



Mutual Funds and the Christmas Season

Christmas is characterised by feelings of hope and joy, which are needed more so now due to the socio-economic impact of COVID-19 on families and households. The season is also marked by high levels of consumerism. This year's preparation and observance of Christmas will require significant adjustment on the part of families because of the health and safety guidelines imposed and also due to the depressed spending capacity of consumers.

At this time, most consumers review their options for the financing of activities related to the season. Funds can possibly be derived from savings, investments, loans or mutual funds.

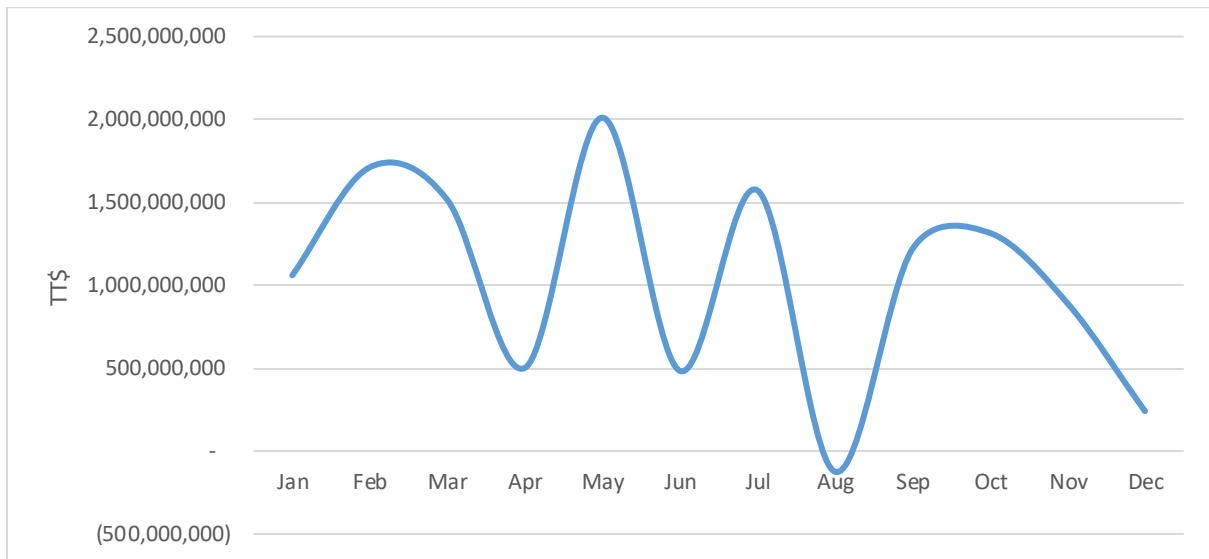
What is a Mutual Fund?

A mutual fund is a type of investment that is made up of a pool of money collected from many investors to invest in securities like stocks, bonds, money market instruments, and other assets. Mutual funds are operated by investment professionals registered with the TTSEC, who manage the pool of funds/assets and attempt to produce capital gains or income for the fund's investors.

What is a Subscription and Redemption? Subscriptions occur when investors deposit money into their Mutual Fund account. Redemptions occur when investors withdraw money from their Mutual Fund accounts.

The Trinidad and Tobago Securities and Exchange Commission ("TTSEC") assessed investors' redemptions and subscriptions (withdrawals and deposits) from/into Mutual Funds based on data from 2010 to present and the analysis suggests that generally the months of August and December have the highest redemption rates as seen in Figure 1.

Figure 1 – Average Net Subscriptions/Redemptions in/from Mutual Funds per month

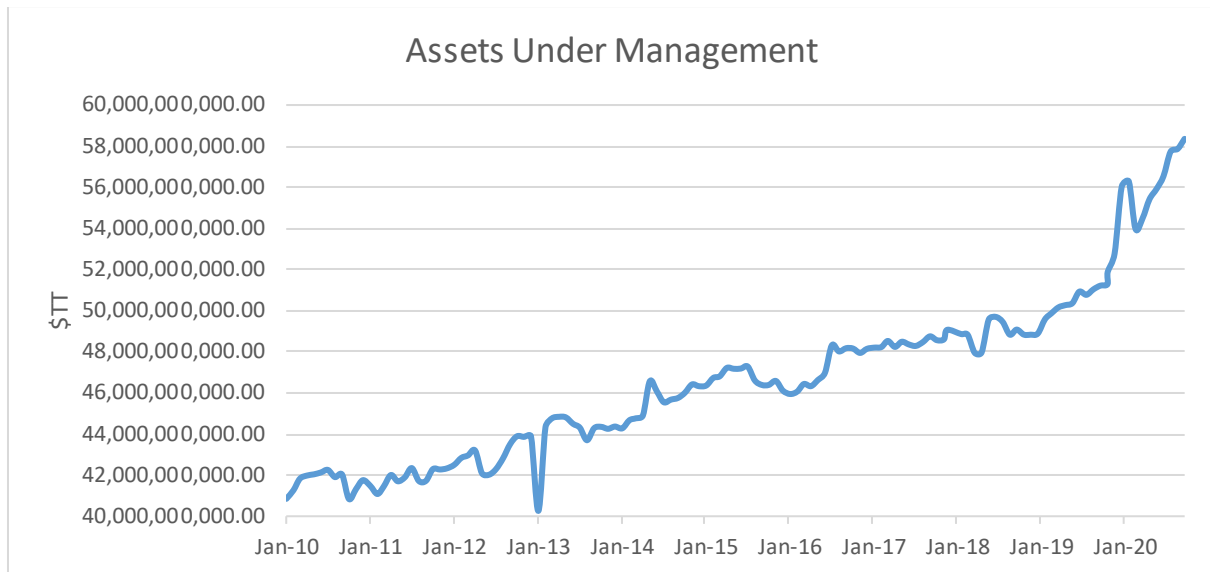


The revelation from our analysis in Figure 1 is not surprising, since redemptions during the month of August can possibly be attributed to withdrawals for family vacations or for the upcoming school term, while withdrawals in December may relate to increased spending on activities associated with the celebration of Christmas.

As at October 31st 2020, total Mutual Fund Assets Under Management (“AUM”), which is the total market value of the investments that a Mutual Fund or entity manages on behalf of clients, was approximately TT\$58 Billion, which represents approximately 35% of Gross Domestic Product (“GDP”).

Figure 2 displays the growth of Mutual Fund AUM over the past 10 years in the Trinidad and Tobago Securities Market. Over the period, the Mutual Fund sector has grown by approximately 45%. This suggests that investors in Trinidad and Tobago have a significant appetite for mutual fund investment products.

Figure 2 - Mutual Fund AUM growth 2010 to present.



There are 69 Mutual Funds registered by the TTSEC to operate in Trinidad and Tobago. These Mutual Funds can be categorised as either Fixed Net Asset Value (“NAV”) or Floating NAV.

What is a Net Asset Value? The net asset value of a mutual fund is normally calculated every business day and must be calculated in accordance with the methodology communicated to investors. The NAV represents the value of the mutual fund with respect to subscriptions and redemptions. Funds are broadly categorized, by the type of NAV, which may be Fixed or Floating.

What is a Fixed NAV? A fixed NAV means the value of a mutual fund unit is managed, in such a way, to ensure consistency. This means that every effort is made to ensure the value of a unit is the same for both subscriptions and redemptions.

What is a Floating NAV? A floating NAV means the value of a mutual fund unit changes based on the performance of the pool of assets. This means the value of subscriptions and redemptions can be different.

Currently, Fixed NAV Mutual Funds accounted for approximately 60% of Mutual Funds’ AUM while Floating NAV Mutual Funds accounted for approximately 40% of AUM.

This means that investors in Trinidad and Tobago appear to be more risk averse based on the percentage of investments in Fixed NAV Mutual Funds. Note though that Fixed NAV Mutual Funds offer a lower rate of return when compared to Floating NAV Mutual Funds. The data suggests that investors are willing to forego a higher rate of return for fewer fluctuations in NAVs.

As December 25th approaches, investors should consider conducting proper budgeting techniques to ensure that their investments are not depleted while partaking in the festive season. Investors should ensure that any potential investment in the Securities Market is registered with the TTSEC. Be wary of a potential investment SCAM (Smartman Conniving

to take Away your Money) and know your ABC's – Ask questions, Beware of investment fraud and Check the TTSEC first!

The TTSEC has also intensified its public education on investment scams on television and on social media to help you protect your hard-earned money. Always remember : You invest. We protect. Everyone Benefits!

For more information on the local securities market visit us @ www.ttsec.org.tt You may also visit our Investor Education website at www.investucattt.com or connect with us via any of our social media handles:



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