

**THE ROLE OF MUTUAL FUNDS
IN THE INVESTMENT PROCESS
IN THE CARIBBEAN**

Presented by

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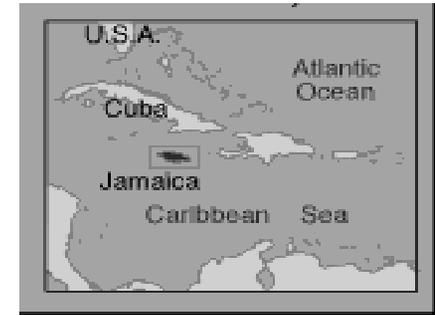
OUTLINE

- ◆ Players in the Regional Mutual Funds Industry;
 - ◆ Funds under Management;
 - ◆ Types of Funds on offer to Investors;
 - ◆ Recipients of mobilized funds of the Mutual Fund Industry;
 - ◆ Primary Beneficiaries;
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**THE REGIONAL MUTUAL
FUND INDUSTRY**



May 1970



◆ **Jamaica Unit Trust Services (JUTS)**

- Establishment of the First Mutual Fund in the Caribbean region.

◆ **Primary Purpose**

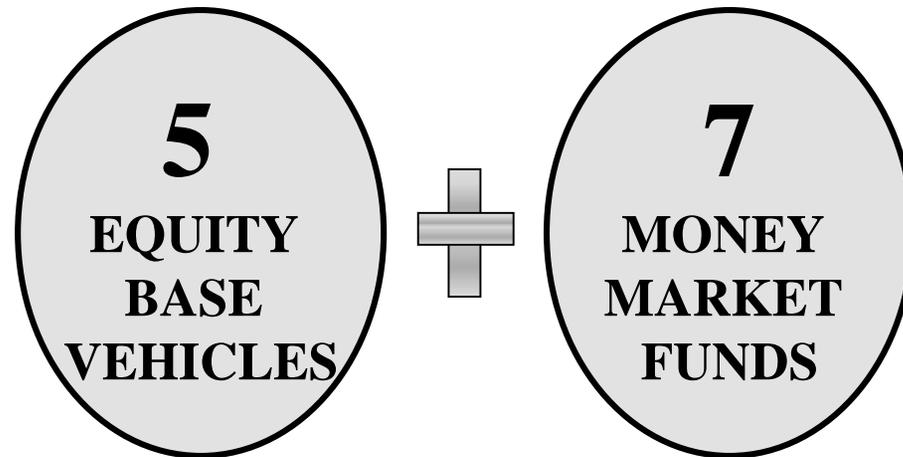
- To permit and encourage small savers to invest in the domestic money and capital markets.

... 33 years later



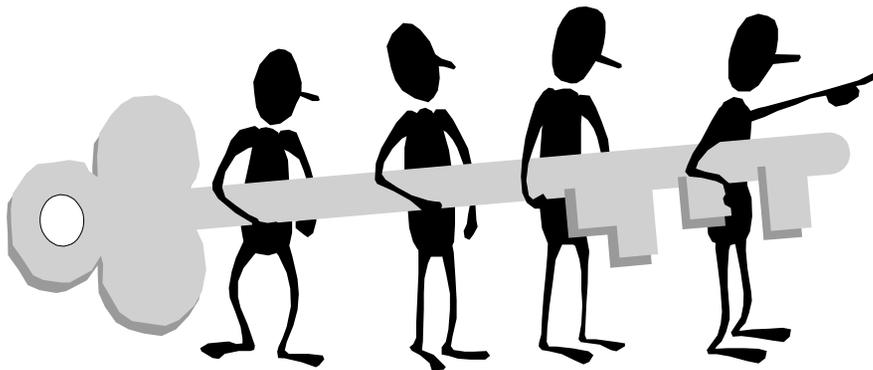
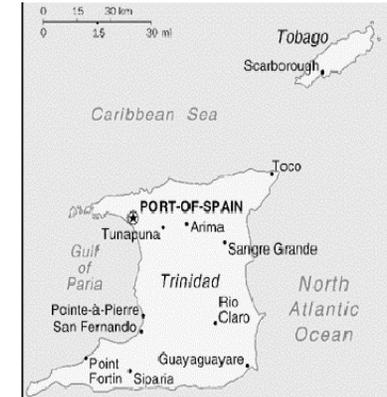
JAMAICAN MUTUAL FUND INDUSTRY

TT\$ 3.58 BILLION



1982

- ◆ **Trinidad and Tobago Unit Trust Corporation**
 - Launch of the TT\$ dominated **Growth and Income Fund**.



Since 1994



TT\$ 17.0 BILLION

◆ Together the Trinidad and Tobago mutual fund providers have established a total of fourteen (14) funds, including ...

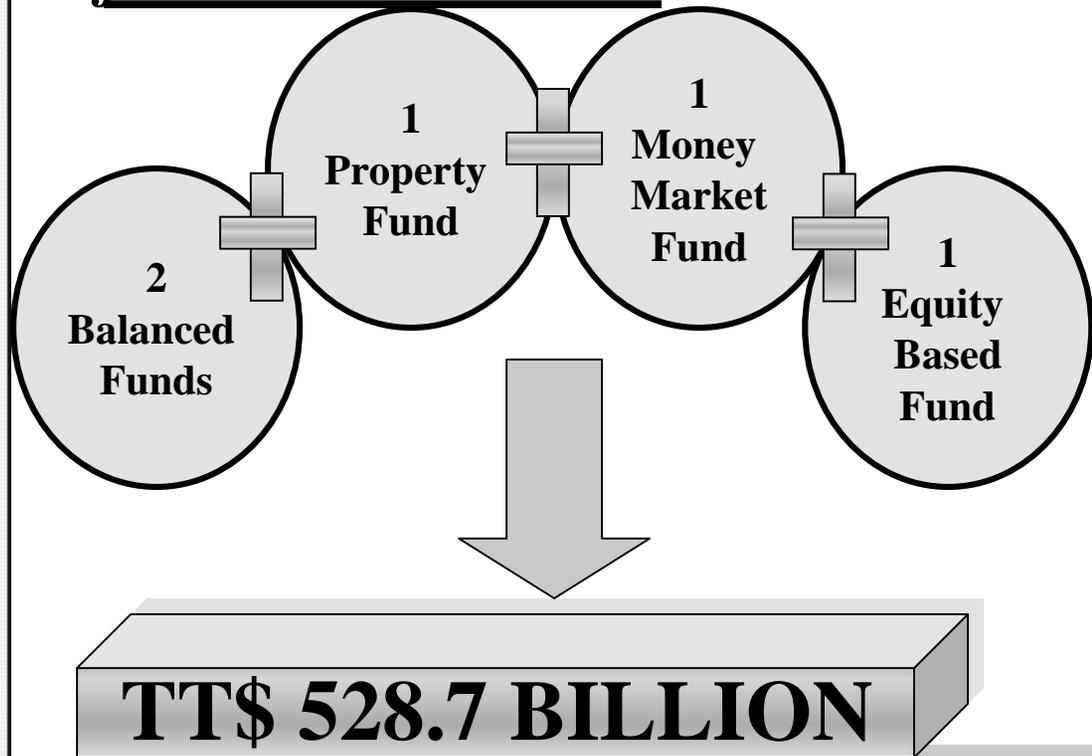
- ✓ *Six (6) Money Market Funds;*
- ✓ *Seven (7) Equity-based Funds;*
- ✓ *One (1) Property Fund;*



1996

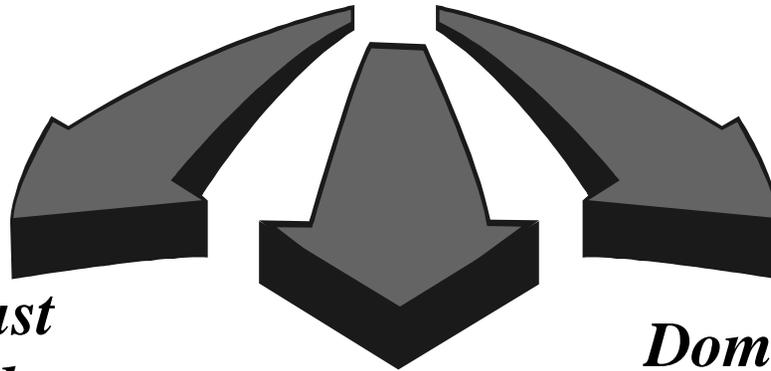


- ◆ **The Caribbean Property Fund Launched by Fortress Fund in October 1996 was Barbados' first Mutual Fund.**



THE CARIBBEAN MUTUAL FUND INDUSTRY

- ◆ Sixteen (16) Mutual Fund Providers
 - Three (3) are stand-alone entities



*Jamaica Unit Trust
Services Limited*

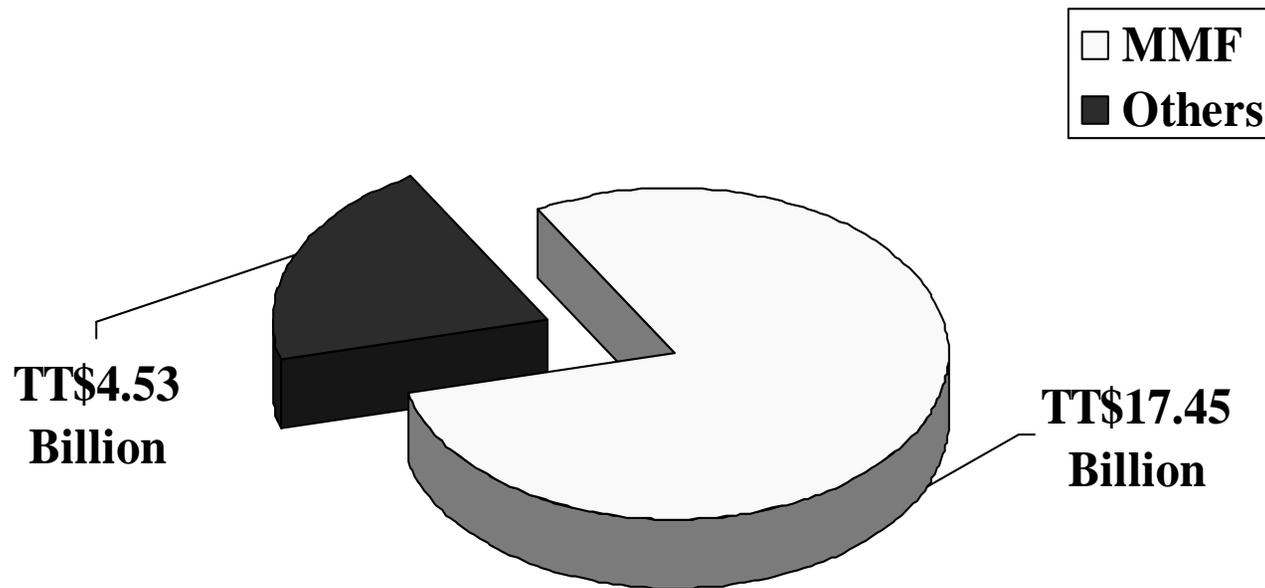
Dominica Unit Trust

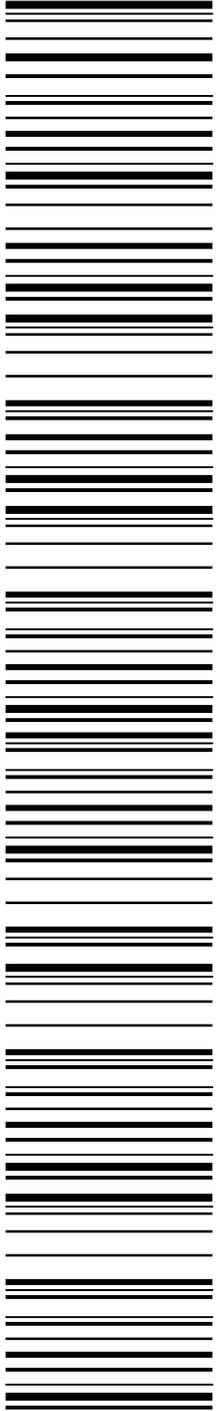
*Trinidad & Tobago Unit
Trust Corporation*

THE CARIBBEAN MUTUAL FUND INDUSTRY

cont'd

- ◆ These firms total assets of TT\$21.98 billion;
- ◆ Money Market Investments account for 82.78% of the industry.



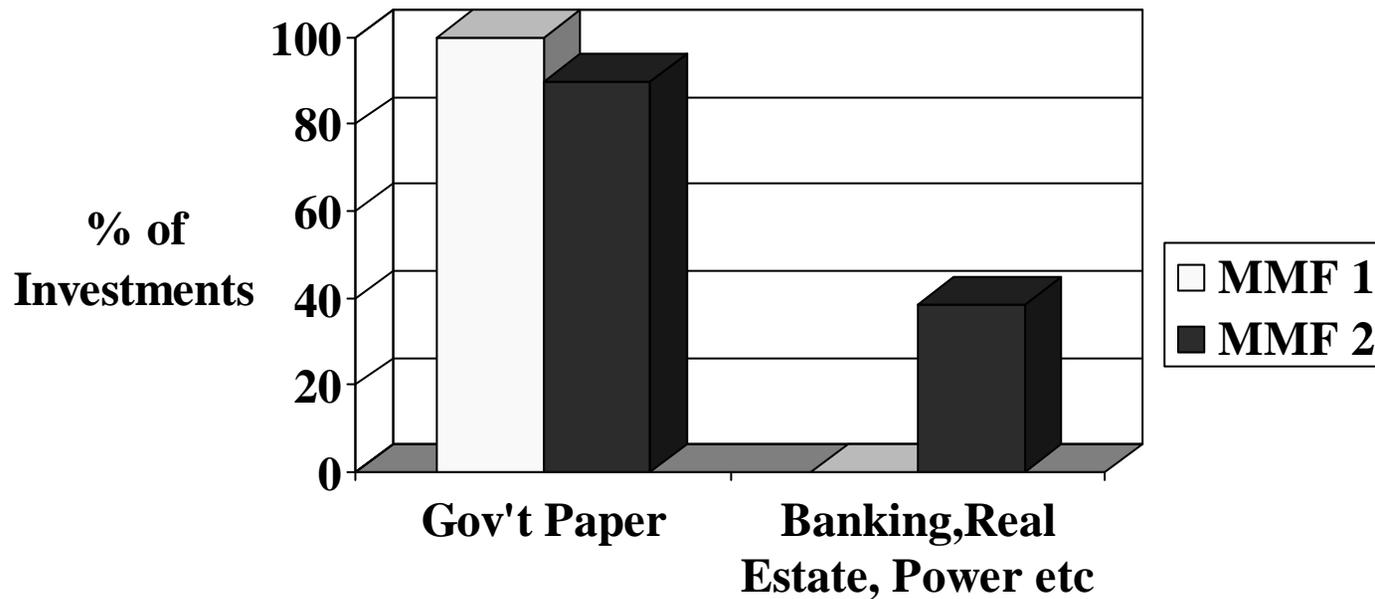


THE RECIPIENTS



◆ For two (2) Jamaican Mutual Funds...

Jamaican Mutual Fund Investments



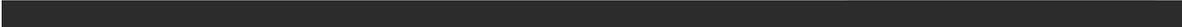


◆ ***For Equity-Based Funds in Jamaica,***

- Manufacturing – 25%
 - Financial Services Sector – 20%
 - Conglomerates – 10%
 - Telecommunications – 10%
 - Trading – 10%
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◆ *Of the TT\$17 Billion under management locally,*

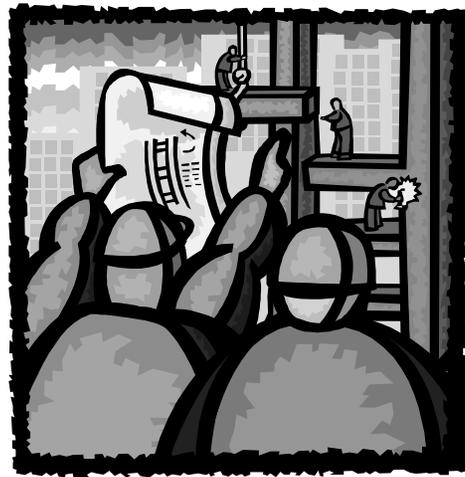
- Approximately TT\$15.5 billion (90%) are invested in Fixed Income Instruments in:
 - Physical Infrastructure;
 - Special Infrastructure;
 - Low Cost Housing;
 - Budgetary Support Measures.
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- ◆ In Trinidad and Tobago, the domestic equities market has been the recipient of TT\$1.4 billion as at March 31, 2003.



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- ◆ A single regional exchange would make available to equity investors **approximately 100 listed companies.**
 - ◆ Given a single stock exchange market, **capitalization would total roughly TT\$69.0 billion.**
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- ◆ By facilitating financial deepening ... our financial markets will progress to higher levels of development .



- ◆ The relatively illiquid nature of regional stock markets and the near absence of a secondary bond market have contributed to investment styles which are characterized by “buy-and-hold” strategies as opposed to the more active-trading models.

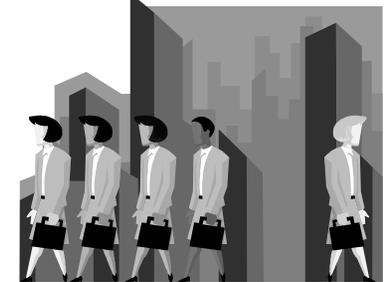


FIVE CRITICAL OBSERVATIONS

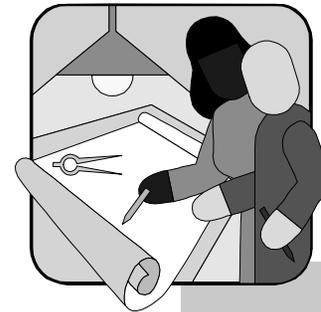


1. Involvement of the broad masses in financial resource mobilization:

- ◆ At the population level,
 - ◆ *One in every three* members of the population invested in mutual funds;
- ◆ At the labour force level,
 - ◆ *Four in five* members of the working population invested in mutual funds;

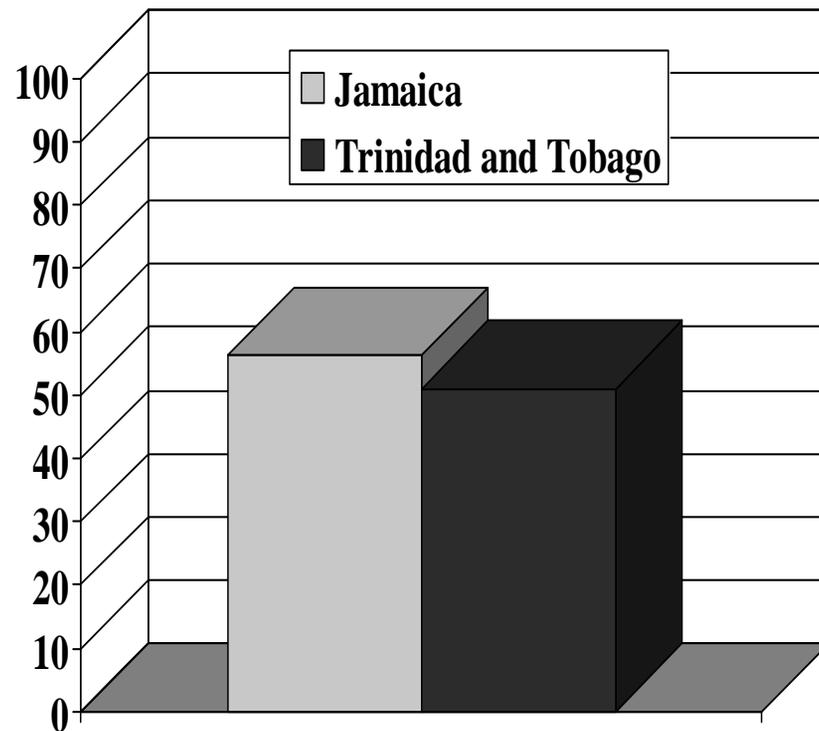


- ◆ *By involving the population via the mutual fund vehicle in financial resource mobilization, we have provided the ordinary citizen with a significant stake in the future and the well being of their respective economies.*

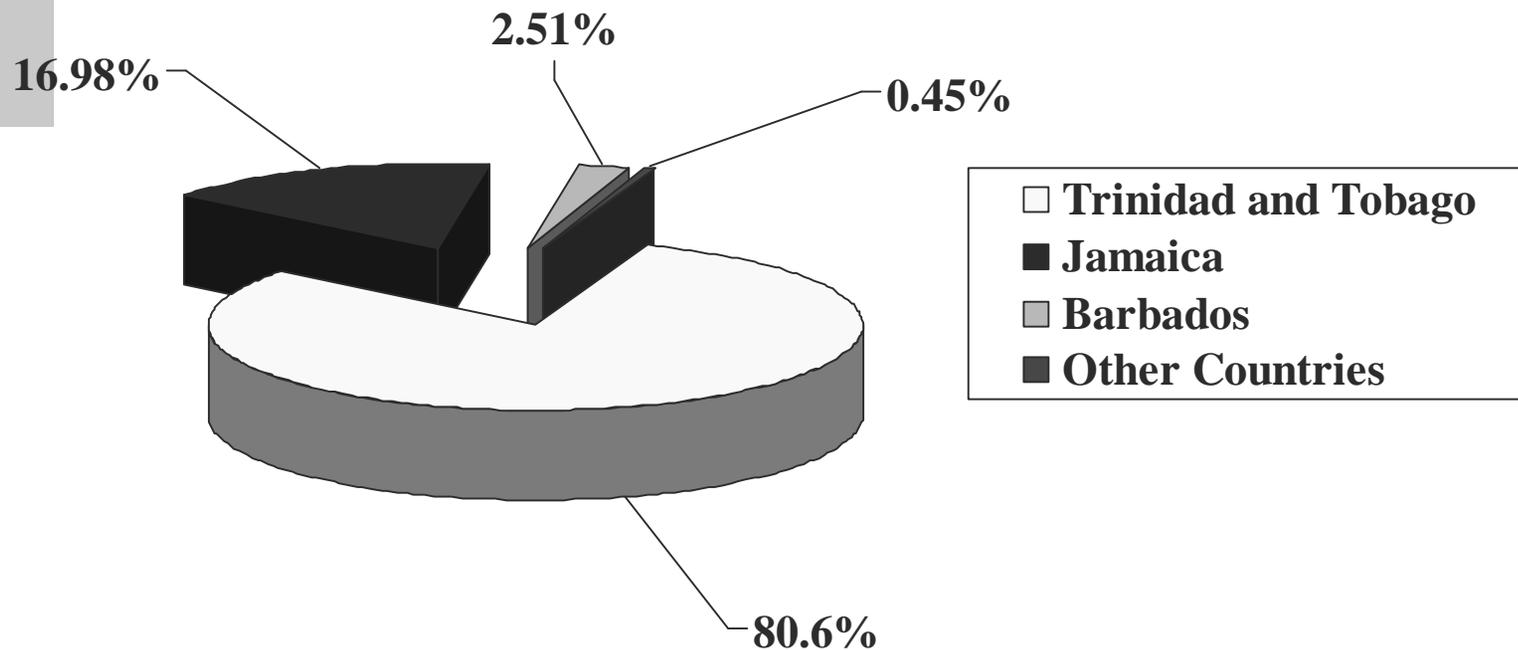


2. The issue of Public and Private sector Participations:

➔ The PRIVATE SECTOR now accounts for **56.31%** and **51.0%** of the business in Jamaica and Trinidad and Tobago respectively.

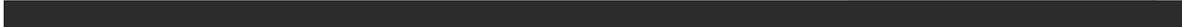


3. Financial Sector Development and Transformation:



Funds Under Management = TT\$21.08 billion or US\$3.51 billion

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- ◆ *Trinidad and Tobago, has emerged as a major source of investment funds in the Caribbean for both the public and private sectors.*

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- ◆ *The empirical evidence shows that mutual fund resources have funded government budgetary and capital investment programme or initiatives.*
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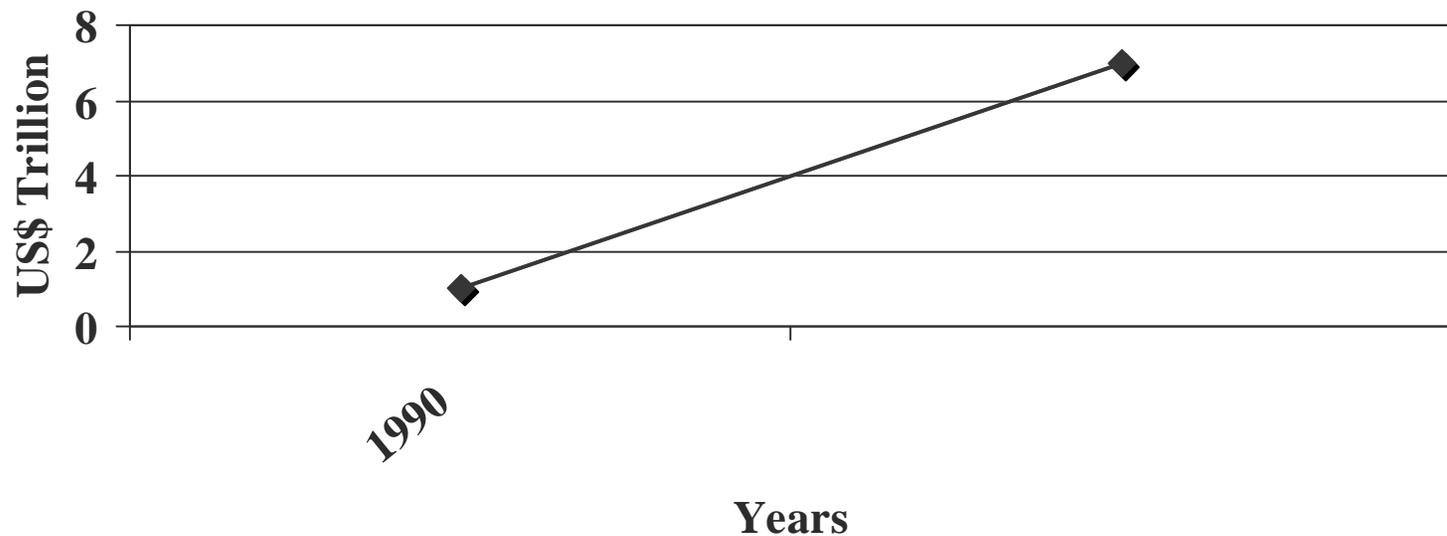
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- ◆ *Trinidad and Tobago appears to be well on the way to becoming the financial center of the region.*

4. The legislative Issues:

- ◆ *Although the Trinidad and Tobago market as at March 31, 2003 accounted for just over 80.2% of the regional mutual fund industry, it is the only major jurisdiction in the region without specialized mutual fund legislation;*

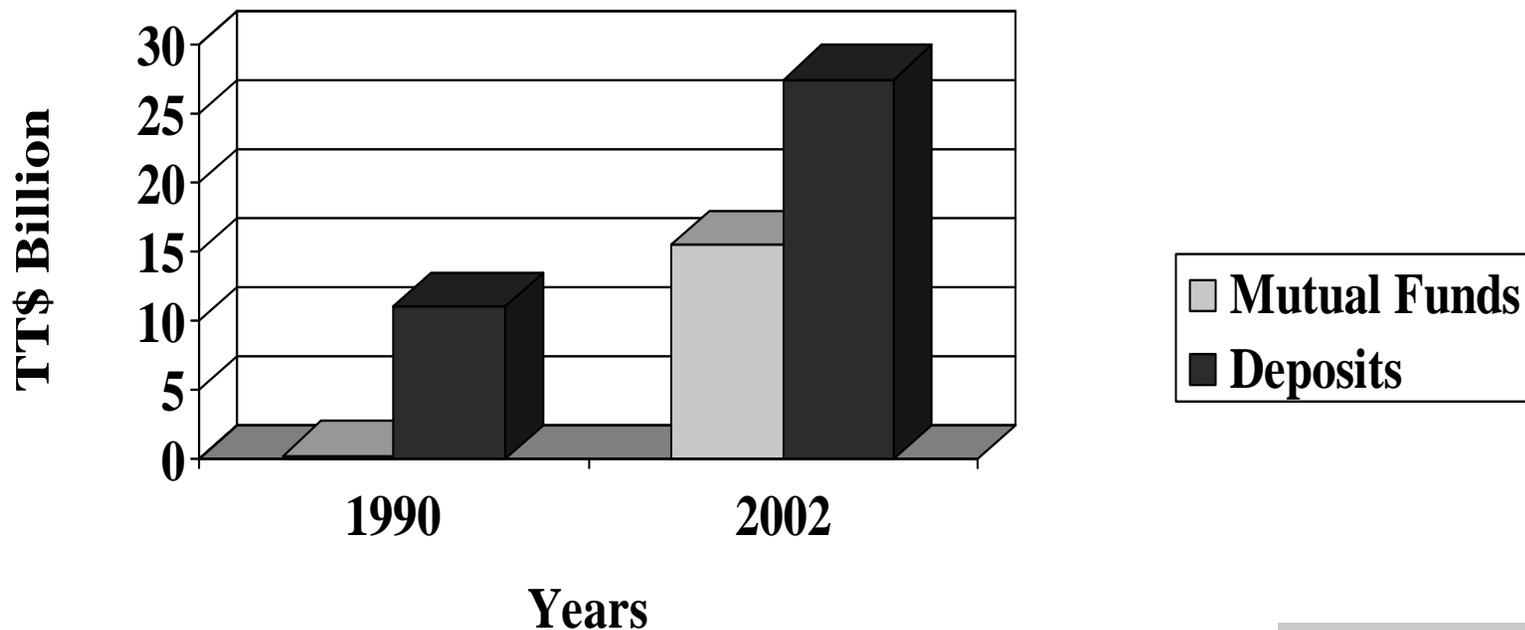
5. The Issue of Explosive Growth in Mutual Funds Relative to Deposits:

Growth of Assets in The Mutual Fund Industry
(1990-2000)



Local Industry

Comparison of Growth in Mutual Fund Assets against Deposits (1990-2002)



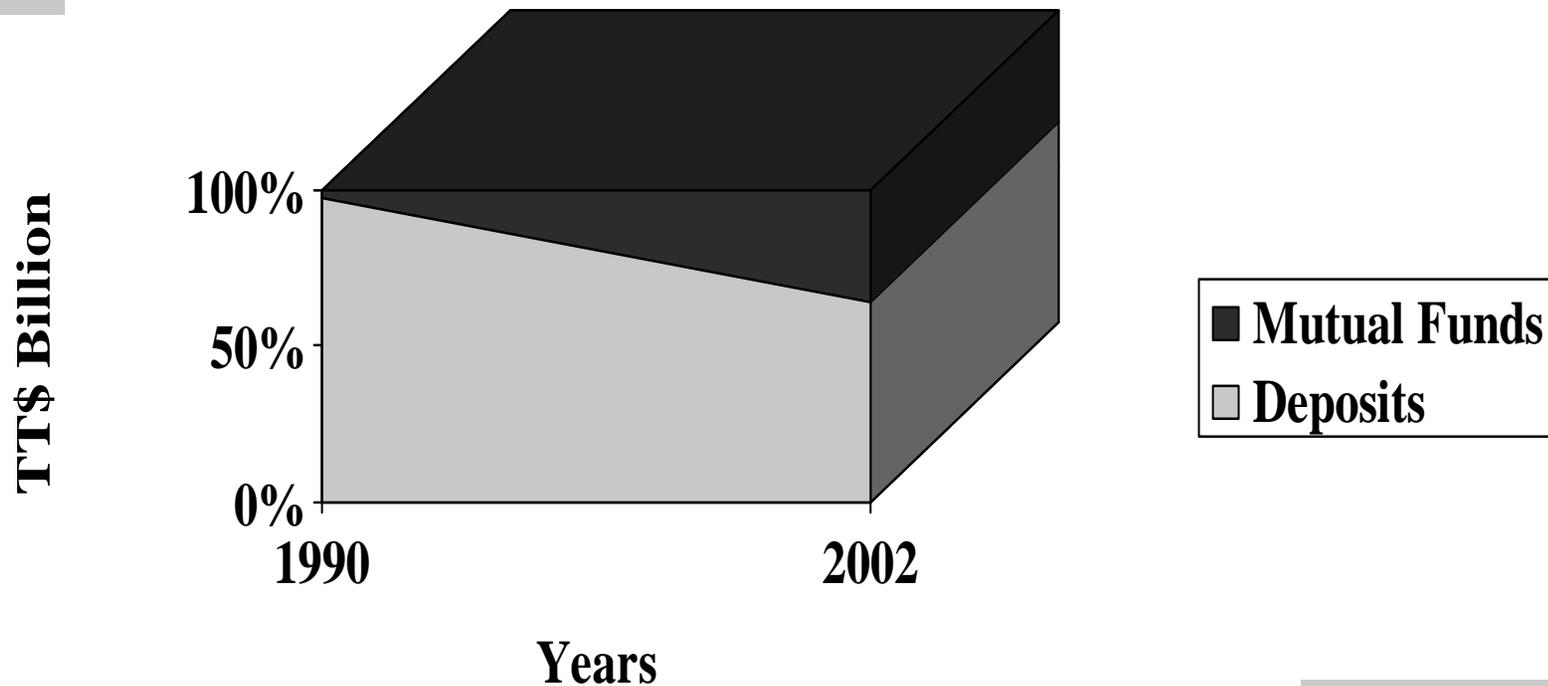


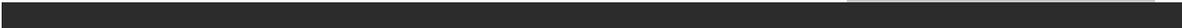
Local Industry



Local Industry

Comparison of the Ratio of Deposits to Mutual Fund Assets (1990-2002)



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- ◆ *In the more hospitable environment it is envisioned that the regional capital market would flourish, the stock exchange would unify their operations and the regional mutual fund industry would make a virtual quantum leap...*
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Thank You