

IIFA Country Report 2011-2012

Trinidad & Tobago

1. Economic & Financial Background

Trinidad and Tobago economy recorded a contraction of 1.5% in 2011 after being flat in 2010. The contraction was attributable to a decline in output in both the energy and non-energy sectors. The decline in the energy sector occurred because of maintenance operation, as well as maturation of fields. One of the factors that accounted for the decline in the non-energy sector was a curfew which affected several areas of the country between the months of August and November 2011. The Central Bank is optimistic that there would be recovery in 2012 and projects GDP growth of 1.0% in 2012. The growth is expected as Government has adopted measures to increase investment and reduce unemployment. The energy sector is likely to benefit from an increase in output and high energy prices. Similarly, output in the non-energy sector is likely to increase as Government embarks on various construction projects.

Headline inflation declined from 12.50% in January 2011 to 5.30% in December 2011. The easing of inflationary pressures strengthened the case for the Central Bank of Trinidad & Tobago (CBTT) continued use of accommodative monetary policy. The "Repo"ⁱ rate declined from 3.75% to 3.00% in 2011. Similarly, the average commercial bank prime lending rate declined from 8.38% to 7.75% and three month T-bills rates declined from 0.45% to 0.20% in 2011. Inflation is forecasted at 7% in 2012. The unemployment rate edged down from 5.8% to 5.2% in 2011. At the end of fiscal 2010/2011 Trinidad and Tobago's public debt to GDP stood at 36.2%. The Central Bank indicated that Trinidad and Tobago recorded a Balance of Payment Surplus of US\$276.0 million for the first nine months of 2011.

The Ministry of Finance initial estimates has indicated that the fiscal accounts recorded a deficit of \$1,039.2 million for the fiscal year 2010/2011 (October 2010 to September 2011) compared to the original estimate of \$7,732.2 million. The lower-than budgeted deficit reflected higher revenues and lower expenditure. The Government received higher revenue than anticipated because of the tax amnesty and buoyant energy prices.

The "Business Insider has ranked the Trinidad and Tobago Stock Exchange (TTSE) the 5th Best Performing Stock Market for 2011." In 2011, the Composite Index advanced by 177.23 points (21.21%) to close at 1,012.87 in December 2011. In August 2011, the first USD denominated instrument was listed on the TTSE.

The Mutual Fund Industry recorded growth of 3.4% in Funds under Management between 2010 and 2011. The Central Bank indicated that the liquidity build up in the financial system liquidity resulted in greater interest in mutual funds. Commercial banks' excess reserves held at the Central Bank grew to a daily average of \$5.6 billion in December 2011. The higher level of liquidity was partly attributable to heightened level of government spending.

	2005	2006	2007	2008	2009	2010	2011
Real GDP Growth (year on year change)	6.2%	13.4%	4.8%	2.7%	-3.3%	-0.02%	-1.5%
Inflation (12 Month Change) Headline	7.2%	9.1%	7.6%	14.5%	1.3%	13.4%	5.3%
Unemployment Rate (period average)	8.0%	6.2%	5.6%	4.6%	5.3%	5.9%	5.2%
Equity Prices (composite Stock Index)	1,067.4	969.2	982.0	842.9	765.3	835.6	1,012.9
Fiscal Balance/GDP (fiscal year)	5.2	6.9	1.8	7.5	-4.9	0.1	-0.7
Net Official Reserve(US\$ Mn end of period)	3,998.8	5,117.6	6,673.5	9380.3	8,651.6	9,070.0	9,822.7
Import Cover	8.9	9.9	9.4	11.5	11.9	13.1	11.9
Mutual Fund Under Management (million) – MFATT Members					37,038.9	37,228.1	38,487.7

Source: Central Bank of Trinidad and Tobago and MFATT ICI Submissions

Trinidad and Tobago economy was flat in the first quarter of 2012 after recording declines in the last two quarters of 2011. The economy was flat in the first quarter as a 0.3% increase in the non- energy sector was offset by a decline in the non-energy sector.

Headline inflation increased from 6.80% in January 2012 to 11.00% in June 2012. The increase in inflation was primarily attributed to rising food prices. The Repo rate remained at 3.00%, while the average commercial bank prime lending remained at 7.75% during the first half of 2012. The three month T-bills rates declined during the first three months of 2012, reaching a historic low of 0.04% in March 2012 before increasing. The three month T-Bill rate stood at 0.50% at the end of June 2012. Inflation is forecasted at 8% in 2012.

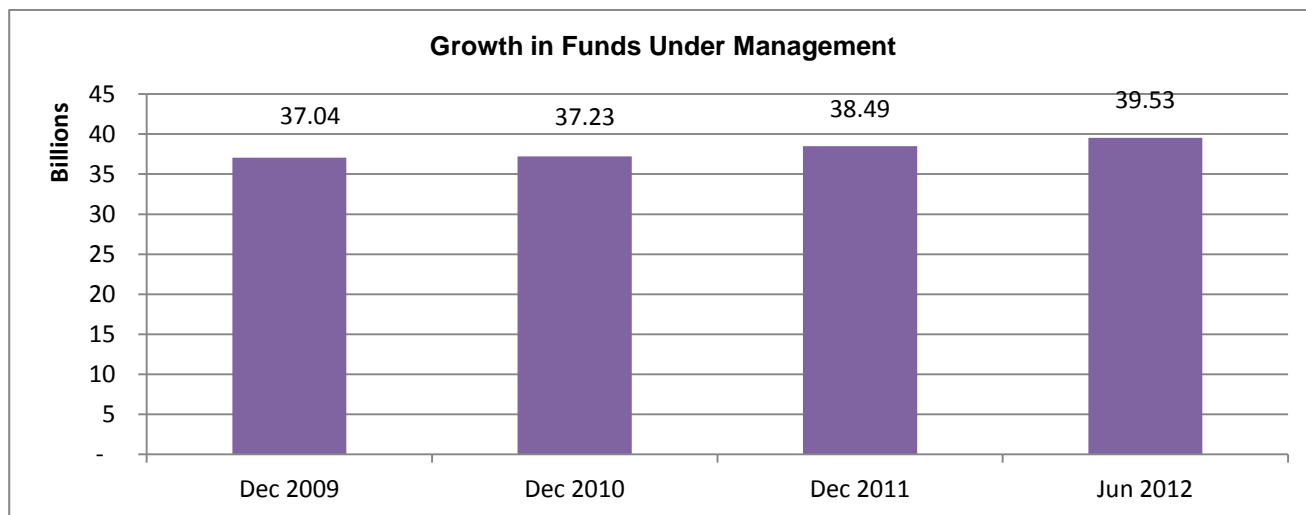
At the end of March 2012 Trinidad and Tobago's public debt to GDP stood at 38.7%. The increase in public debt was attributable to funding from the Inter-American Development Bank, as well as payment to Colonial Life Insurance Company Limited (CLICO) Policyholders. The latter arose from the government's efforts to bailout the insurance giant that faced a liquidity crisis in 2009 due to how deeply entwined the institution was into the domestic and regional economy.

The Ministry of Finance initial estimates has indicated that the fiscal accounts recorded a surplus of \$1,329.2 million between October 2011 and May 2012. The surplus was attributed to an increase in energy prices and higher VAT collection.

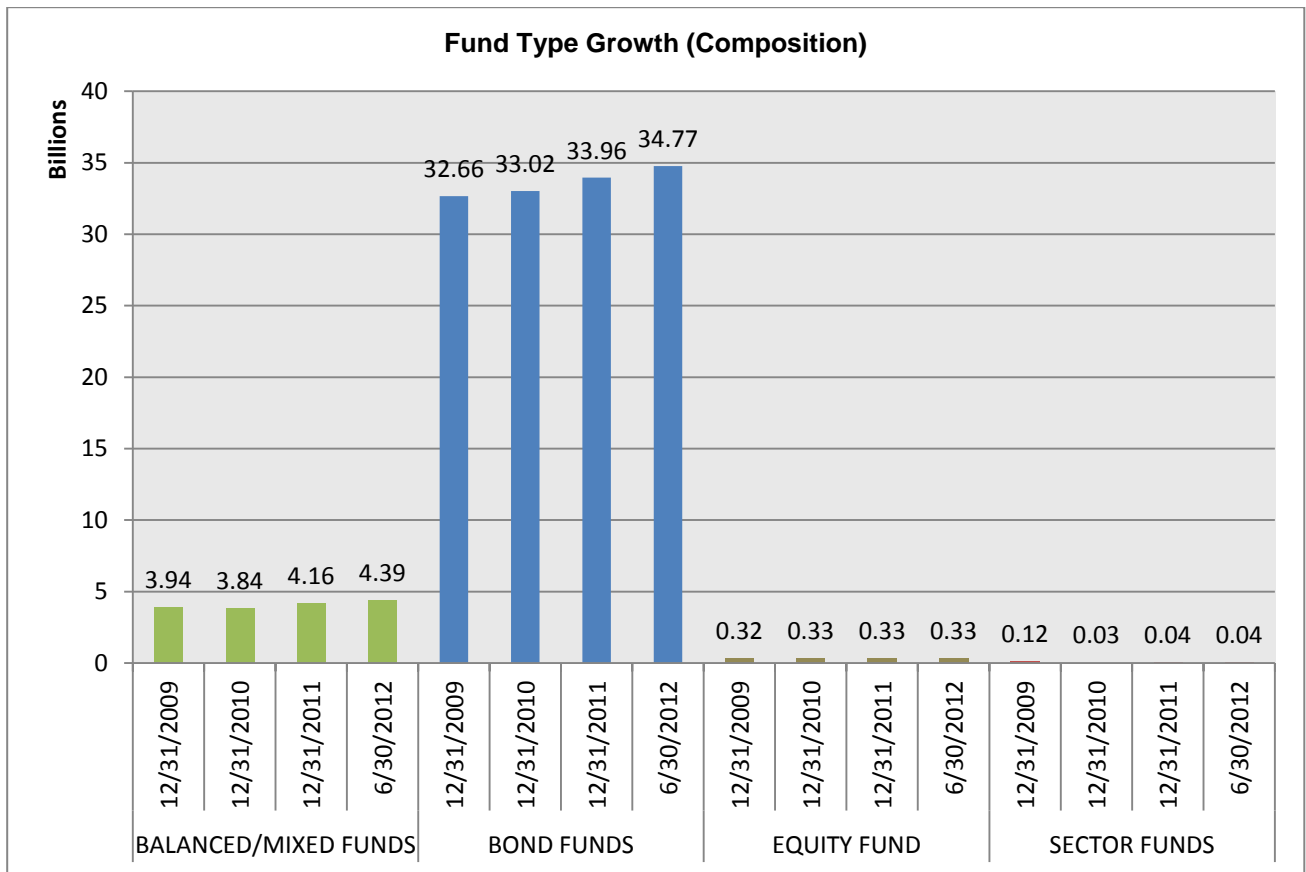
The Trinidad and Tobago Stock Exchange (TTSE) performance for the first half of 2012 was slower compared to 2011. At the end of June 2012 the Composite Price Index was up 0.9% compared to 14% at the end June 2011

The Mutual Fund Industry recorded growth of 2.7% in Funds under Management between December 2011 and June 2012. The Central Bank daily average stood at a high of \$6 billion at the beginning of 2012. Central Bank liquidity absorption measures assisted in reducing excess liquidity and it averaged \$2.2 billion during the first three weeks of July 2012.

2. Data on funds under management and portfolios

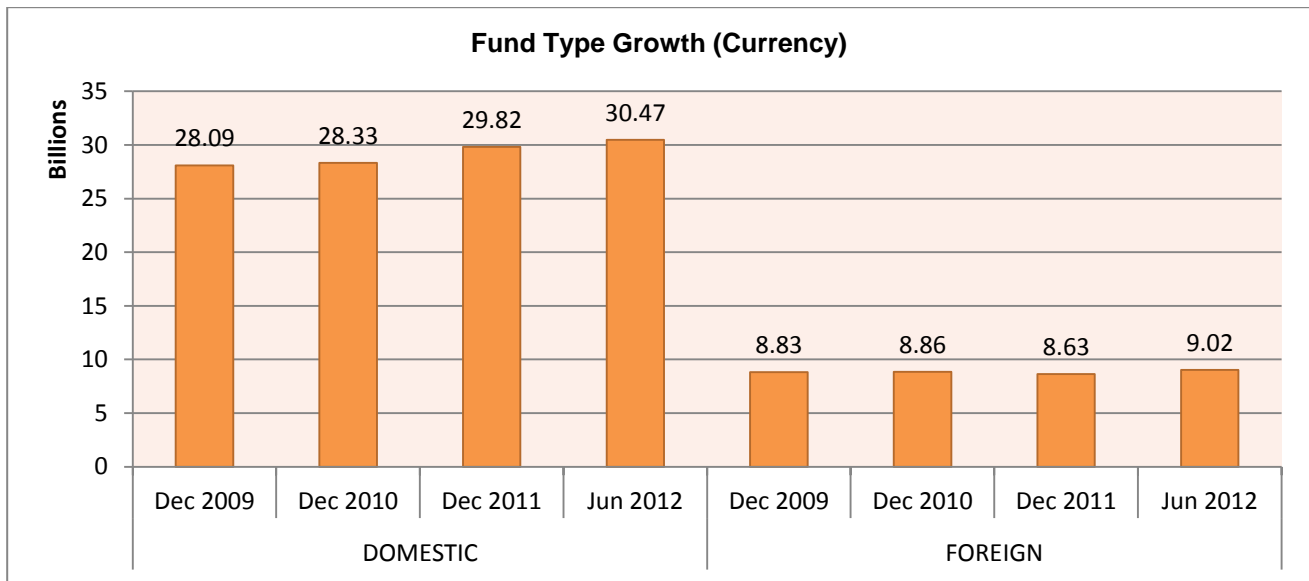


Bond and Balanced/Mixed Funds outgrew Equity and Sector funds in the 2011-2012 period however all but the Equity funds showed declining growth levels.



BALANCED/MIXED FUNDS	VALUE	YOY GROWTH
Dec 2011	4,160,578,319	8.4%
Jun 2012	4,392,587,833	5.6%
BOND FUNDS	VALUE	YOY GROWTH
Dec 2011	33,957,412,840	2.8%
Jun 2012	34,766,631,492	2.4%
EQUITY FUND	VALUE	YOY GROWTH
Dec 2011	330,351,301	-1.1%
Jun 2012	334,543,718	1.3%
SECTOR FUNDS	VALUE	YOY GROWTH
Dec 2011	39,393,798	20.2%
Jun 2012	35,343,570	-10.3%

In 2011 Trinidad & Tobago Dollar denominated funds outgrew those denominated in Foreign Currencies (all US Dollars) however there was a reversal of this trend by 2012 Q2 as illustrated below:

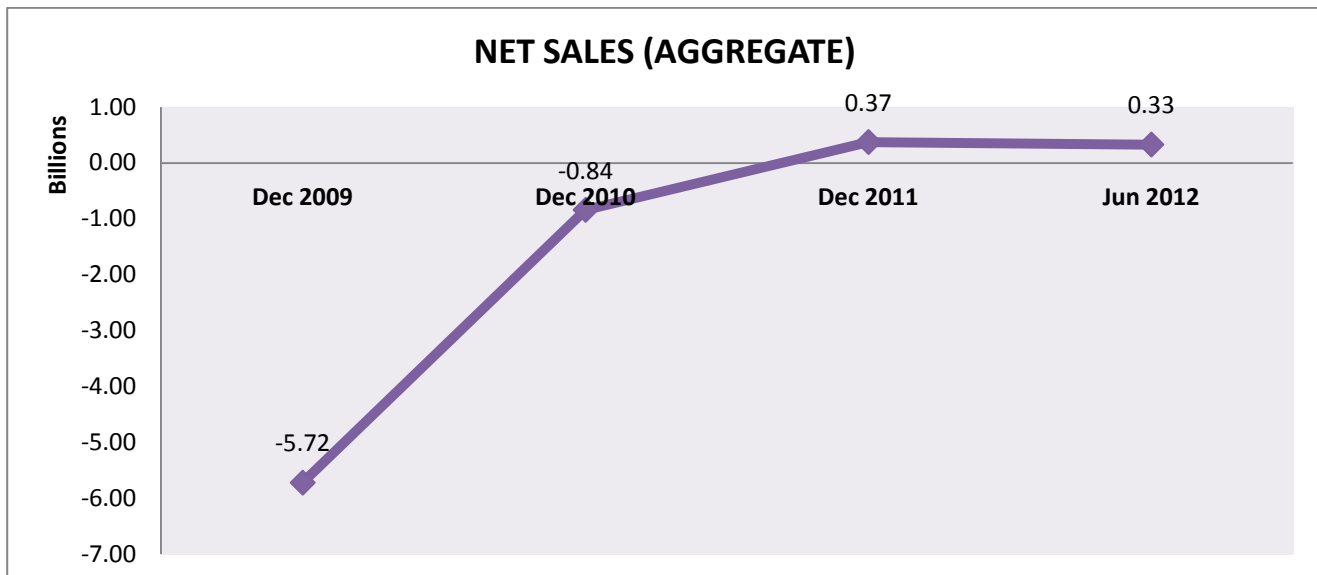


DOMESTIC	VALUE	YOY GROWTH
Dec 2011	29,822,835,599	5.3%
Jun 2012	30,469,161,685	2.2%
FOREIGN	VALUE	YOY GROWTH
Dec 2011	8,625,506,861	-2.7%
Jun 2012	9,024,601,359	4.6%

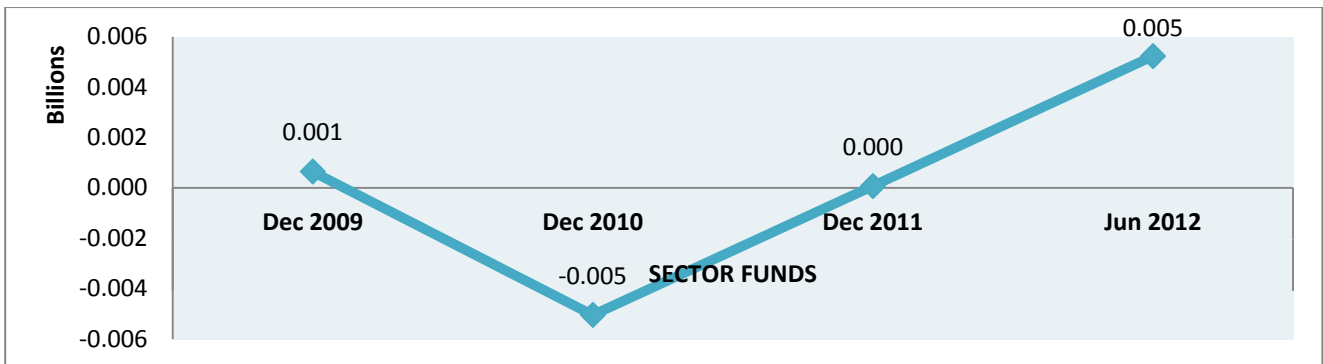
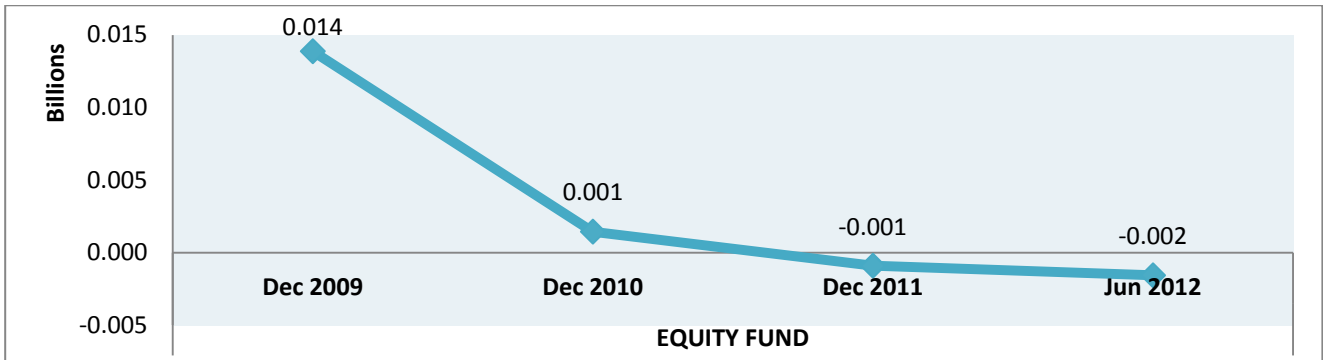
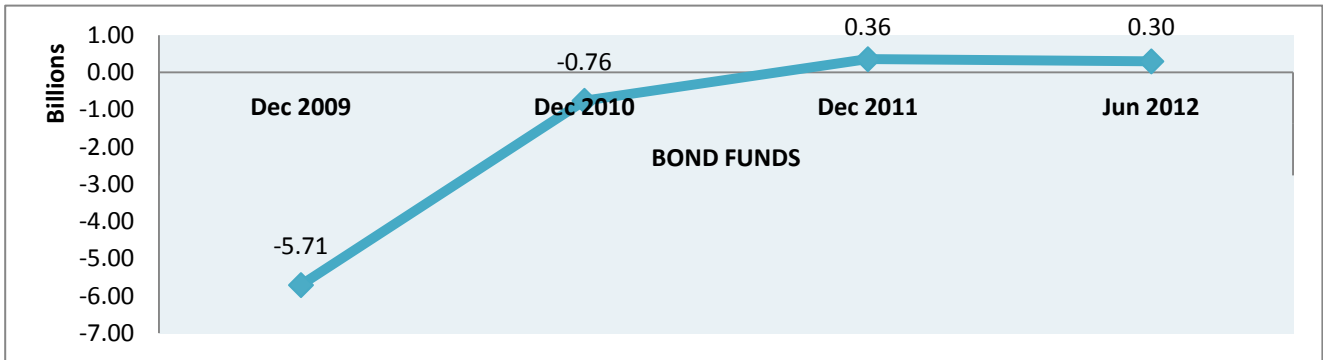
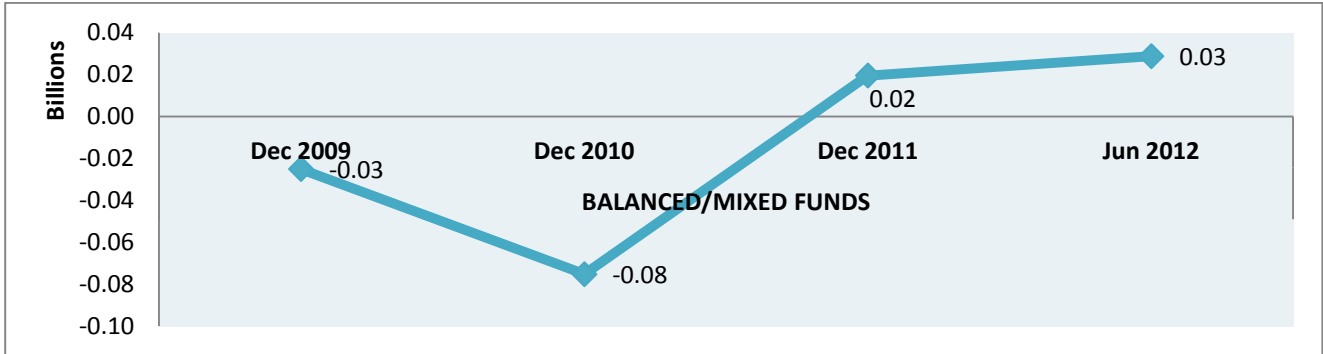
3. Key trends in flows and assets under management

Overall for the period 2011-2012 aggregate net sales in the local mutual fund market have tapered off as the difference between annual returns on these funds and commercial bank deposit rates have narrowed. This narrowing is being driven by the large weighting in the market of Bond funds (87.95% @ June 2012) and Balanced/Mixed funds (11.11% @ June 2012) – accounting for 99.06% of the market.

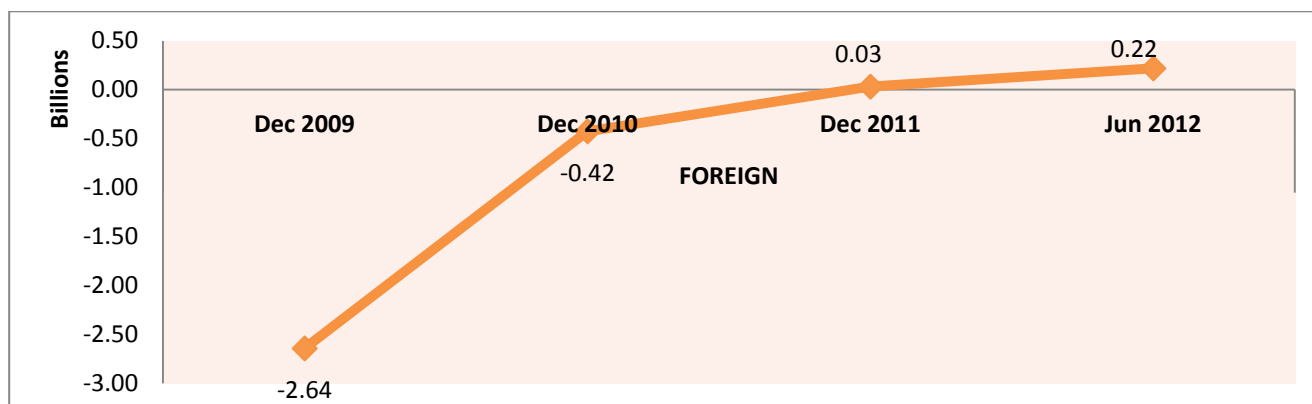
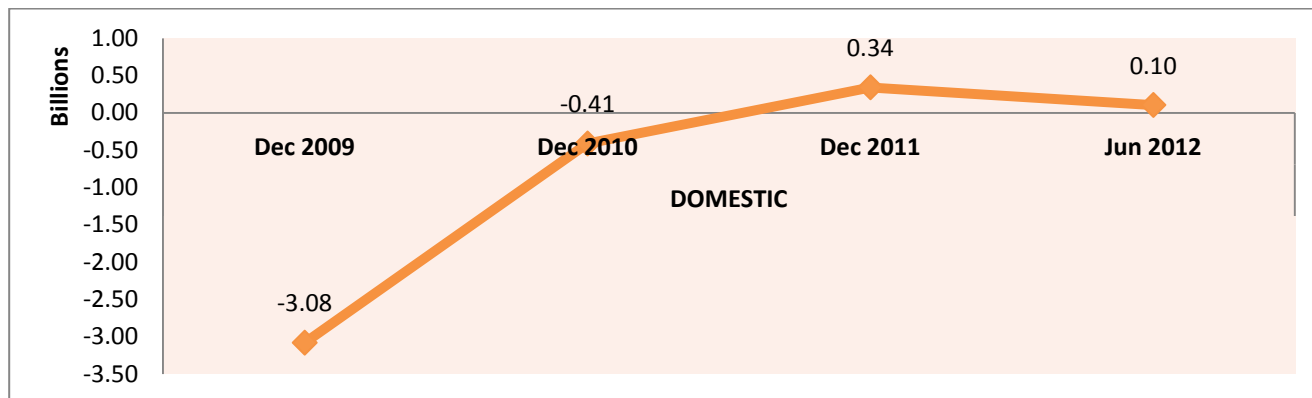
Net Sales (Aggregate)



Net Sales by Fund Type (Composition)



Net Sales by Fund Type (Currency)



4. Product developments

There were no major product developments in the period under review.

5. Regulatory and self-regulatory developments

On May 14, 2012 the Trinidad & Tobago Securities and Exchange Commission made public the draft Securities Bill 2012. This bill is proposed as the replacement of the Securities Industry Act 1995 and seeks to do the following:

- Provide protection for investors and other market participants
- Improve disclosure and transparency procedures
- Introduce more sophisticated market surveillance, enforcement and promote regulator cooperation

Implementation of the Bill will also assist Trinidad & Tobago and Tobago's application to the International Organisation of Securities Commissions' (IOSCO) Multilateral MoU as an "A" list signatory. The Bill will also increase Trinidad and Tobago's attractiveness to both regional and international investors, as the region's premier financial centre.ⁱⁱ

On August 8, 2012 the Mutual Fund Association of Trinidad & Tobago, whose membership represents more than 90% of the mutual fund investment managers in the country, voted to continue as an association and lobby group and not pursue self-regulatory status.

6. Corporate governance - major developments

There were no major corporate governance developments in the period under review.

7. Fund governance

There were no major fund governance developments in the period under review.

8. Other major issues and developments

There were no other major issues and developments in the period under review.

ⁱ The repo rate is the rate at which the Central Bank is prepared to provide overnight financing/funding to commercial banks that are temporarily unable to meet their liquidity requirements and is the principal instrument used by the Central Bank to influence the structure of commercial banks' interest rates. (Banks' policies on Repo and prime lending rates (Bankers Association in Trinidad and Tobago Newsday Thursday, February 25 2010, <http://www.newsday.co.tt/businessday/0,116340.html>)

ⁱⁱ Sourced from the Media Room of the Trinidad & Tobago Securities and Exchange Commission: <http://www.ttsec.org.tt/content/TTSEC-Draft-Securities-Bill-available-for-public-comment.pdf>