

INTRODUCTION

The focus for this edition of the SSNIT Investments Series is on the Trust's Economically Targeted Investments (ETIs), managed by the Equities Department. ETIs are investments aimed at improving the socio-economic well-being of a society and are designed to address market inefficiencies by providing capital or liquidity to sectors that offer essential services to the general public.

OVERVIEW OF ECONOMICALLY TARGETED INVESTMENTS

ETIs are investments made in specific geographic regions with the goal of creating economic growth and improving the quality of local life. The areas targeted by ETIs are frequently referred to as "Emerging Domestic Markets," put forward by the Milken Institute in the late 1990s. Majority of these Emerging Domestic Markets (EDMs) are underserved by capital markets mainly due to their size, profitability, unfavorable location and the lack of collateral to access funding. Some of these financing gaps have made it increasingly difficult to address important unmet needs in business development globally.

ETIs are similar to Socially Responsible Investments (SRIs) because they have a primary purpose to accomplish some social goal. Its collateral social benefits are geographically defined, and investments are mostly directed towards venture capital, provision of small business loans as well as real estate construction. Investment in these sectors is intended to improve the tax base that supports both the employment and the pension security of employees in these communities.

While there are important social outcomes attributable to ETI funding, investing entities do not lose sight of the need to generate a competitive return or cost recovery in order to sustain their businesses. The goal is to enable investors to realize market-comparable gains in less recognized and less traditional markets. Pension funds usually have a large capital base which can be used to create significant societal impact nationwide, however, regulation designed to protect shareholders of pension funds restricts the ability of pension fiduciaries from investing in ETIs unless they offer demonstrably superior financial returns.

ETI Benefits

ETIs may be less liquid compared to traditional equity or debt investments due to their focus on underserved geographies, but they have distinct benefits in a portfolio context, such as low correlation with financial markets, diversification, and high risk-adjusted financial returns. By providing capital to underserved communities, ETIs improve social and economic welfare of an area, create jobs, and fuel economic growth. ETIs are appropriate for a variety of portfolios including; banks, corporations, non-profits and endowments, private investors, and others who seek to both benefit society and receive competitive rates of financial return.

Types of ETI programs

ETIs are direct investments to specific geographical locations through equity, fixed income securities, infrastructure projects, credit enhancement and real estate development as depicted in **Table 1**:

Table 1 – Types of ETI Programs

TYPE	EQUITY	FIXED INCOME	REAL ESTATE	INFRASTRUCTURE	CREDIT ENHANCEMENTS
S T R A T E G Y	<ul style="list-style-type: none"> ▪ Funding for industries with competitive advantage operating in underserved communities and/or owned by minority entrepreneurs 	<ul style="list-style-type: none"> ▪ Underwriting projects that provide essential services in underserved areas ▪ Buying municipal bonds or bonds guaranteed by third parties ▪ Underwriting bonds for infrastructure projects 	<ul style="list-style-type: none"> ▪ Investing in construction or redevelopment of industrial/office spaces, low/mid-income housing ▪ Investing in local real estate investment Trusts ▪ Investing in mortgage-backed securities that fund home ownership for underserved market 	<ul style="list-style-type: none"> ▪ Invest in infrastructure projects that would stimulate or facilitate regional economic growth (e.g. transportation, educational institutions, public works, healthcare facilities, etc) 	<ul style="list-style-type: none"> ▪ Guarantee third-party loans made to businesses and service providers essential to the community ▪ Guarantee loans for qualified borrowers in underserved neighborhoods Collateralized mortgage obligations Mortgage-backed securities
I M P A C T	<ul style="list-style-type: none"> ▪ Improved access to goods ▪ Reduced cost of living ▪ Job creation & increased economic growth 	<ul style="list-style-type: none"> ▪ Reduce the cost of project financing ▪ Improve access to services ▪ Reduce cost of living ▪ Job creation and increased economic growth 	<ul style="list-style-type: none"> ▪ Influence long-term development plans and transportation strategies ▪ Address shortages in real estate market ▪ Job creation & increased economic growth 	<ul style="list-style-type: none"> ▪ Improve access to public services and basic goods ▪ Reduce cost of living ▪ Job creation & increased economic growth 	<ul style="list-style-type: none"> ▪ Improve access to credit for local firms and households ▪ Reduced cost of capital ▪ Job creation & increased economic growth

OVERVIEW OF SSNIT's ECONOMICALLY TARGETED INVESTMENTS

The Trust continues to support the policy of investing in selected socially-driven ventures. These selected economically targeted investments offer extreme benefits to the social welfare of the respective communities. The Trust has six (6) ETIs with a total value of GH¢166.46 million (representing 1.80% of the total investment portfolio) as at the end of August 2017. A summary of the six companies in the Trust's ETI Portfolio is as follows:

Trust Sports Emporium

The Trust Sports Emporium is a multipurpose sports facility built to develop talents. The Sports Emporium comprises an open air boxing stadium (Bukom Boxing Arena), a twin-hall multi-purpose sports facility, a physiotherapy/aerobics and gymnasium center, a standard Olympic size swimming pool, a 300-seater conference room & offices, a three-storey sports academy and a restaurant. The facility is a joint venture between SSNIT and Polska ETC from Poland of which SSNIT holds majority shares. The project is part of

the Trust's golden jubilee corporate social responsibility projects and sited in Bukom, a suburb of Accra, which has been well known for being the breeding grounds of Ghana's boxing legends to tap on the skills abound within the suburb.

Ghana Industrial Estate Limited (GICEL)

GICEL was set up by the Trust to provide infrastructural support to small and medium scale companies, in addition to operating a fully serviced estate to facilitate the integration of the informal sector to contribute to the SSNIT scheme. GICEL is wholly owned by SSNIT and currently has one site located at Weija, other sites acquired in the country as part of the GICEL strategy have not been fully utilized yet.

Metro Mass Transport Company

Metro Mass Transport Company Limited provides safe, reliable and affordable inter and intra city transport services targeted at the lower income class of workers. The Trust's initial investment in the company was in 2003 and its current equity stake is 12%.

Exim guaranty

Exim guaranty is a financial institution mandated to provide credit guarantee covers to assist financial institutions in extending credit facilities to small and medium scale enterprises. Following the passing of the Ghana Export-Import Act, an amalgamation of 4 finance houses (including Exim guaranty) into Exim Bank Ghana was launched in the early part of 2017. Exim Bank is expected to support Government's quest for an aggressive and sustainable export-led economy. SSNIT's equity stake in Exim guaranty is 5%.

Accra and Kumasi Abattoirs

Investments in Accra and Kumasi Abattoirs were made by the Trust in July 1996, to provide a hygienic setting for the slaughtering of livestock in order to produce wholesome and healthy meat for public consumption. The Trust holds 37% equity stake in Accra Abattoir Company Limited and 55% equity stake in the Kumasi Abattoir Company Limited.

Impact of the Trust's ETIs are broadly summarized below:

SSNIT ETIs	Economic impact	Social impact
Trust Sports Emporium Ltd	<ul style="list-style-type: none"> ▪ Job creation to improve livelihood and expand contribution base of the Trust ▪ Huge sports tourism potential with positive multiplier effects via tourism inflows 	<ul style="list-style-type: none"> ▪ Repositioned Ghana on the boxing map having hosted very high profile boxing matches ▪ Expected to redirect the exuberance of youth within the catchment area from socially destructive vices into talent unearthing pursuits
GICEL	<ul style="list-style-type: none"> ▪ Job creation to improve livelihood and expand contribution base of the Trust ▪ One of the top three artisanal villages in Ghana currently housing over 150 small scale businesses ▪ Dividend paying company 	<ul style="list-style-type: none"> ▪ Provides key infrastructural support to Small and Medium -sized Enterprises (SME's)

EXIMGUARANTY	<ul style="list-style-type: none"> ▪ Has played a key role in facilitating the growth and deepening of the financial sector through credit guarantees and insurance cover ▪ Dividend paying company 	<ul style="list-style-type: none"> ▪ Has enabled a number of small scale businesses to stay afloat through its credit guarantee scheme
ABATTOIRS	<ul style="list-style-type: none"> ▪ Has stabilized the meat market value chain by facilitating Trans West African cattle trade notably between Ghana and the sahelian region ▪ Job creation to improve livelihood and expand contribution base of the Trust 	<ul style="list-style-type: none"> ▪ Currently key players in the hygienic meat market since these are the only large scale abattoirs in the country
METRO MASS TRANSPORT COMPANY	<ul style="list-style-type: none"> ▪ Job creation to improve livelihood and expand contribution base of the Trust ▪ Played a crucial role in aiding the accessibility to jobs, shops, schools and healthcare 	<ul style="list-style-type: none"> ▪ Providing safe, affordable and reliable means of transport

This concludes the series on the Trust's investments under the Equities Portfolio. Our next series will be on the Fixed Income Portfolio.