maturity of September 30, 2018.

Included in non-exchange traded securities is BIAS Global Portfolios, SPC ("BIAS"). BIAS is listed on the Cayman Islands Stock Exchange and was incorporated as a Cayman Islands exempted company and registered as a segregated portfolio company under the Companies Law of the Cayman Islands. A redemption gate limit of 5% or \$100,000 may be imposed in any redemption period. In addition no sales are permitted within the first 90 days from initial purchase and a redemption fee of 2% will be assessed on redemptions within 12 months after date of purchase and 1% on redemption beyond 12 months.

**5. Loans and receivables**

Loans and receivables as at September 30, 2015 and 2014 comprise the following:

	September 30, 2015		September 30, 2014	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
CI Development Bank	-	-	418,064	418,152
Deposits with CNB	<u>1,243,501</u>	<u>1,243,501</u>	<u>1,247,471</u>	<u>1,247,471</u>
Total	<u>\$1,243,501</u>	<u>\$1,243,501</u>	<u>\$1,665,535</u>	<u>\$1,665,623</u>

Yields range from 0.21% to 0.70% (2014: 0.30% to 1.3268 %) and the maturities are within three months (2014: within three months to two years).

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**6. Accounts payable and accrued expenses**

Accounts payable and accrued expenses as at September 30, 2015 and 2014 comprised the following:

	<u>September 30,</u>	
	<u>2015</u>	<u>2014</u>
Administration, accounting and secretarial fees	74,489	22,615
Audit	33,519	31,667
Custody	3,125	3,125
Other	<u>9,167</u>	<u>13,929</u>
Total accounts payable	<u>\$ 120,300</u>	<u>\$ 71,336</u>

**7. Administration and brokerage fees**

In accordance with the terms of the Trust Deed, the Administrator will perform certain management, financial, accounting, administrative and other services on behalf of the Plan. The Administrator shall receive an annual fee, initially calculated as 2% of annual contributions plus 0.25% of assets, calculated monthly. Effective March 1, 2014, the annual fee increased and is calculated as 2% of annual contributions plus 0.45% of assets, calculated monthly. At September 30, 2015, the administrator fees payable were \$74,489 (2014: \$22,615).

Cayman National Securities Ltd (the "Investment Advisor") acts as the Investment Advisor to the Plan, broker and custodian of the Plan's assets and charges brokerage fees and custody fees on security transactions. Such fees are at commercial rates. No fees are paid for investment advisory services.

**8. Units outstanding**

Units of the Plan are issued or redeemed on the first business day of each month at a price based on the underlying net asset value of the Plan at the opening of business on that date, and subject to the provisions of the Trust Deed. Transactions in participating units for the years ended September 30, 2015 and 2014 are summarised as follows:

<u>Participating Units</u>	<u>2015</u>	<u>2014</u>
Outstanding units, at beginning of year	23,040,846.08	22,712,942.89
Issued during the year (contributions and transfers from other plans)	1,923,923.77	1,857,095.81
Redeemed during the year (benefit payments and transfers to other plans)	(1,535,138.99)	(1,529,192.62)
Transfer to RSA side pocket	<u>(276,645.60)</u>	<u>-</u>
Outstanding units, at end of year	<u>23,152,985.26</u>	<u>23,040,846.08</u>
<u>RSA Side Pocket Units</u>	<u>2015</u>	<u>2014</u>
Outstanding units, at beginning of year	-	-
Transfer from participating units	569,527.02	-
Redeemed during the year (benefit payments and transfers to other plans)	<u>-</u>	<u>-</u>
Outstanding units, at end of year	<u>569,527.02</u>	<u>-</u>

**CAYMAN NATIONAL PENSION FUND**

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**8. Units outstanding (continued)**

In accordance with the objectives outlined in Note 1 and the risk management policies in Note 11, the Plan endeavours to invest the subscriptions received from units outstanding into appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of traded securities where necessary.

On August 1, 2015, the Plan created the RSA side pocket for the purposes of establishing an RSA for retiring pensioners within the structure of the Plan and, within that side pocket, to manage a simple, fixed income based investment portfolio specifically for the benefit of retirees seeking to establish an RSA.

The model portfolio for the RSA side pocket is to invest solely in the Cayman National Securities Mutual Funds Segregated Portfolios with the following allocation:

Cayman National Securities US Bond Fund Segregated Portfolio	80%
Cayman National Securities US Equity Fund Segregated Portfolio	11%
Cayman National Securities International Equity Fund Segregated Portfolio	9%

The gains and losses from such investments will be allocated solely to the RSA side pocket units, which will not be subject to any other income or expenses of the Plan.

At September 30, 2015, the RSA side pocket consists solely of the investments made in advance balance of \$569,527.02 included in the Statement of Net Assets Available to Participants for Benefits, which was invested in Cayman National Securities Mutual Funds Segregated Portfolios effective October 2, 2015.

**9. Related party balances and transactions**

As at September 30, 2015, the Investment Advisor provided brokerage and custody services on behalf of the Plan. As at September 30, 2015 and 2014 the majority of the Plan's investments and due from broker balances were held by the Investment Advisor on behalf of the Plan. Custody fees of \$12,500 (2014: \$12,500) are included within sundry expenses.

As at September 30, 2015, the Plan had cash accounts totalling \$1,395,068 (2014: \$432,858) placed with Cayman National Bank Ltd. ("CNB").

As at September 30, 2015, the Plan held 145,716 (2014: 145,716) shares of Cayman National Corporation Ltd. with a market value of \$236,789 (2014: \$267,146).

The Plan's Board of Trustees include three members who are also directors within the Cayman National Group of Companies.

**10. Expense ratio**

Total expenses, excluding withholding taxes on dividends, as a percentage of the average net assets available to participants for benefits, were 0.98% for the year ended September 30, 2015 (2014: 0.90%).

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**11. Financial risk management**

The Plan's activities expose it to a variety of financial risks: market risk (including price risk, currency risk and interest rate risk), credit risk and liquidity risk. The Plan's overall risk management programme which includes an Investment Advisory Committee which meets on a set quarterly schedule and also regular inter-quarterly meetings, focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Plan's financial performance.

a) Market Risk:

*i) Price risk:*

The Plan invests in financial instruments, taking positions in traded and over-the-counter mutual funds and other structured finance instruments, to take advantage of long-term capital appreciation and periodic income in the form of interest and dividends payments-in the equity and bond markets.

All securities investments present a risk of loss of capital. The Investment Advisor and managed account advisors moderate this risk through a careful selection of securities and other financial instruments, within specified limits, following the principles of diversification and the efficient market hypothesis. The Plan's overall market positions are monitored on a daily basis by the Investment Advisor.

The Plan's equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Cayman National Pension Fund Investment Advisory Committee provides the Plan with investment recommendations that are consistent with the Plan's objectives. The Plan's market price risk is managed through diversification of the investment portfolio ratios by exposures. The overall market exposures as at September 30, 2015 and 2014 are presented in Note 4.

At September 30, 2015 and 2014 the Plan's market risk is affected by three main components: changes in actual market prices, interest rate and foreign currency movements. The beta coefficient ("Beta"), in investment management, measures how the expected return of a stock or portfolio is correlated to the return of the financial market as a whole.

The Beta for the equity portion of the Plan has been calculated at 0.95 to the S&P 500 (2014: 0.97). Thus if the index rises 10% the equity portion of the Plan's portfolio will rise 9.5% before fees and expenses. Conversely if the index declines 10% the equity portion of the Plans portfolio will decline 9.5%. The impact of these changes on the Plan's equity investments at September 30, 2015 would have been a rise or decline in fair value of approximately \$2.7 million (2014: \$2.9 million), excluding the effect of Plan expenses.

The sensitivity analysis presented above is based upon the portfolio composition as at September 30, 2015. The composition of the Plan's investment portfolio is expected to change over time. Accordingly, the sensitivity analysis prepared is not indicative of future performance of the Plan.

*ii) Interest rate risk:*

The Plan's fixed rate bond holdings are subject to market risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates.

The Plan's exposure to interest rate risk consists primarily of fixed income securities. None of the Plan's liabilities are sensitive to interest rate changes. None of the fixed income securities held by the Plan have interest rate repricing dates that are different from the maturity dates (see summary under 'Liquidity Risk'). The Plan also holds floating rate notes that reset quarterly or annually.



**CAYMAN NATIONAL PENSION FUND**

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**11. Financial risk management (continued)**

a) Market Risk (continued):

*ii) Interest rate risk (continued):*

On the fixed income portion of the Plan's investment portfolio the appropriate measure to use is the Modified Duration which attributes the bonds' sensitivity to movements in interest rates. The Modified Duration on the bond portfolio is 1.3037 (2014: 1.914). Therefore, if interest rates increase by 100 bps the fair value of the bond portfolio will decline (due to the inverse relationship between yield and price) by 1.3037% (2014: 1.914%). Conversely should interest rates decline by 100bps the fair value of the bond portfolio will increase by 1.3037% (2014: 1.914%). The impact of these changes on the Plan's fixed income investments at September 30, 2015 would have been a rise or decline in fair value of approximately \$190,787 (2014: \$310,176), excluding the effect of the Plan's expenses.

In accordance with the Plan's policy, the Investment Advisor monitors the Plan's overall interest sensitivity on a regular basis.

*iii) Currency risk:*

The Plan's functional and reporting currency is Cayman Islands dollars, which is fixed to the U.S. dollar at the rate of US\$1 = CI\$0.83. The Plan may invest in securities and hold cash balances at its brokers that are denominated in currencies other than the C.I. dollar or the U.S. dollar. Consequently, the Plan may be exposed to risks that the exchange rate of the C.I. dollar or the U.S. dollar relative to other currencies may change in a manner which has an adverse effect on the reported value of that portion of the Plan's assets which are denominated in currencies other than the U.S. dollar.

Substantially all of the Plan's assets and liabilities are US dollar denominated, accordingly, the Plan's exposure to foreign currency is insignificant.

b) Credit risk:

Financial assets which potentially expose the Plan to concentrations of credit risk are cash and cash equivalents, fixed deposits, bonds and accrued interest. Investments in fixed deposits and bonds expose the Plan to the risk that an issuer will default on the payment of interest, principal or both. The Plan's cash and cash equivalents are placed with CNB. At September 30, 2015 and 2014, the majority of the cash at bank, cash equivalents and fixed deposits were placed with CNB. CNB is unrated however management views this as a stable financial institution. CNB is also a related party. Management does not anticipate any losses as a result of this concentration.

An analysis of the Plan's investments is provided in Note 4 to these financial statements. The Plan's investments in fixed income securities comprise a diversified portfolio. At year end rated securities held were all rated BBB (2014: BBB) or better by Standard & Poors. The average credit rating for the Plan's fixed income securities is A+ (2014: A-).

The Plan seeks to mitigate exposure to credit risk by adhering to investment guidelines which specify the types, maturities and concentrations of investments in which the Plan can invest. Prior to entering into investments, management evaluates the creditworthiness of the respective counterparties and subsequently monitors the performance of the financial assets and developments in current credit worthiness of the counterparties. The Trustees considers the Plans exposure to credit risk is mitigated as the Plan only enters into transactions with counterparties of high credit quality.

Securities transactions undertaken by the Trustees are cleared through and held in custody by one custodian that is affiliated with several the Trustees. The Plan's cash and fixed deposits are held by one bank that affiliated with several Trustees.

**CAYMAN NATIONAL PENSION FUND**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2015**

(Expressed in Cayman Islands dollars)

**11. Financial risk management (continued)**

c) Liquidity risk:

The Plan is exposed to monthly cash redemptions of units outstanding. It therefore invests the majority of its assets in investments that are traded in an active market and can be readily disposed of. It invests only a limited proportion of its assets in investments not actively traded on a stock exchange.

The Plan's listed securities are considered readily realisable, as they are listed on the major international exchanges, or actively traded in the over-the-counter markets. The maturity dates of the fixed income securities at market value are:

	<u>2015</u>	<u>2014</u>
Within one year	3,619,112	2,375,121
Between one and five years	7,714,054	9,830,238
Between five and ten years	<u>548,164</u>	<u>559,292</u>
Total	<u>11,881,330</u>	<u>12,764,651</u>

Actual maturities could differ from contractual maturities because the counterparty may have the right to prepay obligations with or without prepayment penalties.

As discussed in Note 4, three L&C real estate funds have suspended NAV pricing and redemptions as a result of illiquidity in the underlying real estate holdings which are located in Great Britain and Europe. These funds are leveraged, which increases the impact that a change in value of underlying assets has upon an investee. At September 30, 2014, the fair value of all L&C securities held, as determined by management, was \$18,702 (2014: \$146,163) and the cost was \$ 128,550 (2014: \$674,854).

The fair value of these L&C investments represent approximately 0.04% (2014: 0.32%) of the Plan's net assets. Given the highly liquid nature of the remainder of the Plan coupled with historically low redemptions in the Plan, management does not consider this to pose a material risk relating to liquidity.

With the exception of participant benefits, all liabilities of the Plan are due within one year (at the amounts recorded on the balance sheet). In accordance with the Plan's policy, the Investment Advisor monitors the Plan's liquidity position on a regular basis.

**12. Fair value disclosures**

IFRS 13 this requires the management to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Plan has the ability to access at the measurement date;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;

Level 3: Inputs that are unobservable.

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**12. Fair value disclosures (continued)**

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes ‘observable’ requires significant judgment by management. Management 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 following table analyses within the fair value hierarchy the Plan’s financial assets and liabilities (by class) measured at fair value at September 30, 2015:

<b><u>Assets</u></b>	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>	<b><u>Total balance</u></b>
Financial assets held for trading:				
– Equity securities	28,623,059	-	-	28,623,059
– Investments in other funds	-	1,220,229	18,702	1,238,931
– Debt securities	<u>-</u>	<u>11,958,185</u>	<u>-</u>	<u>11,958,185</u>
<b>Total assets</b>	<b><u>\$28,623,059</u></b>	<b><u>\$13,178,414</u></b>	<b><u>\$ 18,702</u></b>	<b><u>\$41,820,175</u></b>

The following table analyses within the fair value hierarchy the Plan’s financial assets and liabilities (by class) measured at fair value at September 30, 2014:

<b><u>Assets</u></b>	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>	<b><u>Total balance</u></b>
Financial assets held for trading:				
– Equity securities	29,816,807	-	-	29,816,807
– Investments in other funds	-	1,317,708	146,163	1,463,871
– Debt securities	<u>-</u>	<u>12,854,602</u>	<u>-</u>	<u>12,854,602</u>
<b>Total assets</b>	<b><u>\$29,816,807</u></b>	<b><u>\$14,172,310</u></b>	<b><u>\$ 146,163</u></b>	<b><u>\$44,135,280</u></b>

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities and funds, most exchange traded derivatives, many US government treasury bills and certain non-US sovereign obligations. Management does not adjust the quoted price for these instruments.

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. These include, most investment-grade corporate bonds, investments in other funds (excluding ETF’s) where redemption is not restricted, certain non-US sovereign obligations, thinly traded listed equities and some over-the-counter derivatives.

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**12. Fair value disclosures (continued)**

As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. Level 2 investments include fixed income securities, and mutual funds (excluding exchange traded funds).

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently or not at all and are subject to transfer restrictions. Valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

The following table presents the movement in level 3 instruments (investments in other funds) for the year ended September 30, 2015 by class of financial instrument.

	<b><u>Equity securities</u></b>	<b><u>Total</u></b>
Opening balance	146,163	146,163
Purchases	-	-
Sales	(99,110)	(99,110)
Transfers into level 3	-	-
Transfers out of level 3	-	-
Gains and losses recognized in profit and loss	<u>(28,351)</u>	<u>(28,351)</u>
<b>Closing balance</b>	<b><u>18,702</u></b>	<b><u>18,702</u></b>
Change in unrealised gains or losses for Level 3 assets held at year end and included in other net changes in fair value on financial assets and financial liabilities at fair value through profit and loss	<u>7,850</u>	<u>7,850</u>

For the year ended September 30, 2014

	<b><u>Equity securities</u></b>	<b><u>Total</u></b>
Opening balance	176,368	176,368
Purchases	-	-
Sales	(32,221)	(32,221)
Transfers into level 3	-	-
Transfers out of level 3	-	-
Gains and losses recognized in profit and loss	<u>2,016</u>	<u>2,016</u>
<b>Closing balance</b>	<b><u>146,163</u></b>	<b><u>146,163</u></b>
Change in unrealised gains or losses for Level 3 assets held at year end and included in other net changes in fair value on financial assets and financial liabilities at fair value through profit and loss	<u>155,337</u>	<u>155,337</u>

**13. Subsequent events**

From October 1, 2015 to March 31, 2016, the Plan received contributions of \$1,425,186 and paid redemptions of \$890,017.