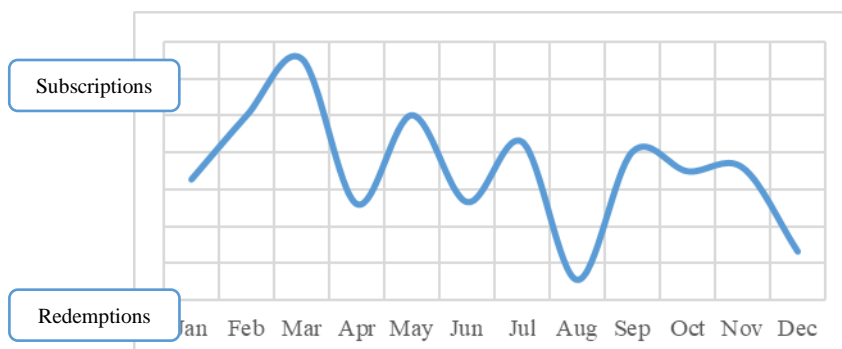




Mutual Funds and the Christmas Season

With the Christmas season upon us and the anticipated increases in the levels of consumer spending, persons are at this time weighing options for financing new purchases whether it be a car, travel or renovations to their home. An assessment of investors' withdrawals from the Collective Investment Schemes/Mutual Funds from 2010 to present, by the Trinidad and Tobago Securities and Exchange Commission (TTSEC), suggests that the months of August and December have the highest redemption rates as seen in Figure 1.

TTSEC Figure 1 - Net Subscriptions/Redemptions



This revelation is not surprising, since the month of August can possibly be attributed to withdrawals for family vacations or for the upcoming school and tertiary terms while withdrawals in December may relate to increased spending associated with the Christmas period. The Index of Retail Sales generated by the Central Statistical Office shows that historically the fourth quarter in any calendar year is the most active for spending.

As at October 31st 2019, total Mutual Fund Assets under Management (AUM) was approximately TT\$51.28 Billion. This represents 31.81% of Gross Domestic Product (GDP).

What is a Mutual Fund?

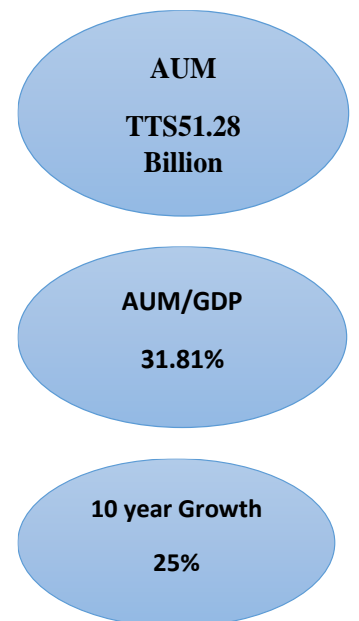
A mutual fund is a type of investment that is made up of a pool of money collected from many investors to invest in securities like stocks, bonds, money market instruments, and other assets. Mutual funds are operated by investment professionals registered with the TTSEC. These professionals manage the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

What is a Subscription and Redemption?

Subscriptions occur when investors deposit money into their Mutual Fund account.

Redemptions occur when investors withdraw money from their Mutual Fund accounts.

Statistics



TTSEC Figure 2 - Mutual Fund AUM growth

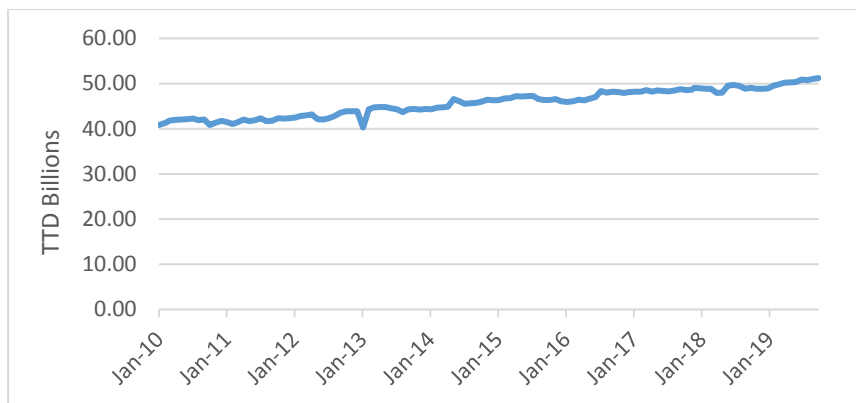


Figure 2 displays the growth of Mutual Fund AUM over the past 10 years in the Trinidad and Tobago Securities Market. Over the period the Mutual Fund sector has grown by approximately 25%, this suggests that investors in Trinidad and Tobago have a significant appetite for mutual fund investment products.

There are currently 68 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. As at October 2019, Fixed NAV Mutual Funds accounted for approximately 61% of Mutual Funds' AUM while Floating NAV Mutual Funds accounted for approximately 39% of AUM. This suggests that investors in Trinidad and Tobago are more risk adverse, since most invest in Fixed NAV Mutual Funds which offer a lower rate of return when compared to Floating NAV Mutual Funds. The data suggests that investors are willing to forego a higher rate of return for less fluctuations in NAV.

Given that the Christmas period heralds high consumer spending, the TTSEC recommends that investors conduct proper research and budgeting techniques to ensure that investments are not depleted while taking part in the festive season. Consult with financial professionals registered with the TTSEC and ensure that any potential investments in the Securities Market, are with entities registered with the TTSEC. Be wary of potential investment SCAMs (Smartman Conniving to take Away your Money) and know your ABC's – Ask questions, Beware of investment fraud and Check the TTSEC first!

For more information visit TTSEC at www.ttsec.org.tt or www.investucatett.com

What is a Net Asset Value?

The net asset value of a mutual fund is normally calculated every business day and must be calculated in accordance with the methodology communicated to investors. The NAV represents the value of the mutual fund with respect to subscriptions and redemptions.

What is a Fixed NAV?

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

What is a Floating NAV?

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

Statistics

**Number of
Mutual Funds**
68

Fixed NAV AUM
61%

**Floating NAV
AUM**
39%