JNFM MUTUAL FUNDS LIMITED - GLOBAL MONEY MARKET FUND

FINANCIAL STATEMENTS

MARCH 31, 2020

KPMG
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INDEPENDENT AUDITORS' REPORT

To the Directors of
JNFM MUTUAL FUNDS LIMITED - GLOBAL MONEY MARKET FUND

Opinion

We have audited the financial statements of JNFM Mutual Funds Limited - Global Money Market Fund ("the Fund"), set out on pages 4 to 30, which comprise the statement of financial position as at March 31, 2020, the statements of comprehensive income, changes in net assets attributable to holders of redeemable shares 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 give a true and fair view of the financial position of the Fund as at March 31, 2020, and of its financial performance and 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 the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants, including International Independence Standards (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Directors of
JNFM MUTUAL FUNDS LIMITED - GLOBAL MONEY MARKET FUND

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view 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.

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

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 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 Fund's internal control.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Directors of
JNFM MUTUAL FUNDS LIMITED - GLOBAL MONEY MARKET FUND

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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
Kingston, Jamaica

September 29, 2020

JNFM MUTUAL FUNDS LIMITED - GLOBAL MONEY MARKET FUND
Statement of Financial Position
March 31, 2020
(expressed in United States dollars unless otherwise indicated)

	Notes	2020 $'000	2019 $'000
Assets			
Cash		262	39
Securities purchased under resale agreements	4	3,693	5,164
Receivables	5	132	188
Investments	6	4,111	2,295
Total assets		8,198	7,686
Liability			
Payables, being total liability	7	30	47
Net assets attributable to holders of redeemable shares	8	8,168	7,639
Net asset value per share	8,9	$10.34	10.09

Approved for issue by the Board of Directors of JNFM Mutual Funds Limited on September 29, 2020 and signed on its behalf by:

________________________ Chairman
Peter Morris

________________________ Managing Director
Allan Lewis

JNFM MUTUAL FUNDS LIMITED - GLOBAL MONEY MARKET FUND

Statement of Comprehensive Income
Year ended March 31, 2020
(expressed in United States dollars unless otherwise indicated)

	Note	2020 $'000	2019 $'000
Investment and other income			
Interest income calculated using the effective interest method		292	201
Net income from financial assets at fair value through profit or loss (FVTPL):			
Unrealised (losses)/gains on financial assets		(2)	2
		290	203
Administrative expenses			
Investment management fees	10(a)	44	83
Administration fees	10(a)	44	41
Custodian fees		9	9
Audit fees		12	14
Other		1	1
		110	148
Increase in net assets attributable to holders of redeemable shares		180	55

JNFM MUTUAL FUNDS LIMITED - GLOBAL MONEY MARKET FUND
Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares
Year ended March 31, 2020
(expressed in United States dollars unless otherwise indicated)

	Note	2020 $'000	2019 $'000
Net assets attributable to holders of redeemable shares at the beginning of the year		7,639	6,900
Increase in net assets attributable to holders of redeemable shares		180	55
Contributions and redemptions by holders of redeemable shares			
Issue of shares during the year	8	1,549	2,270
Redemption of shares during the year	8	(1,200)	(1,586)
Total contributions and redemptions by holders of redeemable shares		349	684
Net assets attributable to holders of redeemable shares at March 31	8	8,168	7,639

JNFM MUTUAL FUNDS LIMITED - GLOBAL MONEY MARKET FUND
Statement of Cash Flows
Year ended March 31, 2020
(expressed in United States dollars unless otherwise indicated)

	Notes	2020 $'000	2019 $'000
Cash Flows from Operating Activities			
Increase in net assets attributable to holders of redeemable shares		180	55
Adjustments for:			
Unrealised fair value losses/(gains) on financial assets		2	(2)
Interest income		(292)	(201)
		(110)	(148)
Securities purchased under resale agreements		1,471	(2,958)
Receivables	5	87	(79)
Purchase of investments		(7,995)	(1,959)
Proceeds from sale of investments		6,177	4,286
Payables		(17)	25
		(387)	(833)
Interest received		261	183
Cash used in operating activities		(126)	(650)
Cash Flows from Financing Activities			
Proceeds from issue of redeemable shares	8	1,549	2,270
Payment on redemption of redeemable shares	8	(1,200)	(1,586)
Cash provided by financing activities		349	684
Net increase in cash		223	34
Cash at the beginning of year		39	5
Cash at end of the year		262	39

1. Identification

JNFM Mutual Funds Limited – Global Money Market Fund ("the Fund") is constituted as an open-ended mutual fund under the umbrella of a single mutual fund company, JNFM Mutual Funds Limited ("JNFM Mutual Funds" or "the company"). The company was incorporated under the Jamaican Companies Act on February 13, 2015 and is registered with the Financial Services Commission. The Fund was registered on August 1, 2015 and is domiciled in Jamaica. Its registered office is at 2 Belmont Road, Kingston 5. The Fund commenced operations on December 15, 2016.

The company comprises the following segregated funds:

Local Money Market Fund

Global Money Market Fund

Global Fixed Income Fund

Global Diversified Income Fund

Global Equity Fund

Global US Dollar Fixed Income Fund

Each fund's assets are only available to meet liabilities to creditors of that fund and are not available to meet liabilities of other segregated funds or to general creditors of the company. The objective of the Fund is to preserve capital whilst providing United States dollar (USD) money market returns. The Fund invests in money market instruments denominated in USD, including short term treasury bills, Bank of Jamaica certificates of deposit, Government of Jamaica debt instruments and repurchase agreements.

The company has engaged JN Fund Managers Limited ("JNFM") as investment manager and administrator and JCSD Trustee Services Limited as custodian. JNFM has subscribed to a special share of the company of $1.00 which can only be held by JNFM or its nominee. It confers no rights to receive dividends or to otherwise participate in the profits of the company.

The income of the Fund is exempt from income tax under Section 12(t) of the Income Tax Act.

2. Statement of compliance and basis of preparation

(a) Statement of compliance:

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

Certain standards, amendment to standards and interpretation became effective during the year, none of which had any significant impact on the financial statements.

(b) Basis of preparation:

The financial statements are prepared on the historical cost basis, except for investments and securities purchased under resale agreements which are measured at fair value.

2. Statement of compliance and basis of preparation (continued)

(c) Functional and presentation currency:

The financial statements are presented in United States dollars, which is the functional currency of the Fund, rounded to the nearest thousand ($'000), unless otherwise indicated.

(d) Use of estimates and judgements:

The preparation of the financial statements, in conformity with IFRS, requires management to make estimates and assumptions that affect the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the reporting period. Actual amounts could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 3.

3. Accounting estimates and judgements

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below:

(a) Key sources of estimation uncertainty:

Valuation of financial instruments:

The Fund's accounting policy on fair value measurements is discussed in note 13(a)(vii).

When measuring the fair value of an asset or liability, the Fund uses market observation data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates.

3. Accounting estimates and judgements (continued)

(a) Key sources of estimation uncertainty (continued):

Valuation of financial instruments (continued):

Considerable judgement is required in interpreting market data to arrive at estimates of fair values. Consequently, the estimates arrived at may be significantly different from the actual price of the instrument in an arm's length transaction.

(b) Critical judgements in applying accounting policies:

There are no critical judgements used in applying the Fund's accounting policies.

It is reasonably probable, based on existing knowledge, that outcomes within the next financial year that are different from these assumptions could require a material adjustment to the carrying amount reflected in the financial statements.

4. Securities purchased under resale agreements

Securities purchased under resale agreements are collateralised by Government of Jamaica (GOJ) securities with fair value of $3,723,212 (2019: $7,523,000).

5. Receivables

	2020 $'000	2019 $'000
Due from broker	-	104
Interest receivable	107	76
Other receivable	25	8
	132	188

6. Investments

	2020 $'000	2019 $'000
Investments at fair value through profit or loss (FVTPL)		
Treasury Bills:		
US Treasury N/B 1.625% 04.30.2019	-	50
Government of Jamaica (GOJ) Securities:		
4.30% Government of Jamaica US Dollar 2024	500	500
Certificates of Deposit:		
3.70% BOJ US Dollar Certificate of Deposit 2022	501	501
4.30% BOJ US Dollar Certificate of Deposit 2024	500	500
3.75% JN Bank Limited 2020 [note 10(b)]	283	284
2.80% JN Bank Limited 2019 [note 10(b)]	-	50
2.95% JN Bank Limited 2020 [note 10(b)]	-	280
	1,284	1,615

6. Investments (continued)

	2020 $'000	2019 $'000
Investments at fair value through profit or loss (FVTPL) (continued)		
Corporate Bonds:		
4.50% Eppley Limited 2019	-	130
5.60% Jamaica Money Market Brokers Limited 2022	200	-
7.00% National Commercial Bank Limited 2022	565	-
11.00% NiQuan Energy Trinidad Limited 2011	1,000	-
5.10% Sagicor Financial Corporation 2020	562	-
	2,327	130
	4,111	2,295

7. Payables

	2020 $'000	2019 $'000
Accruals	23	26
Other	7	21
	30	47

8. Redeemable shares

The Fund's capital is represented by the redeemable shares.

The analysis of movements in the number of redeemable shares and net assets attributable to holders of redeemable shares during the year is as follows:

	2020 $'000	2019 $'000
Balance at beginning of the year	7,639	6,900
Increase in net assets attributable to holders of redeemable shares	180	55
Proceeds from new shares available for investment	1,549	2,270
Total inflows	1,729	2,325
Value of shares redeemed and repaid during the year	(1,200)	(1,586)
Net inflows for the year	529	739
Balance at end of the year	8,168	7,639

8. Redeemable shares (continued)

	2020 Number of shares ('000)	2019 Number of shares ('000)
Redeemable shares:		
Balance as at the beginning of the year	757	688
Issued during the year	151	227
Redeemed during the year	(118)	(158)
Net issues during the year	33	69
Balance as at March 31	790	757
Net asset value per share	$10.34	10.09

After the initial offering period, redeemable shares are available for subscription and redemption on each day that is a business day in Jamaica at a price equal to the net asset value per share.

Shares in the Fund rank *pari passu* and are entitled to participate equally in any dividend or other distributions declared as well as in the event of a termination or liquidation of the Fund. Each share is entitled to one vote at any meeting of the shareholders of the Fund.

9. Net asset value calculation

The net asset value of the Fund is determined by adding the value of all assets of the Fund and subtracting its liabilities. The net asset value per share is determined by dividing the net asset value by the number of shares in issue.

10. Related party transactions and balances

JN Fund Managers Limited, a related party, incorporated in Jamaica and licensed as an investment manager, is contracted to implement the investment strategy of the Fund and to provide administration services. JN Fund Managers Limited receives an investment management fee, and an administration fee each payable monthly in arrears at an annual rate not exceeding 0.5% of the net asset value of the Fund. The investment management fee was reduced from 1.0% to 0.5% effective April 1, 2019.

(a) During the year, transactions with JN Fund Managers Limited were:

	2020 $'000	2019 $'000
Investment management fees	44	83
Administration fees	44	41

JNFM MUTUAL FUNDS LIMITED - GLOBAL MONEY MARKET FUND
Notes to the Financial Statements (Continued)
March 31, 2020
(expressed in United States dollars unless otherwise indicated)

10. Related party transactions and balances (continued)

(b) The balances with JN Fund Managers Limited and other related parties as at the year end are:

		2020 $'000	2019 $'000
Cash:			
JN Bank Limited		262	37
Securities purchased under resale agreements:			
JN Fund Managers Limited	(note 4)	3,693	2,793
Accounts receivable:			
Global USD Fixed Income Fund		8	-
JN Fund Managers Limited		-	8
Investments:			
JN Bank Limited	(note 6)	283	614
Accounts payable:			
JN Fund Managers Limited		3	-
JN Bank Limited		1	-

(c) JN Fund Managers Limited held 6,114 (2019: 6,114), shares valued at $63,211 (2019: $61,719) in the Fund, as at March 31, 2020.

(d) Key management personnel of the Investment Manager held nil (2019: Nil) shares valued at $nil (2019: $Nil) in the Fund, as at March 31, 2020.

11. Financial risk management

(a) Overview:

The Fund has exposure to the following risks from its operations and the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risks and the Fund's management of capital, represented by the value of net assets.

JNFM Mutual Funds Limited has a risk management framework that seeks to balance strong corporate oversight with well-defined independent risk management functions within the business. The Fund also has appropriate documented strategies, policies and processes, and authority is delegated to JN Fund Managers Limited, which is the Investment Manager and Administrator of the Fund.

The Board of Directors of the company has overall responsibility for the establishment and oversight of the Fund's risk management framework. It also has responsibility for capital management and to ensure prudential operations and regulatory compliance. The Board of Directors manages and reviews major risk exposures and concentrations in the Fund in accordance with best practices and regulatory requirements.

11. Financial risk management (continued)

(a) Overview (continued):

The risk management policies and procedures are established by the JN Group Risk and Compliance Unit of the Investment Manager's ultimate parent company to identify, assess and measure the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits set.

The focus of financial risk management for the Fund is to ensure that the use of, and proceeds from, the Fund's financial assets are sufficient to fund the obligations arising from its contractual liabilities. The goal of the investment management process is to, within the policy guidelines, optimise the after-tax investment income and total return by investing in a diversified portfolio of securities, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis.

A key aspect of the management of the Fund's financial risk is matching the timing of cash flows from assets and liabilities. The Fund actively manages its investments using an approach that balances quality, diversification, liquidity and return. The portfolio is reviewed on a periodic basis, as are investment guidelines and limits, with the objective of ensuring that the Fund can meet its obligations without undue cost and in accordance with the Fund's internal requirements.

The JN Group Audit Committee of the Investment Manager's ultimate parent company is responsible for monitoring compliance with the Fund's risk management policies and procedures. The JN Group's Audit Committee is assisted by the JN Group Internal Audit Department which undertakes cyclical reviews of risk management controls and procedures, the results of which are reported to the heads of the Investment Manager's Compliance Department, the JN Group's Risk and Compliance Unit, the JN Group's Audit Committee and the Board of Directors.

Impact of COVID-19

The World Health Organisation declared the novel Coronavirus (COVID-19) outbreak a "pandemic" on March 11, 2020 and the Government of Jamaica declared the island a "disaster area" on March 13, 2020. The pandemic and measures to control its human impact have resulted in disruptions to economic activity, business operations and asset prices worldwide. In response to the pandemic, the Investment Manager has adopted several measures specifically around financial risk management. These measures include:

i) Enhanced monitoring of market movements by the JN Group Risk and Compliance Unit and tracking of the impact.

ii) The Investment Manager's Asset and Liability Committee meets to discuss strategies and plans around managing the liquidity of the Fund.

(b) Credit risk:

Counterparty credit risk

Credit risk is the risk of financial loss to the Fund, if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The risk arises principally from the Fund's investment securities.

11. Financial risk management (continued)

(b) Credit risk (continued):

Counterparty credit risk (continued)

The Fund has investments in JN Bank Certificates of Deposit, United States Treasury Bills, Bank of Jamaica Certificates of Deposit and Government of Jamaica securities. Further, locally issued Bank of Jamaica notes are held with the Central Securities Depository (CSD), while global bonds issued by the Government of Jamaica and other investment assets are held with financial institutions which management regards as reputable and financially sound. These entities are regularly reviewed and risk rated by the JN Group Risk and Compliance Unit of the Investment Manager's ultimate parent company.

Exposure to credit risk

Credit risk exposure is the amount of loss that the Fund would suffer if all counterparties to which the Fund is exposed were to default at once. This is represented substantially by the carrying amount of financial assets shown on the statement of financial position, without taking account of the value of any collateral held.

The COVID-19 pandemic has caused significant market volatility, which has increased the Fund's credit risk. The downgrading of credit ratings and/or the outlook for investment securities has resulted in an increase in the credit risk of debt securities.

Credit quality analysis

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

- Cash;
- Securities purchased under resale agreements;
- Treasury bills;
- Certificates of deposit; and
- Government of Jamaica securities and corporate bonds

Investment securities, securities purchased under resale agreements and certificates of deposit

The Fund limits its exposure to credit risk by investing only with counterparties that have high credit ratings, such as the Bank of Jamaica, Government of Jamaica, and United States Treasury. Therefore, management does not expect any counterparty to fail to meet its obligations.

The Fund has documented investment policies in place, which guide in managing credit risk on investment securities and resale agreements. The Fund's exposure and the credit ratings of its counterparties are continually monitored and the aggregate value of transactions concluded is spread amongst approved counterparties based on their credit ratings and limits set.

At March 31, 2020, the Fund invested in Government of Jamaica securities with a credit rating of B2 based on Moody's external ratings.

11. Financial risk management (continued)

(b) Credit risk (continued)

Credit quality analysis (continued)

Cash

Cash is held with reputable financial institutions and collateral is not required for such accounts as the Investment Manager regards the institutions as strong.

Concentration of credit risk

The Fund has significant concentration of credit risk in respect of securities issued by the Government of Jamaica, the Bank of Jamaica and Corporate entities.

Impairment

Impairment on cash and receivables has been measured on a 12-month expected loss basis. The Fund considers that these exposures have low credit risk based on the external credit ratings of the counterparties.

The Investment Manager monitors changes in credit risk on these exposures by tracking published external credit ratings of the counterparties. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in the published ratings, the Investment Manager reviews changes in bond yields, where available.

No impairment allowance was recognised on cash and receivables as at March 31, 2020 nor March 31, 2019.

(c) Liquidity risk:

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk is broken down into two primary categories:

(i) *Funding liquidity risk* - the risk that the Fund will not be able to meet the expected and unexpected current and future cash flows without affecting either its daily operations or its financial condition; and

(ii) *Asset/Market liquidity risk* – the risk that the Fund will be unable to liquidate assets in an orderly fashion without incurring loss on liquidation. This usually stems from illiquid markets or market disruptions.

The Fund's rules provide for the daily creation and cancelation of shares and it is therefore exposed to the liquidity risk of meeting shareholders' redemptions at any time. The Fund has in force appropriate guidelines governing payment procedures for shareholders encashing their shares.

The Fund's financial liabilities are due within one month.

There was no change in the nature of exposure to liquidity risk which the Fund is subjected to or its approach to measuring and managing the risk during the year.

11. Financial risk management (continued)

(d) Market risk:

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the value of the Fund's assets, the amount of its liabilities and/or the Fund's income. Market risk arises in the Fund due to fluctuations in the value of liabilities and the value of investments held. The Fund is exposed to market risk on all its financial assets.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return. Market risk exposures are measured using sensitivity analysis.

Management of market risk

For each of the major components of market risk, the Fund has policies and procedures in place which detail how each risk should be monitored and managed. The management of each of these major components of risk and the exposure of the Fund at the reporting date are addressed below.

There was no change in the nature of exposure to market risk to which the Fund is subjected or its approach to measuring and managing the risk during the year.

(i) Foreign currency risk:

Foreign currency risk is the risk that the fair value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Fund has no exposure to foreign currency risk.

(ii) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Fund manages this risk by regularly re-evaluating the yield, duration and modified duration on given financial instruments.

The following table summarises the carrying amounts of recognised assets and liabilities to arrive at the Fund's interest rate gap based on the earlier of contractual repricing and maturity dates. There were no off-balance sheet financial instruments giving rise to interest rate risk.

	2020				
	Within 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Non Rate Sensitive $'000	Total $'000
Assets					
Cash	262	-	-	-	262
Securities purchased under resale agreements	1,111	2,582	-	-	3,693
Receivables	-	-	-	132	132
Investments	-	1,846	2,265	-	4,111
Total financial assets	1,373	4,428	2,265	132	8,198
Payables, being total liability	-	-	-	(30)	(30)
Total interest rate repricing gap	1,373	4,428	2,265	102	8,168
Cumulative interest rate gap	1,373	5,801	8,066	8,168	-

JNFM MUTUAL FUNDS LIMITED - GLOBAL MONEY MARKET FUND
Notes to the Financial Statements (Continued)
March 31, 2020
(expressed in United States dollars unless otherwise indicated)

11. Financial risk management (continued)

(d) Market risk (continued):

(ii) Interest rate risk (continued):

	2019				
	Within 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Non Rate Sensitive $'000	Total $'000
Assets					
Cash	39	-	-	-	39
Securities purchased under resale agreements	362	4,642	160	-	5,164
Receivables	-	-	-	188	188
Investments	50	461	1,784	-	2,295
Total financial assets	451	5,103	1,944	188	7,686
Payables, being total liability	-	-	-	(47)	(47)
Total interest rate repricing gap	451	5,103	1,944	141	7,639
Cumulative interest rate gap	451	5,554	7,498	7,639	-

The sensitivity of the net assets attributable to shareholders is the effect of the assumed changes in interest rates on net income based on floating rate financial assets and revaluing fixed rate financial assets at fair value through profit or loss for the effects of the assumed changes in interest rates.

The following table indicates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Fund's net assets attributable to holders of redeemable shares.

Fair value sensitivity analysis for financial instruments

An increase or decrease of 100 basis points (2019: 100 basis points) in interest rates at the reporting date would have an (adverse)/positive impact on net assets attributable to holders of redeemable shares as follows:

2020		2019	
100bps Increase $'000	100bps Decrease $'000	100bps Increase $'000	100bps Decrease $'000
(110)	114	(68)	62

(expressed in United States dollars unless otherwise indicated)

11. Financial risk management (continued)

(d) Market risk (continued):

(ii) Interest rate risk (continued):

Average effective yields by the earlier of the contractual re-pricing or maturity dates:

	2020			
	Within 3 Months	3 to 12 Months	1 to 5 Years	Weighted Average
	%	%	%	%
Securities purchased under resale agreements	3.00	3.86	-	3.74
Certificates of deposit	-	3.75	4.00	3.94
Government of Jamaica securities	-	-	4.30	4.30
Corporate bonds	-	8.88	6.63	8.14

	2019			
	Within 3 Months	3 to 12 Months	1 to 5 Years	Weighted Average
	%	%	%	%
Securities purchased under resale agreements	3.04	3.59	3.50	3.56
Certificates of deposit	-	2.88	3.88	3.74
Government of Jamaica securities	-	-	4.30	4.30
Treasury bills	1.63	-	-	1.63
Corporate bonds	-	4.50	-	4.50

(iii) Equity price risk

The Fund has no exposure to equity price risk.

(e) Operational risk:

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Fund's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements, natural and man-made disasters as well as generally accepted standards of corporate behaviour.

The Fund's objective is to manage operational risk to achieve the optimal balance between the Fund's financial returns and its performance against the requirements of an effective operational risk management framework.

11. Financial risk management (continued)

(e) Operational risk (continued):

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the JN Group Risk and Compliance Unit of the Investment Manager's ultimate parent company, and in daily operations to the Investment Manager's senior management team. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- risk policies/guidelines for assisting management to understand the ways in which risks can be measured, managed, identified and controlled;
- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirement for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial actions;
- development of business continuity programmes including contingency plans, testing and training;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

There was no change in the Fund's approach to managing operational risk during the year.

(f) Capital management

The Investment Manager's objectives when managing capital are:

(i) To comply with the requirements set by the Fund's rules,

(ii) To ensure a stable base to maximise returns for shareholders,

(iii) To ensure that the Fund has sufficient liquidity to meet its estimated redemptions under both normal and stress conditions; and

(iv) To safeguard the Fund's ability to continue as a going concern.

12. Fair value of financial instruments

The fair values of financial assets that are traded in an active market are based on quoted market prices. For all other financial assets, the Fund determines fair value using other valuation techniques as detailed in note 13(a)(vii).

The fair values of cash, receivables, securities purchased under resale agreements and payables are considered to approximate their carrying values due to their relatively short-term nature.

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12. Fair value of financial instruments (continued)

(a) Accounting classifications and fair values:

The following table shows the carrying amount and fair value of financial assets, including their levels in the fair value hierarchy. The carrying amount of financial assets and liabilities is a reasonable approximation of fair value.

	2020 Level 2 $'000	2019 Level 2 $'000
Financial assets measured at fair value:		
Securities purchased under resale agreements	3,693	5,164
Government of Jamaica (GOJ) securities	500	500
US Treasury bills	-	50
Certificates of deposit	1,284	1,615
Corporate bonds	2,327	130
	7,804	7,459

(b) Valuation techniques for investment securities:

The following table shows the valuation techniques used in measuring the fair value of investment securities.

Type	Valuation techniques
Government of Jamaica securities & US Treasury bills	• Obtain bid price provided by a recognised quotation platform, for example Bloomberg, and apply price to estimate fair value; or • Obtain bid price provided by a recognised pricing source (which uses Jamaica Market Supplied indicative bids) and apply price to estimate fair value; or • Where the security pays a variable rate of interest, a market determined yield is used to estimate the fair value of the security, to the next repricing date.
US$ Corporate Bonds	• Where the security pays a variable rate of interest, coupled with the lack of any material change in the credit quality of the issuer, the par value is used as an approximation of fair value; or

12. Fair value of financial instruments (continued)

(b) Valuation techniques for investment securities (continued):

Type	Valuation techniques
US$ Corporate Bonds	• To price the security, an estimate of the initial credit spread above the yield of the comparable Government of Jamaica security (risk-free interest rate) that the corporate bond is issued at is determined. This credit spread is then added to the applicable risk-free interest rate as at the reporting date to determine the requisite yield to be used to estimate the fair value of the security; or • Where the security was issued within 1-2 months of the reporting date, the issue price (i.e. par) is used as an approximation of fair value; or • Where the security has a short-term maturity profile, coupled with the lack of any material change in the credit quality of the issuer in the three (3) months prior to the reporting date, the par value is used as an approximation of fair value.
Certificates of deposit & securities purchased under resale agreements	• Where the security was issued within 1-2 months of the reporting date, the issue price (i.e. par) is used as an approximation of fair value; or • Where the security has a short-term maturity profile, coupled with the lack of any material change in the credit quality of the issuer in the three (3) months prior to the reporting date, the par value is used as an approximation of fair value.

13. Significant accounting policies

The Fund has consistently applied the following accounting policies to the periods presented in the financial statements.

(a) Financial instruments:

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purposes of the financial statements, financial assets have been determined to include cash, securities purchased under resale agreements, receivables and investments. Financial liabilities include payables and net assets attributable to holders of redeemable shares.

13. Significant accounting policies (continued)

(a) Financial instruments (continued):

(i) Recognition and initial measurement:

The Fund initially recognises financial assets at FVTPL on the trade date, which is the date on which the Fund becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognised 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.

(ii) Classification and subsequent measurement:

On initial recognition, the Fund classifies financial assets as measured at amortised cost or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are SPPI.

All other financial assets of the Fund are measured at FVTPL.

Business model assessment

In making an assessment of the objective of the business model in which a financial asset is held, the Fund considers all of the relevant information about how the business is managed, including:

- the documented investment strategy and the execution of this strategy in practice. This includes whether the investment strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how the investment manager is compensated: e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

13. Significant accounting policies (continued)

(a) Financial instruments (continued):

(ii) Classification and subsequent measurement (continued):

Business model assessment (continued)

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Fund's continuing recognition of the assets.

The Fund has determined that it has two business models.

- *Held-to-collect business model*: this includes cash and receivables. These financial assets are held to collect contractual cash flow.
- *Other business model:* this includes debt securities, securities purchased under resale agreements and certificates of deposit. These financial assets are managed and their performance is evaluated, on a fair value basis, with frequent sales taking place.

Assessment whether contractual cash flows are solely payments of principal and interest (SPPI)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Fund considers:

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension features;
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse features); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition unless the Fund were to change its business model for managing financial assets, in which case all affected financial assets would be reclassified on the first day of the first reporting period following the change in the business model.

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13. Significant accounting policies (continued)

(a) Financial instruments (continued):

(iii) Derecognition:

The Fund derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Fund is recognised as a separate asset or liability.

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

(iv) Offsetting:

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liabilities simultaneously.

(v) Measurement:

Financial assets at fair value through profit or loss are subsequently measured at fair value. Net gains and losses, including foreign exchange gains and losses, are recognised in profit or loss in 'net income from financial assets at FVTPL' in the statement of comprehensive income.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. Interest income is recognised in 'interest income calculated using the effective interest method', foreign exchange gains and losses are recognised in 'net foreign exchange gain/loss' and impairment is recognised in 'impairment losses on financial instruments' in the statement of comprehensive income. Any gain or loss on derecognition is also recognised in profit or loss.

(vi) Impairment:

The Fund recognises loss allowances for ECLs on financial assets measured at amortised cost.

The Fund measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

– financial assets that are determined to have low credit risk at the reporting date; and other financial assets for which credit risk (i.e. the risk of default occurring over the expected life of the asset) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and informed credit assessment and including forward-looking information.

13. Significant accounting policies (continued)

(a) Financial instruments (continued):

(vi) Impairment (continued):

The Fund assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Fund considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Fund in full, without recourse by the Fund to actions such as realising security (if any is held); or

- the financial asset is more than 90 days past due.

The Fund considers a financial asset to have low credit risk when the credit rating of the counterparty is equivalent to the globally understood definition of 'investment grade'. The Fund considers this to be Baa3 or higher per Moody's, BBB or higher per Fitch and Standard & Poor's, and Cari BBB or higher per Caribbean Information and Credit Rating Services.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Fund is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Fund expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Fund assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due; or
  it is probable that the borrower will enter bankruptcy or other financial reorganisation.

13. Significant accounting policies (continued)

(a) Financial instruments (continued):

(vi) Impairment (continued):

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Fund has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

(vii) Fair value measurement:

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Fund uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Fund determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Fund measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Fund on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

13. Significant accounting policies (continued)

(b) Cash:

Cash is measured at amortised cost. It comprises cash in hand and at bank, including short term deposits where original maturities do not exceed three months from the reporting date, and other financial instruments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term commitments.

(c) Securities purchased under resale agreements:

Securities purchased under resale agreements ("Reverse repos") are short-term transactions whereby securities are bought with simultaneous agreements to resell the securities on a specified date and at a specified price. Reverse repos are accounted for as short-term collateralised lending and are measured at fair value.

The difference between the purchase and resale considerations is recognised on the accrual basis over the period of the agreements, using the effective yield method, and is included in interest income.

(d) Receivables:

Receivables are measured at amortised cost less impairment losses.

(e) Payables:

Payables are measured at amortised cost.

(f) Foreign currencies:

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the foreign exchange rate ruling at that date. Transactions in foreign currencies are translated at the foreign exchange rate ruling at the dates of those transactions. Realised and unrealised gains and losses arising from fluctuations in exchange rates are recognised in statement of comprehensive income.

(g) Dividend income:

Dividend income is recognised in statement of comprehensive income on the record date.

(h) Redeemable shares:

The Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The redeemable shares issued by the Fund provide investors with the right to require redemption for cash at a value proportionate to the investor's share in the Fund's net assets at the redemption date and, also in the event of the Fund's liquidation. The redeemable shares are classified as financial liabilities and are measured at the present value of the redemption amounts.

13. Significant accounting policies (continued)

(i) Net asset value per share:

The net asset value per share is calculated in accordance with the Fund's rules.

(j) Interest income:

Interest income is recognised in the statement of profit or loss and other comprehensive income on financial assets measured at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to its gross carrying amount.

In calculating effective interest income for financial assets, the Fund estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. The effective interest rate is applied to the gross carrying amount of the asset.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition of a financial asset.

The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

(k) Investment management and administration fees:

Investment management and administration fees are recognised in the statement of comprehensive income as the related services are received.

(l) Definition of related party:

A related party is a person or entity that is related to the Fund ("reporting entity").

(1) A person or a close member of that person's family is related to the Fund if that person:

(i) has control or joint control over the Fund;

(ii) has significant influence over the Fund; or

(iii) is a member of the key management personnel of the Fund.

(2) An entity is related to the Fund if any of the following conditions applies:

(i) the entity and the Fund are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

13. Significant accounting policies (continued)

(l) Definition of related party (continued):

(2) An entity is related to the Fund if any of the following conditions applies (continued):

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Fund or an entity related to the Fund;

(vi) the entity is controlled, or jointly controlled by a person identified in (1);

(vii) a person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);

(viii) the entity, or any member of a group of which it is a part provides key management personnel services to the Fund or to the parent of the Fund.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

(m) New and amended standards and interpretations not yet effective:

Certain new and amended standards and interpretations have been issued which are not yet effective for the current year and which the Fund has not early-adopted. The Fund has assessed the relevance of all such new standards, amendments and interpretations with respect to the Fund's operations and has determined that the following are likely to have an effect on the financial statements.

- Amendment to IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* is effective for annual reporting periods beginning on or after January 1, 2020, and provides a definition of 'material' to guide preparers of financial statements in making judgements about information to be included in financial statements. *"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."*

  The Investment Manager does not expect the amendment to have a significant impact on the 2021 financial statements.