



STANDING COMMITTEE ON SOCIAL AFFAIRS

REVIEW REPORT ON UNIT TRUST OF FIJI 2015 ANNUAL REPORT



PARLIAMENT OF THE REPUBLIC OF FIJI
Parliamentary Paper No. 22 of 2018

Monday, 5th March, 2018

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CHAIRMAN'S FOREWORD

I am pleased to present the Committee's report on the assessment made to the Unit Trust of Fiji 2015 Annual Report.

The assessment was done in accordance with Section 109 (2)(b) of the Standing Orders of Parliament, whereby the Standing Committee on Social Affairs is mandated to look into issues related to health, education, social services, labour, culture, media and their administration however, the Committee has also been delegated the responsibility to scrutinise the Unit Trust of Fiji Annual Report 2015.

The Committee in its first reading through the Annual Report had agreed to invite the General Manager (GM) of the Unit Trust of Fiji to come and brief the Committee on their performance in 2015.

On the 5th of October 2017, the team lead by Mr. Sakiusa Bolaira (Manager Business Development) conducted a presentation to highlight the achievements and all other aspects of their work. The Team also responded to the questions raised by the Members of the Committee comprising of the following:

- Organisation Structure;
- the Internal and External policies in place for the Organization;
- the Contingents Liability ;
- Investment and Policy Statements; and
- Risk Management Policy.

The Standing Committee on Social Affairs has assessed the Unit Trust of Fiji 2015 Annual Report and acknowledges the responses provided on the concerns raised by the Members.

I thank the Honourable Members for their contribution towards the scrutiny of the Annual Report and the formulation of this bipartisan Report.

With these words, on behalf of the Standing Committee on Social Affairs I commend this Report to Parliament.



Hon. Viam Pillay

Chairperson of the Social Affairs Standing Committee

RECOMMENDATION:

The Standing Committee on Social Affairs has conducted a review of the Unit Trust of Fiji 2015 Annual Report and recommends that Parliament take note of this report.

INTRODUCTION

The Unit Trust of Fiji was established as a Unit Trust by Government in its 7th Development plan for the period 1976-1980.

As alluded to by the Hon. S Baswaiya in the 2nd of June, 1976 Parliament sitting *‘The great thing about Unit Trust is that it will stimulate saving, the nation must save and we hope that one of the devices which will play a part in the armoury of the nation to make the public to save will be the Unit Trust’*.

They are also known as the Unit Trust of Fiji (Management) Limited. The Management is 100% owned by the Fijian Government. They come under the Public Enterprise Act and also their shareholders are the Public Enterprise and Ministry of Economy.

The Committee had assessed the Unit Trust of Fiji 2015 Annual Report in consultations with its Senior Officials. The overall performance of Unit Trust of Fiji was commendable in which supplementary questions and issues raised by Members were all addressed. The representatives briefed the Committee on all areas of their work and also assured the Committee of their ongoing commitments towards investments in Fiji for all interested Fijians.

GENDER ANALYSIS

Gender is a critical dimension to parliamentary scrutiny. Under Standing Order 110 (2) where a committee conducts an activity listed in Clause (1), the Committee shall ensure full consideration be given to the principle of gender equality so as to ensure that all matters are considered with regard to the impact and benefit on both men and women equally.

The Committee considered the issue of equal opportunity for all citizens including men and women when in consultation with the team from the Unit Trust of Fiji, and noted that their workforce comprises of a significant number of females.

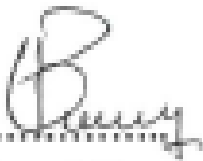
The Committee is pleased with the Unit Trust of Fiji’s position in playing a significant role towards the development of investment funds for all Fijians.

CONCLUSION

The UTOF has recorded a strong and firm growth for the year 2015, largely attributed to increased sales and positive movement in its investment portfolio. The positive investment environment enabled the fund under the management to grow by 14 % from \$111.3 million in 2014 to \$126.9 million. It has continued to diversify and re-balance the investment portfolio in an effort to provide most competitive return to the unit holders.

To conclude, the Committee commends the overall performance of the Unit Trust of Fiji in addressing investment issues in Fiji.

SIGNATURES OF MEMBERS OF THE SOCIAL AFFAIRS STANDING COMMITTEE



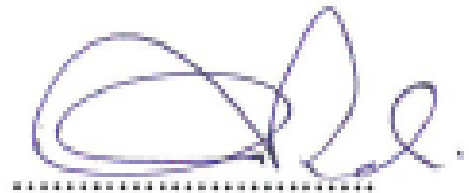
Hon. Viam Pillay
(Chairperson)



Hon. Veena Bhatnagar
(Deputy Chairperson)



Hon. Salote Radrodro
(Member)



Hon. Anare T. Vadei
(Member)



Hon. Ruveni Nadalo
(Alternate Member for Hon. Mohammed M. A Dean)

APPENDICES

APPENDIX 1: LIST OF ACRONYMS

List of Acronyms

SO	Standing Orders of Parliament
UTOF	Unit Trust of Fiji
GM	General Manager
Hon.	Honourable

APPENDIX 2: POWERPOINT PRESENTATION BY THE UNIT TRUST OF FIJI



PARLIAMENT OF THE
REPUBLIC OF FIJI

STANDING COMMITTEE ON SOCIAL AFFAIRS

2:00PM Thursday 5th October 2017 | Parliament Big Committee Room (Room 1)

Our Journey 1970's

The concept of establishing a Unit Trust was first mooted by Government in its 7th Development plan for the period 1976-1980.

Whilst deliberating on the Unit Trust Bill, Hon. S Basuwaia made the following remarks in parliament on the 2nd of June, 1976:

“The great thing about Unit Trust is that it will stimulate saving ... the nation must save and we hope that one of the devices which will play a part in the armory of the nation to make the public to save will be the Unit Trust.”

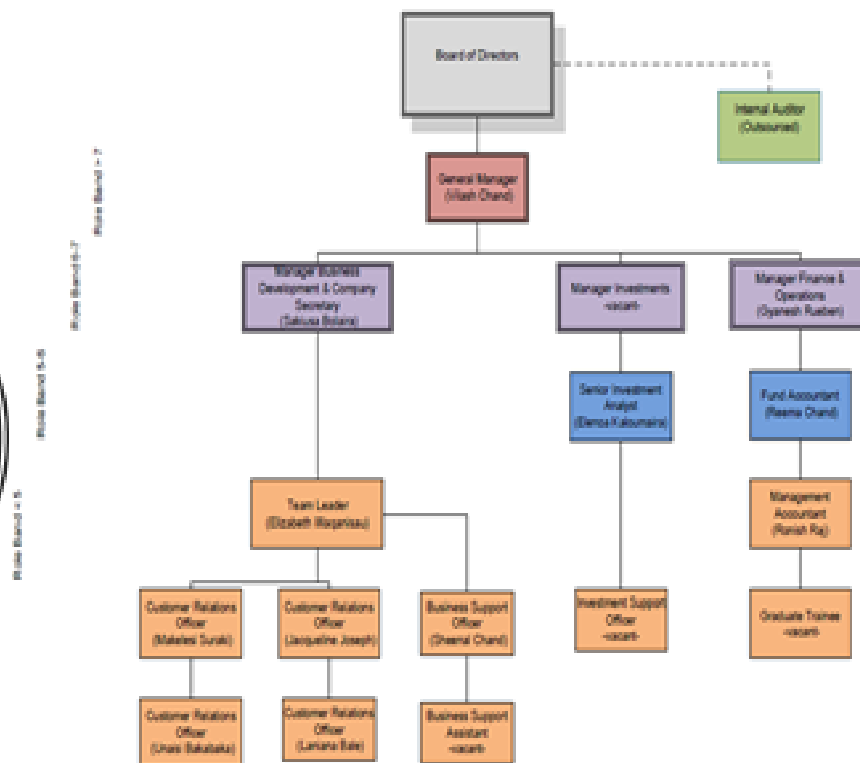
SOURCE: 1976 parliamentary Hansard



GOVERNANCE STRUCTURE



2015 ORGANISATIONAL STRUCTURE



UTOF POLICIES

Internal

- Corporate Governance Policy
- Risk Management Policy
- Investment Policy Statement
- Accounting & Internal Control Policy
- Procurement Policy
- ICT Policy
- Communications Policy
- Motor Vehicle Policy

External

- Companies Act 2015
- Reserve Bank of Fiji
- Public Enterprise Act 1996

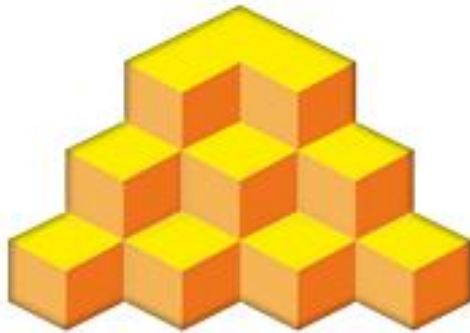
INVESTMENT FACILITIES

UTOF | Incentives



UTOF | scheme



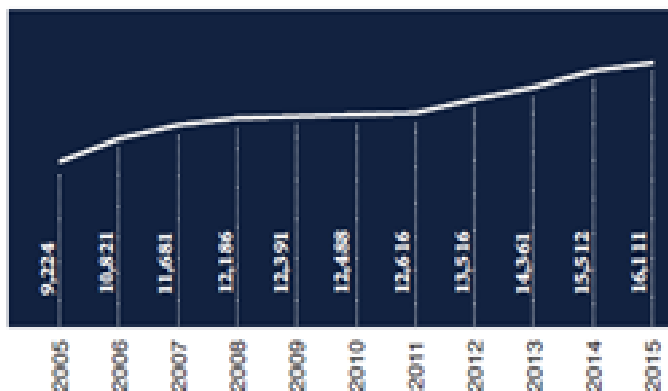


Winner - Fiji Business Excellence Prize
Fiji Business Excellence Awards 2015



FIJI BUSINESS EXCELLENCE

CHART 1: NUMBER OF UNITHOLDERS



- Recorded steady UH growth from 15,512 in 2014 to **16,111**
- Attributing to the increase in unit holders are the young investors, high net worth individuals and some institutional investors.
- EIS: Fiji Revenue and Customs Authority and Vodafone Fiji signed up for the EIS directly benefiting a workforce of 1,800.



STEADY UH GROWTH

UTOF | investors

CHART 2: FUNDS UNDER MANAGEMENT (\$M)



- 13.99% significant growth an increase from \$111.3 million in 2014 to

\$126.9 million by 31 December 2015

GROWTH IN FUNDS UNDER MANAGEMENT

UTOF | investments

\$17.75 million

dividend paid out for the last 5 years

TABLE 1: INCOME & GROWTH FUND – RETURN TO UNITHOLDERS

	2011	2012	2013	2014	2015
Interim Dividend (cents per unit)	2.35	2.30	2.30	2.30	2.35
Final Dividend (cents per unit)	3.50	3.50	3.50	3.50	3.55
Annualized Dividend (cents per unit)	5.85	5.80	5.80	5.80	5.90
Annual dividend distributed (million)	\$3.18	\$3.29	\$3.50	\$3.72	\$4.06
Dividend Yield	5.14%	4.49%	4.28%	4.26%	4.16%
Capital Growth	4.34%	3.85%	1.18%	4.63%	6.84%
Total Return	9.48%	8.34%	5.46%	8.89%	11.00%

UTOF | returns

TABLE 2: INCOME FUND – ANNUALIZED DIVIDEND RATE TO UNITHOLDERS

Year	Dividend Distributed			Annualized Dividend Rate
	Interim	Final	Total	
2012	\$4,329	\$20,643	\$24,972	3.35%
2013	\$25,947	\$53,339	\$79,286	3.16%
2014	\$166,551	\$237,766	\$404,317	3.17%
2015	\$197,254	\$260,141	\$457,395	3.28%

CHART 3: INVESTMENT PORTFOLIO – INCOME & GROWTH FUND (\$)

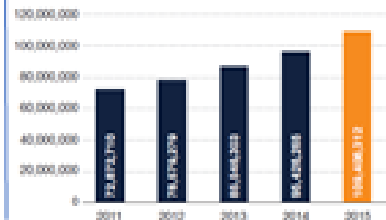


CHART 4: INVESTMENT PORTFOLIO – INCOME FUND (\$)

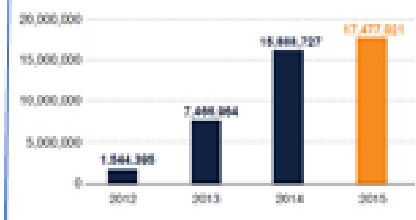


Table 2: Income Fund – Annualized Dividend Rate to UH

- The average annualized dividend rate for IF since 2012 stood at 3.24%, as shown in Table 2. The annualized dividend rate for the year 2015 was 3.28% which was predominantly earned from fixed income instruments.

Chart 3 :Investment Portfolio – Income & Growth Fund

- IGF registered a 14.65% growth for the year with an investment portfolio of \$109.4 million thus added another milestone by surpassing the \$100 million mark since its inception in 1978. Portfolio is largely driven by equity investments and is diversified across multiple key sectors to maximize return and growth to our investors.

UTOF | returns

Chart 4: Investment Portfolio – Income Fund

IF recorded a 10.00% growth for the year ended 31 December 2015, closing the Investment portfolio at \$17.5 million.

Portfolio is largely driven by cash and fixed income investments that is tagged to Fund's Investment objective, i.e. to preserve capital whilst providing competitive returns to the investors.



2015 Annual Report

Unit Trust of Fiji (Management) Limited "UTOFML"

Financial Statements 31st December 2015

Statement of Compliance

The Financial Statements have been prepared in accordance with the Provisions of International Financial Reporting Standards "IFRS" and the requirements of the Companies Act.

Accounting Policies

Accounting policies have been consistently applied and are consistent with those used in previous years. New standards, amendments to the standard and interpretations have been considered in preparing Financial Statements as at 31st December 2015.

Audit Opinion

According to the audit opinion issued by OAG, the Financial Statements as at 31st December 2015 represents a true and fair view of the state of affairs of UTOFML and proper books of account have been kept by the company.

There were no major issues identified during the course of the audit hence concluding the company has strong control environment in place.

Financial Statements 2015

Debt and Impairment

There was no Bad Debt and impairment recorded for the financial year

Provisions

There was no material movement in the provisions

Management Performance	2011	2012	2013	2014	2015
Profitability (NPAT)	\$148,552	\$227,148	\$239,052	\$263,323	\$471,442
Dividend to Shareholders - Fijian Government	\$74,276	\$113,574	\$119,526	\$131,662	\$235,721
Shareholders' Equity	\$871,669	\$1,024,542	\$1,150,019	\$1,293,816	\$1,765,258
Dividend per share (DPS)	\$1.49	\$2.27	\$2.39	\$2.63	\$4.71
Return on equity (ROE)	17%	22%	21%	20%	27%
Return on assets (ROA)	14%	19%	17%	16%	21%
Cost to Income Ratio	88%	79%	80%	79%	68%

2015 Financial Performance

- Record year for the UTOFML
- Unprecedented NPAT of \$471,442
- Highest ever dividend paid to the Fiji Government
- Dividend per share of \$4.71
- Increase in the shareholders Equity in excess of \$1.76 million
- Fijian Government paid up capital - \$50,000

**THANK YOU
START INVESTING**



APPENDIX 3: VERBATIM NOTES

VERBATIM NOTES OF THE MEETING OF THE STANDING COMMITTEE ON SOCIAL AFFAIRS HELD AT THE COMMITTEE ROOM (WEST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS ON, 5th OCTOBER, 2016 AT 1:45 P.M.

Submittee: Unit Trust of Fiji

In Attendance:

- | | | |
|--------------------------|---|--|
| 1) Ms. Elenoa Kaloumaira | - | Manger Investment |
| 2) Mr. Ganesh Reuben | - | Manager Finance and Operation |
| 3) Mr. Sakiusa Bolaira | - | Manager Business Development & Company Secretary |
-

MR. CHAIRMAN.- Thank you Honourable Members and welcome back. On behalf of the Standing Committee on Social Affairs I would like to welcome Madam Elenoa Kaloumaira, Mr. Ganesh Reuben and Mr. Sakuisa Bolaira all from the Unit Trust of Fiji. They are here to present to the Committee in regards to the 2015 Annual Report and without further delay, I will give them the opportunity. Honourable Members, if you do have any questions, please do take note of that, after their presentation then you may raise your questions with them.

Thank you, Welcome Sir.

MR. S. BOLAIRA.- *Vinaka saka vakalevu*, Sir, and a big *bula vinaka* Mr. Chairman and Honourable Members. It is a pleasure for Unit Trust to be here to showcase and illustrate what your company, Unit Trust of Fiji has been doing for that period, 31st December, 2015. Before I would like to commence, I would like to send apologies from our CEO, Mr. Vilash Chand who is unable to join us today as his currently overseas for an official engagement. His returning next week, so the timing was not appropriate for him.

To introduce formally the team, on my left is Mr. Ganesh Reuben, he is our Manager Finance and Operations, on my right is Ms. Elenoa Kaloumaira, she is looking after our Investment Portfolio and I, Sir, will just fill in the gaps.

To commence, we have prepared a very brief presentation just to bring up to par the off-speed for the Honourable Members' information and consideration, your company Unit Trust of Fiji.

To start Sir, I would like to just quickly give you a brief of what Unit Trust is.

In this very House Sir, in 1978 we were formed and conceived by the then leaders in Government. We were part of a seventh development plan for Government. The establishment of Unit Trust was listed for that period 1976 and 1980, and it is very interesting to look at the Hansard at that particular time when we were doing a research, how the Honourable Members of the House really agreed for the establishment of Unit Trust of Fiji. If you go through the Hansard, most of the Members on both sides of the House were very appreciative of Government's initiative back then to initiate and put to the people of Fiji a new concept of investment called Unit Trust. We were going through the Hansard, Sirs and Madams, one thing we noticed is one very interesting submission in

the Hansard by the then Honourable S. Basawaiya. He made the following remarks in Parliament on 2nd June 1976, if the Committee Members allow me just to cite it. He said, Sir,:

“The great thing about Unit Trust is that it will stimulate saving. The nation must save and we hope that one of the devices which play a part in the armoury of the nation to make the public to save, will be the Unit Trust.”

And I am pleased to confirm to the Committee Members that we have been doing that ever since, and our record which we will reveal today speaks for itself.

The next slide, Sir, is about our Governance Structure. I think it is also important for Members' information to understand how we operate based on the 1976 Unit Trust Act that obviously has been repealed due to the introduction of the Companies Act 2015.

If you look at Unit Trust in a context, we have a three-tier triangular relation on how we operate and that is on the presentation slide.

If you see on the yellow, that represents the fund, basically ordinary Fijians investing with us, we put them in what we call the fund for Unit Trust and it is the capital fund for us, invested by unit holders. .

If you look at the green, Sir, that is the Manager, we are known as the Unit Trust of Fiji Management Limited. We are all from this company, the Manager is hundred percent owned by the Fijian Government, we come under the Public Enterprise Act and also our shareholders are the Ministry of Public Enterprise and Ministry of Economy.

If you look at the blue, Sir, it is another entity called the Unit Trust of Fiji Trustee Company. The trustee company is 49 percent owned by the Fijian Government and 51 percent by the independent directors which is the shares that are held in trust.

If I could move, Sir to the next slide, the 2015 organisation structure, we run a very lean machine, so to speak, and we try and reduce cost. The key focus is to try and give as much return to our unit holders and that is the mandate that we have been serving. We have in 2015 a 15-member organisation, most of the posts as you can see in the powerpoint were vacant at that time in terms of today's operation, most of these posts have been filled including the Manager Investment. There are two things that we look at in Unit Trust; one is Unit holder's funds coming in and the other aspect of Unit Trust operation is maximising through our investment, which we will explain later in the powerpoint.

In terms of UTOF policies, Sir, we have an internal policy which we have been operating within. We have a Corporate Governance Policy which talks about the governance structure, management and the board and the sale's expectations are enlisted herein, and also risk management; a very important core of our service is to ensure that we mitigate risk and very calculative. This is a very important tool and mechanism we use, Sir, in our investment decision, and also there is an Investment Policy Statement that gives us a proper guideline on how we should operate and do our investment decisions.

The other one, Sir, is the Accounting and Internal Control Policy, which is obviously important in terms of compliance with appropriate international standards and procurement ICT Communications and Motor Vehicle. The external policies, you can see there, Sir, are just some of the big policies or the Act or the laws that governs Unit Trust. Outside Unit Trust, that is the Companies Act of 2015. The Reserve Bank of Fiji have related provisions and Act and also of course the Public Enterprise Act.

Before we start talking about 2015, Sir, it is crucial for Members to also note the investment facilities because these translates to our operations as well. In Unit Trust when investors come in to invest, there are two types of funds that we normally direct them to. One Sir, if you can look at the UTOF incentives. . One is called the Income & Growth Fund, the other is called the Income Fund.

Under Income & Growth Fund, there are two components that investors will benefit, one is the tax free dividend that comes in every six months. We have been enjoying these privileges from Government and also there is a capital growth component.

The other one, Sir, is Income Fund which is just dividend only, there is no fluctuation in capital. This Income Fund, Sir, I am pleased to report went through Cabinet in a Cabinet Paper in April 2011 and this has been endorsed by the Cabinet, and we are now implementing those and it is quite successful which I will show in the next slide.

At the bottom, Sir, those are some of the incentives that we are promoting, the Employee Investment Scheme. If you can see image one, that is from the Judiciary and also if you look at image number two, is we are talking directly to the Fijian workforce. Allow us to move to the Fijian workforce and talk to the employees themselves under the memorandum of agreement that we normally sign.

The next one is the children investment plan. We are now educating and empowering our future leaders through the Ministry of Education. We have also executed a memorandum of agreement with the Ministry of Education. It is currently being implemented for Form Three and Form Four students. So when students leave school they have a real financial instrument that they can use in a form of scrip or collateral as they enter the workforce and the market. So this is something that we are championing and it is very popular in schools nowadays and continuous efforts are going through these incentives.

Sir, the other one is very important to us in terms of operating with international standards. As you know we have won the Fiji Business Excellence prize award. This is quite substantial for us. The next stop here is the President's Award. The performance framework itself is quite tedious as they do on-site inspection on the framework on which we are being evaluated is quite robust but we are quite pleased that we went through the process and won it. There are a lot elements in these awards criteria but we were pleased to be one of the recipients for the 2015 Award.

As I mentioned earlier, this slide is about the number of unit holders or investors or Fijians that invested with us. One unit holder we consider one, irrespective of either it is an organisation, *yavusa* or institution or even joint account; we consider them as one. The multiplier effect is there obviously. If you look at that period after 2015, we recorded a steady growth. Initially in 2014 we had 15,512 investment accounts or unit holders. In 2015 we registered 16,111. Obviously this year to-date results have significantly improved. Attributing to this increase is the young investors I

mentioned, the children investment plan and also what we noticed is dads and mums are now realising the importance of savings and investment and they are opening accounts for their children as well.

The EIS , one of the first and biggest employer to sign up for the Employee Investment Scheme workforce was the Fiji Revenue and Customs Authority then which have now gone through a name change; and also Vodafone Fiji allowing Unit Trust to go in and educate 1,600 employees. Of course this EIS is voluntary, it is not mandatory; there is a lot of nurturing, a lot of training, a lot of awareness have to go in before any investor will open an account but under the Memorandum of Agreement it gives us some kind of exclusivity and actually spending a lot of resources and trying to educate a lot of people, especially the Fijian workforce. So this trend has been continuing until to date.

The next slide, Sir, talks about the funds under management. If you look at that bar graph you can see an exponential growth has been moving and increasing. Those brand names are the ones that we have invested with. HFC is one of a blue chip company operating, they own 25 percent shareholding with HFC and of course ATH, RB Patel, Fiji Gas and those are just some of the good brands that we are now generating a lot of dividend and obviously this dividend is paid back to unit holders.

Overall, Sir, we registered a significant growth of 13.99 percent from \$113 million in 2014 and registered \$126.9 million. Year to-date results are showing amazing results and it keeps on increasing. There is a lot of work that went through this but if you can see the upward trend is now also translating in terms of return to our unit holders; that is the fundamental approach for us.

Sir, this is a very important table for us. This is what goes in the hands of Fijians. For the last five years we have noted that we paid out \$17.75 million to our Fijian investors. It is quite substantial and you see the highlighted line that shows the upward trend. If you see there is link between our portfolios going up or total funds under management and also the return and we are generating good results.

At the end of the day, Sir, our investors are very simple, they want good return and that is what we are deliver even though there is a lot of work that comes with it, but if you see those highlighted marks, it shows significant growth, you see 2015 which has surpassed the \$4 million mark. That to me at the end of the day is income and that is what we gave to our investors. This is under the income and growth fund. This is the big fund we normally advice people to go here in terms of long term. Some of the investors come for short term, that is why the income fund is that, Sir. This is a very important information that we normally share with our investors.

The next slide, Sir, it talks about three charts; very important charts for us. Table 2 talks about Income Fund. This is the annual dividend rate to unit holders. If you look at the table, Sir, the average annualised dividend rate for income fund since 2012 stood at 3.24 percent; that is a very good figure when you throw that figure to the market as shown in Table 2. The annualised dividend rate for 2015 was 3.28 percent which was predominantly earned from fixed income instruments meaning we invest in securities that does not fluctuate in terms of the capital and of course there is a tax free dividend that has been given to unit holders. So for analysts and people we talk to, this is the figures that they look at, this brings them the confidence as well.

If you look at Chart 3, Sir, in the middle, you will see that is the investment portfolio for Income and Growth Fund (IGF); 14.65 percent growth for the year with an investment portfolio of \$109.4 million thus surpassing the \$100 million mark since its inception in 1978. Sir, you will remember that black and white image that we had shown, the Unit Trust of Fiji was approved by Parliament then, this is the product that came with it – the Income and Growth Fund. So we have been building on this and it is doing really well.

The portfolio of Income and Growth Fund gives us a lot of freedom in terms of maximising the return. So this portfolio is made up of equity investments and diversified across multiple key sectors as you saw in our brand in terms of the portfolio I had just shown earlier.

Chart No. 4, Sir, talks about investment portfolio for Income Fund. We recorded a 10 percent growth for the year ended 31st December, 2015, closing investment portfolio at \$17.5 million. If you see the chart in 2012, we started with \$1.5 million, in 2015 we were sitting on \$17.4 million. That for us is a record in its entirety looking at the hard work that we put in and the confidence of course is a key factor here when we are managing people's funds.

Sir, the next slide is the reason why we are here is to talk about the 2015 Annual Report for the Management Company as I said, it is 100 percent owned by the Fijian Government. Just some of the underlining statements that we would like to raise to the Committee. This is in relation to our Financial Statement as at 31st December, 2015. In terms of compliance, the Financial Statements have been prepared in accordance with the provision of the International Reporting Standards, which is called IFRS and the requirement of the Companies Act. In terms of accounting policies, the accounting policies have been consistently applied and are consistent with those used in previous years. New standards amendments to the standard and preparations have been considered in preparing the FS as at 31st December, 2015.

Sir, according to the audit opinion issued by OAG, the financial statement as at 31st December, 2015 represents a true and fair view of the state of affairs of UTOFML (this is the management company), Sir and proper books of accounts have been kept by the company. It is also important, Sir, to note that there were no major issues identified during the course of the audit hence concluding the company had strong control environment in place. Sir, it is an indicative of our resilience and also in prudent about our practices within the company.

In terms of the Financial Statement 2015, Sir, in terms of debt and impairment, there was no bad debt and impairment recorded for the financial year.

In terms of any provisioning, there was no material movement in the provisions. Sir, this is also recorded in the 2015 Audited Annual Report.

The last table Sir, on the last page of our presentation today is to do with management performance. These are all key indicators as reflected in our Annual Report. It is very critical to note that 2015 we recorded a record year for our operation. We also recorded an unprecedented growth of \$471,442 as you can see there in the last column of 2015 the top line, \$471,442 this figure's trend has been building over the years and this is one of our biggest milestones is reaching that 400,000 mark in terms of our profitability.

In terms of dividend to Government, as you can obviously see in the chart, we paid the highest ever dividend as highlighted in the table, we paid in 2015, \$235,721. You will see the past trend from 2011, 2012, 2013 and 2014; we are doing quite well in terms of our dividend to Government.

In terms of Dividend Per Share (DPS) is sitting around \$4.71 in terms of the shareholder's equity, we have in excess of \$1.76 million. Just for the Committee's information, the Fijian Government paid up capital with us is only \$50,000. So, that is quite a good return for Government.

Sir and Madam, that is basically our short presentation from Unit Trust of Fiji. In a nutshell we are quite pleased with the performance. What we are operating is a very clean operation, we are quite mindful of the risks associated and we are also driven by the mandate to serve the Fijian people and for us our expectation from unit holders is just to have a good return and with that we have been doing that from 2015 and that trend continues up today. Sir, with that I submit to the Committee our summary and our presentation in terms of the 2015 Annual Report. *Vinaka saka.*

MR. CHAIRMAN.- Thank you very much, Sir, for the presentation and I believe there has been a lot of information. You are doing very well, keep up the good work. I will now allow our Honourable Members for their questions or queries. Honourable Vadei, have you invested?

MR. S. BOLAIRA.- Sir, in your information material there is a form there in the books so after this maybe we can sign up some of Members of Parliament. We have been signing ordinary Fijians, it is time to sign up MP's.

MR. CHAIRMAN.- Alright.

HON. A.T. VADEI.- First of all, Mr. Chair, I thank the team for coming forward to present rather amazing results for the performance for 2015. My only question on investment is that for indigenous Fijians especially they fear the terminology "*duri ga me davo*". But how do they managed those risks? In your Annual Report you managed to share some of the major risks and how did you manage that because in 2015 we encountered a lot of things; *TC Winston* and all other major happenings. How do you anticipate that growth so that it is reflected in your 2015 Annual Report?

MR. CHAIRMAN.- Thank you, Honourable Member.

MR. S. BOLAIRA.- *Vinaka saka vakalevu*, Honourable Member and Mr. Chair. That is a very interesting question. Just to go back in terms of indigenous Fijians, we are quite pleased to report that about 90 percent of our investors are *iTaukei*. The trend that we are seeing, the farmers are coming to invest, the people with ties are coming to withdraw. So, that is the trend we are seeing in the office every day and we are quite pleased. One thing we noticed that the RBF campaign on financial literacy that we are doing, the people are very determined to invest. We note that in our Children Investment Plan increase, parents are more conscious of savings. I understand that most of the parents had gone through hardship. The trend that we are seeing is that most of the parents do not want their kids to go through that and that is a very interesting information for us and we surely note that and we are quite happy and that is the trend that is happening.

In terms of risk, Sir, we look at risk in many multiple facets, I would say. Terms of the risk of the investor coming to us, we mitigate risk, which is one of the reasons why income fund was introduced and supported by Cabinet.

If you look at the nature of investing an Income and Growth Fund and Income Fund, there are two different distinctions or two different schools of thoughts. Some investors are risk investors. They want to put \$10 and \$10 does not move. That is one dividend. That is why Income Fund was approved. In terms of Income and Growth Fund, that is for long term investors. People who like to put in for retirement, which is very interesting because the rate of return there is quite big especially for long term.

In terms of portfolio risk, that is where my colleague, Manager Investment is there, there is a lot of risk is calculated. It is calculative risk and those risks are in our Risk Management Policy and also Investment Policy Statement (IPS). Those risks are calculated. The beauty about Unit Trust, Sir, the overall risk, I would say is low to medium, we are never high risk takers. So that has always been the trend, if you look at Unit Trust globally, it will always be like that; low to medium. That is why most of the Unit Trusts survive the global financial crisis because their risk is always low to medium and on top of that we have diversified our portfolio and also the portfolio is quite important because if one key sector is not improving the other sectors will fill in the gaps. So, when an investment comes through with the robust assessment that we do to ensure that the unit holder's funds are protected and they are maximised in terms of return.

MR. CHAIRMAN.- Thank you, Sir, for your response.

HON. V. BHATNAGAR.- Thank you, Mr. Chair, through you, Mr. Bolaira thank you very much for a very comprehensive and enlightening presentation and congratulations on your achievement. I can see you have been growing from strength to strength.

MR. S. BOLAIRA.- Thank you, Honourable Member.

HON. V. BHATNAGAR.- I am very inspired. Actually I want to start investing with the Unit Trust of Fiji. As you mentioned that 90 percent of the investments are made by *iTaukei* people. What is the reason why other Fijians are not coming on board to invest?

MR. S. BOLAIRA.- Honourable Member, through Mr. Chair, thank you very much for that statement. One thing we noticed is mostly made up of women. Gentlemen take a while to make a decision but one thing I have noticed that during our sessions with our investors that women respond faster in terms of decision making. Women have always been the greatest influence in decision making in investing.

Some of these investors are coming through the influence of their wives and even the grandmother and that is something very enlightening. In terms of the other 10 percent not coming, there are a lot of varieties. There are a lot financial instruments out there and for us one of the biggest challenge is to trying to educate people about investment. Some of them take the decision, they weigh their risk and associated risk and then they make a decision. One thing that is interesting about financial institutions that we do not have a physical product that we can sell like a bottle of water. We have to talk logically most of the time to our investors. In doing so, it has always been the language that we also try and accede in terms of the *iTaukei* community.

The *iTaukei* community most of them are not familiar with our terminologies. Investment portfolio does not mean anything to them when in the village context. She always tries and mirror that as a fishing pond with a lot of different kinds of fish. So, it is interesting but I will assure the Honourable Members and the Committee Members that the trend is changing. The *iTaukei* are coming, they are more conscious of investing and savings. I think most of the personal experiences that they are experiencing now and the campaign will be doing on radio as well telling them the best way to do is to invest and grow. Do not go into debt.

HON. V. BHATNAGAR.- What is the minimum amount one can invest?

MR. S. BOLAIRA.- Thank you, Honourable Member. For kids, \$20 is just the minimum opening balance, top up is \$1. Under the Employee Investment Scheme we have waived the minimum opening balance allowing workers to just to sign up and start deducting. That is one of the incentives and that is why most of the things are under the memorandum, even if we can sign one with the Parliament for Members of Parliament. I can waive the minimum opening balance. So, that is the beauty of the agreement. There is also the Income and Growth Fund which is about \$80, \$1.80 and for one unit there is a minimum as 50 units. Most of the features have been incentivised. For us, there is more excuse not to invest. What we hear from people, “I will invest tomorrow” or “I will have some big fund then I will come.” No. For investment, you start small and go big.

HON. V. BHATNAGAR.- Thank you, just one last question. You think there needs to be more awareness done in regards to this?

MR. S. BOLAIRA.- Honourable Member, that is a very important question for us. At our level we are doing our very best. I think because of, I was citing the Honourable Members’ Parliamentary debate in Parliament he said it and I quote: “We have a national mechanism which we can drive Fijians to invest but we have our limitations in terms of our budget.” If Parliament takes a first leap in promoting this, I am sure all the social problem that we have been missing and facing can be addressed through investment, Honourable Member.

MR. CHAIRMAN.- Thank you, Sir, for your answers and for replying to Honourable Veena Bhatnagar. Honourable Ruveni Nadalo.

HON. R.N. NADALO.- Thank you Mr. Bolaira. It is just a supplementary to her question. Your outreach to the locals out in the villages, how are you doing that, are they fully aware of what is happening here?

MR. S. BOLAIRA.- Yes, Honourable Member, we have done a lot. As we speak one of my colleagues has gone up to Naduri in Macuata. They are talking with women there. She just came back from Savusavu. We have been doing the best we can, we are doing radio as well in terms of mass distribution and one thing we are doing also on radio is the way we craft information for people to understand. If we start immediately talking about Income and Growth Fund in our radio, no one will understand. So we have also shifted our strategy in trying to inform people. It is good to talk straight to the logic rather than doing, like you need to come for Income and Growth Fund, no one would understand. So for us we always empower them in terms of the children, the future so that is one of the key factors that we also try and educate that through because mass media is very important and also we have a Facebook and other social media that we are promoting.

MR. CHAIRMAN.- Thank you, Sir. Honourable Salote Radrodro.

HON. S.V. RADRODRO.- Thank you for the very enlightening presentation and as Madam Veena said she is very inspired now, so maybe something the Secretariat would like to take up as part of maybe in the cycle of the Parliamentarians in regards to having an agreement.

My question is on the risks, because this is not like a fixed deposit kind of thing, it is a unit, you are buying shares. So what are the risks or have you encountered any risk associated to market collapsing at the international level which would impact on us, have you experienced any of those kinds of risks?

MR. S. BOLAIRA.- Yes, Honourable Member, I will just answer one part of it and I will ask my two colleagues to submit.

It is interesting you mentioned about units; that is something that I would also like to highlight. When you talk about units in shares, units can be as a buy back that means you can sell it back to us if you have an investment with us. So investment with us is very liquid. Not like the shares, you need a stock broker for that. So if you are trading in the stock you have to count the willing buyer, willing seller and if you buy at a certain level and it has gone down and the other buyer does not budge, then you are literally stuck. So for units, it is very liquid investment so you can exit your account any time; that is under Income Fund.

Income Growth Fund is pretty technical because there is a unit price that comes in every fortnight but we advise our investors on that. In terms of other risks, I will ask my colleague our Manager Investment, Ms. Kaloumaira just to speak on that.

MS. E. KALOUMAIRA.- What we basically do is we ensure that we diversify the portfolio like Sakiusa had mentioned earlier, so by diversifying the portfolio we are able to handle any market risk. We can easily move our investments. As soon as we notice that a company is not performing to our expectation, we sell the stocks and we buy into another company, which is what we usually do.

We have got asset allocations and we look at the sectors as well, which sectors are performing and we try and invest in those sectors.

HON. A.T. VADEI.- On page 29 item number 18(d) - Contingent Liabilities. It mentions that you had a bank guarantee of \$40,000 which was given to Government of Fiji under Section 5(2) of the Unit Trust Act. Can you explain what happened to that?

MR. S. BOLAIRA.- My colleague, Manager Finance will respond to that.

MR. G. REUBEN.- This is a bank guarantee that is required for licencing, that was governed initially by the Companies Act so it still stays. That is licencing for the management company but now that the Companies Act 2015 has come in place so there is also a requirement for the Trust as well. So we have put another set of bond with the same amount. So there is a bond for management company and a guaranteed bond for trustee company as well.

MR. CHAIRMAN.- That is a requirement?

MR. G. REUBEN.- That is a requirement under the Companies Act 2015.

MR. CHAIRMAN.- Thank you. Yes, Madam Veena Bhatnagar.

HON. V.K. BHATNAGAR.- Thank you Mr. Chair. Actually I was in Naduri yesterday. I officiated the function and I met your team, I visited all the stores and that is where I got all these information from about your educating the students. It is a wonderful initiative taken by the Unit Trust.

As you yourself have mentioned that there are other stakeholders in the market who are doing the same business, how do you rate yourself?

MR. S. BOLAIRA.- Thank you, Honourable Member, I will be biased if I rate myself, I obviously rate myself high but we are doing our own, contributing to nation building, I would say. Each financial sector or institution operates differently, Unit Trust operates differently. If you see our classification is under Part 28 of the Companies Act, which specifies how we operate and where to operate. But at the end of the day one of the things that I have noticed, one of our maritime expedition with the Reserve Bank of Fiji, we went into one boat as a Fijian representing institutions, the next morning as we went to shore we were all wearing our different uniforms. For me the commonality is there but we all share the same thing.

I think each financial institutional have their own merit in terms of their existence but at the end of the day to see how we are satisfying Fijians and whatever needs they have, that is quite a beautiful thing to see. And for me to see that boat with all the laughing and singing, but we went out the next day all wearing our different colours and that is just an amazing thing that we all serve this country. For me, I think that is a beautiful thing and we are all here, the more the options for the Fijians the better for ordinary Fijians. I hope I have answered your question.

MR. CHAIRPERSON.- Thank you very much. Honourable Members any other questions?

On behalf of the Standing Committee on Social Affairs I must thank you for the presentation and the way I see, I believe you have been already rated with the award that you have received. Thank you very much, keep up the good work and should we need any other information, our Secretariat will contact you. Indeed we are very delighted and enlightened with your presentation so thank you very much and please join us for tea before you leave so that the Honourable Members can discuss about their investment plans.

The Committee adjourned at 2.23 p.m.