



# Securities Market Bulletin

A publication by the Trinidad and Tobago Securities  
and Exchange Commission

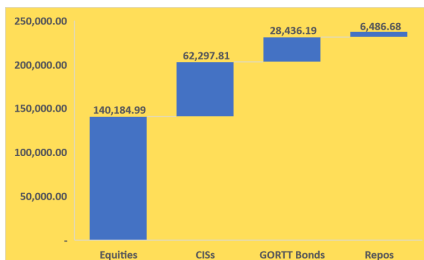
An overview of the securities market for the period  
January 2021 – June 2021

**December 2021- Issue #8**

# KEY PERFORMANCE INDICATORS

## MAIN SEGMENTS OF THE SECURITIES MARKET (TT\$m)

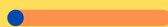
As at June 2021



### Equities

Market Capitalisation increased by approximately 3.35 percent (TT\$4.55Bn) from December 2020

3.4%



### Collective Investment Schemes

Assets under Management grew by approximately 3.30 percent (TT\$1.99Bn) from December 2020

3.3%



### Government Bonds

The nominal value of the Government bonds in issue declined by approximately 3.43 percent (TT\$1.01Bn) from December 2020

-3.4%



### Repurchase Agreements

The value of the Total Repo Liabilities increased by 64.79 percent (TT\$2.55Bn) from December 2020

64.8%



Fixed NAV CISs accounted for 58 percent of the CIS market's AUM at the end of the second quarter of 2021.



Both fixed income and equity funds collectively accounted for over 68 percent of the CISs registered with the TTSEC.



In June 2021, registered entities with the TTSEC increased minimally by 2.92 percent when compared to December 2020.

## Market Overview

Economic conditions in some advanced and developing economies improved over the first half of 2021 amidst the easing of restrictions, extensive progression in vaccination programmes and monetary and fiscal support.

The lockdown in early 2021 has somewhat tarnished the veneer of Trinidad and Tobago’s resilience against the negative impacts of the pandemic. Many businesses grinded to a halt with only groceries and pharmacies allowed to operate due to the Government’s policies for containing the spread of COVID-19. This severely dampened economic activity as well as hopes of a quick economic recovery. While technological transformations have continued apace during the pandemic, its persistence has done nothing to alleviate uncertainty among investors.

Despite these challenges, the local securities market performed admirably. The local equity market posted gains at the end of both quarters of 2021 with the All T&T Index increasing by **8.78 percent** over the period.

The Trinidad and Tobago Securities and Exchange Commission (TTSEC) conducts surveillance of the securities market and monitors potential risks of its Registrants which may impact investors or the stability of the financial market.

The major segments of the securities market in Trinidad and Tobago include the following Segments:

- Equity;
- CIS;
- Government Bond;
- Repurchase Agreement (“Repo”); and
- Over-the-Counter (“OTC”) Transactions.<sup>1</sup>

The TTSEC publishes this information and makes the report available to the market via its Securities Market Bulletin. The Securities Market Bulletin presents an overview of the securities market on a semi-annual basis. The Eighth Issue of the Securities Market Bulletin continues to provide analysis of the impact of the COVID-19 pandemic, with a review of the period January to June 2021. The data utilised in this report was collected on a quarterly basis. **Appendix II** provides a summary of indicators for the quarters

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<sup>1</sup> The listed terms are defined in **Appendix I**.

within the years 2020 and the first two of 2021.

Since the last issue of the Securities Market Bulletin, registered entities with the TTSEC (as defined in **Appendix I**) increased by **1.18 percent** (**Table 1**). This is mainly attributed to an increase in the Registered Representative category. In relation to Registrants though, the growth in the registration categories of Reporting Issuers was minimal, collectively only accounting for **0.50 percent** of the total change.

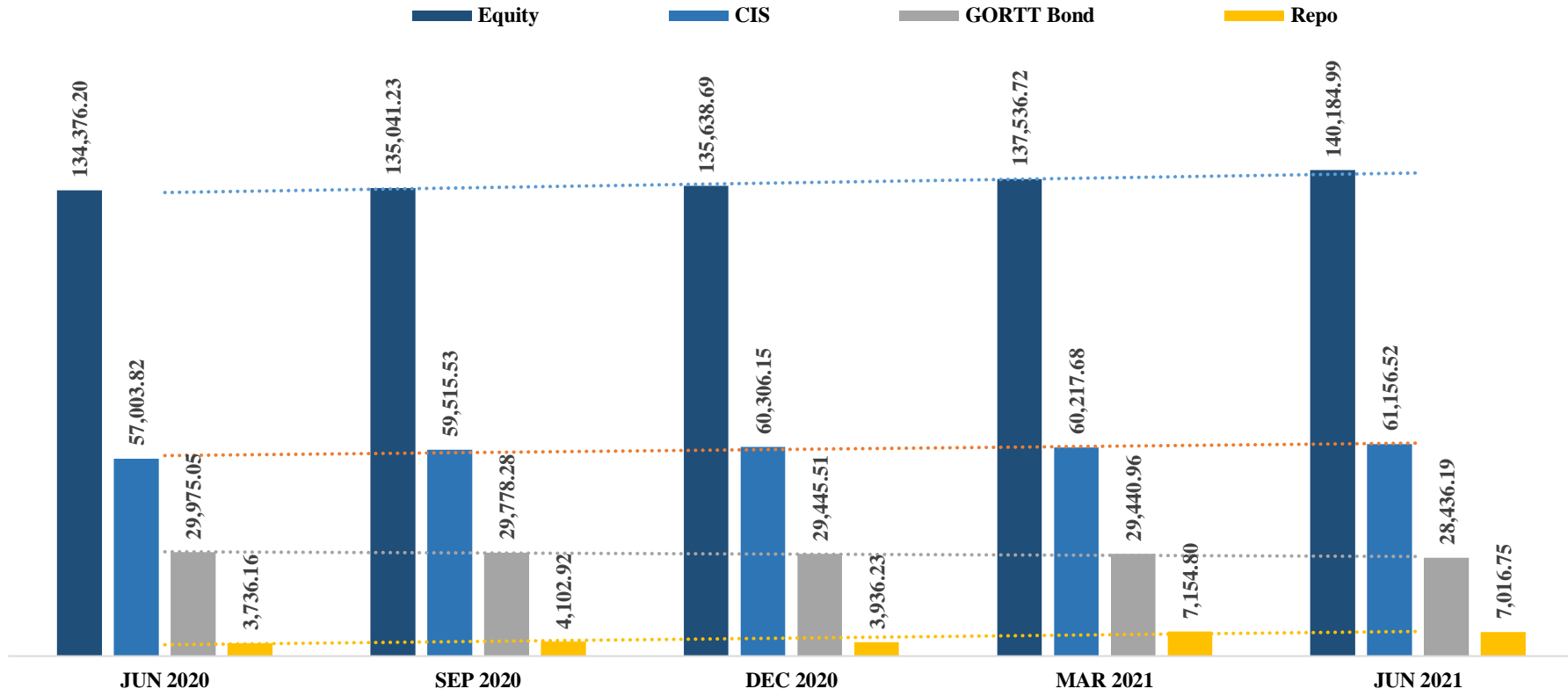
*Table 1: Categories of Registration*

Category of Registration	Dec 2020	Mar 2021	Jun 2021
Reporting Issuers	90	90	93
Broker-Dealers	40	40	40
Investment Advisers	12	12	10
Underwriters	1	1	1
Registered Representatives	439	451	445
Sponsored Broker-Dealers	6	6	6
Sponsored Investment Advisers	2	2	2
Self-Regulatory Organisations	2	2	2
<b>Total</b>	<b>592</b>	<b>604</b>	<b>599</b>

**Figure 1 overleaf** displays the values of the four (4) main market segments in the local securities market. During the quarter, January to March 2021, the performances in these market segments were mixed.

The Equity, CIS and Repo markets recorded gains of **1.38 percent**, **1.05 percent** and **44.99 percent** respectively, while the Government of the Republic of Trinidad and Tobago (“GORTT”) Bond market recorded a minimal decline (**0.02 percent**). The following quarter ended June 2021 also saw mixed performances in the markets with the Equity market and the CIS Market posting gains (**1.93 percent** and **2.03 percent** respectively). The value of the GORTT Bond market continued to decline in the second quarter of 2021 (**3.41 percent**), with the Repo portfolio values also declining by (**1.93 percent**) during the same period.

Figure 1: Market Size by Segment, (TT\$Million)



## Equity Market

As at June 2021, there were **34** listed companies on the Trinidad and Tobago Stock Exchange (“TTSE”) with a total of **37<sup>2</sup>** securities listed. The Market Capitalisation of the securities listed on the Trinidad and Tobago Dollar (“TTD”) markets<sup>3</sup> grew by **2 percent**, during the first and second quarters of 2021 and amounted to **TT\$140.18Bn** as at June 2021, an increase of approximately **3.35 percent (TT\$4.55Bn)** from **TT\$135.64Bn** in December 2020. This indicator also increased by **TT\$5.81Bn** since June 2020 (**Figure 2**).

**Figure 2: Market Capitalisation of the TTSE Listed Securities, (TT\$Million)**



At the end of June 2021, the Market Capitalisation of the security listed on the United States Dollar (“USD”) market amounted to **US\$21.67Mn**, unchanged from December 2020.

During the first half of 2021, the TTD Equity market<sup>4</sup> recorded total trades of **7,184** with a total volume traded of **40.918Mn**. The total value of these shares traded were **TT\$743.76Mn**. When comparing the same period in 2020, the activity in the TTD Equity market increased, recording gains of **8.60 percent (618)**, **3.95 percent (1.62Mn)** and **11.02 percent (TT\$81.997Mn)** in total trades, total volume traded and total value traded, respectively.

<sup>2</sup> Of the total securities listed on the TTSE, 35 are listed on TTD markets and one (1) is listed on the USD market. Of the 36 securities, 31 are equities and 5 are mutual funds.

<sup>3</sup> TTD markets include: First Tier market, Mutual Fund market, Second Tier market and the Small and Medium Enterprises (SME) market.

<sup>4</sup> This relates to the analysis of local equities listed on the TTSE.

## Collective Investment Scheme (CIS)

During the first two quarters of 2021, the CIS Industry grew in both the number of Collective Investment Schemes managed and the Assets Under Management (“AUM”)<sup>5</sup>. Although there was only **one (1)** additional fund registered during the period, AUM grew by **TT\$1.99Bn** (approximately **3.30 percent**). A year-on-year review as at June 2021, revealed an increase in AUM by **TT\$5.29Bn** (approximately **9.29 percent**) growing at a rate of **2.25 percent** each quarter indicating that the industry is recovering after the COVID-19 pandemic. (Figure 3).

*Figure 3: Assets Under Management (TT\$Million)*

From June 2020, the average growth rate of AUM was 2.25% per quarter.

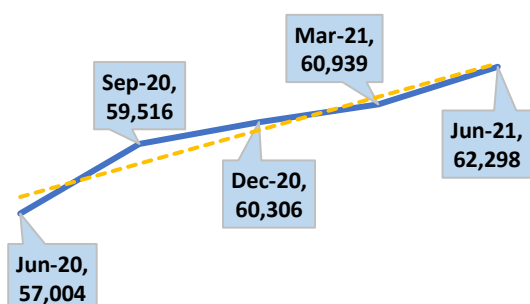
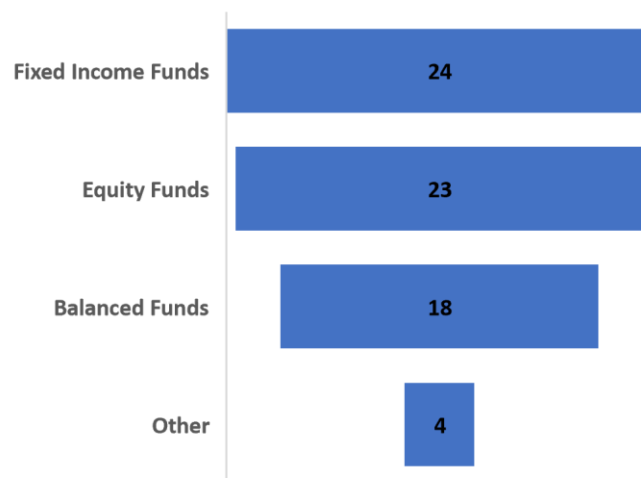


Figure 4 depicts the **four (4)** main categories of CISs in the local securities market. These include: Fixed Income funds (bond funds),

Equity funds (stock funds), Balanced funds (a combination of Fixed Income and Equity funds) and Other<sup>6</sup>. Equity and Fixed Income funds collectively accounted for **47 funds (68.12 percent)** of the total CIS funds as at June 2021.

*Figure 4: Main categories and Number of CISs*

As at June 2021, 68.12% of the funds were Equity and Fixed Income Funds.



Fixed Income funds continue to be favoured by investors as seen in the quarter ended June 2021; accounting for the largest share of the AUM (**65.08 percent or TT\$40.54Bn**) (Figure 5). These funds provide a steady stream of income as they primarily comprise of both short term and long-term debt instruments such as government securities and Treasury Bills. The Balanced, Equity and

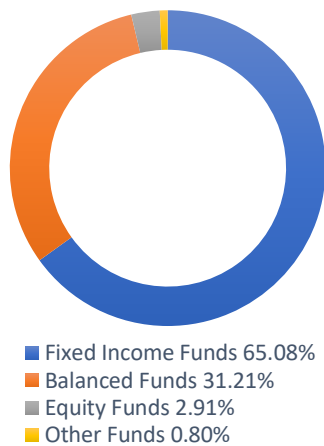
<sup>5</sup> Please refer to **Appendix 1** for the definition.

<sup>6</sup> This comprises of all other funds not classified as Fixed Income and Equity.

Other funds recorded AUM allocations of **31.21 percent (TT\$19.44Bn)**, **2.91 percent (TT\$1.81Bn)** and **0.80 percent (TT\$0.50Bn)**, respectively.

**Figure 5 : Market Share by Composition**

As at June 2021, Fixed Income funds accounted for 65.08% of the Market's AUM.



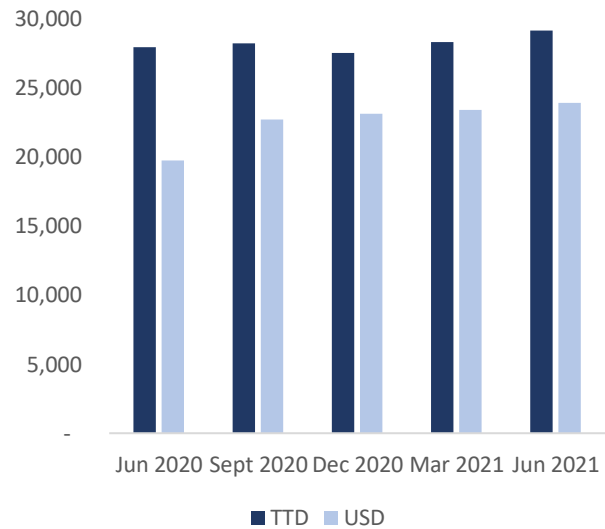
The TTSEC continues to analyse the currency composition of the portfolios to monitor the impact of currency fluctuations. The CIS investments were mainly denominated in TTD and USD currencies as illustrated in **Figure 6**. The data shows that the majority of CIS investments continues to be denominated in TTD, accounting for approximately **54 percent** of the portfolio as at June 2021. At the same time, investments denominated in USD while increasing in

<sup>7</sup> CIS Portfolio is comprised of TT Government Securities, Foreign Securities, Domestic Corporate

overall value by **TT\$0.77Bn (3.35 percent)**, decreased marginally in the total portfolio composition by **65 basis points** over the period.

**Figure 6 : Denomination of investments held by CISs, (TT\$Million)**

CIS investments were mainly held in TTD and USD securities.



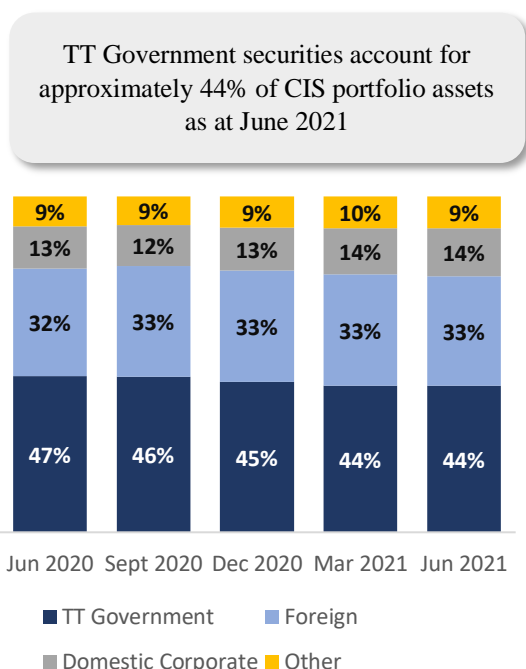
**CIS Portfolio Composition**

Since December 2020, we have seen a **4.86 percent (TT\$2.48Bn)** increase in the overall value of the CIS portfolio and its subcategories<sup>7</sup>, hinting to the waning effects of the Covid-19 pandemic.

Securities and Other. Refer to Appendix 1 for definition on these categories



**Figure 7 : CIS Portfolio Composition by category of security**



### *TT Government Securities*

During the first half of 2021, investments in TT Government Securities were approximately **44 percent** of the CIS market’s portfolio composition; a marginal decline from the 47 percent recorded in June 2020 (**Figure 7**). The value of Government Securities increased by **4.32 percent (TT\$0.97Bn)** year on year, and by **2.14 percent (TT\$0.49Bn)** for the six months to June 2021.

### *Foreign Securities*

Investments in Foreign Securities held the second largest share of the market’s portfolio. On average, investments in Foreign Securities accounted for **33 percent** of the

market’s portfolio as at June 2021, an increase of **13.55 percent** from June 2020. For the first half of 2021, Foreign Securities grew marginally by **2.70 percent**, this increase is mainly attributable to Foreign Equities which recorded a growth of **25.41 percent**. There were also increases in Foreign Non-Government and Foreign Government Securities by **3.12 percent** and **1.30 percent**, respectively. The only category that experienced a decline when compared to December 2020 was investments in Foreign CISs which recorded a decrease of **TT\$0.32Bn (10.58 percent)**.

### *Domestic Corporate Securities*

On average, investments in Domestic Corporate Securities accounted for **14 percent** of the CIS market’s portfolio as at June 2021. Year on year, investments in this category recorded significant increases and grew by **27.41 percent**.

For the first half of 2021, this category continued to show positive signs and grew by **19.38 percent (TT\$1.25Bn)**. It should be noted that this increase represented more than **50%** of the industry’s total increase.

### Other

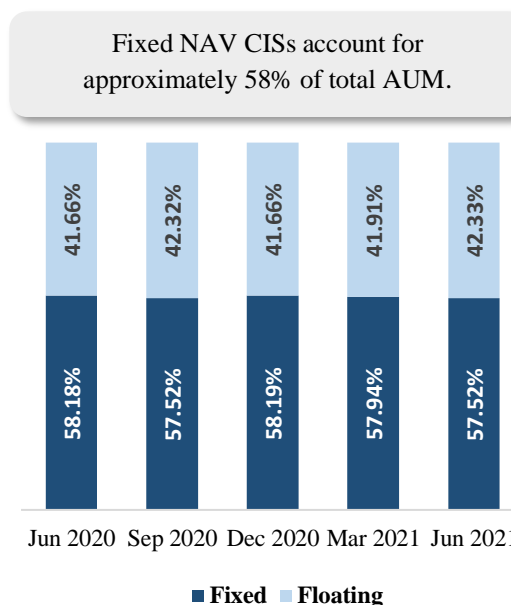
In **Figure 7** above, Other investments were valued at approximately **9 percent** of the market's portfolio. While there was not much change in its portfolio position, the value of these investments grew by **18.44 percent (TT\$0.79 Bn)** since June 2020.

### Fixed and Floating NAV CISs<sup>8</sup>

The mutual fund's assets minus its liabilities is called the Net Asset Value ("NAV"). **Fourteen (14)** of the **69** CISs carry Fixed NAVs and accounted for approximately **58 percent** of the CIS market's AUM as at June 2021; an increase of **8.04 percent** from June 2020 (**Figure 8**). Despite this increase in the AUM of Fixed NAV funds, its market share decreased by **0.66 percent** when compared to same period in 2020.

It should be noted that **nine (9)** Fixed NAV CISs were denominated in TTD and accounted for **72.01 percent** of the total TTD denominated investments within the portfolios. Furthermore, approximately **89 percent** of the Fixed NAV funds denominated in TTD currency held investments in local fixed income securities.

**Figure 8 : Total AUM (Fixed vs Floating NAV)**

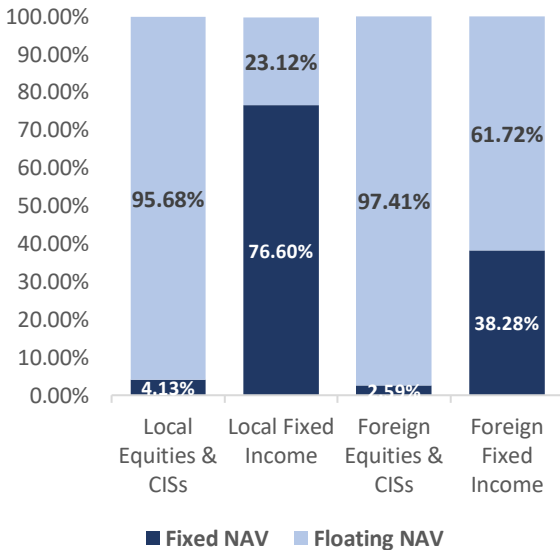


Fixed NAV funds are mostly composed of Fixed Income securities where expected returns are relatively consistent. The securities in these portfolios would typically be medium to long-term issued Government bonds, which may be classified as relatively lower risk; dependent on the Government's ability to repay the bonds. As at June 2021, **76.60 percent** of Local Fixed Income securities were comprised of Fixed NAV CISs (**Figure 9**).

<sup>8</sup> This data is representative of 68 funds; as one of the funds is a retirement fund that is not classified as a Fixed or Floating NAV fund.

**Figure 9: Fixed and Floating NAV CISs portfolio composition**

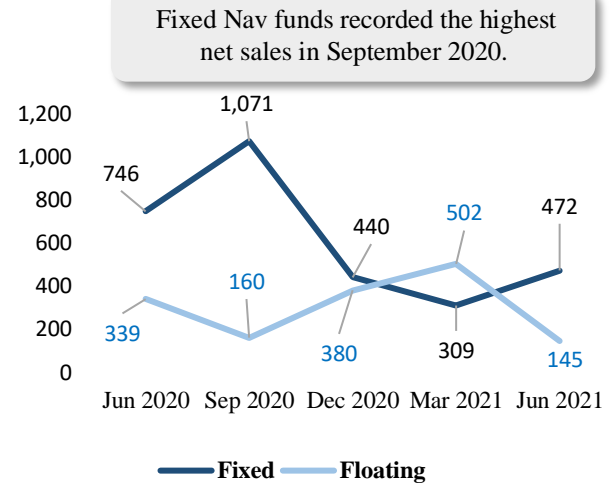
Floating NAV CISs accounted for 96% of investments in Local Equities and CISs.



Conversely, Floating NAV funds are generally comprised of investments in securities that are easily tradeable on a recognised stock exchange but may be classified as higher risk. This is evidenced by these funds accounting for more than **95 percent** of the investments in both Local and Foreign Equities and CISs which are easily tradeable but more prone to market swings.

**CIS Subscriptions and Redemptions<sup>9</sup>**

**Figure 10: Net Sales/Redemptions of Fixed vs. Floating NAVs CISs, (TT\$Million)**



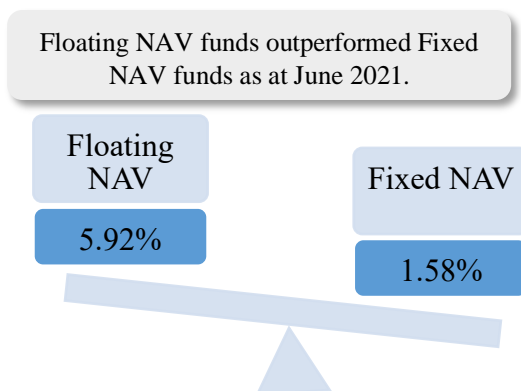
As at June 2021, subscriptions and redemptions for both the Fixed and Floating NAV CISs amounted to **TT\$4.37Bn** and **TT\$3.76Bn**, respectively. This resulted in Net Sales of approximately **TT\$616.69Mn** with Fixed NAV funds accounting for **TT\$471.99Mn** and Floating NAV funds **TT\$144.70Mn** (Figure 10). However, Net Sales declined by **24.78 percent** when compared to December 2020. This decrease was mainly attributable to Floating NAV funds which recorded a **61.93%** decrease in its net position. There is a market trend which reflects that local investors redeemed more funds from Floating NAV funds within the local CIS market. However, despite this large decrease in Net Sales it should be noted

<sup>9</sup> Please see **Appendix 1** for definition of Subscriptions and Redemptions.

that AUM was unaffected and has increased every quarter since March 2020.

### CIS Average Yield

**Figure 11 : Average yields of Fixed and Floating NAV CISs**



In June 2021, Floating NAV funds continued the trend of providing a higher yield for its investors, recording average yields of **5.92 percent** whereas Fixed NAV CISs recorded average yields of **1.58 percent** (Figure 11).

A year on year review revealed that Floating NAV CISs increased by approximately **46.99 percent** from an average yield of **4.03 percent** while Fixed NAV CISs decreased by approximately **9.35 percent** from an average yield of **1.74 percent**.

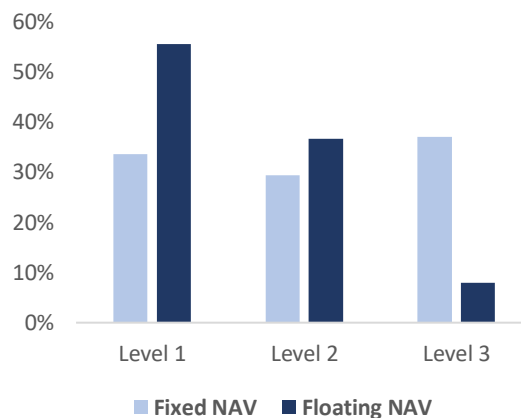
It is interesting to note that during the COVID-19 pandemic, the average yields of Fixed NAV funds with implicit guarantees

continued to decline while the yields of Floating NAV funds which may be more susceptible to market swings have increased significantly.

### CIS Asset/Securities Liquidity

The TTSEC monitors the assets/securities managed by the CIS market. Securities are categorised as Level 1, Level 2 and Level 3.<sup>10</sup>

**Figure 12: CIS Asset Categorisation as at June 2021**



In Figure 12 above it was observed that as at June 2021, the majority of assets contained in Floating NAV CISs were categorised as Level 1, that is, their prices can be quoted easily on an organised exchange. In contrast, the majority of assets contained in Fixed NAV CISs were categorised as Level 3, which means prices are valued using techniques that are based on unobservable

<sup>10</sup> Please see **Appendix 1** for definition of Level 1, Level 2 and Level 3.

market inputs and necessitates the use of internal information, assumptions and estimates.

### *Maturities of CIS Fixed Income Securities*

The TTSEC monitors the weighted average maturities of local and foreign fixed income securities held by both Fixed and Floating NAV CISs.

*Table 2: Weighted Average Maturities as at June 2021*

Fixed Income Type	Fixed NAV CISs	Floating NAV CISs
<b>Local</b>	3.17 years	2.90 years
<b>Foreign</b>	2.99 years	7.01 years

As of June 2021, it was observed that Local Fixed Income securities had a shorter time to maturity for Floating NAV CISs as the weighted average maturity of these securities were **3.17 years** for Fixed NAV CISs and **2.90 years** for Floating NAV CISs. However, when compared to the quarter ended June 2020, we saw that the Foreign Fixed Income securities had largest growth in maturity time. For Floating NAV CISs, there was an increase by approximately **1 year** and **5 months** while for Fixed NAV CISs, there was an increase by approximately **7 months**.

As at June 2021, the highest proportion of fixed income securities held by Fixed NAV

CISs had maturities between one year and five years (**Table 3**).

*Table 3: Weighted Average Maturities Portfolio Composition*

Nav Type	Fixed Income Type	< 1yr	1-5yrs	> 5yrs
<b>Fixed</b>	Local	26.82%	40.65%	32.54%
	Foreign	13.01%	59.61%	27.38%
<b>Floating</b>	Local	50.23%	18.41%	31.36%
	Foreign	22.92%	22.32%	54.76%

On the other hand, for the Floating NAV CISs there was a stark contrast between the local and foreign fixed income securities in their portfolios. The highest proportion of local fixed income securities had maturities less than a year while the majority of foreign fixed income securities had maturities greater than five years.

### *CIS Investor Type*

As at June 2021, TT Individuals accounted for **71.52 percent** of the CIS market's investor base whilst other investors accounted for the remaining **28.48 percent**. (**Table 4 overleaf**).

For the first half of 2021, TT Securities Intermediaries had the least investments in the CIS market, replacing TT CISs which

occupied the position for the entirety of 2020.

**Table 4: CIS Investor Breakdown**

Investor Category	June 2020	June 2021
TT Individuals	71.79%	71.52%
TT Other Corporations	15.81%	17.16%
Foreign Investors	7.32%	6.23%
TT Credit Unions	1.61%	1.61%
TT Pensions	1.48%	1.22%
TT Insurance Companies	1.18%	1.44%
TT Banks	0.41%	0.46%
TT Government Agencies	0.29%	0.22%
TT Securities Intermediaries	0.08%	0.07%
TT CISs	0.04%	0.08%

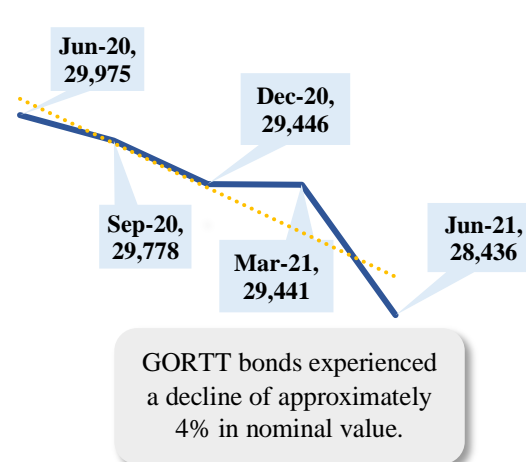
When compared to June 2020, it should be noted that despite a decrease in the number of units for TT Banks by **5.90Mn** there was an increase in the value of units by **TT\$51.70Mn**.

## Government Bond Market

As at June 2021, there were **34** Government bonds in issue through the Central Bank of Trinidad and Tobago (CBTT) with a nominal value of **TT\$28.44Bn**. There have been no new Government bond issues through the CBTT since the year 2017 but the first half of 2021 saw the maturity of **1** bond from a total of **35** Government bonds in issue at December 2020. The nominal value of these Government bonds in issue declined by

approximately **3.55 percent (TT\$2.26Bn)** over the period, December 2020 – June 2021 (**Figure 13**).

**Figure 13: Value of Issued GORTT Bonds, (TT\$Million)**

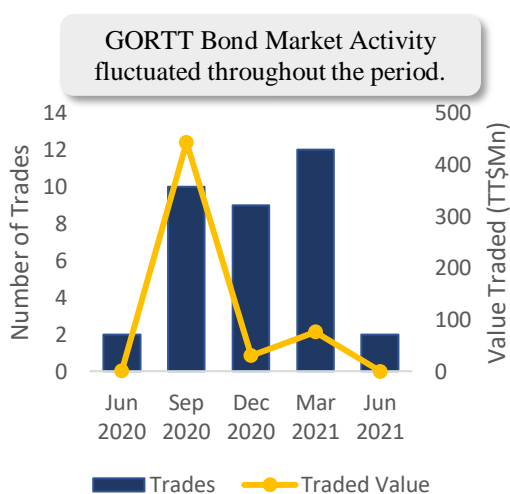


As at June 2021, there were **18** bonds listed on the T&T Stock Exchange with **15** being Government bonds and the remainder (**3**) being Corporate (albeit from a Statutory Entity). In the first half of 2021, there were **95** trades in the T&T Stock Exchange bond market with a total face value of **TT\$114.14Mn** and a total traded value of **TT\$117.72Mn**.

Government Bond market segment recorded **12** trades at the end of the first quarter of 2021, followed by a notable decline in trading activity by **83.33 percent** during the second quarter of 2021. This resulted in the segment's overall subdued activity during the

first half of 2021, ending with a total of **14** trades at a traded value of approximately **TT\$76.41Mn.** (Figure 14).

**Figure 14: Trades and Value Traded of GORTT Bonds**



## Repurchase Agreement (“Repo”) Market

Of the **40** Broker-Dealers registered with the TTSEC, **13** participated in the Repo market at the quarter ended June 2021. As at June 2021, the value of the Total Repo Liabilities of these Repo Dealers’ portfolios amounted to **TT\$6.49Bn**, an increase of **64.79 percent (TT\$2.55Bn)** from **TT\$3.94Bn** in December 2020 (Table 5). Repo Liabilities fluctuated, recording its highest value (**TT\$7.15Bn**) during the first quarter ended March 2021. It should be noted that Repo Dealers have both foreign and local contracts.

As at June 2021, there were **1,814** Repo contracts outstanding, **91.68 percent (1,663)** were local and **8.32 percent (151)** were foreign (Table 5).

**Table 5: Repo Market Overview**

Indicators	Jun 2020	Sep 2020	Dec 2020	Mar 2021	Jun 2021
Assets (TT\$Mn)	3,990.07	4,366.36	4,375.88	7,154.80	7,016.75
Liabilities (TT\$Mn)	3,736.16	4,102.92	3,936.23	6,607.59	6,486.68
No. of Repo Contracts	1,458	1,541	1,600	1,794	1,814
No. of Repo Dealers	12	11	11	12	13
Average Repo Return (%)	2.95	2.65	2.91	2.71	2.64
Average Repo Maturity (mths.)	9	11	9	11	11

The average Repo maturity of a Repo contract was **11 months**, an increase of **2 months** when compared to the quarter ended December 2020. During the first half of 2021, the average return of Repo portfolios were approximately **2.74 percent**. It is interesting to note that while the average maturity increased by **2 months**, the average return declined by **27 basis points** (Table 5).

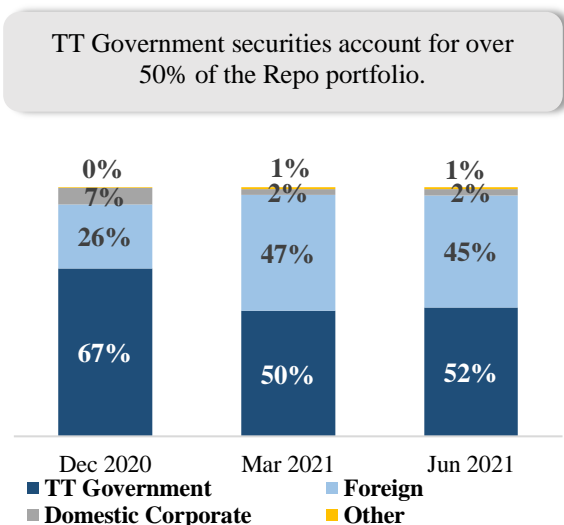
### Repo Portfolio Composition

The Repo portfolio asset composition comprised of four main groupings: **T&T**

**Government, Domestic Corporate, Foreign and Other<sup>11</sup>.**

Repo portfolios showed that most investments were in the TT Government grouping, accounting for approximately **50 percent** and **52 percent** of Repo Assets for the quarters ended March and July 2021 respectively (**Figure 16**).

**Figure 16: Repo Portfolio Asset Composition**



As at June 2021, the **four (4)** largest categories of assets underlying Repos were:

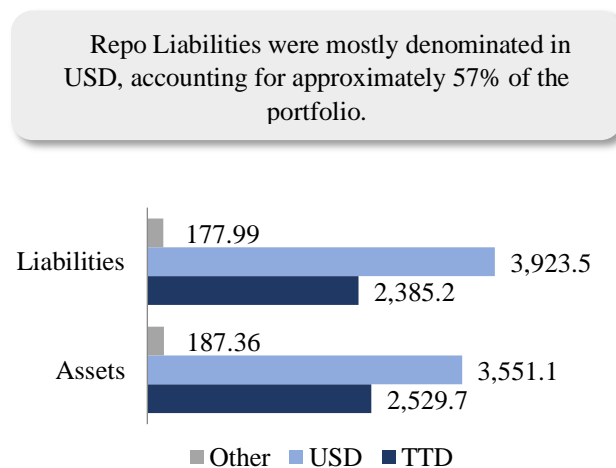
- Local Government;
- Foreign Government;
- Foreign Non-Government; and
- TT Non-Financial State Agencies.

**Three (3)** of these categories were within the TT Government grouping (Local

Government, TT Non-Financial State Agencies and TT Government Eurobonds) while the Foreign Non-Government was within the Foreign grouping.

As at June 2021, approximately **56.65 percent** and **60.49 percent** of Repo Assets and Repo Liabilities, respectively were denominated in USD currency (**Figure 17**).

**Figure 17: Total Repo Assets and Liabilities by Currency as at June 2021, (TT\$Million)**



**Repo Investor Type**

Repos are utilised by both Institutional and Retail investors. The Institutional category consists of investors such as Domestic Banks, Credit Unions, Insurance Companies and Other Corporate and Financial Institutions, with a small number of Pension Funds

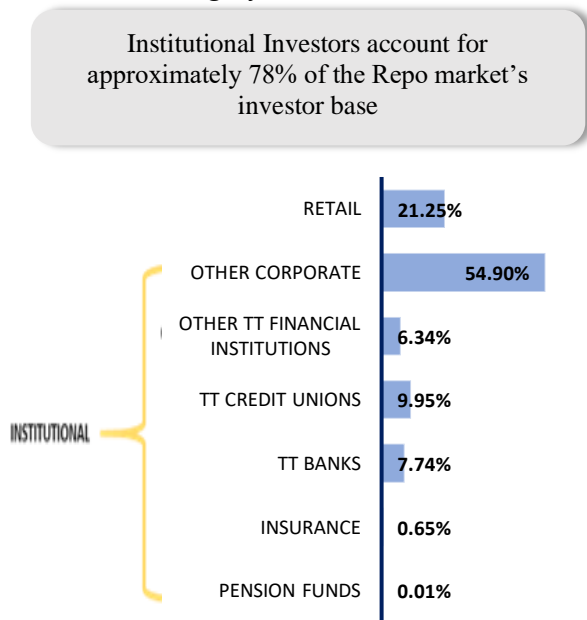
<sup>11</sup> See Appendix I for definitions of each grouping.



utilising the instrument as a form of investment.

As at June 2021, Institutional investors accounted for **78.25 percent (TT\$5.11Bn)** and Retail investors accounted for the remaining **21.25 percent (TT\$1.38Bn)** (**Figure 18**).

**Figure 18: Repo Investor Breakdown by Category as at June 2021**

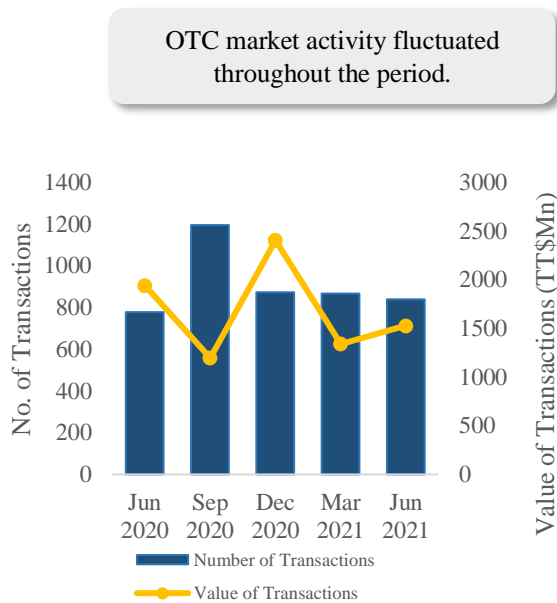


In relation to all investors, companies classified as “Other Corporate” accounted for the majority as at June 2021, recording **54.90 percent (TT\$3.56Bn)**, the Pension Funds, Insurance Companies and TT Credit Unions had the least investments in the Repo market of approximately **7 percent (TT\$454.50Mn)** (**Figure 18**).

## Over-the-Counter (“OTC”) Market

Over the six-month period to June 2021, a total of **1,708** transactions valued at **TT\$2.87Bn** was observed in the local OTC market. A year-on-year review revealed that the total number of OTC transactions increased by **14.78 percent (220)** while their value decreased by **36.72 percent (TT\$1.67Bn)**. From December 2020 to June 2021 that the number of OTC transactions trended downwards while their values fluctuated. The OTC transaction’s lowest value of **TT\$1.34Bn** was in March 2021, with the quarter ended June 2021 showing an increase in its value by **14.03 percent (TT\$188.30Bn)** (**Figure 19**).

**Figure 19: Value of OTC Transactions, (TT\$Million) and Number of OTC Transactions**



During the first two quarters of 2021, on average, there were **11** Broker-Dealers participating in the OTC market. At the end of June 2021 there were 2 more Broker-Dealers participating in OTC market. In the majority of transactions, Broker-Dealers who participated in the market, acted as Agents (arranging a trade between third party buyers and sellers). For the quarter ended June 2021, **90.11 percent** of transactions were executed by Broker-Dealers acting as Agents while the remaining **9.89 percent** of transactions were executed by Broker-Dealers acting as Principals (purchasing or selling for its proprietary book or clients).

Fixed income securities remained the most traded security via the OTC market during

the first two quarters of 2021. As at the quarter ended June 2021, **99.17 percent** of securities traded were fixed income. This can be attributed to investors seeking liquidity through the sale of bonds before maturity or portfolio restructuring.

Approximately **84.62 percent** of OTC transactions were denominated in TTD at the end of 2020 while the remaining **15.38 percent** were denominated in USD.

## Interconnections

Financial Stability remains a key objective of financial regulators especially the Trinidad and Tobago Securities and Exchange Commission. The continued supply chain disruptions and market volatility that has been wrought from the COVID-19 Pandemic are sources of uncertainty and great discomfort amongst investors. This becomes especially important when many of the market players are heavily inter-connected with each other.

Furthermore, financial markets across the globe are also interconnected. Factors affecting international markets can also impact the local securities market. While the

economy is still recovering from the negative impacts of the pandemic, the U.S. Federal Reserve has begun to ease back on its Quantitative Easing Program to combat the signs of inflation occurring in the U.S. economy. This signal points to the return of higher interest rates in the not-so-distant future. This can result in capital flight as local market players seek to rebalance their portfolios in order to take advantage of these higher rates.

Key aspects of the securities market of Trinidad and Tobago include the following:

- **75 percent** of Registrants were either associated or belonged to a group consisting of a Financial or Banking entity as at the end of the quarter ended June 2021. The remaining **25 percent** were independent.
- These Registrants conduct business within the **three (3)** main categories of Investment Advisers, Broker-Dealers and Underwriters.
- Such business activities may include, but are not limited to, investment advising, trading, wealth management, portfolio management, CIS management and Repo selling. These Registrants operate within the

major segments in the securities market.

Key aspects of the Equity Market include the following:

- It is the largest segment of the securities market of Trinidad and Tobago.
- With **5** out of the **37** securities listed on the T&T Stock Exchange, the Banking Sector accounted for the largest share of the Market Capitalisation (**53.84 percent**) as at June 2021.

Key aspects of the CIS market include the following:

- It is the second largest segment of the securities market.
- As at June 2021, there were **69** registered mutual funds managed by **15** CIS managers of which **86.96 percent** of the AUM was managed by institutions associated with Financial and Banking entities.
- An institution which is associated with a Financial Group held the largest market share of **37.95 percent**.
- Investments in the Local Equities market accounted for approximately

**5 percent** for CIS portfolios while only investing **0.51 percent** in Repos.

- As at June 2021, local fixed income securities accounted for approximately **45 percent** of the CIS portfolios.
- Additionally, investments of approximately **28 percent** were made in Foreign Securities for CIS portfolios.

Key Aspects of the Repurchase Agreement Market include the following:

- **Nine (9)** of the **13** Repo Dealers were associated with Financial and Banking Groups as at June 2021.
- **Four (4)** of the top 5 Repo Dealers are associated with Financial Groups, accounting for **75.99 percent** of Repo Liabilities with the market leader's share being approximately **29 percent**.
- Investments in the Local Equities market accounted for less than **1 percent** for Repo portfolios while only investing **0.25 percent** in Local CISs.
- As at June 2021, local fixed income securities accounted for approximately **52 percent** of the Repos portfolios.

- Additionally, investments of approximately **45 percent** were made in Foreign Securities for Repo portfolios.

As it relates to the OTC market, there were **8** companies which participated in the market, of which, **88 percent** were associated with Financial or Banking Groups.

The financial markets in Trinidad and Tobago are heavily interconnected which can be areas of concern:

- The patterns of investments in various markets are also interconnected. The portfolios in the CIS and Repo markets were quite similar where the largest investments were made in local fixed income securities especially those issued by the Government of Trinidad and Tobago and State Agencies.
- There are also **3** exchange-traded CISs on the T&T Stock Exchange: The Calypso Macro Index Fund from the T&T Unit Trust Corporation; the Development and Value Funds from Eppley Caribbean Property Fund Limited.

- The CIS industry has significant exposure to GORTT bonds. As such, any downgrade(s) in the country's sovereign rating will negatively impact the health of investment portfolios.
- There are instances in which funds from CISs are being invested in other CISs, which opens them to investment risk if those CISs do not perform to expectations.

## Conclusion

While the effects of the COVID-19 pandemic continue to be felt in markets worldwide, there were signs of recovery in the local market. As at June 30, 2021 the Equity, CIS and Repo markets all recorded positive changes when compared to December 2020 while there was only a minimal decline in the GORTT Bond market when compared to the same period.

The Equity market recorded increases amongst all indicators during the reviewed period. There was an increase in the value of the market from December 2020 as well as, total trades, total volume traded and total trade value.

For its fifth consecutive year, the assets under management of the CIS market continued to record positive growth in value at the end of June 2021. This is despite the inherent market volatility in securities being held in the respective portfolios as well as customer redemptions. Fixed NAV funds continued to dominate the CIS market and accounted for approximately **57.73 percent** of the market's AUM for the first two quarters in 2021. The average yield for the Fixed and Floating NAV funds were approximately **2 percent** and **6 percent**, respectively whilst the majority of investors continue to comprise of TT Individuals, accounting for over **71 percent**.

Fixed income and equity funds continued to be the most preferred CISs by investors, collectively accounting for over **68 percent** of the CISs registered with the TTSEC. Fixed income funds also accounted for the largest share in the AUM, managing **65.08 percent** of the market. Similarly, when examining the CIS market's portfolio composition, investments in local fixed income securities within the TT Government grouping continued to account for the largest share within the market, approximately **44 percent**. Likewise, this investment strategy was also similar for Broker-Dealers conducting Repo

activities, in which investments in the TT Government grouping accounted for **52 percent** of their Repo portfolios. Moreover, in June 2021, fixed income securities remained the most traded security via the OTC market as **99 percent** of securities traded were fixed income.

The value of the Repo market grew significantly during the review period. At the end of June 2021, there was an increase by approximately **65 percent** in value from December 2020. Generally, the average Repo return of these transactions on a quarterly basis was approximately **2.7 percent** with the average duration of Repos being **11 months**. In relation to the investor base, Institutional investors remain the largest group, accounting for over **78 percent**, a stark difference when compared to CIS investors.

As it relates to the Government Bond market, there has still been no new Government bond issued since 2017 while **only 1** bond matured during the first half of 2021. The Government Bond market value declined marginally from December 2020, as activity in the market continue to fluctuate.

The OTC market remains the smallest segment with its value and number of

activities decreasing by **TT\$876.55Mn (36.42%)** and **35 (4.00%)** respectively when compared to December 2020.

### *The Way Forward*

The TTSEC has scheduled the following initiatives to be undertaken in the short-term:

- Revision of the Risk-Based Supervisory Framework;
- Implementation of Risk-Based Capital Framework;
- Implementation of CIS risk assessment tools; and
- Stress Testing Analysis.

These will become key components of its regulatory toolkit and represent the TTSEC's commitment to monitoring financial stability; enabling the growth and development of the market through its consistent efforts to boost the confidence of investors while also providing a fair, efficient and transparent environment.

## Appendix I

### *Definition of Registration Categories*

#### **Broker-Dealer**

A firm acting as an intermediary between a buyer and a seller of securities, usually for a fee or a commission. When acting as a broker, a Broker-Dealer executes orders on behalf of his/her client. When acting as a dealer, a Broker-Dealer executes trades for his/her firm's own account.

#### **Investment Adviser**

An individual or firm that advises clients on investment in, or the purchase or sale of securities on a professional basis.

#### **Registered Representative**

An employee or officer of a registered Broker-Dealer, Investment Adviser or Underwriter who liaises with members of the public on behalf of their employers further to the offering, distribution or sale of securities.

#### **Reporting Issuer**

A corporation that has issued or proposes to distribute securities to the public and is subject to the continuous disclosure requirements of the TTSEC.

#### **Self-Regulatory Organisation (SRO)**

A non-governmental organisation that has the power to create and enforce industry regulations and standards. The priority is to protect investors through the establishment of rules that promote ethics and equality.

#### **Sponsored Broker-Dealer**

An individual who is employed by a Brokerage firm from a foreign jurisdiction. This individual aligns himself/herself with a local Broker-Dealer who sponsors his/her registration with the TTSEC. A Sponsored Broker-Dealer that is registered with the TTSEC can conduct securities business in Trinidad and Tobago for a maximum of 90 days in a calendar year.

#### **Sponsored Investment Adviser**

An individual who is employed by an Investment Advising or Brokerage firm from a foreign jurisdiction. This individual aligns himself/herself with a local Investment Adviser or Broker-Dealer who sponsors his/her registration with the TTSEC. A Sponsored Investment Adviser that is registered with the TTSEC can conduct securities business in Trinidad and Tobago for a maximum of 90 days in a calendar year.

## **Underwriter**

A company that arranges for the issuance or distribution of securities and/or agrees to purchase any unsold securities thereby guaranteeing full subscription.

## ***Types of Securities/ Segments***

### **Collective Investment Scheme (“CIS”)**

A CIS is an investment instrument that pools shareholders'/unit holders' cash contributions and invests in a diversified securities portfolio with a specified objective.

Section 4 of the SA 2012 states inter alia that

a CIS is, *“any arrangement with respect to property of any description including money*

*– (a) the purpose or effect of which is to enable persons taking part in the arrangement, whether by becoming owners of the property or any part of it, or otherwise to participate in or receive profits of income arising from the acquisition, holding, management or disposal of the property or sums paid out of such profits or income...”*

### ***CIS - related terms***

#### **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.

### **Subscriptions and Redemptions**

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.

### **Equity**

An equity is an ownership in an entity and is traded on the stock exchange. The two main types of equity securities are common shares (also called common stock or ordinary shares) and preferred shares (also known as preferred stock or preference shares).

### **Fixed & Floating NAV**

Within the local securities market, CISs or mutual funds are generally classified as having a Fixed NAV or Floating NAV. For Fixed NAV mutual funds, as the name suggests, the 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. For Floating NAV mutual funds, 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.

### **Government Bond**

A Government Bond is a debt instrument issued by the government which pays a fixed rate of return over a specific timeframe. The government issues bonds to raise funds to finance projects or day to day operations.

**Level 1** - securities within the portfolio which are valued by quoted prices on an organised exchange.

**Level 2** - securities whose fair value requires the use of valuation techniques, using inputs that are directly observable in the market which are not included within Level 1. Examples of observable market inputs include: quoted prices for similar assets, interest rates, yield curves, credit spreads, etc.

**Level 3** - securities within the portfolio which are valued using techniques that are based on unobservable market inputs and necessitates the use of internal information, assumptions and estimates to determine the fair value of a

security. 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.

### **Over-the-counter (“OTC”)**

The OTC market transactions typically occur “off exchange”; that is, they are private trades in securities, which occur between two (2) parties. Information on these transactions, such as the traded prices of securities is not required to be published. Therefore, to increase the level of transparency within this market, Registrants who facilitate OTC transactions are required to submit data under the MMRF.

### **Repurchase Agreement (Repo)**

According to the TTSEC's Repurchase Agreement Guidelines 2018, a Repo is defined as, “*a financial agreement in which a dealer of securities transfers ownership of securities to another person, or creates a beneficial interest (whether whole or fractional) in securities in favour of another person, with or without provisions allowing for –*

(a) *The substitution of the underlying securities by the dealer or*

*(b) the entitlement of the dealer to the coupon rate on the underlying securities.*

*In which the parties agree that an agreed future date the securities will be repurchased by the dealer in the terms and conditions specified in the agreement.”*

### **Repo Assets Groupings**

- **TT Government** – all investments in securities issued by the Government of Trinidad and Tobago and State Agencies.
- **Domestic Corporate** – all investments in securities issued by local companies in Trinidad and Tobago.
- **Foreign** – all investments in securities issued by foreign governments and companies not domiciled in Trinidad and Tobago.
- **Other** – all investments in assets not categorised within the groupings: TT Government, Domestic Corporate and Foreign.

### **CIS Portfolio Composition**

#### **TT Government Securities**

Investments in Local Government Securities and State Agencies

### **Foreign Securities**

Refers to investments in Foreign Government Securities, Foreign Non-Government Securities, Foreign Equities and Foreign CISs.

### **Domestic Corporate Securities**

Refers to investments in TT Equities, TT Bonds Financial Sector, TT Other Corporate Bonds TT CISs.

### **Other**

Refers to investments in Repos, Mortgages, Promissory Notes and Other Assets.

## Appendix II

### Summary of Indicators

Description	March 2020	June 2020	September 2020	December 2020	March 2021	June 2021
CIS AUM (TT\$Mn)	55,220	57,004	59,516	60,306	60,939	62,298
% CIS AUM Fixed NAV	59	58	58	58	58	58
% CIS AUM Floating NAV	41	42	42	42	42	42
CIS Net Sales/(Redemptions) (TT\$Mn)	(55)	1,084	1231	819	812	617
Number of CISs	68	68	68	68	68	69
Number of CIS Managers	14	14	15 <sup>12</sup>	15	15	15
Repo Assets (TT\$Mn)	3,722	3,990	4,366	4,376	7,155	7,017
Repo Liabilities (TT\$Mn)	3,599	3,736	4,103	3,936	6,608	6,487
No. of Repo Contracts in issue	1,348	1,458	1,541	1,600	1,794	1,814
No. of Repo Dealers	12	12	11	11	12	13
Average Repo Maturity (mths)	12	9	11	9	11	11
Average Repo Return (%)	3.02	2.95	2.65	2.91	2.71	2.64
Value of GORTT Bond Issues, (TT\$Mn)	31,705	29,975	29,778	29,446	29,441	28,436
Market Capitalisation (TTD market) (TT\$Mn)	134,236	134,376	135,041	135,639	137,537	140,185
Market Capitalisation (USD market) (US\$Mn)	23	22	22	22	22	19
Value of OTC Transactions, (TT\$Mn)	2,595	1,943	1,197	2,407	1,342	1,530
Number of OTC Transactions	710	778	1197	874	869	839

<sup>12</sup> The change in CIS Managers was due to Reporting Adjustments.