



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.

Ireland Strategic Investment Fund

Overview

The Ireland Strategic Investment Fund (ISIF), controlled and managed by the National Treasury Management Agency (NTMA), is a €15bn fund. ISIF is comprised of the Discretionary Portfolio (€8.7bn) and the Directed Portfolio (€6.3bn).

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. Since the transfer of assets to ISIF from the National Pensions Reserve Fund (NPRF) in December 2014, ISIF has pursued the execution of an investment strategy designed to meet that mandate. 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. ISIF continued to support the stabilisation and recovery efforts of businesses within key sectors of the economy until end-May 2022 when the PSRF came to an end.

In June 2022, the revised ISIF Impact Strategy was launched, with a focus on four key investment themes: climate, housing and enabling investments, scaling indigenous businesses, and food and agriculture.

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



ISIF Impact Strategy

In June 2022, ISIF announced its revised investment strategy. While ISIF’s statutory mandate to invest for a commercial return in investments that support economic activity and investment in Ireland remains unchanged, the focus of the revised strategy is on long-term transformational investments addressing key strategic challenges facing the country. These include climate, housing and enabling investments, scaling indigenous businesses, and food and agriculture. This strategy also saw the formal closure of the PSRF. ISIF does retain the flexibility to invest outside of the four key investment themes, if necessary, under a Compelling and National theme as per the Impact Strategy published in 2022, which will be dedicated to unforeseen macroeconomic dislocation events such as the shock triggered by the COVID-19 pandemic or other strategic national imperatives.

Investing to support balanced growth across all of Ireland’s regions remains an important element of ISIF’s strategy. A particular focus of ISIF’s revised investment programme includes an ambition to invest €500m in regional investments to further enhance the economic potential of Cork, Galway, Limerick, Waterford and Kilkenny and these are seen as a cornerstone of ISIF’s revised investment strategy. This will result in major investment being targeted to each city in the form of new places to work, places to live and enabling investments resulting in the regeneration of regional city centres. ISIF will also target investments at emerging and scaling businesses in the regional cities and other opportunities to support sustainable growth. This is in addition to the commitment from ISIF in 2021 to seek to invest €1bn in climate projects over a five-year period, which seeks to fund delivery of sustainable infrastructure in support of 2030 targets, and new tech and business models as a route to transformation and full decarbonisation.

Discretionary Portfolio

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. 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*).

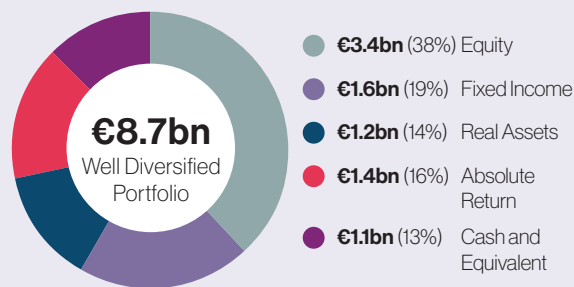
The Discretionary Portfolio includes €3.6bn of investments designed to have a domestic economic impact (Irish Portfolio) and €5.2bn in global investments designed to be low risk and that are highly liquid (Global Portfolio) so that they can be made available for Irish Portfolio investments and/or other Government initiatives as directed. The Discretionary Portfolio value has grown since inception to a market value of €8.7bn* at end-December 2022. This has been driven by a combination of investment gains (currently €2bn), cash injections and net of transfers to other Government initiatives, including to the National Surplus (Exceptional Contingencies) Reserve Fund.

Performance

In 2022, ISIF’s investment return was -6.7%. Returns declined in 2022 on foot of market concerns regarding lower growth forecasts, higher inflation, changes to monetary policy, the Russian invasion of Ukraine and geopolitical tension. From inception to end-2022, ISIF has generated an annualised investment return of 2.9% per annum. ISIF’s investment target is to exceed the five-year rolling cost of Government debt (2.8% at end-2022) over the long term.

Asset Allocation

ISIF Overview at End-2022



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

Since inception, in December 2014, ISIF has committed a total of €6.5bn to Ireland, directly and indirectly through its investment partners. The current market value of ISIF’s Irish Portfolio is estimated at €3.6bn. €823m was committed by ISIF to 20 separate investments during 2022 (average investment size of €41m), which are set out in more detail on page 24. ISIF’s portfolio is diversified by asset class per above and its investment activity is spread across its four key investment themes of climate, housing and enabling investments, scaling indigenous businesses, and food and agriculture. This includes investments across all the regions.

*Figures may not total due to rounding.

Ireland Strategic Investment Fund (continued)

Additionally, there are €5.2bn of assets globally invested of which just over €1.5bn are reserved for other Government priority initiatives (€1.15bn to Land Development Agency (LDA) and €0.4bn to Home Building Finance Ireland (HBFI)). The main 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 25.

Irish Investments During 2022

Investment	Description of Investment	Commitment €m
Aer Lingus Limited	Debt facility to support the liquidity needs of the business (follow-on).	200
BioDiscovery 6	Fund managed by Andera Life Sciences ("Andera"), one of the preeminent European venture teams, comprising of specialists with deep scientific, financial and operating skills.	20
Cardinal Mezzanine Fund	Mezzanine finance fund targeting commercial real estate opportunities.	50
Claret European Growth Capital Fund III	Claret Capital Partners ("Claret"), a venture debt manager that specialises in lending to high growth technology and life sciences businesses.	15
ClonBio Green Gas Limited (Green Generation)	Loan to support the Kildare based company's expansion of existing biomethane business.	12
DRES Finance Designated Activity Company	Investment which will facilitate DRES to acquire strategic residential sites across Dublin and Wicklow.	25
Emerald Airlines Ireland Limited	Debt investment to support the growth of the new Irish regional airline - Emerald Airlines.	6
Energy Impact Fund SCSp	Commitment to a Europe-focused late-stage venture capital fund managed by Energy Impact Partners, a leading global investor in decarbonisation technologies.	34
EIP Deep Decarbonisation Frontier Fund I	Commitment to an early-stage venture capital fund focused on technologies and business models that target revolutionary impacts in accelerating decarbonisation. The fund is managed by Energy Impact Partners, a leading global investor in decarbonisation technologies.	34
Housing Infrastructure Services DAC	A revolving credit facility to HISCo, ISIF's 50:50 joint venture with Cork County Council providing infrastructure to enable residential development (follow-on).	40
Hotel Investment Fund	An equity fund dedicated to investing in hotels affected by economic impacts.	50
Irish Strategic Forestry Fund	Commitment to a new fund to acquire and develop Irish forestry assets.	25
Kilkenny Cheese Limited	Debt facility to a joint venture between Dutch cheese processor Royal A-ware and Glanbia Ireland DAC to fund the construction of a continental cheese plant.	66
Quadrant Real Estate Fund III	Fund to provide speculative commercial real estate finance to developers for new office developments in Cork and Galway.	70
Solas Sustainable Energy Fund ICAV	Commitment to a fund providing innovative debt financing for residential and commercial energy efficiency projects.	20
Staycity Investments Limited	Investment to support ongoing operations and future growth of the leading Irish aparthotel company (follow-on).	10
AMCS International Limited	Follow-on investment to existing investee that develops software for the waste, recycling and resource sector.	52
Beach Point Capital Fund II (BPC Ireland Lending II DAC)	Loan Fund providing debt to growth stage Irish SMEs (follow-on).	10
Greystones Media Campus Limited	Follow-on equity commitment to existing investee to support the acquisition and development of a 44-acre site in Greystones, Co Wicklow into a state-of-the-art film studio campus.	24
Muzinich Pan-European Private Debt Fund II SCSp	Fund which provides loans to lower middle market / SME companies.	60
Total		823

Figures may not total due to rounding.

Global Investment Managers and Pooled Funds at End-2022

Manager/Pooled Fund	Mandate
Goldman Sachs Asset Management International	Multi-Asset
Ruffer LLP	Multi-Asset
Irish Life Investment Managers Limited	Equity, Fixed Income and Absolute Return
Amundi Asset Management	Fixed Income
Mackay Shields ECO Funding DAC (managed by MacKay Shields Europe Investment Management Limited)	Fixed Income
UBS Asset Management (UK) Ltd.	Equity, Fixed Income and Commodities
Acadian Asset Management LLC	Equity
Generation IM Fund plc. (managed by Generation Investment Management LLP)	Equity
ISIF BAAM Alpha Fund Ltd. (managed by Blackstone Alternative Asset Management L.P.)	Absolute Return
Bridgewater Pure Alpha Major Markets Fund III, Ltd. (managed by Bridgewater Associates LP)	Absolute Return
AHL Alpha (Cayman) Limited (managed by AHL Partners LLP)	Absolute Return
Global Real Estate Managers*	Real Estate

*Legacy NPRF investments.

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 ISIF's directly-owned public markets assets.

Investment Themes

Climate

ISIF's Climate Investment Strategy seeks to fund climate-positive initiatives which support Ireland's transition to a Net Zero low-carbon economy. This is a two-pillar approach:

- Firstly, supporting the sustainable infrastructural requirements of the Irish economy out to 2030 in key areas where carbon emissions are prevalent, as outlined in the Government's Climate Action Plan.
- Secondly, in funding the development of new technologies and business models that will support the longer-term transition of the Irish economy to Net Zero beyond 2030 and before 2050.

ISIF has partnered with top-tier international investors with deep expertise in the climate arena, bringing smart capital and world-class talent to focus on Ireland's decarbonisation journey. In 2021, ISIF announced its ambition to invest €1bn in climate-related investments over a five-year period. ISIF has made c. €500m of climate-related investments to date in support of this decarbonisation strategy, €235m of which has been invested since 2021.

Housing and Enabling Investments

The housing and enabling investments theme of ISIF's Impact Strategy targets significant investment across residential development, urban regeneration, commercial real estate and infrastructure.

ISIF is targeting the delivery of 25,000 new homes by 2030 through a range of equity and debt investments. By end-2022, ISIF had committed €1.2bn² to residential housing with over 11,250 homes sold.

In June 2022, ISIF launched a new €500m initiative focused on Ireland's five regional cities – Cork, Galway, Limerick, Waterford and Kilkenny. The new initiative will result in major investment being targeted to each city in the form of new places to work, places to live and enabling investments resulting in regeneration of regional city centres. Initial investments supporting regional office development and urban regeneration were closed in late 2022 and early 2023.

Scaling Indigenous Businesses

Through the scaling indigenous businesses theme, ISIF seeks to create a broad, dynamic and competitive range of funding options to support the growth plans of Irish businesses.

ISIF will achieve this through:

- Investing to support a robust funding ecosystem that provides suitable capital solutions to companies in all sectors, at all stages of the growth lifecycle and across the capital structure; and
- Offering a direct investment alternative for firms with ambition and long-term potential to pursue growth on the timeline best suited to the business and its owners.

In 2022, ISIF committed over €200m across a range of strategies, funds and direct opportunities, supporting the continued growth of the indigenous funding landscape and businesses within it. These include a €24m equity commitment to support the first phase of the Greystones Media Campus (Ireland's newest film and media campus), a €50m commitment anchoring an equity fund dedicated to investing in hotels impacted by COVID-19 and a €6m debt investment to support the growth of a new Irish short haul airline, Emerald Airlines.

Food and Agriculture

Food and agriculture is Ireland's largest indigenous sector with exports of €16.7bn to 180 countries representing 38% of the exports of all Irish owned firms and employing 170,040 people across rural Ireland.

² Figure includes a proportion of legacy commitments dedicated to housing (QREA Financing Limited - Facility A & WLR Cardinal Mezzanine Fund L.P.).

Ireland Strategic Investment Fund (continued)

Ireland's national agri-food strategy, *Food Vision 2030*, has a goal for Ireland to become a world leader in sustainable food systems over the next decade by balancing climate, smart agriculture, environmental and economic sustainability, health, and innovation. This should deliver significant benefits for the Irish agri-food sector, for Irish society and the environment. It should also provide the basis for future competitive advantage.

ISIF's food and agriculture investment strategy aims to support the transition of the Irish food and agriculture sector to become a world leader in sustainable food systems. ISIF will support Ireland's leading indigenous food companies to scale and grow internationally, invest in food-tech and agtech opportunities that will support the transition to sustainability and deliver innovative solutions to support the delivery of the ambitious climate targets for agriculture. ISIF will also invest to support the development of new sectors where Ireland can develop a competitive advantage to scale and grow.

ISIF has committed just over €100m in 2022 to investments that support Irish indigenous companies scale into new international markets away from traditional ones, meet climate targets and help to scale a new emerging sector. These investments complement existing investments across indigenous companies, agtech, food-tech, forestry and financing platforms.

Economic Impact

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 ISIF's "double bottom line" mandate, a key part of 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, 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. Post-investment, ISIF completes an 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 below data reflects detailed survey data for FY2021. Given the volume of investees, complexity of responses and subsequent analysis, the publication of this economic impact data lags 6+ months (results first published in September 2022).

ISIF Economic Impact as at End-2021



Jobs supported by ISIF capital

39,686



Gross Value Added (GVA)*

€1.53bn



Turnover

€3.78bn



Employment by region

53% Dublin/47% ex-Dublin



Wage bill

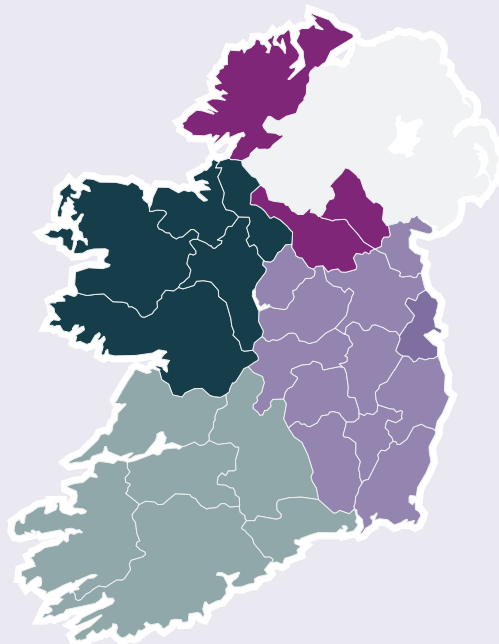
€1.25bn



Exports

€1.03bn

ISIF Regional Economic Impact FY2021



	Ulster	Munster	Connacht	Leinster (Ex Dublin)	Dublin
Jobs	4%	19%	5%	19%	53%
ISIF Capital Deployed	3%	20%	6%	11%	60%
GVA	7%	25%	5%	25%	38%
*CSO Regional Split of GVA (2019)	3%	35%	4%	18%	40%

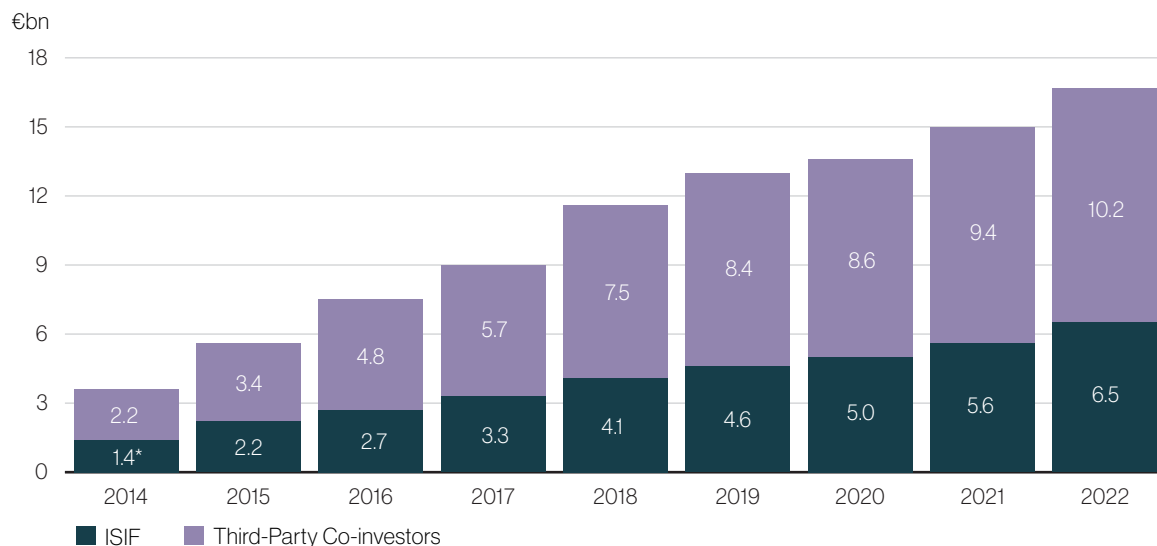
*Gross Value Added (GVA) is the enterprise or sector level measure of goods or services produced which, when aggregated across all enterprises and adjusted for taxes and subsidies, equals Gross Domestic Product (GDP).

Leveraging ISIF's Impact

ISIF set a co-investment target at inception to attract €1m in third-party capital alongside every €1m of capital invested by ISIF.

Including third-party co-investor commitments, a total of €16.7bn had been committed to investment in Ireland arising from ISIF investments. As at 31 December 2022, ISIF exceeded its target with a co-investment rate of €1.6m alongside every €1m committed by ISIF.

ISIF Commitments to Ireland 2014-2022



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

Figures may not total due to rounding.

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), a 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 to implement ESG in a broadly consistent manner across its portfolios include:

- Integration: ESG & Climate Framework tool used to assist in the identification, monitoring and mitigation of material ESG risks across the Irish Portfolio. Throughout its investment decision making process, ISIF aims to mitigate and manage ESG issues.
- Active Ownership: ISIF has a long history of active ownership and EOS at Federated Hermes provides Active Ownership services for the Global Portfolio and all voting records are reported quarterly on ISIF's website.
- Analysis: ISIF uses the services of ISS-ESG to conduct detailed portfolio analytics including carbon foot printing and impact analysis aligned with the UN Sustainable Development Goals (SDG's).
- Divestment & Exclusions: By year-end 2022 in accordance with its obligations under the Fossil Fuel Divestment Act 2018, ISIF had developed a list of 260 fossil fuel companies in which it will not invest. In addition, ISIF also maintains an exclusionary strategy around cluster munitions and anti-personnel mines (which are prohibited investments under the Cluster Munitions and Anti-Personnel Mines Act 2008), coal production and processing, tobacco manufacturing and direct investment in companies involved in the manufacture and testing of nuclear weapons or their critical component parts.

Investing with impact is key to ISIF's mandate. ISIF prioritises using its capital and resources to address strategic challenges and focus on making transformational investments across its key investment themes, including climate. ISIF has commenced a €1bn five-year climate investment programme.

ISIF's Climate Strategy encompasses all areas of the economy where carbon emissions are present such as energy, transport, built environment, waste and enterprise, and incorporates other thematic investment areas that will be key to transitioning to a Net Zero economy. In December 2022, ISIF published its Climate Update regarding ISIF's climate investing and how it is managing and mitigating climate risk in its investment portfolio. This is available on ISIF's website. The Climate Update reflects the growing importance of climate 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 climate goals.

Diversity, Equity and Inclusion

In 2022, ISIF's internal director nominations increased from 33% to 42% female (0% when first measured in 2019) against the annual target of 30%. This target was reviewed in December 2022 and has since been revised to 40%. ISIF is also a member of Level 20 (a not-for-profit organisation founded with the aim of improving gender diversity in the private equity industry) and the 30% Club Industry group for the financial services sector.

The gender diversity action plan, also sets a minimum target of 30% female representation on the boards of ISIF investee companies across the Irish Portfolio, against which progress continues to be made.

Female-led Investment Firms

In November 2022, ISIF announced its ambition to invest a minimum of €50m over the next two years through private equity firms that are majority owned by women. By establishing an ambition for investing in female-led investment opportunities, ISIF is seeking to demonstrate its commitment to addressing gender inequality and promoting greater diversity at senior levels – both within ISIF and in the companies and funds in which it invests.

Directions from the Minister for Finance

ISIF has allocated just under €2.0bn of capital for other Government initiatives; the Land Development Agency (LDA) (€1.25bn), and Home Building Finance Ireland (HBFI) (€730m). Just over €0.4bn of this capital had been drawn from the Fund as at 31 December 2022.

- **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. On 10 March 2022, the Minister for Finance directed the NTMA to transfer €100m out of the assets of 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's³ subscription for shares in

3 Now the Minister for Public Expenditure, National Development Plan (NDP) Delivery and Reform.

the LDA in accordance with Section 25(2) of the Land Development Agency Act 2021. On 15 February 2023, the Minister for Finance directed the NTMA to transfer a further €250m out of the assets of ISIF to the LDA no later than 24 February 2023 for the purpose of discharging the Minister's liability arising as a result of the Minister for Public Expenditure and Reform's³ subscription for shares in the LDA in accordance with Section 25(3) of the Land Development Agency 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 ISIF to HBFIL. Since the establishment of HBFI, €366m in total has been drawn down. Taking into account interest and repayments of €39m by HBFIL, the outstanding loan as at end-2022 amounted to €330m.

Directed Portfolio

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

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

In 2021 and 2022, the Minister for Finance directed the NTMA to facilitate the sale of part, and in time the entirety, of the State's shareholding in Bank of Ireland, which was held as a directed investment within ISIF, and to subsequently transfer the net cash proceeds of sale (after payment of any fees, expenses and interest charges) to the Exchequer. The final proceeds were transferred to the Exchequer on 29 September 2022. ISIF's directed shareholding in Bank of Ireland was reduced from c. 8% at 31 December 2021 to 0% at 23 September 2022.

In late 2021, and subsequently in 2022, the Minister for Finance issued directions to the NTMA to facilitate the sale of part of the State's shareholding in AIB, which is held as a directed investment within ISIF, through a pre-arranged trading plan which was ongoing at end-2022. The sale of shares commenced in early 2022. The Minister also issued directions to the NTMA in 2022 in relation to the disposal of further parts of the State's directed shareholding through participation in AIB's share buyback programme and the placing of additional shares in a number of accelerated book building ("ABB") processes.

As at 31 December 2022, ISIF's directed shareholding in AIB had been reduced from c. 71% at 31 December 2021 to c. 57%.

At end-2022, the Directed Portfolio comprised:

- Ordinary shares in AIB valued at the market price of €3.62 per share;
- €453m in cash, including commitments of €165m to the SBCI; and
- €330m loan to HBFI.

The Directed Portfolio has a valuation of €6.3bn at end-2022. Its return in 2022 was 56%. Arising from the €20.7bn invested in AIB and Bank of Ireland, cash returns on investments to date have amounted to €12.7bn while investment valuations at end-2022 were €5.5bn, bringing the total amount (income and value) to €18.2bn.

Directed Portfolio at End-2022

	Cash Invested €bn	Cash Received €bn	End-2021 Value €bn	End-2022 Value €bn	Total (Income & Value) €bn	Shareholding at End-2022 %
Bank of Ireland	4.7	5.1	0.4	0	5.1	0
AIB	16	7.6	4	5.5	13.1	57
Total Bank Investments	20.7	12.7	4.4	5.5	18.2	
HBFI		0.0	0.1	0.3		
Cash and commitments to SBCI			0.2	0.5		
Total Directed Portfolio			4.8	6.3		

Figures may not total due to rounding.