



# **INVESTMENT PERFORMANCE REPORT**

**2011**

**NATIONAL SOCIAL SECURITY AND INSURANCE TRUST**

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## MAIN HIGHLIGHTS

### SUMMARY INFORMATION FOR YEAR 2011

	Jan. '11	Jan. '10
<b>Beginning Period Assets (Le Billion) (Jan)</b>	378.11	304.54
<b>End Period Assets (Le Billion)</b>	442.83	378.11
<b>Investment Income (Le Billion)</b>	23.84	20.55
<b>Average Return on Investment (%)</b>	5.98	6.20

## **1.0 OUTLOOK FOR 2011**

### **1.1 Macroeconomic Environment**

The global economic meltdown continues to have effect on economic performance of developing countries since 2008. Sierra Leone has been facing macroeconomic instability triggered mainly by rising food and fuel prices coupled with declining exports during the period 2008 to 2009. The massive import the country experienced in the 2011 period was triggered mainly by import of machineries and equipment to boost the country's expanding mining sector.

However, the period 2009 to 2011 recorded significant improvements as the country's economic and financial indicators improve driven mostly by considerable increase in mineral exports. Meanwhile, growth prospects continued to be strong, evidenced by the fast growth in bank credit, increased food crops production, and drastic improvement in the construction and service sectors. The economy continues to enjoy stable exchange rates in the foreign currency trade coupled with external and domestic financing resulting in the following macroeconomic performance:

- Real GDP grew by 5.3 percent during the reporting period;
- Year-on-year inflation rate fell to 15.7 during the second half of 2011 after heightening to 17.8 percent in the first half of the same period;
- Total Official Exports increased by 5.5 amounting to US\$174.3 million compared to US\$166 million during the previous year;
- Total Value of Merchandise Imports increased by 124 percent to US\$704 million in 2011 compared to US\$314.3 million in 2010;

### **1.2 Financial Sector Developments**

The financial sector continues to deepen led by the expansion of the banking sector. The number of total licensed commercial banks remains at 13. Although the sector lost one of its members, Pro Credit Bank (SL) Ltd, another new player, Bank PHB, began operations in Sierra Leone. Also, the Sierra Leone stock exchange is up and running but still grappling with problems at its early stage with a few Sierra Leonean companies listed.

In view of the increasing number of financial institutions and products, the Bank of Sierra Leone continues to push through with implementation of its Financial Sector Development Plan (FSDP) with a US\$4 million support from the World Bank to enhance institutional and legal framework.

### **1.3 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 2011, 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. Two Apartment blocks had been completed and handed over and are being let-out on rental basis- revenue is so far accounted for as rental income.

Furthermore, the Trust expects to implement the Board approval to carry out real estate development in other parts of the country. The Trust expects to commission Gloucester Estate including Standard Student Hostels (SSH) in 2011, in a joint venture arrangement with various developers. Also, the Trust will rollout affordable housing units in Waterloo and Makeni based on a master plan for a gated community after completion of shopping plazas, transport terminals in Bo and Makeni to be delivered in 2012. In the Eastern Province, where the Trust is in a joint venture with Kenema Town Council, a shopping plaza has been completed and now ready for commissioning.

### **1.4 Property Development- Sea view Estates**

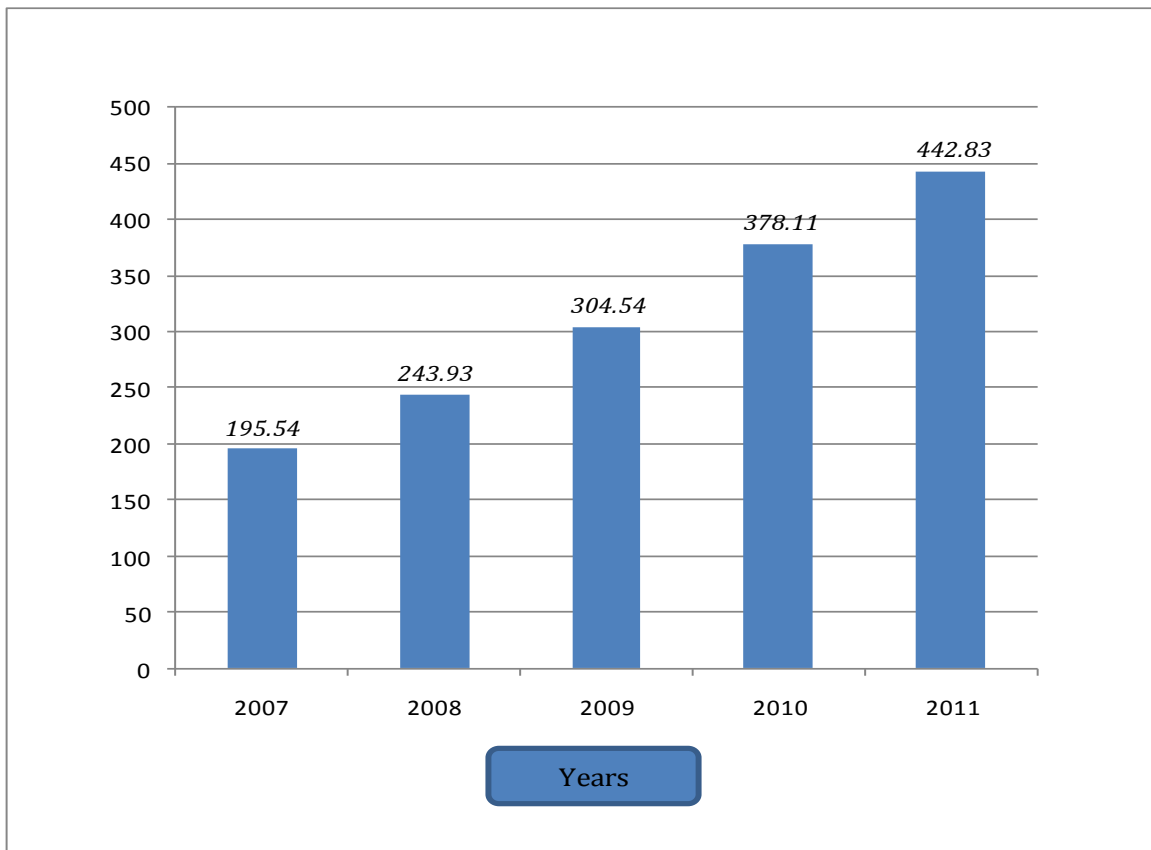
The Trust in its stride to meet its medium term strategy consistent with its investment objective intensified in its diversification by exploring deeply into the real estate market. The Trust had acquired 15 houses from Regimanuel Gray (SL) Ltd. at a price of USD 250,000.00 each. The houses had been furnished, occupied by tenants and classified as investment properties to earn rental income.

## 2.0 INVESTMENTS

### 2.1 Growth of the Fund

The total value of the Trust's investment portfolio as at December 2011 increased by 17% from Le378.1 Billion in 2010 to Le 442.8 Billion in 2011. Over the past five years, the Trust's investment portfolio has grown by over 125% from Le195.5 Billion in 2007 to Le442.8 Billion in 2011 representing an average annual growth of approximately 25.2%. Chart1 helps to show the growth of fund.

### Growth of Fund (Billions of Leones)



## 2.2 Portfolio Composition by Type

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 being held in Economically Targeted Investments and Real Estate and projects. Table 1 below shows investment portfolio by asset type.

<i>Investment Assets by Class</i>			
<b>No.</b>	<b>Asset Type</b>	<b>Amount</b> <i>(Le '000)</i>	<b>%</b>
1	Call Deposits	5,411,265.59	1.22
2	Treasury Bills	40,797,150.00	9.21
3	Fixed Deposit	62,293,604.61	14.07
4	Corporate Debenture	11,294,094.87	2.55
5	Equity	79,358,582.76	17.92
6	Real Estate Property (Goderich Sea view Apartments)	29,057,527.23	6.56
7	Economically Targeted Investments	173,624,664.19	39.21
8	Sea View Estates	20,430,148.00	4.61
9	Total Land Property	20,561,470.80	4.64
<b>Total</b>		<b>442,828,508.03</b>	<b>100.00</b>

## 2.3 Portfolio Composition by Asset Class

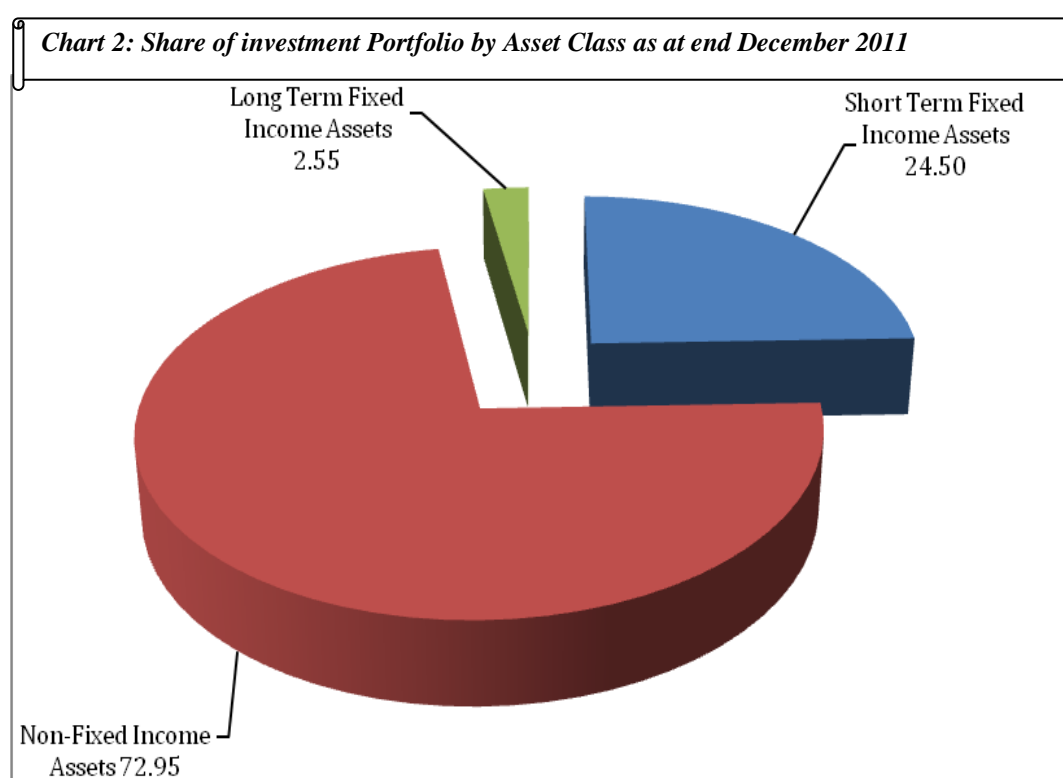
Guided by its Medium-Term Investment Strategy Programme 2008-2011, the Trust's non-fixed income assets account for greater portion 72.95% of its portfolio, followed by short-

term fixed income assets, 24.5% and long term fixed income assets, 2.55%; as shown in Chart 2 below.

Table 2 below provides the share of asset in the portfolio relative to the policy target for the reporting year.

Asset	Amount (Le'000)	Share (%)	Policy Target (%)	Variance	Balance Range
Cash Investments	5,411,265.59	1.22	5.00	3.78	+/-2
Fixed Income Assets	114,384,849.98	25.83	20.00	-5.83	+/-2
Non-fixed Income Assets o/w:	323,032,392.76	72.94	75.00	2.06	+/-2
Equity	79,358,582.76	17.92	40.00	22.08	+/-5
Property	243,673,804.20	55.02	35.00	-20.02	+/-5
<b>Total</b>	<b>442,828,508.03</b>	<b>100</b>	<b>100</b>		

**Chart 2: Share of investment portfolio by asset class.**





## 2.4 Changes in Assets Composition

At end December 2011, the total value of assets rose to Le442.83 Billion from Le378.11 Billion during the start of the year, representing an increase of 17.12%. The increase in assets during the period is attributable mainly to:

- Accumulation of surplus contributions due to increased membership, and
- Retained Investment Income.

The changes in assets composition are provided in Table 3.

Asset Type	2010 (Le'000)	2011 (Le'000)	Assets Composition	
			2010 Share (%)	2011 Share (%)
<b>Cash Investments</b>	<b>20,216,841.45</b>	<b>5,411,265.59</b>	<b>5.35.</b>	<b>1.22</b>
<b>Fixed Income Assets</b>	<b>135,621,906.05</b>	<b>114,384,849.48</b>	<b>35.88</b>	<b>25.83</b>
<b>Non-Fixed Income Assets o/w:</b>	<b>222,271,531.84</b>	<b>323,032,392.96</b>	<b>58.78</b>	<b>72.94</b>
<i>Equity</i>	<i>54,714,071.02</i>	<i>79,358,582.76</i>	<i>14.47</i>	<i>17.92</i>
<i>Property o/w:</i>	<i>167,557,460.82</i>	<i>243,673,804.20</i>	<i>44.31</i>	<i>55.02</i>
<i>Economically Targeted Investments (ETIs)</i>	<i>119,333,965.63</i>	<i>173,624,664.19</i>	<i>31.56</i>	<i>39.21</i>
<i>Real Estate Property (Goderich Sea-View Apartments)</i>	<i>39,527,445.63</i>	<i>49,487,675.23</i>	<i>10.45</i>	<i>11.17</i>
<i>Land Property</i>	<i>8,696,050.06</i>	<i>20,561,470.80</i>	<i>2.30</i>	<i>4.64</i>
<b>Total</b>	<b>378,110,278.33</b>	<b>442,828,508.03</b>	<b>100</b>	<b>100</b>

## 2.5 Portfolio Performance (2010/2011)

Gross investment income amounted to Le23.84 billion, compared to the annual budgeted of Le21.18 billion for the year 2011; this represents an increase of 16% over 2010 investment income of Le20.55 billion. Predominantly, 87.22% of investment income was realised from Treasury Bills and Fixed deposits; whilst the least of less than 2% was from equity investment. Table 4 provides Incomes earned by the different assets class compared with the budgeted estimates.

**Table 4: Investment Income for the year 2010 (Actual Vs Budget)**

Asset Class	Year End 31st December 2011 Actual (Le'000)	Estimates for the Year to 31st December 2011 (Le'000)	2011 Income Composition as a (%) of Actual
Call Accounts	904,926.75	120,000.00	3.80
Treasury Bills	7,295,598.98	6,898,425.60	30.60
Fixed Deposits	13,496,580.09	10,347,638.40	56.62
Corporate Debenture	0.00	1,174,800.00	0.00
Equity	396,522.11	1,174,800.00	1.66
Rental Income	1,745,084.95	0.00	7.32
<b>Total</b>	<b>23,838,712.89</b>	<b>21,184,164.00</b>	<b>100.00</b>

## 2.6 Return on Investments

Gross Investment income amounted to Le23.84 billion compared to the annual budgeted of Le21.18 billion for the reporting year. This implies that the annual target was exceeded by 12.3% and also represents an increase of 16.1% over 2010 investment income of Le20.55 billion. Table 5 provides the Investment portfolio performance for the 2007 to 2011.

**Table 5: Investment Portfolio Performance (2007-2011)**

Asset Class	Average Returns (AR) %					Real Return (RR) %				
	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011
Short-Term Fixed Income	16.22	18.33	11.68	14.90	27.16	3.43	3.58	-1.2	-4.92	-0.90
5-Year Debenture	15.64	11.28	5.04	0	6.56	3	-2.5	-7.3	-11.5	0
Equity	0.33	0	0.42	0.97	0.59	0.32	0	-1.2	-17.32	-16.05
Real Estate Property	0	0	0	0	15.1	0	0	0	0	-12.72
<b>Annualised Portfolio Returns</b>	<b>12.65</b>	<b>11.62</b>	<b>6.62</b>	<b>7.05</b>	<b>5.98</b>	<b>0.37</b>	<b>-2.2</b>	<b>-5.81</b>	<b>-11.43</b>	<b>-10.83</b>

*Note: 2009-Inflation Rate = 17.84%, 2010-Inflation Rate = 16.64%*

The Annualised Average Return (AAR) on investments for the reporting year was 5.98% compared to 7.05% in 2010. In spite of good returns in Short Term Fixed Income investment, high annual inflation rate over the years impacted negatively on real returns above the 2007 period.

Table 6: Investment Income by Asset Class

Asset Class	Investment income as @ 31 <sup>st</sup> December 2010 (Le'000)	Investment income as @ 31 <sup>st</sup> December 2011 (Le'000)	% Change
Call Accounts	764,258.17	<b>904,926.75</b>	18.41
Treasury Bills	9,051,423.27	<b>7,295,598.98</b>	-19.40
Fixed Deposits	10,393,345.89	<b>13,496,580.09</b>	29.86
Corporate Debenture	71,561.27	<b>0.00</b>	
Equity	268,389.53	<b>396,522.11</b>	47.74
Rental Income	00.00	<b>1,745,084.95</b>	
<b>Total</b>	<b>20,548,978.14</b>	<b>23,838,712.89</b>	<b>16.01</b>

### 3.0 PORTFOLIO PERFORMANCE

#### 3.1 Equity Holding

The Trust holds equity in eleven domestic companies and an off-shore investment in Ecobank Transnational Incorporated (ETI). Table 7 below gives the Trust's participation in private equity.

Company	No. of Shares	Nominal Value (Le'000)	% Share Holding
Sierra block Concrete Products Ltd	7,110,000	7,110,000.00	60
RegimanuelGray SL Ltd	600,000	7,498,880.00	40
Gouji Property Development Co	100,000	110,523.80	10
Ecobank Transnational Incorporation	18,333,333	4,543,667.18	-
Kimbima Hotel	364,501	5,296,414.50	60
SL Brewery	320,000	43,054.00	-
Standard Chartered Bank (SL) Ltd	149,800,000	440,840.00	-
Rokel Commercial Bank	64,998,579	570,691.54	-
SN Alliance	2,000	3,000,000.00	50
HFC Mortgage & Savings (SL) Ltd	31,100	31,100,000.00	99
West African Holdings (SL) Ltd	24,000,000	55,599,768.24	80
<b>TOTAL</b>			

### 3.2 Corporate Debenture

A Corporate debenture was issued to Sierra Concrete Product Ltd (SCPL) at interest rates guided by the rate of detailed in the 2004 Actuarial Review. As SCPL had been reporting loss since inception, it has not been able to finance the loan. According to agreed revised payment plan schedule drawn in July 2006 the SCPL debenture loan agreement expired on the 30<sup>th</sup> of June 2010. A revised schedule is in process. Table 8 shows the Trust's holdings in corporate debenture.

*Table 8: Corporate Debenture (As at 31<sup>st</sup> December 2011)*

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>			

### 3.3 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 Table 9 below. On completion of these projects, the receivables will be reclassified accordingly to reflect increases in the Trust's investments portfolio using standard accounting practices.

**Table 9: Receivables on ETIs (As at 31<sup>st</sup> December 2011)**

<b>PROJECT</b>	<b>STAGE</b>	<b>AMOUNT (LE'000)</b>
Kambui Terminal Plaza	Work-In-Progress, almost completion stage	14,243,741.82
Sierra Ferries	Purchase price, refurbishment costs of two (2) sea vessels, cost of pontoons, spare parts and other miscellaneous expenses	31,217,239.84
Affordable Housing- Waterloo	Site Development and Pilot Housing Projects Phase in progress for ten (10) houses	6,129,031.75
Affordable Housing- Bo	Site Development and Pilot Housing Projects Phase in progress for 6 (six) houses	2,587,669.56
Affordable Housing- Kenema	Site Development and Pilot Housing Projects Phase in progress for 6 (six) houses	2,282,503.35
Affordable Housing- Makeni	Site Development and Pilot Housing Projects Phase in progress	1,792,177.03
HFC Mortgage & Savings	Payment for Minimum requirement in lieu of equity	280,043.59
Cape Sierra Hotel	Cost of acquiring leasehold of property	9,763,687.60
Kimbima Hotel	Refurbishment and Rehabilitation of the Hotel	8,132,311.82
Regimanuel Gray (SL) Ltd	Part-Payment of Loan contracted from Ecobank Ghana & other Pre-incorporation expenses	12,352,587.42
Bintumani Hotel	Preliminary costs and consultancy Studies	26,903,623.31
Makeni Shopping Plaza	Preliminary costs, consultancy, studies and site preparation	10,869,761.60
Bo Terminal Plaza	Preliminary costs, consultancy, studies and site preparation	10,453,259.42
Hotel & Tourism- WAHL	Purchase of 9,000,000 shares in WAHL and other related charges	36,250,922.10
Sierra Estate Management	Preliminary costs and consultancy Studies	20,000.00
Marika Oil Palm	Pre-incorporation expenses	311,500.00
Student Hostel	Preliminary surveys, consultancy Studies and market feasibility	34,604.00
<b>Total</b>		<b>173,624,664.19</b>

### 3.4 Land Property

The Trust acquired land property to carry out investments project in the main provincial towns as provided in Table 10 below. These lands are held for investment in affordable housing and other infrastructural projects.

<b>TOWN</b>	<b>ACREAGE</b>	<b>COST</b>
BO	157.45@	237,946,891.99
KENEMA	55.70	196,199,988.00
KONO	54.77	236,268,000.00
MAKENI	70.00	191,182,886.15
SOUTH RIDGE-HILL STATION ^	48.00	124,229,580.00
WATERLOO-FREETOWN *	106.00	43,455,000.00
GRAFTONLAND **	67.80	302,775,000.00
NEWTON ***	18.00	461,981,370.00
GLOUCESTER	100.00	10,091,458,634.51
SHENGBEHTOWN-YORKVILLAGE ****	100.00	8,675,973,446.12
<b>TOTAL</b>	<b>777.72</b>	<b>20,561,470,796.77</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.

\*\*\*\* Purchase of 100 Acres land at Shengbeh Town-York Village- Part payment of 30% had been done.

### **3.5 Conclusion**

Management sees opportunities in expanding the Trust's portfolio mix by exploiting the possibility of venturing into the sea transportation industry though with its limited investible funds. The Trust continues and maintains its significant role in financial intermediation and participation in monetary management through significant investment in fixed income assets.

