



Mutual Funds and the Securities Market

Every new year, many individuals embark on a journey to increase their investment portfolio. The securities market provides individuals with many different options to achieve this goal with products such as equities, bonds and Collective Investment Schemes (CISs). With this in mind, this article focuses on CISs.

Commonly known as mutual funds, CISs are investment vehicles which allow for the pooling of investor resources to create a more diversified portfolio to receive the benefits of large-scale investment opportunities. Investors effectively own portions of the overall “pool of money”, or fund, through units/shares which are proportional to their contributions. The mutual fund manager then utilises the fund to invest in securities aligned with the associated investment strategy. Investors can earn returns through distributions or capital appreciation based on the fund’s performance.

Figure 1 – Industry Growth (December 2012 – November 2021)

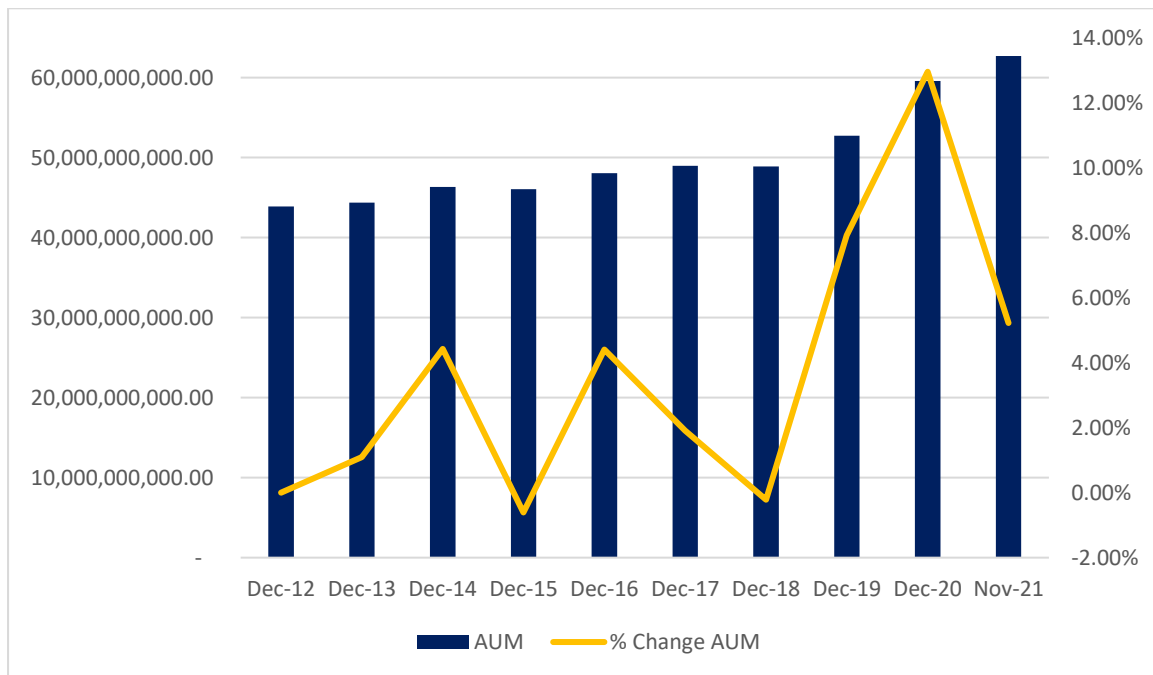


Figure 1 above shows just how much the CIS industry has grown over the last nine years, from collectively managing **TT\$43.89 Billion** to **TT\$62.70 Billion** in Assets Under Management (“AUM”)

as at November 30, 2021 with **70** registered mutual funds and **15** mutual funds managers. This represents an increase of **TT\$18.81 Billion** or **42.86%**, clearly indicating that the CIS industry is a major component of the local securities market.

Of the total AUM figure, as at November 30, 2021, approximately **58%** represented Fixed Net Asset Value (“NAV”) funds while the remaining **42%** represented Floating NAV Funds. The NAV, of a mutual fund, represents its value and takes into consideration subscriptions (i.e. when investors deposit money into their mutual fund accounts) and redemptions (i.e. when investors withdraw money from their mutual fund accounts). This NAV figure is normally calculated by dividing the AUM of the mutual fund by the number of units/shares held by investors. This calculation normally takes place every business day and is done in accordance with the methodology communicated to investors in the mutual fund’s prospectus¹.

As previously stated, the majority of mutual funds in the local securities industry are classified as either a Fixed NAV fund or Floating NAV fund. For Fixed NAV funds, as the name suggests, the NAV remains fixed or constant. It is usually the responsibility of the mutual fund manager to maintain this unit value for both subscriptions and redemptions. Conversely, for Floating NAV funds, the value of units changes based on the performance of the securities in the fund. Therefore, the value of a unit on the day you invest (or subscribe) can differ from the value of a unit on the day you withdraw (or redeem) from the fund. Fundamentally, the per unit price or value of the fund will either remain constant or fluctuate on a daily basis.

It is therefore important for investors to regularly review and monitor their mutual fund investment statements to better understand the value of their investments. Should investors decide to redeem their investments, they will be aware of the gains or losses on the investment and therefore make a more informed decision.

¹ A disclosure document that describes a financial security for potential buyers.

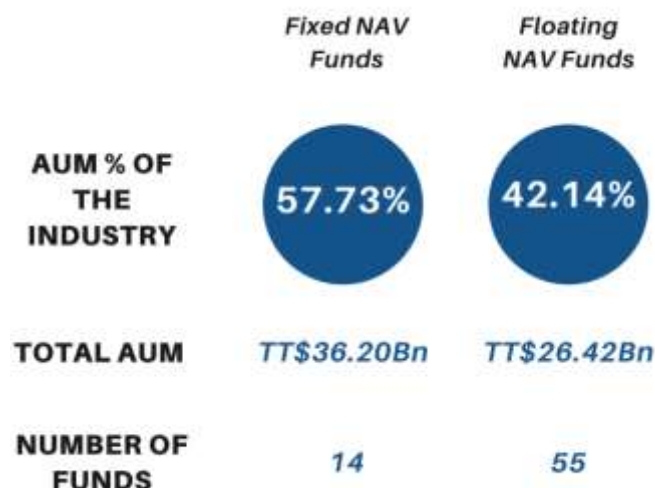


Figure 2 – Mutual Fund Industry Breakdown (November 30, 2021)

From **Figure 2** above it can be seen that while there is almost a quadruple number of Floating NAV mutual funds operating in the industry, their assets are less in comparison to those of Fixed NAV mutual funds.

The CIS market plays an integral role in the composition of the local securities industry and provides one of the many investment opportunities available. If you are considering investing in the mutual fund market, it is important to ensure that the mutual fund and its manager are registered with the Trinidad and Tobago Securities and Exchange Commission (TTSEC). You should also ensure that you review the fund’s prospectus. This document provides potential investors with important material information about a security to help them determine if an investment strategy would be best suited to their goals and risk tolerance.

To help you navigate this journey, we encourage you to visit our investor education website at www.InvestUcateTT.com. While on this site, you will have access to free online resources such as brochures, blogs and a budget calculator. There is also a free investor education online course which takes you through (9) modules that will lead to a certificate upon completion.

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