



Securities Market Bulletin

A PUBLICATION BY THE TRINIDAD AND TOBAGO SECURITIES
AND EXCHANGE COMMISSION

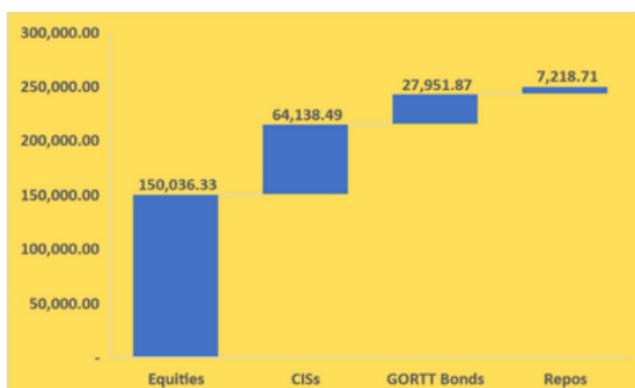
NOVEMBER 2022- ISSUE #9

**An overview of the securities market for the
period July to December 2021**

KEY PERFORMANCE INDICATORS

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

As at December 2021



Equities

Market Capitalisation increased by approximately 11 percent (TT\$9.85Bn) from June 2021

7.03%



Collective Investment Schemes

Assets under Management (AUM) grew by approximately 3 percent (TT\$1.84Bn) from June 2021

2.95%



Government Bonds

The nominal value of the Government bonds in issue declined by approximately 2 percent (TT\$0.48Bn) from June 2021

-1.70%



Repurchase Agreements

The value of the Total Repo Liabilities increased by approximately 11 percent (TT\$0.73Bn) from June 2021

11.29%



Fixed NAV CISs accounted for 57 percent of the CIS market's AUM at the end of the fourth quarter of 2021.



Fixed income funds accounted for over 75 percent of the CIS market's AUM in December 2021.



In December 2021, registered entities with the TTSEC increased minimally by 5.34 percent when compared to June 2021.

Market Overview

Recovery from the Covid-19 pandemic was underway during the latter half of 2021 as economic conditions in some advanced and developing economies were buoyed by the continuance of pandemic relief policies. The performances of global benchmark stock indices such as the S&P 500, Dow Jones Industrial Average, and the FTSE 100 are viewed as indicators of global economic health. When examining the performance of these global benchmark indices from June to December 2021; it was observed that they increased by **11.02 percent**, **5.49 percent** and **3.67 percent** respectively.

Trinidad and Tobago's economic activity declined in 2021 as the year-on-year Gross Domestic Product growth rate was **-0.1 percent**. This was perhaps due to the implementation of Covid 19 health protocols such as the partial restrictions for food services and non-essential retail businesses from April 29 to June 31. Notwithstanding this, the economy experienced growth of **8.7 percent** in Q3 2021. However, this momentum was not maintained in Q4 2021 as its growth rate fell to **-4.7 percent**.¹ Despite this, the largest segment of the local securities market (equities) performed admirably as the Composite Index increased

by **6.73 percent** during the latter half of 2021.

The Trinidad and Tobago Securities and Exchange Commission ("TTSEC") conducts surveillance of the securities market and monitors potential risks of its Registrants that may impact investors or the stability of the financial market. The major segments of the securities market in Trinidad and Tobago include the following:

- Equity;
- Collective Investment Scheme ("CIS");
- Bond,
- Repurchase Agreement ("Repo"); and
- Over-the-Counter ("OTC") Transactions.²

The TTSEC publishes this information and makes the report available to the market via its Securities Market Bulletin (SMB). The SMB presents an overview of the securities market on a semi-annual basis. The Ninth Issue of the SMB covers the period July to December 2021. The data utilised in this report was collected on a quarterly basis and is subject to revisions. **Appendix II** provides a summary of indicators for the quarters within the years 2020 and 2021.

¹ GDP growth rates reported by Central Statistical Office of Trinidad & Tobago.

² The listed terms are defined in **Appendix I**.

Registered entities with the TTSEC (as defined in **Appendix I**) increased by **6.43 percent** (**Table 1**) when compared to June 2021. This is mainly attributed to an increase in the Registered Representative category by **6.52 percent**. The new registrations were attributable to registrants from the banking and financial services sector adding to its personnel within the securities industry. In relation to Registrants, there was minimal growth in the registration categories of Reporting Issuers and Broker Dealers, by **3.23 percent** and **2.50 percent** respectively.

It is noted that the registrations of Sponsored Broker-Dealers and Sponsored Investment Advisers automatically expired January 1st 2021, but were not formally removed from the Registrant Listing. Those of Sponsored Broker-Dealers were then re-registered in August 2021. Hence, the figure for March and June 2021 is therefore zero (0).

However, the Sponsored Investment Advisers were subsequently removed from the Register. Hence the figure throughout 2021 is zero (0).

Table 1: Categories of Registration

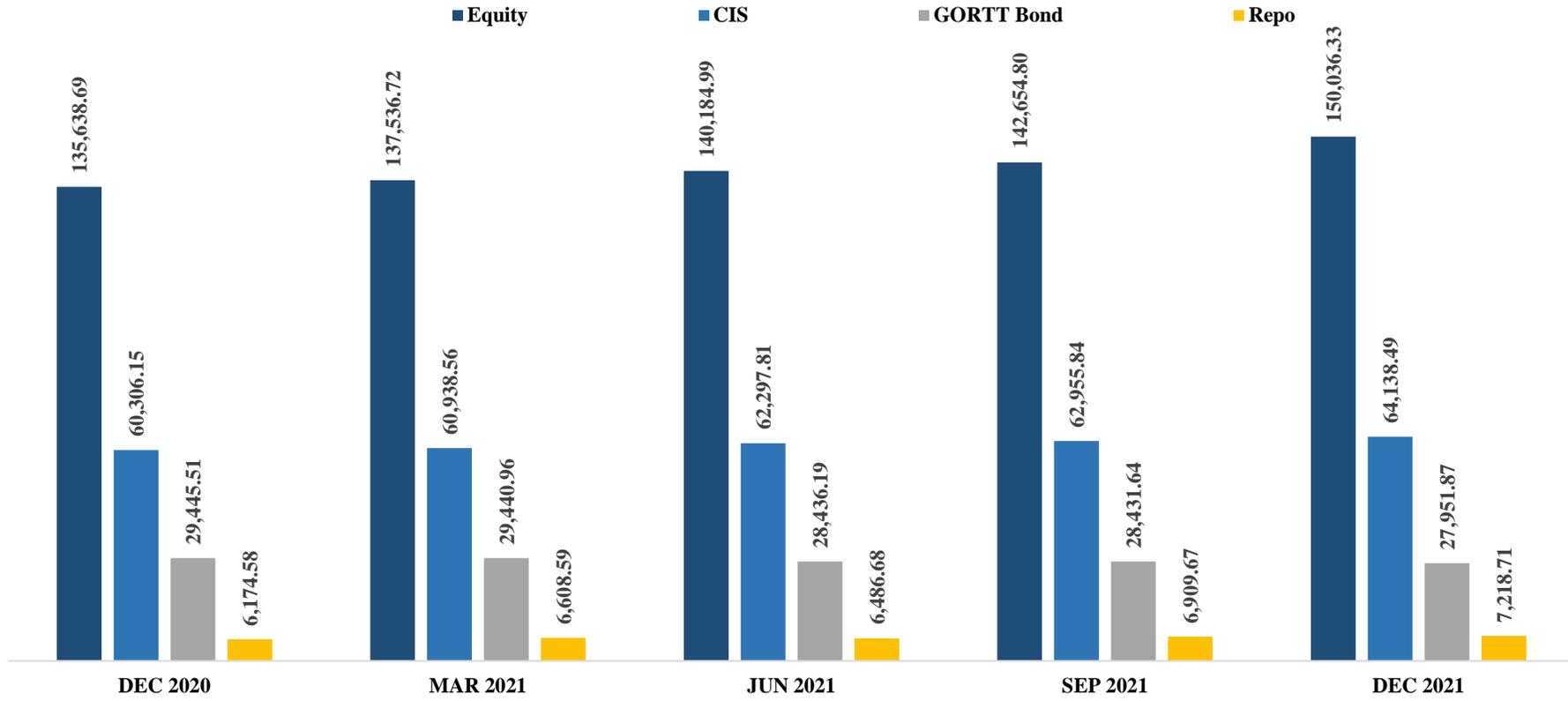
Category of Registration	Dec 2020	Mar 2021	Jun 2021	Sep 2021	Dec 2021
Reporting Issuers	90	90	93	93	95
Broker-Dealers	40	40	40	40	41
Investment Advisers	12	12	10	10	10
Underwriters	1	1	1	1	1
Registered Representatives	439	451	445	464	474
Sponsored Broker-Dealers	6	0	0	6	6
Sponsored Investment Advisers	2	0	0	0	0
Self-Regulatory Organisations	2	2	2	2	2
Total	592	596	591	616	629

Figure 1 overleaf displays the values of the four (4) main market segments in the local securities market. During the latter half of 2021, the Equity, CIS and Repurchase Agreement (“Repo”) markets recorded gains of **7.03 percent**, **2.95 percent**, and **11.29 percent** respectively, while in the Bond market, the Government of the Republic of Trinidad and Tobago (“GORTT”) Bonds recorded a decline of **1.70 percent**.

Table 2: % Change in Market Segments

Market Segment	% Change (Q1 2021)	% Change (Q2 2021)	% Change (Q3 2021)	% Change (Q4 2021)
Equity	1.40	1.93	1.76	5.17
CIS	1.05	2.23	1.06	1.88
GORTT Bond	0.02	3.41	0.02	1.69
Repurchase Agreements	7.03	1.84	6.52	4.47

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



Equity Market

The Trinidad and Tobago Stock Exchange (“T&T Stock Exchange”) reported that the market delivered a historic performance in 2021 as it rebounded from its 2020 levels. With the upgrade of the Automatic Trading System (ATS) in September 2021, the T&T Stock Exchange provided brokers with a more user-friendly system, integrated with the T&T Stock Exchange’s Trading Online Platform (TOP) and e-statement systems. As such, the T&T Stock Exchange reported that 2021 was the first full year of online trading activity on TOP and thus far recorded the highest levels of trading activity in the equities market.

There were other significant developments in the market throughout 2021 such as the:

1. Corporate legal restructuring of First Citizens Bank Limited (FIRST) and the legal entities within the First Citizens Group. As such, FIRST was no longer the holding company but a subsidiary of the newly established First Citizens Group Financial Holdings Limited (FCGFH). Therefore, effective October 18th, 2021, pursuant to the corporate restructure:
 - FIRST was de-listed from the T&T Stock Exchange;
 - The new holding company FCGFH was listed; and
 - Shareholders who previously held shares in FIRST, now hold shares in FCGFH in the same proportions as they held in FIRST.
2. De-listing of Praetorian Property Mutual Fund units. Pursuant to an order of the TTSEC dated October 11, 2021, made under Section 45(1) of the Securities Act, Chapter 83:02, 40,000,000 units of the Praetorian Property Mutual Fund were delisted from the Mutual Fund Market, effective November 11th, 2021.
3. Proposed stock split for shareholders at Massy Holdings Ltd. (Massy). On December 17th, 2021, Massy announced its intention to recommend to its shareholders, a twenty-for one stock split.

During the second half of 2021, the TTD Equity market³ recorded total trades of **8,658** with a total volume traded and value traded of **55.85Mn** and **TT\$624.42Mn** respectively. When compared with the first half of 2021, the activity in the TTD Equity market increased, recording gains in the number of trades and volume traded of **9.76 percent** and **29.23 percent** respectively whilst the value of shares traded declined by **22.19 percent**.

As at December 2021, there were **31** listed companies on the T&T Stock Exchange with **34⁴** securities listed on the TTD markets and **one (1)** security listed on the USD market. Throughout 2021, the market capitalisation grew at a quarterly average rate of **2.55 percent (Figure 2 below)**. From June to December 2021, market capitalisation of the securities listed on the Trinidad and Tobago Dollar (“TTD”)⁵ markets grew by **6.57 percent (TT\$9.85Bn)**, and as at December 2021 is now valued at **TT\$150.03Bn**.

At the end of 2021, the First-Tier market had the largest market capitalisation valued at **TT\$142.77Bn (95.16 percent)**.

³ This relates to the analysis of local equities listed on the T&T Stock Exchange.

⁴ Of the 34 securities listed on the TTD market, 30 are equities and 4 are mutual funds.

Companies listed on the First-Tier market are separated into sectors determined by the type of business activity the companies are engaged in (for e.g. banking, conglomerate, property, etc.). The companies in the Banking sector accounted for over **50 percent** of the First Tier Market, with a Market Capitalisation of **TT\$80.07Bn**

During the latter half of 2021, the Banking sector reported the highest number of trades of **2,110 (27.36 percent)**. Conglomerates had the highest value of shares traded, **TT\$198.33Mn (34.81 percent)** whilst companies in the Non-Banking Finance sector had the highest volume of shares traded, **26.10Mn (48.65 percent)**.

Figure 2: Market Capitalisation of the T&T Stock Exchange Listed Securities, (TT\$Million)



⁵ TTD markets include: First Tier market, Mutual Fund market, Second Tier market and the Small and Medium Enterprises (SME) market.

The United States Dollar (“USD”) market capitalisation was valued at **US\$21.67Mn** throughout the first half of 2021. However, there was a decline of **US\$2.17Mn (10 percent)** in Q3 2021 which resulted in a closing market capitalisation of **US\$19.50Mn** as at December 2021.

Collective Investment Schemes

The Collective Investment Schemes (CISs) Industry grew in terms of the number of CISs managed and the Assets Under Management (“AUM”)⁶. **Four** additional funds were registered during 2021, and AUM grew by **TT\$3.83Bn** (approximately **6.35 percent**) at a rate of **1.55 percent** each quarter. When compared to the first half of 2021, there was an increase in AUM during the latter half of 2021 by **TT\$1.84Bn** (approximately **2.95 percent**) (Figure 3).

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

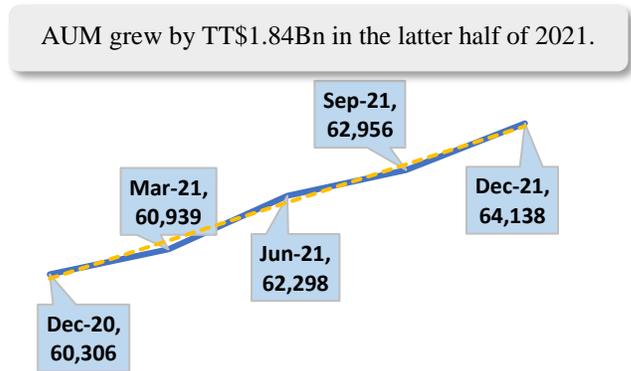
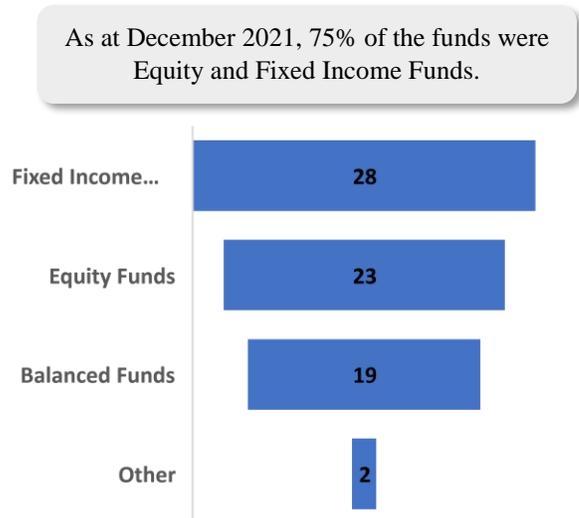


Figure 4 depicts the **four (4) main** categories of CISs in the local securities market. These include Fixed Income funds (bond funds), Equity funds (stock funds), Balanced funds (a combination of Fixed Income and Equity funds) and Other⁷.

Figure 4: Main categories and Number of CISs



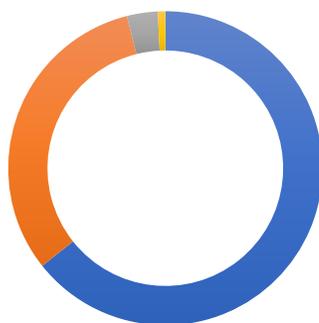
⁶ Please refer to **Appendix 1** for the definition.

⁷ This comprises of all other funds not classified as Fixed Income and Equity. Please see **Appendix 1** for definition of Other funds.

Fixed NAV funds continues to be favoured by investors. As at December 2021, the number of Fixed Income funds accounted for **43 percent** of total CISs and it accounted for the largest share of the AUM (**TT\$41.25Bn or 64.32 percent**) (**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 Other funds recorded AUM market share allocations of **TT\$20.36Bn (31.74 percent)**, **TT\$2.04Bn (3.18 percent)** and **TT\$0.49Bn (0.76 percent)**, respectively. (**Figure 5**).

Figure 5 : Market Share by Composition

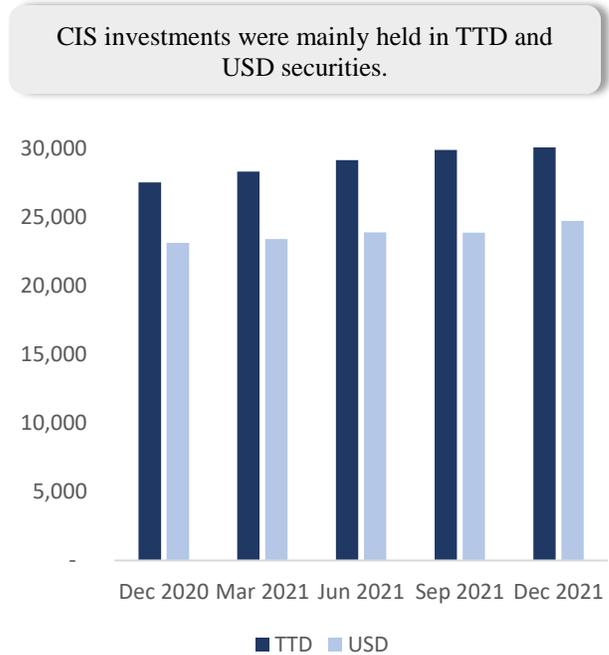
As at December 2021, Fixed Income funds accounted for 64.32% of the Market's AUM.



The TTSEC continues to analyse the currency composition of the portfolios. The data shows that the majority of CIS

investments continue to be denominated in TTD, accounting for approximately **55 percent** of the portfolio as at December 2021 (**Figure 6 below**). At the same time, investments denominated in USD increased in terms of overall value by **TT\$830.07Mn (3.47 percent)** while its proportion within the total portfolio composition (**43.82 percent**) declined by **0.80 percent** from its Q2 2021 figure (**44.63 percent**).

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



CIS Portfolio Composition

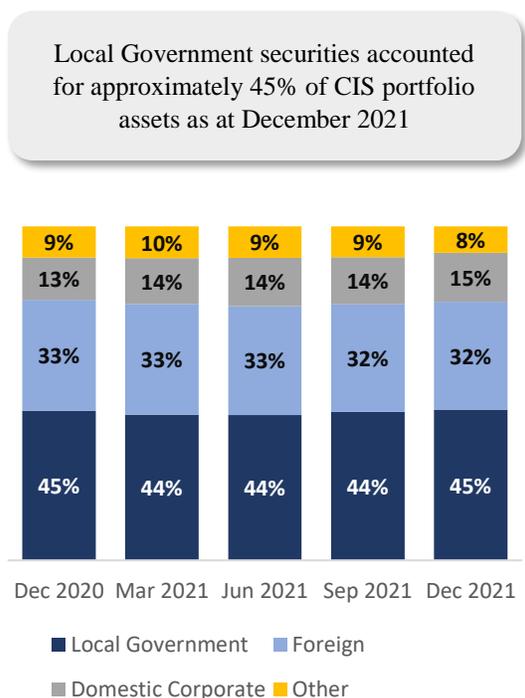
Since June 2021, we have seen a **TT\$2.87Bn (5.37 percent)** increase in the overall value of the CIS portfolio and its subcategories. The CIS portfolio asset composition comprised of four main groupings: **Local Government, Domestic Corporate,**

Foreign and **Other**. Within these main groupings, there are subcategories that are defined in **Appendix 1**.

Local Government Securities

As at December 2021, investments in Local Government Securities were approximately **45 percent** of the CIS market’s portfolio composition; relatively unchanged from the **44 percent** recorded in June 2021 (**Figure 7**). During the last six months, the value of Government Securities increased by **TT\$2.15Bn (9.23 percent)**.

Figure 7 : CIS Portfolio Composition by category of security



Foreign Securities

On average, investments in Foreign Securities accounted for **32 percent** of the market’s portfolio as at December 2021; a

decline of **1 percent** from June 2021. During the latter half of 2021, the value of this portfolio segment increased by **TT\$761.17Mn (4.36 percent)** at the end of 2021. This was mainly due to increases of over **10 percent** in both Foreign CISs and Foreign Equity. A similar performance has been observed in the international market as global equities posted strong gains in Q4 2021 amidst investor optimism and robust corporate earnings. One of its primary benchmarks, the S&P500, returned **11 percent** in Q4 2021 while its performance during Q3 2021 was more muted (**0.6 percent**).

Domestic Corporate Securities

On average, investments in Domestic Corporate Securities accounted for **15 percent** of the CIS market’s portfolio as at December 2021. For the latter half of 2021, this category continued to show positive signs and grew by **TT\$530.43Mn (6.86 percent)**. This was once again buoyed by the growth in TT Equity of **TT\$407.62Mn (15.67 percent)** and TT CISs **TT\$184.45Mn (40.31 percent)**.

Other

In **Figure 7 above**, “Other” investments⁸ were valued at approximately **8 percent** of the market’s portfolio which was a decline of **1 percent** from its June 2021 position. Additionally, its value declined by **TT\$568.75Mn (11.27 percent)**.

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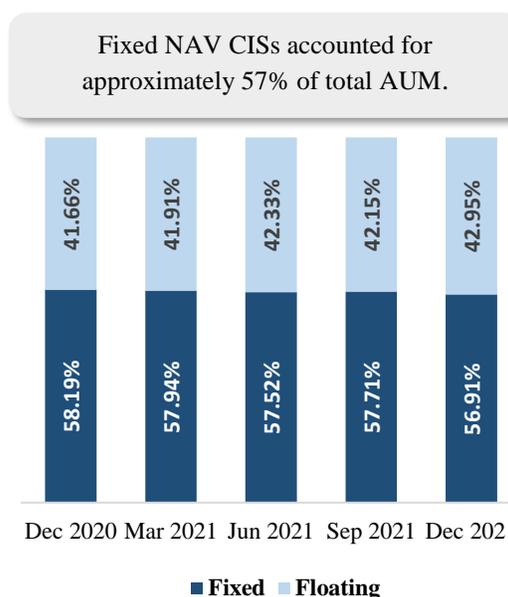
Fixed and Floating NAV CISs¹⁰

The difference between a mutual fund’s assets and its liabilities is called the Net Asset Value (“NAV”). **Fourteen** of the **72CISs** carry Fixed NAVs and accounted for approximately **57 percent (TT\$36.50Bn)** of the CIS market’s AUM as at December 2021; an increase of **TT\$668.24Mn (1.86 percent)** from its June 2021 figure (**Figure 8**). Despite this increase in the AUM of Fixed NAV funds, its market share decreased by **0.61 percent** when compared to June 2021.

It should be noted that **nine (9)** Fixed NAV CISs were denominated in TTD and

accounted for **71.42 percent** of the total TTD denominated investments within the portfolios.

Figure 8 : Total AUM (Fixed vs Floating NAV)



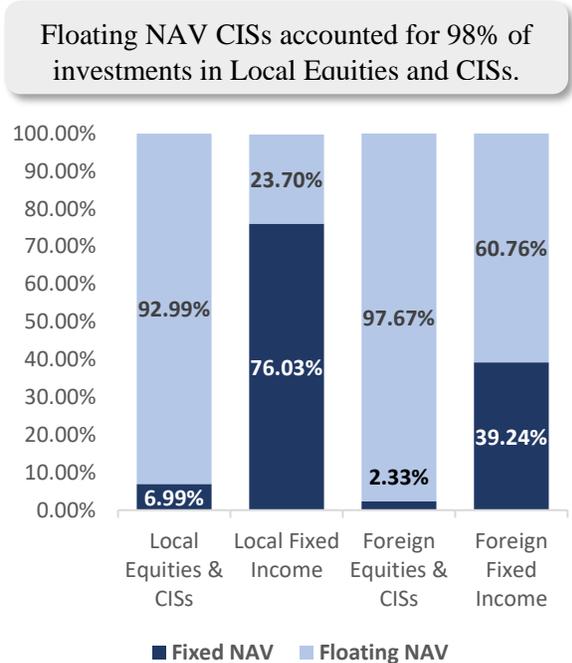
Fixed NAV funds are mostly composed of Fixed Income securities where expected returns are relatively consistent. The securities in these portfolios would typically be medium to long-term issued Government bonds, which may be classified as relatively lower risk; dependent on the Government’s ability to repay the bonds. As at December 2021, **76.03 percent** of Local Fixed Income securities comprised of Fixed NAV CIS (**Figure 9**).

⁸ Please see Appendix 1 for a definition and examples of “Other” Investments.

⁹ Please see Appendix 1 for a definition and examples of “Other” Investments.

¹⁰ This data is representative of 71 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 as at December 2021

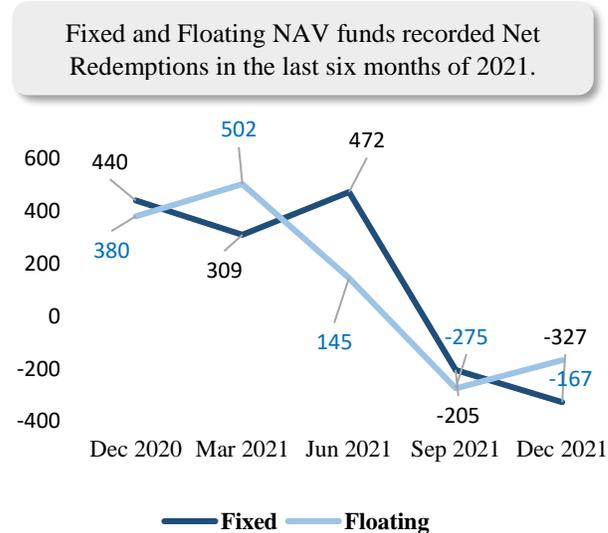


Conversely, Floating NAV funds are generally comprised of investments in securities that are easily tradeable on a recognised stock exchange but may be classified as more volatile. This is evidenced by these funds accounting for **95.79 percent** of the investments in both Local and Foreign Equities and CISs as at December 2021. These securities are easily tradeable but more prone to market swings.

CIS Subscriptions and Redemptions¹¹

During the first half of 2021, total subscriptions and redemptions amounted to **TT\$9.29Bn** and **TT\$7.86Bn** respectively. This resulted in Net Sales of **TT\$1.43Bn** with Fixed NAV funds accounting for **TT\$781.27Mn** and Floating NAV funds **TT\$646.96Mn** (Figure 10).

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



However, total subscriptions and redemptions during the second half of 2021 amounted to **TT\$8.12Bn** and **TT\$9.09Bn** respectively. This resulted in Net Redemptions of **TT\$973.89Mn** with Fixed NAV funds accounting for **TT\$531.82Mn**

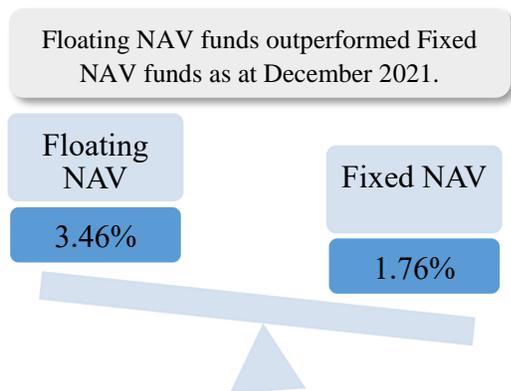
¹¹ Please see **Appendix 1** for definition of Subscriptions and Redemptions.

and Floating NAV funds **TT\$442.07Mn**. However, it should be noted that total Net Encashments for the second half of 2021 declined by **168 percent** when compared to the first half of 2021.

Overall, Total subscriptions and redemptions of Fixed and Floating NAV CISs for 2021 amounted to **TT\$17.41Bn** and **TT\$16.95Bn**, respectively. This resulted in Net Sales of approximately **TT\$454.34Mn** with Fixed NAV funds accounting for **TT\$249.45Mn** and Floating NAV funds **TT\$204.89Mn** (**Figure 10**).

CIS Average Yield

Figure 11 : Average yields of Fixed and Floating NAV CISs



In the quarter ended December 2021, Floating NAV funds continued the trend of providing a higher yield for its investors, recording average yields of **3.46 percent**

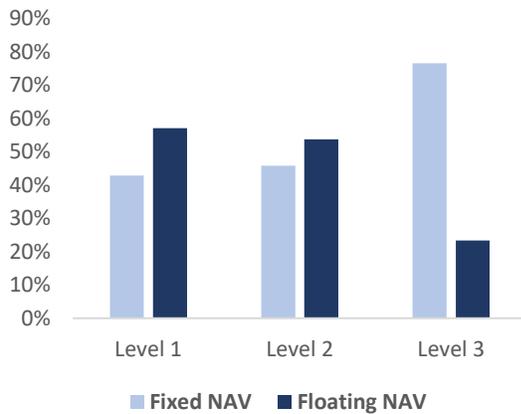
whereas Fixed NAV CISs recorded average yields of **1.76 percent** (**Figure 11**). A comparison with its June 2021 figure revealed that the average yield for Fixed NAV CISs (**3.46 percent**) rose by approximately **119.96 percent** while the yield for Floating NAV CISs declined by **76.68 percent** from average yields of **1.58 percent** and **5.92 percent**. This is most likely attributable to higher inflation as well as hikes in interest rates by major central banks.

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 3.¹²

¹² Please see **Appendix 1** for definition of Level 1, Level 2 and Level 3.

Figure 12: CIS Asset Categorisation as at December 2021



In **Figure 12**, it was observed that as at December 2021, Floating NAV fund portfolios contained **57 percent** and **54 percent** of all securities categorised as Level 1 and Level 2 respectively whilst Fixed NAV fund portfolios contained **77 percent** of all securities categorised as Level 3. This indicated that the prices of securities in the Floating NAV funds are quoted easily on an organised exchange.

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.

As of December 2021, it was observed that Foreign Fixed Income securities had a longer time to maturity for Floating NAV CISs as the weighted average maturity of these securities were **5.02 years** in contrast to **3.21**

years for Fixed NAV CISs. When compared to June 2021, we saw that Foreign Fixed Income securities for Floating NAV CISs had the largest decline in maturity time measuring approximately **1.99 years**. When looking at June 2021, Local Fixed Income securities grew by **1.32 years** Floating NAV CISs. (**Table 3**).

Table 3: Weighted Average Maturities as at December 2021

NAV Type	Fixed Income Type	June 2021	Dec 2021
Fixed	Local	3.17 years	3.95 years
	Foreign	2.99 years	3.21 years
Floating	Local	2.90 years	4.22 years
	Foreign	7.01 years	5.02 years

As at December 2021, approximately **60 percent** of Floating NAV foreign fixed income had maturities greater than five years whilst the majority (**48 percent**) of Floating NAV local fixed income securities had maturities less than a year. For the Fixed NAV CISs, the majority held maturities between one and five years. (**Table 4**).

Table 4: Weighted Average Maturities by Portfolio Composition as at December 2021

NAV Type	Fixed Income Type	< 1yr	1-5yrs	> 5yrs
Fixed	Local	16.90%	45.51%	37.59%
	Foreign	6.36%	55.38%	38.26%
Floating	Local	47.96%	23.10%	24.91%
	Foreign	20.34%	19.56%	60.10%

CIS Investor Type

As at December 2021, **TT Individuals** accounted for **72.07 percent** of the CIS market's investor base whilst other investors accounted for the remaining **27.93 percent**. (Table 5 below).

Table 5: CIS Investor Breakdown

Investor Category	December 2020	June 2021	December 2021
TT Individuals	70.94%	71.52%	72.07%
TT Other Corporations	16.87%	17.16%	16.66%
Foreign Investors	6.87%	6.23%	6.15%
TT Credit Unions	1.60%	1.61%	1.47%
TT Insurance Companies	1.42%	1.44%	1.42%
TT Pensions	1.53%	1.22%	1.14%
TT Banks	0.39%	0.46%	0.55%
TT Government Agencies	0.25%	0.22%	0.38%
TT Securities Intermediaries	0.07%	0.07%	0.11%
TT CISs	0.06%	0.08%	0.05%

However, the majority (60 percent), of the other CIS Investor bases experienced decreases in their number of units/shares with TT Credit Unions and TT Insurance Companies decreasing by 15.76 percent and 12.73 percent respectively.

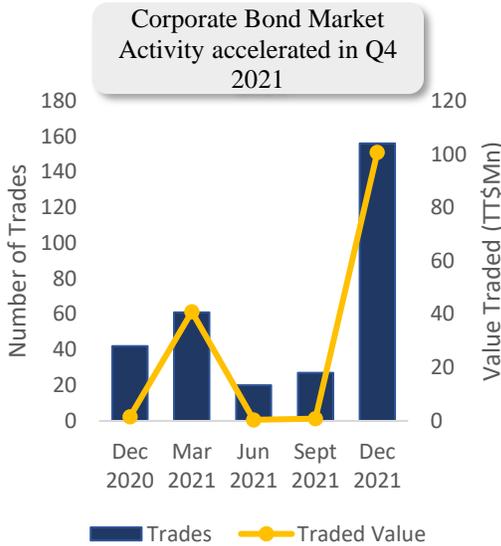
Despite these declines, there was an increase in the value of units by **TT\$1.74Bn** when compared to June 2021.

Bond Market

Of the **17** bonds listed on the T&T Stock Exchange **14** were Government bonds and **3** were from the National Investment Fund Holding Company Limited. The Bond market was quite active in the first half of 2021, recording a total of **95** trades at a traded value of approximately **TT\$76.41Mn**. The market continued with this upward trend in the second half of the year, recording a total of **189** trades with a face value and traded value of **TT\$114.55Mn** and **TT\$107.13Mn**, respectively.

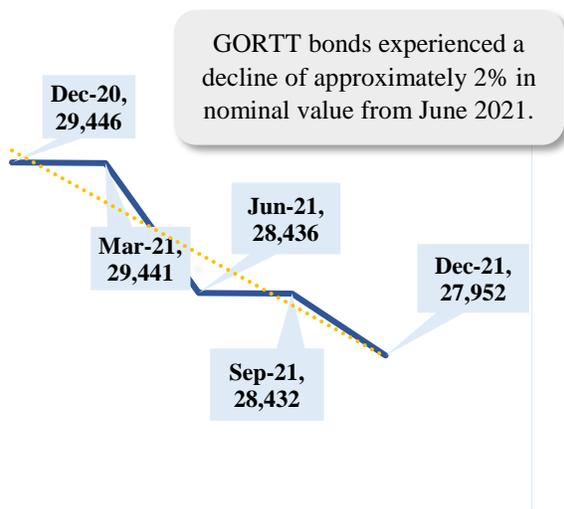
This activity was in the main due to the Corporate Bond market as the first half of 2021 recorded a total of **81** trades at a traded value of approximately **TT\$41.31Mn**. Trading in the second half of 2021 accelerated, recording a total of **183** trades with a face value and traded value of **TT\$95.83Mn** and **TT\$101.50Mn**, respectively. (Figure 13).

Figure 13: Trades and Value Traded of Corporate Bonds



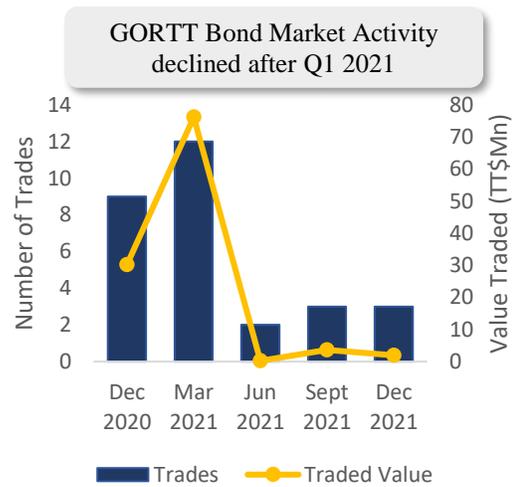
As at December 2021, there were **33** Government bonds in issue through the Central Bank of Trinidad and Tobago (CBTT) with a nominal value of **TT\$27.95Bn** (Figure 14).

Figure 14: Value of Issued GORTT Bonds, (TT\$Million)



The activity in the Government Bond market was modest in the first half of 2021, recording a total of **14** trades at a traded value of approximately **TT\$76.41Mn**. Trading, however, was subdued in the second half of 2021, recording a total of **6** trades with a face value and traded value of **TT\$18.72Mn** and **TT\$5.63Mn**, respectively. (Figure 15).

Figure 15: Trades and Value Traded of GORTT Bonds



In the last quarter of 2021, one (1) bond matured from a total of **34** Government bonds in issue at June 2021. The nominal value of these Government bonds in issue declined by approximately **TT\$484.32Mn (1.70 percent)** from Q3 2021 to Q4 2021 (Figure 14).

Repurchase Agreement (“Repo”) Market

Of the **41** Broker-Dealers registered with the TTSEC as at December 2021, **13** participated in the Repo market. The market recorded its highest value (**TT\$7.22Bn**) in Repo Liabilities during the last quarter, December 2021. This represents a significant increase of **TT\$732.03Mn (11.29 percent)** from **TT\$6.49Bn** in June 2021 (**Table 6**). It should be noted that Repo Dealers have both foreign and local contracts.

As at December 2021, there were **1,874** Repo contracts outstanding, **89.65 percent (1,680)** were local and **10.35 percent (194)** were foreign (**Table 6**).

For the year 2021, the average Repo maturity of a Repo contract was **6 months**. During the first half of 2021, the average return of Repo portfolios was approximately **2.67 percent** increasing to approximately **3.30 percent** in the last two quarters of 2021. It is interesting to note that when the average repo maturity increased by **2 months** in September 2021, the market also recorded the highest average repo return of **4.16 percent**. (**Table 6**).

Table 6: Repo Market Overview

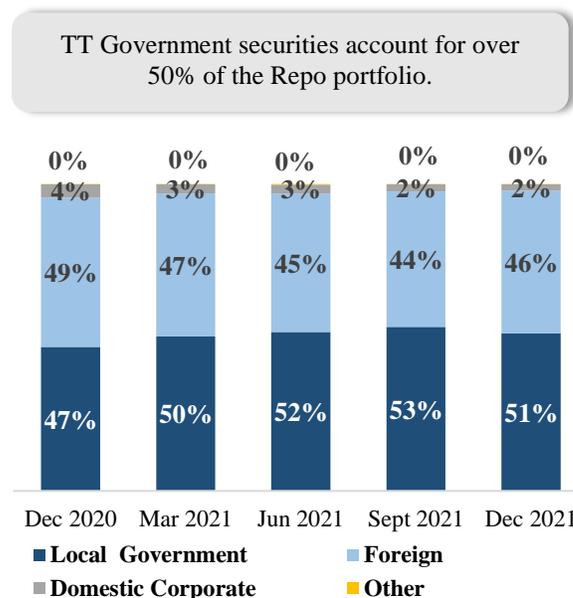
Indicators	Dec 2020	Mar 2021	June 2021	Sept 2021	Dec 2021
Assets (TT\$Mn)	6,729.69	7,154.80	7,016.75	7,410.61	7,751.83
Liabilities (TT\$Mn)	6,174.58	6,607.59	6,486.68	6,909.67	7,218.71
No. of Repo Contracts	1,717	1,794	1,844	1,836	1,874
No. of Repo Dealers	11	12	13	14	13
Average Repo Return (%)	2.91	2.71	2.64	4.16	2.43
Average Repo Maturity (mths.)	7	9	6	8	3

Repo Portfolio Composition

Similar to the performance in the CIS Portfolio, there has been overall growth in the value of the assets in the Repo portfolios by **10.48 percent (TT\$735.73Mn)** from June 2021.

The Repo portfolio asset composition comprised of four main groupings: **Local Government, Domestic Corporate, Foreign** and **Other**. Within these main groupings, there are subcategories that are defined in **Appendix 1**. Repo portfolios showed that most investments were in the Local Government grouping, accounting for approximately **51 percent** of Repo Assets for the quarter ended December 2021. (**Figure 16**). When looking at June 2021, Domestic Corporate Securities contracted by **TT\$41.85Mn (20.05 percent)** whilst Foreign Securities and Local Government Securities grew by **TT\$434.20Mn (13.73 percent)** and **TT\$350.25Mn (9.64 percent)**.

Figure 16: Repo Portfolio Asset Composition



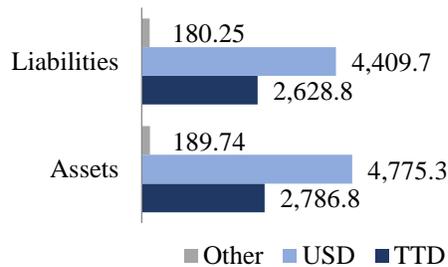
As at December 2021, the market share of the largest categories of assets underlying Repos were Foreign Government (**28.94 percent**), TT Government (**25.94 percent**), Foreign Non- Government (**17.47 percent**) and TT Non-Financial State Agencies (**11.15 percent**).

As at December 2021, approximately **62 percent** and **61 percent** of Repo Assets and Repo Liabilities, were denominated in USD currency (**Figure 17**). However, investments denominated in TTD increased in terms of overall value by **TT\$257.04Mn (10.16**

percent) and **TT\$243.57Mn (10.21 percent)** for Repo Assets and Liabilities.

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

Repo Liabilities were mostly denominated in USD, accounting for approximately 61% of the portfolio.



Repo Investor Type

Repos are utilised by both Institutional and Retail investors¹³. The Institutional category consists of investors such as **Domestic Banks, Credit Unions, Insurance Companies, Other Corporate** and **Financial Institutions**, with a small number of **Pension Funds** utilising the instrument as a form of investment.

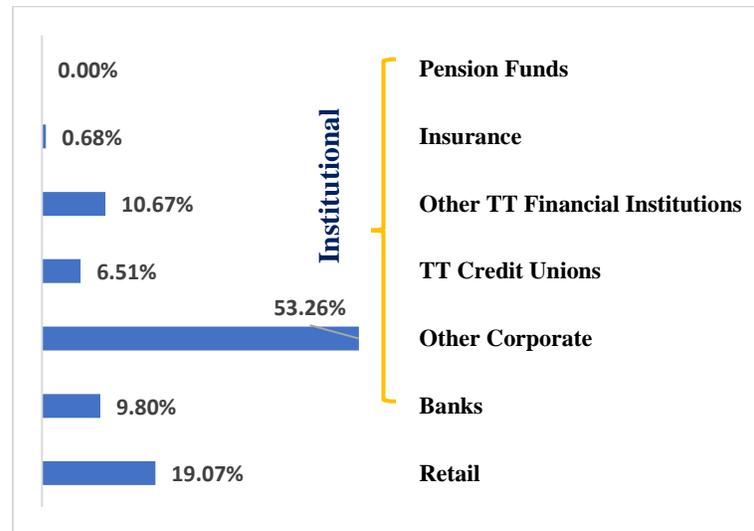
As at December 2021, Institutional investors accounted for **80.93 percent (TT\$5.84Bn)** and Retail investors accounted for the remaining **19.07 percent (TT\$1.38Bn)** (Figure 18).

¹³ A retail investor is a nonprofessional investor who buys and sells securities, mutual funds or ETFs through a brokerage firm or savings account

In relation to all investors, companies classified as “Other Corporate” accounted for the majority as at December 2021, recording **53.26 percent (TT\$3.84Bn)**, the **Pension Funds, Insurance Companies** and **TT Credit Unions** had the least investments in the Repo market of approximately **7 percent (TT\$519.15Mn)** (Figure 18).

Figure 18: Repo Investor Breakdown by Category as at December 2021

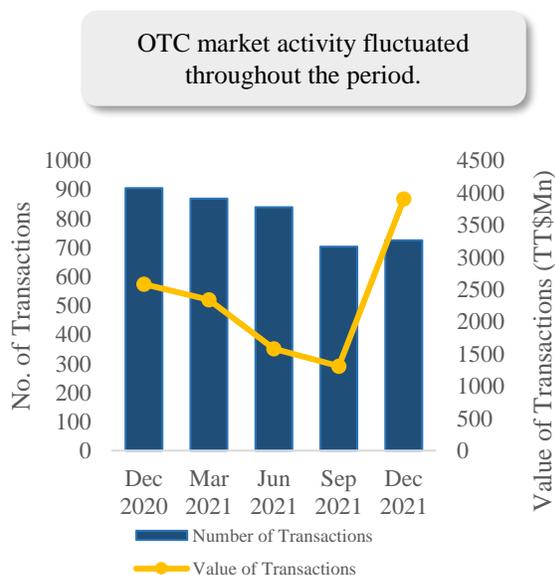
Institutional Investors account for approximately 81% of the Repo market’s investor base



Over the Counter (OTC) Market

For the year 2021, there was a total of **3,136** transactions valued at **TT\$8.09Bn** reported in the local OTC market. From June 2021, the total number of OTC transactions decreased by **114 (13.59 percent)** while its value increased by **TT\$2.32Bn (147.21 percent)**. The number of OTC transactions trended downwards throughout most of 2021 while its value for the last quarter ending December 2021 spiked significantly by **197.93 percent (TT\$2.59Bn)** from the quarter ended September 2021. (Figure 19).

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



At the end of December 2021, there were 10 Broker-Dealers participating in the OTC market. For the quarter ended December 2021, **80.28 percent** of transactions were executed by Broker-Dealers acting as Agents (arranging a trade between third party buyers and sellers) while the remaining **19.72 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. As at the quarter ended December 2021, **96.41 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 **85.24 percent** of OTC transactions were denominated in TTD at the end of 2021 while the remaining **14.76 percent** were denominated in USD.

Interconnections

Past events such as the global financial crisis of 2008–09 and, in the Caribbean, the crisis stemming from the collapse of Trinidad and Tobago-based CL Financial Group in 2009; to most recently the global Covid 19

pandemic has highlighted the interconnectedness that exist within local, regional, and international markets. Even though globalization and interconnectedness can promote international risk sharing, competition, and efficiency; it can also spread adverse shocks in a virulent manner. Hence it is important that as a Regulator we not only monitor the risks within the local securities market, but we continue to holistically examine financial stability while understanding the linkages between the markets.

Registrants

Approximately **65 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 December 2021. This highlights the importance of the banking sector to the economy of Trinidad and Tobago. Any significant problems with these registrants can have reputational and financial damages, undermining financial and economic stability. The remaining **35 percent** of Registrants were Independent.

These Registrants (i.e., those either associated or belonged to a group consisting of a Financial or Banking entity) 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.

Equity Market

It is important to note that the Equities market is the largest segment of the Trinidad and Tobago securities market, valued at a market capitalisation of **TT\$150.04Bn** as at December 2021. The **5** largest companies that bolstered the positive performance of this market were within the Banking Sector, accounting for **53.37 percent** as at December 2021.

CIS Market

The securities market in Trinidad and Tobago is notable for the high degree of penetration of CISs into the population. The size of this market in the economy is very significant as it measured approximately **42.49 percent** of GDP as at December 2021. The majority of the market's AUM are held in assets managed by Systemically Important Financial Institutions (SIFIs). These factors clearly create a significant risk of a systemic

impact if the funds experience problems. As at December 2021, there were **72** registered mutual funds managed by **16** CIS managers of which **51 percent** of the AUM was managed by institutions associated with Financial entities whilst **47.74** percent were associated with Banking entities. An institution which is associated with a Financial Group held the largest market share of **38.01 percent**.

Local CISs also hold investments in regional and international financial markets creating interconnections globally. As such, factors affecting international markets can also impact the local securities market. Global markets have been grappling with black swan events within recent years including the Covid-19 pandemic, geopolitical tensions, and surging oil and gas prices. Even though investments in Foreign Securities accounted for approximately **32.27 percent** for CIS portfolios, it is important that we continue to monitor the developments in international markets.

Repurchase Agreement Market

Eleven of the **13** Repo Dealers were associated with Financial and Banking Groups as at December 2021. The **two (2)** market leaders were associated with

Financial Groups, accounting for approximately **59 percent** of Repo Liabilities.

It was observed that the portfolios in the CIS and Repo markets were quite similar where the largest investments were made in fixed income securities issued by the Government of Trinidad and Tobago (GORTT) and its State Agencies. As at December 2021, these investments accounted for approximately **45 percent** and **51 percent** of the CIS and Repos portfolios, respectively. Investments in the Local Equities market accounted for approximately **5 percent** for CIS portfolios and were absent from the Repo portfolio. CIS portfolios invested **0.63 percent** in Repos while Repo portfolios invested **0.24 percent** in Local CISs. Whilst the TTSEC's Repo Guidelines restricts investments in local equities and CISs, the TTSEC has taken steps to amend these guidelines and oversight of the Repo market.

Additionally, investments of approximately **46 percent** were made in Foreign Securities for Repo portfolios.

OTC Market

As it relates to the OTC market, there were **10** companies which participated in the

market, of which, **64 percent** were associated with Financial or Banking Groups.

The financial markets in Trinidad and Tobago are heavily interconnected which can be areas of concern. In addition to the interconnections within the CIS and Repo portfolios, the following were also observed:

- There were **3** exchange-traded CISs on the T&T Stock Exchange: The Calypso Macro Index Fund from the T&T Unit Trust Corporation and the Development and Value Funds from Eppley Caribbean Property Fund Limited.
- The CIS industry and Repo portfolios have significant exposure to GORTT bonds. As such, any downgrade(s) in the country's sovereign rating will negatively impact the health of investment portfolios; and
- 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 were felt in markets worldwide, there were signs of recovery in the local market. As at

December 31, 2021, the Equity, CIS and Repo markets recorded gains, while the value of the GORTT Bond market experienced a minimal decline.

The Equity market continued to grow throughout 2021 as the market capitalisation grew at a quarterly average rate of **2.55 percent**. In addition, there were increases in the total trades and total volume traded in the second half of 2021.

For its fifth consecutive year, the CIS market continued to record growth in AUM at the end of December 2021. Fixed NAV funds continued to dominate the CIS market and accounted for approximately **57.52 percent** of the market's AUM for the four quarters in 2021 and **57.31 percent** of the market's AUM in its last two quarters. The average yield for the Fixed and Floating NAV funds in 2021 were approximately **1.61 percent** and **5.41 percent**, respectively whilst investors continued to be comprised mostly of TT Individuals, which accounted for over **71 percent**.

Fixed income and equity funds continued to be the most preferred CISs by investors, collectively accounting for over **70 percent** of the CISs registered with the TTSEC for the year 2021. Fixed income funds also

accounted for the largest share in the AUM, managing **64.32 percent** of the market.

Similarly, when examining the CIS market's portfolio composition in 2021, 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 December 2021, fixed income securities remained the most traded security via the OTC market as **96 percent** of securities traded were fixed income.

The value of the Repo market grew significantly during the review period. At the end of December 2021, there was an increase by approximately **11 percent** in value from June 2021. Generally, the average Repo return of these transactions on a quarterly basis was approximately **2.98 percent** with the average duration of Repos being **6 months**. In relation to the investor base, Institutional investors remain the largest group, accounting for approximately **81 percent**.

As it relates to the Government Bond market, the GORTT bonds experienced a decline of approximately **2 percent** in nominal value. Despite this, the activity in the Bond market was positive throughout 2021 as the number of trades and traded value increased in the second half of 2021, mainly due to the activity in the Corporate Bond market. When examining the OTC market for the year 2021, it remains as the smallest segment with the value increasing by **TT\$2.32Bn (147.21percent)** and its number of transactions decreasing by **114 (13.59 percent)** respectively when compared to its 2020 figures.

The Way Forward

The TTSEC has scheduled the implementation of the undermentioned prudential oversight tools as part of its commitment to monitoring the financial stability and enabling the growth and development of the market and protecting investors.

- A remodelled Risk Based Supervisory Framework which revolves around the assessment of the risks inherent in Registrants' business activities, the effectiveness of their

internal controls, and the potential impact they can have on the market.

- Risk Based Capital Adequacy and Liquidity Framework that is aligned with international best practice and seeks to ensure that Registrants' maintain sufficient capital and liquid assets commensurate with the level of risk undertaken.
- The CIS Risk Monitor which will facilitate the assessment of the risks inherent in the local CIS sector and the production of risk reports which will be shared with CIS managers.

The TTSEC thanks the many Registrants who have been assisting with the testing and finalization of these frameworks and tools.

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).

Other funds- The category of “Other” includes funds that are primarily invested in in Repos, Mortgages, Promissory Notes and Other Assets.

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

- **Local Government** – all investments in securities issued by the Government of Trinidad and Tobago and State Agencies. The sub-groupings in this category are:
 - TT Financial State Agencies
 - TT Government Eurobonds
 - TT Government Securities
 - TT Non-Financial State Agencies
- **Domestic Corporate** – all investments in securities issued by local companies in Trinidad and Tobago. The sub-groupings in this category are:
 - TT Other Corporate Bonds
 - TT Equity
 - TT CISs
 - TT Bonds Financial Sector

- **Foreign** – all investments in securities issued by foreign governments and companies not domiciled in Trinidad and Tobago. The sub-groupings in this category are:

- Foreign CISs
- Foreign Equity
- Foreign Government Securities
- Foreign Non-Government Securities

- **Other** – all investments in assets not categorised within the groupings: TT Government, Domestic Corporate and Foreign. The sub-groups that are mainly classified here are Real Estate and securities labelled as “Other”.

CIS Portfolio Composition

Local Government Securities

Investments in TT Government Securities, Government Eurobonds, Financial and Non-Financial 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	September 2020	December 2020	March 2021	June 2021	September 2021	December 2021
CIS AUM (TT\$Mn)	59,516	60,306	60,939	62,298	62,956	64,138
% CIS AUM Fixed NAV	58	58	58	58	58	57
% CIS AUM Floating NAV	42	42	42	42	42	43
CIS Net Sales/(Redemptions) (TT\$Mn)	1231	819	812	617	(479)	(495)
Number of CISs	68	68	68	69	69	72
Number of CIS Managers	15 ¹⁴	15	15	15	15	16
Repo Assets (TT\$Mn)	4,366	6,730	7,155	7,017	7,411	7,752
Repo Liabilities (TT\$Mn)	4,103	6,175	6,608	6,487	6,910	7,219
No. of Repo Contracts in issue	1,541	1717	1,794	1,844	1,836	1,874
No. of Repo Dealers	11	11	12	13	14	13
Average Repo Maturity (mths)	11	7	9	6	8	3
Average Repo Return (%)	2.65	2.91	2.71	2.64	4.16	2.43
Value of GORTT Bond Issues, (TT\$Mn)	29,778	29,446	29,441	28,436	28,432	27,952
Market Capitalisation (TTD market) (TT\$Mn)	135,041	135,639	137,537	140,185	142,655	150,036
Market Capitalisation (USD market) (US\$Mn)	22	22	22	19	20	20
Value of OTC Transactions, (TT\$Mn)	1,606	2,583	2,338	1,579	1,310	3,904
Number of OTC Transactions	1,269	905	869	839	703	725

¹⁴ The change in CIS Managers was due to Reporting Adjustments.