INVESTMENT PERFORMANCE REPORT

2007

NATIONAL SOCIAL SECURITY AND INSURANCE TRUST

MAIN HIGHLIGHTS

Summary Information
(FOR THE YEAR TO 31ST DECEMBER 2007)

Beginning Period Assets ***(Le Billion)***	**151.58**
End Period Assets ***(Le Billion)***	**195.55**
Investment Income ***(Le Billion)***	**20.66**
Average Return on Investment ***(%)***	**12.65**

1.0 2007 ECONOMIC AND FINANCIAL DEVELOPMENTS

This section discusses the macroeconomic and financial development in the period under review, with a view to put the performance of the Trust's investment portfolio into context. It examines selected economic and financial indicators such as output growth, price levels and money growth as well as structural policies on financial sector reform and fiscal deficits.

1.1 Macroeconomic Performance for 2007

Macroeconomic performance during the year was mixed, amidst rising oil prices, progressive decline in domestic revenues and significant delays in the disbursement of external budgetary support. However, with a stable exchange rate against the US dollar and a sufficient level of external reserves, there was progress in maintaining macroeconomic stability.

1.1.1 Output and Prices

The economy grew at a rate of 7.4 percent in 2007 marginally lower than the growth rate in 2006. This was due to the protracted shortages in electricity supply, reduced government spending and the rice in oil prices. Domestic output was estimated to reach 6.8 percent, because of strong growth in agriculture and mining production, a buoyant construction industry, and a significant improvement in the services sector.

Inflationary pressures re-emerged in 2007, after returning to single digit levels in the second half of 2006. Annual inflation rose from 8.3 percent in December 2006 to 15.6 percent in November 2007. The rise in consumer prices was attributed to the effects of an accommodating monetary policy in the first quarter of the year and the lull in business activities during the period of the general elections and more recently the rise in oil prices.

Exports grew strongly during the year, reflecting improved performance in both mineral and agricultural output. Total value of exports during January to September 2007 amounted to US$196.8 million compared to US$175.8 million for the same period in 2006. Mineral exports are dominated by diamonds, which amounted to US$119.0 million during the first nine months of the year compared to US$98.4 million for the same period in 2006. Rutile and bauxite exports also increased to US$27.6 million and US$24.6 million during the period from US$19.3 million and US$15.7 million, respectively for the same period in 2006.

Similarly, the total value of merchandise imports also increased to US$331.5 million as at September 2007 compared to US$310.4 million for the same period in 2006, reflecting mainly increases in the importation of food items, mineral fuel and lubricants, animals and vegetables oils and chemicals.

Gross foreign reserves amounted to US$184.6 million (equivalent to three and half months of imports) as at end September 2007. The increase in foreign reserves is accounted for mainly by aid disbursements. The nominal exchange rate has remained relatively stable during the year.

1.1.2 Monetary Policy

Monetary policy during 2007 focused mainly on containing inflationary pressures occasioned by supply disruptions and the excess liquidity in the system at the beginning of the year. To achieve this, the BSL converted non-interest bearing securities worth Le50 billion in November 2006 and a further Le2.5Billion in 2007 into marketable securities to mop up excess liquidity in the system.

The movement in monetary aggregates closely followed the fiscal outcomes during the year. The weak revenue performance in the first quarter of 2007 resulted in an increase in bank credit to Government during the period. With the adoption of the cash budgeting system in April 2007, Government borrowing from the domestic banking system through Ways and Means advances was significantly curtailed, resulting in slow money supply growth in the second and third quarters of the year. The year-on-year growth rate of broad money declined to 23.4 percent as at end September 2007 after growing by 32.5 percent as at end March 2007. Credit by the commercial banks to the private sector increase sharply during the year and was mainly directed at the construction, trade and finance sectors.

1.1.3 Financial Sector Reforms

During the year, the Bank of Sierra Leone facilitated the enactment of the Other Financial Services (OFS) Amendment Act 2007 to incorporate stock market activities, to enhance access to medium to long-term financing and promote development in the private sector. The Bank of Sierra Leone in collaboration with Government and some private sector participants launched the Sierra Leone Stock Exchange in July 2007 and interim trading is expected to commence soon. To ensure proper controls, the BSL will regulate the operations of the stock market through on-site and off-site supervision and ensure that market activities are transparent and conducted according to the established rules.

As part of the efforts of the Bank of Sierra Leone to implement the Anti-Money Laundering Act 2005, a Financial Intelligence Unit has been established in the Bank of Sierra Leone. The currency reporting forms for completion by people moving to and from Sierra Leone who are in possession of currencies or negotiable instruments in excess of US$10,000 have been approved. The National Revenue Authority has been charged with the responsibility of ensuring the completion of these forms at various entry points, which will help minimise activities relating to money laundering and the financing of terrorism.

1.1.4 Revenue Enhancement Measures

Revenue shortfall that started in the second half of 2006 worsened in 2007, with domestic revenue collected during the year estimated to be less than projected. Total domestic revenue collected is estimated at Le 545.4 billion (11.0 percent of GDP) compared to the target of Le675 billion (13.6 percent of GDP). The shortfall of Le129.6 (2.6 percent of GDP) in domestic revenues reflects underperformance in all sources of tax and non-tax revenues.

1.1.5 Fiscal Performance

Income taxes are estimated at Le150.8 billion total revenue (3.0 percent of GDP) compared to the target of Le198.1 billion (4.0 percent of GDP), a shortfall of Le47.3 billion. The weak performance in income taxes is attributed to the high operating costs of business enterprises leading to lower corporate profits and associated tax payments to Government.

Customs and excise duties are estimated at Le312.1 billion (6.3 percent of GDP) compared to the programme target of Le364.5 billion (7.3 percent of GDP), a shortfall of Le52.4 billion. The shortfall in customs and excise receipts is partly attributed to uncertainties created by the elections. This caused businesses to adopt a 'wait and see' attitude, resulting in lower than anticipated imports of goods.

Total non-tax revenue were estimated at Le, 51,145,400,000 (Fifty one billion, one hundred and forty five million and four hundred thousand leones).The weak performance in non-tax revenues is explained by the late enactment of the Finance Bill 2007, which affected the timely transfer of off-budget revenues into the Consolidated Revenue Fund as well as the non-enactment of the Statutory Instrument 2007, which did not allow the implementation of the revised licences and royalties for the Mines, Marine and other key MDAs.

Total grants including support from the Peace Building Fund received during the period are estimated at Le248.1 billion (5.0 percent of GDP) compared to the programme target of Le503.7 billion (10.1 percent of GDP). Of this, total external budgetary support received is estimated at Le111.0 billion compared to the target of Le197.7 billion. Grants from the Peace Building Fund amounted to Le8.1 billion, HIPC debt relief assistance, Le35.7 billion and Multilateral Debt Relief Initiative (MDRI) assistance, Le35.7 billion and project grants are estimated at Le60.0 billion compared to the budgeted Le258.9 billion mainly due to the slow implementation of projects.

Total expenditure and net lending in the 2007 financial year is estimated at Le852.6 billion (17.1 percent of GDP) compared to the budgeted amount of Le1.2 trillion, reflecting under-spending in both recurrent and capital expenditures. Recurrent expenditure is estimated at Le685.6 billion (13.8 percent of GDP) compared to the budgeted amount of Le 775.6 billion (15.6 percent of GDP). The lower than-budgeted recurrent expenditure was accounted for by the compression of non-interest, non-salary recurrent expenditures following the adoption of the cash budget system in April 2007. Non-salary, non-interest recurrent expenditure is estimated at Le280.4 billion (5.6 percent of GDP), of which, transfers to local councils and grants to educational institutions amounted to Le35.8 billion and le25.2 billion, respectively. Wages and salaries bill amounted to Le295.3 billion (5.9 percent of GDP) and was within the budget ceiling. Total interest payments were estimated at le109.8 billion (2.2 percent of GDP), of which, domestic interest payments amounted to Le95.0 billion.

Capital expenditure was estimated at Le164.1 billion, of which, foreign-financed capital expenditures was estimated at Le120.3 billion (2.4 percent of GDP) compared to the budgeted amount of Le365 billion. Domestically funded capital expenditures are estimated at Le43.7 billion compared to the budget of Le81.9 billion.

The overall budget deficit, on a commitment basis and excluding grants, was estimated at Le307.1 billion (6.2 percent of GDP) compared to the programme ceiling of Le547.6 billion (11.0 percent of GDP). The deficit including grants was estimated at Le59.1 billion, and this was financed mainly from domestic sources, estimated at Le 43.6 billion.

2.0 PORTFOLIO PERFORMANCE

This section presents the performance of the Trust's portfolio during the period under review. It states the stock of assets held at the end of the period, income earned during the period as well as returns on investments.

2.1 Portfolio Composition

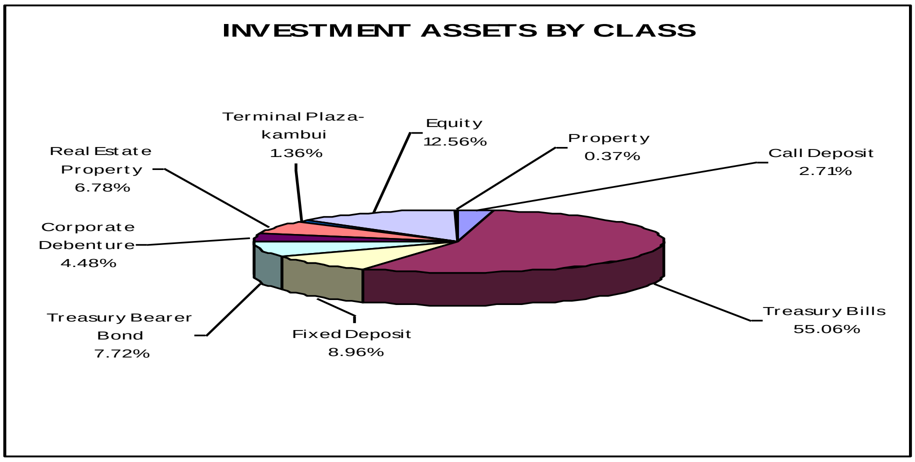
The Trust's investment portfolio comprised fixed income assets, equities and properties. Fixed income assets, which include Treasury Bills, Treasury Bearer Bonds, Call deposits and Fixed Deposits, formed the largest component of the portfolio. As at end December 2007, 78.93 percent of the portfolio was held in fixed income assets. Equities, Corporate Debentures, land and constructions in progress account for 21.07 percent of the portfolio. The Portfolio composition by asset class is provided in Table 1 and illustrated in Chart 1.

Table 1: Investments Portfolio

Assets by Class			
No.	**Asset Type**	**Amount** *(Le '000)*	%
1	Call Deposits	5,300,639.97	2.71
2	Treasury Bills	107,658,300.00	55.06
3	Fixed Deposit	17,530,000.00	8.96
4	Treasury Bearer Bonds	15,088,450.00	7.72
5	Corporate Debenture	8,766,607.04	4.48
6	Equity	24,557,859.48	12.56
7	Real Estate (construction in progress)	13,252,150.00	6.78
8	Project Finance-Kambui Plaza	2,663,221.17	1.36
9	Land	728,469.30	0.37
	Total	**195,545,696.96**	**100.00**

As shown in the table above the total investment portfolio amounted to Le 195.54 Billion in December 2007 up from Le 151.84 Billion in December 2006, an increase of 22.3%.

Chart 1: Investments Portfolio



2.1.1 Equity Holdings

The Trust holds equity in six companies namely: Sierra Concrete Products (SL) Limited (SCPL); Regimanuel Gray (SL) Limited (RGSL); Guoji Property Development Company (SL) Limited (GPDCL); Ecobank Transnational Incorporated (ETI); Kimbima Hotel Limited (KHL),Sierra Leone Brewery Ltd (SLBL) and SN Alliance. The structure of the Trust's shareholding in these companies is provided in Table 2 below.

Table2: Equity Holdings

Company	No. of Shares	Cost (Le'000)	% Share Holding in Company	% of Equity Portfolio
Sierra Block Concrete Products	7,110,000	7,110,000.0	60	28
Regimanuel Gray	640,000	6,000,000.0	40	22
Guoji Property*	0	110,523.80	10	4
Ecobank	1,500,000	3,033,917.18	-	12
Kimbima Hotel	640,000	5,296,414.50	60	22
SL Brewery	40,000	7,004.00	-	0
SN Alliance	2,000	3,000,000.00	50	12
TOTAL		**24,557,859.48**		

- Insignificant share holdings

** Share Holdings in Joint Venture is in respect of formation expenses for the JV- equity holding is being negotiated.*

2.1:2 Real Estate - Construction in Progress

The Trust made a forty percent advance payment to RGSL Ltd of Le 13.252 Billion for the construction of 48 flats (six apartment blocks, four storey each and eight flats per block) at Goderich. Construction is in progress at the end of which the investment assets will be classified as a real estate asset with investment guided by the accounting principles related thereto. Withholding of taxes this contract are deducted upon submission of certified works completed.

2.1,3 Project Finance – Kambui Plaza

A joint venture agreement between the Trust and Kenema City Council (KCC) for the construction of a Transport Terminal and Shopping Centre in the Kenema city was signed during the reporting period. The Trust shall contribute 80 percent of the financial requirement while KCC will provide the remaining 20 percent. The financing of the construction project is hybrid (equity and debt). The Trust shall provide a loan of Le4.486 Billion during the construction period which shall be repaid from the project cash flows within 5-years after a moratorium period of one year.

2.1:4 Land Holdings

As at the end of December 2007, the Trust held a total of 167 acres of land in different parts of the country. The information on land holdings and costs thereof is provided in Table 3.

Table 3: Land Holdings

TOWN	ACREAGE	PURCHASE PRICE (LE)
BO	50	187,978,413
KENEMA	50	188,188,413
KONO	50	266,906,413
MAKENI	17	85,396,060
TOTAL		**728,469,300**

2.2: Portfolio Holdings vs. Target

A comparison of the actual share of various asset groups in the portfolio against the policy target is provided in the table below. Investments in Fixed income assets continued to dominate the portfolio, accounting for 79.8 percent compared to a policy target of 25 percent. The policy direction in our medium-term investment strategy is to increase our investments in non-fixed income asset. This is consistent with the fact that the nature of the funds under management is long term. However, the Trust will maintain a significant proportion of it investment portfolio in fixed income securities in the short run until the current initiatives for investments in equity and property are analysed and deemed financially prudent.

The comparison of actual holdings in the various asset classes against policy target is shown below.

Table 4: *Portfolio Composition for the year to 31st December 2007*

Asset Class	Policy Target (%)	Holding asset at Dec 2007 (%)
Cash Investments	5	2.71
Fixed Income Assets	20	76.22
Non-fixed Income Assets	75	21.07
Total	100	100.00

2.3: Changes in Assets

Total assets increased to Le 195.55 Billion at end December 2007 from Le 151.84 Billion as at start of January 2007, an increase of 28.79%. The increase in assets during the period is attributable mainly to:

(i) the accumulation of surplus contributions[1] and
(ii) Investment income

There were however, changes in the proportionate holdings of the different asset classes within the portfolio. For example the targets equity holding as a percentage of total portfolio, decreased by 19.7 percent. Treasury Bearer Bonds holdings also decreased by 6.6 percent. These changes were met by increase in the proportionate holding of Treasury Bills by 35 percent and the investment in Socio-Economic Targeted Investment (SETI) through the financing of an economic infrastructure project in Kenema- the Kambui Plaza.

Despite the high investments in Government Securities and the fixed bank deposits, it is part of management's efforts to diversify the portfolio and include long-term non fixed investment assets.

Asset Type	FY 2006	FY 2007	Change
	31ST DEC 2006	31st DEC 2007	(%)
	(In Thousands of Leones)		
Call Deposits	0.00	5,300,639.97	100
Treasury Bills	79,678,450.00	107,658,300.00	35.12
Fixed Deposits	16,500,000.00	17,530,000.00	6.24
Treasury Bearer Bonds	16,085,600.00	15,088,450.00	(6.61)
Corporate Debentures	8,266,607.04	8,766,607.04	6.04
Equity	30,584,594.88	24,557,859.48	(19.71)
Project finance Kambui Plaza	0	13,252,150.00	100
Property	728,469.30	728,469.30	0
Total	**151,843,721.22**	**195,545,696.96**	**28.78**

2.3.1 Income from Investment

Total investment income during the period amounted to Le 20.62 Billion, compared to the annual budgeted income of Le 19.5 Billion for the year 2007, exceeding the target

[1] Surplus Contribution is total contribution net of benefit payments and administrative expenses

by approximately 6 percent. Investment income exceeded target due to the improvement in the yields on Government Securities and more robust methods applied in managing the Trust's Treasury operation.

Table 6: Investment Income

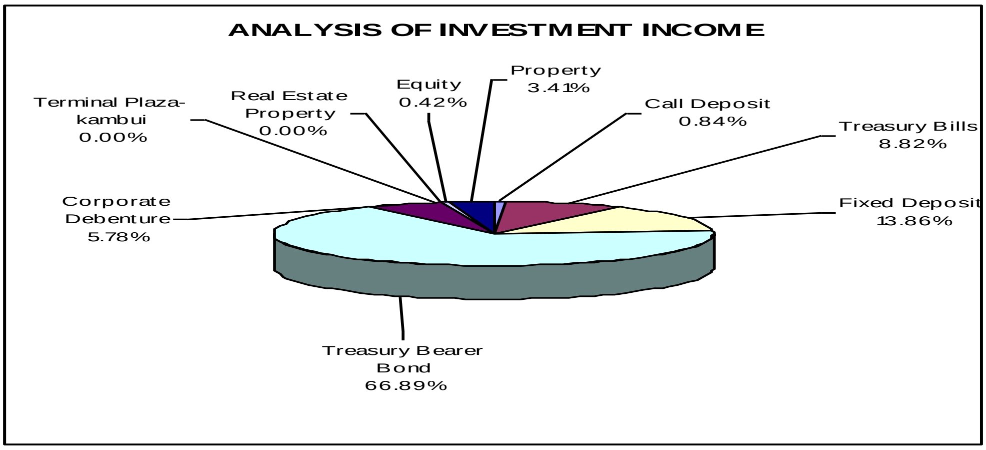
Description	Annual Budget to 31st Dec 2007	12months Actual to 31st Dec 2007	Performance (%)
Investment Income (Le'000)	19,500,000.00	20,662,828.78	105.96%

Of the total income amounting to Le 20.66 Billion, Le 14.308 Billion accrued from T/Bills; Le 1.886 Billion from TBBs; Le 2.96 Billion from Fixed Deposits; Le 178.22 Million from Call account deposits. The Corporate Debenture accrued an interest element of Le 1.24 Billion from SCPL and Kimbima Hotel respectively, whilst equities earned an income of 89.57Million for the year 2007. Incomes earned by the different asset classes are provided in Table 7 below and illustrated in Chart 2

Table 7: *Investment Income by Asset Class*

Asset Class	12 MTHS TO 31ST DECEMBER 2007 (Le'000)	12 MTHS TO 31ST DECEMBER 2006 (Le'000)
Call Accounts	179,284.04	232,697.01
Treasury Bills	14,308,720.27	11,843,601.07
Fixed Deposits	2,963,876.71	1,407,791.55
Treasury Bearer Bond	1,885,698.95	3,083,383.04
Corporate Debenture	1,235,677.52	1,861,354.40
Equity	89,571.30	44,550.00
Total	**20,662,828.78**	**18,473,377.04**

Chart 2: *Percentage share of income by Asset Class*



As shown above, the incomes were mainly from Fixed Income Securities though dividends were also realised from shares held with Ecobank Transnational Inc.

2.3.2 Returns on Investment

Asset Type	Average Return (%)[3]				Real Return (%)			
	2004	2005	2006	2007	2004	2005	2006	2007
STFI[1]	24.54	23.37	17.4	16.22	9.06	8.19	9.28	3.47
5-Yr Debenture	n/a	-	30.04	15.64`	n/a	-	19.36	3.00
Equity	-	-	n/a	0.33	-	-	n/a	0.32
Property	-	-	n/a	n/a	-	-	n/a	n/a
Portfolio Returns	**22.77**	**19.71**	**15**	**12.65**	**7.64**	**6.00**	**7.1**	**0.37**

The Annualised Average Return on Investment for the year to 31st December 2007 is 12.65 percent compared to the targeted returns of 12.0 percent for the year 2007. Real return of investment is estimated at 0.37 percent. This is due to the high inflation levels in the economy during the period.