



SEMI-ANNUAL FINANCIAL STATEMENTS

AS AT JUNE 30, 2022





MORTGAGE PARTICIPATION FUND

Management Discussion and Analysis for the six months ended June 30, 2022

Fund Overview

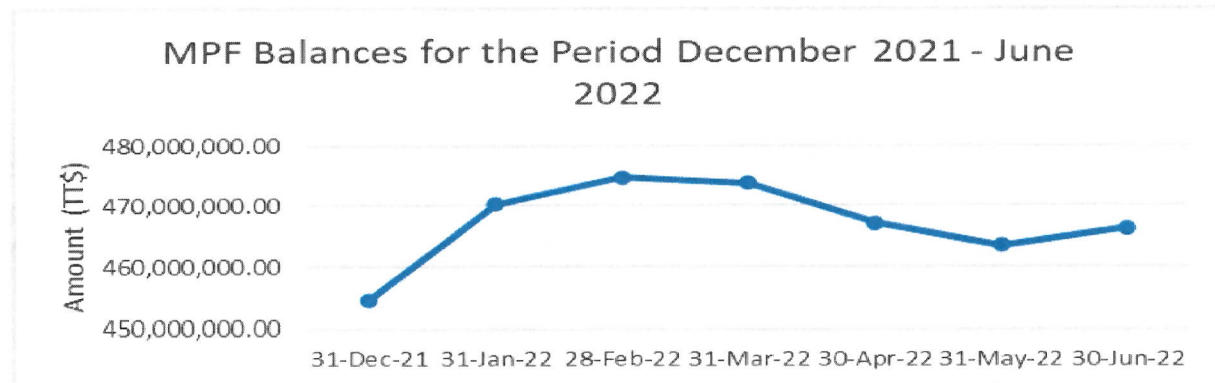
The Mortgage Participation Fund (MPF or Fund) is registered under Section 65 of the Securities Industry Act (SIA) 1995 as a Collective Investment Scheme. The MPF was registered as a Reporting Issuer with the Trinidad and Tobago Securities and Exchange Commission (TTSEC) on September 18, 2019.

The MPF has a Fixed Net Asset Value (NAV) per unit, interest is accrued daily and paid monthly. The Home Mortgage Bank (HMB) 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 that resets monthly.

The MPF is classified under the Income Fund segment of the mutual fund market. The Fund's asset composition (99.64% prime residential mortgages) and the HMB Guarantee reduce its risk profile and ensure investors will not be affected by changes within the macroeconomic environment. For the six months ending June 30, 2022, there were no material changes to the investment objective or strategy of the Fund.

For the first six months of 2022 MPF investor balances increased by TT\$11.7M to close at TT\$466.3M. The following chart shows the MPF balances for the period January 31, 2022 to June 30, 2022:

Figure 1 – MPF Balances December 2021 – June 2022

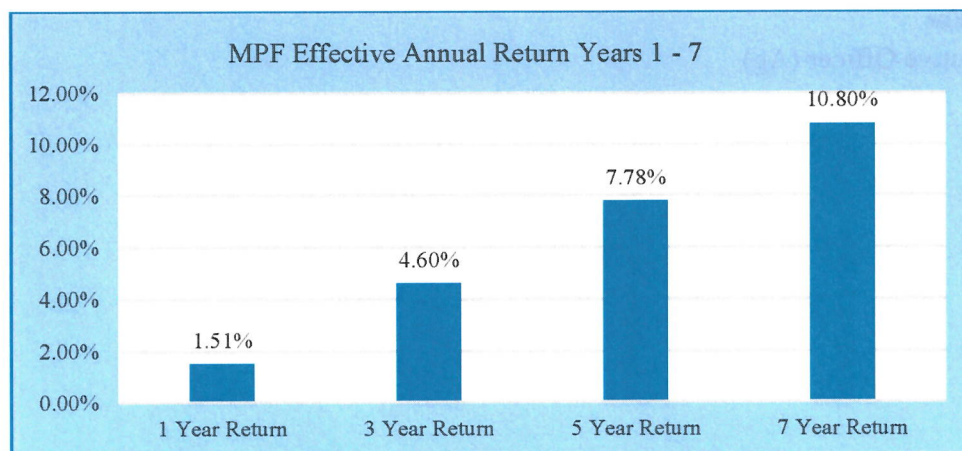


As at June 30, 2022, the financial system remained liquid with commercial banks' excess reserves at the Central Bank of Trinidad and Tobago (CBTT) averaging TT\$4.6B daily. This, however, is a marked decline in system liquidity from TT\$6.6B in December 2021.

The value of assets under management within the mutual fund for the first half of 2022 decreased by 2.2% to close at TT\$61.7B. Fixed Income Funds continued to dominate the market controlling 65.9% of all assets under management. Both Balanced and Equity Funds decrease by 5% and 6.6% respectively.

For the six months to June 2022, the one (1) year benchmark rate increased by 0.37% to 0.98%. This increase is mainly due to global inflationary pressure caused by supply chain disruption, strong consumer demand and negative spillovers from the Russia/Ukraine war. The interest rate offered on the MPF for June 2022, is 1.50% per annum which provides a competitive return within the Income Fund Market. The following graph shows 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 for the past seven (7) year period of 10.80%.

Financial Analysis

Mortgage assets acquired under trust increased by 2.62% for the six months ending June 30, 2022, to TT\$464.6M. This was driven by a net increase in unitholder participation. For the period ending June 30, 2022, the mortgage portfolio generated TT\$12.9M in interest income and distributed TT\$3.5M to unitholders.

Outlook

As per the World Economic Outlook Update July 2022, the international economy contracted in the second quarter of this year, owing to downturns in China and Russia, while US consumer spending undershot expectations. Global growth is forecast to decline from 6.1% in 2021 to 3.2% in 2022 due to reduced household purchasing power, the slowing of China's economy, tighter monetary policy and spillovers from the war in Ukraine.

Despite the economic challenges, Standard & Poor's (S&P) affirmed Trinidad and Tobago's investment grade rating of BBB- in July 2022, and has brought its outlook from negative to stable, in light of the recent and prospective developments within the local economy.

The MPF continues to maintain a portfolio of prime residential mortgages. The performance of the Fund's assets and the strength of the Guarantor (Home Mortgage Bank) ensure that the Fund's risk profile remains low and offers an opportunity for continued growth in 2022.



Brent Mc Fee

Chief Executive Officer (Ag)

HOME MORTGAGE BANK
MORTGAGE PARTICIPATION FUND

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022
(Expressed in Trinidad and Tobago dollars)

	30-June-22 \$	30-June-21 \$	31-Dec-21 \$
ASSETS			
Mortgage assets (acquired under trust)	464,649,012	506,839,621	452,784,214
Cash at bank	<u>1,664,302</u>	<u>1,670,850</u>	<u>1,834,890</u>
Total assets	<u>466,313,314</u>	<u>508,510,471</u>	<u>454,619,104</u>
LIABILITIES			
Other payables	<u>573,701</u>	<u>35,013</u>	<u>594,196</u>
Total liabilities	<u>573,701</u>	<u>35,013</u>	<u>594,196</u>
EQUITY			
Net assets attributable to unit holders	<u>465,739,613</u>	<u>508,475,458</u>	<u>454,024,908</u>
Total equity	<u>465,739,613</u>	<u>508,475,458</u>	<u>454,024,908</u>
Total liabilities & equity	<u>466,313,314</u>	<u>508,510,471</u>	<u>454,619,104</u>

These financial statements have been approved for issue by the Trustee on 29 July 2022 and signed on its behalf by:

Trustee 

Trustee 

The accompanying notes are an integral part of these financial statements.

HOME MORTGAGE BANK
MORTGAGE PARTICIPATION FUND

STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2022
(Expressed in Trinidad and Tobago dollars)

	30-June-22 \$	30-June-21 \$	31-Dec-21 \$
Income			
Interest income calculated using the effective interest method	<u>12,881,770</u>	<u>13,584,006</u>	<u>27,744,909</u>
Operating expenses			
Audit fees	33,223	28,125	66,445
Management fees	2,929,449	3,131,372	6,198,264
Trustee fees	234,356	250,510	495,861
Mortgage risk guarantee fee	6,193,462	6,472,103	13,514,719
Unit holders' interest cost	3,484,564	3,695,220	7,456,398
Other operating expenses	<u>6,716</u>	<u>6,676</u>	<u>13,222</u>
Total operating expenses	<u>12,881,770</u>	<u>13,584,006</u>	<u>27,744,909</u>
Profit for the period	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>

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HOME MORTGAGE BANK
MORTGAGE PARTICIPATION FUND

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS
FOR THE SIX MONTHS ENDED 30 JUNE 2022
(Expressed in Trinidad and Tobago dollars)

	30-June-22	30-June-21	31-Dec-21
	\$	\$	\$
Balance as at beginning of period	454,024,908	499,166,906	499,166,906
Subscriptions	38,288,671	74,919,761	108,758,137
Net interest re-invested by unit holders	3,312,647	3,495,279	6,482,047
Redemptions	<u>(29,886,613)</u>	<u>(69,106,488)</u>	<u>(160,382,182)</u>
Balance as at end of period	<u>465,739,613</u>	<u>508,475,458</u>	<u>454,024,908</u>

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HOME MORTGAGE BANK
MORTGAGE PARTICIPATION FUND

STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2022
(Expressed in Trinidad and Tobago dollars)

	30-June-22 \$	30-June-21 \$	31-Dec-22 \$
Cash flows from operating activities			
Profit for the period	—	—	—
Adjustments for:			
(Decrease)/increase in other payables	<u>(20,494)</u>	<u>(2,296)</u>	<u>556,887</u>
Net cash flows (used in)/generated from operating activities	<u>(20,494)</u>	<u>(2,296)</u>	<u>556,887</u>
Cash flows from investing activities			
Principal repayments on mortgage assets	27,605,747	34,474,368	63,310,979
Purchase of mortgage assets	(72,455,425)	(111,069,971)	(144,801,583)
Sale of mortgage asset	<u>32,984,879</u>	<u>66,296,480</u>	<u>125,246,888</u>
Net cash flows (used in)/generated from investing activities	<u>(11,864,799)</u>	<u>(10,299,123)</u>	<u>43,756,284</u>
Cash flows from financing activities			
Subscriptions and interest re-invested	41,601,318	78,415,040	115,240,184
Redemptions	<u>(29,886,613)</u>	<u>(69,106,488)</u>	<u>(160,382,182)</u>
Net cash flows generated from/(used in) financing activities	<u>11,714,705</u>	<u>9,308,552</u>	<u>(45,141,998)</u>
Net decrease in cash and cash equivalents	<u>(170,588)</u>	<u>(992,867)</u>	<u>(828,827)</u>
Cash at bank at the beginning of the period	<u>1,834,890</u>	<u>2,663,717</u>	<u>2,663,717</u>
Cash at bank equivalents at the end of the period	<u>1,664,302</u>	<u>1,670,850</u>	<u>1,834,890</u>
Represented by:			
Cash at bank	<u>1,664,302</u>	<u>1,670,850</u>	<u>1,834,890</u>

The accompanying notes are an integral part of the financial statements.

HOME MORTGAGE BANK
MORTGAGE PARTICIPATION FUND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022
(Expressed in Trinidad and Tobago dollars)

1. Description of the fund

The following brief description of the Home Mortgage Bank Mortgage Participation Fund (“the Fund”) is provided for general information purposes only. Reference should be made to the Trust Deed and rules of the Fund for more complete information.

General information

The Fund was established as an open-ended mutual fund. An open-ended fund is one in which the amount of Participations, which may be issued by the Fund, is unlimited. The Fund was established by the Original Trustee, the Home Mortgage Bank (“the Bank”) under a Trust Deed (“the Deed”) dated 24 September 2001. The Trust Deed is governed by the laws of the Republic of Trinidad and Tobago.

The principal activity of the Fund is to seek a high total investment return with safety of capital by investing primarily in a portfolio of mortgages secured by properties, which have either been identified and separated in the books of the Bank or purchased from Approved Mortgage Lenders and such other securities as permitted under the terms of the Deed.

The address of its registered office is 2nd Floor NIBTT Building, 14-19 Queen’s Park East, Port of Spain, Trinidad, W.I.

The Fund, on 4 November 2019, appointed Trinidad and Tobago Mortgage Finance Company Limited (“the Trustee”) as Trustee of the Fund.

2. Significant accounting policies

(a) Basis of preparation

The interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting.

(b) Changes in accounting policies

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Fund’s financial statements for the year ended 31 December 2021

HOME MORTGAGE BANK
MORTGAGE PARTICIPATION FUND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022

(Continued)

(Expressed in Trinidad and Tobago dollars)

3. Approval of Interim Financial Statements

The interim financial statements were approved for the issue by the Trustee on 29 July 2022.



INVESTMENTS | MORTGAGES

