

CAYMAN NATIONAL PENSION FUND

FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

CAYMAN NATIONAL PENSION FUND

FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

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Independent Auditor's Report

The Trustees
Cayman National Pension Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the 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, 2021, and the statement of comprehensive income, statement of changes in net assets available to participants for benefits and statement of 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 Plan as at September 30, 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 Plan in accordance with the International Ethics Standards Board for Accountants' *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 Trustees 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 Plan'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 Plan or to cease operations, or has no realistic alternative but to do so.

The Trustees are responsible for overseeing the Plan's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

This report is made solely to the Trustees. Our audit work has been undertaken so that we might state to the those charged with governance 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 Plan and the Trustees, for our audit work, for this report, or for the opinions we have formed.

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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 Plan'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 Plan'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 Plan to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Ernst & Young Ltd.

March 30, 2022

CAYMAN NATIONAL PENSION FUND

STATEMENT OF NET ASSETS AVAILABLE TO PARTICIPANTS FOR BENEFITS

AS AT SEPTEMBER 30, 2021

(Expressed in Cayman Islands dollars)

	<u>September 30,</u>	
	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents (Notes 3 and 11)	1,236,807	263,911
Due from broker (Note 4)	2,852,653	628,341
Financial assets at fair value through profit or loss (Cost: \$32,225,973 (2020: \$29,998,530)) (Notes 5 and 6)	61,583,405	51,984,062
Loans and receivables (Note 7)	1,317,282	1,313,838
Interest receivable	79,239	67,520
Dividend receivables	69,860	73,201
Other receivables	<u>53,276</u>	<u>109,950</u>
 Total assets	 <u>67,192,522</u>	 <u>54,440,823</u>
LIABILITIES		
Due to broker (Note 4)	1,743,910	-
Accounts payable and accrued expenses (Note 8)	85,285	81,524
Prepaid contributions	184,199	263,786
Redemptions payable	<u>162,806</u>	<u>1,250,335</u>
 Liabilities (excluding net assets available to participants for benefits)	 <u>2,176,200</u>	 <u>1,595,645</u>
 Net assets available to participants for benefits (Note 10)	 <u>\$65,016,322</u>	 <u>\$52,845,178</u>
 Net asset value per unit (Note 10)		
 Participating Units		
\$61,045,449/ 18,190,574.50 units (2020: \$48,846,362/ 17,463,317.98 units)	<u>\$ 3.356</u>	<u>\$ 2.797</u>
 RSA Side Pocket Units		
\$3,970,873/ 3,482,774.36 units (2020: \$3,998,816/ 3,639,951.16 units)	<u>\$ 1.140</u>	<u>\$ 1.099</u>

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

Susan Levy-Elliott

Ileana Bodden

March 30, 2022

March 30, 2022

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

Stuart Dack

Phil Jackson

March 30, 2022

March 30, 2022

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

CAYMAN NATIONAL PENSION FUND
STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED SEPTEMBER 30, 2021

(Expressed in Cayman Islands dollars)

	Year ended September 30,	
	2021	2020
Revenue		
Interest income	314,975	497,750
Amortization of premium	(40,479)	(90,834)
Dividend income	576,322	833,314
Net realised gains on investments	2,430,333	4,185,183
Net change in unrealised appreciation/(depreciation) on investments	<u>7,485,822</u>	<u>(1,100,159)</u>
Total revenue	<u>10,766,973</u>	<u>4,325,254</u>
Expenses		
Administrator fees (Note 9)	433,371	380,483
Custody fees	61,979	12,500
Audit fees	51,576	41,339
Government fees	58,960	72,420
Trustee fees	2,250	2,250
Sundry	<u>94,391</u>	<u>22,845</u>
Total expenses	<u>702,527</u>	<u>531,837</u>
Withholding tax on dividends	<u>151,733</u>	<u>196,836</u>
Net increase in net assets available to participants for benefits/net comprehensive income	<u>\$ 9,912,713</u>	<u>\$ 3,596,581</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, 2021

(Expressed in Cayman Islands dollars)

	Year ended September 30,	
	<u>2021</u>	<u>2020</u>
Net increase in net assets available to participants for benefits/net comprehensive income	<u>9,912,713</u>	<u>3,596,581</u>
Contributions and transfers in		
Employers - contributions and transfers in	2,629,492	1,844,353
Employees - contributions and transfers in	<u>3,035,506</u>	<u>2,977,430</u>
Total contributions and transfers in	<u>5,664,998</u>	<u>4,821,783</u>
Benefits paid to holders of units and transfers out	<u>(3,406,567)</u>	<u>(24,470,398)</u>
Net increase/(decrease) in net assets available to participants for benefits	12,171,144	(16,052,034)
Net assets available to participants for benefits, beginning of year	<u>52,845,178</u>	<u>68,897,212</u>
Net assets available to participants for benefits, end of year	\$ <u>65,016,322</u>	\$ <u>52,845,178</u>

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

CAYMAN NATIONAL PENSION FUND

STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2021

(Expressed in Cayman Islands dollars)

	Year ended <u>September 30,</u>	
	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Net increase in net assets available to participants for benefits/net comprehensive income	9,912,713	3,596,581
Adjustments to reconcile net increase in net assets from operations available to participants for benefits to net cash provided by/ (used in) operating activities:		
Amortization of bond premium and discount	40,479	90,834
Net realised gains	(2,430,333)	(4,185,183)
Net change in unrealised (appreciation)/depreciation	(7,485,822)	1,100,159
(Increase)/decrease in due from broker	(2,224,312)	2,891,298
(Increase)/decrease in loans and receivables	(3,444)	(22,942)
(Increase)/decrease in interest receivable	(11,719)	61,895
Decrease in dividend receivable	3,341	21,130
(Decrease)/increase in other receivables	56,674	(109,420)
Increase in due to broker	1,743,910	-
Increase/(decrease) in accounts payable and accrued expenses	<u>3,761</u>	<u>(81,315)</u>
Net cash (used in)/ provided by operating activities	<u>(394,752)</u>	<u>3,363,037</u>
Cash flows from investing activities		
Purchase of investments	(6,346,407)	(9,315,934)
Proceeds from sale of investments	<u>6,622,741</u>	<u>24,332,209</u>
Net cash provided by investing activities	<u>276,334</u>	<u>15,016,275</u>
Cash flows from financing activities		
Employer contributions	2,611,221	1,743,339
Employee contributions	2,974,190	2,919,778
Benefits paid to participants	<u>(4,494,097)</u>	<u>(23,461,615)</u>
Net cash provided by /(used in) financing activities	<u>1,091,314</u>	<u>(18,798,498)</u>
Net increase/(decrease) in cash and cash equivalents	972,896	(419,186)
Cash and cash equivalents, beginning of year	<u>263,911</u>	<u>683,097</u>
Cash and cash equivalents, end of year	\$ <u>1,236,807</u>	\$ <u>263,911</u>
Supplementary information on cash flows from operating activities		
Interest received	\$ <u>303,256</u>	\$ <u>559,645</u>
Dividends received (gross)	\$ <u>579,663</u>	\$ <u>854,444</u>
Withholding tax paid	\$ <u>(151,733)</u>	\$ <u>(196,836)</u>

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

CAYMAN NATIONAL PENSION FUND

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

(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, 2021, 46.83% (2020: 47.85%) of the membership comprised employees of the Cayman National Group of Companies. Other members include unitholders located in the Cayman Islands.

Cayman National Corporation Limited (the "Corporation" or "CNC") was incorporated on October 4, 1976 and operates subject to the provisions of the Companies Law of the Cayman Islands. CNC is partially owned (74.99%) by the Republic Bank Trinidad and Tobago (Barbados) Limited ("RBTTBL"). There were no other holders of CNC shares holding in aggregate more than 5% of the total issued share capital. The principal place of business for the Corporation is 200 Elgin Avenue, George Town, Grand Cayman.

The shares of the Corporation are still listed and traded on the Cayman Islands Stock Exchange.

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 up to CI \$87,000.

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 9).

CAYMAN NATIONAL PENSION FUND

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

(Expressed in Cayman Islands dollars)

1. Description of the Plan (continued)

Retirement benefits: (continued)

As a result of the National Pensions (Amendment) Law 2016 becoming effective on January 1, 2017, the normal retirement and early retirement ages have been increased to 65 and 55, respectively.

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 two years.

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 \$308,748 (2020: \$311,937) 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.

New and amended standards and interpretations:

Amendments to International Accounting Standards ("IAS") 1 and IAS 8: Definition of Material

The amendments to IAS 1 and IAS 8 were issued in January 2019 to align the definition of "material" across the standards and to clarify certain aspects of the definition. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments are effective for annual reporting periods beginning on or after September 30, 2021 and are not expected to have a significant impact on the Plan's financial statements upon adoption.

CAYMAN NATIONAL PENSION FUND

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

(Expressed in Cayman Islands dollars)

2. Significant accounting policies (continued)

Standards issued but not yet effective: In addition to the above, certain new accounting standards and interpretations have been published that are not mandatory for the September 30, 2021 reporting period. Standards and interpretations that are not expected to have a material impact on the Plan have not been included.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 October 2023 and must be applied retrospectively. The Plan is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Fund will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Plan.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after October 1, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Plan.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

CAYMAN NATIONAL PENSION FUND

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

(Expressed in Cayman Islands dollars)

2. Significant accounting policies (continued)

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2 (continued)

The amendments to IAS 1 are applicable for annual periods beginning on or after October 1, 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Plan is currently assessing the impact of the amendments to determine the impact they will have on the Plan's accounting policy disclosures.

The significant accounting policies of the Plan, which have been consistently applied to all years presented (unless otherwise stated), are as follows:

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 a first in first out 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.

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.

CAYMAN NATIONAL PENSION FUND

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

(Expressed in Cayman Islands dollars)

2. Significant accounting policies (continued)

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: Prior to August 1, 2015, 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.

These conditions were met until the RSA Side Pocket was created on August 1, 2015 (Note 9), 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, 2021 and 2020 comprise the following:

	<u>2021</u>	<u>2020</u>
Current accounts (Note 10)	<u>1,236,807</u>	<u>263,911</u>
	<u>\$1,236,807</u>	<u>\$ 263,911</u>

4. Due from broker and Due to broker

Due from broker and due to broker includes cash balances with the Plan's broker and amounts receivable or payable for securities transactions that have not settled at the date of the financial statements. The due from brokers balance is held for collection. Amounts due to brokers represent payables for securities purchased that have been contracted for but not yet settled or delivered on the Statement of Financial Position date respectively. Substantially all investments and cash owned are held by the Plan's custodian. At September 30, 2021, the balance due from broker is \$2,852,653 (2020: \$628,341) and the balance due to broker is \$1,743,911 (2020: \$Nil).

CAYMAN NATIONAL PENSION FUND

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

(Expressed in Cayman Islands dollars)

5. Financial assets at fair value through profit and loss

The following investments were held by the Plan at September 30, 2021:

Equities/Mutual Funds

<u>Units</u>	<u>Security</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Percentage of total assets</u>
4,182	BERKSHIRE HATHAWAY INC CL B	308,594	951,196	1.45%
114,973	CARIBBEAN UTILITIES CO	1,048,441	1,427,581	2.18%
24,369	CAYMAN NATIONAL CORP	58,550	105,599	0.16%
44,977	CAYMAN NATIONAL SECURITIES MUTUAL FUND SPC-INTERNATIONAL EQUITY	322,369	374,922	0.57%
341,609	CAYMAN NATIONAL SECURITIES MUTUAL FUND SPC-US BOND	2,908,390	2,993,179	4.57%
31,370	CAYMAN NATIONAL SECURITIES MUTUAL FUND SPC-US EQUITY	456,585	645,862	0.99%
5,640	ISHARES TR RUSSELL 2000	321,041	1,028,125	1.57%
13,498	MIDCAP SPDR TR UNIT SER 1	1,051,452	5,409,099	8.26%
18,161	NASDAQ 100 TR POWERSHARES QQQ NAS	935,906	5,417,426	8.28%
29,579	SPDR DOW JONES INDUSTRIAL AVG ETF TRUST	2,687,779	8,338,567	12.74%
50,976	SPDR TR UNIT SER 1	5,541,746	18,229,867	27.85%
		<u>15,640,855</u>	<u>44,921,424</u>	<u>68.63%</u>

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>
1,000,000	AMAZON	2.80%	8/22/2024	867,163	883,433	1.35%
1,000,000	APPLE INC	3.00%	2/9/2024	878,374	878,575	1.34%
1,000,000	AUST & NZ BANKING	2.55%	11/23/2021	814,949	836,300	1.28%
1,000,000	BANK OF AMERICA	4.20%	8/26/2024	900,579	911,583	1.39%
1,000,000	BARCLAYS PLC	3.68%	1/10/2023	857,139	840,650	1.28%
1,000,000	CATERPILLAR FIN SER	1.95%	11/18/2022	843,771	849,233	1.30%
400,000	HSBC USA INC	1.70%	11/14/2023	334,167	335,077	0.51%
1,000,000	MICROSOFT CORP	2.70%	2/12/2025	878,499	883,875	1.35%
1,000,000	MORGAN STANLEY	1.62%	10/24/2023	857,346	843,950	1.29%
1,000,000	NATIONAL AUSTRALIA BANK	1.11%	1/10/2022	849,619	835,175	1.28%
1,000,000	RABOBANK UA	4.63%	12/1/2023	857,208	903,033	1.38%
1,000,000	UNITED MEXICAN STATE	3.60%	1/30/2025	895,149	908,458	1.39%
1,000,000	US TREASURY BILL	0.00%	12/2/2021	835,279	833,292	1.27%
1,000,000	US TREASURY BILL	0.00%	2/24/2022	835,228	833,175	1.27%
1,000,000	US TREASURY BILL	0.00%	5/19/2022	835,013	833,067	1.27%
1,000,000	US TREASURY NOTE	0.13%	8/31/2022	835,809	833,643	1.27%
1,000,000	US TREASURY NOTE	1.38%	10/15/2022	849,129	844,336	1.29%
1,000,000	US TREASURY NOTE	1.63%	12/15/2022	853,498	848,487	1.30%
1,000,000	US TREASURY NOTE	0.13%	3/31/2023	834,699	832,731	1.27%
1,000,000	VOLKSWAGEN GR AMERICA	4.25%	11/13/2023	872,500	893,908	1.37%
	Fixed income securities			<u>16,585,118</u>	<u>16,661,981</u>	<u>25.46%</u>

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

The following investments were held by the Plan at September 30, 2020:

Equities/Mutual Funds

<u>Units</u>	<u>Security</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Percentage of total assets</u>
4,383	BERKSHIRE HATHAWAY INC CL B	323,555	777,763	1.43%
114,973	CARIBBEAN UTILITIES CO	1,048,441	1,370,095	2.52%
24,369	CAYMAN NATIONAL CORP	58,550	97,476	0.18%
47,749	CAYMAN NATIONAL SECURITIES MUTUAL FUND SPC-INTERNATIONAL EQUITY	347,851	330,668	0.61%
363,873	CAYMAN NATIONAL SECURITIES MUTUAL FUND SPC-US BOND	3,079,214	3,232,643	5.94%
32,778	CAYMAN NATIONAL SECURITIES MUTUAL FUND SPC-US EQUITY	460,604	529,567	0.97%
18,554	INVESTCO INDIA	327,197	301,966	0.55%
8,570	ISHARES FTSE/XINHUA CHINA 25	305,929	299,950	0.55%
7,687	ISHARES MSCI AUSTRALIA INDEX FUND	146,865	126,323	0.23%
6,049	ISHARES MSCI BRAZIL FREE INDEX	323,214	139,429	0.26%
12,530	ISHARES MSCI CANADA INDEX FUND	290,683	286,206	0.53%
6,136	ISHARES MSCI EMERGING MARKETS	232,876	225,447	0.41%
5,659	ISHARES MSCI GERMANY	146,874	137,372	0.25%
4,295	ISHARES MSCI JAPAN INDEX FUND	146,867	211,421	0.39%
13,458	ISHARES MSCI SWITZERLAND	296,206	460,600	0.85%
5,911	ISHARES TR RUSSELL 2000	334,614	737,841	1.36%
14,146	MIDCAP SPDR TR UNIT SER 1	1,094,112	3,994,241	7.34%
19,445	NASDAQ 100 TR POWERSHARES QQQ NAS	983,931	4,502,166	8.27%
30,999	SPDR DOW JONES INDUSTRIAL AVG ETF TRUST	2,804,321	7,168,519	13.17%
54,445	SPDR TR UNIT SER 1	5,891,372	15,194,239	27.91%
1,294	VANGUARD ENERGY ETF	146,845	43,468	0.08%
3,544	VANGUARD SMALL-CAP GROWTH ETF	366,976	634,760	1.17%
		<u>19,157,097</u>	<u>40,802,160</u>	<u>74.94%</u>

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>
1,000,000	AMAZON	2.80%	8/22/2024	861,036	903,125	1.66%
1,000,000	APPLE INC	3.00%	2/9/2024	871,716	897,933	1.65%
1,000,000	AUST & NZ BANKING	2.55%	11/23/2021	827,058	854,650	1.57%
1,000,000	BANK OF AMERICA	4.20%	8/26/2024	888,541	927,442	1.70%
1,000,000	BARCLAYS PLC	3.68%	1/10/2023	850,562	860,350	1.58%
1,000,000	CATERPILLAR FIN SER	1.95%	11/18/2022	841,507	860,900	1.58%
400,000	HSBC USA INC	1.76%	11/14/2023	333,609	331,320	0.61%
250,000	JP MORGAN CHASE	3.00%	10/29/2020	208,444	208,740	0.38%
1,000,000	MICROFOFT CORP	2.70%	2/12/2025	873,219	906,742	1.67%
1,000,000	MORGAN STANLEY	1.66%	10/24/2023	848,272	847,550	1.56%
1,000,000	NATIONAL AUSTRALIA BANK	1.16%	1/10/2022	838,580	840,900	1.54%
1,000,000	RABOBANK UA	4.63%	12/1/2023	849,456	926,083	1.70%
1,000,000	UNITED MEXICAN STATE	3.60%	1/30/2025	887,934	899,300	1.65%
1,000,000	VOLKSWAGEN GR AMERICA	4.25%	11/13/2023	861,499	916,867	1.68%
	Fixed income securities			<u>10,841,433</u>	<u>11,181,902</u>	<u>20.54%</u>

CAYMAN NATIONAL PENSION FUND

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

The Plan's investments are administered by CNS. During the year ended September 30, 2021, the portfolio provided an annual rate of return of 19.98% (2020: 6.01%) for participating units and 3.78% for RSA side pocket units (2020: 2.59%) (see Note 9). The annual rate of return is calculated by dividing the increase in net asset value per unit by the NAV per unit at the beginning of the year.

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

	September 30, 2021		September 30, 2020	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Equities/Mutual Funds	4,013,963	3,687,344	4,092,878	3,887,669

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.

6. Fair value disclosures

IFRS 13 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.

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, 2021:

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total balance</u>
Financial assets held for trading:				
– Equity securities	40,907,461	-	-	40,907,461
– Investments in other funds	-	4,013,963	-	4,013,963
– Debt securities	-	<u>16,740,478</u>	-	<u>16,740,478</u>
Total assets	<u>\$40,907,461</u>	<u>\$ 20,754,441</u>	<u>\$ -</u>	<u>\$61,661,902</u>

CAYMAN NATIONAL PENSION FUND

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6. Fair value disclosures (continued)

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, 2020:

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total balance</u>
Financial assets held for trading:				
– Equity securities	36,709,282	-	-	36,709,282
– Investments in other funds	-	4,092,878	-	4,092,878
– Debt securities	<u>-</u>	<u>11,253,321</u>	<u>-</u>	<u>11,253,321</u>
Total assets	<u>\$36,709,282</u>	<u>\$ 15,346,199</u>	<u>\$ -</u>	<u>\$52,055,481</u>

For assets and liabilities carried at amortized cost, their carrying values are a reasonable approximation of fair value. 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.

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.

There was no movement in level 3 instruments (investments in other funds) for the years ended September 30, 2021 and September 30, 2020.

7. Loans and receivables

Loans and receivables as at September 30, 2021 and 2020 comprise the following:

	September 30, 2021		September 30, 2020	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Fixed Term Deposits with CNB	1,317,282	1,317,282	1,313,838	1,313,838
Interest receivable	<u>742</u>	<u>742</u>	<u>1,782</u>	<u>1,782</u>
Total	<u>\$1,318,024</u>	<u>\$ 1,318,024</u>	<u>\$1,315,620</u>	<u>\$1,315,620</u>

Yields range from 0.05% to 0.20% (2020: 0.05% to 0.65%) and the maturities are within one year (2020: one year).

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8. Accounts payable and accrued expenses

Accounts payable and accrued expenses as at September 30, 2021 and 2020 comprised the following:

	<u>2021</u>	<u>2020</u>
Administration, accounting and secretarial fees	43,073	35,147
Audit	19,000	38,000
Custody	18,686	3,125
Other	4,526	5,252
Total accounts payable and accrued expenses	<u>85,285</u>	<u>81,524</u>

9. 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, calculated as 2% of annual contributions plus 0.45% of net assets, calculated monthly. These fees were in effect to April 30 2021. Effective May 1, 2021, the fees were increased to 2% of annual contributions plus 0.65% of net assets, calculated monthly. Furthermore, the Administrator receives \$50 for each withdrawal request, and charges a fixed annual fee of \$12,000 for calculating the RSA's NAV. At September 30, 2021, the administrator fees payable were \$43,073 (2020: \$35,147).

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. As at December 2020, custody fees of 0.0125% of assets, calculated monthly were put into effect. No fees are paid for investment advisory services. At September 30, 2021, the custody fees payable were \$18,686 (2020: \$12,500).

10. 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 and RSA side pocket units for the years ended September 30, 2021 and 2020 are summarised as follows:

<u>Participating Units</u>	<u>2021</u>	<u>2020</u>
Outstanding units, at beginning of year	17,463,317.98	24,571,237.30
Issued during the year (contributions and transfers from other plans)	1,802,481.95	2,097,212.76
Redeemed during the year (benefit payments and transfers to other plans)	(921,153.85)	(8,860,494.41)
Transfer to RSA side pocket	(154,071.58)	(344,637.67)
Outstanding units, at end of year	<u>18,190,574.50</u>	<u>17,463,317.98</u>
<u>RSA Side Pocket Units</u>	<u>2021</u>	<u>2020</u>
Outstanding units, at beginning of year	3,639,951.16	3,596,340.42
Transfer from participating units	416,536.37	859,325.01
Redeemed during the year (benefit payments and transfers to other plans)	<u>(573,713.71)</u>	<u>(815,714.27)</u>
Outstanding units, at end of year	<u>3,482,774.36</u>	<u>3,639,951.16</u>

CAYMAN NATIONAL PENSION FUND

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10. Units outstanding (continued)

In accordance with the objectives outlined in Note 1 and the risk management policies in Note 12, 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:

		<u>Units</u>	<u>Fair Value</u>
Cayman National Securities US Bond Fund Segregated Portfolio	80%	341,609	2,993,179
Cayman National Securities US Equity Fund Segregated Portfolio	11%	31,370	645,862
Cayman National Securities International Equity Fund Segregated Portfolio	9%	44,977	374,922

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.

In response to the COVID-19 pandemic, during April 2020, the National Pensions (Amendment) Law, 2020 was passed in the Legislative Assembly. This amendment enabled specified members of the Pension Plan to withdraw a single lump sum amount from their account, termed "Emergency Withdrawals". Members with a balance below KYD 10,000 were permitted to fully withdraw their balance. Members with a higher balance were permitted to withdraw an amount of KYD 10,000 and up to a further 25% of their balance over the initial balance. This provision to allow Emergency Withdrawals was effective for the period from May 1, 2020 to October 31, 2020. As at September 2021, the Pension Fund had made 60 (2020:1,783) emergency withdrawal payments in the month of October 2020 totalling \$800,685 (2020:\$20,872,833).

11. Related party balances and transactions

As at September 30, 2021 and 2020, the Investment Advisor provided brokerage and custody services on behalf of the Plan. As at September 30, 2021 and 2020 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 \$61,979 were earned in 2021 (2020: \$12,500).

As at September 30, 2021 and 2020, all of the Plan's cash and fixed deposits have been placed with Cayman National Bank Ltd. ("CNB").

As at September 30, 2021, the Plan held 24,369 (2020: 24,369) shares of Cayman National Corporation Ltd. with a market value of \$105,599 (2020: \$97,476).

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

The Administrator is Cayman National Fund Services Ltd.

The RSA side pocket invests in the Cayman National Securities Mutual Fund SPC. Refer to Note 9 for further details.

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12. Expense ratio

Total expenses, excluding withholding taxes on dividends, as a percentage of the average monthly net assets available to participants for benefits, were 1.15% for the year ended September 30, 2021 (2020: 0.82%).

13. 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.

After the outbreak of Coronavirus Disease of 2019 ("COVID-19") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. This has led governmental authorities to import quarantines and restrict domestic and international travel, disrupted supply chains and other commercial activity, and contributed to unusually high volatility in financial markets.

There was no material adverse impact on the value of the Fund's investments during the year as a result of COVID-19. The duration, severity and ultimate impact of these and other consequences of the spread of COVID-19 cannot be predicted. Deterioration in economic and market conditions could result in declines in the market values of the Plan's investments, diminish investment opportunities, prevent successful execution of the investment strategies, cause the Investment Manager to alter its investment strategies, and/or require the Plan to dispose of investments at a loss. The Trustees will continue to actively monitor and evaluate the situation.

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, 2021 and 2020 are presented in Note 4.

At September 30, 2021 and 2020 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 0.92 to the S&P 500 (2020: 0.93). Thus if the index rises 10% the equity portion of the Plan's portfolio will rise 9.2% (2020: 9.3%) before fees and expenses. Conversely if the index declines 10% the equity portion of the Plans portfolio will decline 9.2% (2020: 9.3%). The impact of these changes on the Plan's equity investments at September 30, 2021 would have been a rise or decline in fair value of approximately \$4.1 million (2020: \$3.8 million), excluding the effect of Plan expenses.

CAYMAN NATIONAL PENSION FUND

NOTES TO FINANCIAL STATEMENTS

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(Expressed in Cayman Islands dollars)

13. Financial risk management (continued)

i) Price risk:(continued)

The sensitivity analysis presented above is based upon the portfolio composition as at September 30, 2021. 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.

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 1.33 (2020: 2.42). 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 1.33% (2020: 2.42%). Conversely should interest rates decline by 100bps the fair value of the bond portfolio will increase by 1.33% (2020: 2.42%). The impact of these changes on the Plan's fixed income investments at September 30, 2021 would have been a rise or decline in fair value of approximately \$221,604 (2020: \$270,602), 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, 2021 and 2020, 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 (2020: BBB) or better by Standard & Poors or equivalent credit rating agency. The average credit rating for the Plan's fixed income securities is A+ (2020: A+).

CAYMAN NATIONAL PENSION FUND

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13. Financial risk management (continued)

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 consider 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 Trustees. The Plan's cash and fixed deposits are held by one bank that affiliated with several Trustees.

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>2021</u>	<u>2020</u>
Within one year	5,004,652	208,740
Between one and five years	<u>11,657,329</u>	<u>10,973,162</u>
Total	<u><u>16,661,981</u></u>	<u><u>11,181,902</u></u>

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

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.

14. Subsequent events

From October 1, 2021 to March 30 2022, the Plan received contributions of \$939,083 and paid redemptions of \$1,324,358.

On February 24, 2022, Russia engaged in military actions in the sovereign territory of Ukraine. The Fund is closely monitoring developments that may impact financial markets including sanctions, actions by governments and developments of the crisis. The Fund will further assess the impact on the Fund's portfolio operations and valuation and will take any potential actions needed, as facts and circumstances are subject to change and may be specific to investment strategies and jurisdictions. As of January 31, 2022, the Fund invests in Lukoil Int, which is related to Russia, with a market value of \$739,008. The investment is currently restricted, and the Fund is still assessing the impact of recent events as to fair value.