



INVESTMENT MANAGEMENT OF PENSION FUND

Mohamed Hussain Maniku,
CEO, Maldives Pension Administration Office

MVR 5.4 BN

AUM

MVR 2.9 MN

Monthly Pension Payouts

MVR 75 MN

Monthly Contributions

85%, below 45Yrs

Age Profile

More than 88,000 members

Active Contributors

More than 127,000

Members

HUGE GROWTH IN PENSION
SAVINGS

- ▶ The **Board** of MPAO endorses the Statement of Investment Principles, covering the investment policy and strategy.
- ▶ The **Investment Committee** of the Board reviews the Statement of Investment Principles and ensures the operational due diligence of potential investments.
- ▶ The supervisory responsibility of the pension schemes is undertaken by the **Pension Supervision Department** at the CMDA.
- ▶ The **Custodian** appointed by the Board of MPAO is responsible for safekeeping of investments, settlement and pre and post trade compliance.
- ▶ The pension fund is prohibited by law from investing in assets other than those allowed under the **Pension Act**.

GOVERNANCE OF PENSION ASSETS

- ▶ The Pension Act specifies five asset classes in which the pension fund can invest;
 - ▶ Bank accounts and monetary funds such as bank deposits;
 - ▶ Securities issued by a relevant body of the Government of Maldives and to the extent guaranteed by such a body;
 - ▶ Securities issued by business entities listed on a licensed stock exchange in the Maldives;
 - ▶ Mutual and investment funds duly approved in the Maldives

ALLOWABLE ASSET CLASSES

- ▶ MPAO's investment **horizon is long term**. The investment strategy is to **grow the pension savings** of individual members and provide protection against sudden fall of pension savings close to retirement.
- ▶ It is estimated that the pension fund will have a **maturity of 40** years where the inflows would level against the outflows of the fund.
- ▶ MPAO invests in both **Convention and Sharia Compliant** assets. MPAO would continue to invest in the following classes of assets.

INVESTMENT OBJECTIVES AND STRATEGY

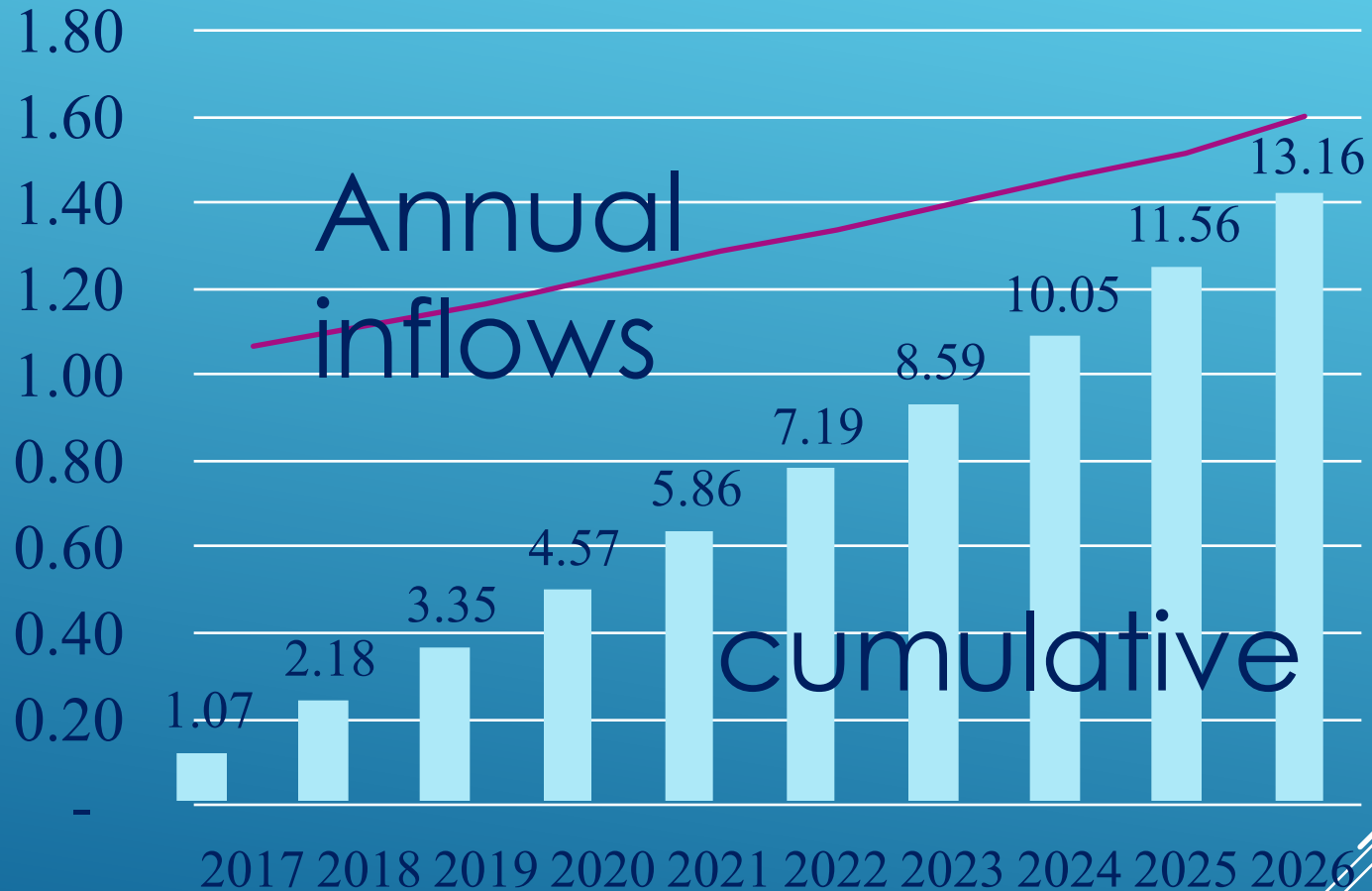
- ▶ The current asset allocation of pension is **over weighted towards short term government securities**, simply because there is no any other investable asset class available.
- ▶ What we expect just 10% exposure to short-term securities by 2020.
- ▶ The implication is that there would be the large fund flows to the equity and bond (Sukuk) markets.
- ▶ This is a **huge opportunity for capital raising**, both for new investment or capital reorganization purposes.

CURRENT ASSET ALLOCATIONS

- ▶ the state sector, including SOEs will be the **single largest borrower** in the economy and most of the growth in demand for long term finance will come from this sector.
- ▶ Investing in SOEs would achieve asset class **diversification** as well as industry diversification.
- ▶ The **growth in capital market** is unlikely to happen without further state sector involvement.

SIGNIFICANCE OF STATE SECTOR FOR PENSION FUND

Contribution Flows, MVR, Bln



- ▶ Direct investments in commercial infrastructure development, real estate, land, tourism are of strategic benefit to MPAO.
- ▶ Direct investments have the potential to generate very lucrative returns to the pension fund.
- ▶ This asset class is currently **not allowable under the Pension Act.**

DIRECT INVESTMENTS

- ▶ Industry characteristics
- ▶ Business model
- ▶ Management strength
- ▶ Quality and Availability of financial Information

WHAT WE LOOK WHEN
INVESTING IN COMPANIES



THANK YOU

