



COVID 19 and the Local Securities Industry

\\ Trinidad and Tobago Securities and Exchange Commission

At the onset of the Coronavirus (“COVID-19”) pandemic, the Trinidad and Tobago Securities and Exchange Commission (TTSEC) began monitoring the impact of COVID 19 on the local securities market. In this article, we will examine the performance of our local Equities and Collective Investment Schemes (CIS) markets for the year 2021, after almost two years of responding to the effects of the pandemic.

Equities Market

In 2020, the ¹Trinidad and Tobago Stock Exchange (Stock Exchange) Composite, All T&T, Cross-Listed and Small and Medium Enterprises (SME) indices all suffered losses during the peak of the lock down from March 2020 to May 2020. Similarly, in 2021, partial restrictions were implemented for food services and non-essential retail businesses on April 29, until the beginning of July. During this period, it was observed that the equities market remained buoyant as the Stock Exchange’s Composite Index, All T&T Index and Composite Index *increased* by **80.42** index points (**6.04%**), **132.93** index points (**7.46%**) and **3.40** index points (**2.85%**) respectively. However, within the same period, the Stock Exchange’s SME Index suffered a loss of **3.94** index points (**8.41%**).

Table 1 below outlines the performances of the four market indices from 01 January to 31 December 11, 2021.

Table 1: Market Performances for all TTSE Indices (01 January to 31 December 2021)

Market Index	Market Performance 01 January to 31 December, 2021	
	Index Points Change	Percentage Change
TTSE Composite Index	181.09	13.76
TTSE All T&T Index	319.26	18.08
TTSE Cross-Listed Index	4.56	3.90
TTSE SME Index	21.31	33.13

¹ The Stock Exchange measures its performance by four indices. The Composite Index measures the performance of all ordinary shares listed on the First-Tier market, the All T&T Index measures the performance of ordinary shares for local companies only, the Cross Listed Index measures the performance of ordinary shares for listed foreign companies, and the SME Index measures the performance of ordinary shares for all companies listed on the SME market.

CIS (Mutual Fund) Market

Assets Under Management

In 2021, the number of CIS managers and CISs operating within the market increased from 15 and 68; in January 2020 to 16, and 73 in December 2021, respectively. Furthermore, after reviewing the changes in the Assets Under Management (AUM)² for Trinidad and Tobago's mutual fund market during the partial lockdown, it was observed that there was an increase by **1.08%** from April 2021 to June 2021. Despite the restrictions imposed during this period, all the mutual fund types maintained a positive performance, with the AUM of the Balanced funds recording the greatest increase by **4.36%**. Balanced funds generally have a portfolio whereby they contain a bond (debt) component and a stock (equity) component in a specific ratio.

Fixed and Floating Net Asset Value (NAV) Mutual Funds

Within the local securities market, CISs are generally classified as having a Fixed NAV or Floating NAV³. For Fixed NAV CISs, the NAV remains constant. It is usually the responsibility of the CIS manager to maintain the value of a unit for both subscriptions and redemptions. For Floating NAV CISs, the value of a unit changes, based on the performance of the pool of securities. Essentially, the value of a unit on the subscription date can differ from the value of the unit on the redemption date i.e., the cost you paid to purchase the units may be different to what you get, when those units are sold. **Table 2.** shows the performance of the Fixed and Floating NAV funds during the lockdown period; recording growth of **0.64%** and **1.68%** respectively. It should be noted that there is one CIS classified under Other, which experienced a relatively small decline in its AUM of **0.11%**, during the specified period.

Subscriptions and Redemptions⁴

The TTSEC observed that during the lockdown period, April to June 2021, Subscriptions declined by **29.22%** from **TT\$1.58Bn** in April to **TT\$1.20Bn** in May 2021, recording the lowest Subscriptions for the year 2021. As a result of this, in May 2021 Redemptions were higher resulting in the Net Redemptions (subscriptions less redemptions) of **TT\$258.48Mn**. When compared to May 2020, Subscriptions were higher and totalled **TT\$1.52Bn**, resulting in Net Subscriptions of **TT\$507.47Mn**. Despite this drop in Subscriptions at the beginning of 2021, investors continued to purchase units in the local CISs as the Subscriptions figure increased throughout the remainder of 2021.

² The Assets under Management ("AUM") sometimes called funds under management, measures the total market value of all the financial assets which a financial institution, such as a CIS, manages on behalf of their investors.

³ The per-share value of the CIS's assets minus its liabilities is called the Net Asset Value ("NAV"). In most cases, this value is calculated every business day and must be done in accordance with the methodology communicated to investors in the CIS's prospectus.

⁴ In the CIS industry, a measurement that describes the difference between money that is flowing into mutual funds is called the subscriptions and money that is withdrawn is called the redemptions. If the outflows are more than the inflows, then net redemptions occur however if there are more inflows this results in net sales. The difference between subscriptions and redemptions is known as Net Encashments.

The data has shown that in 2021 the local securities market remained resilient in the face of great economic adversity. As we continue to operate in the midst of this new normal, regulated entities should seek to implement policies and procedures that will continuously improve their operations. A recent report by the International Organization of Securities Commissions (IOSCO) provides some lessons learnt from the pandemic that will assist regulated entities future operational resilience arrangements. **Figure 1** below provides a summary of the points discussed within the IOSCO’s report.

Figure 1: IOSCO: Lessons learnt from the pandemic

Operational resilience	means more than just technological solutions; it also depends on the regulated entity’s processes, premises and personnel
Consider dependencies and interconnectivity	before and after a disruption to adequately assess potential risks and changes to controls, especially for service providers and off-shore services
Review, update and test business continuity plans to	ensure they reflect lessons learned from the pandemic, such as the prolonged nature of the crisis and its impact on multiple locations, as well as the implication of remote/hybrid working
An effective governance framework	facilitates and supports operational resilience during novel or unexpected situations
Information security risk	Decentralized and remote work may increase the importance of monitoring processes to help ensure information security and prevent cyber-attacks.
Compliance and supervisory processes	with greater automation and less dependence on physical documents and manual processes may better accommodate a remote workforce. A review of monitoring and supervision arrangements by regulated entities for remote workforces may be appropriate to help ensure continued effectiveness in a remote or hybrid environment

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For more information on the securities market and the role and functions of the TTSEC, please visit our corporate website at www.ttsec.org.tt. To become a smart investor, [download our IPA via the Google Play and Apple Stores](#). You can also take the investor education online course on our investor education website, www.InvestUcateTT.com, and test your knowledge in our interactive investing game InvestorQuestTT at www.InvestorQuest-tt.com, and remember, to connect with us via Facebook; Twitter, Instagram, LinkedIn or You Tube.



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