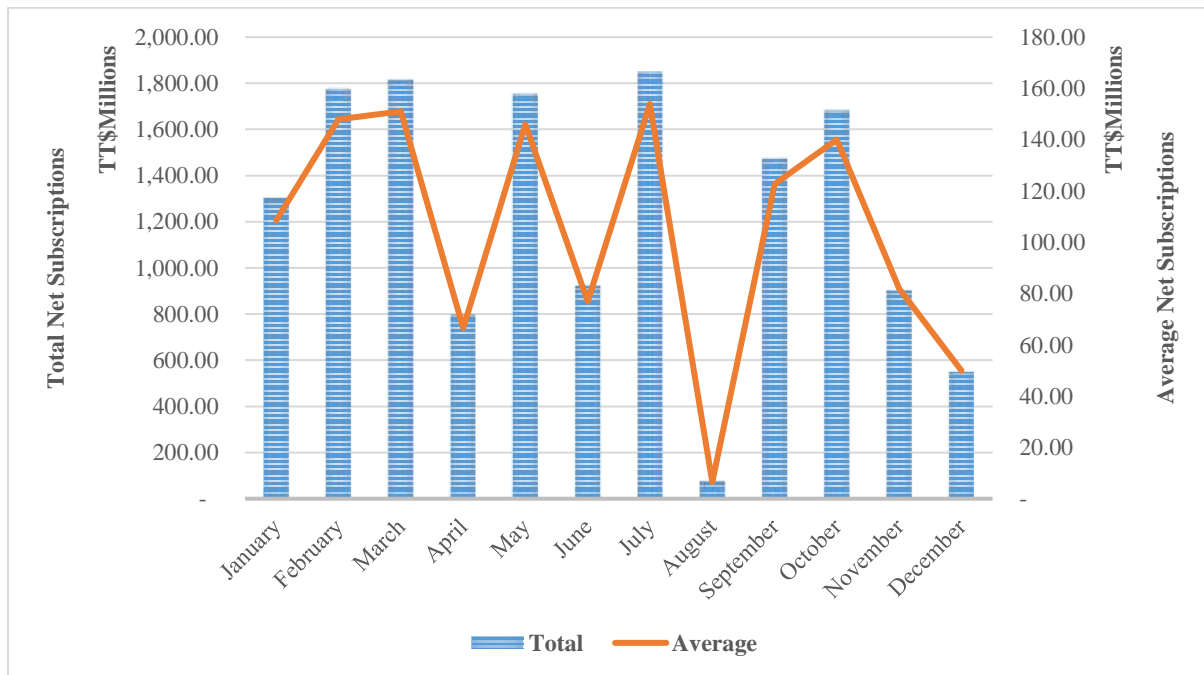




## Mutual Funds and the Christmas Season

Christmas time is almost upon us and while we continue to ensure that we are safeguarded from the COVID-19 pandemic, it is also expected that many will continue with their traditional preparations for the season. During this time of year, most persons review their options for financing activities related to the season. Funds tend to be derived from savings, investments and loans. The Trinidad and Tobago Securities and Exchange Commission (“TTSEC”) assessed investors’ withdrawals from Mutual Funds based on data from 2010 to present and the analysis suggests that the months of August and December have the lowest net subscription (or deposit) rates as seen in **Figure 1**.

**Figure 1 – Trends in Net Subscriptions/Redemptions 2010 to Present**



This suggests that while local mutual fund investors are saving more than they are withdrawing during these months, August and December continue to have the highest incidence of redemptions or withdrawals. This is in line with observed seasonal spending patterns here in Trinidad and Tobago.

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

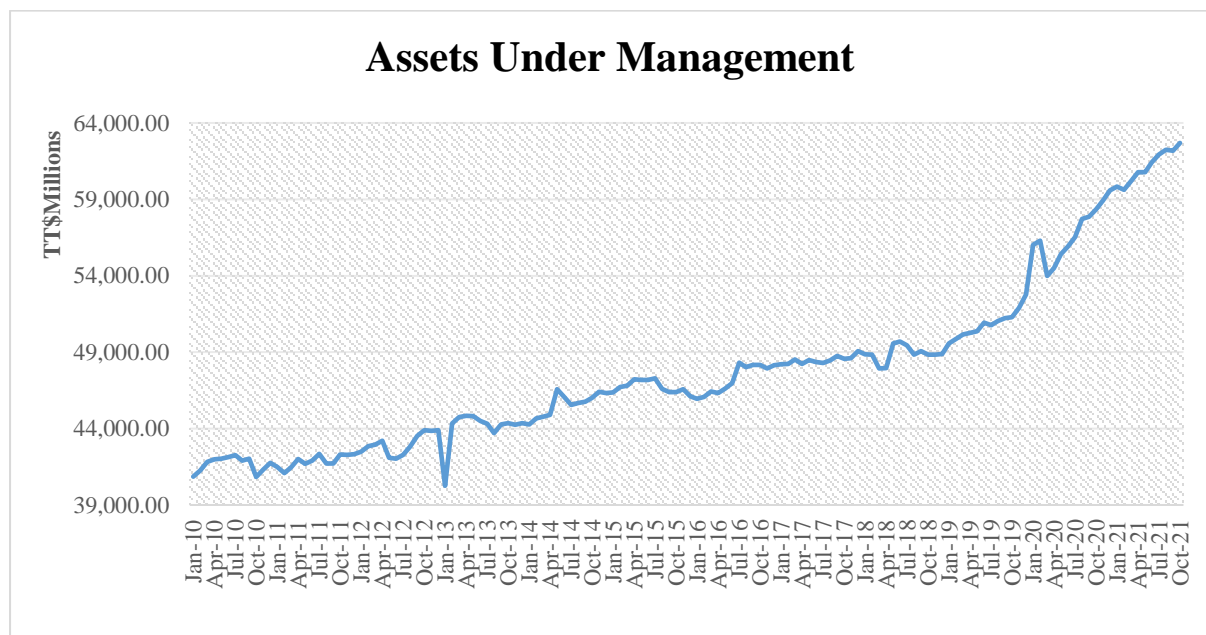
**What is a Subscription and Redemption?** Subscriptions occur when investors deposit money into their Mutual Fund account. Redemptions occur when investors withdraw money from their Mutual Fund accounts. Net subscriptions occur when total monies deposited into the mutual fund exceed those withdrawn.

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

As at October 31<sup>st</sup> 2021, total Mutual Fund Assets Under Management (“AUM”) was approximately **TT\$63 Billion**, this represents approximately **44%** of Gross Domestic Product (“GDP”).

**Figure 2** displays the growth of Mutual Fund AUM over the past 11 years in the Trinidad and Tobago Securities Market. Over the period, the Mutual Fund sector has grown by approximately **53%**, this suggests that investors have a significant appetite for mutual fund investment products. The industry has rebounded significantly (**16%**) from March 2020 when the COVID-19 pandemic lockdown measures were implemented in Trinidad and Tobago.

*Figure 2 - Mutual Fund AUM growth 2010 to Present*



There are **70** Mutual Funds registered by the TTSEC to operate in Trinidad and Tobago. These Mutual Funds can be categorised as either Fixed Net Asset Value (“NAV”) or Floating NAV. **What is a Net Asset Value?** The NAV represents the value of the mutual fund and takes into consideration the subscriptions and redemptions. It is normally calculated every business day and must be computed in accordance with the methodology communicated to investors.

**What is a Fixed NAV?** A Fixed NAV means the value of a mutual fund unit is managed in such a way to ensure the price of a unit is the same for both subscriptions and redemptions.

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

Currently, Fixed NAV Mutual Funds accounted for approximately **60%** of Mutual Funds' AUM while Floating NAV Mutual Funds accounted for approximately **40%** of AUM. This suggests that investors in Trinidad and Tobago may be more risk adverse, since most invest in the constant NAV funds. Fixed NAV Mutual Funds, however, offer a lower rate of return when compared to Floating NAV Mutual Funds.

As the 2021 Christmas season approaches, the TTSEC recommends that investors conduct proper research and budgeting techniques to ensure investments are not depleted while taking part in the festive season. We also suggest that investors consult with professionals registered with the TTSEC to ensure that any potential investment in the securities market are with entities registered with the TTSEC. Be wary of a potential investment **SCAM** (**S**mart-man **C**onning **A**way your **M**oney) and know your **ABC's** – **A**sk questions; **B**eware of investment fraud; and **C**heck the TTSEC first!

**END**

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