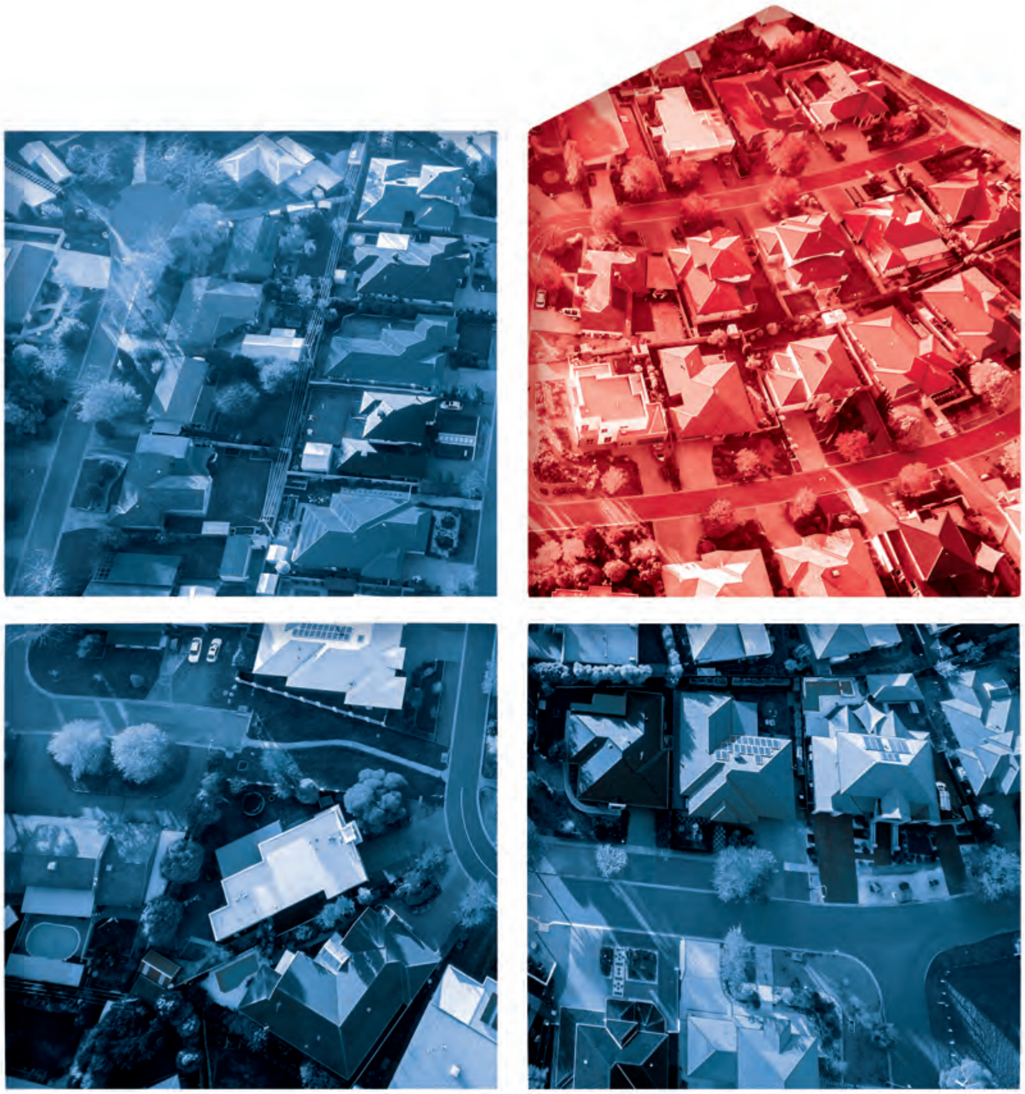
HOME MORTGAGE BANK

MORTGAGES | INVESTMENTS



PROSPECTUS

of the Mortgage Participation Fund

HOME MORTGAGE BANK

Incorporated in the Republic of Trinidad & Tobago under the Home Mortgage Bank Act Chap. 79:08 as amended presents the

SUPPLEMENTAL PROSPECTUS BY WAY OF AMENDMENT AND RESTATEMENT

of the

MORTGAGE PARTICIPATION FUND
("the Fund")

A TT DOLLAR DENOMINATED MUTUAL FUND ORGANIZED UNDER THE LAWS OF TRINIDAD & TOBAGO

The Trinidad and Tobago Securities and Exchange Commission has not in any way evaluated the merits of the securities offered hereunder and any representations to the contrary is an offence.

Pursuant to Section 77(1) of the Securities Act No. 17 of 2012 ("Securities Act"), this Prospectus has been filed with the Trinidad and Tobago Securities and Exchange Commission ("the Commission") and a receipt therefor has been issued by the Commission for the purpose of giving information to the public with regard to the Mortgage Participation Fund.

Prospectus Date: November 4, 2019
Date of Inception: September 24, 2001

FUND TRUSTEE
TRINIDAD AND TOBAGO MORTGAGE FINANCE COMPANY LIMITED

RESPONSIBILITY STATEMENT

The Directors of the Trinidad and Tobago Mortgage Finance Company Limited whose names appear below are the persons responsible for the information contained in this Prospectus. To the best of the knowledge and belief of such Directors (who have all taken reasonable care to ensure that such is the case) such information is in accordance with the facts and does not omit anything which is likely to affect materially the import of such information. The Directors of Trinidad and Tobago Mortgage Finance Company Limited accept responsibility accordingly.

BOARD OF DIRECTORS OF TRINIDAD AND TOBAGO MORTGAGE FINANCE COMPANY LIMITED

Name	Signature
Ansel Howell (Chairman)	
Jennifer Lutchman	
Robert Green	
Anthony Campbell	
Ann Chan Chow	
Marilyn Gordon	
Niala Persad-Poliah	
Athena Ryan	

Dated the 4th day of November, 2019

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INVESTOR STATEMENT

This Prospectus contains information to help you make an informed investment decision and to help you understand your rights. It contains information about the Fund, as well as the names of persons responsible for its organization and management.

<u>You are encouraged to read this prospectus in its entirety, prior to making any investment decision</u>.

NOTICE TO NON-RESIDENTS

Nothing in this Prospectus constitutes an offer of securities for sale in any jurisdiction other than in the Republic of Trinidad and Tobago.

Except as stated hereunder, the invitation to subscribe for Participations as described in this Prospectus is not being made to Non-Residents. Any Person who is in doubt as to his or her position should consult an appropriate professional advisor without delay.

Receipt of this Prospectus will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this Prospectus must be treated as sent for information purposes only and should not be copied or redistributed.

Subject to the following, no Person receiving a copy of this Prospectus in any jurisdiction other than the Republic of Trinidad and Tobago may treat same as constituting an invitation or offer to him/her, unless, in the relevant territory, such an invitation or offer could be lawfully made to him/her without contravention of any registration or other legal requirements.

Persons (including, without limitation, custodians, nominees, agents and trustees) receiving a copy of this Prospectus should not, in connection with this invitation to subscribe for Participations, distribute or send same in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. Any Person (including, without limitation, custodians, nominees, agents and trustees) who forwards this Prospectus into any such jurisdictions (whether pursuant to a contractual or legal obligation or otherwise) should draw the recipient’s attention to the contents of this notice.

The Trustee reserves the right, but shall not be obliged, to treat as invalid and will not be bound to issue any Participations in respect of any acceptance or purported acceptance of the invitation to subscribe for Participations which:

(a) Appears to the Trustee or its agents to have been executed, effected or dispatched from any jurisdiction outside of the Republic of Trinidad and Tobago; or

(b) Appears to the Trustee or its agents to have been executed, effected or dispatched in a manner which may involve a breach of the securities laws or regulations of any jurisdiction, or which the Trustee believes or its agents believe would violate applicable legal or regulatory requirements.

Despite any other provision of this Prospectus, the Trustee reserves the right to permit any Person to subscribe for Participations if the Trustee, in its sole and absolute discretion, is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions in question.

CORPORATE DIRECTORY / ROLES & RESPONSIBILITIES

Issuer

Home Mortgage Bank
2nd Floor, NIBTT Building
Queen's Park East
Port of Spain
Telephone No: 625-4972
Website: www.homemortgagett.com
E-mail: info@homemortgagett.com

The Issuer shall offer Participations in the Fund for sale to the public in accordance with the provisions of the Trust Deed and shall distribute the Fund throughout the Republic of Trinidad and Tobago.

The Trustee

Trinidad and Tobago Mortgage Finance Company Limited
Albion Court
61 Dundonald Street
Port of Spain
Telephone No: 625-8863
Website: www.ttmf-mortgages.com
E-mail: info@ttmf-mortgages.com

The Trustee has a fiduciary responsibility to the Holders of the Fund. The Trustee acts as custodian of the Fund's assets and ensures that the rights of the Holders are in no way infringed. The Trustee determines the Net Asset Value of the Fund and may also make arrangements for the Fund to borrow under the conditions set out in the Trust Deed. The Trustee also provides a continuous investment programme for the Fund's portfolio, making day to day investment decisions and carrying out other related portfolio activities such as the purchase and sale of the Fund's assets and general management of the Fund's investments in accordance with the stated objectives and policies of the Fund.

Manager

Home Mortgage Bank
2nd Floor, NIBTT Building
Queen's Park East
Port of Spain
Telephone No: 625-4972
Website: www.homemortgagett.com
E-mail: info@homemortgagett.com

The Manager shall perform or arrange for the performance of the administrative services necessary for the daily operation of the Fund. These include maintaining the accounts, books and records of the Fund, providing reports and other required documents, and providing the Fund with administrative office facilities. The Manager shall act as Registrar of the Fund and shall maintain a record of all Participations and shall perform the role of transfer agent.

Legal Advisers to the Issuer

Pollonais, Blanc, de la Bastide & Jacelon
Pembroke Court
17-19 Pembroke Street P.O. Box 350, Port of Spain
Telephone No: 612-7235
Website: www.polanc.com
E-mail: pbdj@polanc.com

Auditors

EY Trinidad and Tobago
5-7 Sweet Briar Road
St. Clair
Telephone No: 628-1105
Website: https://www.ey.com/tt/en/home

KEY DEFINITIONS

The following words and phrases shall (save where the context requires otherwise) have the respective meanings set opposite them below save and except that capitalized terms used and not defined herein shall bear the meaning as set out in the Trust Deed:

Accounting Date	Means the December 31st in each year until the termination of the Fund or such other date in each year as the Trustee may from time to time determine and notify to the relevant Persons.
Accounting Period	Means a period beginning on the day following an Accounting Date and ending on the next succeeding Accounting Date.
Board of Directors	Means the Board of Directors of the Issuer.
Business Day	Means a day on which commercial banks are open for business in Trinidad and Tobago.
Commission	Means the Trinidad and Tobago Securities & Exchange Commission established under the Securities Act Chap 83:02
Dollars or $ or TT$	Means the lawful currency for the time being of the Republic of Trinidad and Tobago.
Fund or MPF	Means the open-end collective investment scheme constituted by the Trust Deed called the "Mortgage Participation Fund" or such

	other name as the Trustee may from time to time determine.
Fund Income	Means all cash dividends and interest derived from or earned on the Property and such other receipts as may be determined by the Trustee on an accrual basis to be in the nature of income to the Fund.
HMB	Means Home Mortgage Bank.
Holder	Means the several Persons who for the time being are the holders of Participations being the several Persons whose names appear on the Register as the holders thereof.
Issuer	Home Mortgage Bank.
Investment Policy Statement	Means the policy statement of the Fund which will provide the framework for the administration and investment management of the Fund.
Management Agreement	Means the agreement which may be entered into from time to time if the Trustee shall so determine, between the Trustee and the Manager in relation to the administration and management of the Fund.
Manager	Means Home Mortgage Bank
Minimum Investment	Means with respect to the initial Participation by an investor, the sum of TT$500.00 and, with respect to any subsequent purchase of Participations by a Holder the sum of TT$1.00 or such other amount as the Trustee may, in each case, prescribe as the minimum investment, which may be accepted by the Trustee.
Net Asset Value (NAV)	Means the net asset value of $1.00 per unit of the Fund unless calculated in accordance with the Trust Deed.
Non-Resident	Means a person who is not resident in the Republic of Trinidad and Tobago as provided for under the Income Tax Act Chap. 75:01 as amended from time to time.

Participation	A unit issued pursuant to the Trust Deed and representing an undivided share in the Property and includes a fraction of a Participation and 'Participations' shall be construed accordingly.
Person	Includes any natural individual, firm, partnership, joint venture, company, body corporate, or trust, unincorporated federation, state or subdivision thereof or any government or agency thereof.
Property	Means the Mortgages, the Securities and other assets which are held upon the trusts of the Trust Deed including any income earned on or derived from the same.
Prospectus	Means this prospectus, including the Appendices, and any prospectus from time to time issued in connection with the offer for the sale of Participations in the Fund.
Redemption	The repurchase of Participations by the Trustee.
Redemption Date	Means a Valuation Date or such other day or days as the Trustee may from time to time select and notify to Holders.
Redemption Price	Means the Net Asset Value per unit in respect of the redemption of Participations calculated at the close of business on the Redemption Date in respect of which such price is being calculated.
Register	The Register of Holders established and maintained by the Trustee in accordance with the Trust Deed and the Rules.
Security/Securities	Means any "security" as that term is defined at section 4 of the Securities Act, 2012 as amended from time to time.
Tax or Taxation	Means all forms of taxation anywhere in the world, past, present and future without limitation, and all other statutory governmental, state, provincial, local government or municipal impositions, duties and levies and all penalties, charges, costs and interest relating thereto.
Trust Deed	Means the trust deed dated the 24th day of September, 2001 and amended by way of an

	amended and restated trust deed dated the 4th day of November, 2019.
Trustee	Means Trinidad and Tobago Mortgage Finance Company Limited.
TTMF	Means Trinidad and Tobago Mortgage Finance Company Limited.
Valuation Date	Means each and every Business Day beginning with the first Business Day following the date hereof or such other day or days as the Trustee may from time to time select and notify to Holders.

STATEMENT OF AFFILIATION

HMB and TTMF are both subsidiaries of the National Insurance Board.

HMB is regulated by the Central Bank of Trinidad and Tobago and the Commission. TTMF is exempted from the provisions of the Financial Institutions Act Chap 79:09 pursuant to the Third Schedule of this Act and is regulated by the Commission as a Reporting Issuer.

TTMF is an Approved Mortgage Lender under Schedule VII of the Finance Act No. 29 of 1966 Section 55 and Part II of the Housing Act Chap. 33:01. Via Sale and Administration Deeds HMB and TTMF have executed the purchase and sale of mortgages. Under these Deeds HMB purchase mortgages, TTMF sells mortgages and agrees to administer them for a fee.

There is no conflict of interest between HMB and TTMF as neither entity hold equity investments in the other.

SUMMARY

This Prospectus constitutes an invitation to investors to subscribe for Participations in the Fund established by the Trust Deed. The contents of this Prospectus are qualified in their entirety by the detailed provisions of the Trust Deed. Participations are offered at the prices set forth under the heading "Distribution of Participations" below.

Save where the context requires otherwise, words and expressions defined in the Trust Deed shall have the same meaning in this Prospectus.

No dealer, salesman or other person is authorized to give any information or to make any representations other than those contained in this Prospectus and if given or made such information or representations may not be relied upon as having been authorized by the Trustee or the directors. This Prospectus does not constitute an offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation.

Table 1 below provides the summary details of the Mortgage Participation Fund.

Table 1 – Summary Details of the Mortgage Participation Fund

Details	Description
Issuer	Home Mortgage Bank.
Trustee & Custodian	Trinidad and Tobago Mortgage Finance Company Limited.
Manager	Home Mortgage Bank.
Use of Proceeds	The acquisition of mortgages on the secondary market.
MPF	An open-end mutual fund representing a pro rata undivided beneficial ownership interest in a pool of mortgage loans sold as Participations also known as units. Holders receive investment returns derived from the performance (interest and principal) from the Mortgage Pool and other assets held by the Fund.
Security	Participations or units in a Collective Investment Scheme.
Issue Date	24th September, 2001.
Fund Size	As an open-end mutual fund there is no limit to the Fund's size.
Fund Returns	Fund returns are variable with a payout (interest) rate set at the start of each month by the Trustee on the advice of the Manager.
Issue Price	The Participations will be issued at a fixed price of $1.00 per unit.
Minimum Investment	The initial investment by an investor must be the sum of TT$500.00 with any value thereafter.
Interest	Interest is accrued on Fund balances daily and credited to each account on the last day of the month.
Redemptions	Participations in the Fund will be redeemed at $1.00 per unit without any penalties. Redemption of Participations will be effected on every Business Day.
Guarantee	The Fund's Issuer guarantees to each Holder that it shall pay to it the principal amounts invested together with any distributions paid or due to be paid.
Investment Strategy	The Fund will hold at least 80% of its assets in Mortgages. The Fund will invest up to 20% of its assets in ancillary liquid or other assets to provide for the liquidity needs of the Fund. The mortgages within the Fund's Mortgage Pool will be secured by a first (1st) lien on a residential property. The Mortgage Pool would comprise of adjustable rate, monthly pay, fully amortising loans. The underwriting characteristics of the mortgages within the Mortgage

Pool include:-

- All mortgages would be current with no history of arrears within the last twelve (12) months.
- Mortgages met the Bank's normal lending criteria of 30% Gross Debt Service Ratio, 40% Total Debt Service Ratio at the time of origination, with exceptions granted as per the Approved Mortgage Lenders' underwriting policy.
- Term of mortgage not exceeding the borrowers' retirement age.
- Loan to Value (LTV) ratios did not exceed 90% at the time of origination and is based on valuations from only reputable valuators.
- Mortgages met the Bank's normal lending criteria at the time of origination.

Registration	Commission's re-receipt of the prospectus will be required.
Eligibility	Eligible as assets in which statutory funds and pension plans may be invested.
Legal Documentation	The MPF's documentation shall contain provisions customarily found in a security of this nature.
Governing Law	Trinidad and Tobago Law.

No certificates are issued in respect of Participations which will be registered in the Holder's name. Periodic statements, at least quarterly, will be sent to Holders.

The price of Participations is fixed at $1.00 per unit. Potential investors should review this Prospectus carefully and in its entirety and consult their professional advisers on the tax, legal and other consequences of subscribing, purchasing, holding, redeeming or selling Participation under the laws and practice of their country of citizenship, domicile or residence or under the laws of any other relevant jurisdiction and in the light of their personal circumstances.

Circulation of this Prospectus may be restricted in some jurisdictions and potential investors are responsible for informing themselves of any applicable laws or regulations.

If you are in any doubt about the contents of this Prospectus you should consult your stockbroker, bank manager, attorney, accountant, financial or other professional adviser.

The applications for Participations may be made on the basis of this Prospectus alone.

Neither the delivery of this Prospectus nor the offer, sale or issue of Participations shall constitute a representation that the information given herein is necessarily correct as of any time subsequent to the date hereof.

The Prospectus does not purport to give legal, tax or financial advice and does not include information relating to events occurring subsequent to its date except as specifically indicated.

The delivery of this Prospectus at any time subsequent to its date does not imply that information herein is correct as of any time subsequent to such date.

The Fund is governed by the laws of the Republic of Trinidad and Tobago and established by the Trust Deed and made by the Trustee duly incorporated and validly existing and licensed under the provisions of the Finance Act No. 29 of 1966 and the Housing Act Chap. 33:01.

The Fund is designed to enable investors to participate in the acquisition and ownership of mortgages, debt instruments, asset backed securities, securities, treasuries and certificates of deposits by the purchase of Participations. Ownership of Participations is to be evidenced by the recording thereof on the Register.

The obligations as to the trusteeship of the Fund and the issue and repurchase of Participations and all distributions are the ultimate responsibility of the Trustee. The Trustee pursuant to the power contained in the Trust Deed has delegated to the Manager, the administration and management of the Fund.

The Trustee provides annualized yield quotations for the Fund which represent the income per Participation paid to the Holder from interest and other realized income on the assets of the Fund, over a specified period of time, expressed as a percentage of the current offering price per Participation.

To ensure prudent diversification of the Fund's portfolio, the Trustee expects that no more than 10% of the Fund's total assets will be invested in any one investment or the Securities of any one issuer. However, this limitation does not apply to Securities of governments or governmental agencies.

Investment in the Fund is at the sole risk of the investor. Payments of capital and distributions are entirely dependent on the gains and losses derived from the Property and other assets comprising the Fund from time to time. Unlike some bank deposits or other investments which pay a fixed yield for a stated period of time, the yield and total rate of return of the Fund may vary depending upon interest rates, the current market value of the Property, the Securities and other assets held in the Fund's portfolio, changes in currency exchange rates and changes in the Fund's expenses.

INVESTMENT STRATEGY

Investment Objective and Policy

The investment objective of the Fund is to seek a total investment return with safety of capital by investing primarily in a portfolio of mortgages secured by properties, which have either been identified and separated in the books of the Trustee or purchased from Approved Mortgage Lenders and such securities and other assets as permitted under the terms of the Trust Deed. Current income from interest will be an important (but not the only) consideration in the selection of the assets comprising the Property.

The Trustee will vary the average maturity of the assets comprising the Property from time to time depending on its assessment of the pertinent economic conditions. As with all debt securities, changes in market yields will affect the value of such securities. Prices generally increase when interest rates decline and decrease when interest rates rise. Prices of longer term securities generally fluctuate more in response to interest rate changes than do shorter terms securities.

The Fund may invest at least 80% of the Property in Mortgages. In addition, the Trustee may invest up to 20% of the Property in ancillary liquid or other assets to provide for redemptions or to meet other liquidity needs.

Subject to the investment restrictions herein the Trustee may invest in, subscribe for, reinvest in, purchase, sell or otherwise acquire or dispose of in the manner herein securities, local and foreign, whether private or publicly traded including but not limited to the following:-

1. The evidence of indebtedness of any Person (with or without security);
2. Monetary instruments;
3. Cash balances deposited with any licensed bank or financial institution and cash equivalents;
4. Units in any unit trust and/or mutual fund;
5. The fully paid shares of any company;
6. Mortgages;
7. Options, swaps, forward contracts, various forms of hedge transactions and all types of derivative instruments for the purpose of maximizing investment returns and/or minimizing risk.

Evidence of indebtedness includes but is not restricted to bonds, banker's acceptances, promissory notes, securities loans, commercial paper, mortgage backed securities and other securities backed by bonds, debentures and/or loans.

For the purpose of hedging risks and enhancing returns the Fund may enter into derivative transactions including but not limited to forward currency contracts.

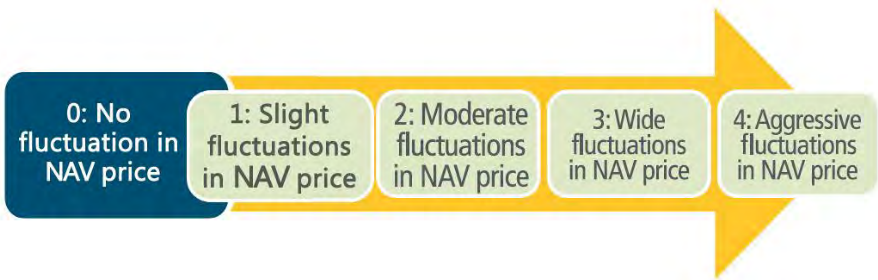
As per Section 5.05 of the Trust Deed all amounts invested into the Fund and outstanding distributions are guaranteed by the Issuer ("the Guarantee").

For the provision of its services and functions including the Guarantee the Issuer is entitled to a fee equivalent to the difference in the aggregate amounts received by it in respect of the Property and the amounts paid or due to be paid in respect of the Participations and expenses under the Trust Deed.

The Fund is targeted to investors seeking investment returns with capital preservation. Distributions are set monthly and are intended to be in line with prevailing income fund returns.

The Fund will be considered to be low risk as unitholders will not be exposed to any fluctuations in NAV per unit.

Figure 1 – Mutual Fund Risk Levels



The MPF is a low risk Fund due to its bias for fixed income securities primarily mortgages and its guarantee from the Fund Issuer.

Investment Restrictions

The following restrictions are deemed fundamental policies for the Fund:

1. The Fund shall not purchase a security of an issuer if, immediately after the purchase, more than 10% of the net assets of the Fund, taken at market value at the time of the purchase would be invested in securities of that issuer.

   This restriction does not apply to:

   i. Government of Trinidad and Tobago securities;

   ii. evidences of indebtedness that have a remaining term to maturity of not more than 365 days that are issued, or fully and unconditionally guaranteed as to principal and interest by, a financial institution regulated in Trinidad and Tobago or a government entity (other than a foreign government or any political division thereof that issues bonds, debentures or other evidences of indebtedness); or

   iii. bonds, debentures, notes or similar instruments representing indebtedness, that have a remaining term to maturity of not more than three years that are issued, secured or unsecured, by a financial institution regulated in Trinidad and Tobago or a government entity (other than a foreign government or any political division thereof that issues bonds, debentures or other evidences of indebtedness).

2. The Fund shall not purchase a security of an issuer if, immediately after the purchase, the Fund would hold securities representing more than 10% of the votes attaching to the outstanding voting securities of that issuer.

3. No securities that are subject to restrictive legal or contractual obligations on resale may be acquired.

4. Neither derivative transactions nor forward currency transactions may be entered into for speculative purposes.

5. The Fund shall not borrow cash or provide a security interest over any of its portfolio assets unless the transaction is temporary and is for the purpose of accommodating requests for the redemption of securities of the Fund, while the Fund effects an orderly liquidation of portfolio assets, or to permit the Fund to settle portfolio transactions and, after giving effect to all transactions undertaken, the outstanding amount of all borrowings of the Fund does not exceed 5% of the net assets of the Fund taken at market value at the time of the borrowing.

Modifications

Modification of the investment objective of the Fund requires approval of the Trustee.

BENEFIT TO INVESTORS

The Fund offers investors the opportunity to:-

- Participate in a professionally managed portfolio in accordance with the Fund's investment objectives as set out under ‘Investment Objectives and Policies’ designed to provide a continued flow of returns to the investor while endeavoring to maintain the value of capital invested.

- Enjoy capital protection via the Guarantee by the Issuer.
- Invest in a convenient way without the administrative and record keeping burdens normally associated with the direct ownership of securities.

The Fund is targeted to investors seeking investment returns with capital preservation. Distributions are set monthly and are intended to be in line with prevailing income fund returns.

RISK DISCLOSURES

There can be no assurance that the Trustee will achieve the investment objectives of the Fund as set out under 'Investment Objectives and Policies'.

In accordance with Section 5.05 of the Trust Deed the Issuer guarantees to each Holder that it will pay to it the principal amount invested together with any distributions paid and due to be paid to it on the dates when such amounts become due in respect of the Participations.

The Fund is neither insured with the Deposit Insurance Corporation in Trinidad and Tobago nor is it guaranteed by the Central Bank of Trinidad and Tobago or by any of the parties related thereto. Any investment in the Fund is at the sole risk of the investor.

The Fund is exposed to certain risks and based on the Guarantee provided, the Issuer by extension the Issuer is also exposed to these risks including:-

Liquidity risk

Liquidity risk is the risk that the Trustee will be unable to meet its payment obligations when they fall due under normal and distressed conditions. Liquidity risk arises from the Fund's assets being unable to receive its contractual cash flows or from redemptions exceeding new investor participations. The liquidity risk management process ensures the Trustee can honour all of its financial commitments as they fall due.

To limit this risk:-

- Management is critical of the quality of the asset portfolio (i.e the mortgage underwriting characteristics)
- Investor concentration is monitored
- The Fund's cash flow forecast is monitored on a daily basis
- The Fund has a credit facility

In addition to the above measures utilised by the Fund, the Issuer as guarantor maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Issuer also has committed lines of credit that it can access to meet liquidity needs.

Credit Risk

Credit risk is the potential for loss due to the failure of a counter-party or borrower to meet their financial obligations. Credit risk arises through the Fund's asset portfolio (mortgages and other fixed income securities). Credit risk is mitigated by the underwriting characteristics of the mortgages purchased for the Fund and the Sale and Administration Deeds which govern these transactions. The Fund's mortgage administrator credit control processes emphasize early detection of deterioration and prompt implementation of remedial action.

Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market factors such as interest rates and commodity prices. The Fund's market risk is mitigated by its investment strategy and the asset allocation mix detailed therein.

Equity Price Risk

The risk that fair value of equity securities could decrease. Equity Price Risk is mitigated by the Fund's Investment Strategy, its asset allocation mix and the competence of the Fund Manager to appropriately asses the fair value of equity securities.

Interest Rate Risk

Interest rate risk is the possible change in fair value of fixed income securities including mortgages and bonds as interest rates change. Typically, there is an inverse relationship between the price of a fixed rate bond and the rate of interest within a financial market. An increase in the interest rate will cause the market price of a fixed interest security to decrease. Conversely, a decrease in the interest rate will lead to an increase in the price of a fixed interest security. Given that such assets are required to be fair valued, the value of the portfolio can be affected by changes in the interest rate environment.

The Fund mitigates interest rate risk by purchasing floating rate mortgages.

Foreign Exchange Risk

Foreign exchange risk arises in the event the Fund purchases investments denominated in foreign currencies the portfolio is exposed to adverse movements in the exchange rates relative to the Trinidad and Tobago dollar. This risk is mitigated by the Fund's investment strategy and the mix between foreign and local currency assets.

Operational Risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Issuer cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Trustee is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

In addition to the risk framework managed by the Trustee, the Fund will operate within the investment restrictions outlined above.

Organizational Risk

Organizational risks arise as the Trustee and Manager are subsidiaries of the National Insurance Board. Both the Trustee and Manager have implemented detailed policies and procedures outlining their corporate governance structure and operations. The Board of Directors of both organisations are ultimately responsible for the implementation of their policies.

ORGANISATION AND MANAGEMENT OF THE FUND

The Fund is organized as a trust pursuant to the Trust Deed dated September 24, 2001 as amended and restated by deed dated the 4th day of November, 2019.

The principal persons involved in the management of the Fund are shown below:-

Functions	Name	Address	Contact Details
Trustee	Trinidad and Tobago Mortgage Finance Company Limited	Albion Court 61 Dundonald Street Port of Spain	Telephone No: 625-8863
Manager	Home Mortgage Bank	2nd Floor, NIBTT Building Queen's Park East Port of Spain	Telephone No: 625-4972
Auditors	EY Trinidad & Tobago	5-7 Sweet Briar Road St. Clair	Telephone No: 628-1105

The services provided by the entities named above are detailed below as well as in the section captioned Corporate Directory / Roles & Responsibilities.

Role of the Trustee

Pursuant to the Deed, the Trustee has exclusive authority and ultimate responsibility for the investment, administration and management of the Fund as well as for the custody of the assets of the Fund.

The Trustee will, *inter alia:-*

1. Be responsible for the general investment management of the assets of the Fund and buy and sell securities for and on behalf of the Fund subject to the restrictions set forth in this Prospectus and in the Deed for the time being and as they may be amended from time to time;

2. Be responsible for the sale and marketing of Participations in the Fund in its sole discretion; and;

3. Be permitted to recover from the assets of the Fund to satisfy any expenses it incurs in respect of the operation of the Fund.

Role of the Manager

The Trustee is empowered to delegate certain responsibilities to the Manager.

The Manager is appointed by the Trustee to provide administrative, bookkeeping, portfolio valuation, reporting, statistical, accounting and clerical services and advice and to act as Registrar and transfer agent to the Fund.

Subject to the exclusive and overriding authority of the Trustee over the management of the Fund, the Manager will have the responsibility and authority for and in the name of and on behalf of the Fund:

1. To open, maintain, conduct and close such bank account with any bank as may be necessary or appropriate for the conduct of the activities of the Fund and to issue such orders and directions to any bank at which the Fund maintains a general account as may be necessary or appropriate with respect to the disposition and application of moneys and application of moneys of the Fund from time to time held by such bank;

2. To administer and manage the sale and redemption of Participations of the Fund and Payments to Holders of the Fund;

3. To act as Registrar and transfer agent of the Fund; and

4. To conduct day-to-day relations, on behalf of the Fund, with other persons including consultants, lenders, brokers and bankers from time to time.

DISTRIBUTION OF PARTICIPATIONS

Subscriptions

Participations in the Fund will be offered at the Minimum Investment, the sum of TT$500.00 and, with respect to any subsequent purchase of Participations by a Holder the sum of TT$1.00 or such other amount as the Trustee may, in each case, prescribe as the minimum investment. There is provision for fractional Participation.

Persons will be required to complete the Fund Administrator's Know Your Customer forms and append their signature to the Deal Confirmation Ticket representing their purchase of Units in the Fund.

Units will be distributed at the Fund Administrator's registered offices detailed below:-

Table 2 – Registered Offices for Distribution of Participations in MPF

Company Name	Business Address
Home Mortgage Bank	2nd Floor, NIBTT Building Queen's Park East Port of Spain Telephone No: 625-4972

The Bank reserves the right to reject any subscriptions under the following conditions:-

- The investor refuses to complete the Fund Administrator's Know Your Customer forms;
- The investor's identity is fictitious and not supported by valid identification;
- The application for purchase, as presented, contravenes any existing law or statute;
- The Deal Confirmation Ticket is incomplete;

Payment for Participations

Participations will only be issued for cash in the lawful currency of Trinidad and Tobago which must be received at the time of purchase.

Change of Information

Holders of Participations are obliged to advise the Trustee promptly in writing, of any change of information previously provided to the Trustee.

Redemption

Participations in the Fund will be redeemed at $1.00 per unit without any penalties. Redemption of Participations will be effected on every Business Day. To effect redemption of Participations, Holders must notify the Bank no later than 12 noon, or any later time specified by the Trustee, on the relevant Business Day save for i. redemption of Participations over $500,000.00; and ii. redemption of Participations which in aggregate would amount to over $500,000.00 over five (5) business days. In such instances the Trustee must be given a minimum of five (5) business days prior notice in writing. Payment with respect to redeemed Participations shall be made less any stamp duty or taxation leviable thereon on the relevant Business Day. Remittance of Payments will be effected on the relevant Redemption Date.

Restrictions on Transfers

A transfer of Participations must be by way of a transfer authorization and no such transfer will be effective and binding on the Trustee until entered in the Register. A charge may be made by the Trustee for any transfer.

Subject to a resultant holding of Participations (by both the transferor and the transferee after the proposed transfer), of which the current value shall be not less than $1,000.00 no transfer authorization shall relate to Participations of a then current aggregate value of less than $1,000.00 unless such transfer authorization relates to all Participations registered in the name of the transferor.

i. The Trustee may suspend the determination of Net Asset Value and, accordingly, the issue and repurchase of Participations in the Fund during any period in which there is a suspension of trading of the Property of the Fund; and

ii. While circumstances exist as a result of which in the opinion of the Trustee it is not reasonably practicable to realize any Property held or contracted for the account of the Fund.

Holders who have requested redemption of any Participations will be notified of any such suspension as soon as may be practicable after such suspension and those who have not withdrawn their request for redemption during the period of such suspension will be promptly notified upon termination of such suspension.

Certain Limitations on Liability

The Deed provides *inter alia* that the Trustee shall as regards all the trusts, powers, authorities and discretions vested in it, have absolute and uncontrolled discretion as to the exercise thereof whether in relation to the manner or as to the mode of and the time of exercise thereof and in the absence of fraud or negligence the Trustee shall not be in any way responsible for any loss, costs, damages or inconvenience that may result from the exercise or non-exercise thereof.

Termination and / or Amendments

Unless terminated pursuant to a decision by the Trustee (which will be subject to thirty days prior written notice to the Holders) that the remaining investment opportunities will not be sufficient to achieve the investment objective, the Trustee will terminate on whichever is the earliest of (i) the redemption of all Participations; and (ii) the retirement of the Trustee without a new Trustee being appointed.

In order to effect such termination the assets of the Fund will be liquidated by the Trustee. After payment of all debts and liabilities of the Fund and all fees and expenses of the Fund, the net proceeds of such liquidation will be distributed, to the extent not distributed prior thereto, on the thirtieth Business Day following termination of the Fund pro rata to the Holders of record on the date of termination of the Fund.

The Trust Deed may be amended as per section 15.01 of the Trust Deed whereby the Trustee retains the right to amend the Trust Deed as follows:-

1. To cure any ambiguity to correct or supplement any provision herein which may be inconsistent with any other provision herein or to make any other provision with respect to matters or questions arising under these Presents which shall not be inconsistent with the other provisions of these Presents provided that any such amendment shall not adversely affect in any material respect the interest of any Holder.

2. Except as provided in 3 below with respect to any Mortgage Group formed pursuant to the terms hereof any provision of these Presents may be amended by the Trustee.

3. Without the consent of a Holder these Presents may not be amended to impair or affect the right of such Holder to receive payment of principal and interest as herein provided on or after the respective due date of such payment or to institute suit for the enforcement of any such payment on or after such date.

TAX CONSIDERATIONS

Prospective purchasers of Participations should consult their own tax advisers as to the taxes applicable to the acquisition, holding or disposition of Participation under the laws of the countries of their respective citizenship, residence or domicile.

JOINT INVESTORS

Where Participations are jointly held, they are subject to the rules of joint tenancy, save and except that where a redemption request is made, the redemption value may be paid to all or any one of the investors and the receipt of any one investor shall constitute a valid discharge to the Trustee for the sum paid.

INCOME AND DISTRIBUTIONS

The Trustee intends to make distributions out of the net income at the declared rate of interest. The amount of such distributions will be determined and declared by the Trustee from time to time and will be paid monthly. Participations will accrue entitlement to distributions as long as they are issued and outstanding. Participations will be entitled to distributions as of the date of subscription to (but not including) the Redemption Date.

Distributions payable in the Fund will ordinarily be reinvested automatically in additional Participations of the Fund at the Net Asset Value per unit at the relevant Date unless investors or until Holders request that their Payments be made to them in the form of a cheque or at the expense of the Holder via such other means of payment as agreed between the Trustee and the Holder.

DETERMINATION OF NET ASSET VALUE

The Net Asset Value of the Fund shall be One Trinidad and Tobago Dollar ($1.00) per unit unless otherwise determined by the Trustee in accordance with the Trust Deed.

The Trustee shall, as at each Valuation Date and on such other days as the Trustee may determine, ascertain the Net Asset Value and Net Asset Value per unit.

The Net Asset Value will be ascertained by aggregating the value of the Property at the close of business on a Valuation Date and deducting there from the liabilities of the Fund as at the close of business on the relevant Valuation Date including provision for accrued fees and expenses.

The Property comprising the Fund at the close of business shall be valued at the last known price as ascribed by the Trustee for mortgages or on the official stock, bond exchange or other regulated market on which the assets comprising the Property are traded or admitted for trading and where separate bid and offer prices are published for any such Property, at the price equal to the last known bid and offer prices respectively.
Where such assets in the Property are quoted or dealt in on or by more than one stock, bond exchange or regulated market, the Trustee may in its discretion select one of such stock, bond exchanges or regulated markets for the purposes of determining the value of such Property.

Any Property which is not traded or admitted on an official stock, bond exchange or regulated market, or if the last bid or offer price of any Property so traded or admitted, does not reflect their true value, the Trustee shall proceed on the basis of their expected sales price, which shall be valued with prudence and in good faith.

Cash, bills payable on demand and other debts and prepaid expenses shall be valued at their nominal amount, unless it appears unlikely that such nominal amount is obtainable.

Securities that are not listed on any recognized stock or bond exchange will be valued initially at cost, thereafter quarterly independent valuations will be performed to mark the securities to market. If a material event affecting the valuation, in the opinion of the Trustee, occurs between quarter end valuations, a new valuation will be obtained by the Trustee.

Mortgages are primarily carried at principal outstanding net of adjustments for premiums and discounts on purchase. Premiums and discounts on the purchase of these mortgages are amortised over the remaining life of the mortgage using an amortisation method that in aggregate, approximates to a constant yield over the remaining life of the mortgage.

Net Asset Value per unit shall be calculated by dividing Net Asset Value (less all income earned and accrued and not distributed) by the number of Participations in issue on the relevant date (aggregating fractional Participations for this purpose).

For the purposes of the calculation of Net Asset Value and Net Asset Value per unit, the Property shall be valued in the Trustee's discretion utilising the assumptions noted above, and the Trustee shall, in the absence of manifest error, be entitled to rely upon the pricing information supplied by pricing services selected in consultation with the Manager.

The Trustee shall notify any Holder of the Net Asset Value per unit as of any specified Valuation Date as promptly as practicable thereafter but only if requested to do so in writing by such Holder and shall otherwise be under no obligation to do so.

The Trustee acknowledges, and shall cause the Manager to acknowledge and agree in terms which are legally enforceable in all relevant jurisdictions that any agent or delegate of the Trustee, including any Person appointed by the Trustee to calculate Net Asset Value and Net Asset Value per unit, shall neither be responsible for, nor be under any duty to perform, any investigation as to the completeness, accuracy or sufficiency of any information provided to any of them by any pricing service in accordance herewith or by any other Person and that those agents and delegates (including without limitation the Manager) shall not be responsible to any Holders or any Person whatsoever as a result of the Trustee, its agents or delegates (including, without limitation, the Manager) relying upon such information and pricing services.

The Trustee may suspend the determination of Net Asset Value or Net Asset Value per unit during:

(i) any period in which there is a suspension of trading of a substantial part of the Property of the Fund;

(ii) any circumstances which exist as a result of which in the opinion of the Trustee it is not reasonably practicable to realise any Property or a substantial part thereof held or contracted for the account of the Fund or to determine fairly the Net Asset Value of the Fund or the Net Asset Value per unit;

(iii) any other period permitted by order of the Commission for protection of investors.

Performance Data

The calculation of performance data will be prepared in accordance with the promotion presentation standards to be published from time to time by the Commission. Total annual returns for the Fund represent capital appreciation or capital depreciation and net income distributed during the period. Net Income will be made up of interest income from all interest-bearing instruments. This distributed income is recognized on an accrual basis using the effective interest method and is distributed monthly to the Holders' accounts net of expenses.

Financial statements will be prepared as at the Fund's financial year end of 31st December each year or as the Trustee directs.

Audited statements will be published in the local daily newspapers within ninety (90) days of the Fund's financial year-end. Semi-annual unaudited financial statements will be published in the local daily newspapers. The Trustee shall publish or shall cause to be published in one or more daily newspaper in Trinidad and Tobago and such other newspapers and publications as the

Trustee may determine at least once every six (6) months a statement of assets and liabilities and a statement of net income of the Fund.

The Fund's Net Asset Value and Net Asset Value per unit will be published semi-annually within ninety (90) days of the Fund's fiscal six (6) month and financial year-end.

The Fund's annualized returns measured as per its Time Weighted Rate of Return for the last five (5) years are shown below:-

Table 3 - MPF - Annual Return For Years 2014 - 2018

Year	Dec-18	Dec-17	Dec-16	Dec-15	Dec-14
Return (%)	1.50%	1.50%	1.40%	1.35%	1.35%
NAV (TT$)	1.00	1.00	1.00	1.00	1.00

Note:-

- **Past performance of the Fund is not a measure of future performance.**

The decline in returns are reflective of the liquidity conditions within Trinidad and Tobago and increased competition within mortgage markets which have seen mortgage rates decline over the period January 2014 – December 2018.

Audited financial statements of the Mortgage Participation Fund for the years ended December 31, 2018 and 2017 are shown as Appendices 1 and 2.

FEES AND EXPENSES

The Fund is subject to a number of fees and expenses including:-

- Trustee Fee – the Trustee shall be entitled to retain a monthly fee for the performance of its services and functions computed at an annual rate of a minimum 0.05% and a maximum of 0.25% of the Net Asset Value attributable to Holders of Participations on each Valuation Day.

- Management Fees – Under the Management Agreement, Home Mortgage Bank is required to provide management and administrative services for the Fund. Home Mortgage Bank as manager receives a monthly fee computed at an annual rate of a minimum 0.50% and a maximum of 3.00% of the Net Asset Value attributable to Holders of Participations on each Valuation Day.

- Professional Fees – include costs such as audit fees, legal and professional fees as provided in the Trust Deed.

- Other administrative fees as provided in the Trust Deed.

- Guarantee Fee – The Issuer as Guarantor of the Participations and accrued interest shall retain the difference in the aggregate amounts received by it from the Property after deducting therefrom the amounts paid or due to be paid in respect of the Participations and all expenses hereunder.

No fees will be charged to investors on the purchase or redemption of Participations in the Fund.

INVESTOR RESPONSIBILITY

No representations or warranties of any kind are intended or should be inferred with respect to the economic return from, or the tax consequences of, an investment in the Fund. No assurance can be given that the existing laws will not be changed or interpreted adversely. Prospective investors are not to construe this Prospectus as legal, investment or tax advice. Prospective investors should review this Prospectus carefully and in its entirety consult with their legal, tax and financial advisors in relation to (i) the legal and regulatory requirements within the countries of their nationality, residence, ordinary residence or domicile for the purchase, holding, redeeming or disposing of Participations; (ii) any foreign exchange restrictions to which they are subject in their own countries in relation to the purchase, holding, redeeming or disposing of Participations; and (iii) the legal, tax, financial or other consequences of subscribing for, purchasing, holding, redeeming or disposing of Participations. Prior to the sale of any Participations in the Fund, the Trustee will make available to each prospective investor or his or her representative the opportunity to ask questions and receive answers from representatives of the Trustee concerning any aspect of the investment and to obtain any additional information, to the extent that the Bank possesses such information and can acquire it without unreasonable effort or expense.

PARTICIPATION HOLDER STATUTORY RIGHTS

Section 139 (1) of the Securities Act, 2012 a purchaser of a security distributed under a Prospectus has a right of action for damages against each of the persons set out in this section for any loss or damage sustained by him by reason of any misrepresentation in the Prospectus and each such person shall be liable for any such loss or damage.

Section 140 (1) of the Securities Act, 2012, provide purchasers with remedies for rescission and repayment of the price that has been paid in respect of the security if the prospectus or any amendment contains a misrepresentation.

Section 75(2) of the Securities Act, 2012, provide purchasers with the right to withdraw from an agreement to purchase securities, provided that this right is exercised within two business days after receipt of a prospectus and any amendment.

The purchaser should refer to the Securities Act, 2012 and the By-Laws there under, for the particulars of these rights or consult with a legal adviser.

RELIANCE ON THE PROSPECTUS

Participations are offered only on the basis of the information contained in this Prospectus. No person may be authorized to give any information or make any representation in connection with the offering of Participations other than those contained in such documents and, if given or made, such information or representations must not be relied on as having been authorized by the Trustee or the directors. Statements in this Prospectus are, except where otherwise stated, based on the law and practice currently in force in Trinidad and Tobago at the date hereof and are subject to change. Neither the delivery of this Prospectus nor the issue of Participations shall under any circumstances create any implication or constitute any representation that the affairs of the Fund or the Trustee has not changed since the date hereof.

RISKS

Because of the risks involved investors are advised to seek independent professional advice on the implications of investing in the Fund. Risk factors for an investor to consider are set out herein. There can be no assurance that the investment objective of the Fund will be achieved. Whilst the directors believe that the risks set out to be comprehensive, it is not intended to include all the factors relating to the risks that may be encountered. All investors should read this entire Prospectus and consult their legal and financial advisors before deciding whether this investment is right for them.

ANTI-MONEY LAUNDERING REGULATIONS

To ensure compliance with applicable statutory requirements relating to anti-money laundering initiatives, the Trustee will require verification of identity from all prospective investors. Details of the documentation required are contained in the Anti-Money Laundering Guidelines.

The Trustee also reserves the right to request such identification evidence in respect of a transferee of Participations. In the event of a delay or failure of the prospective Holder, investor or transferee to produce any information required for verification purposes, the Trustee or its agents may refuse to effect any transaction and in the case of subscription for Participations, any funds received will be returned without interest.

If any persons, including the Trustee's Attorneys or the Trustee, and, if applicable, any of its Directors knows or suspects that a payment to the Fund by way of subscription or otherwise, is the proceeds of criminal conduct, such person is required to report such information pursuant to the Proceeds of Crime Act Chap. 11:27 and such report shall not be treated as a breach by such person of any restriction imposed on such person by law or otherwise on the disclosure of information.

KEY ORGANIZATIONAL DOCUMENTS OF THE FUND

Trust Deed

The Trust Deed is the principal document constituting the Fund and serves to establish the Fund. It vests the assets of the Fund in the Trustee and contains all the rights, powers and obligations of the Trustee and the Holders. It contains provisions for the retirement or removal of the Trustee. The Trust Deed also details the method of valuation of the Participations in the Fund and provides for the issue of Participations in the Fund and sets out how Participations could be transferred and redeemed by Holders.

The Trust Deed will continue until the Fund is terminated. The ways in which the Fund can be terminated are detailed above in this Prospectus under the heading 'Termination'.

In the event of the Trustee desiring to retire it shall find a new Person which is a corporation qualified under any applicable law to act as Trustee and shall by deed supplemental hereto appoint such new Trustee to be the Trustee in the place of the retiring Trustee provided that no such appointment shall take effect unless and until the new Trustee has been approved by an Extraordinary Resolution.

If the Trustee is unable to find such a replacement Trustee, having used its reasonable endeavours so to do, then the Trustee may retire upon giving 180 days' prior written notice to the Holders. The Trustee shall be subject to removal by Extraordinary Resolution of the Holders. In the event that the Trustee retires the Holders shall by Extraordinary Resolution, and in the event that they remove the Trustee, such Holders shall by Extraordinary Resolution, appoint as Trustee such Person as they think fit, being a corporation qualified under any applicable law to act as Trustee.

Management Agreement

The Management Agreement is dated the 4th day of November, 2019 and is made between the Trustee (Trinidad and Tobago Mortgage Finance Company Limited) and the Manager (Home Mortgage Bank). It serves to appoint the Manager as manager of the Fund and contains all of the rights and obligations of the Manager.

Termination of Management Agreement and appointment of new Manager

The Manager may terminate the Management Agreement at any time by giving to the Trustee and the Fund ninety (90) days' written notice.

The Trustee may terminate the Management Agreement by giving the Manager and the Holders written notice if the Manager is guilty of any gross default or misconduct, has a receiver appointed over its assets or becomes insolvent or if the Trustee has obtained the sanction of an Ordinary Resolution of the Holders of the Fund for such termination.

The Holders may remove the Manager by passing an Ordinary Resolution to this effect at a meeting of Holders.

A new Manager may be appointed by the Trustee with the sanction of an Ordinary resolution of the Holders passed in accordance with the provisions of the Trust Deed. No such sanction is necessary for the appointment of a Manager which is an affiliate of the outgoing Manager.
The Management Agreement provides that the Manager will act in a competent, honest, diligent and efficient manner, in good faith and to the best of its ability and comply with the provisions of the Management Agreement, the Trust Deed and the Prospectus.

It also provides that the Manager will be liable for any losses to the Fund arising from its failure to discharge its responsibilities in accordance with the above.

GENERAL INFORMATION

Documents for Inspection

Copies of the Trust Deed of as well as copies of the Annual Report of the Trustee, may be inspected on the Trustee's website at www.ttmf-mortgages.com*,* at the registered office of the Trustee and/or such other offices as the Trustee may from time to time determine and notify to Holders and prospective Holders.

Copies of the Trust Deed of as well as copies of the Annual Report of the Manager, may be inspected on the Manager's website at www.homemortgagett.com*, or* its registered office.

Governing Law

The Fund is governed by the laws of Trinidad and Tobago.

CERTIFICATE OF FUND MANAGER

The foregoing constitutes full, true and plain disclosure of all material facts relating to the collective investment scheme distributed by this prospectus as required by the Securities Act, 2012 and the By-Laws thereunder.

Ansel Howell
Chairman

Marilyn Gordon
Deputy Chairman

Brent Mc Fee
Chief Executive Officer (Ag)

Appendix 1 – Financial Statements of Home Mortgage Bank Mortgage Participation Fund for the year ended December 31, 2018

Financial Statements of

HOME MORTGAGE BANK
MORTGAGE PARTICIPATION FUND

December 31, 2018

HOME MORTGAGE BANK MORTGAGE PARTICIPATION FUND

December 31, 2018

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Statement of Trustee's Responsibilities
Home Mortgage Bank Mortgage Participation Fund

The Trustee is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of Home Mortgage Bank Mortgage Participation Fund ("the Fund"), which comprise the statement of financial position as at December 31, 2018, the statements of profit or loss and other comprehensive income, changes in net assets attributable to unit holders and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information;
- Ensuring that the Fund keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Fund's assets, detection/prevention of fraud and the achievement of the Fund's operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that complies with laws and regulations, including the Companies Act; and
- Using reasonable and prudent judgement in the determination of estimates.

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

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

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

Brent Mc Fee
Chief Executive Officer (Ag.)

Date: April 29, 2019

Patricia Ilkhtchoui
Corporate Secretary

Date: April 29, 2019

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Chartered Accountants
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Independent Auditors' Report to the Trustees of
Home Mortgage Bank
Mortgage Participation Fund

Opinion

We have audited the financial statements of Home Mortgage Bank Mortgage Participation Fund ("the Fund"), which comprise the statement of financial position as at December 31, 2018, the statements of profit or loss and other comprehensive income, changes in net assets attributable to unit holders and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Responsibilities of the Trustees and those Charged with Governance for the Financial Statements

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

KPMG

Responsibilities of the Trustees and those Charged with Governance for the Financial Statements (continued)

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

KPMG

Chartered Accountants
Port of Spain
Trinidad and Tobago
April 29, 2019

HOME MORTGAGE BANK
MORTGAGE PARTICIPATION FUND

Statement of Financial Position

December 31, 2018

	Notes	2018	2017
		$	$
ASSETS			
Mortgage assets (acquired under trust)	4	530,124,217	585,711,130
Cash at bank	5	1,990,214	612,891
Total assets		532,114,431	586,324,021
LIABILITIES			
Other payables		1,997,031	613,098
Net assets attributable to unit holders	7	530,117,400	585,710,923
Total liabilities		532,114,431	586,324,021

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

Director

Director

HOME MORTGAGE BANK
MORTGAGE PARTICIPATION FUND

Statement of Profit or Loss and Other Comprehensive Income

Year ended December 31, 2018

	Notes	2018	2017
		$	$
Income			
Interest income calculated using the effective interest method		30,721,820	33,653,934
Operating expenses			
Audit fees		56,250	56,250
Management fees	6	7,047,023	7,735,988
Legal and professional fees		93,171	75,000
Mortgage Risk Guarantee fee	6	14,991,958	16,381,168
Unit holders' interest cost		8,516,110	9,389,164
Other operating expenses		17,308	16,364
Total operating expenses		30,721,820	33,653,934
Net profit for the year		-	-

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

HOME MORTGAGE BANK
MORTGAGE PARTICIPATION FUND

Statement of Changes in Net Assets Attributable to Unit Holders

Year ended December 31, 2018

	Notes	2018	2017
		$	$
Balance as at December 31	7	585,710,923	643,969,960
Contributions and redemptions by unit holders			
Subscriptions		164,703,949	250,639,410
Net interest re-invested by unit holders		7,991,965	8,819,767
Redemptions		(228,289,437)	(317,718,214)
Balance as at December 31	7	530,117,400	585,710,923

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

HOME MORTGAGE BANK
MORTGAGE PARTICIPATION FUND

Statement of Cash Flows

Year ended December 31, 2018

	2018	2017
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the year	-	-
Adjustments for:		
Change other payables	1,383,933	563,725
Net cash from operating activities	1,383,933	563,725
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of mortgage assets	(128,160,759)	(190,539,435)
Sale of mortgage assets	183,747,672	246,509,845
Net cash from investing activities	55,586,913	55,970,410
CASH FLOWS FROM FINANCING ACTIVITIES		
Subscriptions and interest re-invested holders	172,695,914	259,459,177
Redemptions	(228,289,437)	(317,718,214)
Net cash used in financing activities	(55,593,523)	(58,259,037)
Net increase (decrease) in cash and cash equivalents	1,377,323	(1,724,902)
Cash and cash equivalents at the beginning of the year	612,891	2,337,793
Cash and cash equivalents at the end of the year	1,990,214	612,891
Represented by:		
Cash and cash equivalents	1,990,214	612,891

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

HOME MORTGAGE BANK
MORTGAGE PARTICIPATION FUND

Notes to the Financial Statements

December 31, 2018

1. Description of the Fund

The following brief description of the Home Mortgage Bank Mortgage Participation Fund (the Fund) is provided for general information purposes only. Reference should be made to the Trust Deed and rules of the Fund for more complete information.

General Information

The Fund was established as an open-ended mutual fund. An open-ended fund is one in which the amount of Participations, which may be issued by the Fund, is unlimited. The Fund was established by the Original Trustee, the Home Mortgage Bank (the Bank) under a Trust Deed (the Deed) dated September 24, 2001. The Trust Deed is governed by the laws of the Republic of Trinidad and Tobago.

The principal activity of the Fund is to seek a high total investment return with safety of capital by investing primarily in a portfolio of mortgages secured by properties, which have either been identified and separated in the books of the Bank or purchased from Approved Mortgage Lenders and such other securities as permitted under the terms of the Deed.

The address of its registered office is Ground Floor, Prince's Court, Corner Keate and Pembroke Streets, Port of Spain, Trinidad, W.I.

Subscriptions

Participations in the Fund is offered at $1.00 per unit subject to the Bank determining otherwise, the minimum initial subscription for Units by an investor is $500 and thereafter, the minimum amount of an additional subscription by a Holder, save and except in the instances of the re-investment of any distributions payable in the Fund, is $100.

Distributions

The Bank makes distributions out of the net income at the declared rate of interest. The amount of such distributions is determined and declared by the Bank and paid monthly. Participations accrue entitlement to distributions as long as they are issued and outstanding. Participations are entitled to distributions as of the Subscription Date to (but not including) the Redemption Date.

Distributions payable in this Fund is ordinarily reinvested automatically in additional Participations of the Fund at the Issue Price as at the relevant Distribution Date unless investors or until holders request that their Distributions be paid to them in the form of a cheque.

HOME MORTGAGE BANK
MORTGAGE PARTICIPATION FUND

Notes to the Financial Statements

December 31, 2018

1. **Description of The Fund** (continued)

Redemptions

Participations in the Fund is redeemed at $1.00 per unit without any penalties. Redemption of Participations is effected on every business day. To effect Redemption of Participation Holders must notify the Bank no later than 12 noon, or any later time specified by the Bank, on the relevant Business Day. Participations are redeemed at the Redemption Price less any stamp duty or taxation leviable thereon on the relevant Business Day. Remittance of the Redemption Proceeds is effected on the relevant Redemption Date.

Mortgage risk guarantee fee

Mortgage Risk Guarantee Fees are paid to the Bank for bearing the credit risk associated with guaranteeing a fixed return on mortgage assets.

Management fees

Management fees are paid to the Bank at a rate of 1.25% per month on the Net Asset Value of the Fund.

Taxation

Resident Individuals and Corporate Holders will be paid distributions without any deductions of taxes.

These financial statements were authorised for issue by the Trustees on April 29, 2019.

2. **Significant Accounting Policies**

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

(a) ***Basis of preparation***

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention.

HOME MORTGAGE BANK
MORTGAGE PARTICIPATION FUND

Notes to the Financial Statements

December 31, 2018

2. **Significant Accounting Policies** (continued)

(a) ***Basis of preparation*** (continued)

The preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates. It also requires the Trustee to exercise its judgment in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

(i) Standards, amendment and interpretations which are effective and have been adopted by the Fund

This is the first set of the Fund's annual financial statements in which IFRS 9, *Financial Instruments* and IFRS 15, *Revenue from Contracts with Customers* have been applied. Changes to significant accounting policies are described in Note (c).

(ii) Standards issued but not yet adopted

A number of new standards are effective for annual periods beginning after January 1, 2018 and earlier application is permitted; however, the Fund has not early applied these new or amended standards in preparing these financial statements.

Of those standards that are not yet effective, none is expected to have a material impact on the Fund's financial statements in the period of initial application.

(b) Functional and presentation currency

The primary activity of the Fund is to invest in mortgage assets denominated in Trinidad and Tobago dollars. Subscriptions and redemptions of units are denominated in Trinidad and Tobago dollars. The performance of the Fund is measured and reported to the investors in Trinidad and Tobago dollars. The Trustee considers the Trinidad and Tobago dollar as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Trinidad and Tobago dollars which is the Fund's functional and presentation currency.

HOME MORTGAGE BANK
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Notes to the Financial Statements

December 31, 2018

2. Significant Accounting Policies (continued)

(c) Changes in accounting policies

The Fund has initially adopted IFRS 9 and IFRS 15 from January 1, 2018. A number of other new standards are also effective from January 1, 2018 but they do not have a material effect on the Fund's financial statements.

Due to the transition method chosen by the Fund in applying IFRS 9, comparative information throughout these financial statements has not generally been restated to reflect its requirements.

The adoption of IFRS 15 did not impact the timing or amount of the fee and commission income from contracts with customers and the related assets and liabilities recognized by the Fund. Accordingly, the impact on the comparative information is limited to new disclosure requirements.

The effect of initially applying these standards is mainly attributed to the following:
- additional disclosures related to IFRS 9
- additional disclosures related to IFRS 15

Except for the changes below, the Fund has consistently applied the accounting policies as set out in Notes (2d)-(2m) to all periods presented in these financial statements.

- IFRS 9, *Financial Instruments*

  IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39, Financial Instruments: Recognition and Measurement. The requirements of IFRS 9 represent a significant change from IAS 39.

  The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

  As a result of the adoption of IFRS 9, the Fund has adopted consequential amendments to IAS 1, Presentation of Financial Statements, which require separate presentation in the statement of comprehensive income of revenue calculated using the effective interest method.

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Notes to the Financial Statements

December 31, 2018

2. **Significant Accounting Policies** (continued)

(c) ***Changes in accounting policies*** (continued)

- IFRS 9, *Financial Instruments* (continued)

Additionally, the Fund has adopted consequential amendments to IFRS 7, Financial Instruments: Disclosures that are applied to disclosures about 2018, but have not been applied to the comparative information.

The key changes to the Fund's accounting policies resulting from its adoption of IFRS 9 are summarised below.

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option were recognised in profit or loss, under IFRS 9 fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in the statement of comprehensive income

- the remaining amount of change in the fair value is presented in profit or loss.

HOME MORTGAGE BANK
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Notes to the Financial Statements

December 31, 2018

2. Significant Accounting Policies (continued)

(c) ***Changes in accounting policies*** (continued)

- IFRS 9, *Financial Instruments* (continued)

Classification of financial assets and financial liabilities

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments.

Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- Comparative periods generally have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at January 1, 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application;

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- For financial liabilities designated as at FVTPL, the effects of changes in the financial liability's credit risk is presented in the statement of comprehensive income.

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Notes to the Financial Statements

December 31, 2018

2. **Significant Accounting Policies** (continued)

(c) ***Changes in accounting policies*** (continued)

- IFRS 9, *Financial Instruments* (continued)

Classification of financial assets and financial liabilities (continued)

Impact of initial application of IFRS 9 on Financial Statements

In accordance with the requirements of IFRS 9, the fund classified the financial assets as Amortised Cost. The resulting changes to the Fund's classification of financial assets are shown below.

Financial Asset	**Measurement Category**		**Carrying Amount 1 January 2018 $'000**	**$'000**	**Change $'000**
	IAS 39	**IFRS 9**	**IAS 39**	**IFRS 9**	
Mortgages	Loans and Receivables	Amortised Cost	585,711,130	585,711,130	-
Cash at bank	Loans and Receivables	Amortised Cost	612,891	612,891	-
Total Financial Assets			**586,324,021**	**586,324,021**	-

(d) ***Financial instruments***

(i) *Recognition and initial measurement*

The Fund initially recognises mortgage assets and other payables on the date on which they are originated.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

2. **Significant Accounting Policies** (continued)

(d) ***Financial instruments*** (continued)

(ii) Derecognition

Financial assets

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire (see also (iv)), or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in the statement of comprehensive income.

Financial liabilities

The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

(e) ***Impairment of financial assets***

Policy from January 1, 2018

The IFRS 9 requirements were not applicable since Home Mortgage Bank bears the risk associated with guaranteeing a fixed return on the Mortgage assets.

HOME MORTGAGE BANK
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Notes to the Financial Statements

December 31, 2018

2. Significant Accounting Policies (continued)

(e) Impairment of financial assets (continued)

Policy prior to January 1, 2018

The Trustee assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The criteria that the Trustee uses to determine that there is objective evidence of an impairment loss include:

(i) significant financial difficulty of the issuer or debtor

(ii) a breach of contract, such as default or delinquency in payments

(iii) it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation

(iv) the disappearance of an active market for that financial asset because of financial difficulties

(v) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of individual assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

- adverse changes in the payment status of issuers or debtors in the group; or

- national or local economic conditions that correlate with defaults on assets in the group.

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Notes to the Financial Statements

December 31, 2018

2. **Significant Accounting Policies** (continued)

(e) ***Impairment of financial assets*** (continued)

Policy prior to January 1, 2018 (continued)

If there is objective evidence that an impairment loss has been incurred on loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit or loss.

If loans and receivables have a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract. As a practical expedient, the Fund may measure impairment on the basis of an instrument's fair value using an observable market price.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the profit or loss.

(f) ***Cash and cash equivalents***

Cash and cash equivalents comprise of cash balances held in the bank account for the purpose of either investing into a mortgage or cash held for redemption purposes.

(g) ***Provisions***

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

HOME MORTGAGE BANK
MORTGAGE PARTICIPATION FUND

Notes to the Financial Statements

December 31, 2018

2. Significant Accounting Policies (continued)

(h) Net assets attributable to unit holders

The Fund issues one class of units. These are redeemable at the unit holder's option and are classified as equity in accordance with IAS 1 (Amendment). Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation'.

Redeemable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net asset value calculated in accordance with the Fund's regulations.

The units are carried at the redemption amount that is payable at the statement of financial position date if the holder exercises the right to put the unit back to the Fund. Units are issued and redeemed at the holder's option at prices based on the Fund's net asset value per unit at the time of issue or redemption.

Should the redeemable units' terms and conditions change such that they do not comply with the strict criteria contained in the amendment, the redeemable units would be reclassified to a financial liability from the date the instrument ceases to meet the criteria. The financial liability would be measured at the instrument's fair value at the date of reclassification. Any difference between the carrying value of the equity instrument and fair value of the liability on the date of reclassification would be recognised in equity.

(i) Interest income

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

HOME MORTGAGE BANK
MORTGAGE PARTICIPATION FUND

Notes to the Financial Statements

December 31, 2018

2. Significant Accounting Policies (continued)

(j) Expenses

Expenses are accounted for on the accrual basis.

(k) Subscriptions and redemptions

Subscriptions and redemptions are accounted for on the accrual basis.

(l) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position sheet where there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(m) Distributions

Distributions are accounted for on the accrual basis when declared by the Trustee. These are recognised in the statement of changes in net assets attributable to unit holders.

3. Critical Accounting Estimates and Judgments in Applying Accounting Principles

Impairment losses on financial assets

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

HOME MORTGAGE BANK
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	2018	2017
	$	$
4. Mortgage Assets (Acquired under Trust)		
Balance brought forward	585,711,130	641,681,540
Additions	128,160,759	190,539,435
Disposals	(183,747,672)	(246,509,845)
Balance carried forward	530,124,217	585,711,130

5. Cash at Bank

Balances with banks	1,990,214	612,891

6. Related Parties

Identity of related parties

The Fund has a related party relationship with its Parent, affiliates, Trustees, directors, key management personnel and their immediate relatives.

The Fund appointed the Home Mortgage Bank, which was incorporated in the Republic of Trinidad and Tobago under the Home Mortgage Bank Act 1985 and the subsequent amendments made to the Act through Act No. 17 of 2005 (the 'Amendment Act'), as the investment management company and administrator of the Fund.

Under the administrative agreement, the Home Mortgage Bank is required to provide administrative services for the Fund including financial accounting services. The investment manager and administrator receives a management fee at a monthly rate of 1.25% of the Net Asset Value attributable to holders of redeemable shares on each valuation day as defined in the prospectus.

Home Mortgage Bank receives a fee for bearing the credit risk associated with guaranteeing a fixed return on the Mortgage assets. This fluctuates to make the overall net returns to the Fund NIL.

All transactions with related parties have been executed at arms' length in the normal course of the Fund's operations.

HOME MORTGAGE BANK
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Notes to the Financial Statements

December 31, 2018

6. Related Parties (continued)

Total transactions for the year, and balances outstanding at the end of the year, are detailed below.

	2018	2017
	$	$
Transactions		
Mortgages purchased	128,160,759	190,539,436
Mortgages sold	(183,747,672)	(246,509,845)
Managements fee for the year	7,047,023	7,735,988
Mortgage Risk Guarantee fee	14,991,958	16,381,168
Interest paid	1,052,318	795,802
Other balances		
Net assets attributable to unit holders	530,117,400	585,710,923

7. Net Assets Attributable to Unit Holders

In accordance with the terms of the Fund's Trust Deed, distributions to unit holders are at the Trustee's discretion.

The Fund issues one class of Units. At the reporting date, the net asset value would be $1 per unit since the Fund is managed in such a way to keep a steady value of $1 per unit.

The table below illustrates the calculation of the operating net asset value (NAV) of a unit in the Fund at the reporting date used for the execution of subscriptions and redemptions of units:

	2018	2017
	$	$
Balance at beginning of year	585,710,923	643,969,960
Net interest re-invested by unit holders	7,991,965	8,819,767
Subscriptions	164,703,949	250,639,410
Redemptions	(228,289,437)	(317,718,214)
Net assets attributable to unit holders	530,117,400	585,710,923
Number of units outstanding at end of year	530,117,400	585,710,923
Net asset value per unit	$1.00	$1.00

HOME MORTGAGE BANK
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Notes to the Financial Statements

December 31, 2018

8. Distributions

	2018	2017
	%	%
Average rate of return without reinvestment option	1.50	1.50
Annualised effective yield with the reinvestment option	1.51	1.51

9. Financial Risk Management

The Fund's activities expose it to a variety of financial risks and those activities involve the acceptance, analysis and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Fund's investment manager has been given discretionary authority to manage the assets in line with the Fund's investment objectives.

Compliance with the target asset allocations and the composition of the portfolio are monitored on a regular basis. In instances where the portfolio has diverged from target asset allocations, the Fund's investment manager is obliged to take actions to rebalance the portfolio in line with the established targets, within prescribed time limits. The most important types of financial risk are credit risk, market risk, operational risk and liquidity risk. Market risk includes currency risk, interest rate and other price risk.

(a) Credit risk

'Credit risk' is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund.

The Fund's policy over credit risk is to minimise its exposure to counterparties with perceived higher risk of default by dealing only with counterparties that meet the credit standards set out in the Fund's prospectus and by taking collateral. This risk is mitigated by only investing cash provided by investors into mortgages. There is therefore hardly any risk involved since failure by the mortgage customer to pay their installment would result in the company selling the property and using the funds received from the sale to repay the investor or to invest in another property. Credit risk is monitored regularly by the investment manager in accordance with the policies and procedures put in place. If the credit risk is not in accordance with the investment policy or guidelines of the Fund, then the investment manager is obliged to rebalance the portfolio of each determination that the portfolio is not in compliance with the stated investment parameters.

HOME MORTGAGE BANK
MORTGAGE PARTICIPATION FUND

Notes to the Financial Statements

December 31, 2018

9. Financial Risk Management (continued)

(a) Credit risk (continued)

(i) Definition

Credit risk is the potential for loss due to the failure of a counter-party or borrower to meet its financial obligations.

(ii) Management of credit risk

Credit risk is mitigated to some extent by limiting the Fund's exposure to a single debtor. The Bank provides 100% guarantee on default of any of these assets.

(iii) Analysis of credit quality

The Fund's exposure to credit risk arises in respect of the following financial instruments:

	2018	2017
	$	$
Mortgage assets	530,124,217	585,711,130
Cash and cash equivalents	1,990,214	612,891
	532,114,431	586,324,021

At the reporting date, there are no financial assets which were either impaired or past due.

Mortgage assets

Mortgage assets represents collaterialised borrowings with residential customers. Credit risk is considered small because the Bank provides 100% guarantee on default of any of these assets.

The Investment Manager monitors the financial position of the mortgage assets on a quarterly basis.

Cash and cash equivalents

The Fund's cash and cash equivalents are with reputable financial institutions. The Investment Manager monitors the financial position on a quarterly basis.

HOME MORTGAGE BANK
MORTGAGE PARTICIPATION FUND

Notes to the Financial Statements

December 31, 2018

9. Financial Risk Management (continued)

(a) Credit risk (continued)

(iv) Concentration of credit risk

As at the reporting date, the Fund's assets were concentrated in the following areas:

	Financial Institutions	Mortgages	Total
	$	$	$
As at December 31, 2018			
Mortgage assets	-	530,124,217	530,124,217
Cash and cash equivalents	1,990,214	-	1,990,214
	1,990,214	530,124,217	532,114,431
As at December 31, 2017			
Mortgage assets	-	585,711,130	585,711,130
Cash and cash equivalents	612,891	-	612,891
	612,891	585,711,130	586,324,021

There is a significant concentration in the mortgage asset portfolio towards residential mortgages. No individual investments exceeds 1% of the net assets attributable to unit holders either at December 31, 2018 or December 31, 2017.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices such as interest rate risk and other price risk trading portfolios. The Fund has no exposure to currency risk as all financial instruments are denominated in Trinidad and Tobago dollars.

HOME MORTGAGE BANK
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Notes to the Financial Statements

December 31, 2018

9. Financial Risk Management (continued)

(b) Market risk (continued)

(i) Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value and future cash flows of financial assets and liabilities. Fixed interest securities expose the Fund to fair value interest rate risk. Floating rate debt instruments and cash equivalents expose the Fund to cash flow interest rate risk.

(ii) Sensitivity analysis

The Fund's financial assets and net assets attributable to unit holders are exposed to fair value interest rate risk. This risk is managed by maintaining fixed rate instruments with an appropriate mix of maturity profiles. As the Fund's investments generally comprise of fixed rate instruments and interest rates on net assets attributable to unit holders are also fixed, there is no significant exposure to cash flow interest rate risk.

A summary of the Fund's interest rate gap position analysed by the earlier of contractual re-pricing on maturity date is as follows:

	Up to One Year	One to Five Years	Over Five Years	Non-Interest Bearing	Total
	$	$	$	$	$
As at December 31, 2018					
Mortgage assets	163,722	6,941,046	523,019,449	-	530,124,217
Cash and cash equivalents	1,990,214			-	1,990,214
Total assets	2,153,936	6,941,046	523,019,449	-	532,114,431
Unit holders	530,117,400				530,117,400
Other payables	-	-	-	1,997,031	1,997,031
Total liabilities	530,117,400	-	-	1,997,031	532,114,431
Total interest rate gap	(527,963,464)	6,941,046	523,019,449	(1,997,031)	-

HOME MORTGAGE BANK
MORTGAGE PARTICIPATION FUND

Notes to the Financial Statements

December 31, 2018

9. Financial Risk Management (continued)

(b) Market risk (continued)

(ii) Sensitivity analysis (continued)

	Up to One Year	One to Five Years	Over Five Years	Non-Interest Bearing	Total
	$	$	$	$	$
As at December 31, 2017					
Mortgage assets	573,155	6,665,138	578,472,837	-	585,711,130
Cash and cash equivalents	612,891	-	-	-	612,891
Total assets	1,186,046	6,665,138	578,472,837	-	586,324,021
Unit holders	585,710,923	-	-	-	585,710,923
Other payables	-	-	-	613,098	613,098
Total liabilities	585,710,923	-	-	613,098	586,324,021
Total interest rate gap	(584,524,877)	6,665,138	578,472,837	(613,098)	-

(iii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from changes in interest rates or foreign exchange rates), whether those changes are caused by factors specific to the individual financial instruments or issuer, or factors affecting all similar financial instruments traded in the market.

During the period, the Fund did not hold any equity investments.

HOME MORTGAGE BANK
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Notes to the Financial Statements

December 31, 2018

9. **Financial Risk Management** (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Fund will be unable to meet its payment obligations when they fall due under normal and stress circumstances. Liquidity risk arises from fluctuations of cash flows.

The Fund's policy and the investment manager's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, including estimated redemptions of shares, without incurring unacceptable losses or risking damage to the Fund's reputation. The Fund's liquidity risk is managed on a daily basis by the investment manager in accordance with the policies and procedures in place. Customers wishing to withdraw balances over $500,000 are required to give 2 days' notice. Should the Fund not have sufficient funds in its bank account, the balance would be transferred from the Home Mortgage Bank to the Fund to facilitate the withdrawal, as the Bank guarantees settlement of any shortfalls by the Fund.

(i) Definition

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities and redeemable units.

(ii) Management of risk

The Fund is exposed to daily cash redemption of redeemable units. It therefore invests all of its assets in mortgages which can be disposed of in a relatively short space of time if the need arises. The Fund has the ability to temporarily borrow using the Fund's assets as security at times when the Trustee considers it inadvisable to realise any of the assets of the Fund. Such borrowings may be used to provide cash to redeem units. Such borrowings may be used to provide cash to redeem units, but is limited to 5% of the value of the fund and must be for a period of six (6) months of less. No such borrowings have arisen during the year.

The Fund also provides for certain restrictions on the maximum value of units that can be redeemed in cash over defined periods of time and for the redemption of units in specie where there is insufficient cash available.

(iii) Maturity analysis of financial liabilities

All balances are due within twelve months of the reporting date and are equal to their carrying balances as the impact of discounting is not significant.

HOME MORTGAGE BANK
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Notes to the Financial Statements

December 31, 2018

9. **Financial Risk Management** (continued)

(c) ***Liquidity risk*** (continued)

(iii) *Maturity analysis of financial liabilities* (continued)

The following were the contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include estimated interest payments.

	Carrying Amount	Less than 1 Month	1 to 3 Months	12 Months
	$	$	$	$
2018				
Other payables	1,990,214	1,990,214	-	-
Net assets attributable to unit holders	530,117,400	62,115,166	8,280,434	459,721,800
2017				
Other payables	613,098	613,098	-	-
Net assets attributable to unit holders	585,710,923	17,900,540	10,819,222	565,411,189

The table above shows the undiscounted cash flows of the Fund's financial liabilities on the basis of their earliest possible contractual maturity. The Fund's expected cash flows on these instruments (other than net attributable to unit holders) do not vary significantly from this analysis. For net assets attributable to unit holders, the Fund has a contractual obligation to redeem within 2 days of them being submitted for redemption. Historical experience indicates that these units are held by unit holders on a medium or long-term basis.

The ratio of net assets with an expected liquidation period of 2 days (liquid assets) to total net assets is 0.12% (2017: 0.01%).

(d) ***Fair value estimation***

The fair value of financial assets and liabilities that are traded in active markets are based on quoted market prices or dealer quotations. For all other financial instruments, the Fund determines fair values using other valuation techniques.

HOME MORTGAGE BANK
MORTGAGE PARTICIPATION FUND

Notes to the Financial Statements

December 31, 2018

9. Financial Risk Management (continued)

(d) Fair value estimation (continued)

(a) Valuation models (continued)

The Fund measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other inputs used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

HOME MORTGAGE BANK
MORTGAGE PARTICIPATION FUND

Notes to the Financial Statements

December 31, 2018

9. **Financial Risk Management** (continued)

(d) ***Fair value estimation*** (continued)

(b) ***Financial assets not measured at Fair Value***

All financial assets are measured at amortised cost. The fair values of financial assets at the reporting date is $530,124,217 (2017: $585,711,130). These have all been classified as level 3 in the fair value hierarchy.

The Fund routinely redeems and issues units at the amount equal to the proportionate share of net assets of the Fund at the time of redemption, calculated on a basis consistent with that used in these financial statements. Accordingly, the carrying amount of net assets attributable to unit holders approximates their fair value. The units are categorised into Level 2 of the fair value hierarchy.

(e) ***Operational risk***

'Operational risk' is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities with financial instruments, either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. The Fund's objective is to manage operational risk so as to balance the limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to investors. The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors

This responsibility is supported by the development of overall standards for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers, in the following areas.

- the documentation of controls and procedures;
- appropriate segregation of duties between various functions, roles and responsibilities:
  - reconciliation and monitoring of transactions; and
  - periodic assessment of operational risk faced;
- the adequacy of controls and procedures to address the risks identified;

HOME MORTGAGE BANK
MORTGAGE PARTICIPATION FUND

Notes to the Financial Statements

December 31, 2018

9. Financial Risk Management (continued)

(e) *Operational risk* (continued)

- compliance with regulatory and other legal requirements;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance if this is effective.

10. Contingencies and Commitments

The Fund has no undisclosed contingent liabilities or commitments which have not been provided for in these financial statements.

11. Events after the Reporting Date

There are no events which have taken place after the reporting date up to the date of authorisation of these financial statements for issue which would affect the carrying values of the Fund's assets and liabilities at that date.

Appendix 2 – Financial Statements of Home Mortgage Bank Mortgage Participation Fund for the year ended December 31, 2017

Financial Statements of

HOME MORTGAGE BANK MORTGAGE PARTICIPATION FUND

December 31, 2017

Statement of Trustee's Responsibilities
Home Mortgage Bank Mortgage Participation Fund

The Trustee is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of Home Mortgage Bank Mortgage Participation Fund ("the Fund"), which comprise the statement of financial position as at December 31, 2017, the statements of profit or loss and other comprehensive income, changes in net assets attributable to unit holders and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information;

- Ensuring that the Fund keeps proper accounting records;

- Selecting appropriate accounting policies and applying them in a consistent manner;

- Implementing, monitoring and evaluating the system of internal control that assures security of the Fund's assets, detection/prevention of fraud and the achievement of the Fund's operational efficiencies;

- Ensuring that the system of internal control operated effectively during the reporting period;

- Producing reliable financial reporting that complies with laws and regulations, including the Companies Act; and

- Using reasonable and prudent judgement in the determination of estimates.

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

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

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

Mark Wight	Patricia Ilkhtchoui
Manager Finance & Administration	Corporate Secretary
Date: April 16, 2018	Date: April 16, 2018

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Independent Auditors' Report to the Trustees of
Home Mortgage Bank
Mortgage Participation Fund

Opinion

We have audited the financial statements of Home Mortgage Bank Mortgage Participation Fund ("the Fund"), which comprise the statement of financial position as at December 31, 2017, the statements of profit or loss and other comprehensive income, changes in net assets attributable to unit holders and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Responsibilities of the Trustees and those Charged with Governance for the Financial Statements

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

HOME MORTGAGE BANK
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Responsibilities of the Trustees and those Charged with Governance for the Financial Statements (continued)

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

KPMG

Chartered Accountants
Port of Spain
Trinidad and Tobago
April 19, 2018

HOME MORTGAGE BANK
MORTGAGE PARTICIPATION FUND

Statement of Financial Position

December 31, 2017

	Notes	2017	2016
		$	$
ASSETS			
Mortgage assets (acquired under trust)	4	585,711,130	641,681,540
Cash at bank	5	612,891	2,337,793
Total assets		586,324,021	644,019,333
LIABILITIES			
Other payables		613,098	49,373
Net assets attributable to unit holders	7	585,710,923	643,969,960
Total liabilities		586,324,021	644,019,333

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

Director Director

HOME MORTGAGE BANK
MORTGAGE PARTICIPATION FUND

Statement of Comprehensive Income

Year ended December 31, 2017

	Notes	2017	2016
		$	$
Income			
Interest income		33,653,934	30,647,932
Operating expenses			
Audit fees		56,250	59,063
Management fees	6	7,735,988	6,893,377
Legal and professional fees		75,000	282,245
Mortgage Risk Guarantee fee	6	16,381,168	15,769,603
Other operating expenses		16,365	15,357
Total operating expenses		24,264,771	23,019,645
Operating profit before finance costs		9,389,164	7,628,287
Finance costs - interest expense		(9,389,164)	(7,628,287)
Increase/decrease in net assets attributable to unit holders		-	-

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

HOME MORTGAGE BANK
MORTGAGE PARTICIPATION FUND

Statement of Changes in Net Assets Attributable to Unit Holders

Year ended December 31, 2017

	Notes	2017	2016
		$	$
Balance as at December 31	7	643,969,960	492,573,409
Increase/decrease in net assets attributable to unit holders			-
Interest reinvested		8,819,767	6,963,002
Contributions and redemptions by unit holders			
Subscriptions		250,639,411	469,370,463
Redemptions		(317,718,214)	(324,936,914)
Balance as at December 31	7	585,710,923	643,969,960

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

HOME MORTGAGE BANK
MORTGAGE PARTICIPATION FUND

Statement of Cash Flows

Year ended December 31, 2017

	2017	2016
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income for the year	-	-
Adjustments for:		
Change other payables	563,725	(7,665)
Net cash used in operating activities	563,725	(7,665)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of mortgage assets	(190,539,435)	(293,522,658)
Sale of mortgage assets	246,509,845	141,329,271
Net cash (used in) from investing activities	55,970,410	(152,193,387)
CASH FLOWS FROM FINANCING ACTIVITIES		
Subscriptions and interest reinvested	259,276,980	476,333,465
Redemptions	(317,536,017)	(324,936,914)
Net cash from (used in) financing activities	(58,259,0367)	151,396,551
Net decrease in cash and cash equivalents	(1,742,900)	(804,501)
Cash and cash equivalents at the beginning of the year	2,337,793	3,142,294
Cash and cash equivalents at the end of the year	612,891	2,337,793
Represented by:		
Cash and cash equivalents	612,891	2,337,793

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

HOME MORTGAGE BANK
MORTGAGE PARTICIPATION FUND

Notes to the Financial Statements

December 31, 2017

1. Description of the Fund

The following brief description of the Home Mortgage Bank Mortgage Participation Fund (the Fund) is provided for general information purposes only. Reference should be made to the Trust Deed and rules of the Fund for more complete information.

General Information

The Fund was established as an open-ended mutual fund. An open-ended fund is one in which the amount of Participations, which may be issued by the Fund, is unlimited. The Fund was established by the Original Trustee, the Home Mortgage Bank (the Bank) under a Trust Deed (the Deed) dated September 24, 2001. The Trust Deed is governed by the laws of the Republic of Trinidad and Tobago.

The principal activity of the Fund is to seek a high total investment return with safety of capital by investing primarily in a portfolio of mortgages secured by properties, which have either been identified and separated in the books of the Bank or purchased from Approved Mortgage Lenders and such other securities as permitted under the terms of the Deed.

The address of its registered office is Ground Floor, Prince's Court, Corner Keate and Pembroke Streets, Port of Spain, Trinidad, W.I.

Subscriptions

Participations in the Fund is offered at $1.00 per unit subject to the Bank determining otherwise, the minimum initial subscription for Units by an investor is $500 and thereafter, the minimum amount of an additional subscription by a Holder, save and except in the instances of the re-investment of any distributions payable in the Fund, is $100.

Distributions

The Bank makes distributions out of the net income at the declared rate of interest. The amount of such distributions is determined and declared by the Bank and paid monthly. Participations accrue entitlement to distributions as long as they are issued and outstanding. Participations are entitled to distributions as of the Subscription Date to (but not including) the Redemption Date.

Distributions payable in this Fund is ordinarily reinvested automatically in additional Participations of the Fund at the Issue Price as at the relevant Distribution Date unless investors or until holders request that their Distributions be paid to them in the form of a cheque.

HOME MORTGAGE BANK
MORTGAGE PARTICIPATION FUND

Notes to the Financial Statements

December 31, 2017

1. Description of The Fund (continued)

Redemptions

Participations in the Fund is redeemed at $1.00 per unit without any penalties. Redemption of Participations is effected on every business day. To effect Redemption of Participation Holders must notify the Bank no later than 12 noon, or any later time specified by the Bank, on the relevant Business Day. Participations are redeemed at the Redemption Price less any stamp duty or taxation leviable thereon on the relevant Business Day. Remittance of the Redemption Proceeds is effected on the relevant Redemption Date.

Mortgage risk guarantee fee

Mortgage Risk Guarantee Fees are paid to the Bank for bearing the credit risk associated with guaranteeing a fixed return on mortgage assets.

Management fees

Management fees are paid to the Bank at a rate of 1.25% per month on the Net Asset Value of the Fund.

Taxation

Resident Individual Holders under the age of 60 years, is subject to 5% tax on income deducted prior to distribution. No further taxation is payable and the distributions do not have to be included in the Holder's annual income tax return. Resident Corporate Holders will be paid distributions without any deductions of taxes.

These financial statements were authorised for issue by the Trustees on April 16, 2018.

2. Significant Accounting Policies

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

(a) Basis of preparation

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention.

2. Significant Accounting Policies (continued)

(a) Basis of preparation (continued)

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Trustee to exercise its judgment in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

(i) Standards, amendment and interpretations which are effective and have been adopted by the Fund

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning January 1, 2017 that would be expected to have a material impact on the Fund.

(ii) Standards effective after January 1, 2017 that have been early adopted by the Fund

There are no standards interpretations or amendments to existing standards that have been early adopted by the Fund.

(iii) Standards, amendments and interpretations issued but not yet effective and not early adopted by the Fund (although relevant to the Fund's operations)

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2017, and have not been applied in preparing these financial statements. These are not expected to have a significant effect on the financial statements of the Fund with the exception of the following set out below:

Impact of the adoption of IFRS 9

The Fund is required to adopt IFRS 9 *Financial Instruments* from January 1, 2018. The Fund is assessing the estimated impact that the initial application of IFRS9 will have on its financial statements.

HOME MORTGAGE BANK
MORTGAGE PARTICIPATION FUND

Notes to the Financial Statements

December 31, 2017

2. Significant Accounting Policies (continued)

(a) Basis of preparation (continued)

(iii) Standards, amendments and interpretations issued but not yet effective and not early adopted by the Fund (although relevant to the Fund's operations) (continued)

- **IFRS 9 Financial Instruments**

IFRS 9*, Financial Instruments,* sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

i. Classification – Financial assets

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

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

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

The Fund has not assessed how the new classification requirements will impact its accounting for loans that are managed on a fair value basis profit or loss on disposal.

ii. Impairment — Financial assets, loan commitments and contract assets

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

2. Significant Accounting Policies (continued)

(a) Basis of preparation (continued)

(iii) Standards, amendments and interpretations issued but not yet effective and not early adopted by the Fund (although relevant to the Fund's operations) (continued)

- **IFRS 9 *Financial Instruments*** (continued)

ii. Impairment — Financial assets, loan commitments and contract assets (continued)

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

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

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

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

The Trustee believes that impairment losses are likely to increase and become more volatile for assets in the scope of the IFRS 9 impairment model. Based on the impairment methodology described below.

HOME MORTGAGE BANK
MORTGAGE PARTICIPATION FUND

Notes to the Financial Statements

December 31, 2017

2. Significant Accounting Policies (continued)

(a) Basis of preparation (continued)

(iii) Standards, amendments and interpretations issued but not yet effective and not early adopted by the Fund (although relevant to the Fund's operations) (continued)

- **IFRS 9 *Financial Instruments*** (continued)

ii. Impairment — Financial assets, loan commitments and contract assets (continued)

Mortgage assets

The estimated ECLs will be calculated based on actual credit loss experience. The Trustee will perform the calculation of ECL rates separately for corporates and individuals.

Exposures within the Fund will be segmented based on common credit risk characteristics such as credit risk grade and delinquency status.

Actual credit loss experience will be adjusted by scalar factors to reflect differences between economic conditions during the period over which the historical data was collected, current conditions and the Fund's view of economic conditions over the expected lives of the loans and advances to customers.

Cash and cash equivalent

The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA- to AA+, based on Caribbean Information & Credit Rating Services Limited (CariCRIS) ratings as at December 31, 2017.

The estimated impairment on cash and cash equivalents was calculated based on the 12-month expected loss basis and reflects the short maturities of the exposures. The Fund considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

HOME MORTGAGE BANK
MORTGAGE PARTICIPATION FUND

Notes to the Financial Statements

December 31, 2017

2. Significant Accounting Policies (continued)

(a) Basis of preparation (continued)

(iii) Standards, amendments and interpretations issued but not yet effective and not early adopted by the Fund (although relevant to the Fund's operations) (continued)

- **IFRS 9 *Financial Instruments*** (continued)

ii. Impairment — Financial assets, loan commitments and contract assets (continued)

Cash and cash equivalent (continued)

The Trustee's assessment did not indicate any material impact regarding the classification of financial liabilities at January 1, 2018.

iii. Classification — Financial liabilities

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

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

— the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and

— the remaining amount of change in the fair value is presented in profit or loss.

The Trustee has not designated any financial liabilities at FVTPL and it has no current intention to do so. The Trustee's assessment did not indicate any material impact regarding the classification of financial liabilities at January 1, 2018.

HOME MORTGAGE BANK
MORTGAGE PARTICIPATION FUND

Notes to the Financial Statements

December 31, 2017

2. Significant Accounting Policies (continued)

(a) Basis of preparation (continued)

(iii) Standards, amendments and interpretations issued but not yet effective and not early adopted by the Fund (although relevant to the Fund's operations) (continued)

- **IFRS 9 Financial Instruments** (continued)

v. Disclosures

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

vi. Transition

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

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

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

- The determination of the business model within which a financial asset is held.

- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

- The designation of certain investments in equity instruments not held for trading as at FVOCI.

HOME MORTGAGE BANK
MORTGAGE PARTICIPATION FUND

Notes to the Financial Statements

December 31, 2017

2. Significant Accounting Policies (continued)

(b) Functional and presentation currency

The primary activity of the Fund is to invest in mortgage assets denominated in Trinidad and Tobago dollars. Subscriptions and redemptions of units are denominated in Trinidad and Tobago dollars. The performance of the Fund is measured and reported to the investors in Trinidad and Tobago dollars. The Trustee considers the Trinidad and Tobago dollar as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Trinidad and Tobago dollars which is the Fund's functional and presentation currency.

(c) Financial assets

(i) Classification

The Fund classifies its investments as loans and receivables. The Trustee determines the classification of its financial assets at initial recognition. Loans and receivables are those that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

(ii) Recognition/de-recognition

All purchases and sales of loans and receivables are recognised on the trade date - the date on which the Fund commits to purchase or sell the financial asset. Loans and receivables are derecognised when the rights to receive cash flows from the financial assets have expired or the Fund has transferred substantially all risks and rewards of ownership.

HOME MORTGAGE BANK
MORTGAGE PARTICIPATION FUND

Notes to the Financial Statements

December 31, 2017

2. Significant Accounting Policies (continued)

(c) Financial assets (continued)

(iii) Measurement

Loans and receivables are initially recognised at fair value plus transaction costs. Subsequent to initial recognition, loans and receivables are carried at amortised cost.

(d) Impairment of financial assets

The Trustee assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The criteria that the Trustee uses to determine that there is objective evidence of an impairment loss include:

(i) significant financial difficulty of the issuer or debtor

(ii) a breach of contract, such as default or delinquency in payments

(iii) it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation

(iv) the disappearance of an active market for that financial asset because of financial difficulties

(v) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of individual assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

- adverse changes in the payment status of issuers or debtors in the group; or
- national or local economic conditions that correlate with defaults on assets in the Fund.

If there is objective evidence that an impairment loss has been incurred on loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit or loss.

HOME MORTGAGE BANK
MORTGAGE PARTICIPATION FUND

Notes to the Financial Statements

December 31, 2017

2. Significant Accounting Policies (continued)

(d) Impairment of financial assets (continued)

If loans and receivables have a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract. As a practical expedient, the Fund may measure impairment on the basis of an instrument's fair value using an observable market price.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the profit or loss.

(e) Cash and cash equivalents

Cash and cash equivalents comprise of cash balances held in the bank account for the purpose of either investing into a mortgage or cash held for redemption purposes.

(f) Provisions

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(g) Net assets attributable to unit holders

The Fund issues one class of units. These are redeemable at the unit holder's option and are classified as equity in accordance with IAS 1 (Amendment). Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation'.
Redeemable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net asset value calculated in accordance with the Fund's regulations.
The units are carried at the redemption amount that is payable at the statement of financial position date if the holder exercises the right to put the unit back to the Fund. Units are issued and redeemed at the holder's option at prices based on the Fund's net asset value per unit at the time of issue or redemption.

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2. Significant Accounting Policies (continued)

(g) Net assets attributable to unit holders (continued)

Should the redeemable units' terms and conditions change such that they do not comply with the strict criteria contained in the amendment, the redeemable units would be reclassified to a financial liability from the date the instrument ceases to meet the criteria. The financial liability would be measured at the instrument's fair value at the date of reclassification. Any difference between the carrying value of the equity instrument and fair value of the liability on the date of reclassification would be recognised in equity.

(h) Interest income

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

(i) Expenses

Expenses are accounted for on the accrual basis.

(j) Subscriptions and redemptions

Subscriptions and redemptions are accounted for on the accrual basis.

(k) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position sheet where there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(l) Distributions

Distributions are accounted for on the accrual basis when declared by the Trustee. These are recognised in the statement of changes in net assets attributable to unit holders.

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3. Critical Accounting Estimates and Judgments in Applying Accounting Principles

Impairment losses on financial assets

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

	2017 $	2016 $
4. Mortgage Assets (Acquired under Trust)		
Balance brought forward	641,681,540	489,488,153
Additions	190,539,436	293,522,658
Disposals	(246,509,845)	(141,329,271)
Balance carried forward	585,711,130	641,681,540
5. Cash at Bank		
Balances with banks	612,891	2,337,793

6. Related Parties

Identity of related parties

The Fund has a related party relationship with its Parent, affiliates, Trustess, directors, key management personnel and their immediate relatives.

The Fund appointed the Home Mortgage Bank, which was incorporated in the Republic of Trinidad and Tobago under the Home Mortgage Bank Act 1985 and the subsequent amendments made to the Act through Act No. 17 of 2005 (the ‘Amendment Act’), as the investment management company and administrator of the Fund.

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6. Related Parties (continued)

Under the administrative agreement, the Home Mortgage Bank is required to provide administrative services for the Fund including financial accounting services. The investment manager and administrator receives a management fee at a monthly rate of 1.25% of the Net Asset Value attributable to holders of redeemable shares on each valuation day as defined in the prospectus.

Home Mortgage Bank receives a fee for bearing the credit risk associated with guaranteeing a fixed return on the Mortgage assets. This fluctuates to make the overall net returns to the Fund NIL.

All transactions with related parties have been executed at arms' length in the normal course of the Fund's operations.

Total transactions for the year, and balances outstanding at the end of the year, are detailed below.

	2017	2016
	$	$
Transactions		
Mortgages purchased	190,539,436	293,522,658
Mortgages sold	(246,509,845)	(141,329,271)
Managements fee for the year	7,735,988	6,893,377
Mortgage Risk Guarantee fee	16,381,168	15,769,603
Interest paid	795,802	746,237
Other balances		
Net assets attributable to unit holders	53,296,224	52,471,043

7. Net Assets Attributable to Unit Holders

In accordance with the terms of the Fund's Trust Deed, distributions to unit holders are at the Trustee's discretion.

The Fund issues one class of Units. At the reporting date, the net asset value would be $1 per unit since the Fund is managed in such a way to keep a steady value of $1 per unit.

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7. Net Assets Attributable to Unit Holders (continued)

The table below illustrates the calculation of the operating net asset value (NAV) of a unit in the Fund at the reporting date used for the execution of subscriptions and redemptions of units:

	2017	2016
	$	$
Balance at beginning of year	643,969,960	492,573,409
Interest reinvested	8,819,767	6,963,002
Subscriptions	250,639,411	469,370,463
Redemptions	(317,718,214)	(324,936,914)
Net assets attributable to unit holders	585,710,923	643,969,960
Number of units outstanding at end of year	585,710,923	643,969,960
Net asset value per unit	$1.00	$1.00

8. Distributions

	2017	2016
	%	%
Average rate of return without reinvestment option	1.50	1.41
Annualised effective yield with the reinvestment option	1.59	1.48

9. Financial Risk Management

The Fund's activities expose it to a variety of financial risks and those activities involve the acceptance, analysis and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Fund's investment manager has been given discretionary authority to manage the assets in line with the Fund's investment objectives.

Compliance with the target asset allocations and the composition of the portfolio are monitored on a regular basis. In instances where the portfolio has diverged from target asset allocations, the Fund's investment manager is obliged to take actions to rebalance the portfolio in line with the established targets, within prescribed time limits. The most important types of financial risk are credit risk, market risk, operational risk and liquidity risk. Market risk includes currency risk, interest rate and other price risk.

9. Financial Risk Management (continued)

a) Credit risk

'Credit risk' is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund.

The Fund's policy over credit risk is to minimise its exposure to counterparties with perceived higher risk of default by dealing only with counterparties that meet the credit standards set out in the Fund's prospectus and by taking collateral. This risk is mitigated by only investing cash provided by investors into mortgages. There is therefore hardly any risk involved since failure by the mortgage customer to pay their installment would result in the company selling the property and using the funds received from the sale to repay the investor or to invest in another property. Credit risk is monitored regularly by the investment manager in accordance with the policies and procedures put in place. If the credit risk is not in accordance with the investment policy or guidelines of the Fund, then the investment manager is obliged to rebalance the portfolio of each determination that the portfolio is not in compliance with the stated investment parameters.

(i) Definition

Credit risk is the potential for loss due to the failure of a counter-party or borrower to meet its financial obligations.

(ii) Management of credit risk

Credit risk is mitigated to some extent by limiting the Fund's exposure to a single debtor. The Bank provides 100% guarantee on default of any of these assets.

(iii) Analysis of credit quality

The Fund's exposure to credit risk arises in respect of the following financial instruments:

	2017	2016
	$	$
Mortgage assets	585,711,130	641,681,540
Cash and cash equivalents	612,891	2,337,793
	586,324,021	644,019,333

At the reporting date, there are no financial assets which were either impaired or past due.

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December 31, 2017

9. Financial Risk Management (continued)

a) Credit risk (continued)

(iii) Analysis of credit quality (continued)

Mortgage assets

Mortgage assets represents collaterialised borrowings with residential customers. Credit risk is considered small because the Bank provides 100% guarantee on default of any of these assets.

The Investment Manager monitors the financial position of the mortgage assets on a quarterly basis.

Cash and cash equivalents

The Fund's cash and cash equivalents are with reputable financial institutions. The Investment Manager monitors the financial position on a quarterly basis.

(iv) Concentration of credit risk

As at the reporting date, the Fund's assets were concentrated in the following areas:

	Financial Institutions	Mortgages	Total
	$	$	$
As at December 31, 2017			
Mortgage assets	-	585,711,130	585,711,130
Cash and cash equivalents	612,891	-	612,891
	612,891	585,711,130	586,324,021
As at December 31, 2016			
Mortgage assets	-	641,681,540	641,681,540
Cash and cash equivalents	2,337,793	-	2,337,793
	2,337,793	641,681,540	644,019,333

There is a significant concentration in the mortgage asset portfolio towards residential mortgages. No individual investments exceeds 1% of the net assets attributable to unit holders either at December 31, 2016 or December 31, 2015.

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December 31, 2017

9. Financial Risk Management (continued)

(b) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices such as interest rate risk and other price risk trading portfolios. The Fund has no exposure to currency risk as all financial instruments are denominated in Trinidad and Tobago dollars.

(i) Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value and future cash flows of financial assets and liabilities. Fixed interest securities expose the Fund to fair value interest rate risk. Floating rate debt instruments and cash equivalents expose the Fund to cash flow interest rate risk.

(ii) Sensitivity analysis

The Fund's financial assets and net assets attributable to unit holders are exposed to fair value interest rate risk. This risk is managed by maintaining fixed rate instruments with an appropriate mix of maturity profiles. As the Fund's investments generally comprise of fixed rate instruments and interest rates on net assets attributable to unit holders are also fixed, there is no significant exposure to cash flow interest rate risk.

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Notes to the Financial Statements

December 31, 2017

9. Financial Risk Management (continued)

(b) Market risk (continued)

(ii) Sensitivity analysis (continued)

A summary of the Fund's interest rate gap position analysed by the earlier of contractual re-pricing on maturity date is as follows:

	Up to One Year	One to Five Years	Over Five Years	Non-Interest Bearing	Total
	$	$	$	$	$
As at December 31, 2017					
Mortgage assets	573,155	6,665,138	578,472,837	-	585,711,130
Cash and cash equivalents	612,891	-	-	-	612,891
Total assets	1,186,046	6,665,138	578,472,837	-	586,324,021
Unit holders	585,710,923				585,710,923
Other payables	-	-	-	613,098	613,098
Total liabilities	585,710,923	-	-	613,098	586,324,021
Total interest rate gap	(584,524,877)	6,665,138	578,472,837	613,098	-
As at December 31, 2016					
Mortgage assets	252,177	16,053,247	625,376,116	-	641,681,540
Cash and cash equivalents	2,337,793	-	-	-	2,337,793
Total assets	2,589,970	16,053,247	625,376,116	-	644,019,333
Unit holders	643,969,960	-	-	-	643,969,960
Other payables	-	-	-	49,373	49,373
Total liabilities	643,969,960	-	-	49,373	644,019,333
Total interest rate gap	(641,379,990)	16,053,247	625,376,116	(49,373)	-

(iii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from changes in interest rates or foreign exchange rates), whether those changes are caused by factors specific to the individual financial instruments or issuer, or factors affecting all similar financial instruments traded in the market.

During the period, the Fund did not hold any equity investments.

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9. Financial Risk Management (continued)

c) Liquidity risk (continued)

Liquidity risk is the risk that the Fund will be unable to meet its payment obligations when they fall due under normal and stress circumstances. Liquidity risk arises from fluctuations of cash flows.

The Fund's policy and the investment manager's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, including estimated redemptions of shares, without incurring unacceptable losses or risking damage to the Fund's reputation. The Fund's liquidity risk is managed on a daily basis by the investment manager in accordance with the policies and procedures in place. Customers wishing to withdraw balances over $500,000 are required to give 2 days notice. Should the Fund not have sufficient funds in its bank account, the balance would be transferred from the Home Mortgage Bank to the Fund to facilitate the withdrawal, as the Bank guarantees settlement of any shortfalls by the Fund.

(i) Definition

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities and redeemable units.

(ii) Management of risk

The Fund is exposed to daily cash redemption of redeemable units. It therefore invests all of its assets in mortgages which can be disposed of in a relatively short space of time if the need arises. The Fund has the ability to temporarily borrow using the Fund's assets as security at times when the Trustee considers it inadvisable to realise any of the assets of the Fund. Such borrowings may be used to provide cash to redeem units. Such borrowings may be used to provide cash to redeem units, but is limited to 5% of the value of the fund and must be for a period of six (6) months of less. No such borrowings have arisen during the year.

The Fund also provides for certain restrictions on the maximum value of units that can be redeemed in cash over defined periods of time and for the redemption of units in specie where there is insufficient cash available.

(iii) Maturity analysis of financial liabilities

All balances are due within twelve months of the reporting date and are equal to their carrying balances as the impact of discounting is not significant.

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December 31, 2017

9. Financial Risk Management (continued)

c) Liquidity risk (continued)

(iii) Maturity analysis of financial liabilities **(**continued)

The following were the contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include estimated interest payments.

	Carrying Amount	Less than 1 Month	1 to 3 Months	12 Months
	$	**$**	**$**	**$**
2017				
Other payables	613,098	613,098	-	-
Net assets attributable to unit holders	585,710,923	17,900,540	10,819,222	565,411,189
2016				
Other payables	49,373	49,373	-	-
Net assets attributable to unit holders	643,969,960	3,919,583	20,171,828	619,878,549

The table above shows the undiscounted cash flows of the Fund's financial liabilities on the basis of their earliest possible contractual maturity. The Fund's expected cash flows on these instruments (other than net attributable to unit holders) do not vary significantly from this analysis. For net assets attributable to unit holders, the Fund has a contractual obligation to redeem within 2 days of them being submitted for redemption. Historical experience indicates that these units are held by unit holders on a medium or long-term basis.

The ratio of net assets with an expected liquidation period of 2 days (liquid assets) to total net assets is 0.01% (2016: 0.4%).

d) Fair value estimation

The fair value of financial assets and liabilities that are traded in active markets are based on quoted market prices or dealer quotations. For all other financial instruments, the Fund determines fair values using other valuation techniques.

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9. Financial Risk Management (continued)

d) Fair value estimation (continued)

a) Valuation models (continued)

The Fund measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other inputs used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

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December 31, 2017

9. Financial Risk Management (continued)

d) Fair value estimation (continued)

b) Financial assets not measured at Fair Value

All financial assets are measured at amortised cost. The fair values of financial assets at the reporting date is $585,711,130 (2016: $641,681,540). These have all been classified as level 3 in the fair value hierarchy.

The Fund routinely redeems and issues units at the amount equal to the proportionate share of net assets of the Fund at the time of redemption, calculated on a basis consistent with that used in these financial statements. Accordingly, the carrying amount of net assets attributable to unit holders approximates their fair value. The units are categorised into Level 2 of the fair value hierarchy.

e) Operational risk

'Operational risk' is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities with financial instruments, either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. The Fund's objective is to manage operational risk so as to balance the limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to investors. The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors

This responsibility is supported by the development of overall standards for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers, in the following areas.

- the documentation of controls and procedures;
- appropriate segregation of duties between various functions, roles and responsibilities:
  - reconciliation and monitoring of transactions; and
  - periodic assessment of operational risk faced;

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9. Financial Risk Management (continued)

e) Operational risk (continued)

This responsibility is supported by the development of overall standards for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers, in the following areas (continued)

- The adequacy of controls and procedures to address the risks identified
- compliance with regulatory and other legal requirements;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance if this is effective.

10. Contingencies and Commitments

The Fund has no undisclosed contingent liabilities or commitments which have not been provided for in these financial statements.

11. Events after the Reporting Date

There are no events which have taken place after the reporting date up to the date of authorisation of these financial statements for issue which would affect the carrying values of the Fund's assets and liabilities at that date.

NOTES

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MORTGAGES | INVESTMENTS

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