

**MORTGAGE
PARTICIPATION FUND**

SEMI-ANNUAL FINANCIAL STATEMENTS

AS AT JUNE 30, 2023





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MORTGAGE PARTICIPATION FUND

Management Discussion and Analysis for the six months ended June 30, 2023

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.

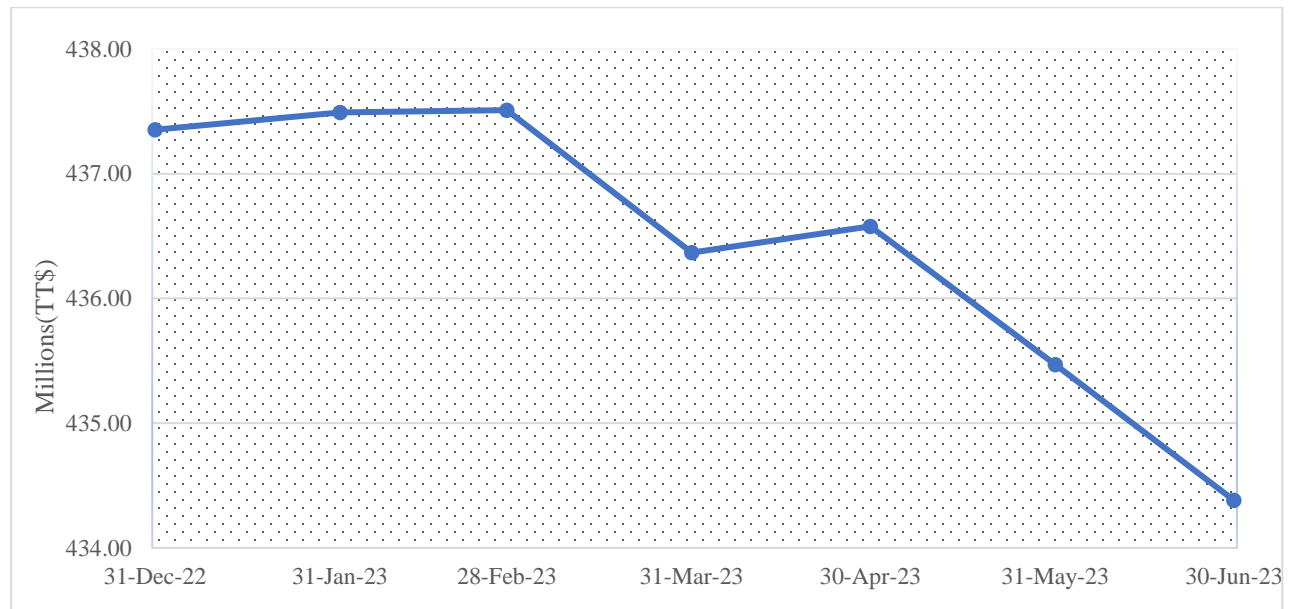
The MPF has a Fixed Net Asset Value (NAV) per unit, interest is accrued daily and paid monthly. The Home Mortgage Bank (HMB) guarantees each Holder that it shall pay the principal amounts invested together with any distributions paid and due to be paid at the dates such amounts become due. The interest 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 (99.70% 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 ended June 30, 2023, there were no material changes to the investment objective or strategy of the Fund.

For the first six months of 2023, MPF investor balances decreased by TT\$2.9M to close at TT\$434.4M.

Figure 1 below shows the MPF balances for the period December 31, 2022 to June 30, 2023:

Figure 1 – MPF Balances December 2022 – June 2023

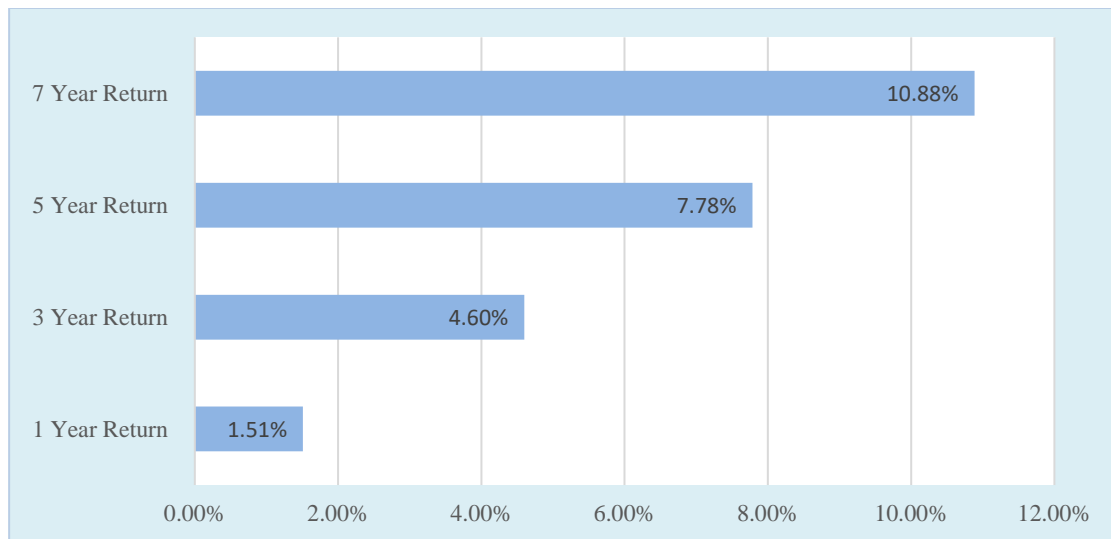


The value of assets under management within the mutual fund market for the first half of 2023 decreased by 0.02% to close at TT\$62.0B. Leading the decline were decreases in both Fixed Income Funds and Equity Funds by 0.31% and 1.28%, respectively. However, Fixed Income Funds continue to dominate the market, controlling 78.16% of all assets under management.

As at June 30, 2023, the financial system remained liquid, with commercial banks' excess reserves at the Central Bank of Trinidad and Tobago (CBTT) averaging TT\$7.0B daily. This is a marked increase in system liquidity from TT\$6.1B in December 2022.

For the six months to June 2023, the Government of Trinidad and Tobago (GOTT) one (1) year interest rate increased from 1.06% to 1.40%. This increase in interest rates was mainly due to a cohesive approach from global central banks by using sharp policy tightening measures to curb inflationary pressures driven by the post-pandemic recovery, the Russia/Ukraine War and extreme weather events. The interest rate offered on the MPF for June 2023 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 10.88%.

Financial Analysis

Mortgage assets acquired under trust increased by 0.98% for the six months ended June 30, 2023, at TT\$433.1M. For the period ended June 30, 2023, the mortgage portfolio generated TT\$12.2M in interest income and distributed TT\$3.2M to unitholders.

Outlook

As per the World Economic Outlook (WEO) Update July 2023, global economic growth is expected to fall from 3.5% in 2022 to 3.0% in 2023 and 2024. The decline in growth is attributed to a weaker manufacturing sector, lower global demand, a tight labour market, the persistence of elevated inflation, the ongoing war in Ukraine and other geopolitical tensions.

Despite the global economic challenges, Standard & Poor's (S&P) affirmed Trinidad and Tobago's investment grade rating of BBB- in July 2023, and maintained its stable outlook. Furthermore, Moody's affirmed Trinidad and Tobago's rating at Ba2 and revised its outlook to positive from stable. These decisions were made because of energy price windfall gains and evidence of economic reforms that can materially reduce the economy's exposure to energy price cycles.

The MPF continues to maintain a portfolio of prime residential mortgages. The Fund's assets' performance and the Guarantor's strength (Home Mortgage Bank) ensure that the Fund's risk profile remains low and offers an opportunity for continued growth in 2023.



Brent Mc Fee
Chief Executive Officer (Ag)

HOME MORTGAGE BANK
MORTGAGE PARTICIPATION FUND

FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED

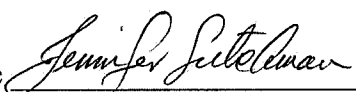
30 JUNE 2023

HOME MORTGAGE BANK
MORTGAGE PARTICIPATION FUND

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	30-Jun-23 \$	30-Jun-22 \$	31-Dec-22 \$
ASSETS			
Mortgage assets (acquired under trust)	433,123,916	464,649,012	428,927,521
Cash at bank	1,321,289	1,664,302	1,391,942
Due to related party	<u>5,345,638</u>	<u>—</u>	<u>7,059,537</u>
Total Assets	<u>434,445,205</u>	<u>466,313,314</u>	<u>437,379,000</u>
LIABILITIES			
Other payables	<u>537,222</u>	<u>573,701</u>	<u>553,462</u>
Total Liabilities	<u>537,222</u>	<u>573,701</u>	<u>553,462</u>
EQUITY			
Net assets attributable to unit holders	<u>433,907,983</u>	<u>465,739,613</u>	<u>436,825,538</u>
Total Equity	<u>433,907,983</u>	<u>465,739,613</u>	<u>436,825,538</u>
Total Liabilities and Equity	<u>434,445,205</u>	<u>466,313,314</u>	<u>437,379,000</u>

These financial statements have been approved for issue by the Trustee on August 11, 2023, 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 2023

	30-Jun-23 \$	30-Jun-22 \$	31-Dec-22 \$
Income			
Interest income calculated using the effective interest method	<u>12,244,404</u>	<u>12,881,770</u>	<u>25,488,727</u>
Operating expenses			
Audit fees	36,545	33,223	73,090
Management fees	2,723,757	2,929,449	5,673,795
Trustee fees	217,901	234,356	453,904
Mortgage risk guarantee fee	6,012,030	6,193,462	12,450,648
Unit Holder's interest cost	3,247,422	3,484,564	6,823,754
Other operating expenses	<u>6,749</u>	<u>6,716</u>	<u>13,536</u>
Total operating expenses	<u>12,244,404</u>	<u>12,881,770</u>	<u>25,488,727</u>
Profit for the period	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>

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

HOME MORTGAGE BANK
MORTGAGE PARTICIPATION FUND

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	30-Jun-23	30-Jun-22	31-Dec-22
	\$	\$	\$
Balance as at beginning of period	436,825,538	454,024,908	454,024,908
Subscriptions	15,635,963	38,288,671	62,726,446
Net interest re-invested by unit holders	3,101,925	3,312,647	6,494,563
Redemptions	<u>(21,655,443)</u>	<u>(29,886,613)</u>	<u>(86,420,379)</u>
Balance as at end of period	<u>433,907,983</u>	<u>465,739,613</u>	<u>436,825,538</u>

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

HOME MORTGAGE BANK
MORTGAGE PARTICIPATION FUND

STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	30-Jun-23	30-Jun-22	31-Dec-22
	\$	\$	\$
Cash flows from operating activities			
Profit for the period	—	—	—
<i>Adjustments for:</i>			
Increase/(decrease) in due from related party	7,059,825	1,300	(7,059,437)
Decrease in other payable	<u>(16,528)</u>	<u>(21,794)</u>	<u>(40,734)</u>
Net cash flows generated from/ (used in) operating activities	<u>7,043,297</u>	<u>(20,494)</u>	<u>(7,100,271)</u>
Cash flows from investing activities			
Principal repayments on mortgage assets	34,367,735	27,605,748	64,877,546
Purchase of mortgage assets	(58,177,985)	(72,455,425)	(128,415,679)
Sale of mortgage assets	<u>19,613,855</u>	<u>32,984,878</u>	<u>87,394,826</u>
Net cash flows (used in)/generated from investing activities	<u>(4,196,395)</u>	<u>(11,864,799)</u>	<u>23,856,693</u>
Cash flows from financing activities			
Subscriptions and interest re-invested	18,737,888	41,601,318	69,221,009
Redemptions	<u>(21,655,433)</u>	<u>(29,886,613)</u>	<u>(86,420,379)</u>
Net cash flows used in financing activities	<u>(2,917,555)</u>	<u>11,714,705</u>	<u>(17,199,370)</u>
Net decrease in cash and cash equivalents	(70,653)	(170,588)	(442,948)
Cash at bank at the beginning of the period	<u>1,391,942</u>	<u>1,834,890</u>	<u>1,834,890</u>
Cash at bank at the end of the period	<u>1,321,289</u>	<u>1,664,302</u>	<u>1,391,942</u>
Represented by:			
Cash at bank	<u>1,321,289</u>	<u>1,664,302</u>	<u>1,391,942</u>

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

HOME MORTGAGE BANK
MORTGAGE PARTICIPATION FUND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

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 2022

HOME MORTGAGE BANK
MORTGAGE PARTICIPATION FUND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023
(Continued)

3. Approval of Interim Financial Statements

The interim financial statements were approved for the issue by the Trustee on August 11, 2023.



INVESTMENTS | MORTGAGES