



Mortgage Participation Fund

Semi-Annual Financial Statements

June 30, 2020

MORTGAGE PARTICIPATION FUND

Management Discussion and Analysis for the period ending June 30, 2020

Fund Overview

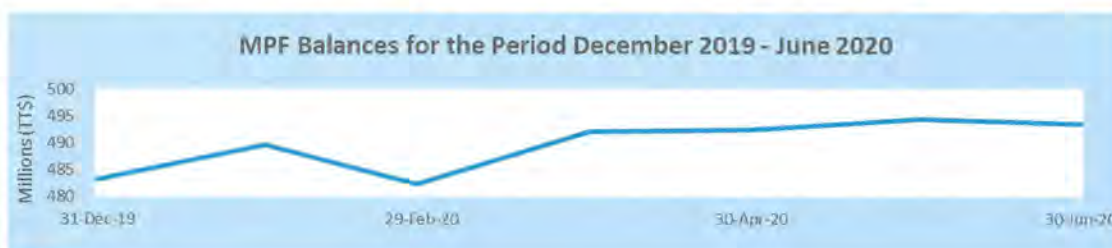
The Mortgage Participation Fund (MPF) is registered under Section 65 of the Securities Industry Act (SIA) 1995 as a Collective Investment Scheme. The Mortgage Participation Fund was registered as a Reporting Issuer with the Trinidad and Tobago Securities and Exchange Commission (TTSEC) on September 18, 2019.

The MPF has a Fixed Net Asset Value (NAV) per unit, interest is accrued on a daily basis and paid monthly. The Home Mortgage Bank (HMB) hereby guarantees to each Holder that it shall pay the principal amounts invested together with any distributions paid and due to be paid at the dates such amounts become due. The interest rate is a variable rate which resets on a monthly basis.

The MPF is classified under the Income Fund segment of the mutual fund market. The Fund's asset composition (99.5% residential mortgages) and HMB Guarantee reduces its risk profile and ensures investors will not be affected by changes in the market environment. To June 30, 2020 there were no material changes to the investment objective or strategy of the Fund.

For the six (6) months ending June 30, 2020 MPF investors' balances under management increased by TT\$10.9M to close at TT\$494.2M. The following chart shows the MPF balance for the period June 30, 2019 to June 30, 2020:

Figure 1 – MPF Balances December 2019 – June 2020



The Fund's investment in prime residential mortgages allows for stability in asset values and the delivery of consistent returns.

As at June 30, 2020 excess liquidity within the economy was approximated at TT\$8.3B doubling from its position at the start of the year. This increased liquidity has been fueled by the accommodative monetary policy measures initiated by the Central Bank of Trinidad and Tobago (CBTT) at the onset of the COVID-19 in Trinidad and Tobago.

Increased liquidity also benefited the mutual fund market as aggregate funds under management grew by 6% to TT\$55.9B. During the six (6) month period the one (1) year benchmark rate declined by 0.20% to close at 2.08%. The interest rate offered on the MPF as at June 30, 2020 is 1.50% per annum which provides a competitive return within the Income Fund Market. The following graph show the MPF's cumulative return over the past seven (7) years:

Figure 2 – MPF Cumulative Return Years 1 - 7



An investor holding funds in the MPF and reinvesting their proceeds monthly would have generated a cumulative return the past seven (7) year period of 10.66%.

Financial Analysis

Mortgage assets acquired under trust increased for the six (6) months to June 2020 by 2% to \$491.5M. This increase was driven by a net increase in unitholder purchases and the subsequent purchase of mortgages for the period. Year to date, the portfolio generated TT\$14.1M in interest income and distributed TT\$3.7M to unitholders.

Outlook

As per the World Economic Outlook Update June 2020, the global economy continues to suffer the negative effects of the Covid-19. It is now projected the global economy will decline by 4.9% in 2020, recovering by 5.4% in 2021. The Trinidad and Tobago economy is expected to decline by 4.5% in 2020 before recovering by 2.6% in 2021.

The MPF continues to maintain a portfolio of prime residential mortgages. The performance of these assets under management and the strength of the Fund's Guarantor (Home Mortgage Bank) ensures the Fund's risk profile remains low and offers an opportunity for growth in the second half of 2020.



Brent Mc Fee

Chief Executive Officer (Ag)

HOME MORTGAGE BANK MORTGAGE PARTICIPATION FUND

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Jun-20 \$	Jun-19 \$	Dec-19 \$
ASSETS			
Mortgage assets (acquired under trust)	491,511,600	487,393,557	481,486,944
Cash at bank	2,685,906	2,082,128	1,799,712
Total assets	494,197,506	489,475,685	483,286,656
LIABILITIES			
Other payables	36,587	50,703	41,033
EQUITY			
Net assets attributable to unit holders	494,160,919	489,424,982	483,245,623
Total liabilities and equity	494,197,506	489,475,685	483,286,656

HOME MORTGAGE BANK MORTGAGE PARTICIPATION FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2020

	June-20	June-19	Dec-19
	\$	\$	\$
Income			
Interest income calculated using the effective interest method	14,079,557	13,692,896	27,112,081
Operating expenses			
Audit fees	28,125	28,125	56,250
Management fees	3,078,094	3,163,993	6,185,624
Trustee fees	246,248	36,000	81,278
Mortgage risk guarantee fee	7,066,995	6,682,928	13,344,778
Unit holders' interest cost	3,655,370	3,772,808	7,428,935
Other operating expenses	4,725	9,042	15,216
Total operating expenses	14,079,557	13,692,896	27,112,081
Profit for the period	-	-	-

HOME MORTGAGE BANK MORTGAGE PARTICIPATION FUND

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS FOR THE PERIOD ENDED 30 JUNE 2020

	June-20 \$	June-19 \$	Dec-19 \$
Balance at begining of period	483,245,623	530,117,400	530,117,400
<i>Contributions and redemptions by unit holders</i>			
Subscriptions	36,310,341	123,767,415	171,230,446
Net interest re-invested by unit holders	3,430,285	3,515,602	6,920,022
Redemptions	(28,825,330)	(167,975,435)	(225,022,245)
Balance at end of period	494,160,919	489,424,982	483,245,623

HOME MORTGAGE BANK MORTGAGE PARTICIPATION FUND

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2020

	June-20 \$	Dec-19 \$
Cash flows from operating activities		
Net profit before taxation	-	-
Adjustments for:		
Decrease in other payables	(4,446)	(1,955,996)
Net cash used in operating activities	<u>(4,446)</u>	<u>(1,955,996)</u>
Cash flows from investing activities		
(Purchase)/Sale of mortgage assets	(10,024,656)	48,637,273
Net cash (used in)/generated from investing activities	<u>(10,024,656)</u>	<u>48,637,273</u>
Cash flows from financing activities		
Subscriptions and interest re-invested	39,740,626	178,150,468
Redemptions	(28,825,330)	(225,022,245)
Net cash flows generated from/(used in) financing activities	<u>10,915,296</u>	<u>(46,871,777)</u>
Net increase/ (decrease) in cash and cash equivalents	886,194	(190,500)
Cash and cash equivalents at the beginning of the period	<u>1,799,712</u>	<u>1,990,212</u>
Cash and cash equivalents at the end of the period	<u><u>2,685,906</u></u>	<u><u>1,799,712</u></u>
Represented by:		
Cash and cash equivalents	<u><u>2,685,906</u></u>	<u><u>1,799,712</u></u>