

# **NATIONAL SOCIAL SECURITY AND INSURANCE TRUST**



---

## **ANNUAL PROGRESS REPORT INVESTMENTS & PROJECTS DEPARTMENT**

---

**YEAR TO 31<sup>ST</sup> DECEMBER 2010**

*MARCH 2011*

# MAIN HIGHLIGHTS

## SUMMARY INFORMATION FOR THE YEAR TO 31<sup>ST</sup> DECEMBER 2010

|   | 2010   | 2009   |
|---|--------|--------|
| <b>Beginning Period Assets</b><br><i>(Le Billion) (Jan)</i> | 304.54 | 243.93 |
| <b>End Period Assets</b> <i>(Le Billion) (Dec)</i>          | 378.11 | 304.54 |
| <b>Investment Income</b> <i>(Le Billion)</i>                | 20.55  | 17.59  |
| <b>Average Return on Investment</b> <sup>1</sup> (%)        | 6.20   | 6.62   |

---

### I. PORTFOLIO PERFORMANCE

---

#### 1.1 PORTFOLIO COMPOSITION

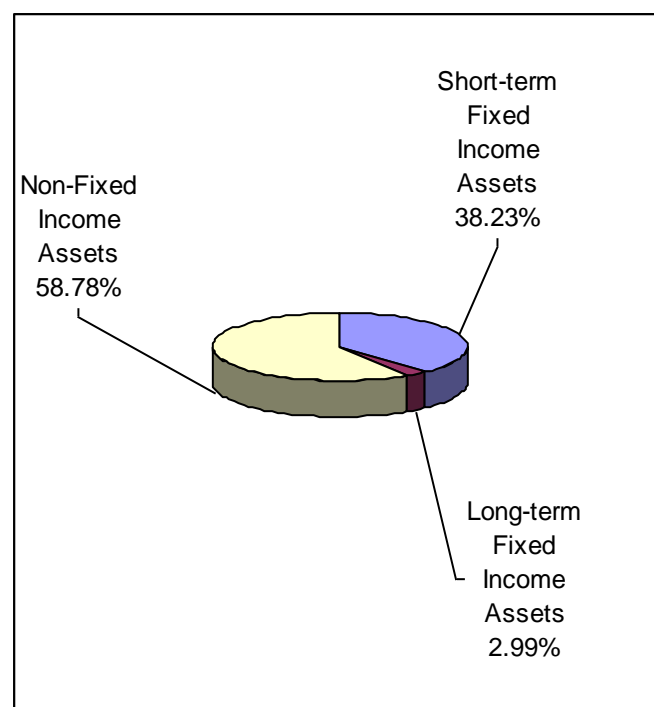
The Trust's investment portfolio comprises fixed income and non-fixed income assets. Short term fixed income assets comprise Treasury Bills, Fixed Deposit and Call Deposit. Long term fixed income assets are Corporate Debenture held by the Trust. Non-fixed income assets are equity and property of the Trust including Economically Targeted Investments.

As at end December 2010, 38.23 percent of the portfolio was held in short-term fixed income assets, 2.99 percent in long-term fixed income assets and 58.78 percent in non-fixed income asset.

The Portfolio composition is provided in Table 1 and illustrated in Chart 1.

**Table 1: Investments Portfolio as at end December 2010**    **Chart 1: Share of investment Portfolio by Asset Class as at end December 2010**

| <b>Investment Assets by Class</b> |  |                       |               |
|-----------------------------------|--|-----------------------|---------------|
| <b>No.</b>                        | <b>Asset Type</b>                                    | <b>Amount</b>         | <b>%</b>      |
|                                   |  | <i>(Le '000)</i>      |               |
| 1                                 | Call Deposits  | 20,216,841.45         | 5.35          |
| 2                                 | Treasury Bills                                       | 53,412,300.00         | 14.13         |
| 3                                 | Fixed Deposit  | 70,915,511.18         | 18.76         |
| 4                                 | Corporate Debenture                                  | 11,294,094.87         | 2.99          |
| 5                                 | Equity   | 54,714,071.02         | 14.47         |
| 6                                 | Real Estate Property (Goderich Sea view Appartments) | 29,057,527.23         | 7.68          |
| 7                                 | Economically Targeted Investments                    | 119,333,965.13        | 31.56         |
| 8                                 | Sea View Estates                                     | 10,469,918.40         | 2.77          |
| 9                                 | Total Land Property                                  | 8,696,050.06          | 2.30          |
| <b>Total</b>                      |  | <b>378,110,279.33</b> | <b>100.00</b> |



### 1.1.1 Portfolio Composition by Asset Class

Table 2 provides the share of asset class relative to the policy target. The Trust's objective in diversifying its investment's portfolio had been the focal point as can be envisaged from its portfolio management compared to the previous years. Despite the fact that significant movements had been carried out within the portfolio, Fixed income assets continue to dominate as their current holdings is far above the targeted limit.

**Table 2: Asset Class Composition as at end December 2010**

| <b>Asset</b>                        | <b>Amount (Le'000)</b> | <b>Share (%)</b> | <b>Policy Target (%)</b> |
|-------------------------------------|------------------------|------------------|--------------------------|
| <i>Cash Investments</i>             | 20,216,841.45          | 5.35             | 5.00                     |
| <i>Fixed Income Assets</i>          | 135,621,906.05         | 35.88            | 20.00                    |
| <i>Non-Fixed Income Assets o/w:</i> | 222,271,531.84         | 58.78            | 75.00                    |
| <i>Equity</i>                       | 54,714,071.02          | 14.47            | 40.00                    |
| <i>Property</i>                     | 167,557,460.82         | 44.31            | 35.00                    |
| <b>Total</b>                        | <b>378,110,279.33</b>  | <b>100.00</b>    | <b>100.00</b>            |

**1.1.2 Changes in Asset Composition**

Total value of investment assets as at end December 2010 was Le 305.08 billion; 24 percent more than the same period last year. The increase in investment assets over the period is due mainly to the following:

- i) Accumulation of surplus contributions due to increased membership, and
- ii) Retained investment Income.

The changes in asset composition are provided in Table 3.

**Table 3: Changes in Assets Composition, December 2010– December 2009**

| <b>Asset</b>                                    | <b>December 2009<br/>(Le'000)</b> | <b>December 2010<br/>(Le'000)</b> | <b>ASSETS COMPOSITION</b>   |                     |
|---|-----------------------------------|-----------------------------------|-----------------------------|---------------------|
|   |                                   |                                   | <b>2009<br/>Share<br/>%</b> | <b>2010 Share %</b> |
| <b>Cash Investments</b>                         | 7,004,687.91                      | <b>20,216,841.45</b>              | 2.46                        | <b>5.35</b>         |
| <b>Fixed Income Assets</b>                      | 172,635,679.88                    | <b>135,621,906.05</b>             | 56.59                       | <b>35.88</b>        |
| <b>Non-Fixed Income Assets o/w:</b>             | 124,939,058.82                    | <b>222,271,531.84</b>             | 40.95                       | <b>58.78</b>        |
| <b>Equity</b>                                   | 48,414,071.02                     | <b>54,714,071.02</b>              | 15.88                       | <b>14.47</b>        |
| <b>Property o/w</b>                             | 76,486,987.79                     | <b>167,557,460.82</b>             | 25.07                       | <b>44.31</b>        |
| <i>Real Estate Property (Goderich Sea view)</i> | 16,479,386.90                     | 29,057,527.23                     | 5.40                        | 7.68                |
| <i>Sea-View Estates</i>                         | 0                                 | 10,469,918.40                     |                             | 2.77                |
| <i>Economically Targeted Investments (ETIs)</i> | 62,994,366.39                     | 119,333,965.13                    | 19.43                       | 31.56               |
| <i>Land Property</i>                            | 731,652.06                        | 8,696,050.06                      | 0.24                        | 2.30                |
| <b>Total</b>                                    | 304,541,426.60                    | <b>378,110,279.33</b>             | 100.00                      | <b>100.00</b>       |

## 1.2 Investment Income

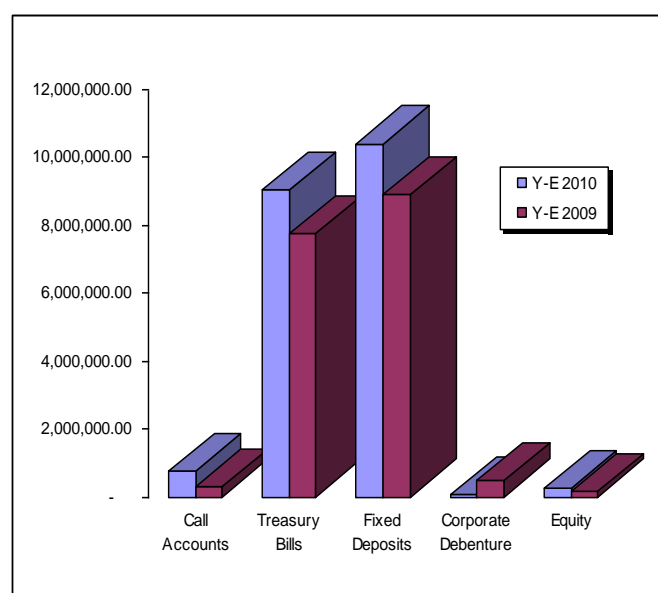
Investment income as at year end to 31<sup>st</sup> December 2010 amounted to Le 20.54 billion compared to 17.59 billion compared to the previous year. Despite the significant movement to non-fixed income assets, investment income grew by 16.83 percent. This significant achievement is due to the improvement in the Govt. Securities during the period 2010.

Investment income by asset class is shown in Table 4 and illustrated in Chart 2.

**Table 4: Investment Income by Asset Class, December 2009- December 2010**

| Asset Class         | As at End December 2010 (Le'000) | As at End December 2009 (Le'000) |
|---------------------|----------------------------------|----------------------------------|
| Call Accounts       | 764,258.17                       | 297,501.45                       |
| Treasury Bills      | 9,051,423.27                     | 7,767,368.06                     |
| Fixed Deposits      | 10,393,345.89                    | 8,889,344.74                     |
| Corporate Debenture | 71,561.27                        | 485,963.84                       |
| Equity              | 268,389.53                       | 157,833.02                       |
| <b>Total</b>        | <b>20,548,978.14</b>             | <b>17,598,011.11</b>             |

**Chart 2: Sources of Investment Income, December 2009 – December 2010**



## 1.3 Return on Investment

Table 5 shows the return on investment for the period 2007 to date. The Average return on investments for the year ending to 31<sup>st</sup> December 2009 was 6.62 percent.

**Table 5: Rate of Return on Investments, 2007– December 2010**

| Asset Type                          | Average Returns |              |             |             | Real Returns |               |              |            |
|-------------------------------------|-----------------|--------------|-------------|-------------|--------------|---------------|--------------|------------|
|                                     | 2007            | 2008         | 2009        | 2010        | 2007         | 2008          | 2009         | 2010       |
| STFI <sup>1</sup>                   | 16.22           | 18.33        | 11.68       | 13.87       | 3.43         | 3.58          | 3.97         | n/a        |
| Corporate Debenture                 | 15.64           | 11.28        | 5.04        | 6.55        | 3.00         | (2.53)        | -1.55        | n/a        |
| Equity                              | 0.33            | 0            | 0.42        | 0.52        | 0.32         | 0             | n/a          | n/a        |
| Property                            | n/a             | 0            | n/a         | n/a         | 0            | 0             | n/a          | n/a        |
| <b>Annualised Portfolio Returns</b> | <b>12.65</b>    | <b>11.62</b> | <b>6.62</b> | <b>6.20</b> | <b>0.37</b>  | <b>(2.23)</b> | <b>-1.11</b> | <b>n/a</b> |

## 2.0 PORTFOLIO ASSETS MANAGEMENT

### 2.1 EQUITY HOLDING

The Trust holds equity in nine domestic companies including the banking sector namely: Sierra- block Concrete Products (SL) Limited (SCPL); Regimanuel Gray (SL) Limited (RGSL); Guoji Property Development Company (SL) Limited (GPDCL); Kimbima Hotel Limited (KHL); Sierra Leone Brewery Ltd (SLBL); HFC Mortgage & Savings (SL) Ltd; SN Alliance; Standard Chartered Bank (SL) Ltd, Rokel Commercial Bank and an off-shore investment in Ecobank Transnational Incorporated (ETI).

Table 6 below gives the Trust's participation in private equity companies.

**Table 6: Equity Holding (As at 31<sup>st</sup> December 2010)**

| Company                             | No. of Shares | Cost (Le'000)        | Paid –up Shares (Le'000) | % Share Holding | %             |
|-------------------------------------|---------------|----------------------|--------------------------|-----------------|---------------|
|                                     |               |                      |                          |                 | of Equity     |
| Sierra block Concrete Products Ltd  | 7,110,000     | 7,110,000.00         | <b>7,110,000.00</b>      | 60              | <b>12.99</b>  |
| Regimanuel Gray SL Ltd              | 600,000       | 7,498,880.00         | <b>7,498,880.00</b>      | 40              | <b>13.71</b>  |
| Gouji Property Development Co       | 100,000       | 110,523.80           | <b>110,523.80</b>        | 10              | <b>0.20</b>   |
| Ecobank Transnational Incorporation | 18,333,333    | 4,543,667.18         | <b>4,543,667.18</b>      | -               | <b>8.30</b>   |
| Kimbima Hotel                       | 364,501       | 5,296,414.50         | <b>5,296,414.50</b>      | 60              | <b>9.68</b>   |
| SL Brewery                          | 320,000       | 43,054.00            | <b>43,054.00</b>         | -               | <b>0.08</b>   |
| Standard Chartered Bank (SL) Ltd    | 107,000,000   | 440,840.00           | <b>440,840.00</b>        | -               | <b>0.81</b>   |
| Rokel Commercial Bank               | 64,998,579    | 570,691.54           | <b>570,691.54</b>        | -               | <b>1.04</b>   |
| SN Alliance                         | 2,000         | 3,000,000.00         | <b>3,000,000.00</b>      | 50              | <b>5.48</b>   |
| HFC Mortgage & Savings (SL) Ltd     | 2,610,000     | 26,100,000.00        | <b>26,100,000.00</b>     | 99              | <b>47.70</b>  |
| <b>TOTAL</b>                        |               | <b>54,714,071.02</b> | <b>54,714,071.02</b>     |                 | <b>100.00</b> |

### 2.2 CORPORATE DEBENTURE

Corporate debentures were issued to SCPL and Kimbima Hotel at varying interest rates guided by the rate of inflation as required by the 2004 Actuarial Review. Kimbima had been honouring its debt obligation. However, SCPL failed to meet its debt obligation since October 2006.

Table 7 shows the Trust's holdings in corporate debenture.

**Table 7: Corporate Debenture (As at 31<sup>st</sup> December 2010)**

| Institution                  | Issued Date               | Amount Issued (Le'000) | Amount Due (Le'000)  | Inflation Rate as at issued date (%) | Interest Rate (%) | Re-payment Period |
|------------------------------|---------------------------|------------------------|----------------------|--------------------------------------|-------------------|-------------------|
| Sierra Concrete Products Ltd | 1 <sup>st</sup> July 2006 | 8,653,345.21           | 11,294,094.87        | 15.00                                | 17.00             | Quarterly         |
| <b>Total</b>                 |                           |                        | <b>11,294,094.87</b> |                                      |                   |                   |

According to the agreed revised payment plan schedule drawn in July 2006 the SCPL debenture loan had expired on the 30<sup>th</sup> of June 2010. The status quo of this loan debenture shall be determined in the next shareholders meeting.

### **2.3 REAL ESTATE PROPERTY- GODERICH SEA-VIEW APARTMENTS**

The Trust continues to diversify its portfolio by investing in real Estate. A real estate project for the construction of 48 flats (six apartment blocks, four storey each of eight flats per block) at Goderich was administered through RGSL. As at the end December 2010, the total sum of Le 29.06 billion had been provided to RGSL on the Goderich Sea-view Apartments' project. Work is in progress and is expected to be completed within a reasonable time frame. This project will subsequently be classified as Investment Property guided by the relevant accounting principles and practices when the final certificate of completion is received. A task force team had been set to monitor and evaluate this project unto the point of delivery.

### **2.4 PROPERTY DEVELOPMENT- SEA VIEW ESTATES**

The Trust in its stride to meet its medium term strategy taking into consideration security, yield and liquidity had intensified in its diversification, thereby exploring deeply into the real estate market. The Trust had acquired 15 houses from Regimanuel Gray Sierra Leone, wherein payment had been approved for 10 houses at a price of USD 250,000.00 each valuing Le10.469 Billion whilst the remaining 5 will be paid for in due course.

## 2.5 ECONOMICALLY TARGETED INVESTMENTS (ETIs)

The Trust invested in projects that address the socio-economic problems affecting the nation and at the same time realize reasonable returns on investment. During the year, the Trust committed substantial funds to these types of projects as shown in the Table below. On completion of financing stage, the receivables will be re-classified to reflect increase in the Trust's

**Table 8: Receivables on ETIs (As at 31<sup>st</sup> December 2010)**

| <b>PROJECT</b>               | <b>STAGE</b>   | <b>AMOUNT<br/>(LE'000)</b> |
|------------------------------|--|----------------------------|
| Kambui Terminal Plaza        | Work-In-Progress, almost completion stage  | 14,142,192.73              |
| Sierra Ferries               | Purchase price, refurbishment costs of two (2) sea vessels, cost of pontoons, spare parts and other miscellaneous expenses | 26,610,148.83              |
| Affordable Housing- Waterloo | Site Development and Pilot Housing Projects Phase in progress for ten (10) houses  | 5,825,907.98               |
| Affordable Housing- Bo       | Site Development and Pilot Housing Projects Phase in progress for 6 (six) houses   | 1,344,275.93               |
| Affordable Housing- Kenema   | Site Development and Pilot Housing Projects Phase in progress for 6 (six) houses   | 1,286,568.40               |
| Affordable Housing- Makeni   | Site Development and Pilot Housing Projects Phase in progress  | 1,282,919.61               |
| HFC Mortgage & Savings       | Payment for Minimum requirement in lieu of equity  | 5,280,043.59               |
| Cape Sierra Hotel            | Cost of acquiring leasehold of property  | 10,169,873.36              |
| Kimbima Hotel                | Refurbishment and Rehabilitation of the Hotel  | 3,832,311.82               |
| Regimanuel Gray (SL) Ltd     | Part-Payment of Loan contracted from Ecobank Ghana & other Pre-incorporation expenses                                      | 9,005,967.42               |
| Bintumani Hotel              | Preliminary costs and consultancy Studies  | 11,353,174.73              |
| Makeni Shopping Plaza        | Preliminary costs, consultancy, studies and site preparation   | 6,403,403.44               |
| Bo Terminal Plaza            | Preliminary costs, consultancy, studies and site preparation   | 5,117,826.56               |
| Hotel & Tourism- WAHL        | Purchase of 9,000,000 shares in WAHL and other related charges   | 17,644,756.74              |
| Student Hostel               | Preliminary surveys, consultancy Studies and market feasibility  | 34,604.00                  |
|                              |  | 8                          |
| <b>Total</b>                 |  | <b>119,333,965.13</b>      |



## 2.6 LAND PROPERTY

Information on land property acquired by the Trust to carry out investments project in the main provincial towns is provided in the Table below. These lands are held for investment in affordable housing and other infrastructural projects.

**Table 9: Land Property (As at 31<sup>st</sup> December 2010)**

| TOWN                     | ACREAGE       | COST                |
|--------------------------|---------------|---------------------|
| BO                       | 157.45@       | 157,504,312.00      |
| KENEMA                   | 55.70         | 196,199,988.00      |
| KONO                     | 54.77         | 236,268,000.00      |
| MAKENI                   | 70.00         | 141,679,760.00      |
| SOUTH RIDGE-HILL STATION | 48.00         | 124,229,580.00^     |
| WATERLOO-FREETOWN        | 106.00        | 43,455,000.00*      |
| GRAFTON LAND             | 67.8          | 302,775,000.00**    |
| NEWTON                   | 18.00         | 461,981,370.00***   |
| GLOUCESTER               | 100.00        | 7,966,398.00        |
| <b>TOTAL</b>             | <b>677.72</b> | <b>8,696,050.06</b> |

@ Includes Acres of Land bought for Affordable Housing Project in Bo Town and its environs.

^ Acquired for the implementation of phase 2 of the Luxury Villa Development project with Gouji Property Development Company.

\*This piece of land was given to the Trust by Government for the affordable housing project. The costs of the land represent the nominal expenses incurred in bringing the land to its present state. However, this amount did form part of the total cost of land held by the Trust as it is reported as part of receivables on affordable housing.

\*\* This piece of land is acquired for low-end estate development by Regimanuel Gray SL Ltd.

\*\*\* Represents land surrendered by Mount Everest Security Agency (MESA) in settlement of Social Security Contribution owed the Trust amounting to Le381.98 Million. In order to completely offset the cost of the land, an additional sum of Le81 Million was paid to MESA.

