



**LEGACY**  
FUND LIMITED

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# **BELIZE INVESTMENT MARKET RETURN REPORT**

***22 SEPTEMBER 2023  
3RD QUARTER REPORT***

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## KEY TERMS & ABBREVIATION

No.	Abbreviation	Definition
1	BCC	Belize City Council
2	BEL	Belize Electricity Limited
3	BMP	Belmopan City Council
4	BTB	Belize Tourism Board
5	BTL	Belize Telemedia Limited
6	BWSL	Belize Water Services Limited
7	CBB	Central Bank of Belize
8	CFZ	Corozal Free Zone Limited
9	CUs	Credit Unions
10	SCA	Saint Catherine Academy
11	Muni Bond	Municipal Bond
12	Muni Paper	Municipal Paper

No.	Key Term	Definition
1	Bonds	Long-term debt obligations between an Issuer (borrower) and an investor (creditor) at a predetermined rate for a particular period of time, and are secured by collateral and/or security
2	Debentures	Long-term debt obligation between an Issuer (borrower) and an investor (creditor) at a predetermined rate for a particular period of time; Debentures are not secured by any identified collateral and/or security
3	Equities	Refer to shares
4	Papers	Short-term debt obligation between an Issuer (borrower) and an investor (creditor) at a predetermined rate for a period of time that is less than 1 year (365 days).
5	Return	Refers to the amount an investment earns during a time period, usually reflected as a percentage.
6	Return/Risk Ratio	A metric used to measure the unit of return of a security for every unit of risk.
7	Risk	Defined as the degree of uncertainty inherent in an investment decision is measured via the variance or the standard deviation of the Return.
8	Savings Deposit	Refers to the Weighted Average Deposit interest rates earned from the domestic banks as provided by the Central Bank of Belize.
9	Savings G	Refers to the interest rate earned from Savings Deposits offered by the domestic banks as collected by CBB.
10	Securities	Consists of equity instruments including stocks and debt instruments such as bonds, notes, and papers.
11	Term Deposit Rate	Refers to the interest rate earned from Time/Term Deposits offered by the domestic banks with data collected by CBB.
12	Weighted Return	A metric used to measure the overall rate of return over a given period of time usually for a portfolio investment based on the value of each asset/investment in the portfolio over the overall value of the portfolio.

# OVERVIEW



Belize's Investment Universe encompasses four primary categories: **Financial Assets, Corporate Shares, Corporate Bonds, and Municipal Securities (Bonds, and Papers)**, as illustrated in Table 1.0. This Table presents the *Total Average Belize Investment Market Return* for these investment securities over the past 13 years.

**Financial Assets**, as detailed in this report, encompass a range of financial instruments provided by domestic financial institutions, including **CU Equities (Credit Union Equities), and Savings Deposit (measured by the weighted average deposits), Term Deposits, and Savings G (Savings Deposits)** provided by the Commercial Banks.

**Corporate Shares** encompass equity instruments offered by three public enterprises that offer their shares to the public, while **Corporate Bonds** encompass long-term debt instruments issued by these same entities.

**Municipal Securities** comprise short-term and long-term debt instruments issued by local authorities in Belize. It is worth noting that only two local authorities in Belize have issued municipal securities to date: the Belize City Council (BCC), which has issued both long-term bonds and short-term papers, and the Belmopan City Council (BMP), which has issued long-term bonds

**TABLE 1.0 - TOTAL AVERAGE (13- YEARS) BELIZE MARKET RETURN**

Most Recent Market Return	Total Average Return	Total Risk	Return/Risk	Weighted Return
<b>Financial Assets</b>				
CU Equities	5.19%	1.28%	4.04	1.07%
Savings Deposit	2.38%	1.82%	1.31	0.26%
Term Deposit	3.56%	2.22%	1.60	0.58%
Savings G	3.07%	1.11%	2.77	0.84%
<b>Corporate Shares</b>				
BEL Equity	6.58%	7.76%	0.85	0.21%
BTL Equity	7.49%	11.54%	0.65	0.40%
BWSL Equity	6.36%	2.62%	2.43	0.29%
<b>Corporate Bonds</b>				
BEL Debentures	7.64%	2.03%	3.77	1.13%
BTB Bond	5.02%	N/A	N/A	0.06%
BWSL Debenture	6.03%	0.43%	13.89	0.10%
CFZ bonds	5.42%	0.43%	12.51	0.00%
SCA Mery Bonds	5.33%	0.00%	0.00	0.00%
<b>Municipal Securities</b>				
BCC Muni Bond	7.42%	0.58%	12.72	0.01%
BCC Muni Paper	4.34%	0.77%	5.62	0.01%
BMP Muni Bonds	3.44%	0.31%	11.18	0.01%
<b>Market Return</b>				<b>4.98%</b>

## FINANCIAL ASSETS

- Over the 13 years reviewed, among various financial assets, Credit union equities exhibit the highest average return at 5.20% alongside a relatively low-risk level of 1.8%. This results in a favorable risk-return ratio of 4.0, positioning CU Equities as a best-of-class investment choice. Conversely, savings deposits at banks yield the lowest average return, standing at 2.4%, and entail a risk of 1.8%, translating to a less favorable risk-return ratio of 1.3. It's worth noting that term deposits have the highest risk level at 2.2%, primarily due to fluctuations in offered interest rates over the past 13 years. Term deposits yield an index of 1.60 for each unit of risk.

The average return rate of securities publicly offered in Belize over the last 13 years (2010 - 2023).

Risk in this report is defined as the degree of uncertainty inherent in an investment decision and is measured via standard deviation.

A metric to measure the rate of return of a security for every unit of risk.

## CORPORATE SHARES

- Over the same period, among corporate shares issued in Belize's securities market, BTL Equity (Shares) provided the highest average return at 7.50% but carried the highest risk at 11.5%. Consequently, BTL Equity (Shares) presents the lowest risk-return ratio, yielding an index of 0.70 for each unit of risk. In contrast, BWSL Equity offers the lowest average return at 6.40%, while boasting the lowest risk of 2.6%. This results in the most favorable risk-return ratio, providing 2 units of return for each unit of risk.

## CORPORATE BONDS

- Among corporate bonds issued in Belize's securities market, BEL Debentures offer the highest average return at 7.60% albeit with the highest risk at 2.0%. Despite superior average return, BEL Debentures yield the lowest risk-return ratio, providing a return of 3.8 for each unit of risk. On the other hand, BWSL Debentures and CFZ Bonds represent attractive investments with favorable risk-return ratios, offering returns of 13.9% and 12.5% per unit of risk, respectively.
- It is important to note that the risk level of the BTB Bond, offering the lowest average return among corporate bonds at 5.0%, cannot be determined as it was newly issued in April 2023. Consequently, the BTB Bond remains outside the scope of our analysis.

## MUNICIPAL SECURITIES

- In Belize, within the asset class of Municipal Securities issued by entities such as the Belize City Council and Belmopan City Council, the BCC Muni Bonds stand out with the highest average return at 7.40% and a relatively low risk of 0.6%. This positions the BCC Muni Bonds as an attractive choice from a risk perspective, with a notable risk-return ratio, offering a return of 12.7% per unit of risk.
- Conversely, the BCC Muni Papers offer the second-highest average return at 4.30% among Municipal Securities in the Belizean market. However, they also carry a higher risk metric of 0.8%, resulting in a less favorable risk-return ratio, yielding a return of 5.6% per unit of risk.

## SUMMARY

- Among the securities issued in Belize's market, BTL Debentures, BTL Equity, and BCC Muni Bonds stand out with average returns exceeding 7.0%. Notably, BCC Muni Bonds are the most attractive option due to their low risk of 0.6% and a positive risk-return ratio, delivering a 12.7% return per unit of risk. Unfortunately, BCC Muni Bonds are being retired with only \$2.3mn outstanding and these are expected to be retired in November of this year. In contrast, BTL Equity offers a high average return of 7.50% but carries a substantial risk of 11.5%, resulting in one of the lowest risk-return ratios of 0.70.

**TABLE 2.0 - 5 - YEAR BELIZE MARKET RETURN**

5-Year Market Return	5-Year Average Return	5-Year Risk	Return/Risk	Weighted Return
<b>Domestic Bank Securities</b>				
CU Equities	4.19%	0.54%	7.83	0.86%
Savings Deposit	1.26%	0.10%	13.17	0.22%
Term Deposit	2.15%	0.16%	13.76	0.35%
Savings G	2.67%	0.03%	106.22	0.91%
<b>Corporate Shares</b>				
BEL Equity	6.00%	4.79%	1.25	0.38%
BTL Equity	3.31%	0.97%	3.41	0.18%
BWSL Equity	5.03%	3.01%	1.67	0.22%
<b>Corporate Bonds</b>				
BEL Debt	5.59%	0.99%	5.65	0.42%
BTB Bond	5.02%	N/A	N/A	0.06%
BWSL Debenture	6.03%	0.43%	13.89	0.07%
CFZ bonds	5.75%	0.22%	25.93	0.00%
SCA Mercy Bonds	5.33%	0.00%	0.00	0.00%
<b>Municipal Bonds</b>				
BCC Muni Bond	8.00%	0.00%	0.00	0.02%
BCC Muni Paper	4.34%	0.77%	5.62	0.03%
BMP Muni Bonds	3.51%	0.28%	12.35	0.00%
<b>Market Return</b>				<b>3.72%</b>

**ANALYSIS**

- Table 2.0 presents a 5-year analysis (2019-2023) of Belize's market securities, focusing on their average returns and risk levels. Notably, BCC Muni Bonds exhibit the highest 5-year Average Return at 8.0% with no measurable risk as these securities would have traded at par until retirement. With no change in their return parameters, a risk computation was not possible. Conversely, **Savings G** delivers a 5-year average return of 2.6% alongside a favorable risk rate of 0.03%, making it an appealing investment choice. Unfortunately, the recent spike in domestic inflation would have eroded the value of the dollar saved. *Savings G* boasts a high-risk return ratio, yielding an impressive 106.2 return per unit of risk. Additional investments with low risk and attractive returns per unit of risk include CFZ bonds (25.9%), BWSL Debentures (13.8%), and Term Deposits (13.7%).

**TABLE 3.0 - 5 - AVAILABLE DOMESTIC SECURITIES**

Available Securities	Current Return	Weighted Return
<b>Financial Assets</b>		
CU Equities	5.27%	1.09%
Savings Deposit	1.16%	0.13%
Term Deposit	2.18%	0.36%
Savings G	2.65%	0.73%
<b>Corporate Shares</b>		
BEL Equity*	10.00%	0.33%
BTL Equity*	2.60%	0.14%
BWSL Equity*	5.00%	0.22%
<b>Corporate Bonds</b>		
BTB Bond*	5.02%	0.06%
<b>Municipal Bonds</b>		
BCC Muni Paper	5.16%	0.02%
<b>Return of Available Securities</b>		<b>3.06%</b>

*\*Possibility to be brokered through Legacy Fund Limited and Alpha Capital LLP*

## CONCLUSION

- In the market, BEL Equity currently offers the highest return at 10.0%, albeit with a low *risk-return* ratio of 1.3. Conversely, Savings Deposits provide the lowest return at 1.2% but come with a notably higher risk-return ratio of 13.1. Other notable options include CU Equities with a 5.3% return and a risk-return ratio of 7.8, BCC Muni Papers offering a 5.2% return and a risk-return ratio of 5.6, and the BTB Bond with a 5.0% return.
- *Financial Assets* are easily accessible through the domestic banks and credit unions in Belize. Corporate shares are closely held with limited availability in a secondary market, necessitating acquisition through repurchases from existing shareholders or via financial investment and advisory firms like Legacy Fund Limited and Alpha Capital LLP. Similarly, corporate bonds can be obtained as pre-owned securities either through existing bondholders or financial investment and advisory firms. At current, BCC Muni Securities are the sole municipal securities that are available to investors. These provide current returns from 3.8% to 8.0%.
- The Belize Investment Market Return for all publicly available securities in the market is 3.06%. This is expected to increase over the medium term as more investment opportunities are introduced to the market. Over the next 12 months, *LegAlpha* anticipates the issuance of over \$70 million in new securities with returns ranging from 3.0% to as high as 15.0%, thus expanding investment opportunities in Belize.





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