



Partnership for Development

Background

- UTOS was established in July 2010 with its main objective of providing opportunities for ordinary Samoans and businesses to invest in shares of privatized public bodies.
- The delay in the privatization programme pressured the Board & management to look towards expansion in private equity, lending and properties.
- Within 6 months of operation, UTOS promoted financing of Capital Notes issued by SOEs (with GG)
- SOEs financing included consolidation & refinancing of existing SOE debts as well as new projects.

Mandate

- UTOS is established under the ***Unit Trust Act 2008***. The Act provides for one company to manage the Trust (Manager), and an independent Trustee (Trustee)
- The UTOS assets and liabilities is managed in accordance with:
 - UTOS Trust Deed, with Amendments
 - Investment Policy and Prospectus
 - CBS Prudential Guidelines for Unit Trusts
 - Unit Trust of Samoa Loans Act 2013
 - Financial Institutions Act
 - Public Finance Management Act
 - Companies Act

UTOS Trust Deed

- The **Trust Deed** sets forth the relationship between the Manager and the Trustee.
- The Trust must be operated in accordance with the Trust Deed at all times.
- Section 10.1 gives authority to the Manager to invest the assets of UTOS, provided that the investment satisfy the Investment Policy.
- Section 10.4 gives the Manager 'absolute and uncontrolled discretion as to the investment of any assets and as to how the assets and liabilities are dealt with and the purchase, sale, transfer, exchange, lease, alteration of or other dealing with any of the assets'.

Investment Policy

- The ***Investment Policy*** sets forth policies and guidelines in assessing and evaluating a proposal for board approval.
- UTOS employ a disciplined investment selection process aimed at identifying investments that fit the Trust's risk-return profile and exploiting opportunities in a timely manner.
- Asset allocation can be described as "*Objectives Based*"
- The maximum investment allocation to one investment shall not be more than 20% at anytime, EXCEPT when there is proper and valid GG.

CBS Prudential Guidelines

- The ***CBS Prudential Guidelines*** provides the regulatory framework for any Unit Trust in Samoa, including UTOS. The Trust must comply with these guidelines when making decisions on investing funds.
- Investment Restrictions

The manager shall not:

- Purchase a security, other than a debt security issued by the Government of Samoa or the government of any other country, if, immediately after the purchase, more than 20% of its net assets, taken at market value at the time of the purchase, would be invested in securities of that issuer;
- Purchase a mortgage;
- Purchase an illiquid asset;
- Purchase a security of more than 20% of net assets of the Trust in a related party; and
- any other restrictions the Central Bank may prescribe from time to time.
- However, where the Manager is aware that it is outside of the investment restrictions, prior approval of the Central Bank of Samoa must be obtain.

CBS Prudential Guidelines

- Investment Practices

The Trust shall not:

- subscribe to securities offered by a company under formation;
- engage in the business of underwriting or marketing securities of any other issuer;
- guarantee securities or obligations of another person;
- purchase or sell securities other than through market facilities where these securities are normally bought and sold unless the transaction price approximates the prevailing market price or is negotiated on an arm's length basis;
- purchase a security from, or sell a security to, one of the following persons:
 - the Manager or the Trustee;
 - an officer of the Manager or the Trustee;
 - a related party of a person referred to in (a) and (b), unless the purchase from or sale to the related party is carried out at arm's length.
- However, where the Manager is aware that it is outside of the investment practices, prior approval of the Central Bank of Samoa must be obtain.

Unit Trust of Samoa Loans Act 2013

- The UTOS Loans Act 2013 gives authority for the Government to borrow from UTOS.

Financing mechanisms available

- Financing of Capital Notes issued by SOEs: eg SPA, SSS refinancing
- Lease (Finance or Operating): eg Malo Samoa Centre project
- Short term bridging finance: eg PFL Forum Samoa Vessel sale (co-finance with NBS)
- Equity: eg Samoa Submarine Cable Company
- Co-financing: eg (1) Sogi Fuel Tanks (UTOS & NBS jointly); (2) PFL

Lessons Learnt

- Limited investment opportunities in Samoa that meet the UTOS' hurdle IRR of 16%. Unless there is Government subsidy/CSOs available, projects are not feasible.
- Most of SOE projects are funded from international institutions/donors. Eg SWA, SAA .
- Strong competition from commercial banks: eg, SSC vessel.
- Government controls on domestic debt and the issue of GG for SOE loans. So UTOS now accepts security mortgage on the properties of the SOE eg SPA
- Syndicate financing: This idea was promoted in the past with commercial banks however the banks were not prepared to waive their normal fees and charges; most asked for GG from UTOS and this is costly. UTOS is now looking at the creation of new funds eg, Telecom Sector Fund and Power Sector Fund