



# **INVESTMENT PERFORMANCE REPORT**

**2008**

**NATIONAL SOCIAL SECURITY AND INSURANCE TRUST**

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MAIN HIGHLIGHTS

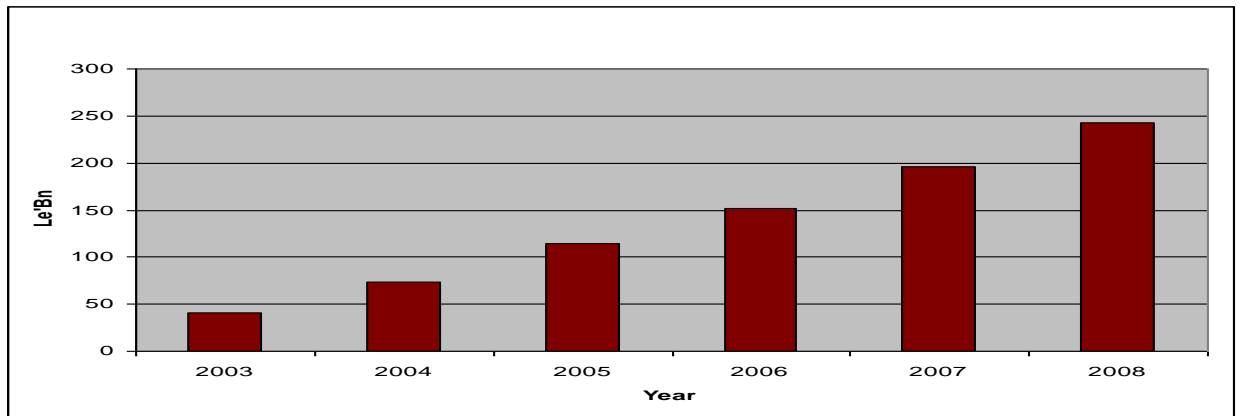
**SUMMARY INFORMATION  
FOR THE FINANCIAL YEAR 2008**

	Jan. '08	Jan. '07
<b>Beginning Period Assets (Le Billion)</b>	195.55	151.84
	Dec. '08	Dec. '07
<b>End Period Assets (Le Billion)</b>	243.26	195.55
<b>Investment Income (Le Billion)</b>	24.09	20.66
<b>Average Return on Investment (%)</b>	11.62	12.65

# FINANCIAL HIGHLIGHTS

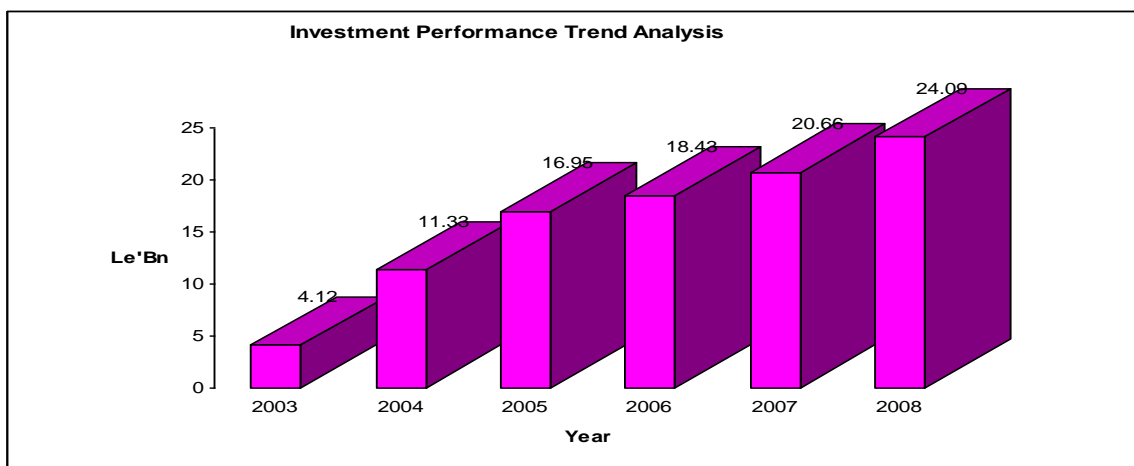
## PORTFOLIO GROWTH (2003-2008)

Year	2003	2004	2005	2006	2007	2008
Le'Bn	40.75	73.92	114.61	151.84	195.55	243.26



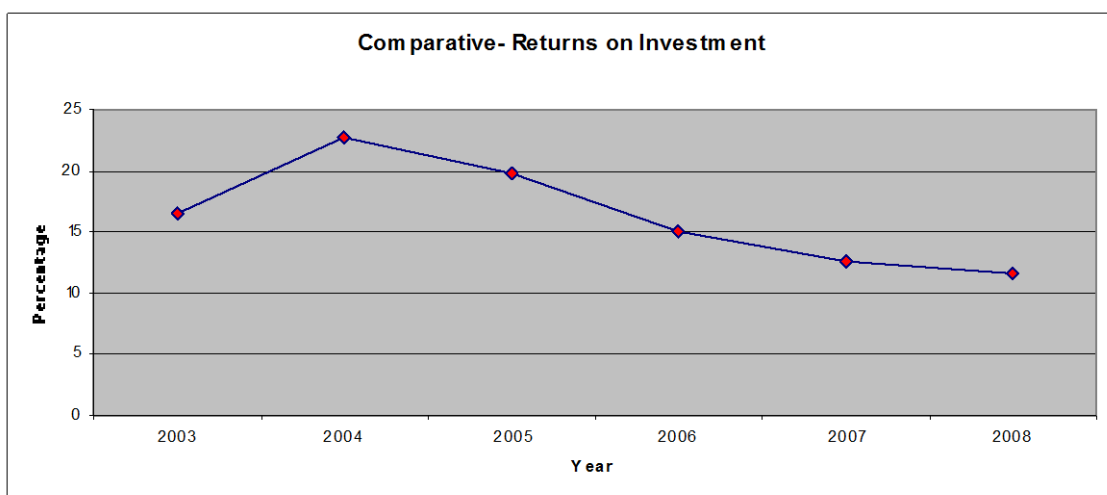
## INVESTMENT INCOME (2003-2008)

Year	2003	2004	2005	2006	2007	2008
Le'Bn	4.12	11.33	16.95	18.43	20.66	24.09



## RETURNS ON INVESTMENT (2003-2008)

Year	2003	2004	2005	2006	2007	2008
Percentage	16.5	22.77	19.71	15	12.65	11.62



## **1.0 MACROECONOMIC PERFORMANCE**

Expectedly, the outlook of the global economy influenced Sierra Leone's economic performance during the year 2008. Increase in food and fuel prices threw serious challenges in maintaining macroeconomic stability. Turmoil in the mining sector also impacted negatively on the Balance of Trade. However, growth prospects continued to be strong, evidenced by the fast growth in bank credit, increased food crops production, drastic improvement in the construction and service sectors. Stable exchange rate in the foreign currency trade coupled with external and domestic financing contributed in enhancing macroeconomic stability.

The performance of Key Micro-economic variables is as follows:

- Real GDP grew by 5.5 percent as compared to the original target of 6 percent;
- Inflationary Pressure heightened over the year from 12.15 percent in 2007 to 14.97 percent in Oct. 2008;
- Total Exports fell sharply by 11.86 percent from USD 136.7 million in 2007 to USD 120.5 million in 2008;
- Total Imports increased by 26.6 percent during 2008. Trade deficit widened from USD 81.7 million in 2007 to USD152 Million in 2008;
- Nominal exchange rates remained relatively stable during the year;
- and Gross Foreign reserves amounted to US\$211.4 Million as at Sept. 2008.

## **1.1 MONETARY AND FINANCIAL SECTOR DEVELOPMENTS IN 2008**

The thrust of monetary operations in 2008 was geared towards containing inflationary pressures to levels consistent with high and sustainable economic growth and financial stability. In line with this objective, the growth of money supply was controlled through robust interventions, using open market operations and foreign exchange auctions. As a result, the pace of monetary expansion slowed down, with both reserve and broad money remaining within their programme targets during the first half 2008.

The three-month treasury bills rate declined to 14.5 percent in August 2008 from 21.3 percent in December 2007 owing to the reduction in government borrowing from the domestic banking system. However, the lending (overdraft) rate

remained high ranging between 25-31 percent during the year.

The financial sector continued to deepen led by the expansion of the banking sector. Licensed commercial banks increased to 13 as at end October 2008 coupled up with continued increase in opening of new branches of fifty-three nation wide. Additional two community banks were also licensed added to the existing six already in operation. During the year, more community banks are expected to be established under the supervision and control of the International Fund for Agricultural Development (IFAD) while a Sierra Leone Bank for the poor is scheduled to be established with the support from the United Nations Development Organisation (UNIDO) and the Arab Fund for United Nations Development. Programmes had been drawn to have an apex bank responsible for the supervision of the community banks with a view to reduce Bank of Sierra Leone's involvement.

The Sierra Leone stock exchange was granted licence to operate with logistics support and capital being provided by Bank of Sierra Leone to meet the start up costs and capital requirements for the first year of operation. Home Mortgage and Savings Bank was granted licence to operate as a primary mortgage dealer in the financing of home mortgages backed by its appropriate guidelines.

In view of the increasing number of financial institutions and products, the Bank of Sierra Leone has completed and forwarded to IMF the interim financial sector development strategy, while putting on a Comprehensive financial sector development plan supported by the World Bank's Financial Sector Reform and Strengthening Initiative (FIRST) and the Microfinance Investment and Technical Assistance Facility (MITAF).

As a response to the emergence of new sophisticated and complex financial products and their associated risks, BSL is enforcing the capital requirements for commercial banks and will move away from compliance based supervision to risk-based supervision.

## 2.0 PORTFOLIO PERFORMANCE

### 2.1 Portfolio Composition

The Trust's investment portfolio comprised fixed income and non-fixed income assets. Fixed income assets are short and long term in nature. During the period under review, investments in Short term fixed income assets were 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.

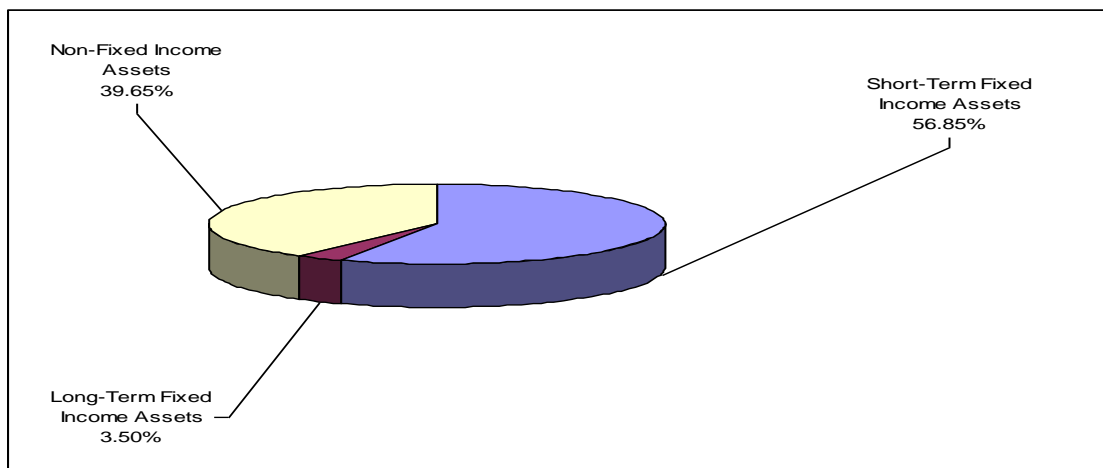
In January 2008, treasury bearer bonds were replaced with treasury bills instrument of 182-days and 364-days bearing similar features with the 91-days treasury bills. At the start of 2008, interest rate on Government securities was 20.57 percent but fell considerably to 9.11 percent end 2008.

As at 31<sup>st</sup> December 2008, 56.69 percent of the portfolio was held in short-term fixed income assets, 3.50 percent in long-term fixed income assets and 39.82 percent in non-fixed income asset. The Portfolio composition is provided in Table 1 and illustrated in Chart 1.

**Table 1: Investments Portfolio for the year ending 31st December 2008**

Assets by Class			
No.	Asset Type	Amount (Le '000)	%
1	Call Deposits	11,596,174.18	4.75
2	Treasury Bills	74,026,850.00	30.35
3	Fixed Deposit	52,658,249.95	21.59
4	Corporate Debenture	8,525,510.76	3.50
5	Equity	26,067,609.48	10.69
6	Real Estate Property (Goderich Sea-View Apartments)	16,479,386.90	6.76
7	Economically Targeted Investments (ETI)	53,847,479.15	22.07
8	Land	731,652.06	0.30
<b>Total</b>		<b>243,932,912.48</b>	<b>100.00</b>

**Chart 1: Share of Investments Portfolio by Assets Class for the year ending 31st December 2008**



### 2.1.1: Portfolio Composition by Asset Class

Table 2 provides the share of asset in the portfolio relative to the policy target. Investments in Fixed income assets continue to dominate the portfolio, accounting for 60.19 percent.

The Trust will maintain a significant proportion of its 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.

**Table 2: Asset Class Composition as at end December 2008**

Asset	Amount (Le'000)	Share (%)	Policy Target (%)
<b>Cash Investments</b>	<b>11,596,174.18</b>	<b>4.75</b>	<b>5.00</b>
<b>Fixed Income Assets</b>	<b>135,210,610.71</b>	<b>55.44</b>	<b>20.00</b>
<b>Non-fixed Income Assets o/w:</b>	<b>96,456,134.59</b>	<b>39.82</b>	<b>75.00</b>
Equity	26,067,609.48	10.69	40.00
Property	71,058,518.11	29.13	35.00
<b>Total</b>	<b>243,932,912.48</b>	<b>100</b>	<b>100</b>

### 2.1.2: Changes in Assets Composition

At end December 2008, the total value of assets rose to Le 243.26 Billion from Le 195.55 Billion as at start of 2008, representing an increase of 24.40 percent. 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.

**Table 3: Changes in Assets Composition (December 2007- December 2008)**

Asset Type	2007 (Le'000)	2008 (Le'000)	Assets Composition	
			2007 Share (%)	2008 Share (%)
Cash Investments	5,300,639.97	11,596,174.18	2.71	4.75
Fixed Income Assets	107,658,300.00	74,026,850.00	76.22	55.44
Non-Fixed Income Assets o/w:	17,530,000.00	52,658,249.95	21.07	39.82
Equity	24,557,859.48	26,067,609.48	12.56	10.69
Property o/w:	16,643,840.47	71,058,518.11	8.51	29.13
Economically Targeted Investments (ETIs)	2,663,221.17	53,847,479.15	1.36	22.07
Real Estate Property (Goderich Sea-View Apartments)	13,252,150.00	16,479,386.90	6.78	6.76
Land Property	728,469.30	731,652.06	0.37	0.30
<b>Total</b>	<b>195,545,696.96</b>	<b>243,932,912.48</b>	<b>100</b>	<b>100</b>

Consistent with the Trust's Investment Strategy, Fixed Income Assets shrink, while long-term Non-Fixed Assets grew during the period.

## 2.2 INVESTMENT INCOME

In Table 4, Total investment income amounted to Le 24.09 billion, compared to the annual budgeted income of Le 22.39 billion for the year 2008.

**Table 4: Investment Income for the year ending 31<sup>st</sup> December 2008**

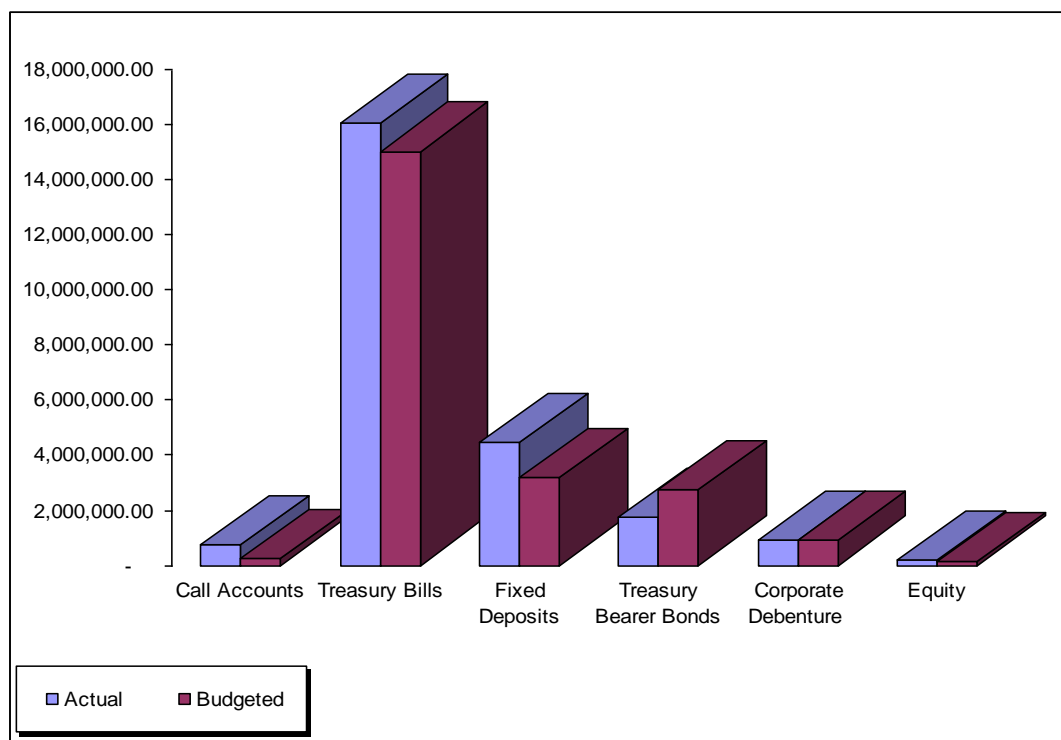
Description	Annual Budget to 31st Dec 2008	12months Actual to 31st Dec 2008	Performance (%)
Investment Income (Le'000)	22,392,500.00	24,090,818.02	107.58%

Income from Investment is aligned as follows: Treasury Bills accounted for 66.53 percent; Treasury Bearer Bonds 7.18 percent; Fixed Deposit 18.56 percent; Call Deposit being 3.07 percent; Corporate Debenture 3.84 percent whilst that of Equity contributed about 0.82 percent of the total investment income for the year 2008.

Incomes earned by the different assets class is provided in Table 5 below and illustrated in Chart 2

*Table 5: Investment Income for the year 2008(Actual Vs Budget)*

Asset Class	Year End 31st December 2008 Actual (Le'000)	Estimates for the Year to 31st December 2008 (Le'000)
Call Accounts	<b>740,206.67</b>	250,000.00
Treasury Bills	<b>16,028,081.32</b>	15,000,000.00
Fixed Deposits	<b>4,471,772.3</b>	3,191,339.35
Treasury Bearer Bond	<b>1,731,077.06</b>	2,757,500.00
Corporate Debenture	<b>923,660.65</b>	923,660.65
Equity	<b>196,020.00</b>	135,000.00
<b>Total</b>	<b>24,090,818.02</b>	<b>22,392,500.00</b>



## 2.3 RETURN ON INVESTMENT

The Annualised Average Return on Investments for the year ending 31st December 2008 was 11.62 percent.

Table 6 shows the return on investment for the period 2007 to date.

**Table 6: Rate of Returns on Investments (2007 - December 2008)**

Assets class	Average Return					Real Returns				
	2007	1st Quarter 2008	1ST Half 2008	3rd Quarter 2008	Year End 2008	2007	1st Quarter 2008	1ST Half 2008	3rd Quarter 2008	Year End 2008
STFI1	16.22	20.18	18.54	19.02	18.33	3.43	8.36	2.68	1.96	n/a
5-YearDebenture	15.64	13.53	6.36	22.76	11.28	3.00	1.92	2.90	-4.43	n/a
Equity	0.33	0	1.55	1.07	0	0.32	n/a	n/a	-	n/a
Property	0	0	0	n/a	0	-	n/a	n/a	n/a	n/a
Annualised Portfolio Returns	12.65	15.20	14.21	12.97	11.62	0.37	3.67	1.32	-3.41	n/a

### 3.0 PORTFOLIO ASSET MANAGEMENT

#### 3.1 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); Kimbima Hotel Limited (KHL), Sierra Leone Brewery Ltd (SLBL) and SN Alliance and an off-shore investment in Ecobank Transnational Incorporated (ETI). Evaluation performance of the individual companies for the year under review will be provided as annexed below. The structure of the Trust's shareholding in these companies is provided in Table 7 below.

**Table 7: Equity Holding (as at 31st December 2008)**

Company	No. of Shares	Cost (Le'000)	Paid –up Shares	% Share Holding	% of Equity
Sierra block Concrete Products Ltd	7,110,000	7,110,000.00	7,110,000.00	60	27.28
Regimanuel Gray SL Ltd	640,000	6,000,000.00	6,000,000.00	40	23.02
Gouji Property Development Co	100,000	110,523.80	110,523.80	10	0.42
Ecobank Transnational Incorporation*	18,333,333	4,543,667.18	4,543,667.18	-	17.43
Kimbima Hotel	640,000	5,296,414.50	5,296,414.50	60	20.32
SL Brewery	40,000	7,004.00	7,004.00	-	0.02
SN Alliance	2,000	3,000,000.00	3,000,000.00	50	11.51
<b>TOTAL</b>		<b>26,067,609.48</b>	<b>26,067,609.48</b>		<b>100.00</b>

- Insignificant share holdings

\* During the year, Right issue of 1,833,333 shares being 20 percent of the right issue option offered to the scheme was exercised at a cost of USD\$0.27 per share from ETI.

### 3.2 Operational Performance and Accounts of Equity Companies

### 3.3 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 since a revised loan repayment schedule plan was drawn in January 2008. However SCPL failed to meet its debt obligation since October 2006.

Table 8 shows the Trust's holdings in corporate debenture.

**Table 8: Corporate Debenture (as at 31st December 2008)**

Joint-ventures	Issued Date	Amount Le'000	Interest Rate Basis	Inflation Rate	Interest Rate	Re-payment Plan
Sierra concrete Products Ltd	1 <sup>st</sup> July 2006	8,266,607.04	Inflation plus 2	15% as at 2004	17%	Quarterly
Kimbima Hotel	June 2007	258,903.72	Inflation plus 2	8.26% as at 2007	10.26 %	Monthly

### 3.4 Real Estate Property- Goderich Sea-View Apartments

The Trust continues to diversify its portfolio by investing in Real Estate Property. The real Estate project engaged in the year 2008 is the housing project.

A real estate project for the construction of 48 flats (six apartment blocks, four storey each and eight flats per block) at Goderich was administered through RGSL. As at the end December 2008, the total sum of Le 16.48 billion had been provided to RGSL on the Goderich Sea-view Apartments' project. Work is in progress. 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.

### 3.5 Economically Targeted Investments (ETIs)

As Best Practice in carrying out Pension Scheme Operations, it is internationally appreciated for developing countries to target social security funds to Socially Responsible Investments (SPIs) and Economically Targeted Investments (ETIs). These include Affordable Housing, Development of Tourism Infrastructure, and Health Care Delivery.

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 reclassified to reflect increase in the Trust's equity holdings and debenture stock accordingly.

*Table 9: Receivables on ETIs (as at 31st December 2008)*

<b>PROJECT</b>	<b>STAGE</b>	<b>AMOUNT (LE'000)</b>
Kambui Terminal Plaza	Work-In-Progress	7,148,373.17
Sierra Ferries	Cost and refurbishment for two sea vessels - servicing & overhauling is in progress	14,160,190.56
Affordable Housing	Preliminary costs, consultancy, studies and site preparation	2,119,503.93
HFC Mortgage & Savings	Payment for minimum requirement in lieu of equity	23,059,738.54
Cape Sierra Hotel	Preliminary stage and site preparation	7,222,920.00
Bintumani Hotel	Preliminary costs and consultancy Studies	45,000.00
Makeni Shopping Plaza	Preliminary costs, consultancy, studies and site preparation	91,752.95
<b>Total</b>		<b>53,847,479.15</b>

### 3.6 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 31st December 2008)**

TOWN	ACREAGE	COST
BO	107.45	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 <sup>^</sup>
WATERLOO-FREETOWN	106.00	43,455,000 <sup>*</sup>
<b>TOTAL</b>	<b>336.47</b>	<b>731,652,060.0</b>

*\* This piece of land was given to the Trust by Government for the affordable housing programme. The costs of the land represent the nominal expenses incurred in bringing the land to its present state. This amount did form part of the cost of the total land and is reported as part of the cost of affordable housing under receivables.*

**^ The Trust acquired 48 acres of land at South Ridge, Hill Station as a land bank for real estate developments. This piece of land was allocated to Gouji Property Development for the implementation of Phase 2 of the Luxury Villa development project already started at Lumley beach. The Trust incurred expenses of Le124,229,580.00 (One Hundred and Twenty Four Million, Two Hundred and Twenty Nine Thousand, Five Hundred and Eighty Leones only) to secure and protect the said land, over the past 2 years.**

**However, during the period under review, the Trust was notified by the Ministry of lands of its intention to repossess the land to be used for other purposes. The Trust is currently awaiting further information from the Ministry on how it intends to carry out the repossession of the land and how NASSIT will be compensated for its expenses for acquisition and protection of this land, to date.**