

# **NATIONAL SOCIAL SECURITY AND INSURANCE TRUST**



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

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**YEAR TO 31<sup>ST</sup> DECEMBER 2009**

*JANUARY 2010*

# MAIN HIGHLIGHTS

## SUMMARY INFORMATION FOR THE YEAR TO 31<sup>ST</sup> DECEMBER 2009

	2009	2008
<b>Beginning Period Assets</b> <i>(Le Billion) (Jan)</i>	243.93 195.55	195.55
<b>End Period Assets</b> <i>(Le Billion) (Dec)</i>	304.54	243.93
<b>Investment Income</b> <i>(Le Billion)</i>	17.59	24.09
<b>Average Return on Investment</b> <sup>1</sup> (%)	6.62	12.97

## 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.

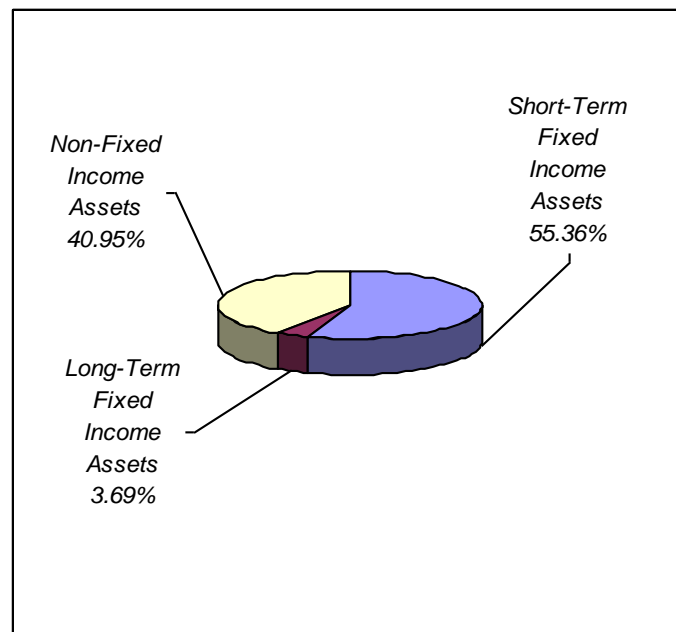
As at end December 2009, 55.36 percent of the portfolio was held in short-term fixed income assets, 3.69 percent in long-term fixed income assets and 40.95 percent in non-fixed income asset.

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

**Table 1: Investments Portfolio as at end December 2009**    **Chart 1: Share of investment Portfolio**

<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	7,004,687.91	2.30
2	Treasury Bills	62,313,600.00	20.46
3	Fixed Deposit	99,077,630.00	32.54
4	Corporate Debenture	11,244,449.88	3.69
5	Equity	48,414,071.02	15.90
6	Real Estate Property (Goderich Sea view Apartments)	16,479,386.9	5.41
7	Economically Targeted Investments	59,275,948.83	19.46
8	Total Land Property	731,652.06	0.24
<b>Total</b>		<b>304,541,426.60</b>	<b>100.00</b>

**by Asset Class as at end December 2009**



#### 1.1.1 Portfolio Composition by Asset Class

Table 2 provides the share of asset class relative to the policy target. Investments in fixed income assets excluding cash investments continue to dominate the portfolio, accounting for 59.76 percent for the period to 31<sup>st</sup> December 2009.

**Table 2: Asset Class Composition as at end December 2009**

<b>Asset</b>	<b>Amount (Le'000)</b>	<b>Share (%)</b>	<b>Policy Target (%)</b>
<i>Cash Investments</i>	7,004,687.91	2.30	5.00
<i>Fixed Income Assets</i>	172,635,679.88	56.59	20.00
<i>Non-Fixed Income Assets o/w:</i>	124,939,058.82	40.95	75.00
<i>Equity</i>	48,414,071.02	15.88	40.00
<i>Property</i>	76,486,987.79	25.07	35.00
<b>Total</b>	<b>304,541,426.60</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 2009 was Le 305.08 billion; 25.1 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 2009 – December 2008**

<b>Asset</b>	<b>December 2008 (Le'000)</b>	<b>December 2009 (Le'000)</b>	<b>ASSETS COMPOSITION</b>	
			<b>2008 Share %</b>	<b>2009 Share %</b>
<b>Cash Investments</b>	11,596,174.18	7,004,687.91	4.75	2.46
<b>Fixed Income Assets</b>	135,210,610.71	172,635,679.88	55.43	56.59
<b>Non-Fixed Income Assets o/w:</b>	97,126,127.60	124,939,058.82	39.82	40.95
<i>Equity</i>	26,067,609.48	48,414,071.02	10.69	15.88
<i>Property o/w</i>	71,058,518.11	76,486,987.79	29.13	25.07
<i>Real Estate Property (Goderich Sea view)</i>	16,479,386.90	16,479,386.90	6.76	5.40
<i>Economically Targeted Investments (ETIs)</i>	53,847,479.15	62,994,366.39	22.07	19.43
<i>Land Property</i>	731,652.06	731,652.06	0.30	0.24
<b>Total</b>	<b>243,932,912.48</b>	<b>304,541,426.60</b>	<b>100</b>	<b>100.00</b>

### 1.2 Investment Income

Investment income as at year end to 31<sup>st</sup> December 2009 amounted to Le 17.59 billion compared to Le24.09 billion for similar period last year owing to the significant investment in non-fixed income assets notably ETIs. Despite the pendulum movement in the interest rates, Income from Treasury Bills fell by more than half the

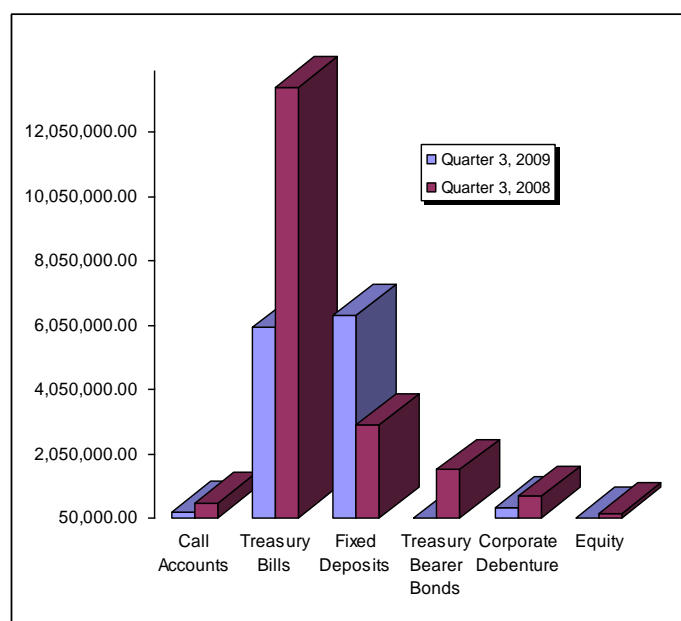
amount for the same quarter in 2008 due to the shift from Treasury Bills to Fixed Deposit to tap the gain in that assets class in as much as they are all money market instruments with their attributed risks from no-risk to risk assets portfolio, being that Treasury Bills are Govt. Securities whilst Fixed Deposit are commercial papers issued by the commercial banks and the discount houses.

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

**Table 4: Investment Income by Asset Class, December 2008- December 2009**

Asset Class	As at End December 2009 (Le'000)	As at End December 2008 (Le'000)
Call Accounts	<b>297,501.45</b>	740,206.67
Treasury Bills	<b>7,767,368.06</b>	16,028,081.32
Fixed Deposits	<b>8,889,344.74</b>	4,471,772.30
Treasury Bearer Bond	-	1,731,077.06
Corporate Debenture	<b>485,963.84</b>	923,660.65
Equity	<b>157,833.02</b>	196,020.00
<b>Total</b>	<b>17,598,011.11</b>	<b>24,090,818.01</b>

**Chart 2: Sources of Investment Income, December 2008 – December 2009**



### 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 2009**

Asset Type	Average Returns				Real Returns			
	2007	2008	Half year 2009	Year End to 31 <sup>st</sup> Dec 2009	2007	2008	Half Year 2009	Year End to 31 <sup>st</sup> Dec 2009
STFI <sup>1</sup>	16.22	18.33	11.80	11.68	3.43	3.58	3.97	n/a
Corporate Debenture	15.64	11.28	6.28	5.04	3.00	(2.53)	-1.55	n/a
Equity	0.33	0	n/a	0.42	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>6.84</b>	<b>6.62</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

The Trust holds equity in six domestic companies namely: Sierra Concrete Products (SL) Limited (SCPL); Regimanuel Gray (SL) Limited (RGSL); Gouji Property Development Company (SL) Limited (GPDCL); Kimbima Hotel Limited (KHL), Sierra Leone Brewery Ltd (SLBL); SN Alliance; Standard Chartered Bank (SL) Ltd, Rokel Commercial Bank and an off-shore investment in Ecobank Trans-national Incorporated (ETI). The structure of the Trust's shareholding in these companies is provided in Table 6.

**Table 6: Equity Holding (as at 31<sup>st</sup> December 2009)**

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	14.69
Regimanuel Gray SL Ltd	600,000	7,498,880.00	<b>7,498,880.00</b>	40	15.49
Gouji Property Development Co*	0	110,523.80	<b>110,523.80</b>	10	0.23
Ecobank Trans-national Corp**	18,333,333	4,543,667.18	<b>4,543,667.18</b>	-	9.39
Kimbima Hotel	364,501	5,296,414.50	<b>5,296,414.50</b>	60	10.94
Standard Chartered Bank (SL) Ltd	85,600,000	440,840.00	<b>440,840.00</b>	-	0.91
SL Brewery	320,000	43,054.00	<b>43,054.00</b>	-	0.08
SN Alliance	2,000	3,000,000.00	<b>3,000,000.00</b>	50	6.20
Rokel Commercial Bank	64,998,579	570,682.54	<b>570,691.54</b>		1.18
HFC –Mortgage And Savings Ltd	19,800,000	19,800,000.00	<b>19,800,000.00</b>	30	40.89
<b>TOTAL</b>		<b>48,414,071.02</b>	<b>48,414,071.02</b>		

- Insignificant share holdings

### 2.2 Corporate Debenture

In addition to equity holdings, the Trust issued Corporate Debentures to its joint venture partners. These loans are issued at interest rates guided by inflation rate plus 2 percentage points as required by the 2004 Actuarial Review.

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

**Table 8: Corporate Debenture as at end 31<sup>st</sup> December 2009**

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	11,194,277.01	15.00	17.00	Quarterly
Kimbima Hotel Ltd	June 2007	500,000.00	50,172.87	8.26	10.26	Monthly
<b>Total</b>			<b>11,244,449.88</b>			

#### **2.4 Real Estate Property- Goderich Sea-View Apartments**

The Trust continues to diversify its portfolio by investing in real estate property. 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 end December 2009, the total sum of Le 16.48 billion had been provided to RGSL on Goderich Sea-view Apartments' project. Work is in progress, Interim Certificates of completion had been submitted and payments made thereto. 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.

#### **2.5 Economically Targeted Investments**

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

**Table 9: Receivables on ETIs (as at 31<sup>st</sup> December 2009)**

<b>PROJECT</b>	<b>STAGE</b>	<b>AMOUNT (LE'000)</b>
Kambui Terminal Plaza	Work-In-Progress	9,148,373.17
Sierra Ferries	Purchase price, refurbishment costs of two (2) sea vessels, cost of pontoons, spare parts and other miscellaneous expenses	17,548,511.40
Affordable Housing	Preliminary costs, consultancy, studies and site preparation	4,477,107.17
HFC Mortgage & Savings	Payment for minimum requirement in lieu of equity	23,059,738.54
Cape Sierra Hotel	Cost of acquiring leasehold of property	7,226,633.16
Bintumani Hotel	Preliminary costs and consultancy Studies	860,250.00
Makeni Shopping Plaza	Preliminary costs, consultancy, studies and site preparation	375,252.95
Bo Terminal Plaza	Preliminary costs, consultancy, studies and site preparation	298,500.00
<b>Total</b>		<b>62,994,366.39</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 11: Land Property (As at 31<sup>st</sup> December 2009)**

<b>TOWN</b>	<b>ACREAGE</b>	<b>COST</b>
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***
<b>TOTAL</b>	<b>527.72</b>	<b>731,652,060.00</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.*