



Impact of COVID-19 on T&T's Equity and Mutual Fund Markets

We have reached the end of a particularly challenging year. Most countries continue to grapple with the consequences of COVID-19 which crippled many industries, particularly in Travel and Tourism. Since the imposition of public health regulations and restrictions on movement (otherwise referred to as 'lock down' measures) to contain the spread of the virus, the Trinidad and Tobago Securities and Exchange Commission (TTSEC) began enhanced monitoring of the impacts of COVID-19 on Trinidad and Tobago's Equity and Collective Investment Schemes (generally known as Mutual Funds) markets. This article seeks to highlight some of the markets' performances observed for the year 2020.

Equity Markets

Although the major indices suffered losses due to the pandemic, the markets, through their resilience, stymied further losses and remained stable for the latter half of 2020. **Figure 1** shows that both the Trinidad and Tobago Stock Exchange (Stock Exchange) Composite¹ and All T&T Indices² suffered significant losses during the peak of the lock-down period (March 2020 – May 2020) with the Composite Index declining by 224.28 index points (15%) and the All T&T Index by 200.27 index points (10%). **Figure 2** shows that during this same period, the Cross-Listed Index³ suffered losses of 33.87 index points (23%). However, the Stock Exchange's Small Medium Enterprises (SME) Index⁴ suffered minimal losses during the period with an average loss of 3.43 index points (5%) throughout 2020. **Table 1** outlines the performances of the four market indices from January to December 11th, 2020.

¹ The Composite Index collectively measures the price movements of all the companies on the Trinidad and Tobago Stock Exchange. It comprises of both the All T&T Index and the Cross-Listed Index.

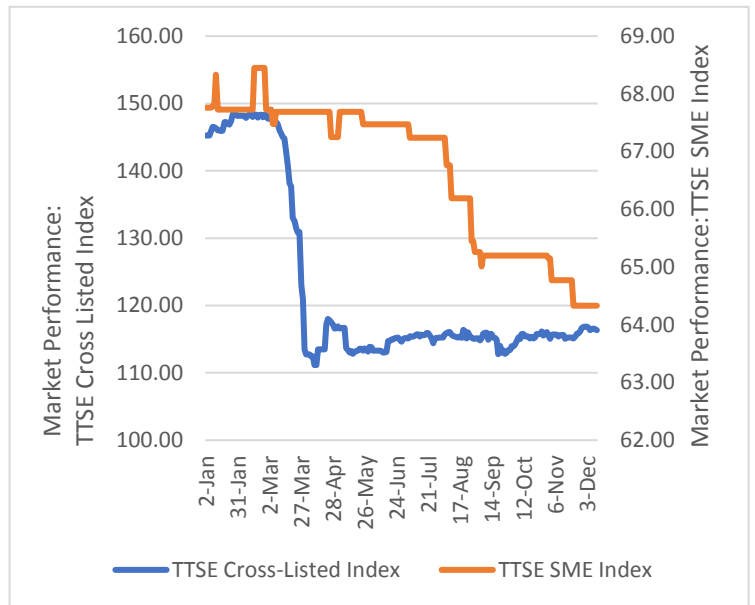
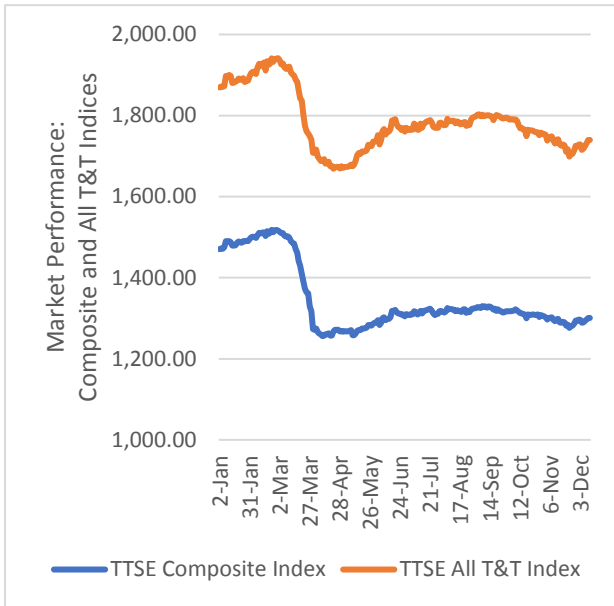
² The All T&T Index however, measures the price movements of listed companies that are registered only the Trinidad and Tobago Stock Exchange.

³ The Cross-Listed Index measures the price movements of listed companies that are registered on both the Trinidad and Tobago Stock exchange and a foreign exchange.

⁴ The Small Medium Enterprises (SME) Index measures the price movements of listed companies that are registered on the Trinidad and Tobago Stock exchange that belong to the Small Enterprises and the Medium Sized Enterprises Sector.

Figure 1: TTSE Composite, All T&T Indices

Figure 2: TTSE Cross-Listed, SME Indices



Source: Trinidad and Tobago Stock Exchange

Table 1: Market Performances for all TTSE Indices (January 2020 to December 11th, 2020)

Market Index	Market Performance Jan- Dec 11 th 2020	
	Index Points Change	Percentage Change
TTSE Composite Index	170.36 ↓	11.58 ↓
TTSE All T&T Index	129 ↓	6.90 ↓
TTSE Cross-Listed Index	28.93 ↓	19.92 ↓
TTSE SME Index	3.43 ↓	5.06 ↓

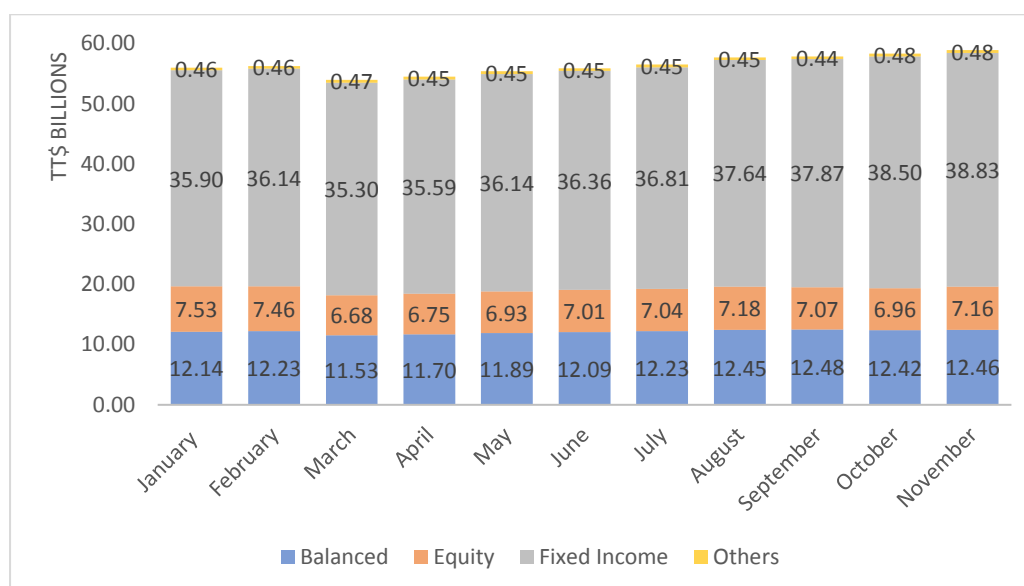
Source: Trinidad and Tobago Stock Exchange

Mutual Fund Market

Assets Under Management

After reviewing the changes in Assets Under Management (AUM) for Trinidad and Tobago’s Mutual Fund market, it was observed that the overall AUM fell by 3% from March 2020 to May 2020. The main mutual fund type that was impacted was equity funds, which predominantly invest in local and foreign equities i.e. shares of companies listed on a stock exchange. These losses have since been recovered led by the strong improvement of Fixed Income mutual funds, whose AUMs have increased by 9% since March 2020. **Figure 3** displays the AUM from January 2020 - November 2020 of the various types of mutual funds within the local securities sector.

Figure 3: Mutual Fund AUM in TT\$ billions in 2020



Subscriptions and Redemptions

Subscription and redemptions in mutual funds refer respectively to sales/purchases and withdrawals. Significant redemptions were observed during the peak of the lock-down (March 2020 – May 2020), with investors withdrawing approximately **TT\$2.6 Billion** in March 2020. This is almost double the monthly average redemptions that occurred for the same period in 2019. However, in spite of the high amount of redemptions that occurred in March 2020, the monthly average for this year is 10% less than the monthly average redemptions for 2019. Subscriptions for the different periods did not vary greatly. **Table 2** provides more details on subscriptions and redemptions in the local mutual funds industry.

Table 2: Subscriptions and Redemptions in TT\$

Industry Indicator	March 2020 TT\$	May 2020 TT\$	Jan -Nov 2019 Monthly Average TT\$	Jan-Nov 2020 Monthly Average TT\$
Subscriptions	1,891,811,039	1,517,041,531	1,581,331,088	1,656,172,677
Redemptions	2,648,854,995	1,009,570,028	1,459,948,372	1,421,819,854
Net Sales/Redemptions	(757,043,955)	507,471,503	121,382,716	75,736,237

Fixed and Floating NAV Mutual Funds

As the name suggests, with Fixed NAV mutual funds, the Net Asset Value (NAV) remains constant. It is usually the responsibility of the mutual fund manager to maintain the value of a unit for both subscriptions and redemptions. Managers of Fixed NAV mutual funds will have more difficulty in maintaining their commitment to ensure the NAV is constant while the portfolio of securities fluctuate in value.

For Floating NAV mutual funds, the value of a unit changes based on the performance of the pool of securities. Fixed NAV mutual funds predominantly invest in local and/or foreign fixed income securities or bonds. While Floating NAV mutual funds typically invest in local and/or foreign equities/shares.

Based on **Table 3**, at the onset of the lock-down the AUM of Floating NAV mutual funds were more impacted than Fixed NAV mutual funds. This may have been mainly due to fluctuating security prices as a result of the current environment. During the period of March 2020 to May 2020, Floating NAV decreased by 8.7% while the value of Fixed NAVs declined by 70 basis points (0.7%). Notwithstanding the decline in AUM during March 2020 to May 2020, the latter half of 2020 demonstrated strong growth, as AUM increased by 6% during the period May 2020-November 2020, see **Table 4**.

Table 3: Fixed and Floating NAV AUM in TT\$ during peak of the lock down period March 2020- May 2020

NAV Type	Mar-20	May-20	Percent Change
Fixed	32,027,766,998	32,458,975,891	-0.70
Floating	21,861,087,049	22,872,085,626	-8.70
Other	91,831,869	82,483,855	0.20
Total	53,980,685,915	55,413,545,372	-4.10

Table 4: Fixed and Floating NAV AUM in TT\$ during the period January 2020- November 2020

NAV Type	Jan-20	Nov-20	Percent Change	May 20 - Nov 20 Percent Change
Fixed	32,067,553,120	34,315,851,242	7	6
Floating	23,883,345,049	24,527,190,417	3	7
Other	80,749,950	81,160,091	1	-2
Total	56,031,648,119.12	58,924,201,750	5	6

We usher in the New Year with a strong and resilient securities market that withstood the challenges the year 2020 brought. As we embark on this journey into 2021, the TTSEC remains committed to the protection of investors and to bolstering confidence in the securities market.

If you would like to develop your knowledge of the securities market, we encourage you to visit our investor education website @ www.investucatett.com. There are free online resources such as brochures, blogs and a budget calculator. We also have a free investor education online course which takes you through (9) modules that will lead to a certificate upon completion.

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