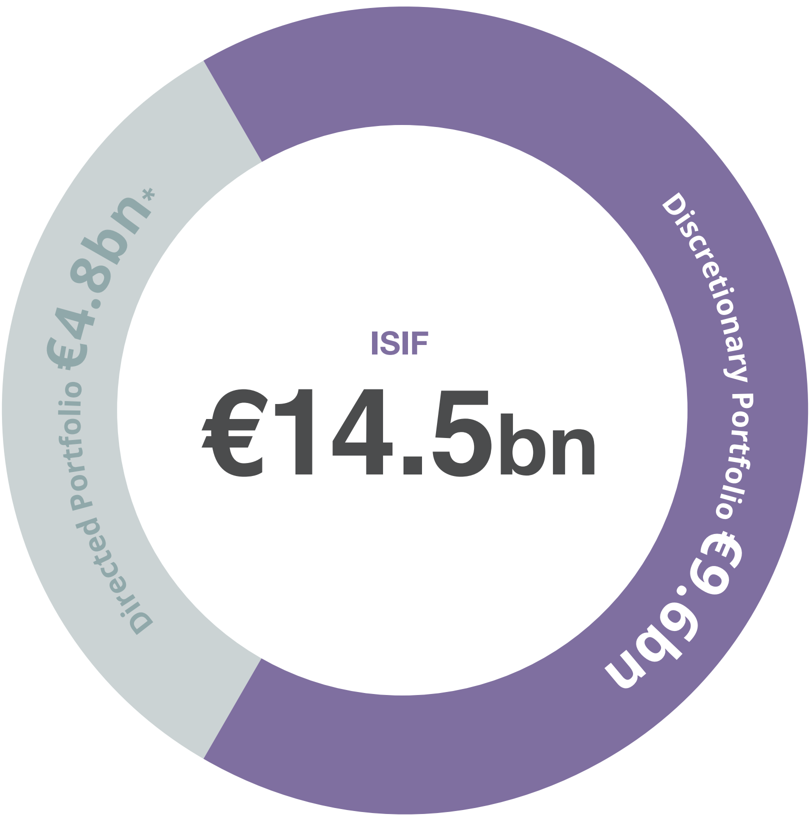
# Ireland Strategic Investment Fund

The NTMA controls and manages the Ireland Strategic Investment Fund (ISIF) which has a statutory mandate to invest on a commercial basis in a manner designed to support economic activity and employment in the State.

Overview of ISIF




*Primarily public policy investments in the banking sector.
Figures may not total due to rounding.



## Economic Impact

**37,322**

Jobs supported to end-June 2021.

## Investments

**166**

Commitments across multiple sectors, including 25 during 2021.

## Financial Returns

**+10.7%**

ISIF investment returns of +10.7% in 2021 with accumulated returns at end-2021 of just under €2.7bn since inception including €940m in 2021.

## Overview

The Ireland Strategic Investment Fund (ISIF), controlled and managed by the National Treasury Management Agency (NTMA), is a €14.5bn fund. The ISIF is comprised of the Discretionary Portfolio (€9.6bn) and the Directed Portfolio (€4.8bn). The Discretionary Portfolio has a "double bottom line" mandate to invest on a commercial basis in a manner designed to support economic activity and employment in Ireland. In December 2014, following the transfer of assets to the ISIF from the National Pensions Reserve Fund (NPRF), ISIF commenced execution of an investment strategy aimed at meeting that mandate. ISIF's 2019 Investment Strategy sets out its Priority Themes including Regional Development, Housing, Indigenous Businesses, Climate Change and sectors adversely affected by Brexit[2]. In May 2020 in response to the COVID-19 pandemic, the Minister for Finance announced the establishment within ISIF of a €2bn Pandemic Stabilisation and Recovery Fund (PSRF) to invest in medium and large-scale businesses in Ireland impacted by COVID-19. Given the protracted nature of the pandemic throughout 2021, ISIF continued to support the stabilisation and recovery efforts of businesses within key parts of the economy.

### PSRF Investment Strategy

As a sub-fund of ISIF, the PSRF operates within the existing ISIF statutory "double bottom line" mandate, with a particular investment focus on businesses impacted by the pandemic and those critical to Ireland's ability to respond to the pandemic. Initially, with the pandemic at its height and businesses in urgent need of capital and support, the investment approach focused on stabilisation – i.e. investing commercially to ensure that medium and large businesses negatively impacted by the COVID-19 crisis, could return to viability and contribute to the recovery of the Irish economy. With the economy in recovery phase, ISIF continues to invest on a commercial basis to support and accelerate economic recovery and growth more widely, with a particular focus on Regional Development, Indigenous Businesses, Housing, Climate Change, Food and Agriculture and Brexit.

ISIF has continued to support new indirect investment funds including, in particular, where the funds' strategies are pandemic-related. As a long-term patient capital investor, ISIF has also continued to support its existing direct and indirect investments, with additional finance as appropriate, in line with its mandate.

Some flexibility is maintained to take advantage of selective, compelling opportunities of national significance which are consistent with the ISIF mandate and which do not fit under either the PSRF investment strategy or the Priority Themes.

The Directed Portfolio (primarily public policy investments in AIB and Bank of Ireland) continues to be held within the ISIF under direction from the Minister for Finance.

## Discretionary Portfolio

The ISIF's "double bottom line" mandate makes it one of the few sovereign funds globally which invests to support both economic activity and employment, in addition to delivering commercial returns. The ISIF seeks to generate a return over the long term in excess of the cost of Irish Government debt *(as defined in the National Treasury Management Agency (Amendment) Act 2014)*.

The Discretionary Portfolio includes €3.8bn of investments designed to have a domestic economic impact and €5.8bn in global investments designed to be low risk and that are highly liquid. The Discretionary Portfolio value has grown since inception from €7.1bn to €9.6bn, driven by investment gains of just under €2.7bn, cash injections of €1.5bn (AIB dividends €1.1bn, Bank of Ireland dividends €41m and the sale of the State's shareholding in Aer Lingus €335m) and net of transfers to other Government initiatives, including to the National Surplus (Exceptional Contingencies) Reserve Fund (Rainy Day Fund), of €1.7bn.

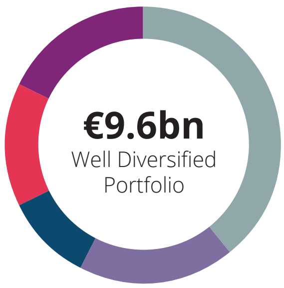
## Performance

In 2021, the ISIF investment return was +10.7%. The Discretionary Portfolio benefited from strong equity markets in 2021, especially in the venture capital and private equity sectors. Since inception to end-2021, the ISIF has generated +4.5% per annum. ISIF's investment target is to exceed the five-year rolling cost of Government debt (2.9% at end-2021) over the long term.

At the end of June 2021, ISIF investments supported 37,322 jobs and the generation of €1.6bn turnover from Irish based companies and projects. Further details can be found on page 29.

## Asset Allocation

### ISIF Overview at End-2021




| | |
|---|---|
| Equity | **€3.8bn** |
| Fixed Income | **€1.8bn** |
| Real Assets | **€1.0bn** |
| Absolute Return | **€1.4bn** |
| Cash and Equivalent | **€1.7bn** |

Figures may not total due to rounding. Figures reflect the economic exposure of each asset class.

A total of €5.6bn has been committed to Ireland (€3.8bn invested) since the Fund's inception in December 2014. €670m was committed by ISIF to 25 separate investments during 2021 (average investment size of €27m), see table on page 27 for more details. The ISIF portfolio is diversified across the regions and many sectors of the economy, and includes investments in infrastructure, energy, housing, commercial real estate, SMEs, food and agriculture, forestry, technology, life sciences, education and international financial services.

Additionally, there is €5.8bn of assets globally invested of which just under €2.0bn is allocated to other Government priority initiatives (€1.25bn to Land Development Agency (LDA) and €0.73bn to Home Building Finance Ireland (HBFI)). The main

2 ISIF's 2019 Investment Strategy was approved by the NTMA Board in November 2018 and published following consultation with the Minister for Finance and Public Expenditure and Reform on 1 February 2019.

objective of the global investments is to provide liquidity for Irish Portfolio investments as well as other directed or expected withdrawals (including in respect of HBFI and the LDA) and to earn an appropriate risk adjusted return that will assist ISIF's performance with a low risk appetite. A table of the global investment managers are outlined on page 28.

## Irish Investments During 2021

| Investment | Description of Investment | Approximate amount €m |
|---|---|---|
| **GASL Holdings LLC** | Debt facility to an existing ISIF investee that operates in the aircraft leasing industry in Ireland. | 12 |
| **Stripe Inc.** | A global technology company building economic infrastructure for the internet, dual-headquartered in San Francisco and Dublin. | 42 |
| **Birch Corporate Credit DAC** | DunPort loan fund investing flexible capital in COVID-19 pandemic impacted SMEs based in Ireland. | 50 |
| **Beach Point Capital Fund II (BPC Ireland Lending II DAC)** | Loan fund providing debt to growth stage Irish SMEs. | 15 |
| **Fexco** | Debt facility to support the ongoing operations and growth of a leading Irish payments and technology company. | 20 |
| **Ocuco Limited** | Debt facility to support provider of software to optical retailers and optical lens manufacturing labs. | 15 |
| **AMCS (follow-on)** | Follow-on investment in an existing investee that develops software for the waste, recycling and resource sectors. | 3 |
| **Vectra AI Inc. (follow-on)** | Follow-on investment in an existing investee that develops and sells enterprise cyber-security software. | 3 |
| **Illumina Innovation Fund II, L.P.** | Fund will support early-stage companies across the US and EU that are pioneering breakthroughs in life science tools, clinical diagnostics, therapeutics platforms, digital health, and other applications of genomics. | 25 |
| **Lightstone Ventures Fund III, L.P.** | Fund will invest in early stage, therapeutic-oriented companies in the US, EU and Asia, as well as opportunistic late-stage opportunities. | 16 |
| **Oak Corporate Credit DAC** | Loan fund providing debt to lower mid-market SMEs and medium sized corporates. | 95 |
| **Scottish Equity Partners Fund VI (SEP VI LP)** | Private equity investments in growth stage technology businesses in the UK, Ireland and Europe. | 35 |
| **Just Climate** | Climate fund managed by Generation targeting a range of high-impact, market-ready solutions which require catalytic capital. | 134 across 3 climate funds |
| **Activate Capital Partners** | Late-stage venture capital / private equity investments in companies that enable energy transition, mobility technologies and digital transformation. | |
| **SDCL Green Energy** | Energy transition-focused fund that seeks to deploy development capital into projects in energy efficiency. | |
| **Housing Infrastructure Services Company DAC (HISCo) (follow-on)** | A revolving credit facility to HISCo, ISIF's 50:50 joint venture with Cork County Council supporting residential development. | 20 |
| **SIF- Ascension I, L.P.** | Fund of funds focusing on supporting the next generation of venture capital fund managers in the technology and life sciences sector. | 13 |
| **ACT VI Venture Fund, L.P.** | Fund focusing on investing in high potential technology companies located primarily in Ireland. | 20 |
| **Polaris Innovation Fund II L.P.** | Fund aims to accelerate the commercial and therapeutic potential of early-stage academic research, focusing on company creation and growth through an active investment model. | 9 |
| **Seroba Life Sciences Fund IV L.P.** | Dublin headquartered European venture capital firm – Fund IV will invest in early-stage Biotech and Medical device companies in Ireland, Western EU and the US. | 20 |
| **Finance Ireland Agri Funding DAC (Milkflex II) (follow-on)** | Investment to support existing borrower to increase loans provided for milk farmers under the flagship product. | 61 |
| **Kilkenny Abbey Quarter Development Partnership (follow-on)** | Funding to support the development of further phases of the Abbey Quarter scheme in Kilkenny. | 3 |
| **Frontline EMEA Expansion Fund II LP** | Venture capital focusing on sourcing high quality FDI into Ireland. | 35 |
| **Harrison Street European Property Partners III** | Real estate equity fund targeting student accommodation, life sciences and speciality residential. | 25 |
| **Finistere Ventures Fund III L.P. *** | Fund is focused on global early stage agri-tech investments. | 16 |
| **Total** | | **670** |

* Rollover commitment from Finistere Ireland Ag-Tech Fund
Figures may not total due to rounding.

# Ireland Strategic Investment Fund (continued)

### Global Investment Managers at End-2021

| Manager | Mandate | Market Value €m | % |
|---|---|---|---|
| **Goldman Sachs Asset Management** | Multi-Asset | 1,750 | 30 |
| **Irish Life Investment Managers** | Multi-Asset | 835 | 14 |
| **Amundi Asset Management** | Fixed Income | 140 | 2 |
| **Mackay Shields European Investment Management** | Fixed Income | 100 | 2 |
| **Acadian Asset Management** | Equity | 426 | 7 |
| **Generation Investment Management** | Equity | 375 | 6 |
| **Blackstone Alternative Asset Management** | Absolute Return | 261 | 4 |
| **Bridgewater Associates** | Absolute Return | 240 | 4 |
| **Global Real Estate Managers*** | Real Estate | 14 | 0 |
| **NTMA** | Cash and Financial Assets | 1,675 | 29 |
| **Total** | | **5,817** | **100** |

*Legacy NPRF investments.
Figures may not total due to rounding.

The ISIF's custodian, BNY Mellon, provides custody, accounting, pricing and transaction services to the NTMA. BNY Mellon is responsible for transaction settlement and the custody of the segregated holdings of the ISIF's directly-owned public markets assets.

### Capital Allocation - Climate Change Investment

Climate change is one of ISIF's five priority investment themes in ISIF's 2019 Investment Strategy. ISIF's Climate Strategy is to make investments that help position Ireland for the Net Zero carbon economy ("Net Zero") envisaged under the national Climate Action Plan and improve the resilience of the Irish economy as the global market increasingly pivots towards sustainable business practices. The Climate Strategy encompasses investments ranging from sustainable infrastructure to new technologies, and business models that will underpin the transition to Net Zero across each segment of the economy that is heavily reliant on energy and carbon: electricity, transport, buildings, agriculture, and wider enterprise. ISIF has, to date, committed over €400m to investments in the renewable energy, climate tech and forestry spaces. ISIF announced it is targeting €1bn in climate action-related investments over the next 5 years. Investments include:

| Investment Name | Description |
|---|---|
| **Gore Street Energy Storage Fund plc** | £30m investment in Gore Street Energy Storage Fund plc, resulting in a listed energy storage company investing in Ireland. |
| **Greencoat Renewables plc** | €76m cornerstone investment establishing Ireland's first listed renewable energy infrastructure company via a €270m IPO on the Dublin and London markets. In 2020, ISIF sold down 75% of its holding of Greencoat Renewables via a secondary sale process. |
| **Temporis Aurora L.P.** | €50m ISIF cornerstone investment enabling the establishment of Ireland's first dedicated renewable energy development equity fund. |
| **The Foraois Limited Partnership** | €55m investment alongside European Investment Bank in a Dasos-managed fund to support new investment in privately owned forests across Ireland. |
| **NTR Wind 1 L.P.** | €35m commitment to a €250m equity fund targeting the construction and operation of onshore wind energy projects. |
| **Urban Volt Limited** | €5m direct equity Series A investment in Urban Volt, an innovative business providing energy efficient lighting solutions for corporate enterprises. |
| **Shamrock Renewable Products Limited** | Approximately €11m loan to Shamrock Renewables, a manufacturer of carbon neutral fuel products for the domestic consumer. |
| **2021 Climate Investments** | Approximately €134m in climate investments closed in 2021. |
| **Just Climate** | Climate fund managed by Generation targeting a range of high-impact, market-ready solutions which require catalytic capital. |
| **Activate Capital Partners** | Late-stage venture capital / private equity investments in companies that enable energy transition, mobility technologies and digital transformation. |
| **SDCL Green Energy** | Energy transition-focused fund that seeks to deploy development capital into projects in energy efficiency. |

## Economic Impact

The ISIF seeks to maximise the economic impact from investments while also ensuring that all investments satisfy its commercial return objectives.

The economic impact and employment supported by ISIF investment differs from traditional Government expenditure. With Government expenditure, public financial resources are depleted as a result of the spending, whereas, with commercial investment, public resources are expected to be returned with a gain at the end of the investment period. Returned investment capital can then be recycled into additional beneficial projects.

In line with the ISIF's "double bottom line" mandate, a key part of the ISIF's due diligence in advance of investment is a comprehensive assessment of the economic impact potential of each transaction.

Typically, economic impact is assessed across the dimensions of additionality, displacement and deadweight.

**Additionality** refers to the additional economic benefits to Gross Value Added (GVA) which are likely to arise as a result of the investment under consideration, over and above what would have taken place anyway. ISIF also considers sector specific metrics such as housing and climate.

**Displacement** refers to instances whereby the additionality created from an investment is reduced or made smaller at the overall economy level due to a reduction in such benefits elsewhere in the economy.

**Deadweight** refers to instances whereby the economic benefits created from an investment would have been achieved in any event in the absence of intervention.

Through its investments, the ISIF seeks to deliver positive economic impact through creating additionality, minimising displacement, and avoiding deadweight by complementing (rather than competing with) private sector sources of capital.

As a result of conditions generated during the COVID-19 pandemic, the ISIF (via the PSRF) has sought to deliver positive economic impact in Ireland by investing commercially to enable businesses of scale to sustain themselves in the near-term – irrespective of sector – and to deliver additionality through enabling them to persist and support employment over the medium and longer term.

Post-investment, the ISIF completes a semi-annual survey of all investees to collect economic impact and employment data to enable it to monitor the economic impact progress of all investments. The results of the H1 2021 survey are outlined here.

## ISIF Economic Impact As At June 2021

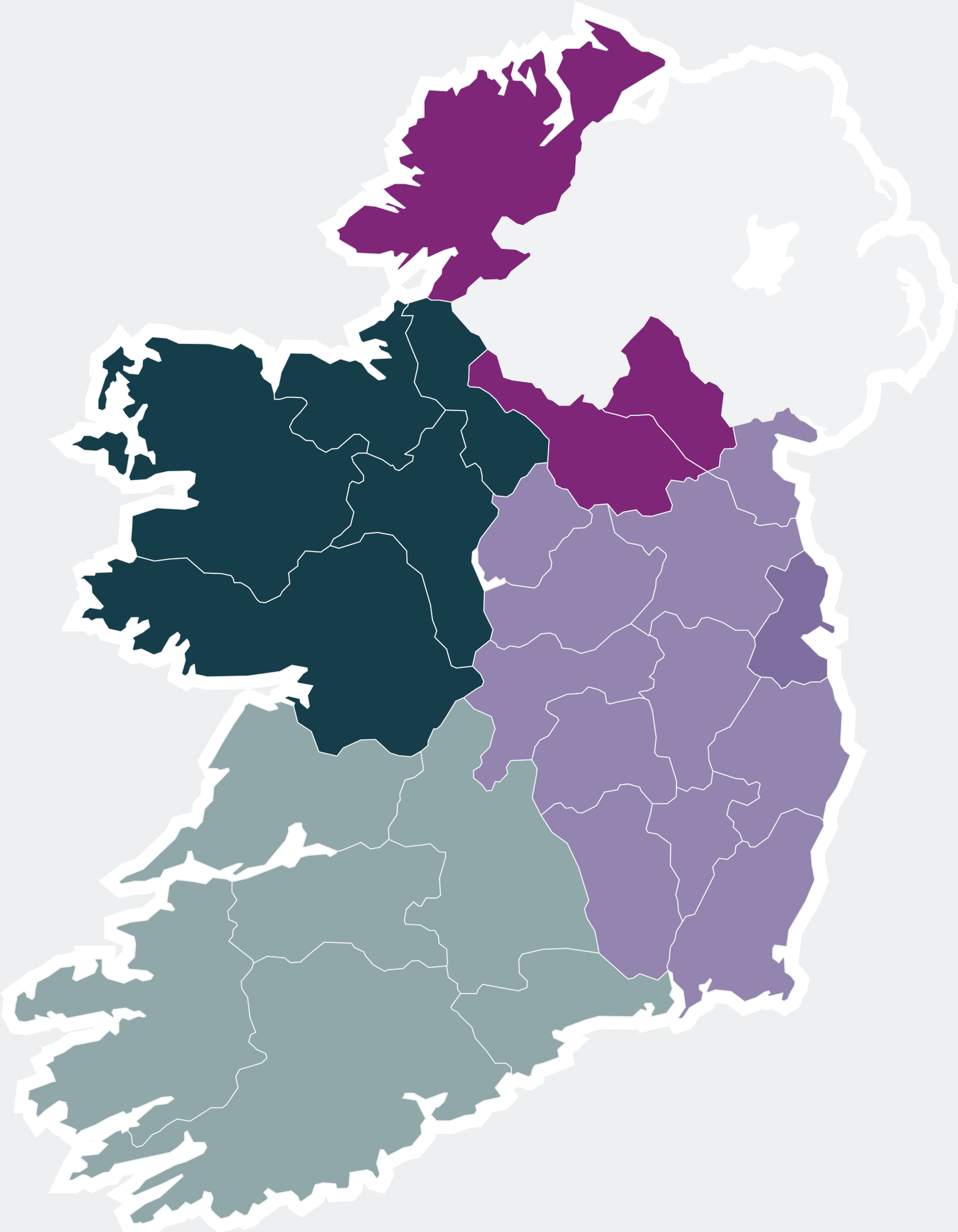
**2,592**
**Irish based companies/projects**
generated combined revenues of €1.56bn, 30% through exports.

**€536m**
**Wages & Salaries**
earned in the six months to June 2021.

**37,322**
**Jobs**
are supported, directly and indirectly, by ISIF investments.

**€551m**
**Gross Value Added (GVA)**
to the Irish economy for the six months to June 2021.

### ISIF Regional Economic Impact H1 2021



| | Ulster | Munster | Connacht | Leinster (Ex Dublin) | Dublin |
|---|---|---|---|---|---|
| Jobs | 4% | 17% | 4% | 18% | 57% |
| ISIF Capital | 2% | 20% | 6% | 14% | 58% |
| GVA | 7% | 27% | 8% | 26% | 32% |
| *CSO Regional Split of GVA (2019) | 3% | 35% | 3% | 18% | 41% |

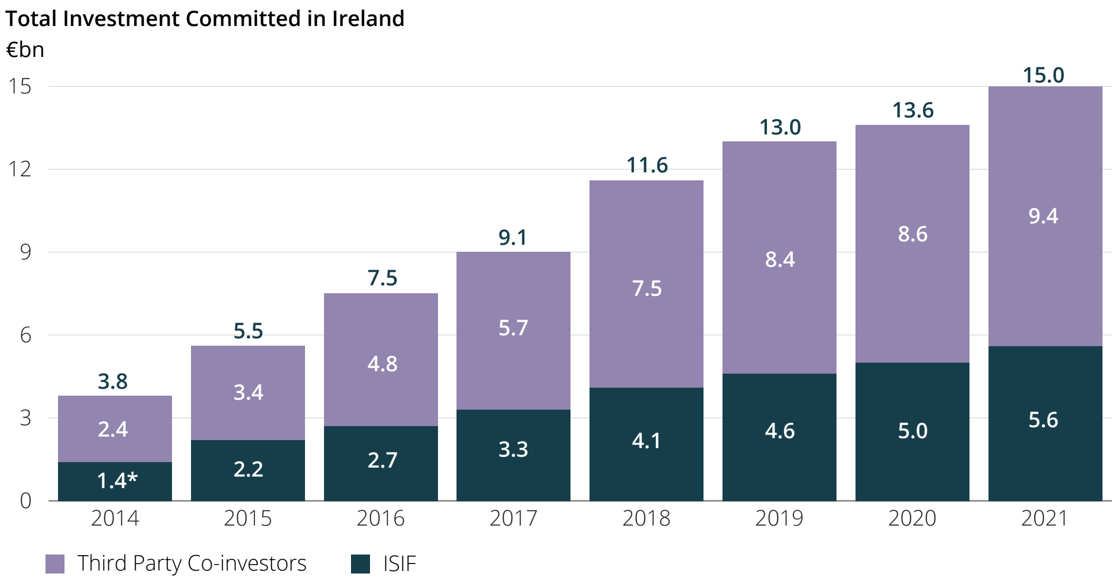
* Gross Value Added (GVA) is the enterprise or sector level measure of goods or services produced which, when aggregated across all enterprises and adjusted for taxes and subsidies, equals Gross Domestic Product (GDP).

### Leveraging ISIF's Impact

Including third-party co-investor commitments, a total of €15.0bn had been committed to investment in Ireland arising from ISIF investments.

ISIF set a co-investment target at inception to attract €1m in third-party capital alongside every €1m of capital invested by ISIF. As at 31 December 2021, ISIF exceeded this target with a co-investment rate of €1.7m alongside every €1m committed by ISIF.

#### ISIF Commitments To Ireland 2014-2021

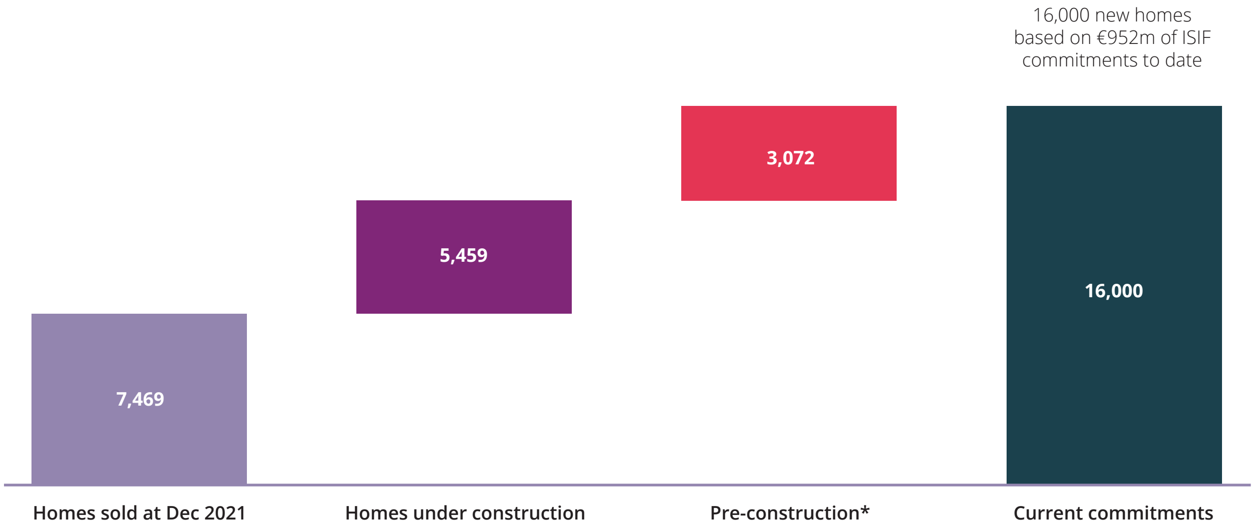



*Irish assets transferred in December 2014 from NPRF that were broadly consistent with ISIF mandate.

Figures may not total due to rounding.

### Housing

ISIF committed €952m to residential housing targeting the delivery of 16,000 new homes. By end-2021, 7,469 homes sold with an additional 5,459 under construction.




* Estimate based on 1) sites that have planning permission, but where construction has not commenced; and 2) sites without planning permission.

# Ireland Strategic Investment Fund (continued)

### Sustainability and Responsible Investment

ISIF is a universal owner, meaning its long-term returns are dependent on the economy's overall health, and therefore integrating Environmental, Social and Governance (ESG) factors are core to its investment approach. ESG consideration benefits ISIF not just through each individual investment, but also at an overall portfolio level, ultimately enhancing both the long-term value of the Fund and the reputation of NTMA in delivering on its mandate.

ISIF's overarching approach to Sustainability and Responsible Investment (S&RI) includes the following:

- ISIF is focused on ensuring that the whole portfolio, third-party managers, and investee companies consider potential climate risks and opportunities as appropriate and that such risks are appropriately considered as a part of ISIF's decision making and portfolio management.
- ISIF seeks to engage with likeminded investors and organisations that share ISIF's ambition to deliver on ESG priorities. ISIF is a founding signatory to the Principles of Responsible Investment (PRI), supporter of CDP (formerly the Carbon Disclosure Project) and Climate Action 100+ and an endorser of the One Planet Sovereign Wealth Funds (OPSWF) initiative and the Santiago Principles.

### Whole of Fund approach to Sustainability and Responsible Investment

The key tools that ISIF uses include: (1) divestment, (2) integrated analysis, (3) active ownership and (4) capital allocation. ISIF's aim is to implement ESG in a broadly consistent manner across its portfolios.

### Some of ISIF's S&RI Beliefs and Principles

- The NTMA has a responsibility to actively contribute to the sustainability of the Irish economy for future generations and to encourage others to do the same.
- Responsibly managed companies, those that actively manage ESG factors, are best placed to achieve a sustainable competitive advantage and provide strong, long-term investment returns.
- To deliver long-term sustainable returns, ISIF needs to think long term.
- ESG risks vary between asset classes, sector and companies and we adapt our approach and strategy as appropriate. The different characteristics of the Irish investments and Global investments require varied ESG tools and approaches that take investment characteristics, time horizons, asset classes and liquidity profiles, together with the size, scale and maturity of investees into consideration.
- Investing with impact is key to ISIF's mandate and Climate Change is a critical issue for the Fund.

### ISIF Climate Report

ISIF published its first-ever annual Climate Report in 2021, committing to support the long-term transition to Net Zero in Ireland before 2050 by driving substantial emissions reductions within the ISIF Portfolio and increasing ISIF's climate impact by 2030.

The Climate Report reflects the growing importance of climate action to ISIF and contains key metrics on carbon emissions from ISIF investments, building on ISIF's existing environmental disclosures, as well as details of ISIF's goals. The Climate Report demonstrates that ISIF is focused on ensuring that in both its Global and Irish investments, investee companies and third party managers are considering potential climate risks and opportunities as appropriate and that these are captured as a part of ISIF's decision making and portfolio management.

### Directions from the Minister for Finance

The ISIF has allocated just under €2.0bn for other Government initiatives; the Land Development Agency (LDA) (€1.25bn), and Home Building Finance Ireland (HBFI) (€730m).

- **Land Development Agency:** On 22 October 2018, the Minister for Finance informed the NTMA in writing of a proposal to allocate a reserve of up to €1.25bn to support the LDA. The Land Development Agency Act 2021 was enacted in July 2021 and relevant provisions came into effect on 1 December 2021. On 10 March 2022, the Minister for Finance directed the NTMA to transfer €100m out of the assets of the ISIF to the LDA no later than 24 March 2022 for the purpose of discharging the Minister's liability arising as a result of the Minister for Housing, Local Government and Heritage's subscription and the Minister for Public Expenditure and Reform's subscription for shares in the LDA in accordance with Section 25(2) of the Land Development Act 2021.
- **Home Building Finance Ireland (HBFI):** On 8 April 2019, the Minister for Finance directed the NTMA to execute a loan facility agreement with Home Building Finance Ireland (Lending) DAC (HBFIL) and to make available a loan facility of up to €730m from the ISIF to HBFIL. Since the establishment of HBFI, €144m in total has been drawn down. Taking into account repayments of €10m by HBFIL, the outstanding loan as at end-2021 amounted to €134m.

### Directed Portfolio

The Directed Portfolio – primarily public policy investments in AIB Group plc (AIB), Bank of Ireland Group plc (Bank of Ireland), Strategic Banking Corporation of Ireland (SBCI) and HBFI – continues to be held within the ISIF under direction from the Minister for Finance. During the financial crisis, a total of €20.7bn was invested by the NPRF in AIB and Bank of Ireland at the direction of the Minister for Finance for public policy reasons. These assets transferred to the ISIF on the establishment of the ISIF.

The figures in this section relate to investments held by the ISIF only and do not include public policy investments in Irish financial institutions made by the Minister for Finance through the Exchequer.

On 23 June 2021 and 4 November 2021, the Minister for Finance directed the NTMA to facilitate the sale of part of the State's shareholding in Bank of Ireland, which is held as a directed investment within the ISIF, and to subsequently transfer the net cash proceeds of sale to the Exchequer. Net proceeds of €249m were transferred to the Exchequer on 10 November 2021 and the ISIF's directed shareholding in Bank of Ireland had been reduced from c.14% at 23 June 2021 to 8% by 31 December 2021.

On 21 December 2021, the Minister for Finance directed the NTMA to facilitate the sale of part of the State's shareholding in AIB, which is held as a directed investment within the ISIF, over a period of up to six months, and to subsequently transfer the net cash proceeds of sale to the Exchequer. The sale of shares commenced in early 2022.

At end-2021, the Directed Portfolio comprised:

i. Ordinary shares in AIB valued at the market price of €2.084 per share;

ii. Ordinary shares in Bank of Ireland valued at the market price of €4.986 per share;

iii. €249m in cash, including commitments of €165m to the SBCI; and

iv. €134m loan to HBFI.

The Directed Portfolio had a valuation of €4.8bn at end-2021. Its return in 2021 was +26%. Arising from the €20.7bn invested in AIB and Bank of Ireland, cash returns on investments to date have amounted to €11.0bn while investment valuations at end-2021 were €4.4bn, bringing the total amount (income and value) to €15.4bn.

### Directed Portfolio at End-2021

| | Cash Invested €bn | Cash Received €bn | End-2020 Value €bn | End-2021 Value €bn | Total (Income & Value) €bn | Shareholding at End-2021 % |
|---|---|---|---|---|---|---|
| Bank of Ireland | 4.7 | 4.6 | 0.5 | 0.4 | 5.0 | 8 |
| | | | | | | |
| AIB | 16.0 | 6.4 | 3.2 | 4.0 | 10.4 | 71 |
| | | | | | | |
| Total Bank Investments | 20.7 | 11.0 | 3.7 | 4.4 | 15.4 | |
| HBFI | | | 0.0 | 0.1 | | |
| Cash and committments to SBCI | | | 0.2 | 0.2 | | |
| **Total Directed Portfolio** | | | 3.9 | 4.8 | | |

Figures may not total due to rounding.