## Mutual Fund Managers

Many investors often turn to **mutual funds,** also known as Collective Investment Schemes ("CISs"), as a means to save money for a variety of reasons. The term "save" is normally used when you accumulate funds in a bank account or a credit union. However, when you place your money in a mutual fund/CIS you are actually, **investing**. Saving is usually for a short-term, in a financial institution (bank) where you can easily access your money, with very little risk. Investing on the other hand, involves your money being invested in stocks, bonds and mutual funds – with the expectation that your money will work for you, i.e., will bring you returns. Investments are usually held for the long-term, not as easily accessible and involves some level of risk. With investments, over time, you can either make a gain, suffer a loss or remain with what you put in.There is risk involved.

A mutual fund/CIS allows for the pooling of investor resources to create a more diversified portfolio and take advantage of the benefits of large-scale investment opportunities. Investors in mutual funds/CISs effectively own portions of the overall pool through units/shares, which are proportional to their investments/contributions. The mutual fund/CIS manager is responsible for managing the pool of resources. This is done by conducting market research and investing in securities which corroborate with the mutual fund/CIS's investment strategy. For example, if the fund's investment strategy is focused on energy products then the investments would be in assets aligned with the energy sector. This week's article will focus on the CIS Manager, their responsibility and importance.

### Who is a Mutual Fund/CIS Manager?

The Trinidad and Tobago Securities and Exchange Commission's (TTSEC's) Guidelines for Collective Investment Schemes, 2008, states that a CIS manager is a person who is responsible for the business operations and affairs of a collective investment scheme. Guideline 11 of the TTSEC CIS Guidelines states that no person shall act as a manager of a CIS unless such person is registered and approved by the TTSEC. As at June 2020, there were 14 CIS Managers reported under the TTSEC's Micro and Macro Prudential Reporting Framework. The data also showed that as at June 2020, **64.29%** of CIS Managers belonged to a Financial Group, **28.57%** to a Bank Group and the remainder were Independent.

**Role and Responsibilities**

Based on the draft Collective Investment Schemes By-Laws ( Draft CIS By-Laws), which are intended to replace the Collective Investment Scheme Guidelines issued by the Commission in 2008, the CIS manager has the responsibility to direct the business, operations and affairs of a CIS, which includes having the primary responsibility for the management of the assets of a CIS. The Draft CIS By-Laws were issued for public comment in August 2019, and an updated Draft as at 29th May 2020, can be found on the TTSEC's website**.**

Guideline 12 of the TTSEC'S CIS Guidelines, also states that the CIS manager must discharge its duties honestly, in good faith and in the best interests of the CIS. The CIS manager must also exercise the degree of care, diligence and skill that is reasonably expected.

The CIS Manager is primarily responsible for implementing a fund's investment strategy and managing its trading activities. They oversee the CIS(s) and conduct research and analysis before making investment decisions to buy and/or sell securities and other investments for each fund. The Manager must ensure that all applicable investment restrictions are adhered to and, if breached, the CIS manager must take as a priority all steps as necessary within a reasonable time period to remedy the situation, taking due account of the interests of the unitholders.

The following are some other responsibilities of a CIS Manager:

- Value the assets and calculate the net asset value of the units of a CIS or arrange for an independent party to conduct the valuations and calculations.
- The CIS Manager can also maintain the Financial Statements of the CIS. This means that they may be required to ensure that the financial statements of the CIS give a true and fair view of the CIS's financial position as at the end of the CIS's financial period.
- A CIS Manager also ensures that written internal controls and processes are in place to maintain compliance with the offering documents and all legislative requirements. The processes are normally reviewed by internal or external auditors to ensure compliance.

**Importance of a CIS Manager**

- The CIS manager facilitates a cost-effective way to diversify your portfolio across different asset categories and industry sectors through the management of a CIS.
- Instead of investors having to monitor local and international securities markets, CIS managers simplify the process by managing a pool of resources on behalf of investors.
- Investors may not have the skill and expertise to invest in the securities market, however CIS managers will bring together the technical experience required to facilitate the effective management of investors' funds.
- CIS managers will be able to invest funds across various securities and sectors to ensure the portfolio is diversified and reduce risk.
- Higher risk means the potential of higher return and vice versa, therefore CIS managers are able to create a wide selection of investment options. These options can satisfy the risk appetite of investors through the development of CISs that have conservative, moderate and aggressive risk profiles.

Overall, it can be concluded that, a CIS manager is of paramount importance to the securities market. The TTSEC will continue its role of regulating the activities of CIS managers to ensure investors are protected and to continue building confidence in the local securities market.

For information on CISs and the securities market visit us **@ www.ttsec.org.tt**
You may also visit our Investor Education website at **www.investucatett.com** or
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