

# Annual Report 2003



National Pensions Reserve Fund  
Commission





National Pensions Reserve Fund  
Commission

*National Pensions Reserve Fund Commission  
Annual Report & Financial Statements 2003*





National Pensions Reserve Fund  
Commission

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30 June 2004

Mr. Charlie McCreevy, T.D.,  
Minister for Finance,  
Government Buildings,  
Upper Merrion Street,  
Dublin 2

Dear Minister,

I have the honour to submit to you the Report and Accounts of the National Pensions Reserve Fund Commission for the year ended 31 December 2003.

Yours sincerely,

Donal J. Geaney  
Chairman







# Chairman's Statement

The implications of population ageing assumed a prominent place as a major public issue in 2003. Governments across Europe put forward proposals for pension reform as changing demographics make traditional pay as you go financing systems increasingly difficult to sustain. While Ireland faces these issues also, the fact that our population will age later than those of other European countries gives us an opportunity to prepare for them. By establishing the National Pensions Reserve Fund, the Government has seized that opportunity and placed Ireland at the forefront of countries taking measures to protect its citizens' pension entitlements in the less favourable demographic climate that lies ahead.

2003 was a good year for the Fund with its investments earning a return of 12.8% or over €1 billion. Substantial progress was made – as the tone of equity markets improved – in bringing the Fund's invested position more in line with its long-term strategic asset allocation. By year-end the Fund's equity holding had risen to 71.5% compared with a strategic allocation of 80% and a holding of 56.6% at end 2002.

As the Fund's start-up phase neared completion, the Commission began work on the next developmental stage of its mandate. This has focused on the expansion of the Fund into new asset classes. These range from extensions of the quoted asset classes in which the Fund is already invested (i.e. from large cap to small cap equities and sovereign to corporate bonds) to property, private equity and public private partnerships (PPPs).

The purpose of adding new asset classes is to seek out sources of additional return while diversifying risk. Due to its long-term investment horizon, strong cash flow and the absence of any drawdown until 2025, the Fund is in a position to exploit the opportunities offered by these new asset classes. This area is considered in some detail in the body of the Report.

As every Irish citizen has a stake in the Fund, it is important that information on the Fund is communicated to the public in a clear, timely and transparent manner. The Commission therefore decided to publish quarterly performance statements, beginning in April 2004. Of course, it must always be remembered that the Fund is a long-term project and the aim of the Commission's investment strategy is to produce superior long-term return. The strategy cannot be judged on short-term performance given the inevitable volatility of financial markets over such periods.

While the National Pensions Reserve Fund is an important and exciting endeavour, it is also a demanding one. I would, therefore, like to acknowledge the commitment and professionalism of my Commission colleagues and of the National Treasury Management Agency, as Manager, in working towards the long-term success of the Fund.



Donal J. Geaney  
Chairman  
30 June 2004



# Key Points 2003

- The Fund achieved an investment return of 12.8%.
- The marked to market value of the Fund at 31 December 2003 was €9,561m. compared with €7,426m. at 31 December 2002.
- Allowing for the 2003 Exchequer contribution of €1,103m., there was an appreciation of €1,032m. in the value of the Fund during the year.
- The Fund committed €1,911m. to global equity markets through 2003. The *averaging in* entry approach has resulted in the Fund outperforming its benchmark by 9.6% over the period since inception.
- At end 2003 the Fund's holdings by asset class were as follows:

Asset Class	% of Fund
Equities	71.5
Bonds	14.0
Cash*	14.5
<b>Total</b>	<b>100.0</b>

*\*Includes other net current assets*

- In total, the Fund had shareholdings in 1,286 companies across 23 markets at end 2003.
- Its assets were equivalent to 8.8% of GNP.

# Fund Overview

The objective of the National Pensions Reserve Fund is to meet as much as possible of the costs of social welfare and public service pensions from 2025 onwards, when these costs are projected to increase dramatically due to the ageing of the population.

There are currently more than five people of working age to every pensioner in Ireland. By 2030 this ratio is projected to fall to three to one and by mid-century there will be fewer than two working people to each pensioner.

This is due to a decline in the birth rate and increased life expectancy. It will inevitably lead to significantly increased pension costs, in particular in the social welfare area, as more pensioners have to be supported by proportionally fewer workers.

The Fund represents a move to a part pre-funded public pension system. It involves investing 1% of GNP annually to meet part of the cost of future pensions. No money can be taken from the Fund before 2025 and, from then on, drawdowns will continue until at least 2055 under rules to be made by the Minister for Finance. The Fund is intended to reduce and smoothen the Exchequer burden arising from Ireland's additional pension commitments over a lengthy period.

The Fund is controlled, managed and invested by a seven member Commission which is independent of Government in the exercise of its functions. The Commission is required to operate the Fund on a commercial basis so as to secure the best possible financial return subject to prudent risk management. The National Treasury Management Agency (NTMA) acts as the Manager of the Fund and the Commission performs its functions through the NTMA.

# National Pensions Reserve Fund Commission Members



**Mr. Donal J. Geaney**  
Chairman

Chairman of Irish Aviation Authority, Automsoft International Ltd and Clinical Grid Ltd.  
Member of Court of Directors of the Bank of Ireland and Senior Advisor to Elan Corporation plc.



**Mr. Robert J. Curran**

Former Second Secretary in the Department of Finance.



**Ms. Brid Horan**

General Manager Pensions, ESB.



**Dr. Martin Kohlhausen**

Chairman of the Supervisory Board, Commerzbank AG.



**Mr. Donald C. Roth**

Managing Partner, Emerging Markets Partnership and former  
Treasurer of the World Bank.



**Dr. Michael J. Somers**

Chief Executive of the National Treasury Management Agency  
(ex-officio member).



**Mr. Daniel P. Tully**

Chairman Emeritus of Merrill Lynch & Co Inc.

# Activities of Commission and Fund

The members of the Commission during 2003 were:

- Mr. Donal J. Geaney (Chairman)
- Mr. Robert J. Curran
- Ms. Brid Horan\*
- Dr. Martin Kohlhaussen
- Mr. Donald C. Roth
- Dr. Michael J. Somers (ex-officio)
- Mr. Daniel P. Tully\*

*\*Ms. Brid Horan's and Mr. Daniel P. Tully's terms of appointment as Commissioners ended on 1 April 2004.*

The Commission met formally six times during the year.

The activities of the Commission and the NTMA as Manager covered (inter alia) the following areas:

## Review of Investment Managers

This involved formal review meetings with each of the Fund's investment managers by the NTMA and consideration by the Commission of the NTMA's opinion on each manager. One manager's appointment was terminated during the year.

## New Asset Classes

The Commission approved mandates for small cap equities and corporate bonds and made Fund allocations to property and PPPs. The Commission also approved investment in private equity.

## Manager Appointments

Tender competitions under EU public procurement rules for pan-European equity, small cap equity and corporate bond managers were set in train in 2003 and managers appointed in the first half of 2004 with the exception of one small cap mandate where the competition was still ongoing as of June 2004.

## Market Entry Strategy

The pace of the *averaging in* or phased market entry strategy was increased as equity markets recovered from March 2003 onward. The investment mandates to which managers had been appointed but which remained unfunded at end 2002, i.e. the Pacific Basin and Japanese equity mandates and the active eurozone sovereign bond mandate, were all funded during 2003.

## FX Hedge

The Commission decided that the fluctuation bands for the 50% foreign exchange hedge should be narrowed from 47% - 53% to 48.5% - 51.5% in order to more closely track the benchmark.

## Brokerage Recapture

The brokerage recapture programme approved by the Commission in 2002 began in January 2003.

## Control Reporting

The NTMA carried out the various control procedures specified by the Commission for monitoring the Fund and for reporting to the Commission.

## Internal Audit

The Audit Committee met three times during 2003. It comprises all Commissioners except the Chairman and the Chief Executive of the Manager (NTMA) and is chaired by Mr. Donald Roth. The Committee meets with the Fund's internal and external auditors on an ongoing basis. The Comptroller and Auditor General is the statutory external auditor of the Fund.

# Investment Strategy

## Asset Allocation

In 2003 the Commission maintained the asset allocation strategy adopted in 2001: an 80% allocation to equities and other real assets and a 20% allocation to bonds. The investment strategy is driven by the Fund's objective as set out in the National Pensions Reserve Fund Act: to meet as much as possible of the cost to the Exchequer of social welfare and public service pensions to be paid from 2025 until at least 2055. This investment strategy was chosen because it offers the most attractive balance between risk and reward. Much of the risk associated with

equity investment is the volatility of returns from year to year. As the Fund will not commence drawdowns until 2025, it can afford to bear this volatility in anticipation of the additional return associated with equity investment over the long-term.

The regional allocations within non-eurozone equities were adjusted slightly in 2003 to take account of shifts in the capitalisation of the non-eurozone markets in which the Fund is invested since 2001.

## NPRF Revised Regional Asset Allocation

Asset Class	% Allocation	Regional Splits	% Allocation
Eurozone Equities	40%		
Non-Eurozone Equities (50% hedged)	40%	North America	27.8%
		Europe ex Eurozone	7.2%
		Japan	3.4%
		Pacific Basin	1.6%
<b>Total Equities</b>	<b>80%</b>		
<b>Eurozone Bonds</b>	<b>20%</b>		

There was no change during the year to the indices used to measure the return to the Fund's long-term strategic benchmark.

## NPRF Long-Term Strategic Benchmark

40.0%	FTSE Eurobloc
20.0%	FTSE All World Developed ex Eurobloc (in euro terms)
20.0%	FTSE All World Developed ex Eurobloc (in local currency terms)
14.8%	Merrill Lynch EMU Gov't Bond Index ex Ireland over 5 years
5.2%	Merrill Lynch EMU Gov't Bond Index ex Ireland over 10 years

# Investment Strategy

During the year the Commission considered new asset classes with a view to maximising returns and improving diversification. It approved allocations to small cap equities, corporate bonds and property.

## Commission Allocations to New Asset Classes

Asset Class	% of Fund	
Eurozone Corporate Bonds	2.0	
Small Cap Equities	EAFE*	1.0
	US	1.0
	<b>Total</b>	<b>2.0</b>
Property	Pan Europe	2.4
	US	1.6
	<b>Total</b>	<b>4.0</b>

\*Europe, Australasia, Far East.

The Commission also made an initial allocation of €200m. to investment in public private partnerships (PPPs) in Ireland and will increase this allocation should suitable opportunities arise. Finally, the Commission decided to invest in private equity.

Allocations to small cap equity, property and private equity will come from the 80% of the Fund allocated to equity and other real assets. The allocation to corporate bonds will come from the Fund's 20% bond allocation. Allocations to PPPs will be taken from the equity and real asset allocation in the case of PPP equity and the bond allocation in the case of PPP debt.

The new asset classes are discussed in more detail in the next section of this Report.

## Market Entry

On its establishment in April 2001, the Fund received €6,515m. comprising the net receipts of the Telecom Eireann flotation and 1% of GNP contributions for 1999 and 2000 plus interest earned on these amounts. The Commission was then faced with a decision – whether to commit funds to the markets in one fell swoop or whether to *average in* over time.

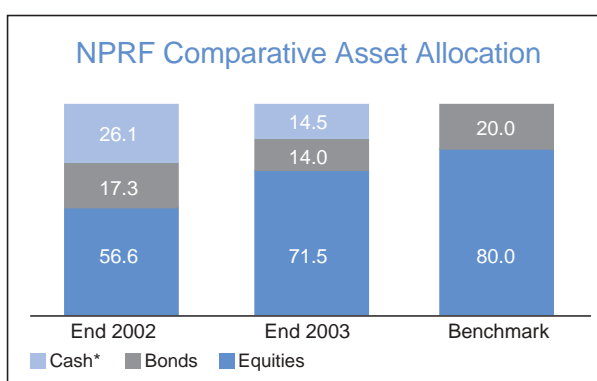
Despite widespread expectations of a US led global recovery in early 2002, the Commission considered that, given the uncertainties in the financial markets, an *averaging in* approach would be most appropriate. In the event, the deterioration in market conditions did not have as great an adverse effect on the Fund as would have happened in the absence of *averaging in*.

As a result of the *averaging in* strategy, the Fund held considerably less in equities than its long-term strategic benchmark at end 2002. As markets recovered from their lows of March 2003, the pace of investment increased with €1,911m. being committed to the equity markets during the year.

## Funds Committed to Equity Markets 2003

January	€258m.
May	€304m.
June	€392m.
August	€232m.
September	€475m.
December	€250m.
<b>Total</b>	<b>€1,911m.</b>

As a result of the 2003 investments, the Fund's equity holdings increased significantly over 2002 but remained below the benchmark. At 14% the Fund remained underweight its benchmark bond holding. This is as a result of a tactical decision not to commit additional moneys to bonds at the current stage of the interest rate cycle. The Fund's active eurozone sovereign bond mandate (€340m.) was funded in May by means of an *in specie* transfer from the passive bond mandate.



\*Includes other net current assets

# New Asset Classes

## Introduction

In its initial strategy decision in 2001, the Commission focused on large capitalised quoted equities and eurozone government bonds. The Fund's subsequent selection of external managers and entry to the capital markets has been based on these two broad asset classes. The Commission has also been examining what additional asset classes would be consistent with the Fund's investment policy as set out in section 19 of the National Pensions Reserve Fund Act.

The purpose of investing in new asset classes is to earn additional return and improve Fund diversification. Private equity offers the prospect of substantial additional return while property markedly improves diversification. Taken together, the inclusion of new asset classes in the Fund should increase prospective return for a given level of risk.

The new asset classes being considered by the Commission are less liquid than large cap equities and government bonds and tend to generate returns in a "lumpier" fashion. Because of these factors they have traditionally offered a premium to the investor. The Fund's long-term investment horizon, lack of a liquidity requirement and strong cash flow positions it to exploit these opportunities. In addition, the pricing of these asset classes tends to be less efficient than the pricing of mainstream quoted securities. This leads to the possibility of further increasing returns through astute manager selection.

The Commission has decided to invest approximately 10% of the Fund in five new asset classes:

- Small cap equities - 2%
- Corporate bonds - 2%
- Property - 4%
- PPPs - €200m. initially
- Private Equity - not determined.

Prospective asset classes also include absolute return funds and emerging market equities. However, the Commission has not, as yet, evaluated these in detail.

## Small Cap Equities

Small cap equities offer both diversification benefits and the potential for (but not the guarantee of) higher returns. This premium over large cap equities arises for three reasons:

- the greater risk of investing in small companies due in part to their higher cost of capital and more volatile earnings;
- compensation for the lack of liquidity in shares;
- the smaller companies market is inefficient, leading to greater opportunities for discovering undervalued companies.

Historic evidence in the US indicates that, over the long-term, small cap equities have outperformed their large cap counterparts. There is similar evidence in Europe although it is not as well documented. Outperformance – in both the US and Europe – has tended to be uneven with periods of significant growth being followed by periods of underperformance. However, a long-term fund such as the NPRF can reasonably expect to capture the outperformance over its lifetime.

The Commission has made an initial allocation of 2% of the Fund to small cap equities: 1% to the United States and 1% to the EAFE region (Europe, Australasia, Far East).

# New Asset Classes

## Corporate Bonds

While corporate bonds add risk, they also offer a yield pick-up over government bonds. This reflects both lower issuer credit quality and a liquidity premium. A well diversified corporate bond portfolio may reasonably be expected to produce returns of 0.5% to 1% above equivalent government securities.

The extra return over government bonds fluctuates through time and is primarily driven by the credit rating of the issuer. As economic conditions improve, so do the fortunes of corporate bond issuers and their bond spreads tend to tighten. In a three asset universe, equities might be expected to give the best return, followed by corporate bonds, followed by government bonds.

While the eurozone corporate bond market is less developed than its US counterpart, most commentators expect substantial growth over the next few years as eurozone corporations restructure their balance sheets.

The Commission has made an initial allocation of 2% of the Fund to eurozone corporate bonds.

## Public Private Partnerships

Public private partnerships (PPPs) are arrangements where the private sector contracts with the public sector to provide and/or operate public services or infrastructure.

PPP projects are financed using debt and equity. Typically debt will account for 80% – 90% of total financing, with equity being the "top slice" and representing the riskier (but, potentially, more remunerative) investment. Debt has historically been provided by banks but, more recently, large scale debt finance has been raised by issuing long-term bonds. The Commission will consider investing in both PPP debt and equity.

PPP debt normally yields 0.5% to 1% over corresponding government securities due to risk transfer to the holders of PPP securities. The types of risk transferred include availability risk (will the infrastructure be completed on schedule and to specification and be available for use) and utilisation risk (will the infrastructure be used in sufficient volume to service debt repayments).

PPP equity, on the other hand, carries substantially higher risk than PPP debt and expected returns are more closely correlated with those on private equity investments.

The Commission is keen to access PPP investments in Ireland provided the risk/return characteristics are competitive with other investments and satisfy the Fund's statutory commercial investment mandate. An initial allocation of €200m. has been made for this purpose and will be increased if suitable opportunities arise.

The amount of investment is, of course, dependent on the availability of suitable projects which generate a return equivalent to returns available on PPPs internationally.



# New Asset Classes

## Property

Property has both equity and bond characteristics. While, over the long-term, property valuations should keep pace with inflation, rental income is akin to bond income with known rental amounts increasing at set durations as rent reviews take place. The potential return from property investment can be enhanced through the use of leveraged investment structures (though with a corresponding increase in risk).

Property offers substantial diversification benefits. Returns are not correlated with equities and, as in recent years, property may offer positive returns in periods when equity markets are declining.

The Commission has made an initial allocation of 4% of the Fund to property (2.4% in Europe and 1.6% in the US). It is intended to access the property market indirectly through property investment vehicles rather than through acquiring and holding a property portfolio. This should help to achieve significant diversification in a reasonable timescale and also offers the opportunity to exploit leveraged structures in order to enhance return.

The Commission is currently working on a detailed business entry plan. The issues to be resolved include country (in Europe) and sector allocations, the types of property fund in which the NPRF will invest (particularly in the US where there are a number of fund types offering a range of investment strategies varying by degree of risk) and the means by which the NPRF will access the market. Options here range from investment in "funds of funds" to an approach where the Commission takes the final investment decisions on particular property funds recommended by a consultant.

## Private Equity

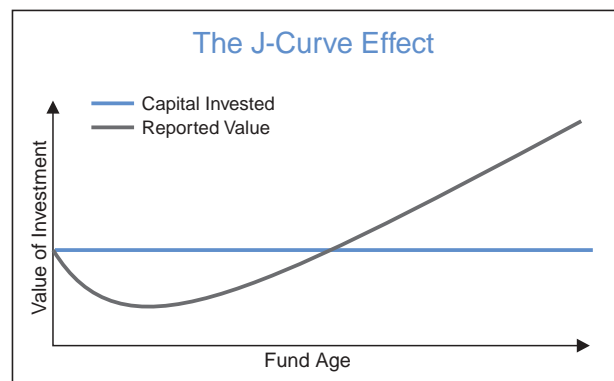
Private equity, i.e. the provision of equity finance to unquoted firms, has the potential to generate significant additional return as well as providing a measure of diversification away from traditional asset classes.

As with small cap equities, a liquidity premium, a risk premium and market inefficiencies should provide additional return. While the return on listed securities will be affected by broad economic influences, the performance of private equity investments is more dependent on company specific factors.

In descending order along the risk spectrum, private equity funds range from venture funds, involving investment at start-up or development phase to growth funds which finance firms in need of equity once they have achieved positive earnings to mezzanine funds which would, for example, provide subordinated debt for management buyouts.

Unlike publicly traded investments, where the top quartile of active investment managers have achieved returns of around 1.1% per annum over the median active manager, the dispersion of returns among private equity investment managers can be much greater. Good manager selection is, therefore, crucial.

A pronounced J-curve effect – usually the result of entry costs – occurs with private equity investment. The anticipated excess returns typically do not emerge until the investment program has been underway for 4 to 5 years. The J-curve effect is also a feature of property investment.



The Fund allocation to private equity, its geographical breakdown, the types of private equity fund in which the NPRF will invest and the way in which the market will be accessed are the subjects of ongoing work.

# Capital Markets Review

## Macro Environment

The first quarter of 2003 was marked by continuing geopolitical uncertainty, deflationary fears, declining consumer confidence and an absence of evidence that businesses had responded to the highly stimulatory monetary and fiscal environment in the United States.

The US economy began to pick up from the second quarter spurred by a recovery in firms' capital spending. US GDP grew by 3.1% in real terms during the year with private consumption, fuelled by tax cuts and mortgage refinancing in the low interest environment, an important contributory factor. In June the Federal Reserve cut interest rates from 1.25% to 1% and indicated that they would remain at that level for a considerable period of time. In tandem with continued growth in Asia, particularly China, the US acted as the world's economic engine through the year.

With the eurozone economy stagnating during the first half of the year, the ECB reduced rates from 2.75% to 2%, cutting by 0.25% in March and 0.5% in June. There was some improvement in the second half of the year with the eurozone experiencing real GDP growth of 0.4% for the year as a whole. The recovery was primarily export led with domestic demand remaining weak. UK GDP grew by 2.2% in real terms, primarily driven by domestic demand, while the Swiss economy experienced a small decline.

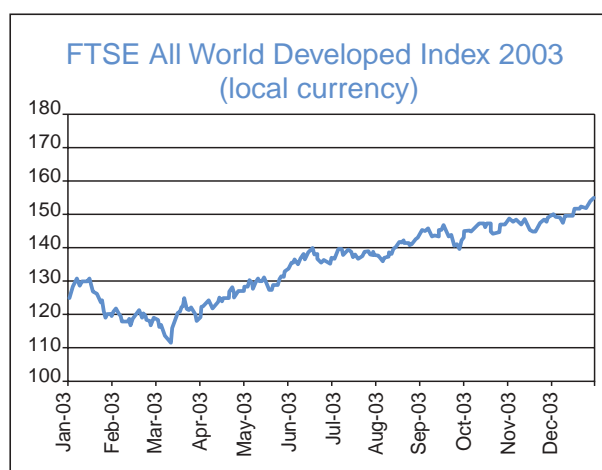
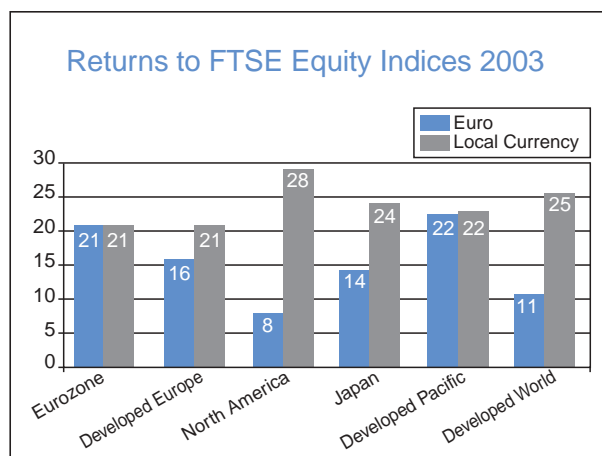
The widening US trade and budget deficits coupled with interest rate differentials favouring the euro and Sterling maintained downward pressure on the US dollar. The euro appreciated by 20% against the dollar in 2003 and by 8% against Sterling and the yen (this figure somewhat masks the volatility of the euro/yen exchange rate through the year).

## Equities

In a reversal of the sustained negative trend from 2000 to 2002, equities earned a positive return in 2003 with the FTSE Developed World Index posting a return of 25.3% in local currency terms. While the index fell by 12% in the months to March, it then improved dramatically led by the US as corporate earnings continued to grow and the economic situation brightened. However, in euro denominated terms, gains on international equities were eroded substantially by currency appreciation, in particular against the dollar.

European equity markets also responded to strong corporate earning results and, to a large extent, paralleled developments in the US markets.

The market recovery in Japan and the Pacific Basin commenced later than elsewhere, due partly to the SARS threat in the case of the Pacific Basin, but picked up in May and June as business sentiment improved, fuelled by positive corporate and economic data.



# Capital Markets Review

## Sector Performance

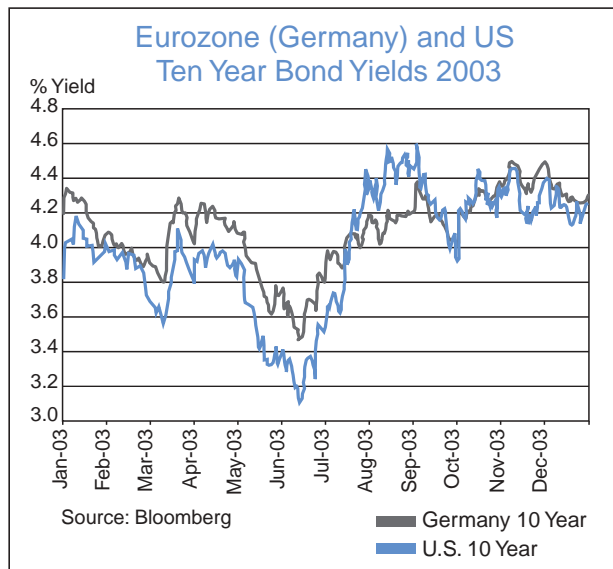
All sectors delivered positive returns in 2003. The strongest performers were the cyclical, market sensitive businesses such as Information Technology and General Industrials. The weakest performing sectors were Utilities, Non-Cyclical Services and Non-Cyclical Consumer Goods. These sectors have a lower sensitivity to overall market performance and typically underperform in a rising market.

## FTSE Developed World Absolute Sector Performance 2003 (local currency)

Information Technology	44.9%
General Industrials	33.9%
Basic Industries	30.0%
Financials	29.4%
Cyclical Services	25.3%
Cyclical Consumer Goods	23.2%
Resources	20.3%
Utilities	19.4%
Non-Cyclical Services	16.0%
Non-Cyclical Consumer Goods	13.8%
<b>FTSE Developed World</b>	<b>25.3%</b>

## Bonds

Bonds outperformed equities in the early months of the year as investors continued to seek safe asset classes in the light of economic uncertainty but, over the year as a whole, returns were modest (4.4% to the Merrill Lynch Euro Sovereign >5 year index). Performance of eurozone bonds was assisted by the ongoing strength of the euro against the US dollar and the 0.25% rate reduction by the ECB in early March.



Following the June rate cuts by the ECB and the Federal Reserve, a view developed that there would be no further cuts in the current cycle and, in the second half of the year, eurozone bond markets retreated in line with the US market following the pick-up in growth there.

# Performance

## Overall Fund Performance

In 2003 the National Pensions Reserve Fund achieved a return of 12.8% on its investments as equities rebounded from the sustained bear market of 2000 to 2002.

The 2003 performance lagged that of the Fund's long-term benchmark by 3.8% due to the *averaging in* market entry strategy which resulted in the Fund having a lower equity weighting than that of the benchmark throughout the year. However, measured over the period since inception, the Fund has outperformed the long-term strategic benchmark by 9.6% as a result of the *averaging in* approach.

## Overall Performance Summary

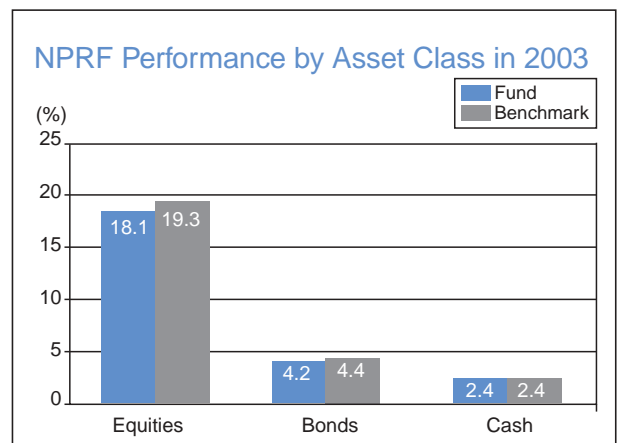
	2003	2002	Since Inception (cumulative)	Since Inception (annualised)
NPRF (post fee)	12.8%	-16.1	-2.2%	-0.8%
Benchmark	16.6%	-21.6	-11.8%	-4.5%
Relative Return	-3.8%	5.5	9.6%	3.7%

## Performance by Asset Class

### Equities

The Fund's equity investments achieved a return of 18.1% in 2003 compared with a benchmark return of 19.3%. This difference was due to the different market weightings of the Fund and the benchmark as the market entry process continued, the impact of cash held by equity managers and the relative underperformance of some managers.

Equity returns reflect the fact that 50% of the Fund's foreign currency exposure is hedged into euro in line with the Commission's long-term investment strategy.



# Performance

## Bonds

The Fund's bond investments earned a return of 4.2% in 2003 as opposed to 4.4% for the Fund's bond benchmark. This marginal difference arises because the passive and active components of the Fund's bond portfolio are run against slightly different indices. The passive portfolio (75% of the mandate) is run against the Merrill Lynch >5 year eurozone sovereign index (ex Ireland) while the active portfolio is run against the 10 year index (ex Ireland). The Fund's long-term benchmark combines these two indices proportionately. However, the weighting of the Fund differed from that of the benchmark in the early part of the year as the active bond mandate was not funded until May.

## Cash

Due to the continuation of the *averaging in* market entry approach and the receipt of the 1% of GNP Exchequer contribution, the Fund held significant cash holdings throughout 2003.

These deposits earned 2.4% in line with their benchmark: cash is deposited with the Central Bank where it earns the overnight interest rate.

## Calculation of Fund Performance

Fund performance is calculated in accordance with the Global Investment Performance Standards (GIPS). This requires the calculation of a time-weighted rate of return which entails "stopping the clock" each time investment takes place. The return on the funds invested is calculated for the period from one investment to the next. These subdivided returns are then accumulated to produce the total time-weighted return for a given period.

## Performance in Monetary Terms

The 2003 performance eliminated the deficit of €737m. with regard to the capital contribution to the Fund by the Minister for Finance reported by the Commission for end 2002. At end 2003, the Fund had earned a return of €295m. by reference to this measure.

The marked to market value of the Fund at 31 December 2003 was €9,561m. Allowing for the 2003 Exchequer contribution of €1,103m., there was an appreciation of €1,032m. in the value of the Fund during the year.

## Change in the NPRF's Financial Position in 2003

		€m.
Net Assets of Fund at 1 January 2003		7,426
Contributions		1,103
Net Investment Return		
	<i>Investment Income</i>	210
	<i>Change in market value of investments</i>	836
	<i>Fees and Expenses</i>	<u>(14)</u>
		1,032
<b>Net Assets of Fund at 31 December 2003</b>		<b>9,561</b>

# Mandates and Managers

The Fund's long-term strategic asset allocation is subdivided into a number of regional investment mandates. In most cases the Commission has outsourced the management of these mandates to specialist investment management institutions. However, the NTMA manages the passive bond mandate, unallocated cash and the centralised currency overlay programme (which hedges 50% of the Fund's foreign currency exposure into euro).

Mandates are managed within guidelines and parameters set down by the Commission. Tactical and day to day investment decisions are delegated to the individual managers.

Investment mandates may be passive (where the manager's target is to reproduce the return to a specified market index) or active (where the manager's target is to outperform a specified market index). Slightly over half of the Fund is passively managed. Active managers are engaged where there is a reasonable expectation that they can add value over and above the extra costs incurred.

Managers are appointed following a competition under EU public procurement rules and are normally reviewed twice a year by the NTMA.

The Fund's investment mandates and managers as of June 2004 were:

## Large Cap Passive Equity

Mandate	Manager	Benchmark
<b>Eurozone</b>	Barclays Global Investors	FTSE Eurobloc
<b>Eurozone</b>	Bank of Ireland Asset Management / State Street Global Advisors	FTSE Eurobloc
<b>North America</b>	Barclays Global Investors	FTSE North America

## Large Cap Enhanced Index Equity

Mandate	Manager	Benchmark
<b>North America</b>	Invesco Asset Management	FTSE North America

# Mandates and Managers

## Large Cap Active Equity

Mandate	Manager	Benchmark
Pan Europe	Bank of Ireland Asset Management	FTSE Developed Europe
Pan Europe	Oechsle International Advisors	FTSE Developed Europe
Pan Europe	Putnam Investments	FTSE Developed Europe
Global	RCM	50% FTSE Eurobloc / 50% FTSE Developed World ex Eurobloc
Global	Capital International	50% FTSE Eurobloc / 50% FTSE Developed World ex Eurobloc
North American Growth	Goldman Sachs Asset Management International	FTSE North America
North American Value	Lord, Abbett & Co.	FTSE North America
Japan	Daiwa SB Investments	FTSE Japan
Japan	J.P. Morgan Fleming Asset Management	FTSE Japan
Pacific Basin	Schroder Investment Management	FTSE Developed Pacific Basin ex Japan

## Small Cap Active Equity

Mandate	Manager	Benchmark
United States	UBS Global Asset Management	Russell 2000
EAFE*	Tender ongoing	To be decided

\*Europe, Australasia, Far East

## Bonds

Mandate	Manager	Benchmark
Passive Eurozone Sovereign	National Treasury Management Agency	Merrill Lynch Euro Sovereign >5 year ex Ireland
Active Eurozone Sovereign	Irish Life Investment Managers	Merrill Lynch Euro Sovereign >10 year ex Ireland
Active Eurozone Corporate	Deutsche Asset Management	Lehman Euro Aggregate Corporate Bond

Global Custodian	ABN Amro Mellon
Commission Recapture Services	Frank Russell

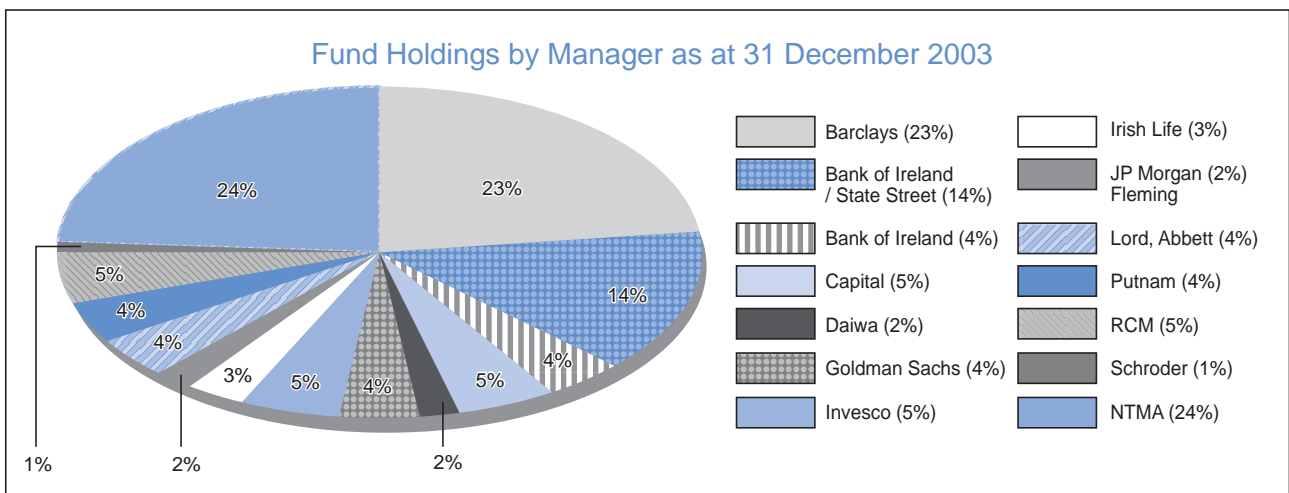
# Mandates and Managers

One investment manager appointment was terminated during 2003 and replaced by Oechsle International Advisors in early 2004.

The Pacific Basin and Japanese equity mandates and the eurozone active sovereign bond mandate, which were among the initial mandates decided on by the Commission, were funded in 2003. Because of the Commission's decision to commit no further cash to bonds at the current stage of the interest rate cycle, the active bond mandate was funded by means of an *in specie* transfer from the passive bond mandate.

The additional mandates approved by the Commission in 2003 - US and EAFE small cap equities and eurozone corporate bonds - were the subject of tender competitions under EU public procurement rules. UBS Global Asset Management were awarded the US small cap mandate and Deutsche Asset Management the eurozone corporate bond mandate in May 2004. The EAFE small cap competition was still ongoing as of June 2004.

The Fund holdings by manager as of 31 December 2003 are set out below. The large holdings by Barclays and Bank of Ireland/State Street reflect the fact that they run the Fund's passive equity mandates. The NTMA's holding reflects the fact that it runs the passive bond mandate and holds the Fund's unallocated cash.





# Risk, Oversight and Controls

## Risk

As an invested fund, the NPRF is exposed to absolute market risk: the volatility of returns on its chosen investment assets, equities and bonds. This risk is inherent in the Fund's long-term strategic benchmark – 80% equities and other real assets and 20% bonds. Principally due to its long-term investment horizon, the Fund can afford to bear the volatility of returns associated with equity investment in anticipation of additional return over the long-term.

A further source of risk is that of deviation from benchmark return. Approximately 50% of the Fund is actively managed: active managers are expected to deviate from the benchmark asset allocation in pursuit of additional return. Passive managers are allowed deviate marginally from the benchmark to cope with difficulties in exactly matching the index.

The permissible limits agreed by the Commission within which deviation from benchmark may occur are expressed in terms of tracking error. Tracking error is the standard deviation of the difference in performance of actual portfolios and benchmark portfolios. One tracking error (a deviation from benchmark of +/- 1.25%) means that, when fully invested, annual fund performance would be expected to be within 1.25% of benchmark performance two-thirds of the time. Two tracking errors (a deviation from benchmark of +/- 2.5%) means that, when fully invested, annual fund performance would be expected to be within 2.5% of benchmark performance 95% of the time. In other words, actual performance is expected to be more than 2.5% away from benchmark performance no more than 1 year in 20.

The overall tracking error limit for the Fund is 1.25%. The process of allocating this overall tracking error between individual investment managers and aggregating it over the entire Fund is known as risk budgeting. The risk budgets allocated by the Commission to the individual managers and to shared mandates are as follows:

Individual Managers	Risk Budget
Eurozone Passive Equity	0.10%
North American Passive Equity	0.10%
North American Enhanced Equity	1.50%
Pan European Active Equity	5.00%
North American Active Equity	6.00%
Japanese Active Equity	6.00%
Pacific Basin Active Equity (ex Japan)	6.00%
Global Active Equity	6.00%
US Small Cap Active Equity	12.00%
EAFE* Small Cap Active Equity	12.00%
Eurozone Passive Sovereign Bonds	0.15%
Eurozone Active Sovereign Bonds	2.00%
Eurozone Active Corporate Bonds	1.50%

\*Europe, Australasia, Far East

Shared Mandates	Risk Budget
Eurozone Passive Equity	0.10%
Pan European Active Equity	3.76%
Global Active Equity	4.93%
Japanese Active Equity	4.98%
North American Active Equity	3.79%

The risk budgets for shared active mandates are lower than the risk budgets allocated to individual managers within these mandates due to the diversification effect of appointing more than one manager to a mandate. The larger risk budgets allocated to small cap equity managers are a function of the greater growth potential and associated risk of smaller companies and the higher additional return expected of the managers appointed to these mandates.

The NTMA monitors the ex-ante tracking error or future expected risk to the Fund on a daily basis and will immediately take steps to ensure that managers reduce their risk exposure should any of the risk limits be breached.

# Risk, Oversight and Controls

## Other Controls

On behalf of the Commission the NTMA performs a number of other oversight and control procedures with regard to the Fund in the following areas:

- Investment Manager Review
- Performance Measurement & Attribution
- Compliance of Investment Managers with the terms of their Investment Contracts
- Effective Execution Monitoring.

The procedures in place with regard to the above items were described in detail in the Commission's Annual Report 2002.

The Commission's Audit Committee decided in December 2003 that, in accordance with best practice, the NTMA should change its reports to the Committee on any breaches of controls from an "exceptions" to an "affirmation" basis. The revised reporting procedure requires the NTMA to confirm periodically to the Committee that, apart from any specific breaches which have been reported, no other control issues have arisen.

## Other Fund Income

The Fund runs a securities lending programme and participates in a brokerage recapture scheme. In 2003 total income from these activities was €4.1m.

### Securities Lending

Securities lending involves the temporary transfer of a security from its owner to another investor or financial intermediary. It is a normal part of portfolio management and represents a low risk means of earning additional return and enhancing portfolio performance. Borrowers are typically investment banks, brokers/dealers, intermediaries or hedge funds that require the securities to satisfy short positions (where a firm sells a security it does not currently own, borrows a security to settle the sale, buys it back at a later date and returns it to the lender).

When securities are lent, the lender retains all beneficial ownership entitlements including dividends, interest payments, rights issues and other corporate actions.

The Fund's securities lending programme is managed by its global custodian – ABN Amro Mellon. Under the programme, loans are made to approved counterparties who meet minimum credit criteria. They are secured by collateral in the form of government bonds, bonds of specified supranational issuers and specified equity index baskets. The value of the collateral maintained by the global custodian must be at least 102% of the market value of securities lent where the collateral is in the same currency as the loaned securities and 105% otherwise. All loans are structured in a manner which allows the Fund to terminate the loan at any time.

The Fund earned €3.2m. from securities lending during 2003.

### Brokerage Recapture

In January 2003 the Fund commenced a brokerage recapture programme, administered by the Frank Russell Company, in order to reduce commission costs.

Brokerage recapture allows a fund to separate the cost of research and execution in brokerage commissions and pay only for execution on specified trades.

As service provider, Frank Russell maintains a list of brokers participating in the programme. The Fund's active equity investment managers have been set a target of directing 25% of trades, subject to best execution, through the participating brokers. The investment manager pays the broker the normal negotiated commission. The participating broker then rebates a portion of the negotiated commission by way of a cash payment to the service provider who, in turn, rebates the Fund.

During 2003 34% of trades by the managers concerned were directed through the programme. The Fund earned €0.9m. from brokerage recapture.

## Fees and Expenses

The accrued fees and expenses incurred by the Commission in the operation of the Fund in 2003 (including investment manager fees) totalled €14m. This comprised just 0.15% of the Fund's end year value. The detailed breakdown of these fees and expenses is as follows:

	Year Ended 31 December 2003 €	Year Ended 31 December 2002 €
Investment Managers' fees	11,456,991	5,982,185
Global Custodian fees	1,518,411	1,280,525
Fees & Expenses of Commissioners	324,430	328,155
IT Systems	535,402	463,925
Legal Fees	-	401,953
Consultancy Fees	87,106	241,809
External & Internal Audit Fees	105,510	110,000
Other Fees and Expenses	52,240	55,908
	<b>14,080,090</b>	<b>8,864,460</b>

The rise in investment manager fees and expenses over 2002 levels reflects the acceleration of the market entry process during the year and the consequent increase in funds under management. The NPRF has negotiated "most favoured nation" status with all its investment managers which ensures that no other clients with a similar investment profile can be offered more advantageous terms.

In addition to the above expenses, the costs incurred by the National Treasury Management Agency in its role as Manager amounted to €3,163,667. These costs are charged on the Central Fund and are excluded from the above.





National Pensions Reserve Fund  
Commission

*Financial Statements of the  
National Pensions Reserve Fund  
for the year ended 31st December 2003*



# Commission Members & Other Information

## Commission Members

The Members of the Commission during the year were:

Mr. Donal J. Geaney - Chairman  
Mr. Robert Curran  
Ms. Brid Horan\*  
Dr. Martin Kohlhaussen  
Mr. Donald C. Roth  
Dr. Michael J. Somers  
Mr. Daniel P. Tully\*

## Bankers and Custodian

Central Bank of Ireland  
ABN Amro Mellon

## Auditors

Comptroller & Auditor General  
Dublin Castle  
Dublin 2

## Manager

National Treasury Management Agency

## Investment Managers

Barclays Global Investors  
Bank of Ireland Asset Management / State Street Global Advisors  
Bank of Ireland Asset Management Limited  
Capital International  
Daiwa SB Investments Limited  
Deutsche Asset Management International GmbH\*\*  
Goldman Sachs Asset Management International  
Invesco Asset Management  
Irish Life Investment Managers Limited  
J.P. Morgan Fleming Asset Management (UK) Limited  
Lord, Abbett & Co  
National Treasury Management Agency  
Oechsle International Advisors LLC\*\*\*  
Putnam Investment Limited  
RCM (UK) Limited  
Schroder Investment Management Limited  
UBS A.G\*\*

\* Ms. Brid Horan's and Mr. Daniel P. Tully's terms of appointment as Commissioners ended on 1 April 2004.

\*\* Appointed in May 2004, unfunded at 31 December 2003.

\*\*\* Appointed in February 2004, unfunded at 31 December 2003.



# Investment Report

The Commission determines the investment strategy for the Fund, which was invested at 31 December 2003 as follows:

	€	% of Total Investment Assets
<b>Equities</b>		
Europe	3,987,283,070	41.86
North America	2,328,566,797	24.44
Japan	373,120,160	3.92
Asia Pacific	142,660,063	1.50
	<b>6,831,630,090</b>	<b>71.72</b>
<b>Bonds</b>		
Austria	38,731,940	0.41
Belgium	90,761,668	0.95
Finland	13,240,717	0.14
France	256,351,011	2.69
Germany	304,907,448	3.20
Greece	66,133,491	0.69
Italy	342,066,271	3.59
Netherlands	78,793,580	0.83
Portugal	20,535,688	0.22
Spain	128,702,152	1.35
	<b>1,340,223,966</b>	<b>14.07</b>
<b>Deposits</b>		
Euro	1,242,195,991	13.04
US Dollar	31,828,365	0.33
Japanese Yen	7,603,503	0.08
Sterling	654,710	0.01
Other Currencies	474,670	0.01
	<b>1,282,757,239</b>	<b>13.47</b>
Unrealised gain on foreign exchange contracts	<b>69,841,335</b>	<b>0.73</b>
Unrealised gain on futures contracts	<b>487,282</b>	<b>0.01</b>
<b>Total Investment Assets</b>	<b>9,524,939,912</b>	<b>100.00</b>



Donal J. Geaney  
Chairman of Commission



Michael J. Somers  
Chief Executive  
National Treasury Management Agency (as Manager)

18 June 2004

# Statement of Commission's Responsibilities

The Commission is required by the National Pensions Reserve Fund Act, 2000 to prepare financial statements in respect of its operations for each financial year.

In preparing those statements, the Commission is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate;
- disclose and explain any material departure from applicable accounting standards.

The Commission is responsible for keeping in such form as may be approved by the Minister for Finance all proper and usual accounts of all moneys received or expended by it and for maintaining accounting records which disclose with reasonable accuracy at any time the financial position of the National Pensions Reserve Fund and the administrative costs of the Commission.

The Commission is also responsible for safeguarding assets under its control and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



*Donal J. Geaney*  
Chairman of Commission



*Michael J. Somers*  
Chief Executive  
National Treasury Management Agency (as Manager)

18 June 2004

# Statement on the System of Internal Financial Control

## Responsibility for system of Internal Financial Control

The Commission acknowledges its responsibility for ensuring that an effective system of internal financial control is maintained in relation to the operations of the National Pensions Reserve Fund ("the Fund").

The National Treasury Management Agency ("the Manager") is the Manager of the Fund and acts as the Commission's agent in the performance of its functions. The Manager implements the system of internal financial control on the Commission's behalf.

The system can only provide reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected in a timely period.

## Key Control Procedures

The Manager has taken steps to ensure an appropriate control environment by:

- clearly defining management responsibilities;
- establishing formal procedures for reporting significant control failures to the Commission and ensuring appropriate corrective action.

The Manager has established processes to identify and evaluate certain risks by:

- identifying the nature, extent and financial implication of risks facing the Fund and monitoring them against standards which the Commission regards as acceptable;
- assessing the likelihood of identified risks occurring;
- assessing the Fund's ability to manage and mitigate the risks that do occur;
- assessing the costs of operating particular controls relative to the benefit obtained.

The system of internal financial control is based on a framework of regular management information, administrative procedures including segregation of duties, and a system of delegation and accountability. In particular it includes:

- a comprehensive budgeting system for the administration costs of the Fund, with an annual budget which is determined by the Commission ;
- regular reviews of periodic and annual financial reports which indicate financial performance against forecasts;
- setting targets to measure financial and other performance;
- clearly defined investment control guidelines;
- formal project management disciplines.

# Statement on the System of Internal Financial Control *(continued)*

## Key Control Procedures *(continued)*

Under the governance of the Commission, the Manager has an internal audit function, which operates in accordance with the Framework Code of Best Practice set out in the Code of Practice on the Governance of State Bodies. The work of internal audit is informed by analysis of the operational risks to which the Fund is exposed, and annual internal audit plans are based on this analysis. The analysis of risk and the internal audit plans are approved by the Commission and the Manager. At least annually, the Internal Auditor provides the Commission and the Manager with a report of internal audit activity. The report includes the Internal Auditor's opinion on the adequacy and effectiveness of the system of internal financial control.

The Manager's monitoring and review of the effectiveness of the system of internal financial control is informed by the work of the internal auditor (currently PricewaterhouseCoopers), the Manager's executives who have responsibility for the development and maintenance of the financial control framework, and comments made by the Comptroller and Auditor General in his management letter or other reports.

## Annual Review of Controls

For the year ended 31 December 2003, the Commission has conducted a review of the effectiveness of the system of internal financial control.



*Donal J. Geaney*  
Chairman of Commission



*Michael J. Somers*  
Chief Executive  
National Treasury Management Agency (as Manager)

18 June 2004

# Report of the Comptroller and Auditor General for presentation to the Houses of the Oireachtas

I have audited the financial statements on pages 37 to 47 in accordance with Section 26 of the National Pensions Reserve Fund Act, 2000.

## Respective Responsibilities of the Commission and the Comptroller and Auditor General

The accounting responsibilities of the Commission are set out on page 33. It is my responsibility, based on my audit, to form an independent opinion on the financial statements presented to me and to report on them.

I review whether the statement on pages 34 and 35 reflects the Commission's compliance with applicable guidance on corporate governance and report any material instance where it does not do so, or if the statement is misleading or inconsistent with other information of which I am aware from my audit of the financial statements.

## Basis of Audit Opinion

In the exercise of my function as Comptroller and Auditor General, I conducted my audit of the financial statements in accordance with auditing standards issued by the Auditing Practices Board and by reference to the special considerations which attach to State bodies in relation to their management and operation.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Fund's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations that I considered necessary to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In my opinion, proper books of account have been kept by the Commission and the financial statements, which are in agreement with them, properly present the results of the Fund's operations for the year ended 31 December 2003 and its balances at that date.



*John Purcell*  
*Comptroller and Auditor General*  
24 June 2004

# Accounting Policies

The National Pensions Reserve Fund was established under the National Pensions Reserve Fund Act, 2000. The significant accounting policies adopted in respect of the National Pensions Reserve Fund are as follows: -

## Basis of preparation

The financial statements have been prepared in accordance with the National Pensions Reserve Fund Act, 2000 in a format approved by the Minister for Finance. The financial statements are also prepared in accordance with the standards of the Statement of Recommended Practice of the Consultative Committee of Accountancy Bodies.

The financial statements summarise the transactions and net assets of the National Pensions Reserve Fund. They do not affect the Exchequer's liabilities to pay pensions and other benefits in the future.

## Reporting Period

The reporting period is the year ended 31 December 2003.

## Reporting Currency

The reporting currency is the euro, which is denoted by the symbol €.

## Valuation of Investments

Investments are stated at mid market value for quoted investments at the year-end for the individual asset categories, by geographical location and by investment manager in note 3 to the financial statements. Unquoted investments are stated at market value estimated by the NTMA, as Manager of the Fund based on professional advice. Realised and unrealised capital gains and losses on investments are dealt with in the Fund account in the year in which they arise.

## Investment income

Income from investments is accounted for on an income receivable basis.

## Expenses

Expenses are accounted for in the year in which they fall due.

## Foreign Currencies

All transactions in foreign currencies are translated into euro at the rates of exchange prevailing at the dates of such transactions. Assets and liabilities in foreign currencies are translated into euro at the rates of exchange ruling at the period end dates. The exchange differences arising on the revaluation of investments and settlement of investments are dealt with in the change in market value of investments. The exchange differences arising on income items are dealt with as part of investment income.

During the period, the Fund has entered into a number of forward foreign exchange contracts for the purpose of hedging foreign currency risk of its underlying portfolio of investments. Open forward exchange contracts are valued at the cost to close out the contracts on the balance sheet date and are included in investment assets. Gains and losses arising on foreign exchange contracts are included as part of the change in market value of investments.

## Fund Account - for the year ended 31 December 2003

	Notes	Year Ended 31 December 2003 €	Year Ended 31 December 2002 €
<b>Contributions</b>	1	1,103,000,000	1,034,500,000
<b>Investment return for the period</b>			
Investment income	2	210,022,566	227,858,976
Change in market value of investments	3	836,238,467	(1,542,418,345)
		<u>2,149,261,033</u>	<u>(280,059,369)</u>
<b>Transfer to Administration Account</b>	4	<u>(14,080,090)</u>	<u>(8,864,460)</u>
<b>Increase / (Decrease) in Fund during the period</b>		2,135,180,943	(288,923,829)
<b>Net assets of Fund at start of period</b>		7,425,667,606	7,714,591,435
<b>Net assets of Fund at period end</b>		<u><b>9,560,848,549</b></u>	<u><b>7,425,667,606</b></u>



*Donal J. Geaney*  
Chairman of Commission



*Michael J. Somers*  
Chief Executive  
National Treasury Management Agency (as Manager)

18 June 2004

The statement of accounting policies and notes 1 to 14 form part of these accounts.

## Net Assets Statement - 31 December 2003

	Notes	2003 €	2002 €
Investment assets	3	9,524,939,912	7,388,992,366
Current assets	6	45,594,272	68,860,654
Current liabilities	7	(9,685,635)	(32,185,414)
<b>Net Assets of Fund</b>		<b>9,560,848,549</b>	<b>7,425,667,606</b>



*Donal J. Geaney*  
Chairman of Commission



*Michael J. Somers*  
Chief Executive  
National Treasury Management Agency (as Manager)

18 June 2004

The statement of accounting policies and notes 1 to 14 form part of these accounts.



# Administration Account - for the year ended 31 December 2003

	Notes	Year Ended 31 December 2003 €	Year Ended 31 December 2002 €
Transfer from Fund Account	4	14,080,090	8,864,460
Expenses of Commission	5	(14,080,090)	(8,864,460)
<b>Net income\expenditure</b>		<b>Nil</b>	<b>Nil</b>



*Donal J. Geaney*  
Chairman of Commission



*Michael J. Somers*  
Chief Executive  
National Treasury Management Agency (as Manager)

18 June 2004

The statement of accounting policies and notes 1 to 14 form part of these accounts.

# Notes to the Accounts

## 1. Contributions

	Year Ended 31 December 2003 €	Year Ended 31 December 2002 €
Paid in by the Minister for Finance – 1 per cent of GNP	1,103,000,000	1,034,500,000
	<u>1,103,000,000</u>	<u>1,034,500,000</u>

## 2. Investment income

	Year Ended 31 December 2003 €	Year Ended 31 December 2002 €
<b>Income from investments</b>	<u>210,022,566</u>	<u>227,858,976</u>

Summary of Investment Income from	2003 €	2002 €
• Deposits	37,225,311	95,923,945
• Equities	106,229,273	77,537,897
• Bonds	62,433,891	51,930,832
• Securities Lending	3,224,613	2,466,302
• Commission Recapture	909,478	-
	<u>210,022,566</u>	<u>227,858,976</u>

## 3. Investment assets

(a) Summary of Assets	2003 €	2002 €
• Equities	6,831,630,090	4,205,271,987
• Bonds	1,340,223,966	1,287,635,522
• Deposits and Cash	1,282,757,239	1,857,103,847
• Foreign currency contracts	69,841,335	39,516,901
• Futures contracts	487,282	(535,891)
	<u>9,524,939,912</u>	<u>7,388,992,366</u>

## Notes to the Accounts (continued)

### 3. Investment assets (continued)

<b>(b) Analysis by geographical classification of Assets</b>	<b>2003</b>	<b>2002</b>
	€	€
Europe	6,640,558,928	5,752,357,438
North America	2,360,598,584	1,589,817,389
Japan	380,723,663	31,793,571
Asia Pacific (excluding Japan)	143,058,737	15,023,968
	<b>9,524,939,912</b>	<b>7,388,992,366</b>

<b>(c) The movement in the market value of investments held by the Fund during the year was as follows:</b>	<b>2003</b>	<b>2002</b>
	€	€
Market Value as at start of period	7,388,992,366	7,673,257,623
Transfer to Fund (Note 1)	1,103,000,000	1,034,500,000
Net cash movement	217,078,937	218,014,325
Securities received for income	440,004	510,659
Pending settlements	(7,842,435)	10,896,097
Fund expenses paid	(12,967,427)	(5,767,993)
Change in market value of investments	836,238,467	(1,542,418,345)
<b>Total Investments</b>	<b>9,524,939,912</b>	<b>7,388,992,366</b>

<b>Net cash movement</b>	<b>2003</b>	<b>2002</b>
	€	€
Transfer to Investment Managers	(1,910,904,913)	(7,072,358,001)
Purchases at Cost	8,239,874,340	18,636,705,668
Proceeds of Sales	(6,111,890,490)	(11,346,333,342)
<b>Net Cash movement</b>	<b>217,078,937</b>	<b>218,014,325</b>

<b>Net cash movement reconciled to Investment Income</b>	<b>2003</b>	<b>2002</b>
	€	€
Income received in Cash	217,078,937	218,014,325
Net Cash Movement	217,078,937	218,014,325
Income received as Securities	440,004	510,659
Opening income accrual	(51,038,890)	(41,704,898)
Closing income accrual	43,542,515	51,038,890
<b>Investment income (Note 2)</b>	<b>210,022,566</b>	<b>227,858,976</b>

## Notes to the Accounts (continued)

### 3. Investment assets (continued)

<b>(d) The following investment managers hold the investment assets of the Fund.</b>		
	<b>2003</b>	<b>2002</b>
	€	€
Barclays Global Investors	2,247,212,388	1,246,201,248
Bank of Ireland Asset Management / State Street Global Advisors	1,353,118,388	768,335,031
Bank of Ireland Asset Management	366,054,494	237,379,180
Blackrock International	-	229,531,041
Capital International	471,994,264	278,736,967
Daiwa SB Investments Limited	184,784,335	-
Goldman Sachs Asset Management International	382,935,088	309,418,577
Invesco Asset Management	454,231,611	339,501,200
Irish Life Investment Managers Limited	326,851,073	-
JP Morgan Fleming Asset Management	148,948,043	-
Lord, Abbett & Co	392,681,472	320,059,934
National Treasury Management Agency	2,283,064,594	3,130,419,540
Putnam Investment Limited	349,402,871	237,150,895
RCM (UK) Limited	438,956,314	292,258,753
Schroder Investment Management Limited	124,704,977	-
	<b>9,524,939,912</b>	<b>7,388,992,366</b>

## Notes to the Accounts (continued)

### 4. Transfer to Administration Account

This amount of €14,080,090 represents the amount required to cover the administration costs of the Commission.

### 5. Expenses of Commission

Under section 26 (1) of the National Pensions Reserve Fund Act, 2000, the Commission is required to include a separate account of the administration fees and expenses incurred by it in the operation of the Fund. These are detailed below on an accruals basis:

	Year Ended 31 December 2003 €	Year Ended 31 December 2002 €
Investment Managers' fees	11,456,991	5,982,185
Global Custodian fees	1,518,411	1,280,525
Fees & Expenses of Commissioners	324,430	328,155
IT Systems	535,402	463,925
Legal Fees	-	401,953
Consultancy Fees	87,106	241,809
External & Internal Audit Fees	105,510	110,000
Other Fees and Expenses	52,240	55,908
	<b>14,080,090</b>	<b>8,864,460</b>

In addition to the above expenses, the costs incurred by the National Treasury Management Agency in its role as Manager amounted to €3,163,667 (2002: €2,488,942). These costs are charged on the Central Fund and are excluded from the above.

### 6. Current Assets

	2003 €	2002 €
Accrued interest on fixed income securities	30,562,597	28,934,529
Amounts receivable for securities sold	2,051,757	17,821,763
Accrued interest on deposits	6,398,356	16,206,288
Dividends Receivable	3,883,267	2,897,288
Tax Reclaims Recoverable	2,506,508	2,854,634
Securities Lending Income Receivable	111,274	146,152
Commission Recapture Receivable	80,513	-
	<b>45,594,272</b>	<b>68,860,654</b>

## Notes to the Accounts (continued)

### 7. Current Liabilities

	2003 €	2002 €
Amounts payable for securities purchased	5,105,420	28,717,861
Fund Manager fees payable	3,364,893	2,162,693
Custodian fees payable	387,554	559,772
VAT payable	482,115	403,274
Accrued Expenses	345,653	341,814
	<b>9,685,635</b>	<b>32,185,414</b>

### 8. Taxation

The income and profits of the National Pensions Reserve Fund are exempt from corporation tax in accordance with section 30 of the National Pensions Reserve Fund Act, 2000.

### 9. Commitments

The notional and market value of derivative contracts entered into by investment managers on behalf of the National Pensions Reserve Fund were:

	2003 Notional €	2003 Market Value €	2002 Notional €	2002 Market Value €
Forward Foreign Exchange Contracts	1,826,754,955	69,839,825	1,323,431,403	39,516,351
Spot Foreign Exchange Contracts	2,207,205	1,510	319,108	550
Financial Futures	11,906,948	487,282	12,345,648	(535,891)
	<b>1,840,869,108</b>	<b>70,328,617</b>	<b>1,336,096,159</b>	<b>38,981,010</b>

#### Foreign Exchange Contracts

The Fund follows a policy of hedging 50% of the foreign currency risk of its non-euro investments through the use of forward foreign currency contracts. The gain / (loss) on these forward foreign currency contracts offsets the change in the value of the Fund's non-euro investments due to exchange rate movements.

The Fund's investment managers can also execute spot foreign exchange contracts to manage their portfolios.

The notional value represents the total contracted foreign exchange contracts outstanding at the year-end. The market value represents the unrealised gain / (loss) on these contracts at the year end.

#### Financial Futures

The Fund's investment managers are permitted to execute futures contracts. The market value represents the unrealised gain / (loss) on the contracts held at the year end.

# Notes to the Accounts *(continued)*

## 10. Contingent liabilities

In the opinion of the Commissioners the National Pensions Reserve Fund had no contingent liabilities at 31 December 2003.

## 11. Securities Lending

Through a programme managed by its Global Custodian, some of the securities in the National Pensions Reserve Fund are lent from time to time.

The Fund receives a Fee from the Global Custodian for securities lent. During 2003 the Fund earned €3,224,613 through securities lending (2002: €2,466,302).

Loans are made to approved counterparties who meet minimum credit criteria. The loans are secured by collateral in the form of government bonds, bonds of specified supranational issuers and specified equity index baskets. The value of the collateral maintained by the Global Custodian must be at least 102% of the market value of securities lent, where the collateral is in the same currency as the loaned securities and 105% where the collateral is not in the same currency as the loaned securities.

The market value of securities loaned at 31 December 2003 amounted to €694,899,388 (2002: €302,004,371). The National Pensions Reserve Fund held collateral of 103.58% (2002: 102.45%) of the market value of securities lent.

## 12. Commission Recapture

The National Pensions Reserve Fund in January 2003, started to participate in a Commission Recapture programme administered by Frank Russell Securities Inc to reduce the Fund's commission costs.

Under the programme, the Investment Managers are requested, subject to best execution, to execute a portion of their investment trades through the programme's network of participating brokers. The Investment Manager pays the broker the normal negotiated commission for the investment trade at the time of settlement. The participating broker then rebates a portion of the negotiated commission by way of a cash payment to Frank Russell Securities Inc which administers the scheme on behalf of the Fund.

The Fund received €909,478 in 2003 from Frank Russell Securities Inc in respect of Commission Recapture.

## Notes to the Accounts *(continued)*

### 13. Related parties

#### *(a) Minister for Finance*

As set out in note 1, contributions to the National Pensions Reserve Fund are to be made by the Minister for Finance by an annual charge on the Central Fund equivalent to 1 per cent of Gross National Product (GNP) under section 18(2) of the Act. The Minister for Finance may make such additional payments to the National Pensions Reserve Fund as are approved by Dáil Eireann under section 18(5) of the Act.

The commissioners of the National Pensions Reserve Fund, as given on page 31, were appointed by the Minister for Finance under section 7 of the Act.

#### *(b) National Treasury Management Agency*

Under section 21 of the National Pensions Reserve Fund Act, 2000, the National Treasury Management Agency was appointed as Manager of the Fund by the Commission for 10 years.

### 14. Approval of Financial Statements

The financial statements were approved by the Commission on 19 February 2004.







National Pensions Reserve Fund  
Commission

*National Pensions Reserve Fund  
Portfolio of Investments  
as at 31st December 2003*

# National Pensions Reserve Fund

## Portfolio of Investments 31 December 2003

Quoted Securities - Equities			
Holding	Security Description	Market Value	%
		€	Total

### ▼ Europe

#### AUSTRIA

103,085	Erste Bank Der Osterreichischen	10,099,237	0.10%
13,877	EVN	555,080	0.01%
251,375	Immofinanz	1,583,663	0.02%
5,421	Oesterreichische Elektrizitatswirts	501,985	0.01%
29,637	OMV	3,499,537	0.04%
710,816	Telekom Austria	6,965,997	0.07%
9,700	Voestalpine	313,310	0.00%
39,025	Wienerberger	826,549	0.01%
		<b>24,345,358</b>	<b>0.26%</b>

#### BELGIUM

127,388	Agfa Gevaert	2,878,969	0.03%
70,948	Almanij	2,857,785	0.03%
18,043	Colruyt	1,378,485	0.01%
111,713	Delhaize Group	4,555,656	0.05%
1,070,570	Dexia	14,623,986	0.15%
49,443	Electrabel Com	12,321,196	0.13%
1,558,727	Fortis Group	24,869,685	0.26%
204,598	Groupe Bruxelles	9,139,393	0.10%
311,484	Interbrew	6,591,001	0.07%
109,651	KBC	4,059,280	0.04%
22,364	Mobistar	995,198	0.01%
7,239	Nationale A Portefeuille	760,095	0.01%
51,096	Solvay	3,512,850	0.04%
132,660	UCB	3,965,207	0.04%
48,653	Umicore	2,707,540	0.03%
		<b>95,216,326</b>	<b>1.00%</b>

#### DENMARK

910	A P Moller - Maersk A/S	5,206,972	0.05%
85,588	Novo-Nordisk	2,764,790	0.03%
		<b>7,971,762</b>	<b>0.08%</b>

#### FINLAND

410,403	Fortum	3,357,097	0.05%
49,480	Kone	2,251,340	0.02%
120,561	Metso	1,167,030	0.01%
7,831,338	Nokia	107,367,644	1.13%
93,600	Outokumpu	1,008,072	0.01%
336,716	Sampo	2,761,071	0.03%
934,670	Stora Enso	9,982,276	0.10%
102,059	Tietoenaar	2,214,680	0.02%
828,519	UPM-Kymmene	12,527,207	0.13%
		<b>142,636,417</b>	<b>1.50%</b>

#### FRANCE

366,265	Accor	13,148,914	0.14%
131,383	Air France	1,596,303	0.02%
146,167	Air Liquide	20,463,380	0.21%

Quoted Securities - Equities			
Holding	Security Description	Market Value	%
		€	Total

#### FRANCE (CONTINUED)

1,551,852	Alcatel	15,844,409	0.17%
68,215	Assurances Generales De France	2,937,338	0.03%
84,735	Autoroutes Du Sud De La France	2,253,951	0.02%
1,241,986	Aventis	65,071,706	0.68%
2,791,686	Axa	47,374,911	0.50%
2,058,900	Axa (Convertible Bond 21/12/2004)	329,219	0.00%
48,729	BIC	1,785,431	0.02%
1,577,617	BNP Paribas	78,754,641	0.83%
560,040	Bouygues	15,524,309	0.16%
151,567	Cap Gemini	5,336,674	0.06%
857,787	Carrefour	37,330,890	0.39%
45,336	Casino G Perrachon	3,495,406	0.04%
206,245	Christian Dior	9,905,947	0.10%
418,917	Cie De St-Gobain	16,258,169	0.17%
13,640	Ciments Francais A	757,020	0.01%
50,695	CNP Assurances	2,092,690	0.02%
987,962	Credit Agricole	18,702,121	0.20%
182,451	Danone	23,609,159	0.25%
168,050	Dassault Systemes	6,076,688	0.07%
148,903	Essilor International	6,105,023	0.06%
23,989	Eurazeonce	1,439,340	0.02%
1,644,691	France Telecom	37,268,698	0.39%
16,176	Gecina	1,886,122	0.02%
9,772	Imerys	1,630,947	0.02%
95,914	JC Decaux	1,243,045	0.01%
21,402	Klepierre	1,020,875	0.01%
335,468	Lafarge	23,684,041	0.25%
231,854	Lagardere S.C.A.	10,611,958	0.11%
465,962	L'Oreal	30,287,530	0.32%
501,818	LVMH Moet Hennessy	28,954,899	0.30%
128,544	Michelin	4,676,431	0.05%
11,115	Natexis Banque Populaire	984,233	0.01%
157,823	Pernod-Ricard	13,912,097	0.15%
220,448	Peugeot	8,906,099	0.09%
132,794	Pinault-Printemps	10,178,660	0.11%
177,741	Publicis Groupe	4,567,944	0.05%
491,638	Renault	26,892,599	0.28%
24,426	Rexel	852,467	0.01%
19,999	Sagem	1,698,901	0.02%
807,392	Sanofi-Synthelabo	48,201,302	0.51%
353,635	Schneider Electric	18,353,657	0.19%
616,860	Societe Generale	43,180,200	0.45%
144,737	Sodexo Alliance	3,460,662	0.04%
1,210,586	Suez	19,284,635	0.20%
390,036	TF1-TV Francaise	10,796,196	0.12%
84,093	Thales	2,241,078	0.02%
338,386	Thomson	5,708,572	0.06%
1,116,406	Total	164,558,244	1.73%
54,996	Unibail	4,088,953	0.04%
100,642	Valeo	3,195,383	0.03%
501,443	Veolia Environment	10,680,736	0.11%

# National Pensions Reserve Fund

## Portfolio of Investments 31 December 2003

Quoted Securities - Equities			
Holding	Security Description	Market Value €	% Total
<b>FRANCE (CONTINUED)</b>			
166,511	Vinci	10,931,447	0.11%
2,151,452	Vivendi Universal	41,458,480	0.43%
365,475	Wanadoo	2,375,587	0.02%
		<b>993,966,317</b>	<b>10.43%</b>

<b>GERMANY</b>			
101,238	Adidas-Salomon	9,141,791	0.10%
531,175	Allianz	53,159,994	0.56%
149,826	Altana	7,139,209	0.07%
12,795	AMB Generali Holding	778,960	0.01%
837,660	BASF	37,342,883	0.39%
1,044,624	Bayer	24,256,169	0.25%
471,944	Bayerische Hypo-Und Vereinbank	8,655,453	0.09%
865,271	Bayerische Motoren Werken	31,798,709	0.33%
34,900	Bayerische Motoren Werken (Preferred Stock)	863,775	0.01%
40,664	Beiersdorf	3,911,877	0.04%
40,663	Celesio	1,563,492	0.02%
761,296	Commerzbank	11,838,153	0.12%
161,933	Continental	4,869,325	0.05%
1,265,425	Daimlerchrysler	46,820,725	0.49%
59,731	Depfa Bank	5,979,073	0.06%
19,665	Degussa	545,114	0.01%
892,399	Deutsche Bank	58,630,614	0.62%
215,416	Deutsche Boerse	9,338,284	0.10%
387,309	Deutsche Lufthansa	5,131,844	0.05%
537,622	Deutsche Post	8,790,120	0.09%
4,582,777	Deutsche Telekom	66,496,094	0.70%
1,160,194	E.On	60,028,437	0.63%
42,772	Fresenius Medical Care	2,412,341	0.03%
31,316	Fresenius Medical Care (Preferred Non Voting)	1,251,074	0.01%
34,987	Hannover Re	969,840	0.01%
56,845	Heidelbergcement	1,904,876	0.02%
30,813	Heidelberger Druckmaschinen	947,500	0.01%
52,310	Henkel Kgaa	3,049,150	0.03%
71,811	Henkel Kgaa (Preferred Non Voting)	4,452,282	0.05%
156,790	Hypo Real Estate	3,102,874	0.03%
1,112,093	Infineon Technologies	12,255,265	0.13%
56,205	Karstadt Quelle	1,101,618	0.01%
108,155	Linde	4,618,218	0.05%
128,124	M.A.N.	3,081,382	0.03%
295,703	Metro	10,334,820	0.11%
102,000	MG Technologies	1,132,200	0.01%
65,404	MLP	1,013,762	0.01%
254,997	Munich Re	24,510,312	0.26%
19,643	Porsche	9,242,424	0.10%
479,934	RWE	15,055,530	0.16%
349,608	SAP	46,550,305	0.49%
241,597	Schering	9,700,120	0.10%
1,437,172	Siemens	91,260,422	0.96%

Quoted Securities - Equities			
Holding	Security Description	Market Value €	% Total
<b>GERMANY (CONTINUED)</b>			
62,196	Suedzucker	939,160	0.01%
725,894	Thyssenkrupp	11,374,759	0.12%
888,322	T-Online International	9,149,717	0.10%
382,817	TUI	6,327,965	0.07%
288,869	Volkswagen	12,753,566	0.13%
		<b>745,571,577</b>	<b>7.83%</b>

<b>GREECE</b>			
235,790	Alpha Bank	5,654,244	0.06%
199,837	Bank Of Piraeus	1,934,422	0.02%
116,198	Coca-Cola Hellenic Bottling Co	1,919,591	0.02%
76,629	Commercial Bank Greece	1,526,450	0.02%
78,414	Cosmote Mobile Tel	843,735	0.01%
282,986	EFG Eurobank Ergas	4,369,304	0.05%
150,070	Hellenic Petroleum	1,044,487	0.01%
459,321	Hellenic Telecom Organization	4,813,684	0.05%
118,000	Hellenic Telecommunications Adr	625,035	0.01%
231,305	National Bank Of Greece	4,797,266	0.05%
440,502	OPAP	5,021,723	0.05%
381,252	Public Power	7,472,539	0.08%
35,181	Titan Cement Co	1,141,975	0.01%
208,094	Vodafone-Panafon	1,286,021	0.01%
		<b>42,450,476</b>	<b>0.45%</b>

<b>IRELAND</b>			
1,308,617	Allied Irish Banks	16,619,436	0.17%
393,748	Anglo Irish Bank	4,925,788	0.05%
1,188,478	Bank Of Ireland	12,859,332	0.14%
1,298,857	CRH	21,141,444	0.22%
1,670,966	Independent News & Media	3,123,845	0.03%
325,754	Irish Life & Permanent	4,169,651	0.04%
168,309	Kerry Group	2,507,804	0.03%
1,086,158	Ryanair	7,162,989	0.08%
		<b>72,510,289</b>	<b>0.76%</b>

<b>ITALY</b>			
864,831	AEM	1,274,761	0.01%
882,114	Alleanza Assicurazioni	7,656,750	0.08%
1,674,733	Assicurazioni Generali	35,169,393	0.37%
155,792	Autogrill	1,766,681	0.02%
339,498	Banca Antonveneta	5,007,596	0.05%
573,831	Banca Carige	1,600,988	0.02%
361,774	Banca Fideuram	1,703,956	0.02%
6,150,927	Banca Intesa	19,067,874	0.20%
382,145	Banca Lombarda Piemo	3,825,271	0.04%
1,482,094	Banca Monte Dei Paschi Di Siena	3,712,645	0.04%
3,794,681	Banca Nazionale Del Lavoro	7,190,921	0.07%
383,080	Banca Popolare Di Bergamo	5,501,029	0.06%
292,337	Banco Popolare Di Lodi	2,613,493	0.03%
446,208	Banco Popolare Di Verona	5,988,111	0.06%
86,765	Benetton Group	790,429	0.01%

# National Pensions Reserve Fund

## Portfolio of Investments 31 December 2003

Quoted Securities - Equities			
Holding	Security Description	Market Value €	% Total
<b>ITALY (CONTINUED)</b>			
176,277	Bulgari	1,295,636	0.01%
1,989,020	Capitalia	4,614,526	0.05%
1,493,490	Edison	2,195,430	0.02%
2,923,792	Enel	15,759,239	0.16%
5,531,742	ENI	82,754,860	0.87%
726,593	Fiat	4,417,685	0.04%
2,082,622	Finecogroup	1,164,186	0.01%
7,606,865	Finmeccanica	4,723,863	0.05%
115,605	Fondiarria	1,890,142	0.02%
257,487	Gruppo Editoriale L'espresso	1,271,986	0.01%
620,159	Ifil	1,631,018	0.02%
375,141	Italcementi	3,710,144	0.04%
126,267	Italcementi (Savings Shares)	763,915	0.01%
165,609	Luxottica Group	2,268,843	0.02%
1,433,182	Mediaset	13,500,574	0.14%
471,064	Mediobanca	4,051,150	0.04%
260,459	Mediolanum	1,627,869	0.02%
3,036,254	Pirelli	2,450,257	0.03%
404,519	RAS	5,461,007	0.06%
673,060	RCS Mediagroup	1,884,568	0.02%
402,172	Saipem	2,577,923	0.03%
1,710,051	San Paolo-Imi	17,681,927	0.19%
4,997,598	Seat Pagine Gialle	3,773,186	0.04%
1,526,196	Snam Rete Gas	5,128,019	0.05%
5,883,647	T.I.M.	25,358,519	0.27%
15,724,704	Telecom Italia	36,953,054	0.39%
8,997,712	Telecom Italia (Savings Shares)	14,531,305	0.15%
1,840,301	Telecom Italia Media	725,079	0.01%
8,815,888	Unicredito Italiano	37,732,001	0.40%
		<b>404,767,809</b>	<b>4.25%</b>

<b>LUXEMBOURG</b>			
478,034	Arcelor	6,606,695	0.07%
16,485	RTL Group	772,982	0.01%
604,119	SES Global	4,832,952	0.05%
		<b>12,212,629</b>	<b>0.13%</b>

<b>NETHERLANDS</b>			
2,840,752	ABN Amro	52,695,950	0.55%
2,329,732	Aegon	27,327,756	0.29%
3,029,452	Ahold	18,297,890	0.19%
345,366	Akzo Nobel	10,568,200	0.11%
652,353	Asml	10,254,989	0.11%
2,500	CSM	43,350	0.00%
91,135	DSM	3,556,999	0.04%
391,178	Eads	7,373,705	0.08%
148,616	Euronext	2,982,723	0.03%
37,543	Gucci Group	2,551,047	0.03%
192,243	Heineken Class 'A'	5,215,553	0.05%
384,194	Heineken	11,598,817	0.12%
3,640,787	ING Groep	67,318,152	0.71%

Quoted Securities - Equities			
Holding	Security Description	Market Value €	% Total
<b>NETHERLANDS (CONTINUED)</b>			
6,005,417	Kon Kpn	36,753,152	0.39%
272,792	Numico Koninklijke	5,976,873	0.06%
2,677,482	Philips Electronic	61,983,708	0.65%
1,542,957	Reed Elsevier	15,198,126	0.16%
81,450	Rodamco Europe	3,760,546	0.04%
3,199,565	Royal Dutch Petroleum Co	133,741,817	1.40%
1,157,218	Stmicroelectronics	24,880,187	0.26%
617,145	TPG	11,460,383	0.12%
856,563	Unilever	44,412,792	0.47%
492,303	VNU	12,332,190	0.13%
352,251	Wolters Kluwers	4,367,912	0.04%
		<b>574,652,817</b>	<b>6.03%</b>

<b>NORWAY</b>			
100,000	DNB	527,685	0.01%
		<b>527,685</b>	<b>0.01%</b>

<b>PORTUGAL</b>			
699,334	Banco BPI	2,042,055	0.02%
2,878,725	Banco Commercial Portuguese	5,095,343	0.05%
89,682	Banco Espirito Santo	1,165,866	0.01%
474,068	Brisa Auto-Estradas de Portugal	2,512,561	0.03%
219,937	Cimpor Cimentos de Portugal	901,742	0.01%
2,696,512	Electricidade de Portugal	5,635,710	0.06%
1,503,606	Portugal Telecom	11,998,776	0.12%
45,515	PT Multimedia	700,931	0.01%
		<b>30,052,984</b>	<b>0.31%</b>

<b>SPAIN</b>			
438,563	Abertisinfraestructuras	5,258,370	0.05%
31,662	Acciona	1,527,691	0.02%
80,031	Acerinox	2,991,559	0.03%
143,036	Acs Activades De Construccion	5,535,493	0.06%
42,485	Alba	986,502	0.01%
499,214	Altadis	11,232,315	0.12%
352,705	Amadeus Global Travel	1,816,431	0.02%
246,697	Banco De Sabadell	4,196,316	0.04%
368,629	Banco Popular Espanol	17,436,152	0.18%
7,440,718	Banco Santander Central Hispano	69,868,342	0.73%
91,523	Bankinter	2,979,074	0.03%
4,468,431	BBVA	48,929,319	0.51%
25,880	Cia Esp Petroleos	711,700	0.01%
1,276,487	Endesa	19,466,427	0.20%
65,503	Fomento De Construcciones Y	1,915,308	0.02%
270,439	Gas Natural	5,016,643	0.05%
85,585	Grupo Ferrovial	2,377,551	0.03%
1,379,015	Iberdrola	21,609,165	0.23%
452,902	Industria De Diseno Textil	7,291,722	0.08%
142,914	NH Hoteles	1,301,947	0.01%
1,472,810	Repsol Ypf	22,769,643	0.24%
7,617,683	Telefonica	88,669,830	0.93%

# National Pensions Reserve Fund

## Portfolio of Investments 31 December 2003

Quoted Securities - Equities			
Holding	Security Description	Market Value €	% Total
<b>SPAIN (CONTINUED)</b>			
224,384	Terra Networks	1,077,043	0.01%
367,702	Union Fenosa	5,475,083	0.06%
94,608	Zaradoya-Otis	1,561,032	0.02%
		<b>352,000,658</b>	<b>3.69%</b>
<b>SWEDEN</b>			
1,248,981	Ericsson	1,774,431	0.02%
158,100	Foreningssparbanken	2,463,780	0.02%
171,196	Hennes & Mauritz	3,224,061	0.03%
1,482,500	Nordea	8,816,617	0.09%
50,200	S K F	1,536,958	0.02%
147,987	Securitas	1,580,916	0.02%
		<b>19,396,763</b>	<b>0.20%</b>
<b>SWITZERLAND</b>			
195,425	ABB	786,517	0.01%
52,225	Ciba	3,208,123	0.03%
286,878	Credit Suisse Group	8,332,521	0.09%
142,979	Nestle	28,359,028	0.30%
740,852	Novartis	26,701,879	0.28%
125,500	Novartis Adr	4,559,933	0.05%
102,000	Richemont	1,944,542	0.02%
298,867	Roche	23,932,007	0.25%
4,180	Serono	2,366,494	0.02%
30,137	Swatch Group	2,872,679	0.03%
279,601	Swiss Re	14,986,003	0.16%
10,600	Swisscom	2,776,046	0.03%
5,774	Synthesis-Stratec	4,536,478	0.05%
542,527	UBS	29,496,153	0.31%
		<b>154,858,403</b>	<b>1.63%</b>
<b>UNITED KINGDOM</b>			
436,945	3I Group	3,828,228	0.04%
538,400	ARM Holdings	981,617	0.01%
383,635	Astrazeneca	14,591,050	0.15%
48,900	Astrazeneca ADR	1,873,145	0.02%
2,063,575	Barclays	14,588,196	0.15%
533,100	BG Group	2,168,933	0.02%
1,431,191	BHP Billiton	9,909,493	0.10%
1,246,236	BP	8,010,000	0.08%
83,100	BP ADR	3,247,019	0.03%
299,000	Brambles Industries (UK)	863,316	0.01%
712,462	British Airways	2,350,275	0.02%
581,745	British American Tobacco	6,355,613	0.07%
284,100	British Sky Broadcasting	2,833,744	0.03%
1,914,169	BT Group	5,112,688	0.05%
377,882	Burberry Group	1,959,646	0.02%
988,998	Cadbury Schweppes	5,756,759	0.06%
63,500	Celltech Group	340,565	0.00%
2,493,819	Centrica	7,465,887	0.08%
759,621	Compass Group	4,095,572	0.04%

Quoted Securities - Equities			
Holding	Security Description	Market Value €	% Total
<b>UNITED KINGDOM (CONTINUED)</b>			
1,178,000	Corus Group	501,419	0.01%
1,540,433	Diageo	16,064,388	0.17%
38,100	Diageo ADR	1,594,589	0.02%
142,000	EMI Group	319,842	0.00%
183,099	Friends Provident	342,921	0.01%
514,799	Glaxosmithkline	9,349,356	0.10%
413,900	Granada	716,456	0.01%
341,960	GUS	3,752,923	0.04%
23,000	HBOS	236,102	0.00%
822,712	Hilton Group	2,623,503	0.03%
2,574,007	HSBC	32,070,418	0.34%
633,000	Invensys	163,908	0.00%
708,798	Kingfisher	2,800,797	0.03%
168,200	Liberty Intl	1,628,781	0.02%
1,259,890	Lloyds Tsb Group	8,008,380	0.08%
124,453	Man Group	2,579,821	0.03%
711,705	Marks & Spencer	2,918,313	0.03%
1,532,300	MMO2	1,674,051	0.02%
340,700	Morrison (W)	1,092,483	0.01%
579,731	Prudential	3,884,477	0.04%
620,700	Rank Group	2,459,286	0.03%
350,735	Reckitt Benckiser	6,290,139	0.07%
183,400	Reuters Group	611,507	0.01%
240,653	Rio Tinto	5,268,552	0.06%
265,203	Royal Bank Of Scotland	6,193,588	0.07%
137,500	Sage Group	342,872	0.00%
1,214,583	Shell	7,160,317	0.08%
736,668	Smith & Nephew	4,904,674	0.05%
211,860	Smiths Group	1,986,939	0.02%
522,265	Standard Chartered	6,813,214	0.07%
3,447,674	Tesco	12,608,369	0.13%
117,272	Travis Perkins	2,126,470	0.02%
1,247,844	Unilever	9,219,845	0.10%
22,739,394	Vodafone	44,685,096	0.47%
552,616	Wimpey (George)	2,926,559	0.03%
459,587	Wolseley	5,151,442	0.05%
866,224	WPP Group	6,741,257	0.07%
		<b>314,144,800</b>	<b>3.30%</b>

<b>Total European Equities</b>	<b>3,987,283,070</b>	<b>41.86%</b>
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# National Pensions Reserve Fund

## Portfolio of Investments 31 December 2003

Quoted Securities - Equities			
Holding	Security Description	Market Value €	% Total
▼ North America			
<b>CANADA</b>			
404,135	Abitibi-Consolidated	2,581,544	0.03%
11,713	Agrium	154,331	0.00%
135,397	Alcan	5,049,641	0.05%
6,397	Aliant	126,490	0.00%
79,489	Bank Montreal Quebec	2,612,112	0.03%
75,962	Bank Of Nova Scotia	3,067,715	0.03%
221,350	Barrick Gold	3,984,040	0.04%
79,366	BCE	1,408,119	0.02%
15,264	Biovail	262,423	0.00%
6,346	Bombardier Class 'A'	21,383	0.00%
141,077	Bombardier Class 'B'	475,355	0.01%
17,362	Brascan	424,906	0.01%
16,224	Brookfield Properties	372,770	0.01%
1,055	Cameco	48,578	0.00%
55,756	Canadian Imperial Bank	2,201,274	0.02%
65,403	Canadian National Railway	3,284,641	0.04%
13,454	Canadian Natural Resources	541,757	0.01%
15,849	Canadian Pacific Railways	357,125	0.01%
7,053	Canadian Tire	171,394	0.00%
3,090	Canadian Utilities	110,131	0.00%
19,424	Celestica	234,036	0.00%
25,127	CGI Group	125,372	0.00%
8,947	Cognos	218,301	0.00%
8,124	Dofasco	180,305	0.00%
15,906	Domtar	159,217	0.00%
24,403	Enbridge	805,006	0.01%
192,231	Encana	6,030,642	0.06%
8,480	Fairmont Hotels & Resorts	184,184	0.00%
8,237	Falconbridge	159,118	0.00%
7,216	Finning International	133,350	0.00%
18,912	Goldcorp	240,215	0.00%
9,208	Great West Lifeco	258,078	0.00%
13,272	Husky Energy	191,877	0.00%
19,695	Imperial Oil	696,639	0.01%
18,486	Inco	588,149	0.01%
11,122	Investors Group	212,725	0.00%
11,045	Loblaw Companies	454,482	0.01%
12,276	Magna International	784,761	0.01%
109,465	Manulife Financial	2,809,016	0.03%
12,913	MDS	158,927	0.00%
4,338	MI Developments	96,332	0.00%
10,800	Molson	240,163	0.00%
17,717	National Bank Of Canada	470,809	0.00%
12,424	Nexen	359,082	0.01%
22,120	Noranda	280,009	0.00%
627,226	Nortel Networks	2,114,313	0.02%
9,278	Nova Chemicals	200,259	0.00%
43,475	Petro-Canada	1,706,115	0.02%
54,306	Placer Dome	773,860	0.01%

Quoted Securities - Equities			
Holding	Security Description	Market Value €	% Total
<b>CANADA (CONTINUED)</b>			
48,590	Potash Corp Of Saskatchewan	3,330,479	0.03%
19,854	Power Corp Canada	591,926	0.01%
13,895	Power Financial	423,937	0.01%
7,830	Quebecor World	129,021	0.00%
18,187	Rogers Communications	239,073	0.00%
104,969	Royal Bank Of Canada	3,983,596	0.04%
4,779	Saputo	94,497	0.00%
22,185	Shaw Communications	275,638	0.00%
8,302	Shell Canada	313,230	0.00%
21,045	Shoppers Drug Mart	388,647	0.01%
105,241	Sun Life Financial	2,090,052	0.02%
62,725	Suncor Energy	1,252,585	0.01%
18,118	Talisman Energy	818,058	0.01%
18,654	Teck Cominco	251,991	0.01%
9,866	Telus (Non - Voting)	147,072	0.00%
12,509	Telus	199,956	0.00%
5,309	Terasen	156,811	0.00%
34,170	Thomson	986,619	0.01%
103,325	Toronto Dominion Bank Ontario	2,747,422	0.03%
19,629	Transalta	224,052	0.00%
65,743	Transcanada	1,126,543	0.01%
5,312	Weston (George)	339,354	0.00%
		<b>68,231,630</b>	<b>0.71%</b>
<b>UNITED STATES</b>			
37,420	3Com	242,060	0.00%
182,606	3M Co	12,293,736	0.13%
300,299	Abbott Labs	11,079,916	0.12%
10,333	Abercrombie & Fitch Co	202,160	0.00%
150,000	Accenture	3,125,891	0.03%
38,123	Adobe Systems	1,186,250	0.01%
34,662	Advanced Micro Devices	408,918	0.01%
62,205	AES	464,937	0.01%
15,463	Aetna	827,387	0.01%
12,562	Affiliated Computer Services	541,668	0.01%
51,924	Aflac	1,487,419	0.02%
72,722	Agere Systems Class A Shs	175,615	0.00%
94,737	Agere Systems Class B Shs	217,528	0.00%
234,950	Agilent Technologies	5,439,381	0.06%
22,846	Air Products & Chemicals	955,625	0.01%
4,752	Alberto Culver	237,337	0.00%
36,789	Albertsons	659,755	0.01%
511,198	Alcoa	15,380,462	0.16%
43,928	Allergan	2,671,504	0.03%
3,572	Alliant Techsystems	163,356	0.00%
11,920	Allied Capital	263,127	0.00%
181,242	Allstate	6,173,421	0.07%
74,847	Alltel	2,760,391	0.03%
149,598	Altera	2,688,737	0.03%
305,447	Altria Group	13,161,066	0.14%
39,602	Amazon.Com	1,650,554	0.02%

# National Pensions Reserve Fund

## Portfolio of Investments 31 December 2003

Quoted Securities - Equities			
Holding	Security Description	Market Value €	% Total
<b>UNITED STATES (CONTINUED)</b>			
8,418	AMB Properties	219,148	0.00%
75,268	Ambac Financial Group	4,135,270	0.04%
21,690	Amdocs	386,058	0.01%
6,746	Amerada Hess	283,994	0.00%
16,175	Ameren	589,113	0.01%
39,596	American Electric Power	956,511	0.01%
196,603	American Express Co	7,507,651	0.08%
527,436	American Intl Group	27,678,906	0.29%
19,781	American Pwr Conversion	382,934	0.01%
7,230	American Standard	576,454	0.01%
11,237	Amerisourcebergen	499,571	0.01%
42,519	Ameritrade Holding	473,668	0.01%
295,061	Amgen	14,437,664	0.15%
133,460	AMR	1,368,414	0.02%
35,444	Amsouth Bancorporation	687,552	0.01%
24,931	Anadarko Pete	1,006,912	0.01%
58,224	Analog Devices	2,104,454	0.02%
140,749	Anheuser Busch Cos	5,870,671	0.06%
77,742	Anthem	4,616,508	0.05%
31,278	Aon	592,870	0.01%
16,225	Apache	1,041,843	0.01%
9,598	Apartment Investment & Management Co	262,178	0.00%
30,010	Apollo Group	1,615,740	0.02%
590,832	Apple Computer	9,996,896	0.10%
156,710	Applera Corp-Applied Biosystem	2,569,647	0.03%
425,168	Applied Materials	7,557,420	0.08%
76,400	Applied Micro Circuits	361,131	0.01%
442,814	Archer Daniels Midland Co	5,336,207	0.06%
19,165	Archstone Smith	424,574	0.01%
9,309	Arrow Electronics	170,554	0.00%
7,073	Ashland	246,743	0.00%
6,899	Associated Banc	232,971	0.00%
8,271	Astoria Financial Com	243,611	0.00%
271,699	AT&T	4,366,975	0.05%
427,305	AT&T Wireless Services	2,703,220	0.03%
156,464	Automatic Data Processing	4,906,998	0.05%
108,163	Autonation	1,573,202	0.02%
49,991	Autozone	3,372,710	0.04%
7,000	Avalonbay Communities	264,925	0.00%
11,041	Avery Dennison	489,720	0.01%
12,500	Avnet	214,371	0.00%
62,470	Avon Products	3,338,163	0.04%
333,713	Baker Hughes	8,497,395	0.09%
5,800	Ball	273,560	0.00%
211,805	Bank New York	5,554,221	0.06%
271,116	Bank Of America	17,265,131	0.18%
431,929	Bank One	15,591,166	0.16%
16,171	Banknorth Group	416,502	0.10%
5,201	Bard C R	334,585	0.01%
5,052	Barr Pharmaceuticals	307,800	0.01%

Quoted Securities - Equities			
Holding	Security Description	Market Value €	% Total
<b>UNITED STATES (CONTINUED)</b>			
11,043	Bausch & Lomb	453,786	0.01%
126,427	Baxter Intl	3,055,069	0.03%
54,863	BB&T	1,678,469	0.02%
40,334	BEA Systems	392,801	0.01%
48,686	Bear Stearns	3,081,905	0.03%
6,264	Beckman Coulter	252,097	0.00%
58,409	Becton Dickinson & Co	1,902,570	0.02%
34,678	Bed Bath & Beyond	1,190,254	0.01%
412,543	Bellsouth	9,243,838	0.10%
13,117	Bemis	519,279	0.01%
7,694	Berkley W R	212,910	0.00%
98	Berkshire Hathaway Class 'A'	6,537,213	0.07%
1,500	Berkshire Hathaway Class 'B'	3,343,230	0.04%
47,135	Best Buy	1,949,590	0.02%
49,700	Biogen Idec	1,447,321	0.02%
25,652	Biomet	739,501	0.01%
40,100	BJ Services Co	1,139,818	0.01%
30,011	Black & Decker	1,171,926	0.01%
31,315	Block H & R	1,372,852	0.01%
50,722	BMC Software	748,983	0.01%
80,094	Boeing Co	2,672,337	0.03%
7,380	Boston Properties	281,585	0.00%
100,360	Boston Scientific	2,921,008	0.03%
5,177	Bowater	189,823	0.00%
10,006	Brinker Intl	262,707	0.00%
335,688	Bristol Myers Squibb Co	7,601,486	0.08%
23,602	Broadcom	637,048	0.01%
3,408	Brown Forman	252,160	0.00%
10,000	Bunge Limited	260,649	0.00%
86,437	Burlington North Santa Fe	2,213,964	0.02%
19,925	Burlington Resources	873,671	0.01%
10,777	C D W	492,858	0.01%
8,647	C H Robinson Worldwide	259,547	0.00%
22,069	Cablevision Ny Grp	408,705	0.01%
5,717	Cabot	144,125	0.00%
155,192	Cadence Design Systems	2,209,305	0.02%
142,755	Campbell Soup Co	3,029,164	0.03%
38,611	Capital One Financial	1,873,688	0.02%
135,961	Cardinal Health	6,583,828	0.07%
9,910	Career Education	314,405	0.00%
210,300	Caremark Rx	4,217,656	0.04%
47,118	Carnival	1,482,184	0.02%
88,173	Caterpillar	5,795,821	0.06%
917,205	Cendant	16,172,728	0.17%
31,506	Centerpoint Energy	241,721	0.00%
29,000	Centex	2,471,774	0.03%
14,346	Centurytel	370,520	0.01%
5,726	Cephalon	219,474	0.00%
15,195	Ceridian	251,927	0.00%
6,090	Certegy	158,157	0.00%
28,491	Charter One Financial	779,386	0.01%



# National Pensions Reserve Fund

## Portfolio of Investments 31 December 2003

Quoted Securities - Equities			
Holding	Security Description	Market Value €	% Total
<b>UNITED STATES (CONTINUED)</b>			
18,930	Checkpoint Software Tech	252,100	0.00%
186,108	Chevrontexaco	12,729,905	0.13%
35,630	Chiron	1,607,723	0.02%
8,866	Choicepoint	267,384	0.00%
49,055	Chubb	2,645,008	0.03%
48,820	Ciena	256,663	0.00%
53,952	Cigna	2,456,247	0.03%
16,207	Cincinnati Financial	537,410	0.01%
17,816	Cinergy	547,458	0.01%
12,863	Cintas	510,548	0.01%
2,047,242	Cisco Systems	39,372,532	0.41%
188,252	CIT Group	5,358,400	0.06%
1,114,950	Citigroup	42,850,097	0.45%
28,400	Citizens Communications Co	279,278	0.00%
5,003	City National	246,070	0.00%
548,029	Clear Channel Communications	20,320,030	0.21%
43,754	Clorox Co	1,682,260	0.02%
18,536	Coach	554,025	0.01%
469,973	Coca Cola Co	18,884,505	0.20%
213,288	Coca Cola Enterprises	3,693,277	0.04%
162,449	Colgate Palmolive Co	6,437,508	0.07%
136,063	Comcast Class 'A'	3,541,085	0.04%
521,286	Comcast Class 'A' Special	12,910,393	0.14%
17,527	Comerica	777,960	0.01%
7,592	Commerce Bancorp N J	316,664	0.00%
6,459	Commerce Bancshares	250,689	0.00%
6,883	Community Health Systems	144,854	0.00%
11,714	Compass Bancshares	364,590	0.01%
94,004	Computer Associates Intl	2,034,893	0.02%
30,536	Computer Sciences	1,069,364	0.01%
35,500	Compuware	169,770	0.00%
48,020	Comverse Technology	668,782	0.01%
53,903	Conagra Foods	1,126,287	0.01%
69,358	Concord Efs	814,943	0.01%
67,898	Conocophillips	3,524,998	0.04%
22,331	Consolidated Edison	760,456	0.01%
129,785	Constellation Energy	4,024,054	0.04%
102,500	Convergys	1,416,983	0.01%
5,663	Cooper Cameron	208,944	0.00%
9,248	Cooper Industries	424,178	0.00%
674,680	Corning	5,571,585	0.06%
45,922	Costco Wholesale	1,351,845	0.01%
30,275	Countrywide Financial	1,818,178	0.02%
15,000	Coventry Health Care	765,914	0.01%
202,859	Cox Communications	5,533,248	0.06%
46,000	Credence Systems	479,303	0.01%
328,600	Crown Castle Intl	2,869,721	0.03%
110,166	CSX	3,134,890	0.03%
79,099	CVS	2,262,119	0.02%
14,711	D R Horton	503,878	0.01%
33,740	Danaher	2,451,025	0.03%

Quoted Securities - Equities			
Holding	Security Description	Market Value €	% Total
<b>UNITED STATES (CONTINUED)</b>			
15,648	Darden Restaurants	260,676	0.00%
13,535	Dean Foods Co	352,253	0.01%
304,775	Deere & Co	15,697,240	0.17%
19,350	Del Monte Foods Co	159,335	0.00%
778,003	Dell	20,919,226	0.22%
122,893	Delphi Corporation	993,458	0.01%
242,200	Delta Air Lines	2,264,752	0.02%
5,700	Deluxe	186,525	0.00%
7,877	Dentsply Intl	281,713	0.00%
22,948	Devon Energy	1,040,382	0.01%
6,114	Diamond Offshore Drilling	99,286	0.00%
7,200	Diebold	307,097	0.00%
943,005	Disney Walt Co	17,419,087	0.18%
22,700	DNP Select Income Fund	196,985	0.00%
53,058	Dollar General	881,779	0.01%
75,805	Dollar Tree Stores	1,804,195	0.02%
32,224	Dominion Resources	1,628,549	0.02%
11,610	Donnelley R R & Sons Co	277,151	0.00%
10,850	Doral Financial	277,306	0.00%
69,979	Dover	2,202,427	0.02%
218,436	Dow Chem Co	7,189,536	0.08%
4,256	Dow Jones & Co	167,982	0.00%
11,644	DST Systems	384,999	0.01%
16,739	DTE Energy Co	522,183	0.01%
207,467	Du Pont E I De Nemours & Co	7,538,132	0.08%
90,434	Duke Energy Com	1,464,272	0.02%
13,529	Duke Realty Corporation	332,066	0.00%
7,507	Dun & Bradstreet	301,409	0.00%
7,968	Eastman Chemicals	249,386	0.00%
83,549	Eastman Kodak Co	1,698,102	0.02%
72,434	Eaton	6,192,734	0.07%
138,724	Ebay	7,094,365	0.07%
236,836	Echostar Communications	6,375,633	0.07%
26,060	Ecolab	564,737	0.01%
147,606	Edison Intl	2,562,945	0.03%
7,440	Edwards A G	213,421	0.00%
204,514	El Paso	1,326,183	0.01%
43,108	Electronic Arts	1,630,800	0.02%
66,638	Electronic Data Systems	1,294,772	0.01%
1,523,566	EMC	15,585,489	0.16%
88,566	Emerson Electric Co	4,540,498	0.05%
128,590	Energizer	3,824,102	0.04%
14,844	Energy East	263,267	0.00%
63,632	Engelhard	1,508,930	0.02%
14,926	Ensco Intl	321,092	0.00%
61,435	Entergy	2,778,924	0.03%
4,945	Enterprise Products Partners L P	96,120	0.00%
11,631	EOG Resources	425,181	0.01%
36,283	Equifax	703,827	0.01%
6,505	Equitable Resources	221,057	0.00%
115,372	Equity Office Properties Trust	2,617,108	0.03%

# National Pensions Reserve Fund

## Portfolio of Investments 31 December 2003

Quoted Securities - Equities			
Holding	Security Description	Market Value €	% Total
<b>UNITED STATES (CONTINUED)</b>			
59,200	Equity Residential	1,383,208	0.01%
2,366	Erie Indemnity Co	79,391	0.00%
106,357	Estee Lauder Cos	3,306,077	0.03%
50,000	Everest Re Group	3,349,169	0.04%
103,218	Exelon	5,423,236	0.06%
10,480	Expeditors International Washington	312,492	0.00%
7,836	Express Scripts	412,150	0.01%
1,867,505	Exxon Mobil	60,623,678	0.64%
4,500	Fair Isaac	175,154	0.00%
218,874	Family Dollar Stores	6,217,893	0.07%
451,505	Fannie Mae	26,832,910	0.28%
7,648	Fastenal Co	302,408	0.00%
164,834	Federated Department Stores	6,150,931	0.06%
7,595	Federated Investors Class 'B'	176,555	0.00%
38,714	Fedex	2,069,038	0.02%
43,135	Fidelity National Financial	1,324,446	0.01%
57,653	Fifth Third Bancorp	2,697,777	0.03%
486,349	First Data	15,822,708	0.17%
8,812	First Health Group	135,773	0.00%
60,899	First Tennessee National	2,126,402	0.02%
32,712	Firstenergy	911,688	0.01%
24,402	Fiserv	763,359	0.01%
361,135	Fleet Boston Financial	12,481,031	0.13%
8,352	Fluor	262,132	0.00%
413,122	Ford Motor Co	5,233,533	0.06%
226,638	Forest Labs	11,089,650	0.12%
51,860	Fortune Brands	2,935,448	0.03%
17,660	Fox Entertainment Group	407,592	0.01%
119,226	Fpl Group	6,175,586	0.06%
33,566	Franklin Resources	1,383,568	0.02%
438,828	Freddie Mac	20,263,222	0.21%
157,100	Freeport Mcmoran Copper B	5,240,398	0.06%
9,366	Gallagher Arthur J & Co	240,935	0.00%
63,442	Gannett	4,478,613	0.05%
543,552	Gap	9,988,790	0.10%
114,172	Genentech	8,458,491	0.09%
41,929	General Dynamics	3,000,762	0.03%
1,492,907	General Electric	36,619,366	0.39%
14,032	General Growth Property	308,304	0.00%
145,895	General Mills	5,232,814	0.06%
138,878	General Motors	5,871,801	0.06%
7,666	Gentex	268,037	0.00%
17,386	Genuine Parts Co	457,019	0.00%
44,629	Genzyme	1,743,464	0.02%
25,503	Georgia Pacific	619,301	0.01%
26,580	Gilead Sciences	1,223,564	0.01%
259,104	Gillette Co	7,535,146	0.08%
72,915	Globalsantafe Corporation	1,433,475	0.02%
55,737	Golden West Financial	4,553,841	0.05%
50,062	Goldman Sachs Group	3,913,398	0.04%

Quoted Securities - Equities			
Holding	Security Description	Market Value €	% Total
<b>UNITED STATES (CONTINUED)</b>			
11,897	Goodrich	279,669	0.00%
9,218	Grainger W W	345,876	0.00%
61,364	Greenpoint Financial	1,716,054	0.02%
61,669	Guidant	2,939,409	0.03%
43,736	Halliburton Co	900,345	0.01%
43,987	Hancock John Insurance & Financial Services	1,306,027	0.01%
46,970	Harley Davidson	1,767,604	0.02%
177,131	Harrahs Entertainment	6,980,055	0.07%
21,416	Harris	643,497	0.01%
161,873	Hartford Financial Services Group	7,565,608	0.08%
99,670	Hasbro	1,679,317	0.02%
90,135	HCA	3,065,875	0.03%
6,484	Health Care Property Investments	260,797	0.00%
99,767	Health Management Associates	1,895,810	0.02%
83,957	Health Net	2,173,709	0.02%
101,670	Heinz H J Co	2,932,572	0.03%
7,537	Hershey Foods	459,441	0.00%
621,763	Hewlett Packard Co	11,307,915	0.12%
15,921	Hibernia	296,360	0.00%
6,222	Hillenbrand Inds	305,730	0.00%
37,757	Hilton Hotels	512,096	0.01%
461,841	Home Depot	12,977,622	0.14%
236,535	Honeywell Intl	6,260,780	0.07%
10,843	Hormel Foods	221,582	0.00%
32,026	Host Marriott	312,399	0.00%
5,363	Hudson City Bancorp	162,121	0.00%
211,495	Hughes Electronics	2,771,371	0.03%
22,897	Huntington Bancshares	407,904	0.00%
331,055	IBM	24,293,094	0.26%
89,432	Illinois Tool Works	5,941,599	0.06%
74,370	Ims Health	1,463,847	0.02%
30,996	Ingersoll-Rand	1,665,882	0.02%
1,947,035	Intel	49,639,372	0.52%
18,537	Interactive	497,989	0.01%
9,700	International Flavors & Fragrances	268,190	0.00%
34,600	International Game Technology	978,005	0.01%
285,662	International Paper Co	9,750,506	0.10%
375,384	Interpublic Group Cos	4,636,572	0.05%
130,728	Intuit	5,476,499	0.06%
8,681	Iron Mountain	271,771	0.00%
7,801	Istar Financial	240,268	0.00%
9,211	ITT	541,210	0.01%
19,646	Ivax	371,454	0.00%
655,487	J P Morgan Chase & Co	19,062,579	0.20%
41,607	Jabil Circuit	932,287	0.01%
5,850	Jacobs Engineering Group	222,374	0.00%
24,022	Janus Capital Group	312,115	0.00%
27,272	JC Penney Co	567,465	0.01%
137,234	JDS Uniphase	396,599	0.00%

# National Pensions Reserve Fund

## Portfolio of Investments 31 December 2003

Quoted Securities - Equities			
Holding	Security Description	Market Value €	% Total
<b>UNITED STATES (CONTINUED)</b>			
23,705	Jefferson Pilot	950,640	0.01%
651,596	Johnson & Johnson	26,651,979	0.28%
8,941	Johnson Controls	822,034	0.01%
12,700	Jones Apparel Group	354,253	0.00%
38,469	Juniper Networks	568,964	0.01%
4,369	KB Home	250,863	0.00%
156,745	Kellogg Co	4,725,930	0.05%
34,301	Kerr McGee	1,262,592	0.01%
66,471	Key	1,543,096	0.02%
15,904	Keyspan	463,394	0.00%
102,468	Kimberly Clark	4,794,010	0.05%
11,070	Kimco Realty	392,227	0.00%
9,300	Kinder Morgan	435,178	0.00%
24,162	King Pharmaceuticals	291,934	0.00%
72,581	KLA Tencor	3,371,597	0.04%
8,080	Knight Ridder	494,972	0.01%
33,997	Kohls	1,209,679	0.01%
294,688	Kraft Foods	7,517,694	0.08%
108,281	Kroger Co	1,586,921	0.02%
9,573	L-3 Communications	389,287	0.00%
14,354	Laboratory Amer	419,937	0.00%
3,201	Lafarge North America	102,696	0.00%
87,500	Lam Resh	2,237,728	0.02%
114,265	Lamar Advertising Co	3,376,381	0.04%
10,145	Lare Hldgs	241,215	0.00%
6,739	Lear	327,239	0.00%
6,605	Legg Mason	403,621	0.00%
19,356	Leggett & Platt	331,489	0.00%
48,495	Lehman Bros Hldgs	2,964,991	0.03%
6,333	Lennar	481,368	0.01%
48,800	Level 3 Communications	220,238	0.00%
24,505	Lexmark International	1,525,790	0.02%
1,246,212	Liberty Media	11,731,956	0.12%
8,161	Liberty Property Trust	251,356	0.00%
351,070	Lilly Eli & Co	19,549,290	0.21%
294,466	Limited Brands	4,203,660	0.04%
17,778	Lincoln National Ind	568,249	0.01%
46,842	Linear Technology	1,560,287	0.02%
10,890	Liz Claiborne	305,748	0.00%
49,418	Lockheed Martin	2,011,152	0.02%
14,016	Loews	548,766	0.01%
186,586	Lowes Cos	8,182,897	0.09%
62,545	LSI Logic	439,251	0.00%
415,400	Lucent Technologies	934,074	0.01%
11,960	M & T Bank	930,854	0.01%
6,200	Mandalay Resort Group	219,528	0.00%
9,200	Manor Care	251,816	0.00%
7,800	Manpower Wis	290,755	0.00%
145,509	Marathon Oil	3,812,267	0.04%
126,586	Marriott Intl	4,630,462	0.05%
53,229	Marsh & McLennan Cos	2,018,319	0.02%

Quoted Securities - Equities			
Holding	Security Description	Market Value €	% Total
<b>UNITED STATES (CONTINUED)</b>			
22,715	Marshall & Ilsley	687,925	0.01%
69,334	Masco	1,504,707	0.02%
85,551	Mattel	1,305,279	0.01%
32,943	Maxim Integrated Products	1,298,940	0.01%
141,193	May Department Stores Co	3,249,787	0.03%
8,296	Maytag	182,932	0.00%
38,372	MBIA	1,799,504	0.02%
458,827	MBNA	9,027,594	0.09%
12,457	McCormick & Co	296,877	0.00%
543,151	McDonalds	10,678,099	0.11%
181,016	McGraw Hill Cos	10,021,092	0.11%
63,806	McKesson	1,624,704	0.02%
19,942	Meadwestvaco	469,734	0.00%
43,054	Medco Health Solutions	1,158,674	0.01%
24,878	Medimmune	500,318	0.01%
152,180	Medtronic	5,857,062	0.06%
304,251	Mellon Financial	7,735,154	0.08%
7,956	Mercantile Bankshares	287,122	0.00%
478,859	Merck & Co	17,516,457	0.18%
2,524	Mercury General	93,026	0.00%
8,923	Mercury Interactive	343,638	0.00%
321,031	Merrill Lynch & Co	14,907,734	0.16%
76,332	Metlife	2,034,916	0.02%
96,178	Metro-Goldwyn Mayer	1,301,411	0.01%
9,909	MGIC Investment	446,729	0.00%
6,952	MGM Mirage	207,019	0.00%
6,900	Michaels Stores	241,473	0.00%
20,397	Microchip Technology	538,752	0.01%
60,996	Micron Technology	650,527	0.01%
2,703,798	Microsoft	58,956,925	0.62%
29,853	Millennium Pharmaceuticals	441,295	0.00%
4,513	Millipore	153,828	0.00%
6,662	Mohawk Inds	372,080	0.00%
6,383	Molex Class 'A'	148,381	0.00%
7,823	Molex	216,108	0.00%
169,500	Monsanto Co	3,862,399	0.04%
36,900	Monster Worldwide	641,587	0.01%
100,275	Moodys	4,807,325	0.05%
175,533	Morgan Stanley	8,042,830	0.08%
1,081,768	Motorola	12,051,050	0.13%
9,212	Murphy Oil	476,354	0.01%
67,649	Mylan Labs	1,352,980	0.01%
12,700	Nabors Industries	417,300	0.00%
175,276	National City	4,710,109	0.05%
20,579	National Commerce Financial	444,493	0.00%
26,784	National Semiconductor	835,754	0.01%
17,030	NCR	523,170	0.01%
54,654	Network Appliance	888,398	0.01%
16,630	Networks Associates	198,033	0.00%
29,000	New York Community Bancorp	873,674	0.01%
15,092	New York Times Co	571,058	0.01%

# National Pensions Reserve Fund

## Portfolio of Investments 31 December 2003

Quoted Securities - Equities			
Holding	Security Description	Market Value €	% Total
<b>UNITED STATES (CONTINUED)</b>			
142,213	Newell Rubbermaid	2,563,888	0.03%
207,365	Newmont Mining Holding Co	7,981,008	0.08%
324,140	Nextel Communications	7,201,400	0.08%
99,089	Nike	5,371,047	0.06%
26,337	Nisource	457,509	0.00%
13,200	Noble	373,948	0.00%
13,620	Nordstrom	369,886	0.00%
38,940	Norfolk Southern	729,162	0.01%
11,828	Northeast Utilities	188,892	0.00%
22,362	Northern Trust	821,888	0.01%
15,234	Northfork Bancorporation	488,139	0.01%
45,398	Northrop Grumman	3,436,302	0.04%
39,262	Novellus Systems	1,307,179	0.01%
5,500	Nstar	211,203	0.00%
7,794	Nucor	345,577	0.00%
771	NVR	284,470	0.00%
306,006	Occidental Petroleum	10,234,120	0.11%
45,652	Office Depot	603,994	0.01%
66,405	Old Republic Intl	1,333,358	0.01%
18,948	Omni Group	1,310,157	0.01%
10,112	Omnicare	323,376	0.00%
1,093,279	Oracle Corporation	11,426,194	0.12%
7,559	Outback Steakhouse	264,595	0.00%
15,165	Oxford Health Plans	522,310	0.01%
15,875	Paccar	1,069,897	0.01%
15,919	Pactiv	301,238	0.00%
12,509	Pall	265,730	0.00%
30,800	Park Place Entertainment	264,105	0.00%
33,181	Parker Hannifin	1,563,159	0.02%
6,835	Patterson Dental Co	347,216	0.00%
118,414	Patterson Uti Energy	3,086,452	0.03%
37,764	Paychex	1,112,289	0.01%
136,112	Peoplesoft	2,457,129	0.03%
17,386	Pepco Hldgs	268,981	0.00%
148,961	Pepsi Bottling Group	2,851,842	0.03%
10,000	PepsiAmericas	135,550	0.00%
702,382	Pepsico	25,926,404	0.27%
14,308	Petsmart	269,620	0.00%
1,979,569	Pfizer	55,374,642	0.58%
41,123	PG&E	904,185	0.01%
8,945	Phelps Dodge	538,896	0.01%
9,085	Pinnacle West Cap	287,872	0.00%
11,771	Pioneer Natural Resources	297,584	0.00%
34,702	Pitney Bowes	1,116,069	0.01%
2,027	Pixar	111,204	0.00%
50,896	Plum Creek Timber Co	1,227,065	0.01%
26,800	PMC Sierra	426,508	0.00%
9,261	PMI Group	272,991	0.00%
27,824	PNC Financial Services Group	1,205,707	0.01%
6,501	Pogo Producing Co	248,613	0.00%
13,301	Popular	473,275	0.00%

Quoted Securities - Equities			
Holding	Security Description	Market Value €	% Total
<b>UNITED STATES (CONTINUED)</b>			
37,275	PPG Inds	1,889,426	0.02%
17,542	PPL	607,650	0.01%
189,608	Praxair	5,734,779	0.06%
18,192	Price T Rowe Group	682,884	0.01%
14,187	Pride Intl	209,379	0.00%
32,464	Prisal Financial Group	850,027	0.01%
292,864	Procter & Gamble Co	23,160,140	0.24%
149,989	Progress Energy	5,374,903	0.06%
32,415	Progressive Insurance Co	2,145,344	0.02%
17,848	Prologis Int	453,478	0.00%
100,000	Prudential Financial	3,307,205	0.03%
9,427	Public Storage	323,862	0.00%
23,524	Public Service Enterprise Group	815,797	0.01%
8,110	Puget Energy	152,632	0.00%
6,100	Pulte Homes	452,163	0.00%
9,400	Qlogic	384,038	0.00%
597,131	Qualcomm	25,497,446	0.27%
7,900	Quest Diagnostics	457,299	0.00%
8,508	Questar	236,782	0.00%
261,064	Qwest Communications Intl	892,951	0.01%
9,382	Radian Group	362,132	0.00%
79,752	Radio Shack	1,937,285	0.02%
41,614	Raytheon Co	989,774	0.01%
43,896	Regions Financial	1,292,899	0.01%
61,991	Republic Services	1,257,980	0.01%
8,431	Reynolds RJ	388,173	0.00%
17,100	Robert Half Intl	316,005	0.00%
27,771	Rockwell Automation	782,777	0.01%
31,343	Rockwell Collins	745,234	0.01%
132,001	Rohm & Haas Co	4,463,787	0.05%
15,324	Ross Stores	320,676	0.00%
8,800	Rouse Co	327,474	0.00%
14,374	Royal Caribbean Cruises	395,939	0.00%
207,800	Sabre Group Hldgs	3,552,179	0.04%
13,840	Safeco	426,596	0.00%
44,259	Safeway	767,787	0.01%
114,265	Sanmina-Sci	1,140,841	0.01%
102,521	Sara Lee	1,762,257	0.02%
621,279	SBC Communications	12,824,025	0.13%
11,086	Scana	300,630	0.00%
4,538	Schein Henry	242,817	0.00%
573,848	Schering Plough	7,901,201	0.08%
304,516	Schlumberger	13,193,282	0.14%
1,184,054	Schwab Charles	11,099,920	0.12%
70,450	Scientific Atlanta	1,522,791	0.02%
4,667	Scripps Co	347,863	0.00%
162,600	Seagate Technology	2,433,207	0.03%
8,529	Sealed Air	365,606	0.00%
38,439	Sears Roebuck & Co	1,384,474	0.01%
7,300	SEI Investment Co	176,113	0.00%
118,924	Sempra Energy	2,830,448	0.03%

# National Pensions Reserve Fund

## Portfolio of Investments 31 December 2003

Quoted Securities - Equities			
Holding	Security Description	Market Value €	% Total
<b>UNITED STATES (CONTINUED)</b>			
29,566	Service Master Co	272,719	0.00%
98,067	Sherwin Williams Co	2,697,425	0.03%
49,160	Siebel Systems	539,865	0.01%
22,452	Sigma Aldrich	1,016,473	0.01%
14,251	Simon Property Group	522,875	0.01%
69,529	SLM	2,074,309	0.02%
21,000	Smith Intl	690,356	0.01%
18,709	Smurfit-Stone Container	275,080	0.00%
420,058	Solectron	1,965,592	0.02%
72,040	Southern Co	1,725,424	0.02%
33,482	Southtrust	867,669	0.01%
190,054	Southwest Airlines Co	2,428,719	0.03%
29,302	Sovereign Bancorp	551,008	0.01%
207,865	Sprint Corp (Fon Group)	2,702,410	0.03%
77,032	Sprint Corp (Pcs Group)	342,771	0.00%
7,726	SPX	359,751	0.00%
5,316	St Joe Pany	156,955	0.00%
17,359	St Jude Medical	843,210	0.01%
34,478	St Paul Cos	1,082,385	0.01%
18,434	Stanley Works	552,728	0.01%
171,919	Staples	3,716,064	0.04%
38,945	Starbucks	1,019,415	0.01%
102,253	Starwood Hotels & Resorts	2,912,146	0.03%
100,839	State Street	4,158,112	0.04%
11,306	Storage Technology	230,506	0.00%
14,997	Stryker	1,009,418	0.01%
631,875	Sun Microsystems	2,246,333	0.02%
42,201	Sungard Data Systems	925,883	0.01%
58,758	Sunoco	2,379,629	0.02%
28,065	Suntrust Banks	1,588,795	0.02%
34,079	Supervalu	771,432	0.01%
39,562	Symantec	1,085,371	0.01%
15,552	Synopsys	415,705	0.00%
30,376	Synovus Financial	695,545	0.01%
91,152	Sysco	2,686,927	0.03%
252,897	Target	7,689,030	0.08%
7,141	TCF Financial	290,333	0.00%
16,346	Teco Energy	186,497	0.00%
7,970	Tektronix	199,408	0.00%
5,227	Telephone & Data Systems	258,867	0.00%
67,274	Tellabs	449,026	0.00%
5,435	Temple Inland	269,684	0.00%
111,416	Tenet Healthcare	1,415,857	0.01%
160,513	Teradyne	3,234,407	0.03%
588,877	Texas Instruments	13,698,501	0.14%
28,233	Textron	1,275,515	0.01%
16,267	Thermo Electron	324,567	0.00%
14,700	Tiffany & Co	526,081	0.01%
1,605,315	Time Warner	22,865,888	0.24%
50,900	TJX Cos	888,634	0.01%
36,998	Torchmark	1,334,037	0.01%

Quoted Securities - Equities			
Holding	Security Description	Market Value €	% Total
<b>UNITED STATES (CONTINUED)</b>			
3,661	Total Systems Services	90,235	0.00%
22,195	Toys R Us	222,126	0.00%
1,980	Transatlantic Hldgs	126,670	0.00%
32,065	Transocean	609,565	0.01%
76,717	Travelers Property Casulty Class 'A'	1,019,249	0.01%
77,141	Travelers Property Casualty Class 'B'	1,036,487	0.01%
12,379	Tri-Continental	160,741	0.00%
6,963	Triad Hosps	183,420	0.00%
184,140	Tribune Co	7,523,059	0.08%
10,436	Trizec Properties	127,248	0.00%
32,336	TXU	607,292	0.01%
605,378	Tyco Intl	12,701,914	0.13%
25,100	Tyson Foods	263,123	0.00%
25,602	Union Pacific	1,408,414	0.01%
60,656	Union Planters	1,512,318	0.02%
9,473	Unionbanca	431,573	0.00%
32,844	Unisys	386,171	0.00%
109,378	United Health Group	5,038,489	0.05%
88,291	United Parcel Service	5,211,476	0.05%
116,627	United Technologies	8,751,180	0.09%
4,665	Unitrin	152,951	0.00%
5,687	Universal Health Services	241,889	0.00%
411,329	Univision Communications	12,926,087	0.14%
76,837	Unocal	2,240,623	0.02%
29,718	Unumprovident	371,063	0.01%
530,819	US Bancorp	12,516,065	0.13%
16,760	UST	473,606	0.01%
20,789	V F	711,731	0.01%
123,600	Valassis Communications	2,872,257	0.03%
11,512	Valero Energy	422,380	0.01%
9,806	Valley National Bancorp	226,710	0.00%
6,829	Varian Medical Systems	373,621	0.01%
38,242	Verisign	493,543	0.01%
59,727	Veritas Software Co	1,757,288	0.02%
728,122	Verizon Communications	20,223,689	0.21%
842,085	Via	29,589,653	0.31%
8,230	Viad	162,906	0.00%
8,663	Vornado Realty Trust	375,534	0.01%
10,125	Vulcan Materials Co	381,351	0.01%
464,840	Wachovia	17,147,186	0.18%
778,512	Wal Mart Stores	32,699,970	0.34%
102,605	Walgreen Co	2,955,479	0.03%
194,430	Washington Mutual	6,176,193	0.07%
217	Washington Post Co	135,973	0.00%
256,948	Waste Management	6,021,901	0.06%
31,815	Waters	835,301	0.01%
17,327	Watson Pharmaceuticals	631,070	0.01%
13,200	Weatherford International	376,247	0.01%
31,655	Webmd	225,319	0.00%

# National Pensions Reserve Fund

## Portfolio of Investments 31 December 2003

Quoted Securities - Equities			
Holding	Security Description	Market Value €	% Total
<b>UNITED STATES (CONTINUED)</b>			
3,953	Weight Watchers Intl	120,092	0.00%
23,027	Wellpoint Health Network	1,768,320	0.02%
336,458	Wells Fargo & Co	15,688,054	0.17%
11,364	Wendys Intl	353,067	0.00%
130	Wesco Financial	36,231	0.00%
7,996	Westwood One	216,582	0.00%
114,232	Weyerhaeuser Co	5,788,478	0.06%
6,949	Whirlpool	399,719	0.01%
936	White Mountains Insurance Grp	340,866	0.00%
6,000	Whole Foods Mkt	318,907	0.00%
51,800	Williams Cos	402,752	0.01%
11,707	Williams Sonoma	322,290	0.00%
9,713	Winn Dixie Stores	76,520	0.00%
37,256	Wisconsin Energy	986,709	0.01%
173,359	Wrigley Wm Jr Co	7,715,368	0.08%
830,390	Wyeth	27,909,783	0.29%
39,834	Xcel Energy	535,535	0.01%
697,722	Xerox	7,623,566	0.08%
94,775	Xilinx	2,907,034	0.03%
18,440	XTO Energy	413,185	0.01%
79,479	Yahoo	2,842,491	0.03%
35,456	Yum Brands	965,706	0.01%
36,477	Zimmer Hldgs	2,033,239	0.02%
9,035	Zions Bank	438,730	0.01%
		<b>2,260,335,167</b>	<b>23.73%</b>

<b>Total North American Equities</b>	<b>2,328,566,797</b>	<b>24.44%</b>
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▼ Japan			
57,000	Advantest	3,587,722	0.04%
30,000	Aeon Credit Service Co	1,015,226	0.01%
105,000	Alps Electric Co	1,219,159	0.01%
156,000	Asahi Diamond	629,573	0.01%
230,000	Asahi Glass Co	1,498,772	0.02%
49,200	Autobacs Seven	898,064	0.01%
48,000	Bandai Co	959,688	0.01%
419,000	Canon	15,482,448	0.16%
194,000	Canon Sales	1,343,193	0.01%
110,000	Capcom Co	1,075,206	0.01%
30,000	Chubu Electric Power	496,505	0.01%
28,373	Chugai Pharmaceutl	323,767	0.00%
135,000	Citizen Watch Co	984,680	0.01%
100,000	Daikin Industries	1,832,738	0.02%
560,000	Dainippon Screen	3,039,604	0.03%
203,000	Daiwa House Industry Co	1,713,665	0.02%
185,000	Daiwa Kosho Lease Co	543,860	0.01%
579,000	Denki Kagaku Kogyo	1,479,186	0.02%
295,900	Denso Corporation	4,623,304	0.05%
259	East Japan Railway Co	968,537	0.01%
115,400	Fanuc Co	5,486,128	0.06%
60,000	Fast Retailing Co	2,892,393	0.03%

Quoted Securities - Equities			
Holding	Security Description	Market Value €	% Total
<b>JAPAN (CONTINUED)</b>			
130,000	Fuji Oil Co	957,837	0.01%
425,000	Fujikura	1,988,983	0.02%
314,000	Fujitsu	1,469,507	0.02%
280	Fullcast Co	688,369	0.01%
332	Geo Co	1,209,562	0.01%
42,000	Geomatec Co	727,763	0.01%
44,000	Glory Kogyo	1,286,989	0.01%
488	Goodwill Group	856,433	0.01%
350,000	Hitachi	1,674,271	0.02%
214,800	Hitachi Capital	2,363,623	0.02%
77,400	Hitachi Chemical	1,031,665	0.01%
35,000	Hitachi High Technologies	440,598	0.00%
36,200	Hitachi Information Systems	812,225	0.01%
312,000	Hitachi Kokusai Electric	1,711,977	0.02%
60,000	Hitachi Software Engineering	1,228,490	0.01%
233,700	Honda Motor Co	8,237,411	0.09%
33,500	Hoya	2,440,984	0.03%
150,000	Ibiden Co	1,499,513	0.02%
89	Ixi Co	345,340	0.00%
17,000	Jafco	1,059,952	0.01%
145,000	JFE Holdings	3,140,646	0.03%
185,000	JGC	1,531,576	0.02%
228,800	Kansai Electric Power	3,181,828	0.03%
435,000	Kansai Paint Co	1,662,126	0.02%
27,000	Kao	435,858	0.00%
292,000	Kayaba Industry Co	968,692	0.01%
1,080	Kddi	4,910,404	0.05%
14,000	Keyence	2,341,905	0.02%
2,530,000	Kobe Steel	2,510,443	0.03%
34,000	Koha Co	1,009,598	0.01%
285,000	Komatsu	1,435,089	0.02%
25,500	Kuroda Electric	647,678	0.01%
37,800	Kyocera	1,998,550	0.02%
6,000	Mabuchi Motor	366,547	0.00%
280,000	Marui Co	2,799,090	0.03%
27,000	Matsumotokiyoshi Co	480,844	0.00%
522,000	Matsushita Electric Indl Co	5,728,538	0.06%
55,500	Meitec	1,693,227	0.02%
638,000	Mitsubishi	5,366,907	0.06%
490,000	Mitsubishi Electric	1,614,660	0.02%
641,000	Mitsubishi Heavy Industries	1,414,488	0.01%
560,000	Mitsubishi Rayon	1,667,014	0.02%
1,490	Mitsubishi Tokyo Financial Grp	9,223,964	0.10%
1,095,000	Mitsui & Co	6,997,614	0.07%
630,000	Mitsui Chemicals	2,915,719	0.03%
779,000	Mitsui Fudosan Co	5,583,903	0.06%
375,000	Mitsui Mining & Smelt Co	1,235,709	0.01%
1,650,000	Mitsui O.S.K. Lines	6,390,145	0.07%
229,000	Mitsui Sumitomo Insurance	1,492,256	0.02%
950	Mizuho Financial Gp	2,286,294	0.02%
6,200	Nafco Co	97,790	0.00%

# National Pensions Reserve Fund

## Portfolio of Investments 31 December 2003

Quoted Securities - Equities			
Holding	Security Description	Market Value €	% Total
<b>JAPAN (CONTINUED)</b>			
216,000	NEC	1,261,990	0.01%
30,400	NEC Electronics Cp	1,764,878	0.02%
340	Net One Systems Co	2,077,103	0.02%
400,000	NGK Insulators	2,369,600	0.02%
370,000	NHK Spring Co	1,367,185	0.01%
20,000	Nichii Gakkan Co	900,448	0.01%
100,000	Nifco	995,972	0.01%
49,000	Nihon Eslead	823,658	0.01%
1,035,000	Nikko Cordial	4,575,512	0.05%
155,000	Nikon	1,854,804	0.02%
81,100	Nintendo Co	6,005,455	0.06%
1,436	Nippon Telegraph & Telephone	5,497,561	0.06%
588,200	Nissan Motor Co	5,331,280	0.06%
217,000	Nissay Dowa General Insurance Co	800,229	0.01%
277,000	Nissho Iwai Nichim	968,159	0.01%
18,300	Nitori Co	903,862	0.01%
100,000	Nitto Denko	4,220,850	0.04%
63	Niws Co	111,964	0.00%
704,000	Nomura Holding	9,513,944	0.10%
1,150,000	NSK	3,329,658	0.03%
6,713	NTT Docomo	12,079,473	0.13%
3,700	Obic	590,712	0.01%
90,000	Omron	1,449,529	0.01%
198,000	Onward Kashiyama Co	1,906,047	0.02%
30,900	Orix	2,027,296	0.02%
38,500	Otsuka Kagu	946,507	0.01%
150,000	Ricoh	2,349,236	0.02%
69,800	Rohm Co	6,491,875	0.07%
124,000	Sanwa Shutter	556,441	0.01%
550,000	Sanyo Electric Co	2,280,740	0.02%
54,000	Secom Co	1,599,480	0.02%
63,000	Seiko Epson	2,332,575	0.02%
262,000	Sekisui House	2,147,702	0.02%
489,000	Sharp	6,123,187	0.06%
84,100	Shimano	1,382,528	0.01%
250,000	Shimizu Corporation	755,310	0.01%
241,000	Shin-Etsu Chemicals Co	7,816,570	0.08%
770,000	Shinwa Kaiun	1,539,499	0.02%
25,000	Shiseido	241,218	0.00%
35,600	Showa	253,073	0.00%
640,000	Showa Denko Kk	1,142,147	0.01%
20,000	SMC	1,975,654	0.02%
59,600	Sony	1,637,364	0.02%
875,000	Sumitomo	5,177,021	0.05%
280,000	Sumitomo Bakelite Co	1,449,307	0.02%
1,135,000	Sumitomo Chemical	3,714,866	0.04%
550,000	Sumitomo Electric Ind	3,901,694	0.04%
735,000	Sumitomo Heavy Industries	1,322,570	0.01%
325,000	Sumitomo Metal Mining	1,913,267	0.02%
350	Sumitomo Mitsui Financial	1,479,889	0.02%

Quoted Securities - Equities			
Holding	Security Description	Market Value €	% Total
<b>JAPAN (CONTINUED)</b>			
500,000	Sumitomo Osaka Cement Co	777,525	0.01%
248,000	Sumitomo Realty & Development Co	1,733,599	0.02%
512,000	Sumitomo Trust & Banking Co	2,388,557	0.03%
161,000	Takeda Chemical Industries	5,066,871	0.05%
19,000	Tamron Co	759,753	0.01%
43,000	TDK	2,458,164	0.03%
183,000	THK Co	2,954,151	0.03%
58,000	Tis	1,554,754	0.02%
15,000	Tokai Rika Denki	104,522	0.00%
215,400	Tokyo Broadcasting Sys	2,722,728	0.03%
415,000	Tokyo Buhin Kogyo	765,196	0.01%
920,000	Tokyo Gas	2,602,413	0.03%
615,000	Toppa Printing	5,077,794	0.05%
720,000	Toshiba	2,164,630	0.02%
235,000	Toto	1,580,079	0.02%
116,000	Toyota Industries	1,954,179	0.02%
675,000	Toyota Motor Co	18,094,117	0.19%
60,000	Uni-Charm	2,341,461	0.02%
148,000	Uny Co	1,205,534	0.01%
252,000	Wacoal	1,647,731	0.02%
42,000	Xebio Co	746,424	0.01%
35,000	Yamada Denki Co	933,030	0.01%
160,000	Yamaha Motor Co	1,385,031	0.01%
140,000	Yamanouchi Pharmaceutical Co	3,452,211	0.04%
166,000	Yamato Transport	1,551,288	0.02%
243,000	Yokogawa Electric	2,785,494	0.03%
820,000	Yokohama Rubber Co	1,833,774	0.02%
300,000	Zeon	1,968,249	0.02%
<b>Total Japanese Equities</b>		<b>373,120,160</b>	<b>3.92%</b>

# National Pensions Reserve Fund

## Portfolio of Investments 31 December 2003

Quoted Securities - Equities			
Holding	Security Description	Market Value €	% Total
<b>▼ Asia Pacific</b>			
<b>AUSTRALIA</b>			
402,890	Amcor Limited	1,980,639	0.02%
393,755	Australian & New Zealand Bank	4,143,308	0.04%
168,961	Australian Stock Exchange	1,717,565	0.02%
1,616,209	BHP Billiton	11,725,735	0.12%
1,405,815	Brambles Industries	4,417,748	0.05%
613,056	Coca-Cola Amatil	2,273,144	0.02%
327,539	Commonwealth Bank Of Australia	5,740,995	0.06%
148,690	CSL	1,579,642	0.02%
978,820	Fosters Group	2,621,526	0.03%
566,390	Insurance Australia Group	1,432,661	0.02%
383,295	James Hardie Industries	1,569,497	0.02%
408,436	National Australia Bank	7,280,474	0.08%
816,392	News Corporation	5,825,816	0.06%
17,430	News Corporation ADR	417,460	0.00%
651,781	Promina Group	1,272,373	0.01%
238,728	Qantas Airways	467,453	0.00%
548,026	QBE Insurance Group	3,457,370	0.04%
885,654	Rinker Group	3,452,584	0.04%
188,129	Rio Tinto Limited	4,165,216	0.04%
279,094	Tab Corp Hldgs	1,865,388	0.02%
531,870	Telstra	1,525,778	0.02%
497,560	Transurban Group	1,320,746	0.01%
31,400	Wesfarmers	495,052	0.00%
400,422	Westpac Banking	3,810,704	0.04%
240,300	WMC Resources	805,195	0.01%
429,345	Woodside Petroleum	3,781,873	0.04%
112,238	Woolworths	788,244	0.01%
		<b>79,934,186</b>	<b>0.84%</b>

Quoted Securities - Equities			
Holding	Security Description	Market Value €	% Total
<b>HONG KONG</b>			
539,000	ASM Pacific Technology	1,869,069	0.02%
3,028,000	Beijing Datang Power Generation Co	1,713,983	0.02%
720,000	Cathay Pacific Airways	1,083,134	0.01%
245,000	Cheung Kong(Hldgs)	1,542,981	0.01%
5,200	China Life Insurance ADR	135,743	0.00%
561,000	China Life Insurance	363,324	0.00%
828,000	China Merchants Holdings Intl	865,589	0.01%
671,500	China Mobile (HK)	1,633,398	0.02%
938,000	Clear Media	487,900	0.00%
800,500	CLP Hldgs	3,020,791	0.03%
1,862,500	Cnooc Ord	2,887,337	0.03%
1,470,000	Cosco Pacific	1,551,727	0.02%
338,000	Dah Sing Financial Hldgs	1,990,794	0.02%
776,000	Esprit Hldgs	2,045,879	0.02%
1,318,000	Great Eagle Hldgs	1,250,132	0.01%
619,000	Hong Kong & China Gas	748,112	0.01%
2,125,700	Hong Kong Exchanges & Clearing	3,653,082	0.04%

Quoted Securities - Equities			
Holding	Security Description	Market Value €	% Total
<b>HONG KONG (CONTINUED)</b>			
166,000	Hong Kong Land	223,436	0.00%
210,000	Hutchison Whampoa	1,226,175	0.01%
234,822	Jardine Matheson Hldgs	1,691,908	0.02%
1,639,000	Johnson Elec Hldgs	1,654,900	0.02%
550,000	Li & Fung	746,057	0.01%
259,000	Sun Hung Kai Properties	1,697,190	0.02%
1,118,500	Swire Pacific A	5,464,231	0.06%
742,792	Yue Yuen Intl Hldg	1,617,419	0.02%
3,032,000	Zhejiang Expwy Co	1,685,324	0.02%
		<b>42,849,615</b>	<b>0.45%</b>

Quoted Securities - Equities			
Holding	Security Description	Market Value €	% Total
<b>SINGAPORE</b>			
207,000	DBS Hldgs	1,418,603	0.01%
52,109	Flextronics International	612,270	0.01%
319,000	Keppel	907,180	0.01%
1,003,000	Mobileone	701,399	0.01%
1,562,000	Sembcorp Logistics	1,456,412	0.01%
1,358,000	Singapore Exchange	1,069,941	0.01%
2,973,000	Singapore Post	963,281	0.01%
67,000	Singapore Press	590,350	0.01%
875,000	Singapore Technologies	832,169	0.01%
4,556,000	Singapore Telecommunications	4,163,063	0.04%
738,000	United Overseas Bank	4,541,544	0.05%
281,000	Venture	2,620,050	0.03%
		<b>19,876,262</b>	<b>0.21%</b>

<b>Total Asia Pacific Equities</b>	<b>142,660,063</b>	<b>1.50%</b>
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<b>Total Equities</b>	<b>6,831,630,090</b>	<b>71.72%</b>
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# National Pensions Reserve Fund

## Portfolio of Investments 31 December 2003

Quoted Securities - Bonds			
Holding	Security Description	Market Value €	% Total
<b>AUSTRIA</b>			
10,000,000	Republic of Austria 6.25% 15/07/27	11,835,500	0.13%
26,500,000	Republic of Austria 4% 15/07/09	26,896,440	0.28%
		<b>38,731,940</b>	<b>0.41%</b>
<b>BELGIUM</b>			
7,515,000	Kingdom of Belgium 5.5% 28/03/28	8,085,013	0.09%
6,520,000	Kingdom of Belgium 8% 28/03/15	8,599,293	0.09%
25,350,000	Kingdom of Belgium 4.25% 28/09/13	25,172,550	0.26%
46,350,000	Kingdom of Belgium 5% 28/09/12	48,904,812	0.51%
		<b>90,761,668</b>	<b>0.95%</b>
<b>FINLAND</b>			
2,500,000	Republic of Finland 5% 25/04/09	2,661,025	0.03%
3,350,000	Republic of Finland 5.375% 4/07/13	3,632,640	0.04%
6,275,000	Republic of Finland 5.75% 23/02/11	6,947,053	0.07%
		<b>13,240,717</b>	<b>0.14%</b>
<b>FRANCE</b>			
5,763,000	Government of France 6% 25/10/25	6,640,071	0.07%
10,691,000	Government of France 5% 25/10/16	11,211,224	0.12%
10,435,000	Government of France 5.5% 25/04/29	11,285,035	0.12%
15,400,000	Government of France 3.5% 12/07/04	15,515,500	0.16%
27,520,000	Government of France 4.25% 25/04/19	26,269,216	0.28%
47,840,000	Government of France 5.75% 25/10/32	53,708,533	0.56%
58,750,000	Government of France 4% 25/04/09	59,769,900	0.63%
67,850,000	Government of France 5% 25/10/11	71,951,533	0.75%
		<b>256,351,011</b>	<b>2.69%</b>

Quoted Securities - Bonds			
Holding	Security Description	Market Value €	% Total
<b>GERMANY</b>			
1,010,000	Federal Republic of Germany 4.25% 4/01/14	1,006,889	0.01%
7,385,000	Federal Republic of Germany 4.75% 4/07/28	7,202,295	0.08%
6,130,000	Federal Republic of Germany 6.25% 4/07/30	7,296,049	0.08%
10,000,000	Federal Republic of Germany 4.75% 4/07/34	9,696,500	0.10%
8,770,000	Federal Republic of Germany 6.5% 4/07/27	10,707,995	0.11%
9,806,000	Federal Republic of Germany 5.625% 4/01/28	10,754,240	0.11%
79,000,000	Federal Republic of Germany 4% 4/07/09	80,336,680	0.84%
75,334,000	Federal Republic of Germany 5.5% 4/01/31	81,619,116	0.86%
94,250,000	Federal Republic of Germany 4.5% 4/01/13	96,287,685	1.01%
		<b>304,907,448</b>	<b>3.20%</b>
<b>GREECE</b>			
8,250,000	Republic of Greece 5.25% 18/05/12	8,794,253	0.09%
8,449,000	Republic of Greece 5.9% 22/10/22	9,361,492	0.10%
21,600,000	Republic of Greece 5.35% 18/05/11	23,224,968	0.24%
20,970,000	Republic of Greece 6.5% 22/10/19	24,752,778	0.26%
		<b>66,133,491</b>	<b>0.69%</b>
<b>ITALY</b>			
5,300,000	Republic of Italy 5% 1/08/34	5,196,491	0.06%
6,589,000	Republic of Italy 7.25% 1/11/26	8,607,079	0.09%
8,136,000	Republic of Italy 9% 1/11/23	12,373,392	0.13%
12,614,000	Republic of Italy 6.5% 1/11/27	15,173,759	0.16%
14,896,000	Republic of Italy 5.25% 1/11/29	15,270,039	0.16%
17,650,000	Republic of Italy 4.5% 1/05/09	18,334,291	0.19%
33,560,000	Republic of Italy 5.25% 1/08/17	35,589,038	0.37%
36,722,000	Republic of Italy 5.75% 1/02/33	40,282,198	0.42%
81,875,000	Republic of Italy 6% 1/05/31	92,899,469	0.98%
93,250,000	Republic of Italy 5% 1/02/12	98,340,518	1.03%
		<b>342,066,271</b>	<b>3.59%</b>

# National Pensions Reserve Fund

## Portfolio of Investments 31 December 2003

Quoted Securities - Bonds			
Holding	Security Description	Market Value €	% Total
<b>NETHERLANDS</b>			
7,202,000	Dutch Government 7.5% 15/01/23	9,630,442	0.10%
24,333,000	Dutch Government 5.5% 15/01/28	26,320,519	0.28%
42,700,000	Dutch Government 3.75% 15/07/09	42,842,618	0.45%
		<b>78,793,580</b>	<b>0.83%</b>
<b>PORTUGAL</b>			
2,875,000	Republic of Portugal 5.45% 23/09/13	3,117,248	0.03%
16,340,000	Republic of Portugal 5.15% 15/06/11	17,418,440	0.19%
		<b>20,535,688</b>	<b>0.22%</b>
<b>SPAIN</b>			
10,000,000	AYT Cedulas Cajas 4.75% 4/12/18	9,873,000	0.10%
9,272,000	Government of Spain 5.5% 30/07/17	10,135,501	0.11%
16,557,000	Government of Spain 6% 31/01/29	19,128,137	0.20%
35,350,000	Government of Spain 4.75% 30/07/14	36,554,375	0.38%
49,000,000	Government of Spain 5.35% 31/10/11	53,011,140	0.56%
		<b>128,702,152</b>	<b>1.35%</b>
<b>Total Quoted Bonds</b>		<b>1,340,223,966</b>	<b>14.07%</b>

Cash Deposits & Other Investments		
	Market Value €	% Total
<b>Cash Deposits</b>		
Euro	1,242,195,991	13.04
US Dollar	31,828,365	0.33
Japanese Yen	7,603,503	0.08
Sterling	654,710	0.01
Other Currencies	474,670	0.01
<b>Total Cash Deposits</b>		<b>1,282,757,239</b>
Unrealised gain on foreign exchange contracts	69,841,335	0.73
Unrealised gain on futures contracts (Note 1)	487,282	0.01
<b>Total Investments</b>		<b>9,524,939,912</b>
		<b>100.00</b>

Note 1	Commitment	Unrealised Gain
Open Futures at 31 December 2003	€	€
258 DJ Euro Stoxx Contracts (Expiring March 2004)	6,804,810	313,410
24 S&P 500 Index Contracts (Expiring March 2004)	5,102,138	173,872
<b>Total</b>	<b>11,906,948</b>	<b>487,282</b>



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