

CAYMAN ISLANDS CHAMBER OF COMMERCE PENSION PLAN

FINANCIAL STATEMENTS

JUNE 30, 2019

# CAYMAN ISLANDS CHAMBER OF COMMERCE PENSION PLAN

JUNE 30, 2019

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## **Independent Auditor's Report**

To the Trustees, solely in their capacity as the Trustees of Cayman Islands Chamber of Commerce Pension Plan

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### **Our opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Cayman Islands Chamber of Commerce Pension Plan (the "Plan") as at June 30, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

The Plan's financial statements comprise:

- the statement of financial position as at June 30, 2019;
  - the statement of comprehensive income for the year then ended;
  - the statement of changes in net assets available to participants for their benefits for the year then ended;
  - the statement of cash flows for the year then ended; and
  - the notes to the financial statements, which include a summary of significant accounting policies.
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### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

### ***Independence***

We are independent of the Plan in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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### **Other information**

The Trustees are responsible for the other information. The other information comprises the Portfolio Investment Mix (Unaudited) (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### **Responsibilities of the Trustees for the financial statements**

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

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



## **Independent Auditor's Report (continued)**

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

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

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

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

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

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### **Other Matter**

This report, including the opinion, has been prepared for and only for the Plan in accordance with the terms of our engagement letter and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

A handwritten signature in black ink that reads "PricewaterhouseCoopers". The signature is written in a cursive, flowing style.

November 20, 2019

# Cayman Islands Chamber of Commerce Pension Plan

## STATEMENT OF FINANCIAL POSITION

As at June 30, 2019

(Expressed in Cayman Islands dollars)

	2019	2018
<b>ASSETS</b>		
Financial assets, at fair value through profit or loss (Note 3)	\$ 409,016,634	\$ 372,544,789
Cash and cash equivalents	10,213,269	6,767,851
Accrued interest receivable	1,006,272	917,050
Accrued dividends receivable	316,055	304,638
Receivable for securities sold	-	194,166
Other assets	8,571	-
<b>Total assets</b>	<b>420,560,801</b>	<b>380,728,494</b>
<b>LIABILITIES</b>		
Benefits payable	5,017,732	3,665,490
Payable for securities purchased	1,555,095	2,035,826
Account payables (Note 4)	1,156,406	734,019
Total liabilities (excluding net assets available to participants for their benefits)	7,729,233	6,435,335
<b>NET ASSETS AVAILABLE TO PARTICIPANTS FOR THEIR BENEFITS (NOTE 9 and 14)</b>	<b>\$ 412,831,568</b>	<b>\$ 374,293,159</b>

Approved for issuance on behalf of the Cayman Islands Chamber of Commerce Pension Plan's Board of Trustees by:

Paul Schreiner

Trustee

Bradley Kruger

Trustee

November 20, 2019

Date

The accompanying notes are an integral part of these financial statements

## Cayman Islands Chamber of Commerce Pension Plan

### STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2019

(Expressed in Cayman Islands dollars)

	2019	2018
<b>Revenue</b>		
Interest from financial assets at fair value through profit or loss	\$ 4,043,581	\$ 4,099,416
Dividend income	7,079,413	4,926,249
Other income	15,600	21,064
Net realised (loss)/gain on financial assets at fair value through profit or loss	(89,097)	48,522,686
Net realised loss on foreign currency transactions	(102,637)	(87,160)
Net change in unrealised gain/(loss) on financial assets at fair value through profit or loss	17,186,646	(29,329,133)
Net change in unrealised gain/(loss) on other assets and liabilities denominated in foreign currencies	7,349	(4,848)
<b>Total revenue</b>	<b>28,140,855</b>	<b>28,148,274</b>
<b>Expenses</b>		
Administration and custody fees (Note 6)	1,940,717	1,804,676
Investment management fees (Note 7)	410,089	752,880
Plan registration fees (Note 15)	392,320	370,723
Salary and benefits	82,839	131,148
Other expenses	322,287	329,634
Consultancy fees (Note 8)	85,762	115,265
Trustees liability insurance expense	7,512	7,512
<b>Total operating expenses</b>	<b>3,241,526</b>	<b>3,511,838</b>
Operating profit	24,899,329	24,636,436
Withholding tax on dividends	(1,616,084)	(1,125,670)
<b>Net increase in net assets from operations available to participants for their benefits</b>	<b>\$ 23,283,245</b>	<b>\$ 23,510,766</b>

The accompanying notes are an integral part of these financial statements

## Cayman Islands Chamber of Commerce Pension Plan

### STATEMENT OF CHANGES IN NET ASSETS AVAILABLE TO PARTICIPANTS FOR THEIR BENEFITS

For the year ended June 30, 2019

(Expressed in Cayman Islands dollars)

	2019	2018
Net increase in net assets from operations available to participants for their benefits	\$ 23,283,245	\$ 23,510,766
<b>Contributions and transfers in</b>		
Employers and self-employed participants - contributions	15,970,968	14,748,469
Employers and self-employed participants - transfers in	425,514	526,231
Employees and voluntary participants – contributions	16,920,296	15,889,667
Employees and voluntary participants - transfers in	471,153	514,053
<b>Total contributions and transfers in</b>	<b>33,787,931</b>	<b>31,678,420</b>
<b>Benefit payments and transfers out</b>		
Benefits paid to participants (Note 5)	(15,066,103)	(19,211,381)
Amounts transferred out	(3,466,664)	(5,545,809)
<b>Total benefit payments and transfers out</b>	<b>(18,532,767)</b>	<b>(24,757,190)</b>
<b>Net increase in net assets available to participants for their benefits</b>	<b>38,538,409</b>	<b>30,431,996</b>
Net assets available to participants for their benefits at beginning of year	374,293,159	343,861,163
<b>Net assets available to participants for their benefits at end of year</b>	<b>\$ 412,831,568</b>	<b>\$ 374,293,159</b>

The accompanying notes are an integral part of these financial statements

# Cayman Islands Chamber of Commerce Pension Plan

## STATEMENT OF CASH FLOWS

For the year ended June 30, 2019

(Expressed in Cayman Islands dollars)

	2019	2018
<b>Cash flows from operating activities</b>		
Interest received	\$ 3,954,359	\$ 4,296,254
Dividends received	7,067,996	4,730,379
Other income received	15,600	-
Administration and custody fees paid	(1,631,562)	(1,809,528)
Investment management fees paid	(309,691)	(994,111)
Other expenses paid	(338,648)	(663,581)
Consultancy fees paid	(65,137)	(115,265)
Plan registration fees paid	(392,320)	(370,723)
Salary and benefits paid	(82,839)	(131,148)
Withholding taxes paid	(1,616,084)	(1,125,670)
Trustee liability insurance	(7,512)	(7,512)
<b>Net cash provided by operating activities</b>	<b>6,594,162</b>	<b>3,809,095</b>
<b>Cash flows from investing activities</b>		
Purchase of investments	(84,180,731)	(419,866,147)
Proceeds from sale and maturity of investments	64,519,869	406,296,529
Net realised loss on foreign currency transactions	(102,637)	(87,160)
<b>Net cash used in investing activities</b>	<b>(19,763,499)</b>	<b>(13,656,778)</b>
<b>Cash flows from financing activities</b>		
Contributions and amounts transferred in from employers and self-employed participants	16,396,482	15,274,701
Contributions and amounts transferred in from employees and voluntary participants	17,391,449	16,403,720
Benefit payments and transfers paid out	(17,180,525)	(24,388,050)
<b>Net cash provided by financing activities</b>	<b>16,607,406</b>	<b>7,290,371</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>3,438,069</b>	<b>(2,557,312)</b>
Unrealised foreign currency gain/(loss) on other assets and liabilities	7,349	(4,848)
Cash and cash equivalents at beginning of year	6,767,851	9,330,011
<b>Cash and cash equivalents at end of year</b>	<b>\$ 10,213,269</b>	<b>\$ 6,767,851</b>

The accompanying notes are an integral part of these financial statements

# Cayman Islands Chamber of Commerce Pension Plan

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Expressed in Cayman Islands dollars)

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### 1. Introduction and background information

The Cayman Islands Chamber of Commerce Pension Plan (the "Plan") was established under the laws of the Cayman Islands by a Declaration of Trust (the "Trust Deed") on May 12, 1992 as amended by Deeds of Amendment dated October 21, 1999, February 6, 2015 and February 15, 2019 as a membership controlled, private sector operated Trust Fund to enable Caymanians and other residents to participate in a properly structured and efficiently managed retirement plan.

The Plan's registration number is OSP4/03/0031. The Plan's reporting currency is the Cayman Islands dollar ("KYD"). As at June 30, 2019, the Plan has two employees (2018: one employee). The registered office of the Plan is P.O. Box 1000, Grand Cayman, KY1-1102.

The following description of the Plan provides only general information. Participants should refer to the Trust Deed and related Deeds of Amendment for a more complete description of the Plan's provisions.

#### General

The Plan is a defined contribution pension plan and is available to Caymanians and residents who either work for an employer that elects to participate in the Plan or are self-employed. At June 30, 2019, there were approximately 20,788 participants in the Plan (2018: 19,616). The Plan is subject to the provisions of the National Pensions Law of the Cayman Islands, which became effective on June 1, 1998 (the "Pensions Law"). The Plan is divided into units applicable to each Lifecycle Fund.

Effective November 1, 2006, the Plan launched its Lifecycle Funds. The Lifecycle Funds available under the Plan contain a mix of investments linked to a specific target retirement year and each target retirement year corresponds to a specific investment time horizon. The risk profile of each Lifecycle Fund reflects the Lifecycle Fund's expected time horizon and the participants' expected retirement dates, according to the Pensions Law. Lifecycle Funds reflect the participants' changing needs throughout the participants' working life by automatically adjusting the combination of assets invested based on age to reflect evolving investment needs and goals. The assets attributable to any one Lifecycle Fund are subject to the general creditors of the Plan, or another Lifecycle Fund. The Lifecycle Funds available to members at June 30, 2019 and 2018 are as follows:

- Chamber 2060
- Chamber 2050
- Chamber 2040
- Chamber 2030
- Chamber Income Growth
- Chamber Income Conservative\*

\* Effective July 1, 2017, the Chamber Income Conservative Fund was added to the Lifecycle Funds. This Lifecycle Fund, approved by the Board of Trustees, gives existing members the option of a more conservative investment strategy. Contributions into this Lifecycle Fund are made at the election of the member, and are not based on retirement age.

The target investment mix of each of the Lifecycle Funds at June 30, 2019 is as follows:

Chamber 2060 - 94.6% equity investments, 5.4% fixed income investments  
Chamber 2050 - 90.7% equity investments, 9.3% fixed income investments  
Chamber 2040 - 78.3% equity investments, 21.7% fixed income investments  
Chamber 2030 - 58.4% equity investments, 41.6% fixed income investments  
Chamber Income Growth - 35.0% equity investments, 65.0% fixed income investments  
Chamber Income Conservative - 25.0% equity investments, 75.0% fixed income investments

# Cayman Islands Chamber of Commerce Pension Plan

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Expressed in Cayman Islands dollars)

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### 1. Introduction and background information (continued)

The target investment mix of each of the Lifecycle Funds at June 30, 2018 is as follows:

Chamber 2060 - 94.7% equity investments, 5.3% fixed income investments  
Chamber 2050 - 91.6% equity investments, 8.4% fixed income investments  
Chamber 2040 - 80.2% equity investments, 19.8% fixed income investments  
Chamber 2030 - 60.6% equity investments, 39.4% fixed income investments  
Chamber Income Growth - 35.0% equity investments, 65.0% fixed income investments  
Chamber Income Conservative - 25.0% equity investments, 75.0% fixed income investments

#### Contributions and transfers in

If an employer is a contributor, then the normal contribution rate is 10% of the employee's earnings (up to the maximum pensionable earnings), typically, being borne equally by the employee and employer, but not to be greater than 5% by the employee. Contributions in excess of 10% or in excess of \$8,700 per year based on maximum pension earnings of \$87,000 are considered voluntary. The normal contribution rate for self-employed participants is 10% of the participant's earnings.

#### Participant Accounts

Each participant's account is credited with the contributions received in respect of that participant which are applied to the purchase of units in the Plan. These units are calculated by dividing each participant's contributions by the unit value of the participant's Lifecycle Fund. The unit value is formally calculated by the administrator of the Plan (see Note 6) as of the last business day of each month (the "valuation date"). The value of any benefits paid to a participant or his/her beneficiaries is deducted from the participant's account.

#### Payment of benefits and transfers out

On retirement, the units allocated to each participant can be released by the Trustees and the participant's account applied in the purchase of a fully paid up life annuity and/or other prescribed retirement savings arrangement(s). In certain circumstances the participant may receive the value of his/her units as a lump sum payment. The above outcomes must be approved by the Superintendent of Pensions.

Participants whose membership is transferred to another pension plan may elect to transfer the balance of their account to that pension plan.

Those members that cease Cayman Islands residency may elect, after the expiry of a two-year waiting period from termination of their employment, to have the units transferred to a pension plan, pension entitlement savings arrangement or life annuity that is outside the Cayman Islands.

The Cayman Islands National Pensions Law was amended November 8, 2011 to allow qualified pension members to withdraw up to \$35,000 from their pension plan to purchase a home, construct a home, pay off an existing mortgage or purchase a parcel of residential land. During the year, approximately \$755,660 (2018: \$1,101,255) was withdrawn in relation to this amendment (Note 5).

The National Pensions Law was amended 31 March 2017 to allow member access to their Additional Voluntary Contributions (prior to normal age of pension entitlement) for medical, temporary unemployment, housing and educational purposes.

# Cayman Islands Chamber of Commerce Pension Plan

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Expressed in Cayman Islands dollars)

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### 1. Introduction and background information (continued)

#### Investment policy

The Trustees have entered into an agreement with the investment managers (see Note 7), which give the managers full discretion in selecting investments for the Plan in accordance with the Regulations of the Pensions Law. During the year ended June 30, 2018, the Plan restructured the investment managers which in turn revised the composition and performance indicators of the equity portfolio. Refer to Notes 7 and 11 for further information thereon. The investment policy has remained unchanged.

The Plan may invest in such shares, securities, or other investments wherever situated as permitted by the Pensions Law. The investment objective of the Plan is to achieve maximum return for minimum risk and to that end investments are diversified as far as is reasonably practical to ensure that risk is not unduly concentrated in any one type of investment, area or currency, other than investment in United States dollar denominated securities. The Plan is invested primarily for long term growth and the United States dollar is the primary currency of investment, although up to 30% of the Plan's assets may be invested in securities denominated in other currencies.

### 2. Significant accounting policies

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related results. It also requires the Trustees to exercise judgment in the process of applying the Plan's accounting policies.

All references to net assets throughout this document refer to net assets attributable to participants for their benefits unless otherwise stated. Net assets per unit information as disclosed in Note 14 has been determined as total assets less liabilities divided by the number of outstanding units for each Lifecycle Fund.

#### Standards and amendments to existing standards effective for the June 30, 2019 year end

IFRS 9 'Financial Instruments' became effective for annual periods beginning on or after 1 January 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in IAS 39.

Classification and measurement of debt assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognised at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss (ECL) impairment model.

IFRS 9 has been applied retrospectively by the Plan and did not result in a change to the classification or measurement of financial instruments as outlined in Note 3. The Plan's investment portfolio continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost.

# Cayman Islands Chamber of Commerce Pension Plan

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Expressed in Cayman Islands dollars)

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### 2. Significant accounting policies (continued)

#### Standards and amendments to existing standards effective for the June 30, 2019 year end (continued)

There was no material impact on adoption from the application of the new impairment model.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on June 30, 2018 that have a material effect on the financial statements of the Plan.

#### New standards, amendments and interpretations effective after July 1, 2018 and have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after June 30, 2018, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Plan.

#### The significant accounting policies of the Plan are as follows:

**Financial assets, at fair value through profit or loss:** The Plan classifies its investments based on both the Plan's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Plan is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Plan has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The contractual cash flows of the Plan's debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Plan's business model's objective. Consequently, all investments are measured at fair value through profit or loss. Financial assets and financial liabilities at fair value through profit or loss are initially recognized at fair value, which is considered the cost basis of the security. Securities that are traded on recognised securities exchanges are valued by reference to quotations provided by the market on which the securities are traded on the last day of trading in the period.

Securities that are not traded on recognised securities exchanges are valued by reference to price quotations furnished by investment services firms (such as brokers, dealers, or other entities). Investments in open-ended funds are valued based on the share price as determined by the administrators of those entities in accordance with industry practice.

Investments are accounted for on the trade date basis (the date the order is executed). Realised and unrealised gains and losses are calculated on an average cost basis and are recognised in the statement of comprehensive income in the period in which they arise. Transaction costs are expensed as incurred and included as a component of realised and unrealised gains and losses in the statement of comprehensive income.

Financial assets and financial liabilities at fair value through profit or loss are those that are managed and their performance evaluated on a fair value basis in accordance with the Plan's documented investment strategy. The Plan's policy is for the Trustees to evaluate the information about these financial assets and liabilities on a fair value basis, together with other related financial information, for the purposes of making investment management decisions.

IFRS 13 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

Level 1: Quoted priced (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs).

# Cayman Islands Chamber of Commerce Pension Plan

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Expressed in Cayman Islands dollars)

### 2. Significant accounting policies (continued)

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

**Interest income:** Interest income is accounted for using the effective interest method.

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

**Contributions and transfers in:** Contributions and transfers in are accounted for as the cash is received by the administrator.

**Benefit payments and transfers out:** Benefit payments and transfers out are accounted for on the accrual basis.

**Expenses:** Expenses are accounted for on the accrual basis.

**Foreign currencies:** Transactions in foreign currencies are translated at the rate of exchange prevailing at the date of the transaction. Assets and liabilities that are denominated in foreign currencies are translated at the rate prevailing at the valuation date. The Plan does not isolate the effect of changes in foreign exchange rates from fluctuations arising from changes in the market prices of investments held at year end.

Similarly, the Plan does not isolate the effect of changes in foreign exchange rates from fluctuations arising from changes in the market prices of investments sold during the year. Accordingly, realised and unrealised foreign currency gains (losses) on investments are included in the reported net realised and unrealised gains (losses) on investments in the statement of comprehensive income.

**Functional and presentation currency:** Items included in the Plan's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Cayman Islands dollar ("KYD"), which is pegged to the United States dollar ("USD") at the rate of KYD. \$0.8333 = U.S. \$1.00. In addition, the Plan has adopted the Cayman Islands dollar as its presentation currency.

**Cash and cash equivalents:** For the purposes of the statement of cash flows, cash and cash equivalents consist of bank balances on demand and at short notice with original maturities of three months or less.

**Comparatives:** Certain comparative information has been adjusted to conform with current year disclosures.

### 3. Financial assets at fair value through profit or loss

At June 30, 2019 and 2018, the Plan's portfolio of investments comprised the following:

	2019		2018	
	Fair value	Cost	Fair value	Cost
Equities	\$ 291,267,227	\$ 267,040,175	\$ 261,322,686	\$ 249,044,682
Fixed income	117,088,897	114,489,160	109,963,599	112,577,248
IShares USD TIPS - Exchange Traded Fund *	660,510	629,025	1,258,504	1,251,231
Total	\$ 409,016,634	\$ 382,158,360	\$ 372,544,789	\$ 362,873,161

## Cayman Islands Chamber of Commerce Pension Plan

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Expressed in Cayman Islands dollars)

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

\* At June 30, 2019 and 2018 the Plan invested in an exchange traded close ended fund, IShares USD TIPS - ("IShares"), that seeks to provide long term growth of capital by tracking the performance of inflation protected U.S. Treasury Bonds. The fund is incorporated in Ireland. The Plan's holding in IShares, as a percentage of IShares' total net asset value, will vary from time to time dependent on the volume of subscriptions and redemptions at the IShares fund level.

At June 30, 2019 and 2018, the Plan held the following equity investments (investments where either cost or value exceeds 1% of the Plan's net assets are presented individually):

	Fair value 2019	Fair value 2018	% of net assets 2019	% of net assets 2018
<b>Australian Dollar</b>				
Basic materials	\$ 1,150,106	\$ 1,007,567	0.28%	0.27%
Communications	126,682	96,690	0.03%	0.03%
Consumer goods	1,709,443	1,519,527	0.41%	0.41%
Diversified	11,243	-	0.00%	0.00%
Energy	381,276	371,846	0.09%	0.10%
Financial	3,184,484	3,008,836	0.77%	0.80%
Industrial	243,941	350,762	0.06%	0.09%
Technology	42,417	41,232	0.01%	0.01%
Utilities	150,361	169,849	0.04%	0.05%
<b>British Pound</b>				
Basic Materials	1,597,056	-	0.39%	0.00%
Communications	798,571	1,079,153	0.19%	0.29%
Consumer goods	6,303,001	6,351,912	1.53%	1.70%
Energy	2,978,052	3,006,695	0.72%	0.80%
Financial	3,627,323	3,764,261	0.88%	1.01%
Industrial	534,661	485,617	0.13%	0.13%
Materials	-	1,560,627	0.00%	0.42%
Technology	133,187	107,912	0.03%	0.03%
Utilities	505,874	519,031	0.12%	0.14%
<b>Canadian Dollar</b>				
Basic Materials	1,098,073	-	0.27%	0.00%
Communications	635,698	417,576	0.15%	0.11%
Consumer goods	1,066,588	801,129	0.26%	0.21%
Energy	1,936,827	2,048,307	0.47%	0.55%
Financial	3,911,968	3,601,855	0.95%	0.96%
Industrial	900,296	814,732	0.22%	0.22%
Materials	-	956,652	0.00%	0.26%

# Cayman Islands Chamber of Commerce Pension Plan

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Expressed in Cayman Islands dollars)

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

	Fair value 2019	Fair value 2018	% of net assets 2019	% of net assets 2018
<b>Canadian Dollar (continued)</b>				
Technology	\$ 364,578	\$ 301,332	0.09%	0.08%
Utilities	210,331	163,662	0.05%	0.04%
<b>Danish Krone</b>				
Basic Materials	75,409	-	0.02%	0.00%
Consumer goods	1,057,308	987,331	0.26%	0.26%
Energy	122,690	74,335	0.03%	0.02%
Financial	100,157	157,418	0.02%	0.04%
Industrial	221,874	181,410	0.05%	0.05%
Materials	-	88,076	0.00%	0.02%
Utilities	116,549	74,508	0.03%	0.02%
<b>Euro</b>				
Basic Materials	2,012,570	-	0.49%	0.00%
Communications	1,991,253	1,907,317	0.48%	0.51%
Consumer goods	10,644,897	9,922,413	2.58%	2.65%
Diversified	-	26,519	0.00%	0.01%
Energy	1,647,770	1,673,505	0.40%	0.45%
Financial	5,921,276	6,080,872	1.43%	1.62%
Industrial	4,575,812	4,028,152	1.11%	1.08%
Materials	-	2,510,719	0.00%	0.67%
Technology	2,356,212	2,311,064	0.57%	0.62%
Utilities	2,031,948	1,670,623	0.49%	0.45%
<b>Hong Kong Dollar</b>				
Communications	55,568	47,415	0.01%	0.01%
Consumer goods	365,699	373,779	0.09%	0.10%
Diversified	225,812	262,254	0.05%	0.07%
Financial	2,406,297	1,970,341	0.58%	0.53%
Industrial	189,263	132,672	0.05%	0.04%
Technology	17,924	22,124	0.00%	0.01%
Utilities	380,438	311,082	0.09%	0.08%
<b>Israeli New Shekel</b>				
Basic Materials	33,978	-	0.01%	0.00%
Communications	63,730	55,724	0.02%	0.01%
Consumer goods	-	24,591	0.00%	0.01%

# Cayman Islands Chamber of Commerce Pension Plan

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Expressed in Cayman Islands dollars)

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

	Fair value 2019	Fair value 2018	% of net assets 2019	% of net assets 2018
<b>Israeli New Shekel (continued)</b>				
Financial	\$ 197,950	\$ 132,961	0.05%	0.04%
Industrial	22,973	17,903	0.01%	0.00%
Materials	-	29,049	0.00%	0.01%
<b>Japanese Yen</b>				
Basic Materials	1,206,871	-	0.29%	0.00%
Communications	1,922,092	1,552,188	0.47%	0.41%
Consumer goods	9,856,299	9,625,659	2.39%	2.57%
Energy	222,493	255,023	0.05%	0.07%
Financial	3,357,574	3,443,014	0.81%	0.92%
Industrial	5,256,027	4,905,864	1.27%	1.31%
Materials	-	1,256,113	0.00%	0.34%
Technology	1,118,161	1,089,377	0.27%	0.29%
Utilities	413,190	420,657	0.10%	0.11%
<b>New Zealand Dollar</b>				
Communications	32,056	30,124	0.01%	0.01%
Consumer goods	116,008	95,575	0.03%	0.03%
Industrial	59,171	54,602	0.01%	0.01%
Utilities	26,613	17,616	0.01%	0.00%
<b>Norwegian Krone</b>				
Basic Materials	96,147	-	0.02%	0.00%
Communications	134,762	118,248	0.03%	0.03%
Consumer goods	122,769	100,451	0.03%	0.03%
Energy	154,407	237,416	0.04%	0.06%
Financial	150,544	145,686	0.04%	0.04%
Materials	-	100,317	0.00%	0.03%
<b>Singapore Dollar</b>				
Communications	150,684	119,038	0.04%	0.03%
Consumer goods	138,799	146,388	0.03%	0.04%
Diversified	-	49,409	0.00%	0.00%
Financial	851,875	753,000	0.21%	0.20%
Industrial	174,579	97,910	0.04%	0.03%
Utilities	11,430	12,954	0.00%	0.00%

# Cayman Islands Chamber of Commerce Pension Plan

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Expressed in Cayman Islands dollars)

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

	Fair value 2019	Fair value 2018	% of net assets 2019	% of net assets 2018
<b>Swedish Krona</b>				
Basic Materials	\$ 46,866	\$ -	0.01%	0.00%
Communications	370,547	307,561	0.09%	0.08%
Consumer goods	562,966	493,748	0.14%	0.13%
Diversified	-	21,017	0.00%	0.01%
Energy	37,753	38,731	0.01%	0.01%
Financial	705,305	719,673	0.17%	0.19%
Materials	-	45,435	0.00%	0.01%
Industrial	897,085	757,089	0.22%	0.20%
<b>Swiss Franc</b>				
Basic Materials	251,192	-	0.06%	0.00%
Communications	99,981	75,321	0.02%	0.02%
Consumer goods	6,331,784	4,731,603	1.53%	1.26%
Financial	1,553,160	1,460,624	0.38%	0.39%
Industrial	873,878	777,587	0.21%	0.21%
Technology	87,507	59,313	0.02%	0.02%
Materials	-	207,062	0.00%	0.06%
<b>United States Dollar</b>				
Basic Materials	3,967,332	-	0.96%	0.00%
Communications				
Amazon.com Inc	5,576,740	4,575,295	1.35%	1.22%
Others	22,411,659	19,252,944	5.43%	5.14%
Consumer goods	55,466,964	47,381,333	13.44%	12.66%
Diversified	105,033	141,072	0.03%	0.04%
Energy	9,073,876	9,962,425	2.20%	2.66%
Financial	32,313,427	28,434,625	7.83%	7.60%
Industrial	17,213,590	15,274,096	4.17%	4.08%
Materials	-	3,425,641	0.00%	0.92%
Technology				
Apple Inc	6,581,830	6,168,482	1.59%	1.65%
Microsoft Corp	6,885,990	4,716,845	1.67%	1.26%
Others	17,958,779	15,500,532	4.35%	4.14%
Utilities	5,884,038	4,547,084	1.42%	1.21%
	\$ 291,267,227	\$ 261,322,686	70.55%	69.82%

# Cayman Islands Chamber of Commerce Pension Plan

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Expressed in Cayman Islands dollars)

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

At June 30, 2019, the Plan held the following fixed income investments (investments where either cost or value exceeds 1% of the Plan's net assets are presented individually):

Nominal Amount	US Dollar Denominated bonds	Fair Value	% of net assets
3,905,000	US TREASURY N/B 4.500% 05/15/38	\$ 4,372,594	1.06%
4,901,000	US TREASURY N/B 2.875% 09/30/23	4,273,141	1.04%
	Other	108,443,162	26.27%
	<b>Total Bonds (cost \$114,489,160)</b>	<b>\$ 117,088,897</b>	<b>28.37%</b>

At June 30, 2018, the Plan held the following fixed income investments (investments where either cost or value exceeds 1% of the Plan's net assets are presented individually):

Nominal Amount	US Dollar Denominated bonds	Fair Value	% of net assets
7,369,000	US TREASURY N/B 2.375% 01/31/23	\$ 6,046,802	1.62%
	Other	103,916,797	27.76%
	<b>Total Bonds (cost \$112,577,248)</b>	<b>\$ 109,963,599</b>	<b>29.38%</b>

At June 30, 2019, the Plan's investments have been classified as follows:

	Level 1	Level 2	Level 3	Total
Equities	\$ 291,267,227	\$ -	\$ -	\$ 291,267,227
Fixed income*	-	117,088,897	-	117,088,897
IShares USD TIPS - Exchange Traded Fund	660,510	-	-	660,510
Financial assets at fair value through profit or loss	\$ 291,927,737	\$ 117,088,897	\$ -	\$ 409,016,634

At June 30, 2018, the Plan's investments have been classified as follows:

	Level 1	Level 2	Level 3	Total
Equities	\$ 261,322,686	\$ -	\$ -	\$ 261,322,686
Fixed income*	-	109,963,599	-	109,963,599
IShares USD TIPS - Exchange Traded Fund	1,258,504	-	-	1,258,504
Financial assets at fair value through profit or loss	\$ 262,581,190	\$ 109,963,599	\$ -	\$ 372,544,789

\*Included in Fixed Income is \$11,312,588 (2018: \$10,086,202) of US Securities and Exchange Commission Rule 144A restricted securities.

Investments, whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities and certain non-US sovereign obligations. The Plan does not adjust the quoted price for these instruments.

# Cayman Islands Chamber of Commerce Pension Plan

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Expressed in Cayman Islands dollars)

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

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include investment-grade corporate bonds and certain non-US sovereign obligations, US government treasury bills, listed equities, and open ended mutual funds. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. At June 30, 2019 and 2018 the Plan did not hold any investments classified in level 3.

Transfers between levels of the fair value hierarchy, for the purposes of preparing the tables above and below are deemed to have occurred at the date of the event or change in circumstances that caused the transfer. There were no transfers between levels 1 and 2 during the year ended June 30, 2019 and 2018. No securities were categorized in Level 3 during the year.

All other assets and liabilities carried at amortised cost reasonably approximate fair value.

### 4. Accounts payable

	2019	2018
Other expenses	\$ 314,294	\$ 321,890
Administration and custody fees	630,725	321,570
Investment management fees	190,762	90,364
Consultancy fees	20,625	-
Commissions	-	195
<b>Total accounts payable</b>	<b>\$ 1,156,406</b>	<b>\$ 734,019</b>

### 5. Benefit payments

	2019	2018
Termination of residence	\$ 6,769,799	\$ 8,638,364
Retirement	6,289,439	8,390,750
Housing	755,660	1,101,255
Death and medical	839,383	609,611
Additional Voluntary Contributions	411,822	471,401
<b>Total benefit payments</b>	<b>\$ 15,066,103</b>	<b>\$ 19,211,381</b>

### 6. Administration and custody fees

Effective March 1, 2006, the Plan entered into an Amended and Restated Administrative Services Agreement, whereby MUFG Fund Services (Cayman) Limited ("MUFG"), previously named Butterfield Fulcrum Group, provided member administration services to the Plan.

# Cayman Islands Chamber of Commerce Pension Plan

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Expressed in Cayman Islands dollars)

### 6. Administration and custody fees (continued)

The Amended and Restated Administrative Services Agreement with MUFG effective July 1, 2015 provided for an all-inclusive fee, calculated on a monthly basis on the month-end net assets available to participants of the Plan. For the year ended June 30, 2018 and period up to February 28, 2019, the all-inclusive fee was calculated at the following revised rates:

- i) 0.575% per annum on the first CI\$200,000,000
- ii) 0.30% per annum between CI\$200,000,000 and CI\$300,000,000
- iii) 0.20% per annum between CI\$300,000,000 and CI\$400,000,000
- iv) 0.15% per annum over CI\$400,000,000.

Effective March 1, 2019, the scope of MUFG services and related agreement was updated, and the inclusive fee is calculated at the following revised rates for year ended June 30, 2019, subject to the minimum monthly fee of CI\$80,000 and financial statement preparation fee of CI\$12,500:

- i) 0.60% per annum on the first CI\$200,000,000
- ii) 0.35% per annum between CI\$200,000,000 and CI\$300,000,000
- iii) 0.25% per annum between CI\$300,000,000 and CI\$400,000,000
- iv) 0.15% per annum over CI\$400,000,000.

For its service during the year ended June 30, 2019 MUFG earned fees under this agreement amounting to \$1,681,276 (2018: \$1,582,508).

Effective October 1, 2012, the Plan entered into a Custody agreement with State Street Bank and Trust Company ("State Street"). For its services State Street earned fees amounting to \$133,640 (2018: \$37,598).

Effective July 1, 2011, the Plan entered into an Administration Agreement with Maples Fund Services (Cayman) Limited ("MaplesFS"), whereby MaplesFS provided Net Asset Value ("NAV") calculation services to the Plan. For these services MaplesFS received a fee calculated on a monthly basis as a percentage of the month end NAV at the following rates:

<b>Net Asset Value in US\$</b>	<b>Percentage/basis points</b>
First \$500 million	5 bps
\$500 million - \$1 billion	4 bps
Over \$1 billion	3 bps

Effective February 28, 2019, the Plan terminated the Administration Agreement with Maples Fund Services (Cayman) Limited and transferred all of the NAV calculation services to MUFG.

For the year ending June 30, 2019, MaplesFS earned fees under this agreement amounting to \$125,801 (2018: \$184,570).

### 7. Investment management fees

Effective November 8, 2017, the trustees of the Plan authorised the transfer of each equity portfolio held by McKinley and Epoch over to Blackrock Financial Management, Inc. ("Blackrock"). Effective November 16, 2017, the Plan entered into an Investment Management Agreement whereby Blackrock (the "Manager") acts as the Manager for the entire equity portfolio. The management fee is calculated and billed quarterly in arrears (for calendar quarters ending March 31, June 30, September 30 and December 31). The management fee is charged at 4 basis points of net assets invested in the equity portfolio at each quarter end, averaged for the actual number of days in each respective quarter and subject to a minimum quarterly fee of US\$37,500, prorated for partial periods.

For its services during the year ended June 30, 2019, Blackrock earned fees under this agreement amounting to \$125,254 (2018: \$70,398).

# Cayman Islands Chamber of Commerce Pension Plan

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Expressed in Cayman Islands dollars)

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### 7. Investment management fees (continued)

Effective February 28, 2006, the Plan entered into a Discretionary Investment Agreement whereby Butterfield Bank (Cayman) Ltd. ("Butterfield Bank"), managed a portion of the fixed income portfolio of the Plan. Effective May 1, 2016, the Plan amended the Discretionary Investment Agreement with Butterfield Bank which provided for a wrap up fee of 0.35% per annum, calculated on the total market value of the fixed income portfolio of the Plan, and was paid on a quarterly basis. Effective May 1, 2016, the fee was calculated at the following revised rates for the year ended June 30, 2018:

- i) 0.275% per annum on the first US\$25,000,000;
- ii) 0.225% per annum on the balance between US\$25,000,000 and US\$50,000,000;
- iii) 0.20% per annum on the balance

For its services during the year ended June 30, 2019, Butterfield Bank earned fees under this agreement amounting to \$0 (2018: \$40,041).

During the year ended June 30, 2018, the Trustees of the Plan authorised the transfer of Butterfield's fixed income portfolio to Income Research & Management and EFG Bank, Cayman Branch, the other two fixed income managers. The Plan has since terminated the investment management services agreement with Butterfield.

Effective December 20, 2011 the Plan entered into an Investment Management Agreement with Income Research & Management ("IRM"), whereby IRM manages a portion of the fixed income portfolio of the Plan. The agreement provides for a fee calculated quarterly in arrears based on the average month-end net value of the investment account during the quarter. Effective February 19, 2016, the management fee is calculated at the following revised rates for the year ended June 30, 2018 and 2019:

- i) 0.27% per annum on the first US\$50,000,000;
- iii) 0.23% per annum on amounts over US\$50,000,000.

For its services during the year ended June 30, 2019, IRM earned fees under this agreement amounting to \$190,617 (2018: \$157,632).

Effective December 20, 2011 the Plan entered into an Investment Management Agreement with EFG Bank, Cayman Branch ("EFG"), whereby EFG manages a portion of the fixed income portfolio of the Plan. The agreement provides for a fee calculated quarterly in arrears based on the average month-end net value of the investment account. Effective March 1, 2016, the fee is calculated at the following revised rates for both years ended June 30, 2019 and 2018:

- i) 0.25% per annum on the balance.

For its services during the year ended June 30, 2019, EFG earned fees under this agreement amounting to \$94,218 (2018: \$100,651).

During the year ended June 30, 2018, the Plan terminated and replaced the investment management services with McKinley Capital Management, Inc. ("McKinley") and Epoch Investment Partners ("Epoch") with those of Blackrock.

Effective October 30, 2008, the Plan entered into an Investment Agreement with McKinley, whereby McKinley managed a portion of the equity portfolio of the Plan. The agreement provided for a fee calculated quarterly in arrears based on the average month-end net value of the investment account during the quarter at the following annual rates:

- i) 0.75% per annum on the first US\$10,000,000;
- ii) 0.65% per annum on the next US\$15,000,000;
- iii) 0.60% per annum on the next US\$25,000,000;
- iv) 0.50% per annum on the next US\$100,000,000;

# Cayman Islands Chamber of Commerce Pension Plan

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Expressed in Cayman Islands dollars)

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### 7. Investment management fees (continued)

- v) 0.48% per annum on the next US\$50,000,000 up to US\$200,000,000.

A separate sliding scale with rates of 0.50% to 0.225% was employed for net asset values between US\$200 million and US\$900 million. For net assets in excess of US\$900 million, a sliding scale with rates of 0.35% and 0.32% was employed.

For its services during the year ended June 30, 2019, McKinley earned fees under this agreement amounting to \$0 (2018: \$168,864).

Effective September 24, 2010 the Plan entered into an Investment Agreement with Epoch, whereby Epoch managed a portion of the equity portfolio of the Plan. The agreement provided for a fee calculated quarterly in arrears based on the preceding quarter end net value of the investment account. Effective March 31, 2016, the fee was calculated at the following revised rates for both years ended June 30, 2019 and 2018:

- i) 0.75% per annum on the first US\$100,000,000;
- ii) 0.65% per annum on the next US\$50,000,000.

For its services during the year ended June 30, 2019, Epoch earned fees under this agreement amounting to \$0 (2018: \$215,294).

During the year ended June 30, 2018, the Plan fully disposed of the Vanguard Investment Series plc – Global Stock Index Fund (“Vanguard”). Vanguard charged a fixed annual management fee of 0.29% of the net asset value of the institutional shares held by the Plan. The net asset value of Vanguard included, and was reported, net of such fees. Vanguard’s expenses did not exceed, on an annual basis, 1% of the average net asset value of the institutional shares held by the Plan.

Effective June 15, 2010, the Trustees of the Plan entered into a Total Expense Ratio Agreement with the Vanguard Investment Series plc- Global Stock Index Fund which provided for a fee rebate calculated based on the daily gross assets invested in Vanguard and payable monthly in arrears in the form of additional units in Vanguard based on the following schedule:

- i) 0.37% per annum on the first US\$5,000,000
- ii) 0.16% per annum on gross assets in excess of US\$5,000,000

For the year ended June 30, 2018, before the full disposal of the Vanguard, the Plan received additional units in Vanguard with value of \$22,779 under the Total Expense Ratio Agreement which resulted in an effective expense ratio of approximately 0.18% for the institutional shares held by the Plan.

### 8. Consultancy fees

Effective December 15, 2004, the Trustees of the Plan entered into an agreement with Mercer Investment Consulting, Inc. (“Mercer”) under which Mercer was engaged to perform a review of the Plan’s investment arrangements as well as to provide ongoing quarterly investment performance evaluation services. Effective March 5, 2009, the Plan entered into an agreement with Mercer that updated the scope of services surrounding its ongoing quarterly investment performance evaluation services with the annual service fee of US\$99,000.

For its services during the year ended June 30, 2019, Mercer earned fees under this agreement amounting to \$85,762 (2018: \$115,265).

# Cayman Islands Chamber of Commerce Pension Plan

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Expressed in Cayman Islands dollars)

### 9. Unit transactions

Units of the Plan are issued or redeemed on the first business day of each month at a price based on the underlying net asset value of the relevant Lifecycle Fund at the opening of business on that date.

Transactions in units for the year ended June 30, 2019 and 2018 are summarized as follows:

	Chamber 2060	Chamber 2050	Chamber 2040	Chamber 2030	Chamber income conservative*	Chamber income growth	Total plan
Outstanding units, at June 30, 2017	682,940	27,200,136	48,843,721	46,998,379	-	18,787,316	142,512,492
Issued during the period (contributions and transfers from other plans)	1,155,277	4,038,799	3,872,267	2,840,238	1,353	1,058,068	12,966,002
Net transfers	(1,944)	(3,331)	(6,591)	45,024	31,469	(76,360)	(11,733)
Redeemed during the period (benefit payments and transfers to other plans)	(41,030)	(1,726,265)	(2,663,345)	(2,763,128)	-	(2,456,915)	(9,650,683)
Outstanding units, at June 30, 2018	1,795,243	29,509,339	50,046,052	47,120,513	32,822	17,312,109	145,816,078
Issued during the period (contributions and transfers from other plans)	1,888,624	4,278,379	3,924,843	2,813,791	23,528	987,794	13,916,959
Net transfers	2,582	113	(18,833)	(18,487)	116,634	(99,904)	(17,895)
Redeemed during the period (benefit payments and transfers to other plans)	(121,945)	(1,305,636)	(2,212,851)	(1,792,199)	(10,998)	(1,684,130)	(7,127,759)
Outstanding units, at June 30, 2019	3,564,504	32,482,195	51,739,211	48,123,618	161,986	16,515,869	152,587,383

\*The initial transfer into Chamber Income Conservative Fund took place in April 2018.

The Plan's capital is primarily represented by these units. In accordance with the objectives outlined in Note 1 and the risk management policies in Note 11, the Plan endeavors to invest the contributions received from unitholders into appropriate investments while maintaining sufficient liquidity to meet withdrawals.

The net asset values per unit of each of the Lifecycle Funds, at June 30, 2019 and 2018 are disclosed in Note 14.

### 10. Plan termination

The Trustees may at any time, with the sanction of an Extraordinary Resolution of the Members in a general meeting and in accordance with the provisions of the Pensions Law, determine that the Plan shall forthwith terminate, and upon termination either:

- apply all sums credited to a participant's account to the purchase of a fully paid up life annuity, commencing at the normal retirement date, or other prescribed savings arrangement; or
- transfer all sums credited to a participant's account to another pension plan approved by the Trustees for the benefit of the participant.

### 11. Financial instruments and associated risks

The Plan's activities expose it to a variety of financial risks: market risk (including price risk, currency risk and interest rate risk), credit risk and liquidity risk. The Plan's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Plan's financial performance.

# Cayman Islands Chamber of Commerce Pension Plan

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Expressed in Cayman Islands dollars)

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### 11. Financial instruments and associated risks (continued)

#### Price risk:

All securities investments present a risk of loss of capital. The investment advisors (Note 7) moderate this risk through a careful selection of securities and other financial instruments within specified limits. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The Plan's overall market positions are monitored on a daily basis by the investment advisors. The Plan's equity and trading derivative financial instruments are susceptible to market price risk arising from uncertainties about future prices of the instruments.

The Plan's market price risk is managed through diversification of the investment portfolio ratios by exposures. The overall market exposures as at June 30, 2019 are presented in Note 3.

At June 30, 2019 and 2018, the Plan's market risk is affected by three main components: changes in actual market prices, interest rate and foreign currency movements.

#### *Equity portfolio managed by Blackrock (Note 7)*

During the year ended June 30, 2018, the equity portfolios previously held by McKinley and Epoch were transferred to Blackrock, thereby changing the investment composition and performance indicators used in prior years. If the MSCI World Index at June 30, 2019 had increased/decreased by 10% with all other variables held constant, this may have increased/decreased net assets attributable to unitholders by approximately \$29,126,723 (2018: 26,132,269).

#### *Vanguard (Note 7)*

During the year ended June 30, 2018, the Plan disposed of the Vanguard investment and held no shares in the Vanguard investment at June 30, 2018.

The aforementioned analysis excludes the market risk associated with the Plan's fixed income portfolio, which is discussed under "Interest rate risk" below.

# Cayman Islands Chamber of Commerce Pension Plan

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Expressed in Cayman Islands dollars)

### 11. Financial instruments and associated risks (continued)

The sensitivity analysis presented above is based upon the portfolio composition as at June 30, 2019 and the performance of the securities in the portfolio relative to a benchmark index. The composition of the Plan's investment portfolio and the correlation thereof to the respective index is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2019 and 2018 is not necessarily indicative of the effect on the Plan's net assets of future movements in the level of the index. The majority of the investments are denominated in USD.

#### Currency risk:

At June 30, 2019 and 2018 the Plan held the following equity securities denominated in currencies other than USD.

<u>(expressed in KYD)</u>		<u>2019</u>		<u>2018</u>
AUSTRALIAN DOLLAR	\$	6,999,953	\$	6,566,308
BRITISH POUND		16,477,725		16,875,209
CANADIAN DOLLAR		10,124,359		9,105,246
DANISH KRONE		1,693,987		1,563,079
EURO		31,181,738		30,131,185
HONG KONG DOLLAR		3,641,001		3,119,666
ISRAELI SHEKEL		318,631		260,228
JAPANESE YEN		23,352,707		22,547,896
NEW ZEALAND DOLLAR		233,848		197,916
NORWEGIAN KRONE		658,629		702,118
SINGAPORE DOLLAR		1,327,367		1,178,696
SWEDISH KRONA		2,620,522		2,383,255
SWISS FRANC		9,197,502		7,311,511
	\$	107,827,969	\$	101,942,313

The Cayman Islands dollar is pegged to the US dollar (Note 2) therefore the Plan is only affected by changes in movements in the exchange rates of other foreign currencies. The table below shows the approximate effect on profit, at June 30, 2019 and 2018, had the exchange rate between the Cayman Islands dollar and the respective foreign currencies, other than the US dollar, in which the equity securities were denominated, increased or decreased by 5% with all other variables held constant. All fixed income securities are denominated in USD (Note 3).

The analysis below is performed for what the Trustees believe to be reasonably possible movements in foreign currency exchange rates with all other variables held constant, showing the impact on net increase in net assets from operations available to unitholders (due to changes in fair value of currency sensitive non-monetary assets, excluding changes in fair value of forward foreign currency exchange contracts). In performing the analysis below, it is assumed that the change in the relevant risk variable had occurred at the statement of financial position date and had been applied to the risk exposures in existence at that date.

# Cayman Islands Chamber of Commerce Pension Plan

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Expressed in Cayman Islands dollars)

### 11. Financial instruments and associated risks (continued)

(expressed in KYD)	2019 Effect on profit - 5% increase/decrease	2018 Effect on profit - 5% increase/decrease
AUSTRALIAN DOLLAR	\$ 349,998	\$ 328,315
BRITISH POUND	823,886	843,760
CANADIAN DOLLAR	506,218	455,262
DANISH KRONE	84,699	78,154
EURO	1,559,087	1,506,559
HONG KONG DOLLAR	182,050	155,983
ISRAELI SHEKEL	15,932	13,011
JAPANESE YEN	1,167,635	1,127,395
NEW ZEALAND DOLLAR	11,692	9,897
NORWEGIAN KRONE	32,931	35,106
SINGAPORE DOLLAR	66,368	58,935
SWEDISH KRONA	131,026	119,163
SWISS FRANC	459,875	365,576
	\$ 5,391,397	\$ 5,097,116

The Plan also holds monetary assets and liabilities denominated in currencies other than KYD, its functional currency and USD to which KYD is pegged. It is therefore exposed to currency risk, as the value of the monetary assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates. The Plan may enter into currency hedging transactions.

At June 30, 2019, the Plan held approximately \$422,744 (2018: \$406,295) of cash and cash equivalents denominated in foreign currencies, other than USD and KYD. Had exchange rates between KYD and the respective foreign currencies, other than USD in which the foreign cash was denominated increased/decreased by 5% with all other variables held constant, the effect would be an increase/decrease on profit of approximately \$21,137 (2018 : \$20,315).

In accordance with the Plan's policy, the investment advisors monitor the Plan's net currency position on a regular basis. The Plan's fixed rate and zero coupon bond holdings are subject to market risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates.

The table below summarises the Plan's exposure to interest rate risks. It includes the Plan's assets at fair values, categorised by the earlier of contractual re-pricing or maturity dates.

# Cayman Islands Chamber of Commerce Pension Plan

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Expressed in Cayman Islands dollars)

### 11. Financial instruments and associated risks (continued)

Interest rate risk:

June 30, 2019	Up to 1 year	2-5 years	Above 5 years	Total
Cash and cash equivalents	\$ 10,213,269	\$ -	\$ -	\$ 10,213,269
Financial assets at fair value through profit or loss	6,371,304	60,060,181	51,317,922	117,749,407
<b>Total Assets</b>	<b>\$ 16,584,573</b>	<b>\$ 60,060,181</b>	<b>\$ 51,317,922</b>	<b>\$ 127,962,676</b>

  

June 30, 2018	Up to 1 year	2-5 years	Above 5 years	Total
Cash and cash equivalents	\$ 6,767,851	\$ -	\$ -	\$ 6,767,851
Financial assets at fair value through profit or loss	7,750,921	51,067,899	52,403,283	111,222,103
<b>Total Assets</b>	<b>\$ 14,518,772</b>	<b>\$ 51,067,899</b>	<b>\$ 52,403,283</b>	<b>\$ 117,989,954</b>

At June 30, 2019, should interest rates, for the debt securities held by the Plan, have decreased/increased by 100 basis points (2018: 100 basis points) with all other variables remaining constant and ignoring the effects of any management fees, the increase/decrease in net assets attributable to unitholders for the year would amount to approximately \$5,185,722 (2018: \$2,813,919), arising substantially from the increase/decrease in market values of debt securities.

In accordance with the Plan's policy, the investment advisors monitor the Plan's overall interest sensitivity on a daily basis.

Credit risk:

The Plan takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Plan's main credit risk is comprised of a) its cash and cash equivalent balances; and b) its debt securities. The aggregate extent of the Plan's exposure to credit risk in respect of these financial assets approximates their carrying value as recorded in the Plan's statement of financial position. The Plan measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. The fair value of substantially all cash and cash equivalents and debt securities are with the Plan's custodian State Street.

Although the Trustees monitor State Street and believe that it is an appropriate custodian, there is no guarantee that State Street will not become insolvent. There is no certainty that in the event of a failure of State Street that has custody of Plan's assets, the Plan would not incur losses due to its assets being unavailable for a period of time or that there is ultimately a less than full recovery of its assets, or both. Because substantially all of the Plan's assets are held with State Street, such losses could be significant and could materially impair the ability of the Plan to achieve its investment objective. The Trustees manage the credit risk with State Street by regularly monitoring its credit worthiness. State Street has a Standard & Poor's rating of A (2018: AA-).

# Cayman Islands Chamber of Commerce Pension Plan

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Expressed in Cayman Islands dollars)

### 11. Financial instruments and associated risks (continued)

#### Credit risk: (continued)

The Plan's debt securities portfolio by rating, as provided by Standard & Poor's and Moody's (with the highest rating of the two) is as follows:

Rating	2019	2018
AAA/Aaa	\$ 38,824,517	\$ 33,863,761
AA+/Aa1	812,799	936,819
AA/Aa2	6,356,123	6,212,007
AA-/Aa3	7,028,984	6,137,651
A+/A1	5,938,304	6,610,530
A/A2	11,931,657	12,927,093
A-/A3	15,418,796	14,552,937
BBB+/Baa1	14,712,188	14,280,377
BBB/Baa2	13,035,410	12,132,493
BBB-/Baa3	3,690,629	3,568,435
	\$ 117,749,407	\$ 111,222,103

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

The Pension Law requires the Plan to hold fixed income securities that are rated at least investment grade. As at June 30, 2019 and 2018, the Plan did not hold any fixed income securities below investment grade. During year ended June 30, 2019 and 2018, no investment was downgraded from investment grade.

#### Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting financial obligations. The Trustees believe that the Plan has sufficient resources to meet the present and foreseeable needs of its business operations. The Trustees' guiding policies require monthly or quarterly payments for an 'emergency' reserve. The Plan invests the majority of its assets in investments that can be readily disposed of.

At June 30, 2019 and 2018, all of the Plan's liabilities (excluding net assets attributable to participants for their benefits) have a maturity of 3 months or less.

# Cayman Islands Chamber of Commerce Pension Plan

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Expressed in Cayman Islands dollars)

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### 12. Financial highlights

The increase/(decrease) in net asset value per unit, of each of the Lifecycle Funds, for the years ended June 30, 2019 and 2018, calculated for each Lifecycle Fund based on the Modified Dietz method of performance measurement and is shown as follows:

2060	5.16% (2018: 10.33%)
2050	5.86 % (2018: 9.18%)
2040	5.92 % (2018: 8.01%)
2030	6.11 % (2018: 5.89%)
Chamber Income Conservative:	5.88 % (2018: 0.48%)
Chamber Income Growth:	6.28 % (2018 Chamber Income: 2.76%)

### 13. Taxation

The Plan is not subject to any income, withholding or capital gains taxes in the Cayman Islands. Generally the Plan conducts its affairs so as not to be liable to taxation in any other jurisdiction; however, the Plan does invest in securities whose income is subject to non-refundable foreign withholding taxes, which are expensed in the statement of comprehensive income.

The Plan invests in securities issued by entities which are virtually all domiciled in countries other than the Cayman Islands. Many of these foreign countries have tax laws which indicate that capital gains taxes may be applicable to non-residents, such as the Plan. Typically, these capital gains taxes are required to be determined on a self-assessment basis and, therefore, such taxes may not be deducted by the Plan's brokers on a "withholding" basis. At June 30, 2019 and 2018, the Plan has measured its tax liabilities with respect to foreign capital gains taxes at nil. However, there is a risk that foreign tax authorities will begin seeking to collect taxes on capital gains earned by the Plan, without giving any prior warning and possibly, on a retrospective basis. Any retrospective enforcement may result in a potential loss to the Plan.

# Cayman Islands Chamber of Commerce Pension Plan

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Expressed in Cayman Islands dollars)

### 14. Financial information on a Lifecycle Fund basis

The movement in the net assets for the year ended June 30, 2019 and for each Lifecycle Fund is as follows:

	Chamber 2060	Chamber 2050	Chamber 2040	Chamber 2030	Chamber income conservative***	Chamber Income growth	For the year ended June 30, 2019 Total Plan	For the year ended June 30, 2018 Total plan
Opening net assets available to Participants for their benefits	\$ 2,354,921	\$ 76,015,773	\$ 130,414,490	\$ 119,792,985	\$ 86,507	\$45,628,483	\$ 374,293,159	\$ 343,861,163
Total contributions*	2,496,623	11,084,789	10,262,988	7,191,681	369,306	2,382,544	33,787,931	31,678,420
Total withdrawals*	(160,000)	(3,381,371)	(5,827,198)	(4,627,367)	(30,140)	(4,506,691)	(18,532,767)	(24,757,190)
Net increase in net assets from operations	225,368	4,852,782	7,955,395	7,465,278	26,344	2,758,078	23,283,245	23,510,766
Closing net assets available to Participants for their benefits	\$ 4,916,912	\$ 88,571,973	\$ 142,805,675	\$ 129,822,577	\$ 452,017	\$46,262,414	\$ 412,831,568	\$ 374,293,159
No. of units (Note 9)	3,564,504	32,482,195	51,739,211	48,123,618	161,986	16,515,869	152,587,383	145,816,078
Net asset value per unit - June 30, 2019	\$ 1.38	\$ 2.73	\$ 2.76	\$ 2.70	\$ 2.79	\$ 2.80		
Expense ratio 2019**	1.26%	0.84%	0.79%	0.81%	0.68%	0.87%	0.82%	
Net asset value per unit - June 30, 2018	\$ 1.31	\$ 2.58	\$ 2.61	\$ 2.54	\$ 2.64	\$ 2.64		
Expense ratio 2018**	0.71%	0.83%	0.84%	0.85%	0.67%	0.86%		0.83%

\*Total contributions and total withdrawals include net transfers

\*\*Expense ratio is calculated as expenses for the year divided by the average monthly net assets available to Participants for their benefits by Lifecycle Fund. General expenses are allocated to each Lifecycle Fund based upon its proportionate share of total net assets. Certain investment related expenses are proportionately allocated to each Lifecycle Fund based upon its monthly investment mix

\*\*\*The initial transfer into Chamber Income Conservative Fund took place in April 2018. The expense ratio for the year ended June 30, 2018 has not been annualized.

# Cayman Islands Chamber of Commerce Pension Plan

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Expressed in Cayman Islands dollars)

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### 15. Plan Registration Fees

For the financial year ended June 30, 2019, the Plan paid registration fees amounting to \$392,320 (2018: \$370,723).

### 16. Subsequent Events

There were no subsequent events requiring additional disclosures identified.

## Cayman Islands Chamber of Commerce Pension Plan

### PORTFOLIO INVESTMENT MIX (UNAUDITED)

For year ended June 30, 2019

(Expressed in Cayman Islands dollars)

For the year ended June 30, 2019

	Market Value							Cost			
	Cash and cash equivalents	% of Total	Equity	% of Total	Fixed Income	% of Total	Total	Cash and cash equivalents	Equity	Fixed Income	Total
Chamber 2060	\$ 64,087	1.52%	\$ 3,965,366	93.97%	\$ 190,543	4.52%	\$ 4,219,996	\$ 64,087	\$ 3,635,535	\$ 186,285	\$ 3,885,907
Chamber 2050	1,521,938	1.67%	81,640,443	89.81%	7,738,875	8.51%	90,901,256	1,521,938	74,849,747	7,565,942	83,937,627
Chamber 2040	3,100,391	2.13%	113,110,307	77.67%	29,411,260	20.20%	145,621,958	3,100,391	103,702,007	28,754,038	135,556,436
Chamber 2030	3,781,732	2.87%	76,268,633	57.89%	51,700,159	39.24%	131,750,524	3,781,732	69,924,754	50,544,871	124,251,357
Chamber income conservative	19,328	4.11%	116,879	24.84%	334,229	71.05%	470,436	19,328	107,157	326,760	453,245
Chamber Income growth	1,725,793	3.73%	16,165,599	34.94%	28,374,341	61.33%	46,265,733	1,725,793	14,820,975	27,740,289	44,287,057
<b>Total</b>	<b>\$ 10,213,269</b>		<b>\$ 291,267,227</b>		<b>\$ 117,749,407</b>		<b>\$ 419,229,903</b>	<b>\$ 10,213,269</b>	<b>\$ 267,040,175</b>	<b>\$ 115,118,185</b>	<b>\$ 392,371,629</b>
Percentage of Plan Assets (*) held	2.43%		69.48%		28.09%		100.00%	2.60%	68.06%	29.34%	100.00%

For year ended June 30, 2018

	Market Value							Cost			
	Cash and cash equivalents	% of Total	Equity	% of Total	Fixed Income	% of Total	Total	Cash and cash equivalents	Equity	Fixed Income	Total
Chamber 2060	\$ 36,792	1.64%	\$ 1,696,867	75.84%	\$ 503,917	22.52%	\$ 2,237,576	\$ 36,792	\$ 1,617,141	\$ 517,824	\$ 2,171,757
Chamber 2050	1,083,535	1.39%	69,305,347	88.65%	7,791,559	9.97%	78,180,441	1,083,535	66,049,100	7,973,998	75,106,633
Chamber 2040	2,117,209	1.61%	102,945,632	77.91%	27,065,845	20.48%	132,128,686	2,117,209	98,108,827	27,699,593	127,925,629
Chamber 2030	2,396,255	1.98%	71,540,639	59.14%	47,031,083	38.88%	120,967,977	2,396,255	68,179,369	48,132,317	118,707,941
Chamber income conservative	995	1.18%	83,133	98.82%	-	-%	84,128	995	79,226	-	80,221
Chamber Income growth	1,133,065	2.48%	15,751,068	34.46%	28,829,699	63.08%	45,713,832	1,133,065	15,011,019	29,504,747	45,648,831
<b>Total</b>	<b>\$ 6,767,851</b>		<b>\$ 261,322,686</b>		<b>\$ 111,222,103</b>		<b>\$ 379,312,640</b>	<b>\$ 6,767,851</b>	<b>\$ 249,044,682</b>	<b>\$ 113,828,479</b>	<b>\$ 369,641,012</b>
Percentage of Plan Assets (*) held	1.78%		68.89%		29.32%		100.00%	1.83%	67.37%	30.79%	100.00%