Future Ireland Funds

The NTMA controls and manages the Future Ireland Fund (FIF) and the Infrastructure, Climate and Nature Fund (ICNF). The FIF serves as a long-term savings fund to support State expenditure from 2041 onwards. The ICNF is designed to support the State's economic resilience and environmental goals.

The FIF and ICNF (the Funds) were established in July 2024, following the enactment and commencement of the *Future Ireland Fund and Infrastructure, Climate and Nature Fund Act 2024 (the Act)*.

The NTMA, as controller and manager of the Funds, has established a dedicated business unit, known as the Future Ireland Funds unit, to manage and invest the Funds in accordance with their respective mandates. Rebekah Brady was appointed Director of the Future Ireland Funds unit in November 2024, with effect from 1 January 2025 and the Investment Committee was appointed in December 2024.

During 2024, the Funds were managed under interim investment strategies determined by the NTMA Board, following consultation with the Minister for Finance and Minister for Public Expenditure, National Development Plan (NDP) Delivery and Reform (Ministerial consultation). The interim investment strategies reflect a low risk appetite, permitting only highly-rated liquid securities that have a low degree of inherent risk pending the approval and implementation of a long-term investment strategy for each Fund.

July 2024
FIF and ICNF formally established

September 2024
FIF and ICNF received initial contributions of €4.3bn and €2bn respectively

October 2024
FIF received further contributions of €4.1bn

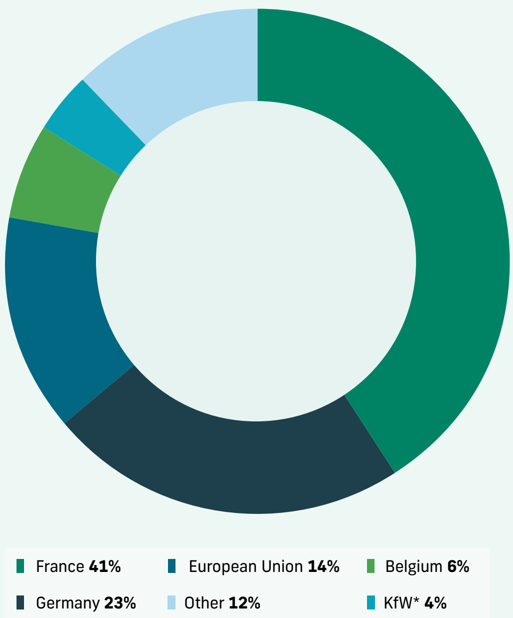
November 2024
Director of Future Ireland Funds unit appointed

December 2024
Investment Committee appointed

Future Ireland Fund

The Future Ireland Fund, valued at approximately €8.5bn, is a long-term savings fund, the purpose of which is to support, in a consistent and sustainable manner, State expenditure in 2041 or any year thereafter. The NTMA is mandated to invest the FIF on a commercial basis so as to seek to secure the optimal total financial return, such that the capital of the FIF and any investment return earned are available for withdrawal and payment to the Exchequer from 2041 onwards (subject to an annual limit on the withdrawal amount). Once withdrawn, that money will form part of Exchequer funds, from which Government expenditure is funded.

Future Ireland Fund: Market Value % Weight by Issuer at End-2024



*KfW is a German state-owned investment and development bank.

Contributions

The FIF received an initial €4.3bn transfer in September 2024 from the National Surplus (Exceptional Contingencies) Reserve Fund (National Reserve Fund), and an additional €4.1bn contribution (0.8% of Ireland's GDP for 2022, estimated as of 31 July 2023) from the Exchequer in October 2024. Annual contributions to the FIF of 0.8% of relevant GDP are expected to continue until 2035. With the approval of the Government and Dáil Éireann, the Minister for Finance may reduce by half the amount of the annual contribution to be made to the FIF in respect of any year in response to any deterioration or likely deterioration in the economic or fiscal position of the State, or make no contribution in respect of that year where the deterioration or likely deterioration is significant. The Minister for Finance may also, with the approval of Dáil Éireann, make additional contributions from the Exchequer to the FIF.

Withdrawals

No withdrawals from the FIF are permitted before 2041. Starting in 2041, the Government may withdraw each year up to 3% of the FIF's net asset value as at 31 December of the prior year[9].

9 From 2041, up to 5% of the net asset value of the FIF (as at 31 December of the prior year) may be withdrawn in a given year in certain circumstances pursuant to section 11(4) of the Act of 2024.

Infrastructure, Climate and Nature Fund

The Infrastructure, Climate and Nature Fund (ICNF), valued at approximately €2bn, is designed to support the State's economic resilience and environmental goals. Its purpose is to support State expenditure: (i) in 2026 or any year thereafter where there has been, or is likely to be, a significant deterioration in the economic or fiscal position of the State; and (ii) in each of the years 2026 to 2030, on designated environmental projects.

The NTMA is mandated to invest the ICNF on a commercial basis so as to seek to secure the optimal total financial return, such that the capital of the ICNF and any investment return earned are available for withdrawal and payment to the Exchequer. Once withdrawn, that money will form part of Exchequer funds, from which Government expenditure is funded.

Contributions

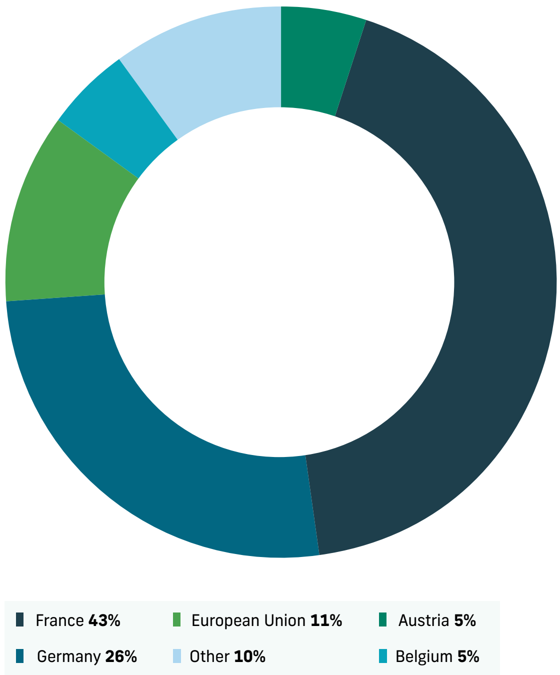
The ICNF received an initial €2bn transfer from the National Reserve Fund in September 2024. Annual contributions of €2bn are expected to be made from the Exchequer to the ICNF in each of the years 2025 to 2030. With the approval of the Government and Dáil Éireann, the Minister for Finance may opt not to make any contribution to the ICNF in a given year in response to a significant deterioration or likely deterioration in the economic or fiscal condition of the State. The Minister for Finance may also, with the approval of Dáil Éireann, make additional contributions from the Exchequer to the ICNF.

The Minister for Finance is required, on or before 30 June 2031 (or as soon as practicable after that date), to carry out a review of, and report to Dáil Éireann on, the operation, effectiveness and impact of the ICNF and whether or not the ICNF continues to be necessary and appropriate.

Withdrawals

Starting in 2026, the Minister for Finance may, with Government approval, make withdrawals from the ICNF. Where a withdrawal is proposed in any of the years 2026 to 2030 to support State expenditure on designated environmental projects, up to 22.5% of the net asset value of the ICNF as at 31 December of the prior year can be withdrawn in that year, provided that the total amount paid from the ICNF to support State expenditure on designated environmental projects may not exceed €3.15bn in aggregate. If there is a significant deterioration or likely deterioration in the economic or fiscal position of the State in a given year the Minister for Finance may, with Government approval, withdraw up to 25% of the net asset value of the fund as at 31 December of the prior year.

Infrastructure, Climate and Nature Fund: Market Value % Weight by Issuer at End-2024



Investment Strategy and Performance

Pending the determination of suitable long-term investment strategies for each of the FIF and ICNF, each Fund is being managed by the NTMA under an interim investment strategy determined by the NTMA Board in 2024 following Ministerial consultation. The approved interim strategies reflect a low-risk appetite and permit only highly-rated liquid securities that have a low degree of inherent risk. In 2024, the Funds were invested in cash and euro-denominated assets limited to sovereign and quasi-sovereign debt. Investments have a minimum credit rating of A- (or equivalent), and a maximum maturity of three years. The interim strategy of each Fund has been implemented, and is managed internally by the NTMA, using existing capabilities and resources.

The interim investment strategy of each Fund includes a reference benchmark against which the investment returns of the relevant Fund are assessed. This benchmark is the ICE BofA 0-3 year AAA-AA All Euro Government Index (EG6Y). Both the FIF and ICNF performed in line with the benchmark during the period for which it applied, i.e. 1 November 2024 to 31 December 2024.

The FIF and ICNF each earned a cumulative investment return, net of costs, of approximately 0.8% in the period from receipt of initial contributions in September 2024 to 31 December 2024.

Long-term investment strategies for each of the FIF and the ICNF are under development and, in due course, will be subject to NTMA approval following consultation with the Minister for Finance and the Minister for Public Expenditure, NDP Delivery and Reform.

Sustainable and Responsible Investment

Under the Act of 2024, the NTMA is required to hold or invest the assets of each Fund on a commercial basis, so as to seek to secure the optimal total financial return as to both capital and income. In performing this function, the NTMA must have regard to the level of risk to the assets of each Fund that the NTMA considers appropriate, including any risk posed by environmental, social and governance (ESG) matters of relevance to such performance.

Each Fund's exposure to risk posed by relevant ESG matters is expected to be limited for the duration of the interim investment strategies for the FIF and ICNF, given the limited permitted asset universe under the strategies, i.e. euro-denominated highly-rated sovereign and quasi-sovereign debt and cash, being asset categories that are considered low risk from an ESG perspective. In 2024, no holdings were removed (via the NTMA's negative screening framework) on the grounds of ESG risk to the assets.