National Pensions Reserve Fund
Commission

NATIONAL PENSIONS RESERVE FUND COMMISSION

ANNUAL REPORT 2002

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National Pensions Reserve Fund
Commission

30 June 2003

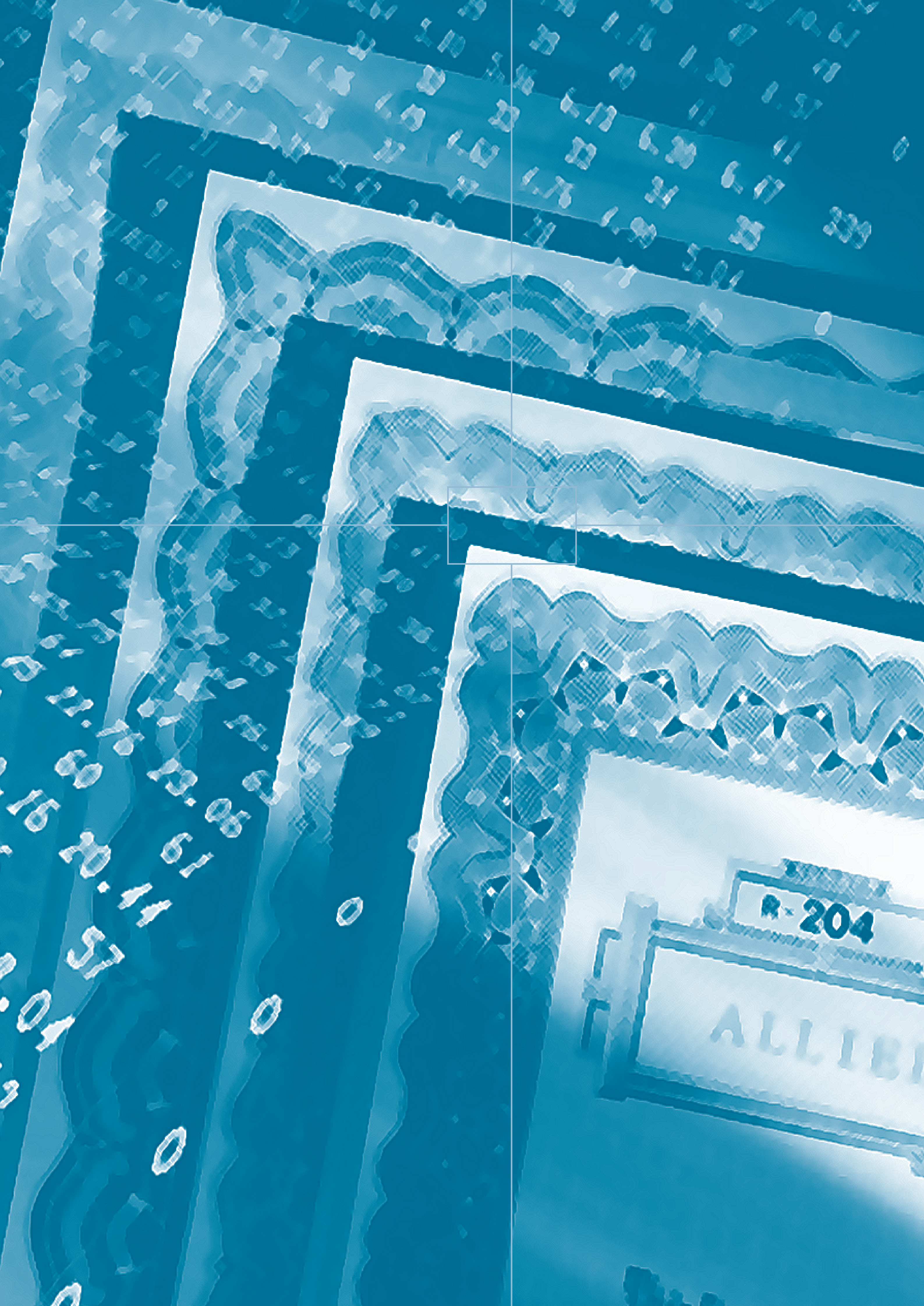
Mr. Charlie McCreevy, T.D.,
Minister for Finance,
Government Buildings,
Upper Merrion Street,
Dublin 2

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 2002.

Yours sincerely,

Donal J. Geaney
Chairman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Chairman's Statement

I am pleased to present the second annual report of the National Pensions Reserve Fund Commission. The Commission was established under the National Pensions Reserve Fund Act, 2000 and came into operation on 2 April 2001.

Since the Commission's establishment the whole question of providing for pensions – at both state and corporate level – has become an issue of immense concern in the developed world. At state level there has been growing unrest as certain European countries, which no longer can rely on their pay-as-you-go arrangements to meet current levels of retirement benefits, look at measures to reduce pension entitlements such as increasing the retirement age, reducing benefits and increasing contributions. At the corporate level, the emergence of deficits globally in many companies' pension funds, as the numbers of their members in or approaching retirement grow, is also a cause of concern.

Ireland's relatively young population positions us well to cope with these issues. The pensioner support ratio (the ratio of people of working age to people of pension age) is quite high here by European standards but is projected to fall from its current level of around 5.25:1 to 3.4:1 by 2025, and to 1.8:1 by 2055. It is against this background that the National Pensions Reserve Fund was set up to supplement the pay-as-you-go system by aiming to meet about one third of the cost of social welfare pensions and public service pensions payable in the period from 2025 to 2055 and possibly beyond. Paying annually into the Fund a sum equivalent to 1% of GNP and investing it so as to achieve a commercial financial return is designed to underpin the long-term sustainability of existing pension arrangements – principally the old age pension and public service defined benefits - through stabilising Exchequer spending on pensions as a percentage of GNP.

The Commission's investment strategy, which is targeting the investment of up to 80% of the Fund in equities and other real assets, is focused on 2025 when payments from the Fund will begin. The investment strategy is linked to the Fund's emerging liabilities. These will develop in line with income growth, and thus a portfolio of predominantly real, as opposed to financial assets, is regarded by the Commission and its advisors as the portfolio most likely to match the ultimate liabilities of the Fund, given both the nature of these liabilities and the timescale over which they will emerge. This long term perspective means that the Fund can endure large short term swings which, as recent years have amply demonstrated, equity markets in particular can experience. For equities to underperform bonds on a 30 year view it would be necessary to hypothesise a scenario where, over that time period, the return on invested equity capital did not exceed its cost. The Commission does not believe that it would be sensible to plan for such a scenario which would surely involve the failure of the fundamental free world model. The Commission believes that over the Fund's lifetime a well diversified portfolio of predominantly real assets will generate financial returns consistent with its mandate.

Having kept the Fund in cash through 2001 the Commission began in January 2002 the process of phasing it into the capital markets with a view to reaching its long term strategic target of 80% in real assets. However, widespread expectations of a global economic recovery and an associated rebound in equity markets proved wide of the mark. Investor confidence was badly shaken by revelations of US corporate accounting scandals, a worsening Middle East situation and repeated downgrades of company profit forecasts. As a result global equity markets fell for the third successive year, returning the worst three-year cumulative performance since 1929-31.

In response to deteriorating market conditions the Commission slowed the pace of the phased investment programme for 2002. Instead of being more or less fully invested at end 2002, as originally planned, the Fund had 57% in real assets and 43% in monetary assets compared with the long term strategic asset allocation of 80/20: real/monetary assets. In 2002 the Fund's investment return was –16.1% compared with a notional return of –21.6% on the Fund's long term strategic benchmark and a return of –18.9% on the average Irish pension managed fund. This brought the Fund's cumulative return since its inception in April 2001 to –13.3%, compared with –24.4% for its benchmark and –19.3% for the average Irish fund. Year-to-date in 2003 the Fund has achieved an estimated return of +4%. Overall, the performance has been relatively robust in the prevailing market conditions. It reflects the long-term strategy adopted, based on the Fund's objective of meeting as much as possible of the cost to the Exchequer of social welfare pensions and public service pensions to be paid from 2025 until 2055, and possibly beyond. The performance should be seen in the context of the Fund's positive cash flow which extends to at least 2025 with some 90 per cent of the projected income yet to be invested.

I would like to thank my colleagues on the Commission for the diligent and conscientious way in which they have discharged their onerous responsibilities. Also, I wish to acknowledge the Commission's appreciation of the committed and professional support of the staff of the NTMA, as Manager of the Fund.

Donal J. Geaney
Chairman
30 June 2003

National Pensions Reserve Fund Commission Members

Donal J. Geaney Chairman
Senior advisor to Elan Corporation plc, Chairman of Irish Aviation Authority and director of a number of companies.

Mr. Robert J. Curran
Former Second Secretary in the Department of Finance.

Ms. Brid Horan
General Manager Pensions, ESB.

Dr. Martin Kohlhaussen
Chairman of the Supervisory Board, Commerzbank AG, Frankfurt.

Mr. Donal C. Roth
Managing Partner, Emerging Markets Partnership, Washington DC 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., Connecticut.

National Pensions Reserve Fund Commission

Legislative Background

The National Pensions Reserve Fund Act, 2000 provides for:

- the establishment of the National Pensions Reserve Fund to meet as much as possible of the cost to the Exchequer of social welfare and public service pensions from 2025 to at least 2055;
- the payment each year from 2001 to at least 2055 from the Central Fund of a sum equivalent to 1% of GNP, supplemented by such additional payments as may be approved by Dáil Éireann;
- the establishment of the National Pensions Reserve Fund Commission (a body corporate consisting of 7 commissioners) with absolute discretion to control, manage and invest the assets of the Fund, acting through the Manager;
- the appointment by the Commission for a period of 10 years of the National Treasury Management Agency as Manager of the Fund;
- the delegation by the Commission to the Manager of any of its functions as it considers appropriate or expedient;
- moneys in the Fund to be held or invested by the Commission in or outside the State so as to secure the optimal total financial return, as to both capital and income, provided the level of risk to the moneys held or invested is acceptable to the Commission and that the moneys are not invested in Irish Government securities;
- the appointment by the Commission of investment managers, custodians, consultants and other service providers;
- the assessment by the Commission, from time to time, of the projected profile of Exchequer outlays on social welfare and public service pensions;
- commencing in 2025,and continuing until not earlier than 2055,the making of payments by the Commission from the Fund to the Exchequer on the request of the Minister for Finance in accordance with rules to be approved by resolution of the Dáil;
- the charging to the Central Fund of the expenses of the NTMA in performing its function as Manager;
- the charging to the National Pensions Reserve Fund of all other expenses;
- the audit by the Comptroller and Auditor General of the accounts of the Fund;
- the publication by the Commission of an annual report of its activities and of the audited accounts of the Fund.

The chairperson of the Commission is required to appear before and give evidence to the Committee of Public Accounts of Dáil Éireann on the policies of the Commission in relation to the Fund. The chief executive officer of the Manager is required to give evidence to the Committee on the regularity and propriety of all transactions on the Fund and on the economy and efficiency of the Commission and the Manager in regard to the expenses of operation of the Fund.

Reports to Minister for Finance

The Commission is obliged to submit an Annual Report to the Minister. This Report, while having regard to the need for open and transparent reporting on the operation of the Fund, but subject to preserving confidentiality in regard to commercially sensitive information, is to include information on the following:

- Investment strategy
- Investment return
- Valuation of the net assets
- Investment management and custodianship arrangements
- Fees, commission and other expenses incurred by the Commission and by the Manager.

Background: The Pension Problem[1]

Introduction

Pension systems are one of the major social achievements of our time. They make the elderly economically independent of their descendants, allowing people of working age to be more mobile than if they lived in traditional three-generation households. Thanks to improved health and longer life expectancy most people can enjoy their old-age pension at an age when they are still fit and healthy. Thus retirement is regarded as an important reward at the end of one's working life, enabling people to start new projects and to change their life style.

The European Problem

Several European Councils have highlighted the challenge of ageing populations, in particular its implications for maintaining adequate and sustainable pensions. The Lisbon Council (2000) stressed the need to study "the future evolution of social protection from a long-term point of view, giving particular attention to the sustainability of pensions systems in different time frameworks up to 2020 and beyond, where necessary". This was followed by the endorsement at the Gothenburg Council (2001) of three broad principles for modernising pension systems, namely: "safeguarding the capacity of systems to meet their social objectives, maintaining their financial sustainability and meeting changing societal needs".

A joint report by the Social Protection Committee and the Economic Policy Committee addressed to the European Council in Laeken (December 2001), called for the use of the open method of co-ordination in the area of pensions *"to help Member States progressively develop their own policies so as to safeguard the adequacy of pensions whilst maintaining their financial sustainability and facing the challenges of changing social needs"*.

Finally, the Barcelona Council (2002) called *"for the reform of pension systems to be accelerated to ensure that they are both financially sustainable and meet their social objectives"*.

It is widely accepted that the adequacy and sustainability of pension systems have implications that go beyond national borders. Ageing populations represent a major challenge for future public finances in view of the fact that a share of around one tenth of the EU's GDP is currently devoted to public spending on pensions.

As requested by the Stockholm and Barcelona European Councils, the impact of rising age-related expenditures on public finances is assessed in the framework of the European Union's Stability and Growth Pact. Each year, Member States submit to the Commission their Stability and Convergence Programmes, which provide targets for achieving the long-term sustainability of public finances. In addition, the Laeken European Council, which endorsed the working methods and common objectives for the open method of co-ordination of pensions, states that this latter process *"takes its place alongside a range of existing, well functioning EU processes which, as part of their wider remit, deal with aspects of pension policies"*. Moreover, it requires that this process *"does not change the respective responsibilities of policy makers at European and national level"*. The open method of co-ordination launched at the Laeken European Council establishes an integrated framework which will take into account the existing policy co-ordination activities in other areas (economic policy, public finances and employment, in particular) and feed its results into the further development of these other processes.

A major benefit of this new co-operation will be to promote mutual learning. Member States are faced with many similar problems – and most of all the common challenge of ageing populations. Far from imposing constraints on national policy makers, the open method of co-ordination will increase their ability to assess their relative performance, raise awareness of other policy options and promote a better understanding of the advantages and problems of these different options.

Over the coming decades, the EU will face a significant acceleration of demographic ageing due to three main factors: (i) the baby-boom generation reaching retirement age, (ii) continuing increases in life expectancy, and (iii) decreased fertility rates since the 1970s. The first of these facts will create a temporary demographic imbalance, while the effects of the two other factors are continuous. However, all three factors combine to produce a major financial challenge for pensions systems over the coming decades when the number of pensioners will rapidly increase and the size of working-age population will diminish. There is a risk that the resulting increased old-age dependency ratio places an unsustainable financial burden on the active population in the future, while at the same time adversely affecting Europe's economic growth potential.

It is expected that, by the year 2050, Europeans will live at least four to five years longer than today. Given that today's remaining life expectancy at 65 is about 15 1/2 years for men and 19 1/2 for women, an increase of 5 years will raise the cost of providing the same pension level by 25 to 30 percent. This, however, is only about half of the demographic challenge that Europe has to prepare for. The other major change stems from the fact that large cohorts born after World War II, the baby-boom cohorts, will reach retirement age and subsequent cohorts are much smaller as a result of lower birth rates.

The financial sustainability of pension systems is a necessary precondition for an adequate provision of pensions in the future and for this reason alone should be given high priority. Failure to ensure the financial sustainability of pensions systems in the long term will seriously jeopardise efforts to maintain or even raise the adequacy of public pension systems and would have other adverse economic consequences as well. Public pension spending is projected to rise substantially as a share of GDP over the coming decades if policies remain unchanged.

Long-term fiscal sustainability is a major issue. Based on policies in place or legislated for at the end of 2000, projections show that public spending on pensions is likely to rise between 3 and 5 percentage points of GDP in most EU Member States between 2000 and 2050. As a result the EU average would rise from 10.4% in 2000 to 13.3% by 2050, with wide variations from around 5% to over 20%.

Several European countries including Ireland have addressed the consequences of the baby-boom generation on pension systems by establishing reserve funds with the aim of avoiding large increases in contribution rates. Many have also created better opportunities for supplementary private provision and private funding, thus reducing pressures for public expenditure increases.

Financial sustainability of funded pension provision depends on the sound governance of the funds and on the performance of financial markets. The risks for funded pension provision can be greatly reduced through effective supervision and prudent asset management.

The Irish Situation

In common with other European countries, Ireland is set to experience a significant ageing of its population over the coming decades. The resulting increased dependency ratio will give rise to serious budgetary issues. In particular, it will put strain on the capacity of future Governments to continue to fund social welfare and public service pension liabilities on the present "pay-as-you-go" basis. Ireland's demographics are more favourable than in the case of other European countries but the longer-term trend towards an older population is similar. Almost uniquely in the industrialised world, Ireland's elderly dependency ratio will actually decline a little over the next few years. At present Ireland has – and will continue to have for most of this decade – about five people of working age for each person over 65. However the position will begin to change at the end of the decade. It is projected that by 2016 there will be about four persons of working age to support each pensioner and that by mid-century there will be only two people of working age for every pensioner. In other words, Ireland's elderly dependency ratio is set to rise from about 20% today to about 25% by 2016 and to about 50% by 2050.

The financial and budgetary effects of the rise in the elderly dependency ratio cannot be avoided. They may be dealt with by reducing benefits payable at a given age, by increasing the age at which given benefits become payable, by tolerating rapidly rising cost on a "pay-as-you-go" basis, or by prefunding. In Ireland the National Pensions Reserve Fund was established in April 2001, with the objective of prefunding as much as possible of the demographically induced increase in the cost of social welfare and public service pension provision. It was estimated at the time of its establishment that the Fund will cover approximately one third of the cost referred to above.

[1] This section draws extensively on a proposal for a joint report by the EU Commission and the EU Council on "adequate and sustainable pensions", which is a recent communication from the EU Commission to the Council, The European Parliament, the European Economic and Social Committee and the EU Committee of the Regions.

Activities of Commission and Fund

Under section 3 of the National Pensions Reserve Fund Act, 2000 the Minister for Finance appointed 2 April 2001 as the establishment day; on that day the National Pensions Reserve Fund Commission and the National Pensions Reserve Fund came into existence.

The following persons were appointed members of the Commission by the Minister for Finance on the establishment day:

- 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

The Chairman is appointed for 5 years, Dr. Martin Kohlhaussen, Mr. Donald Roth and Mr. Robert Curran for 4 years, Mr. Daniel Tully and Ms. Brid Horan for 3 years. The ex-officio member holds office for such period as he or she is chief executive officer of the National Treasury Management Agency. At its inaugural meeting on the establishment day, the Commission appointed the NTMA as Manager of the Fund, in accordance with section 21(2) of the Act. The Commission met formally on 6 occasions during 2002. In addition several informal meetings took place during the year.

The Commission's activities covered (inter alia) the following areas:

- **Ratification of Managers recommended by NTMA**. This involved presentations to the Commission by the fund managers remaining to be ratified under the competition initiated in July 2001 and the Commission's confirmation of their selection.
- **Portfolio Rebalancing.** The Commission set a structured approach with respect to the investment of future contribution income across asset classes, and the operation of such a policy when the Fund becomes fully invested.
- **FX Hedging.** The Commission approved the parameters for foreign exchange hedging during the market entry phase as well as the bands within which the hedge would be allowed to fluctuate. The Commission appointed NTMA as manager of the currency overlay strategy adopted.
- **Trading Efficiency**. The Commission agreed to retain an outside agency to monitor the efficiency of trading by funds managers.
- **Market Entry Strategy.** The Commission varied the pace of the originally agreed phased market entry strategy as markets became increasingly volatile.
- **Reporting.** Reporting arrangements were put in place for performance, risk, and best execution reports to the Commission by the NTMA.
- **Other Services.** The Commission approved a securites-lending programme by the Fund and a programme for the recapture of a portion of brokerage paid by fund managers on transactions executed on behalf of the Fund.
- **Additional Asset Classes.** The Commission approved in principle, subject to detailed business plans, entry to several additional asset classes: small capitalisation equities, corporate bonds, PPP and property.
- **Internal Audit.** The Commission formally set up an audit committee (chaired by Mr. Donald Roth). PricewaterhouseCoopers were appointed to carry out an internal audit of the Fund with special emphasis on the controls in place in the Custodian and the NTMA. The results of the audit, which were received in April 2003, were satisfactory. They were considered by the newly established Audit Committee and made available to the Comptroller and Auditor General who is the statutory auditor of the Fund.

Investment Strategy

As reported in its Annual Report for 2001 the Commission adopted the recommendation from Mercer Investment Consulting Limited that the broad asset allocation at the commencement of the Fund's operations should be 80% equities and other real assets and 20% bonds. The appropriate initial benchmark structure is as outlined in the following table, with equity market benchmarks derived from the FTSE All World Developed Index subdivided by region, and bond market benchmarks provided by Merrill Lynch. All non-euro exposures are 50% hedged into euro, using a currency overlay strategy. This overlay strategy is managed by NTMA.

2% it would not materially change the optimal long-term asset allocation. Equities still dominate bonds and cash as asset classes on a 25-year view.

In the light of the sharp decline in equity markets in 2002 the Commission reconsidered the long-term investment strategy during the course of 2002, with input from Mercer. In sum, the Commission decided that the rationale for the strategy was still valid despite the stockmarket falls.

The Commission agreed that the four key factors which had led it to adopt that strategy still applied, namely (a) an extremely long-term view reflecting the fact that drawdown of the Fund would not commence until 25 years had elapsed and that it would take place over a term of at least 30 years; (b) the Fund's strong cash flow; (c) Government policy with regard to the pensions to be partly prefunded by the Fund; and (d) an assumed average equity risk premium of 3% per annum over the long-term.

Asset Class	Allocation	Regional Splits	Allocation
Eurozone Equities	40%		
Non-Eurozone Equities (50% hedged)	40%	US	26.4%
		Europe ex Eurozone	6.8%
		Japan	5.2%
		Pacific Basin	1.6%
Total Equities	**80%**		
Eurozone Bonds	20%		

The National Pensions Reserve Fund's long time horizon means that it can accept the additional market risk inherent in equities provided that over the long term they offer good expectations of sufficient extra return compared with monetary assets such as bonds. That extra return is technically referred to as the equity risk premium and is defined as the difference between the expected long-term return on equities and that expected from high-grade sovereign bonds. According to the Mercer report over long time periods (i.e. going back to the start of the century) the equity risk premium has been around 6% per annum. The base assumption of an average long-term risk premium of 3% per annum underlying the Mercer report is quite conservative. Even if the 3% were to be reduced to

With regard to the latter point, in a recently published study US investment bank Goldman Sachs calculated that, based on historical performance, the probability of equities outperforming bonds over a 20 year time horizon is 100%. Furthermore, they calculated a 60% chance of achieving 4% per annum outperformance of equities over bonds given a five-year investment horizon.

Market Entry

By the beginning of 2002 the bellweather Standard and Poor's 500 Equity Index had delivered two successive years of negative performance (2000: minus 10.1%/2001: minus 25.4%). As three successive years of significant negative returns on the Standard and Poor's 500 Index had not been seen since the great depression market expectations for 2002 were generally optimistic. On the economic side there were expectations at the beginning of 2002 of a US led global recovery in a very low inflationary environment.

During the first quarter of 2002, apparent confirmation of that recovery helped the larger equity markets combat the negative effects of the Enron debacle. Having registered an increase of 13.9% (in euro terms) in the fourth quarter of 2001, reflecting the prevailing positive market sentiment, the Standard and Poor's 500 Index finished the first quarter of 2002 more or less flat compared with the start of the year, some 27% off the historical high. Consistent with this relatively benign equity environment, bond yields rose through the first half of 2002 as the bond markets anticipated a recovery in global economic activity either in the second half of the year or, at latest, in early 2003. The Commission's decision to begin investing the Fund in January 2002 was taken in the context of the foregoing relatively benign market environment. However, the Commission decided that the economic and financial markets outlook was not certain and that the balance of advantage lay in pursuing a phased approach which would reduce the Fund's market entry risk by spreading its market entry over time. If markets were to perform positively throughout 2002 this strategy would have resulted in the Fund underperforming relative to other pension funds. On the other hand if markets declined through 2002 this strategy would result in the Fund avoiding the full impact of any such fall.

By pursuing a phased approach the Commission implicitly acknowledged that the markets were not without risk while at the same time recognising that, having held the Fund in cash for over 9 months, the process of committing them to the markets in accordance with the Fund's long term strategy should be implemented in a timely fashion.

In the event, investment continued until early April. The pace of investment was slowed from then onward due to increasing market volatility and a worsening global economic outlook. The Fund maintained substantial precautionary cash balances (averaging 30%) throughout the remainder of 2002, and ended the year with €1.8 billion in cash.

The Commission maintains vigilant oversight of market developments and is prepared to review the implementation of the long-term investment strategy on a continuous basis. The decision to slow the pace of investment, and the subsequent acquisition of assets at prices considerably below those prevailing in 2001 and early 2002, has mitigated the Fund's losses, as evidenced by its substantial outperformance of its fully invested benchmark since inception.

Plans for the Future

Pending the completion of the investment programme, research into additional asset classes continues. Progress has been made with respect to small capitalisation equities, corporate bonds, PPP and property. The Fund is prepared to commit to PPP infrastructural investment subject to an acceptable risk adjusted commercial return and an appropriate investment medium. Further research will focus on private equity, absolute return funds, and emerging market assets.

Fees and Expenses

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:

	Period ended 31 December 2002	Period ended 31 December 2001
	€	€
Investment Managers' fees	5,982,185	-
Global Custodian fees	1,280,525	-
Fees & Expenses of Commissioners	328,155	213,554
IT Systems	463,925	-
Legal Fees	401,953	120,592
Consultancy Fees	341,809	605,633
Audit Fees	10,000	-
Other Fees and Expenses	55,908	11,819
	8,864,460	**951,598**

In addition to the above expenses, the costs incurred by the National Treasury Management Agency in its role as Manager amounted to €2,488,942. These costs are charged on the Central Fund and are not included in the above.


DIARY
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10000
9000
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7000

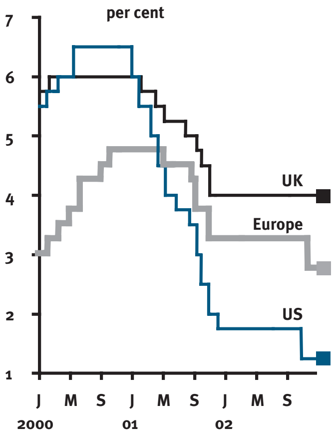
Review of Capital Markets in 2002

Economic growth and monetary policy

At the start of 2002, financial markets were pricing in a vigorous recovery in the US and a rise in short-term interest rates. However, after a strong start, with first quarter annualised US Gross Domestic Product growth reported at 5%, the recovery lost momentum and attention turned to the threat of the US experiencing a "double dip" recession. In the light of weaker economic data, the Federal Reserve eventually made another cut in interest rates in early November. This half percent cut took the Fed Funds rate to 1.75%, the lowest level for forty years.

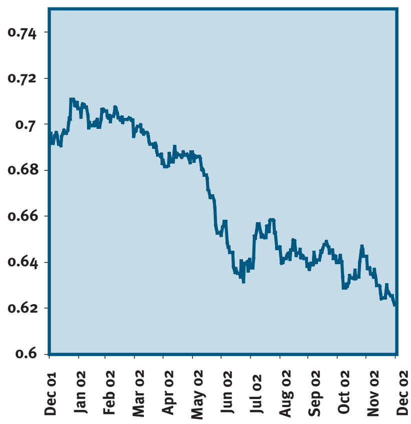
The year was also characterised by continuous weakness in Eurozone countries, particularly Germany. Several countries' fiscal deficits built up to the point that the Maastricht Stability Pact limit of 3% seriously constrained their ability to use fiscal policy to stimulate their weak economies. The European Central Bank eventually followed the Fed's lead, and cut rates by half of one percent in December 2002 to 2.75%. In the UK the fiscal stimulus of previous years kept consumption, house prices, retail sales and consumer confidence and growth higher than the global average. This allowed the Bank of England's Monetary Policy Committee to leave rates on hold at 4% throughout 2002.

Movement in Short Rates



US Dollar/Euro Exchange rate 2002

US Dollar/Sterling Exchange rate 2002



US Dollar/Jap Yen Exchange rate 2002

Dollar Falls

The main focus of the foreign exchange markets was the steady fall in the US dollar. Weaker growth expectations drove US short-term interest rates down, making interest rate differentials less favourable to the US dollar relative to other currencies, particularly against the euro. Sterling remained broadly stable on a trade-weighted basis.

Geopolitical tension and high oil prices dominate sentiment

Throughout the year geopolitical tensions played a part in depressing investor confidence. Political tension became increasingly evident as 2002 drew to a close and expectations rose that a US invasion of Iraq was imminent. The most obvious manifestation was the return to favour of defensive stocks and 'safe-haven' asset classes during December. Dominating the markets in December was the sharp rise in oil prices from $25/barrel at the start of the month to $30/barrel at the end of the month, mainly as a result of the oil workers' strike in Venezuela (a member of OPEC and the world's fifth-largest producer of oil) which cut the country's output by 90%, but the markets were almost certainly factoring in an increased war risk as well.

Dramatic increase in Oil Price in Q4'02

$/bbl

Bonds – a safer place

Against the backdrop of uncertainty and lack of confidence the winners were those asset classes and sectors perceived to be safe havens - cash, bonds and property. Global bonds followed a similar pattern to that experienced in 2001. There was weakness in the first quarter of 2002 as investors expected the policy mix of lower interest rates and fiscal boost to lead to a sustained economic upswing. Yields rose through the first half of the year. Two-year bond yields, against a backdrop of a stable eurozone short-term rate of 3.25%, had by May risen to 4.25%, ten-year yields rose from 5% to 5.25%, while thirty-year yields were less affected, rising from 5.4% to 5.55%.

However, the economic data to underpin market expectations was not forthcoming. Growth rates in the Eurozone continued to decline, while US data also disappointed. Industrial production and employment levels continued to fall in both areas. Such indeed was the emerging shortfall between official growth forecasts and the unfolding reality that serious questions began to emerge over the ability of some of the larger Eurozone countries to adhere to the limits of the Stability Pact. Allied to concerns on achievement of growth targets was the escalation of geopolitical tensions, focussing mainly on Iraq. The net effect of the interaction of these concerns was to drive investors towards bond markets in a "flight to safety", and radically to alter market expectations of the likely course of official interest rates in the Eurozone and elsewhere. The flattening of yield curves in the first half of 2002 was dramatically reversed as markets now focussed on likely and sustained rate reductions.

The second half of the year witnessed a broad-based rally in bond markets as a more sombre assessment of economic growth materialised. A notable feature of the final quarter in Europe was a significant tightening of yield spreads in the peripheral government bond markets of the Eurozone versus the "core" markets of Germany and France.

Over the course of the year the most significant yield declines were seen in the four-to seven year maturity area, where yields fell by around one per cent.

Towards the end of the year, the actual interest rate cut was followed by some profit taking in bonds, particularly in the US. Eurozone bonds generated a total return for 2002 of 12.2%.

Third year of negative returns from Equities

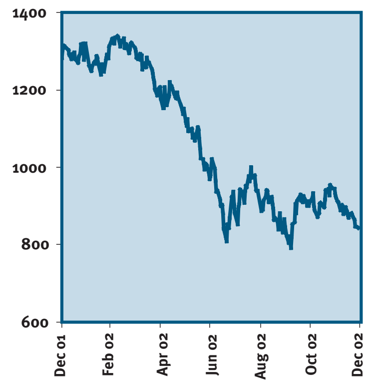
2002 saw the third consecutive year of negative returns on equities in the US, Europe, the UK and Japan.

In the US the Standard & Poor's 500 Index declined by 23% in dollar terms. Within Europe, while Austria managed a positive return, the Eurotop 300 Index showed a decline of 32%. In the UK, the FT All Share Index fell by 25%, while the more restricted FTSE 100 Index did not fare any better (-24.5%), the worst year since 1974. While the Japanese market posted a positive absolute return during the first five months of the year, it ended 2002 down 18%. A combination of supportive domestic policies and relatively cheap valuations at the start of 2002 allowed Pacific Basin equities to outperform other markets during 2002, but the result was still a negative return of –13% in local currency.

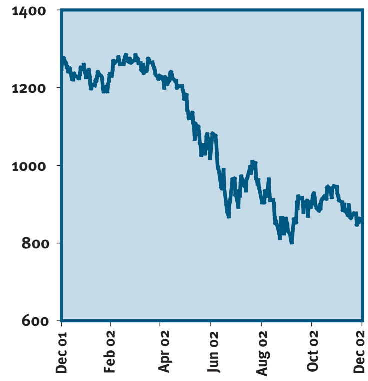
All sectors were negative in 2002

All sectors delivered a negative return. The Resources sector was the best (least worst, -18.9%) driven largely by a relative good performance by the Mining companies, which were down 5.7% in euro terms. The relatively small Basic Industries sector (accounting for 4.2% of market capitalisation) was the second best performing sector, down 20.9%, helped by a robust performance from the Chemicals companies. The traditionally more defensive sectors such as Non Cyclical Consumer Goods had some stalwart components, for example Tobacco fell 11.2% and Food Producers dropped 11.4%, but the overall grouping was pulled down by a 30% drop in Pharmaceuticals and a 28% decline in Healthcare stocks. Within the defensive Utility sector there was again a divergent performance with the Water companies delivering a 14.3% decline while the Gas distribution utilities were down 38%. Once again, as in 2001, Information Technology was a laggard, down 48%, and within this the Hardware component was the worst performer (-52.9%). Within the Non Cyclical Services sector the Telecommunications stocks staged a minor rally towards the year-end but the sector still finished as the second worst sector in 2002, down 38.5%. During the year as the prospects of a near-term economic recovery began to look less likely the Diversified Industrials performed poorly dragging down the General Industrials sector to -36.9%, the third worst performing sector.

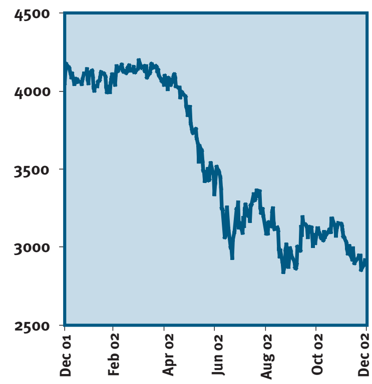
S&P 500 Index Performance in 2002



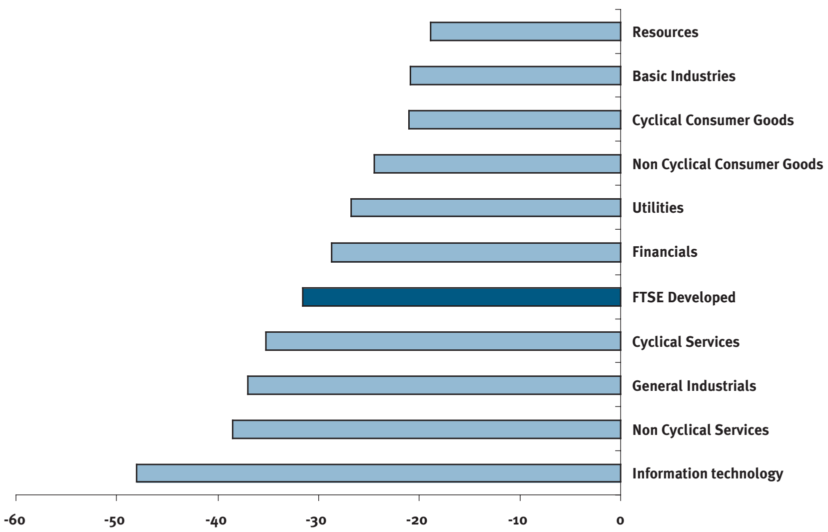
Eurotop 300 Index Performance in 2002



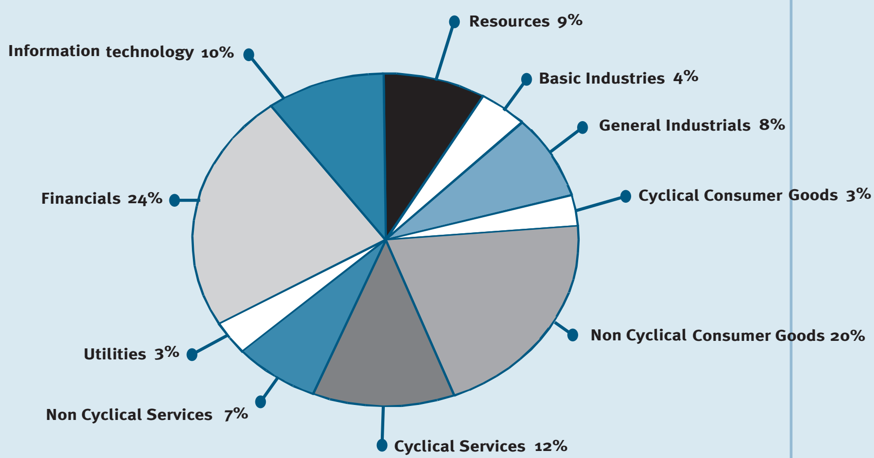
FT All Share Index Performance in 2002



FTSE Developed World Sector Performances 2002 (€)



Breakdown of FTSE Economic Groups on 31 December 2002



At the peak of the technology bubble, in March 2000, the Information Technology sector accounted for 15.8% of global market capitalisation. Its poor performance during 2002 saw its index weighting shrink further from 13.3% at end December 2001 to 10% at December 2002. At the other end of the perceived risk spectrum, the relative strength of the Tobacco and Food Producers industries allowed the Non Cyclical Consumer Goods Sector to grow in importance from 18.6% to 20.4%. While Insurance stocks suffered badly, the relative outperformance of Banks and Speciality Finance stocks resulted in a 1.1% increase in the weighting of Financials to confirm its position as the largest Economic Group.

Corporate malfeasance served to undermine confidence

2002 was dominated by news of corporate misdeeds, particularly in the US. The collapse of Enron in December 2001 resulted in the downfall of its auditor, Andersen, in March 2002 on charges of an obstruction of justice. This was followed in July 2002 by the US's largest ever corporate bankruptcy, WorldCom, where revenues were found to have been inflated by more than US$9bn, and by further accountancy-related frauds at Tyco and Xerox, to name but two. In Europe, Vivendi Universal came under scrutiny as similar issues dogged the French media company.

In an attempt to restore investor faith, the US Securities and Exchange Commission set a deadline of 14 August 2002, by which date all chief executives were required to sign off on the validity of their financial reports. Furthermore, the Sarbanes-Oxley corporate reform legislation, passed in July 2002, requires that CEOs swear that their financial reports not only conform to the letter of the US generally accepted accounting principles (GAAP) accounting law, but also that they present a faithful picture of the company's operations and financial condition. The New York Stock Exchange now requires that half of a company's directors are truly independent of management.

In an attempt to reduce further the scope for manipulating earnings numbers, Standard & Poor's introduced the concept of "core earnings" numbers, which exclude goodwill impairment charges, gains and losses on asset sales and pension fund gains, but include restructuring and stock option charges. Consequently, there was a dramatic lowering of earnings compared with "as reported" numbers and 2002 saw a steady stream of analysts' downgrades.

Equity markets ended 2002 on a depressed note. Political and economic uncertainties remained unresolved, with few signs of recovery and US action on Iraq imminent.

Performance

Since its launch in April 2001 the National Pensions Reserve Fund (NPRF) has performed relatively well - given market conditions - compared with the average Irish pension managed fund and the Fund's own long-term strategic benchmark. In the twelve months to 31 December 2002 the return on the Fund was -16.1%. This return compares to a return of -18.9% for the average Irish pension managed fund and -21.6% for the Fund's long term strategic benchmark (this is the return the Fund would have earned had the Commission not adopted the averaging-in strategy).

In the period from inception to 31 December 2002 the return on the Fund was -13.3%, equivalent to -7.9% p.a. This return compares with a cumulative return of –19.3%, equivalent to -11.6% p.a., by the average Irish pension managed fund and a return of -24.4% or -14.9% p.a. if the Fund had been fully invested according to its long-term benchmark.

	NPRF	Average Irish Pension Managed Fund	NPRF's long term strategic benchmark
April – December 2001	3.3%	-0.5%	-3.5%
Year to 31 December 2002	-16.1%	-18.9%	-21.6%
Inception to 31 December 2002	-13.3%	-19.3%	-24.4%
Inception to 31 December 2002 Annualised	-7.9%	-11.6%	-14.9%

This performance was turned in against a virtually unprecedented three successive year decline in global equity markets. The compound return in the FTSE All World Developed Index over the last three years has been -42.5% which, according to the Financial Times, was the worst three year performance since 1929-31.

Year	Return
2000	-5.34%
2001	-11.49%
2002	-31.49%

The long-term nature of the Fund positions it well to cope with the bouts of equity market weakness which it will undoubtedly experience over its lifetime. The Commission is confident that over that period the long-term strategic weighting of 80% in equities and other real assets will deliver the optimal return. Equities should outperform bonds because investors should be rewarded for buying riskier assets on a long-term time horizon. In the context of the Fund's liabilities, which are linked to long-term income growth, equity earnings should more closely match these than earnings on monetary assets such as bonds. Ultimately both equity earnings and income generally are correlated with productive capacity. Barring a sharp and sustained reduction in corporate profits as a proportion of economic output, share ownership by the Fund on behalf of the ultimate beneficiaries offers the best prospect, a priori, of matching eventual liabilities.

Within the Fund the returns on the different asset classes have broadly matched their respective benchmarks:

	Equity	Equity Benchmark	Bonds	Bond Benchmark	Cash	Cash Benchmark
5 Apr – 31 Dec 2001	N/A	N/A	N/A	N/A	3.3%	3.2%
Year 2002	-29.6%*	-29.6%*	10.7%*	10.7%*	3.4%	3.4%
Inception to 31 December 2002 Cumulative	-29.6%*	-29.6%*	10.7%*	10.7%*	6.8%	6.7%
Inception to 31 December 2002 Annualised	N/A*	N/A*	N/A*	N/A*	3.8%	3.8%

** The phased process of funding mandates commenced on 17th January 2002*

In money terms the Fund's position to end-December 2002 is as follows:

NATIONAL PENSIONS RESERVE FUND

	Temporary Fund Period to 5 April 2001 €m	National Pension Reserve Fund Period from 6 April 2001 to 31 December 2002 €m	Total from Inception to 31 December 2002 €m
Investment Income	358	457	815
Change in Market Value of Investments	0	(1,542)	(1,542)
Expenses	0	(10)	(10)
Net Investment Return	358	(1,095)	(737)
GNP & Capital Contributions from Minister	6,157	2,006	8,163
Transfer from Temporary Fund	(6,515)	6,515	-
Closing Fund Value	0	7,426	7,426

Net of investment income, the mark-to-market[2] losses to end December 2002 amounted to €737 million. In other words, if all the securities in the Fund were sold on 31 December 2002 and all of the proceeds were paid over to the Exchequer there would be shortfall of €737 million by reference to the Exchequer's capital contributions.

[2] Mark-to-market is the process of adjusting the value of a financial security to reflect its current market price. Mark-to-mark losses or gains reflect the difference between the original purchase price (or book value) and the current market value.

Performance Calculations

All performance calculations have been made in accordance with the widely accepted industry standard which is promoted by the Association for Investment Management and Research (AIMR) and which is called the Global Investment Performance Standards.

AIMR is an international, nonprofit organization of more than 50,000 investment practitioners and educators in over 100 countries. In an effort to establish uniform, accurate and consistent performance reporting, AIMR has developed a comprehensive set of performance presentation standards called the Global Investment Performance Standards or GIPS. The aim of the standards is to allow investors to compare returns across managers. In calculating the performance of portfolios, GIPS requires the calculation of "Time-Weighted Rate of Return" as opposed to other return calculations such as the "Money-Weighted Rate of Return".

The GIPS methodology has been used to calculate the Fund's returns. In some cases the rates of return calculated under the money weighted and time weighted (GIPS) do not differ significantly. However, significant differences do arise where the amount of the fund varies substantially over the relevant period and where rates of return vary significantly over sub intervals of the relevant period. This has been the case for the National Pensions Reserve Fund because of the Commission's decision to average-in the Fund's entry to capital markets over time.

Money Weighted Return

Money weighted return is calculated by dividing the total monetary gain/loss over a period by the *average* funds invested throughout the period. It gives greater weight to the returns generated when the funds invested are largest. It implicitly assumes that markets behaved uniformly throughout the period being measured. For a fund such as the National Pensions Reserve Fund, which has strong cashflow and which was subject to a major market downturn, such a measure would relatively underweight returns generated prior to investment in markets. It is not generally regarded as suitable for a situation where market returns differ between sub periods, as it can arbitrarily penalise or reward managers who received funds ahead of a market fall or rise.

Time Weighted Return

Time weighted return is calculated by "stopping the clock" each time a new (as opposed to one arising from dividends/coupons on funds already invested) cash flow occurs. The return on the funds invested is calculated for the period from one cash flow to the next. These subdivided returns are then accumulated to produce the total time weighted return for a given period. The time weighted return is the methodology used in the Global Investment Performance Standard (GIPS) because it negates the impact of cash flows which are unique to each fund and which arbitrarily affect the performance of managers who received funds ahead of a market fall or rise. GIPS is the only methodology which can be used to compare a fund's return to an index or other benchmark or other funds constituting a peer group.

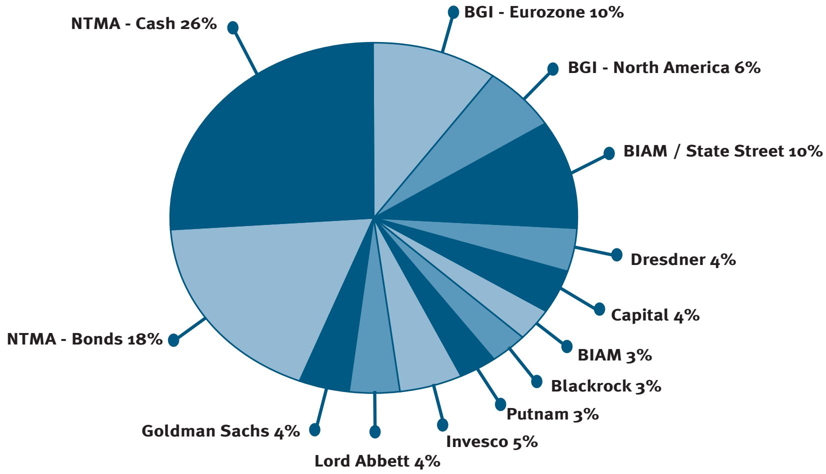
Managers and Mandates

Mandate	Manager	Benchmark
Passive Eurozone Equities	BGI	FTSE Eurobloc
Passive Eurozone Equities	BIAM/State Street	FTSE Eurobloc
Passive North American Equities	BGI	FTSE North America
Pan European Equities	Blackrock	FTSE Developed Europe
Pan European Equities	BIAM	FTSE Developed Europe
Pan European Equities	Putnam	FTSE Developed Europe
Global Equities	Dresdner	50% FTSE Eurobloc/50% FTSE Developed World ex Eurobloc
Global Equities	Capital	50% FTSE Eurobloc/50% FTSE Developed World ex Eurobloc
North American Growth	Goldman Sachs	FTSE North America
North American Value	Lord Abbett	FTSE North America
North American Enhanced Index	Invesco	FTSE North America
Japanese Equities	Daiwa*	FTSE Japan
Japanese Equities	JP Morgan Fleming*	FTSE Japan
Pacific Basin Equities	Schroders*	FTSE Developed Pacific Basin ex Japan
Passive Eurozone Bonds	NTMA	Merrill Lynch Euro Sovereign →5 year ex Ireland
Active Eurozone Bonds	Irish Life*	Merrill Lynch Euro Sovereign →10 year ex Ireland

**Not funded at 31 December 2002*

The proportions invested in each of the above mandates which were funded as at 31 December 2002 were as follows:

National Pensions Reserve Fund
Asset Allocation by Manager as at 31 December 2002



NTMA Mandates

The Commission has decided that the NTMA will manage certain mandates internally. These include the management of the Passive Eurozone Government bond mandate, the management of both strategic and residual cash and the centralised currency overlay programme.

Oversight and Controls

Manager Review Process

The Commission has delegated to the NTMA responsibility for the ongoing review of investment managers. Accordingly, the Commission has directed the NTMA to adhere to the following process for reviewing managers, for identifying any areas of concern and for recommending appropriate action to the Commission with a view to resolving those concerns. A detailed report by the NTMA on each manager review meeting and due diligence site visit is considered by the Commission which may itself decide to meet any or all of the managers concerned. A decision to terminate a manager's appointment is a matter for the Commission which would be guided by the advice of the NTMA. No manager appointments were terminated in 2002.

The NTMA monitors each manager on a daily basis to ensure that they are keeping within the parameters set out in their investment management agreement. On the direction of the Commission the NTMA conducts formal manager review meetings with each manager on a six-monthly basis, and due diligence site visits every eighteen months (or more frequently if necessary).

Managers are supplied with the agenda in advance of these meetings and are required to come prepared to answer detailed questions on organisational and staff changes, changes in assets under management, clients gained and lost, investment strategy, investment process, portfolio activity, active stock and sector overweights/underweights, performance and risk issues, compliance, corporate governance, trading, custodial issues and any other relevant matters.

Following each manager review meeting, the NTMA reports to the Commission and assigns to the manager one of three ratings; **Retain, Review** or **Terminate**. With respect to each manager this process focuses on three main areas: the manager's investment team, the investment process and the performance results. Performance, particularly short-term performance, is not necessarily a reliable indicator of the probability of a managers future success. The quality and stability of the manager's investment team is also important. The NTMA's formal review seeks to confirm that the team in place involved with the product is the same as that originally identified during the selection process and that the organisation has been stable. Second, the NTMA must satisfy itself that the proven investment process that was employed when the manager was first awarded the mandate is in place. Lastly, the performance results of the manager, in the context of the broad market, any relevant style indices, and peers are evaluated. Judgements about a manager's performance, particularly where there have been no changes in the investment team or process, are typically made over the medium term.

Risk Monitoring

The National Pensions Reserve Fund is benchmarked to its long-term investment strategy. When it is fully invested approximately 50% of the Fund will be actively managed. Active managers are permitted to deviate from benchmark in pursuit of incremental return. The permissible limits within which such deviation may occur are expressed in the form of tracking error. Tracking error is a measure of the standard deviation of the difference in performance of actual portfolios versus benchmark portfolios. In simple terms, two thirds of the time the performance differential would be expected to lie within plus or minus one tracking error of the benchmark performance, and only on one occasion in twenty would the performance differential be expected to lie more than two tracking errors away from the benchmark performance.

The process whereby tracking errors are allocated to individual managers and aggregated across the entire Fund is known as risk budgeting. The overall tracking error limit for the Fund is 1.25%, meaning that, when fully invested, annual fund performance would be expected to be within 1.25% of benchmark performance two thirds of the time, and to be more than 2.50% away from benchmark performance only one year in twenty.

It is important that the Fund has reliable estimates of future expected risk. The managers employed by the Fund are required to monitor this risk, and NTMA uses a factor model of ex ante risk to monitor manager adherence to limits, and to assess the risk being borne by the Fund as a whole. A factor model is one which examines risk on the basis that all investment risk may be explained by a limited number of common factors, with differing factor mixes for different asset classes. The effectiveness of factor models may be judged by their explanatory power in past periods, and factor models of risk, such as that employed by NTMA, are in standard use throughout the investment management industry.

Performance Measurement & Attribution

The NTMA is responsible to the Commission for monitoring the overall investment performance of the Fund and of individual investment managers appointed by the Commission. The NTMA has put in place the necessary systems and data base which allows it to supervise performance on a daily basis.

Members of the Commission receive, by the tenth working day of each month, a report from the NTMA on the Fund's investment performance in the previous month and year-to-date, detailed across asset classes and individual investment manager mandates.

The NTMA provides at Commission meetings a detailed quarterly performance measurement and attribution report. That report can include details of the largest deviations between a manager's portfolio and the relevant index at the security level, the sector or industry level, and the country level at any point in time. In addition, details of how these deviations have changed over time are available.

The NTMA's report identifies where the manager's performance is coming from – whether from security selection within a sector or industry or from over or under weighting of a sector relative to the index. It identifies the largest contributors to relative performance at the security level, sector or industry level and country level and facilitates the Commission's evaluation of the success or failure of the manager's decisions.

Other Controls

Adherence to Guidelines

The Commission requires the NTMA to monitor each manager's compliance with the terms of their investment contract. In that regard the NTMA performs a suite of controls on a daily basis aimed at ensuring that all managers are in compliance with their pre-agreed guidelines and that the overall Fund is in compliance with its guidelines. Some of these controls take the form of running exception reports that detail any breaches by an institutional manager of its guidelines. For example, if a manager's guidelines state that the proportion of its portfolio invested in any one security should not exceed 5%, the exception report would immediately identify any breach. In addition, managers are often precluded from holding securities that are domiciled in countries outside their benchmark – again, the exception report would immediately identify a breach. At the total Fund level, daily controls include ensuring that the required 50% of non-euro exposure is hedged and that the weightings in equities and bonds (and of the regions within equities and bonds) are within acceptable ranges of the long-term strategic allocation. Any breach of compliance by a manager is reported and acted on as appropriate by the NTMA.

Best Execution Monitoring

The efficiency or otherwise with which investment managers execute trades on behalf of the Fund can have an important bearing on investment performance. In that regard the Commission has approved the subscription by the NTMA to an independent service that analyses the trade execution of all equity mandates.

The analysis is produced quarterly and examines the following:

- Trading costs by manager relative to expectations;
- Effective use of brokers by managers generally and specifically;
- Cost of specific brokers with specific managers;
- Trading inefficiencies;
- Consistency of trading strategies relative to investment mandates;
- Timing of trades.

The service was put in place in the second quarter of 2002 and trades since then to end-2002 were monitored with satisfactory results.

Other Services

The Commission has decided to participate in several other services such as Securities Lending and Brokerage Recapture.

Securities Lending

Securities lending refers to the temporary transfer of a security from its owner to another investor or financial intermediary. Lenders are typically investment managers, large pension funds or institutions holding securities that can be loaned out for a period of time. They can participate in securities lending either directly or through an Agent Lender which will act on their behalf when the lender does not wish to participate directly. Borrowers are typically investment banks, broker/dealers, intermediaries or hedge funds that require the securities to satisfy short positions. This involves a firm selling a security it does not currently own, borrowing a security to settle the sale, buying it back at a later date and returning it to the lender. In return for making the security available for lending, the owner receives collateral in the form of either other securities, cash or a bank letter of credit. This is typically of the order of between 102% and 105% of the value of the security lent and protects the lender in the event of default. In addition, the lender receives an agreed fee on the security lent. It is a relatively low risk method of generating additional returns and enhancing portfolio performance.

When securities are lent, the lender retains all beneficial ownership entitlements including dividends, interest payments, rights issues and other corporate actions. In addition, most loans are structured in a manner which allows the lender to terminate the loan at any time.

The Commission has decided to lend securities through the Global Custodian, who administers the programme. It is expected that over time income from securities lending will more than offset the cost of the Custodian's fees. The lending programme was put in place in April 2002 and in the nine months of its operation in 2002 the Fund earned fees of €2.5 million. It is estimated that up to €3 million could be earned in 2003.

Brokerage Recapture

Brokerage recapture allows a fund to un-bundle the cost of research and execution inherent in brokerage commissions paid by its managers and pay only for execution on specified trades. The portion of commission on these trades that might otherwise be spent on research is rebated directly to Fund.

Brokerage recapture programmes originated in the U.S. because of the need for fiduciaries to maintain control and monitor brokerage commissions which were generated by investment managers. The U.S. Department of Labor issued a technical paper in 1986 stating that, as commissions were paid out of the assets of a fund, fiduciaries have a responsibility to control these assets. This paper also stated that commission recapture is in keeping with fiduciary control of assets as long as the commissions are used for the benefit of fund participants or to cover fund costs, and that investment managers continue to seek "best execution" when placing trades for the portfolio. A typical brokerage recapture program operates in the following way:

- A fund directs its investment managers to execute a portion of trades made on behalf of the fund through a recapture programme utilising specified participating brokers, always in accordance with “best execution”.
- For each trade, the manager pays the selected broker the usual negotiated commission rate to execute the trade as part of a block on behalf of their collective clients. Trades are typically done in a block at one average price on behalf of many or all clients whether some of those clients participate in recapture programmes or not; the investment managers and brokers will be aware that the NTMA will be monitoring best execution.
- The broker then rebates a portion of that commission, agreed-upon in advance, back to any clients participating in the programme.

Investment managers have for many years used commission credits as "soft dollars" to purchase research which, in turn, is meant to benefit clients indirectly. In contrast, with commission recapture, the credit is remitted directly to the fund itself.

Once a fund decides to recapture commissions, it is imperative to monitor execution to ensure that lower commission rates do not translate into poor execution quality. In addition, it is important to note that only a minority of trades (say 25% or 30%) are generally directed to commission recapture brokers. This allows the investment managers to pick the brokers offering best execution, only picking commission recapture brokers when they offer best execution.

On behalf of the Commission the NTMA ran a global tendering competition to select a brokerage commission recapture service provider. The competition was conducted under the restricted tendering procedures provided for in EU public procurement rules. With the approval of the Commission the Frank Russell Company was selected as the commission recapture provider for the Fund. The programme was inaugurated in January 2003. It is estimated that the Fund could earn around €.75 million in brokerage rebates in 2003.


ONE

National Pensions Reserve Fund Commission Members and other information

COMMISSION MEMBERS

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 & CUSTODIAN

Central Bank of Ireland
ABN Amro Mellon

AUDITORS

Comptroller & Auditor General
Treasury Building
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
Blackrock International
Capital International
Daiwa SB Investments Limited*
Dresdner RCM Global Investors
Goldman Sachs Asset Management International
Invesco Asset Management
Irish Life Investment Managers Limited*
J.P. Morgan Fleming Asset Management (UK) Limited*
Lord, Abbett & Co
Putnam Investment Limited
Schroder Investment Management Limited*

** Unfunded at 31 December 2002*

National Pensions Reserve Fund
Commission

FINANCIAL STATEMENTS OF THE NATIONAL PENSIONS RESERVE FUND FOR THE YEAR ENDED 31 DECEMBER 2002

Investment Report

The Commission determines the investment strategy for the Fund, which was invested at 31 December 2002 as follows:

Equities	€	% of Total Investment Assets
Australia	6,998,632	0.09
Austria	15,523,312	0.21
Belgium	58,918,796	0.80
Canada	36,622,630	0.50
Denmark	8,043,562	0.11
Finland	108,517,623	1.47
France	605,592,445	8.20
Germany	379,936,386	5.14
Greece	26,523,572	0.36
Hong Kong	3,770,881	0.05
Ireland	46,808,863	0.63
Italy	250,121,481	3.39
Japan	31,793,571	0.43
Luxembourg	10,354,062	0.14
Netherlands	405,302,369	5.49
Norway	1,306,559	0.02
Pacific (Ex Japan)	4,254,455	0.06
Portugal	26,800,718	0.36
Spain	219,701,483	2.97
Sweden	20,755,485	0.28
Switzerland	130,624,094	1.77
United Kingdom	277,557,242	3.76
United States	1,529,443,766	20.70
	4,205,271,987	56.93

Bonds		
Austria	45,108,627	0.61
Belgium	110,602,802	1.50
Finland	18,608,504	0.25
France	259,981,374	3.52
Germany	294,432,199	3.98
Greece	53,812,613	0.73
Italy	258,683,454	3.50
Netherlands	76,172,244	1.03
Portugal	26,850,535	0.36
Spain	143,383,170	1.94
	1,287,635,522	17.42

Deposits	€	% of Total Investment Assets
Euro	1,831,016,776	24.78
US Dollar	23,803,387	0.32
Sterling	2,183,717	0.03
Other Currencies	99,967	0.00
	1,857,103,847	25.13
Unrealised gain on foreign exchange contracts	39,516,901	0.53
Unrealised loss on futures contracts	(535,891)	(0.01)
Total Investment Assets	7,388,992,366	100.00

Donal J. Geaney
Chairman of Commission

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

30 June 2003

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)

30 June 2003

Statement on the System of Internal Financial Control

Responsibility for system of Internal Financial Control

As agent of the Commission the National Treasury Management Agency (the "Manager") acknowledges the responsibility for ensuring that it maintains and operates an effective system of internal financial control.

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 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 including the extent and categories 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.

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.

Statement on the System of Internal Financial Control
(continued)

Key Control Procedures (continued)

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 2002, the Internal Auditor has conducted a review of the effectiveness of the system of internal financial controls and has reported on it to the Commission and the Manager.

Donal J. Geaney
Chairman of Commission

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

30 June 2003

Report of the Comptroller and Auditor General

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

I have audited the financial statements on pages 42 to 51 in accordance with section 26 of the National Pensions Reserve Fund Act, 2000.

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

The accounting responsibilities of the Commission are set out in the Statement of Commission's Responsibilities on page 38. It is my responsibility, based on my audit, to form an independent opinion on the financial statements presented to me by the Commission and to report on them.

I review whether the statement on pages 39 and 40 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 judgements 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 2002 and its balances at that date.

John Purcell
Comptroller and Auditor General

30 June 2003

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 2002. The reporting period for the prior period was the 2nd April 2001 (the inception of the Fund) to 31 December 2001.

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 year end dates. Exchange differences arising on the revaluation of investments and settlement of investments are dealt with in the change in market value of investments. 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 2002

	Notes	Period ended 31 December 2002 €	Period ended 31 December 2001 €
Contributions	1	1,034,500,000	7,486,865,675
Investment return for the period			
- Investment income	2	227,858,976	228,677,358
- Change in market value of investments	3	(1,542,418,345)	-
		(280,059,369)	7,715,543,033
Transfer to Administration Account	4	(8,864,460)	(951,598)
(Decrease)/Increase in Fund during the period		(288,923,829)	7,714,591,435
Net assets of Fund at start of period		7,714,591,435	-
Net assets of Fund at period end		7,425,667,606	7,714,591,435

Donal J. Geaney
Chairman of Commission

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

30 June 2003

The statement of accounting policies and notes 1 to 13 form part of these accounts.

Net Assets Statement

31 December 2002

	Notes	2002 €	2001 €
Investment assets	3	7,388,992,366	7,673,257,623
Current assets	6	68,860,654	41,704,898
Current liabilities	7	(32,185,414)	(371,086)
Net assets of Fund at 31 December		7,425,667,606	7,714,591,435

Donal J. Geaney
Chairman of Commission

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

30 June 2003

The statement of accounting policies and notes 1 to 13 form part of these accounts.

Administration Account

for the year ended 31 December 2002

	Notes	Period ended 31 December 2002 €	Period ended 31 December 2001 €
Transfer from Fund Account	4	8,864,460	951,598
Expenses of Commission	5	(8,864,460)	(951,598)
Net income\(expenditure)		Nil	Nil

Donal J. Geaney
Chairman of Commission

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

30 June 2003

The statement of accounting policies and notes 1 to 13 form part of these accounts.

Notes to the Accounts

1. Contributions

	Period ended 31 December 2002	Period ended 31 December 2001
	€	€
Paid in by the Minister for Finance – 1 per cent of GNP	1,034,500,000	971,984,499
Transfer from Temporary Holding Fund for Superannuation Liabilities	-	6,514,881,176
	1,034,500,000	7,486,865,675

2. Investment Income

	Period ended 31 December 2002	Period ended 31 December 2001
	€	€
Income from investments	227,858,976	228,677,358

Summary of Investment Income from:	2002	2001
	€	€
-Deposits	95,923,945	228,677,358
-Equities	77,537,897	-
-Bonds	51,930,832	-
-Securities Lending	2,466,302	-
	227,858,976	228,677,358

3. Investment Assets

	2002	2001
	€	€
(a) Summary of Assets		
-Equities	4,205,271,987	-
-Bonds	1,287,635,522	-
-Deposits and Cash	1,857,103,847	7,673,257,623
-Foreign currency contracts	39,516,901	-
-Futures contracts	(535,891)	-
	7,388,992,366	7,673,257,623

(b) Analysis by geographical classification of assets	2002	2001
	€	€
Europe	5,752,357,438	7,673,257,623
North America	1,589,817,389	-
Japan	31,793,571	-
Asia Pacific (excluding Japan)	15,023,968	-
	7,388,992,366	7,673,257,623

Notes to the Accounts
(continued)

3. Investment Assets (continued)

(c) The movement in the market value of investments held by the Fund during the year was as follows:

	2002	2001
	€	€
Market Value as at start of period	7,673,257,623	-
Transfer to Fund (Note 1)	1,034,500,000	7,486,865,675
Net cash movement	218,014,325	186,972,460
Securities received for income	510,659	-
Pending settlements	10,896,097	-
Fund expenses paid	(5,767,993)	(580,512)
Change in market value of investments	(1,542,418,345)	-
Total Investments	7,388,992,366	7,673,257,623

Net cash movement

	2002	2001
	€	€
Transfer to Investment Managers	(7,072,358,001)	-
Purchases at Cost	18,636,705,668	27,921,570,390
Proceeds of Sales	(11,346,333,342)	(27,734,597,930)
Net Cash movement	218,014,325	186,972,460

Net cash movement reconciled to Investment Income

	2002	2001
	€	€
Income received in Cash	218,014,325	219,983,485
Accrued interest on transfer from Temporary Holding Fund	-	(33,011,025)
Net Cash Movement	218,014,325	186,972,460
Income received as Securities	510,659	-
Opening income accrual	(41,704,898)	-
Closing income accrual	51,038,890	41,704,898
Investment income (Note 2)	227,858,976	228,677,358

Notes to the Accounts
(continued)

3. Investment Assets (continued)

(d) The following investment managers hold the investment assets of the Fund:

	2002	2001
	€	€
Barclays Global Investors	1,246,201,248	-
Bank of Ireland Asset Management / State Street Global Advisors	768,335,031	-
Bank of Ireland Asset Management	237,379,180	-
Blackrock International	229,531,041	-
Capital International	278,736,967	-
Dresdner RCM Global Investors	292,258,753	-
Goldman Sachs Asset Management International	309,418,577	-
Invesco Asset Management	339,501,200	-
Lord, Abbett & Co	320,059,934	-
National Treasury Management Agency	3,130,419,540	7,673,257,623
Putnam Investment Limited	237,150,895	-
	7,388,992,366	7,673,257,623

4. Transfer to Administration Account

This amount of €8,864,460 represents the amount required to cover the administration costs of the Commission.

Notes to the Accounts
(continued)

5. Expenses of the 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:

	Period ended 31 December 2002	Period ended 31 December 2001
	€	€
Investment Managers' fees	5,982,185	-
Global Custodian fees	1,280,525	-
Fees & Expenses of Commissioners	328,155	213,554
IT Systems	463,925	-
Legal Fees	401,953	120,592
Consultancy Fees	341,809	605,633
Audit Fees	10,000	-
Other Fees and Expenses	55,908	11,819
	8,864,460	951,598

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

6. Current Assets

	2002	2001
	€	€
Accrued interest on fixed income securities	28,934,529	-
Amounts receivable for securities sold	17,821,763	-
Accrued interest on deposits	16,206,288	41,704,898
Dividends Receivable	2,897,288	-
Tax Reclaims Recoverable	2,854,634	-
Securities Lending Income Receivable	146,152	-
	68,860,654	41,704,898

Notes to the Accounts
(continued)

7. Current Liabilities

	2002	2001
	€	€
Amounts payable for securities purchased	28,717,861	-
Fund Manager fees payable	2,162,693	-
Custodian fees payable	559,772	-
VAT payable	403,274	-
Accrued Expenses	341,814	371,086
	32,185,414	371,086

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 at 31 December 2002 was:

	2002 Notional	2002 Market Value
	€	€
Foreign Exchange Contracts	1,323,750,511	39,516,901
Financial Futures	12,345,648	(535,891)
	1,336,096,159	38,981,010

No such derivative contracts existed at 31 December 2001.

10. Contingent Liabilities

In the opinion of the Commissioners the National Pensions Reserve Fund had no contingent liabilities at 31 December 2002.

11. Stock 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 2002 the Fund earned €2,466,302 through securities lending.

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, 2002 amounted to €302,004,371. The National Pensions Reserve Fund held collateral of 102.45% of the market value of securities lent.

12. 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 33, 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.

13. Approval of Financial Statements

The financial statements were approved by the Commission on 30 April 2003.


broker
stock
stock exchange
stock
stock.ing

National Pensions Reserve Fund
Commission

NATIONAL PENSIONS RESERVE FUND PORTFOLIO OF INVESTMENTS AS AT 31 DECEMBER 2002

National Pensions Reserve Fund
Portfolio of Investments 31 December 2002

QUOTED SECURITIES - EQUITIES

Holding	Security Description	Market Value	% of Total
	EUROPE		
	AUSTRIA		
8,283	Andritz	190,426	0.00%
11,220	Austrian Airlines	77,418	0.00%
6,805	Bohler Uddeholm	300,305	0.01%
3,310	Brau Union	183,871	0.00%
6,793	EWT	65,552	0.00%
13,371	Ca Immobilien	241,079	0.00%
37,176	Erste Bank Der Osterreichischen	2,384,840	0.03%
9,340	EVN	382,940	0.01%
6,402	Flughafen Wien	204,864	0.00%
150,774	Immofinanz	882,028	0.01%
1,518	Lenzing	135,861	0.00%
3,970	Mayr-Melnhof	279,885	0.01%
3,739	Oest Elektrizitatswirts A	303,382	0.00%
29,149	OMV	2,727,763	0.04%
3,582	Ost Brau-Beteiligu	238,203	0.01%
2,052	Palfinger	29,651	0.00%
12,292	Semperit	153,527	0.00%
19,480	Sparkassen Immobilie	141,035	0.00%
529,532	Telekom Austria	5,109,984	0.07%
35,459	Uniqa Versicherungen	283,317	0.00%
9,310	VA Technology	144,305	0.00%
24,912	Voestalpine	576,713	0.01%
28,694	Wienerberger	486,363	0.01%
		15,523,312	**0.21%**
	BELGIUM		
20,753	Ackermans	365,253	0.00%
86,907	Agfa Gevaert Nv	1,846,774	0.02%
48,150	Almanij	1,565,357	0.02%
13,917	Bekaert	600,519	0.01%
12,477	Colruyt Sa	655,043	0.01%
77,397	Delhaize Group	1,371,475	0.02%
723,863	Dexia	8,563,299	0.12%
2,291	D'ieteren	295,539	0.00%
33,473	Electrabel Com	7,749,000	0.10%
1,058,670	Fortis Group	17,711,885	0.24%
80,219	Groupe Bruxelles	3,129,343	0.04%
218,722	Interbrew	4,921,245	0.07%
73,996	KBC	2,248,738	0.03%
13,509	Mobistar	306,519	0.01%
5,408	Nationale A Portefeuille	573,248	0.01%
34,767	Solvay	2,284,192	0.03%
18,099	Tessenderlo Chemie	517,631	0.01%
118,707	UCB	3,561,210	0.05%
15,865	Umicore	652,526	0.01%
		58,918,796	**0.80%**
	DENMARK		
393,786	Danske Bank	6,201,939	0.09%
66,900	Novo-Nordisk	1,841,623	0.02%
		8,043,562	**0.11%**
	FINLAND		
113,451	Elisa Communication	648,940	0.01%
283,680	Fortum	1,773,000	0.03%
83,900	Metso	864,170	0.01%
5,805,151	Nokia	87,948,038	1.19%
228,960	Sampo	1,659,960	0.02%
730,717	Stora Enso	7,343,706	0.10%
131,420	Tietoenator	1,708,459	0.02%
214,750	UPM-Kymmene	6,571,350	0.09%
		108,517,623	**1.47%**
	FRANCE		
327,390	Accor	9,448,475	0.13%
110,677	Air Liquide	13,912,099	0.19%
1,025,955	Alcatel	4,288,492	0.06%
45,745	Assurances Generales De France	1,459,266	0.02%
1,016,819	Aventis	52,671,224	0.71%
1,889,718	Axa	24,169,493	0.33%
1,125,309	BNP Paribas	43,695,748	0.59%
321,147	Bouygues	8,548,933	0.11%
104,315	Cap Gemini	2,271,981	0.03%
770,614	Carrefour	32,697,152	0.44%
30,865	Casino G Perrachon	2,183,699	0.03%
59,877	Christian Dior	1,920,255	0.03%
237,380	Credit Agricole	3,413,524	0.05%
214,632	Credit Lyonnais	11,439,886	0.15%
139,531	Danone	17,887,874	0.24%
20,410	Dassault Systemes	419,221	0.01%
137,497	Essilor International	5,396,757	0.07%
293,329	France Telecom	4,892,728	0.07%
238,340	Havas	881,858	0.01%
206,943	Lafarge	14,858,507	0.20%
113,110	Lagardere S.C.A.	4,378,488	0.06%
328,253	L'oreal	23,814,755	0.32%
392,924	LVMH Moet Hennessy	15,382,975	0.21%
86,981	Michelin	2,858,196	0.04%
554,899	Orange	3,656,784	0.05%
110,494	Pechiney	3,694,919	0.05%
78,659	Pernod-Ricard	7,260,226	0.10%
215,512	Peugeot	8,374,797	0.11%
76,113	Pinault-Printemps	5,335,521	0.07%
117,530	Publicis Groupe	2,374,106	0.03%
128,682	Renault	5,762,380	0.08%
11,880	Rexel	382,298	0.01%
606,950	Sanofi-Synthelabo	35,354,838	0.48%
268,361	Schneider Electric	12,100,398	0.16%
366,868	Societe Generale	20,361,174	0.28%
96,840	Sodexho	2,130,480	0.03%
395,997	St-Gobain	11,072,076	0.15%
851,413	Suez	14,082,371	0.19%
245,520	TF1-TV Francaise	6,250,939	0.08%
55,415	Thales	1,398,121	0.02%
174,554	Thomson Sa	2,838,248	0.04%
871,613	Total Fina Elf	118,526,649	1.60%
224,427	Valeo	6,710,367	0.09%
108,956	Vinci	5,850,938	0.08%
294,986	Vivendi Environment	6,554,589	0.09%
1,470,347	Vivendi Universal	22,628,640	0.31%
		605,592,445	**8.20%**
	GERMANY		
86,895	Adidas-Salomon	17,151,459	0.10%
196,427	Allianz	7,806,108	0.24%
115,000	Altana	5,002,500	0.07%
9,000	AMB Generali Holding	468,180	0.01%
620,300	BASF	22,380,424	0.30%
927,190	Bayer	18,961,036	0.26%
324,450	Bayerische Hypo-Und Vereinbank	4,938,129	0.07%

National Pensions Reserve Fund
Portfolio of Investments 31 December 2002

QUOTED SECURITIES - EQUITIES

Holding	Security Description	Market Value	% of Total
657,897	Bayerische Motoren Werke	18,680,173	0.25%
27,800	Beiersdorf	2,949,580	0.04%
336,483	Commerzbank	2,506,798	0.03%
111,300	Continental	1,630,545	0.02%
844,600	Daimlerchrysler	24,789,010	0.34%
13,622	Degussa	326,928	0.00%
812,579	Deutsche Bank	35,672,218	0.48%
56,000	Deutsche Boerse	2,136,960	0.03%
372,150	Deutsche Lufthansa	3,267,477	0.04%
275,707	Deutsche Post	2,757,070	0.04%
2,847,350	Deutsche Telekom	34,880,037	0.47%
880,520	E.On	33,855,994	0.46%
28,850	Fresenius Medical Care	1,138,421	0.02%
28,058	Gehe	1,040,952	0.01%
26,300	Heidelbergcement	933,650	0.01%
35,537	Henkel Kgaa	1,856,808	0.02%
48,648	Henkel Kgaa (Preferred Stock)	2,945,636	0.04%
811,277	Infineon Technologies	5,670,826	0.08%
38,850	Karstadtquelle	641,025	0.01%
74,200	Linde	2,597,000	0.04%
128,200	M.A.N.	1,685,830	0.02%
125,500	Metro	2,855,125	0.04%
102,000	MG Technologies	606,900	0.01%
45,000	MLP	423,000	0.01%
181,995	Munich Re	20,747,430	0.28%
7,959	Porsche	3,151,764	0.04%
326,600	RWE	8,067,020	0.11%
238,400	SAP	18,003,968	0.24%
215,218	Schering	8,920,786	0.12%
1,034,368	Siemens	41,891,904	0.57%
107,200	Software	972,304	0.01%
318,627	Thyssenkrupp	3,393,378	0.05%
194,450	TUI	3,142,312	0.04%
261,650	Volkswagen	9,089,721	0.12%
		379,936,386	**5.14%**

GREECE

Holding	Security Description	Market Value	% of Total
49,561	Aegek Sa	91,688	0.00%
50,742	Agricultural Bank Of Greece	309,526	0.00%
22,713	Aktor	130,827	0.00%
152,960	Alpha Bank	1,759,040	0.02%
63,425	Alpha Invest	141,438	0.00%
62,348	Altec	65,465	0.00%
7,119	Aluminum Co Of Greece	125,437	0.00%
46,198	Anek Lines Sa	48,970	0.00%
14,139	Aspis Pronia Gen Ins	14,846	0.00%
27,857	Athens Medical Centre	50,700	0.00%
32,530	Athens Stock Exchange	82,626	0.00%
79,140	Attica Enterprises	195,476	0.00%
7,967	Babis Vovos Sa	137,351	0.00%
7,724	Bank Of Greece	468,074	0.01%
138,100	Bank Of Piraeus	831,362	0.01%
17,555	Chipita	70,922	0.00%
78,180	Coca-Cola Hellenic Bottling Co	1,035,103	0.01%
52,940	Commercial Bank Greece	767,630	0.01%
12,295	Corinth Pipeworks Sa	14,631	0.00%
55,036	Cosmote Mobile Tel	516,238	0.01%
7,162	Delta Holding	39,105	0.00%
9,489	Delta Holding (Preferred Stock)	47,635	0.00%
76,556	Delta Singular	217,419	0.01%
21,778	Duty Free Shops	131,975	0.00%
26,356	E.YD.A.P	95,409	0.00%
192,921	EFG Eurobank Ergas	2,160,715	0.03%
140,800	Egnatia Bank	161,216	0.00%
4,478	Elais Oleaginous	65,827	0.00%
41,051	Elval (Hellenic Aluminium)	65,682	0.00%
42,867	Etba Bank	112,312	0.00%
8,830	Ethniki General Insurance Co	26,049	0.00%
13,598	Folli Follie	219,200	0.01%
32,320	Fourlis	31,674	0.00%
17,196	General Constr Co	67,408	0.00%
8,037	Germanos Sa	88,407	0.00%
5,405	Goody's	78,805	0.00%
31,909	Halcor Metal Processing	40,524	0.00%
6,052	Hellas Can Sa	28,323	0.00%
86,331	Hellenic Petroleum	478,274	0.01%
7,668	Hellenic Sugar Industry	32,819	0.00%
403,630	Hellenic Telecommunciations	4,238,115	0.06%
118,000	Hellenic Telecommunications ADR	600,858	0.01%
61,990	Helliniki Technodomiki	365,741	0.01%
14,629	Heracles Gen Cement	88,944	0.00%
27,764	Hyatt Regency Hotels & Tourism	189,906	0.00%
37,305	Iaso	283,518	0.01%
17,321	Info Quest	23,730	0.00%
7,265	Inform P. Lykos	47,077	0.00%
73,435	Intracom	312,833	0.01%
9,180	Intralot	110,527	0.00%
9,938	J&P Avax Sa	130,387	0.00%
24,760	Lambrakis Publishing	52,244	0.00%
29,930	Mailis	120,319	0.00%
21,454	Metka Sa	62,860	0.00%
5,203	Michaniki Sa (Preferred Stock)	8,325	0.00%
34,373	Michaniki Sa	59,465	0.00%
58,716	Minoan Lines	63,413	0.00%
17,613	Motor Oil	121,530	0.00%
25,106	Mytilineos	52,220	0.00%
33,237	Naoussa Spinning Mills	30,578	0.00%
144,989	National Bank Of Greece	1,957,352	0.03%
27,971	National Real Estate	61,816	0.00%
42,336	Notos Com Holdings	73,665	0.00%
254,414	OPAP	2,569,581	0.04%
16,570	Papastratos Cigarette Co	269,097	0.01%
16,760	Pouliades & Partners	18,268	0.00%
57,291	Public Power Corp	756,241	0.01%
23,360	Sarantis	51,158	0.00%
12,433	Silver & Baryte Ores Mining Co	83,301	0.00%
77,586	Techniki Olympiaki Sa	252,930	0.01%
19,443	Tiletipos	103,826	0.00%
23,587	Titan Cement Co	859,982	0.01%
15,673	Unisystems	37,772	0.00%
117,865	Viohalco	445,530	0.01%
176,510	Vodafone-Panafon	974,335	0.01%
		26,523,572	**0.36%**

IRELAND

Holding	Security Description	Market Value	% of Total
1,127,795	Allied Irish Banks	14,774,115	0.20%
1,025,000	Bank Of Ireland	9,973,250	0.13%
746,334	CRH	8,769,424	0.12%
70,514	DCC	691,037	0.01%
278,787	Elan Corporation	604,968	0.01%
1,279,805	Independent News & Media	1,919,708	0.02%
281,577	Irish Life & Permanent	2,928,401	0.04%
113,954	Kerry Group	1,447,216	0.02%
112,686	Riverdeep Group	152,126	0.00%
828,152	Ryanair	5,548,618	0.08%
		46,808,863	**0.63%**

National Pensions Reserve Fund
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QUOTED SECURITIES - EQUITIES

Holding	Security Description	Market Value	% of Total
	ITALY		
600,000	Alleanza Assicurazioni	4,332,000	0.06%
1,139,313	Assicurazioni Generali	22,330,535	0.30%
1,055,200	Autostrade	10,003,296	0.14%
189,349	Banca Antonveneta	2,249,466	0.03%
243,058	Banca Fideuram	1,088,900	0.01%
3,648,750	Banca Intesa	7,333,988	0.10%
257,755	Banca Lombarda	2,345,571	0.03%
854,708	Banca Monte Dei Paschi Di Siena	1,918,819	0.03%
1,307,352	Banca Nazional Del Lavoro	1,379,256	0.02%
108,788	Banca Popolare Di Bergamo	1,849,396	0.03%
299,814	Banco Popolare Di Verona	3,187,023	0.04%
59,950	Benetton Group	509,575	0.01%
120,900	Bulgari	546,468	0.01%
1,334,245	Capitalia	1,625,110	0.02%
1,989,300	Enel	9,866,928	0.13%
3,884,071	ENI	58,843,676	0.80%
271,250	Fiat	2,102,187	0.03%
1,450,350	Finecogroup	645,406	0.01%
5,232,458	Finmeccanica	2,762,738	0.04%
177,800	Gruppo Editoriale L'espresso	552,958	0.01%
452,711	Holding Partecipazioni Industriali	909,949	0.01%
60,461	fil	148,129	0.00%
106,140	Ifil (Saving shares)	358,753	0.00%
73,250	Italcementi	703,200	0.01%
215,800	Italgas	2,796,768	0.04%
159,377	La Fondiaria Assicuraziona	422,349	0.01%
15,937	La Fondiaria Assicuraziona Warrants 30-Jun-2008	33,468	0.00%
112,605	Luxottica Group	1,415,445	0.02%
954,800	Mediaset	6,931,848	0.09%
323,750	Mediobanca	2,538,200	0.03%
179,700	Mediolanum	882,327	0.01%
5,426,000	Olivetti	5,274,072	0.07%
328,000	Parmalat Finanziaria	744,560	0.01%
1,178,250	Pirelli	1,036,860	0.01%
298,250	Ras	3,459,700	0.05%
604,000	Saipem	3,847,480	0.05%
902,150	San Paolo-Imi	5,593,330	0.08%
4,625,131	Seat-Pagine Gialle	3,001,710	0.04%
1,152,537	Snam Rete Gas	3,745,745	0.05%
4,171,650	T.I.M.	18,146,678	0.25%
4,952,491	Telecom Italia	32,042,805	0.43%
5,410,711	Unicredito Italian	20,614,809	0.28%
		250,121,481	**3.39%**
	LUXEMBOURG		
626,535	Arcelor	7,342,990	0.10%
470,480	Ses Global	3,011,072	0.04%
		10,354,062	**0.14%**
	NETHERLANDS		
1,756,695	ABN Amro	27,369,308	0.37%
1,742,907	Aegon	21,368,040	0.29%
1,182,741	Ahold (Kon)	14,311,166	0.19%
234,048	Akzo Nobel	7,075,271	0.10%
611,499	Asml	4,867,532	0.07%
61,497	DSM	2,667,740	0.04%
264,851	Eads	2,608,782	0.04%
30,000	Gucci Group	2,623,500	0.04%
33,600	Gucci Group ADR	2,934,834	0.04%
137,958	Hagemeyer	951,910	0.01%
275,485	Heineken	9,767,677	0.13%
2,987,226	ING Groep	48,213,828	0.65%
4,320,916	Kon Kpn	26,789,679	0.36%
207,425	Numico Koninklijke	2,489,100	0.04%
2,221,183	Philips	37,093,756	0.50%
1,804,531	Reed Elsevier	21,022,786	0.28%
2,455,017	Royal Dutch Peteroleum	102,987,963	1.39%
803,342	Stmicroelectronics	15,006,429	0.20%
714,963	Tpg	11,046,178	0.15%
529,828	Unilever	31,021,429	0.42%
372,749	VNU	9,262,813	0.13%
230,280	Wolters Kluwers	3,822,648	0.05%
		405,302,369	**5.49%**
	NORWAY		
97,000	Norske Skogsindustrier	**1,306,559**	**0.02%**
	PORTUGAL		
470,783	Banco BPI	1,026,307	0.01%
1,433,440	Banco Commercial Portuguese	3,268,243	0.04%
60,036	Banco Espirito Santo	750,450	0.01%
335,325	Brisa Auto-Estradas De Portugal	1,770,516	0.02%
31,611	Cimpor Cimentos De Portugal	505,776	0.01%
2,143,421	Electricidade De Portugal	3,408,039	0.05%
31,616	Jeronimo Martins	219,731	0.00%
2,119,558	Portugal Telecom	13,883,105	0.19%
34,436	PT Multimedia	345,049	0.00%
1,238,578	Sonae	495,431	0.01%
152,442	Vodaphone Telecel-Comunicacoes Pessoais	1,128,071	0.02%
		26,800,718	**0.36%**
	SPAIN		
21,863	Acciona	858,123	0.01%
54,551	Acerinox	1,908,739	0.03%
386,925	Acesa Infraestructuras	212,809	0.00%
386,925	Acesa Infraestructuras	4,178,790	0.06%
39,679	Acs Activades De Construccion	1,216,161	0.02%
32,865	Alba	578,424	0.01%
341,194	Altadis	7,417,558	0.10%
243,702	Amadeus Global Travel Dist	957,749	0.01%
331,869	Banco Popular Espanol	12,932,935	0.18%
5,076,010	Banco Santander Central Hispano	33,197,105	0.45%
61,486	Bankinter	1,451,685	0.02%
3,766,331	BBVA	34,348,939	0.46%
65,362	Cia Esp Petroleos	1,136,645	0.02%
867,280	Endesa	9,670,172	0.13%
43,992	Fomento De Construcciones Y Contra	941,429	0.01%
335,075	Gas Natural SDG	6,054,805	0.08%
289,395	Grupo Dragados	4,688,199	0.06%
1,276,621	Iberdrola	17,042,890	0.23%
388,347	Industria De Diseno Textil	8,741,691	0.12%
98,744	NH Hoteles	808,713	0.01%
1,004,524	Repsol Ypf	12,657,003	0.17%
60,097	Sogecable	513,829	0.01%
6,272,611	Telefonica	53,505,372	0.72%
379,909	Terra Networks	1,523,435	0.02%
251,656	Union Fenosa	3,158,283	0.04%
		219,701,483	**2.97%**

National Pensions Reserve Fund

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QUOTED SECURITIES - EQUITIES

Holding	Security Description	Market Value	% of Total
	SWEDEN		
449,956	Assa Abloy	4,891,467	0.07%
264,007	Atlas Copco	4,903,548	0.07%
2,701,940	Ericsson	1,800,742	0.02%
116,100	Foreningssparbanken	1,306,518	0.02%
208,000	Investor Ab	1,181,715	0.01%
442,589	Securitas	5,028,981	0.07%
129,600	Svenska Handelsbannken	1,642,514	0.02%
		20,755,485	**0.28%**
	SWITZERLAND		
106,098	Adecco	3,959,319	0.05%
55,725	Ciba	3,698,632	0.05%
10,710	Converium	494,058	0.01%
70,305	Credit Suisse Group	1,452,183	0.02%
19,292	Holcim	3,333,995	0.05%
120,582	Nestle	24,325,631	0.33%
744,154	Novartis	25,848,658	0.35%
195,922	Richemont	3,480,302	0.05%
192,846	Roche	12,793,117	0.17%
19,070	Swatch Group	1,509,950	0.02%
149,040	Swiss Reinsurance	9,307,309	0.12%
13,653	Swisscom	3,764,824	0.05%
128,598	Syngenta	7,087,769	0.10%
5,780	Synthesis	3,374,720	0.05%
471,454	UBS	21,813,362	0.29%
49,317	Zurich Financial Services	4,380,265	0.06%
		130,624,094	**1.77%**
	UNITED KINGDOM		
182,450	3IGroup	1,556,644	0.02%
538,400	ARM Holdings	397,282	0.01%
391,559	Astrazeneca	13,339,080	0.18%
263,000	BAE Systems	501,337	0.01%
1,968,814	Barclays	11,652,470	0.16%
600,000	BG Group	2,471,944	0.03%
1,340,976	BHP Billiton	6,838,872	0.09%
183,480	Boots Co	1,652,871	0.02%
2,313,814	BP	15,188,290	0.21%
699,100	Brambles Industries (UK)	1,633,561	0.02%
376,353	British American Tobacco	3,589,961	0.05%
841,896	British Sky Broadcasting	8,270,121	0.11%
1,628,041	BT Group	4,880,367	0.07%
664,482	Cadbury Schweppes	3,953,181	0.05%
63,500	Celltech Group	336,779	0.00%
770,120	Compass Group	3,906,834	0.05%
1,178,000	Corus Group	493,474	0.01%
95,526	Daily Mail & General Trust	853,933	0.01%
319,039	Debenhams	1,362,230	0.02%
975,515	Diageo	10,122,558	0.14%
142,000	EMI Group	303,428	0.00%
1,164,804	Glaxosmithkline	21,344,288	0.29%
413,900	Granada	507,433	0.01%
205,861	GUS	1,826,007	0.02%
23,000	HBOS	231,591	0.00%
1,571,739	Hilton Group	4,035,055	0.06%
1,336,169	HSBC	14,101,149	0.19%
171,912	Imperial Tobacco Group	2,788,118	0.04%
633,000	Invensys	513,309	0.01%
566,865	Kingfisher	1,938,930	0.03%
3,613,694	Legal & General Group	5,333,044	0.07%
111,200	Liberty Intl	964,987	0.01%
1,762,521	Lloyds TSB Group	12,084,306	0.16%
72,615	Man Group	990,153	0.01%
343,000	Marks & Spencer	1,660,953	0.02%
2,102,300	MMo2	1,430,081	0.02%
778,600	Morrison (W) Supmkt	2,585,358	0.04%
475,851	Prudential	3,211,353	0.04%
580,000	Rank Group	2,376,171	0.03%
341,513	Reckitt Benckiser	6,326,257	0.09%
260,000	Reed Elsevier	2,126,364	0.03%
362,500	Reuters Group	989,143	0.01%
122,226	Rio Tinto	2,329,903	0.03%
221,136	Royal Bank Of Scotland	5,058,421	0.07%
246,760	Sabmiller	1,674,781	0.02%
510,582	Scottish & Newcastle	3,638,043	0.05%
2,086,150	Shell Trans & Trdg	13,116,604	0.18%
61,000	Shire Pharmaceuticals Group	372,752	0.01%
77,477	Smith & Nephew	453,190	0.01%
127,070	Smiths Group	1,358,604	0.02%
123,000	Standard Chartered	1,334,942	0.02%
142,000	Tate & Lyle	687,625	0.01%
1,834,353	Tesco	5,470,628	0.07%
1,755,522	Unilever	15,949,472	0.22%
21,797,71	Vodafone Group	37,949,123	0.51%
249,443	Wolseley	1,999,762	0.03%
753,199	WPP Group	5,494,125	0.07%
		277,557,242	**3.76%**
Total European Equities		**2,592,388,052**	**35.10%**
	NORTH AMERICA		
	CANADA		
293,600	Abitibi-Consolidated Corp	2,151,884	0.03%
7,000	Agrium Inc Com	74,864	0.00%
33,300	Alcan Inc	934,387	0.02%
4,100	Aliant Inc	62,553	0.00%
14,100	ATI Technologies Inc	61,938	0.00%
4,900	Ballard Power Systems Inc	51,724	0.00%
1,500	Bank Of Montreal	1,299,451	0.02%
52,500	Bank Of Nova Scotia	1,673,259	0.02%
55,900	Barrick Gold Corp Com	822,019	0.01%
2,600	BC Gas Inc	59,949	0.00%
19,142	BCE Inc	329,636	0.01%
9,677	Biovail Corp	245,989	0.01%
4,180	Bombardier Inc A	13,942	0.00%
61,900	Bombardier Inc B	198,978	0.00%
10,754	Brascan Corp Ltd	206,308	0.01%
9,800	Brookfield Properties Corp	169,235	0.00%
13,200	CAE Inc	41,235	0.00%
700	Cameco Corp	15,853	0.00%
9,700	Canada Life	236,141	0.00%
15,900	Canadian Imperial Bank	421,493	0.01%
37,345	Canadian National Railway	1,477,669	0.02%
9,000	Canadian Natural Resources	254,502	0.00%
9,700	Canadian Pacific Railways	182,571	0.00%
4,500	Canadian Tire Ltd Com	88,233	0.00%
2,400	Canadian Utilities	74,262	0.00%
11,500	Celestica Inc	153,218	0.00%
14,800	CGI Group Inc	60,810	0.00%
22,880	CIBC	601,654	0.01%
5,200	Cognos Inc	116,254	0.00%
4,733	CP Ships Limited	60,656	0.00%
4,500	Dofasco Inc	76,051	0.00%
10,200	Domtar Inc	96,761	0.00%
5,100	Dupont Canada Inc	66,007	0.00%

National Pensions Reserve Fund
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QUOTED SECURITIES - EQUITIES

CANADA (CONTINUED)

Holding	Security Description	Market Value	% of Total
11,600	Enbridge Inc	298,656	0.00%
113,600	Encana Corp	3,352,075	0.05%
700	Fairfax Finl	51,225	0.00%
4,847	Fairmont Hotels Resorts Com	107,249	0.00%
5,400	Falconbridge Ltd	49,334	0.00%
4,600	Finning International Inc	71,015	0.00%
3,200	Fording Inc	63,826	0.00%
1,400	Four Seasons Hotel	37,559	0.00%
11,140	Goldcorp Inc	135,026	0.00%
4,500	Great West Lifeco	101,284	0.00%
7,600	Husky Energy Inc	75,633	0.00%
9,400	Imperial Oil	254,794	0.00%
121,000	Inco	2,440,472	0.03%
6,400	Investors Group	103,444	0.00%
6,700	Loblaw Co	216,627	0.01%
5,800	Magna Intl Inc.	308,644	0.01%
49,380	Manulife Financial Corp	1,024,483	0.01%
8,400	Mds Inc	111,662	0.00%
6,061	Methanex Corp	48,708	0.00%
5,800	Molson Inc	117,227	0.00%
11,500	National Bank Of Canada	224,441	0.00%
7,300	Nexen Inc	151,073	0.00%
6,400	Nexfor Inc	31,903	0.00%
10,800	Noranda	92,730	0.00%
8,000	Norske Skog Cda	26,344	0.00%
236,600	Nortel Networks Corporation	360,261	0.01%
5,100	Nova Chem Corp	89,027	0.00%
15,900	Petro-Canada	469,891	0.01%
22,400	Placer Dome Inc	241,731	0.01%
67,800	Potash Corp Of Saskatchewan	4,109,962	0.06%
11,800	Power Corp Of Canada	256,677	0.01%
8,400	Power Financial Corp	184,242	0.00%
4,100	Qlt Inc	33,196	0.00%
400	Quebecor Inc Class 'A'	3,432	0.00%
2,500	Quebecor Inc Class 'B'	21,284	0.00%
5,330	Quebecor World	112,719	0.00%
3,500	Research In Motion	43,670	0.00%
9,200	Rogers Communications	81,494	0.00%
70,843	Royal Bank Of Canada	2,478,686	0.03%
4,500	Royal Group Technologies	41,357	0.00%
3,100	Saputo Inc	46,547	0.00%
3,200	Sears Canada Inc	32,967	0.00%
13,400	Shaw Communications	131,409	0.00%
52,000	Shell Canada Ltd	1,545,861	0.02%
9,620	Shoppers Drug Mart Corp	142,585	0.00%
66,200	Sun Life Financial Services Of Canada	1,071,679	0.02%
26,800	Suncor Energy	399,976	0.01%
8,200	Talisman Energy Inc	281,674	0.00%
10,900	Teck Cominco Ltd	76,399	0.00%
3,600	Telus Corporation	37,958	0.00%
7,300	Telus Corporation (Non Voting)	71,235	0.00%
11,300	Thomson Corp Canada	286,767	0.01%
66,300	Toronto Dominion Bank	1,365,070	0.02%
10,200	Transalta Corp	105,451	0.00%
28,700	Transcanada Pipelines Ltd	397,465	0.01%
7,627	Trizec Canada Inc	52,536	0.00%
3,200	Weston George Ltd	174,502	0.00%
		36,622,630	**0.50%**

QUOTED SECURITIES - EQUITIES

UNITED STATES

Holding	Security Description	Market Value	% of Total
20,900	3 Corp	92,273	0.00%
92,888	3 M Co	10,921,227	0.15%
156,094	Abbott Labs	5,953,809	0.08%
64,300	Adobe Sys Inc	1,527,332	0.02%
26,300	Advanced Micro Devices Inc	162,008	0.00%
32,200	AES Corp	92,728	0.00%
9,300	Aetna Inc	364,657	0.00%
117,800	Aflac Inc	3,383,366	0.05%
174,900	Agilent Technologies Inc	2,995,331	0.04%
53,800	Air Prods & Chems Inc	2,193,144	0.03%
24,500	Albertsons Inc	520,044	0.01%
335,394	Alcoa Inc	7,285,473	0.10%
7,500	Allegheny Energy Inc	54,067	0.00%
20,900	Allergan Inc	1,148,334	0.02%
122,900	Allstate Corp	4,334,959	0.06%
44,400	Alltel Corp	2,159,245	0.03%
126,800	Altera Corp	1,492,049	0.02%
22,200	Amazon. Inc	399,884	0.01%
95,400	Ambac Financial Group Inc	5,116,140	0.07%
13,400	Amdocs Ltd	125,477	0.00%
4,100	Amerada Hess Corp	215,224	0.00%
9,500	Ameren Corp	376,576	0.01%
25,400	American Elec Pwr Inc	661,945	0.01%
142,141	American Express Co	4,791,346	0.06%
388,089	American Intl Group Inc	21,408,361	0.29%
11,800	American Pwr Conversion Corp	170,468	0.00%
34,500	American Std Cos Inc	2,340,355	0.03%
8,652	Amerisourcebergen Corp	448,069	0.01%
186,531	Amgen Inc	8,598,177	0.12%
356,660	AMR Corp Del	2,244,642	0.03%
22,400	Amsouth Bancorporation	410,108	0.01%
15,100	Anadarko Pete Corp	689,702	0.01%
43,100	Analog Devices Inc	981,021	0.01%
101,132	Anheuser Busch Cos Inc	4,667,482	0.06%
64,639	Anthem Inc	3,876,984	0.05%
1,161,140	Aol Time Warner Inc	14,504,562	0.20%
17,600	Aon Corp	317,025	0.00%
18,035	Apache Corp	980,085	0.02%
17,537	Apollo Group Inc	735,795	0.01%
516,705	Apple Computer Inc	7,060,535	0.10%
105,300	Applera Corp-Applied Biosystem Group	1,761,192	0.03%
360,392	Applied Matls Inc	4,477,837	0.06%
85,700	Applied Micro Circuits Corp	301,548	0.00%
276,600	Archer Daniels Midland Co	3,270,564	0.05%
10,300	Archstone Smith Tr	231,202	0.00%
6,000	Arrow Electrs Inc	73,176	0.00%
4,600	Ashland Inc	125,144	0.00%
181,596	AT&T Corp	4,521,285	0.06%
275,664	AT&T Wireless Svcs Inc	1,485,174	0.02%
69,149	Automatic Data Processing Inc	2,588,060	0.04%
19,800	Autonation Inc	237,139	0.00%
17,800	Autozone Inc	1,199,170	0.02%
17,900	Avery Dennison Corp	1,042,559	0.02%
7,100	Avnet Inc	73,322	0.00%
46,400	Avon Prods Inc	2,383,492	0.03%
195,500	Baker Hughes Inc	6,000,901	0.08%
500	Ball Corp	24,406	0.00%
183,900	Bank New York Inc	4,201,625	0.06%
219,138	Bank Of America Corp	14,537,457	0.20%
233,205	Bank One Corp	8,127,818	0.11%
3,200	Bausch & Lomb Inc	109,850	0.00%
57,575	Baxter Intl Inc	1,537,237	0.02%
29,000	BB&T Corp	1,022,895	0.01%
24,000	BEA Sys Inc	262,496	0.00%
24,700	Bear Stearns Cos Inc	1,399,046	0.02%

National Pensions Reserve Fund
Portfolio of Investments 31 December 2002

QUOTED SECURITIES - EQUITIES

UNITED STATES (CONTINUED)

Holding	Security Description	Market Value	% of Total
26,600	Becton Dickinson & Co	778,444	0.01%
30,636	Bed Bath & Beyond Inc	1,008,736	0.01%
339,271	Bellsouth Corp	8,369,353	0.11%
60	Berkshire Hathaway A	4,162,296	0.06%
1,400	Berkshire Hathaway B	3,234,672	0.04%
25,850	Best Buy Inc	595,287	0.01%
320,000	Big Lots Inc	4,036,998	0.05%
16,100	Biogen Inc	615,015	0.01%
21,400	Black & Decker Corp	875,223	0.01%
29,800	Block H & R Inc	1,142,329	0.02%
136,500	BMC Software Inc	2,227,057	0.03%
99,111	Boeing Co	3,117,833	0.04%
74,997	Boston Scientific Corp	3,040,786	0.04%
81,800	Bowater Inc	3,272,156	0.05%
275,819	Bristol Myers Squibb Co	6,088,691	0.08%
35,500	Broad Corp	509,803	0.01%
13,800	Brocade Mn Sys Inc	54,479	0.00%
1,960	Brookfield Homes Corp	18,501	0.00%
1,800	Brown Forman Corp	112,185	0.00%
7,800	Brunswick Corp	147,714	0.00%
65,100	Burlington North Santa Fe Corp	1,614,619	0.02%
23,900	Burlington Res Inc	971,999	0.01%
13,000	Cablevision Ny Grp	207,514	0.00%
3,800	Cabot Corp	96,169	0.00%
14,900	Cadence Design Sys Inc	167,513	0.00%
60,700	Campbell Soup Co	1,358,471	0.02%
29,100	Capital One Finl Corp	824,690	0.01%
46,823	Cardinal Health Inc	2,642,751	0.04%
154,200	Carnival Corp	3,668,628	0.05%
22,109	Caterpillar Inc	963,882	0.01%
362,550	Cendant Corp	3,623,080	0.05%
30,800	Centerpoint Energy Inc	249,642	0.00%
7,900	Centex Corp	378,163	0.01%
17,900	Centurytel Inc	501,480	0.01%
4,100	Cephalon Inc	190,273	0.00%
8,800	Ceridian Corp	121,003	0.00%
4,300	Certegy Inc	100,663	0.00%
169,233	Chevrontexaco Corp	10,728,149	0.15%
26,500	Chiron Corp	950,129	0.01%
10,400	Chubb Corp	517,670	0.01%
72,600	Ciena Corp	355,835	0.00%
27,900	Cigna Corp	1,093,972	0.02%
9,700	Cincinnati Finl Corp	347,320	0.00%
11,200	Cinergy Corp	360,126	0.01%
12,600	Circuit City Group	89,150	0.00%
1,638,025	Cisco Sys Inc	20,461,645	0.28%
934,197	Citigroup Inc	31,347,757	0.42%
38,700	Citizens Communications Co	389,325	0.01%
386,604	Clear Channel Communications Inc	13,746,985	0.19%
24,800	Clorox Co	975,493	0.01%
367,515	Coca Cola Co	15,356,639	0.21%
33,700	Coca Cola Enterprises Inc	697,973	0.01%
124,250	Colgate Palmolive Co	6,211,908	0.09%
143,136	Comcast Corp New Cl A	3,217,045	0.05%
267,549	Comcast Corp New Cl A Spl	5,763,261	0.08%
41,800	Commerce Bancorp Inc N J	1,721,505	0.02%
72,200	Computer Assoc Intl Inc	929,436	0.01%
26,100	Computer Sciences Corp	857,390	0.01%
11,200	Comverse Technology Inc	107,012	0.00%
77,100	Conagra Foods Inc	1,838,725	0.03%
150,800	Concord Efs Inc	2,263,366	0.03%
68,712	Conocophillips	3,170,567	0.04%
12,800	Consolidated Edison Inc	522,643	0.01%
9,800	Constellation Engy Grp Inc	259,975	0.00%
2,000	Convergys Corp	28,893	0.00%

QUOTED SECURITIES - EQUITIES

UNITED STATES (CONTINUED)

Holding	Security Description	Market Value	% of Total
5,600	Cooper Industries Ltd	194,641	0.00%
87,200	Corning Inc	275,228	0.00%
27,400	Costco Whsl Corp New	733,140	0.01%
21,400	Countrywide Financial Corp	1,053,981	0.02%
100,900	Cox Communications Inc	2,732,488	0.04%
46,000	Credence Sys Corp	409,250	0.01%
185,700	CSX Corp	5,013,032	0.07%
33,000	CVS Corp	785,744	0.01%
29,800	Dana Corp	334,174	0.01%
11,532	Danaher Corp	722,468	0.01%
15,300	Darden Restaurants Inc	298,355	0.00%
227,692	Deere & Co	9,954,876	0.14%
26,437	Del Monte Foods Co	194,112	0.00%
600,512	Dell Computer Corp	15,311,997	0.21%
33,900	Delphi Corporation	260,222	0.00%
9,305	Devon Energy Corp	407,266	0.01%
4,000	Diamond Offshore Drilling Inc	83,341	0.00%
738,944	Disney Walt Co	11,492,492	0.16%
14,900	Dollar Gen Corp	169,786	0.00%
68,100	Dominion Res Inc	3,565,071	0.05%
7,000	Donnelley R R & Sons Co	145,313	0.00%
92,902	Dover Corp	2,583,220	0.04%
79,646	Chem Co	2,255,637	0.03%
2,900	Dow Jones & Co Inc	119,545	0.00%
36,600	DST Sys Inc	1,240,708	0.02%
10,000	Dte Energy Co	442,453	0.01%
202,192	Du Pont E I De Nemours & Co	8,174,827	0.11%
137,159	Duke Energy Corp	2,555,628	0.03%
4,700	Dun & Bradstreet Corp	154,575	0.00%
10,900	E Trade Group Inc	50,514	0.00%
4,600	Eastman Chem Co	161,287	0.00%
74,462	Eastman Kodak Co	2,487,984	0.04%
62,910	Eaton Corp	4,685,706	0.06%
36,733	Ebay Inc	2,375,543	0.03%
190,500	Echostar Communications Corp	4,043,606	0.05%
7,800	Ecolab Inc	368,170	0.01%
66,400	Edison Intl	750,300	0.01%
4,800	Edwards A G Inc	150,861	0.00%
36,218	El Paso Corp	240,371	0.00%
59,700	Electronic Arts	2,833,288	0.04%
59,300	Electronic Data Sys Corp	1,042,146	0.01%
1,119,491	EMC Corp Mass	6,554,472	0.09%
72,800	Emerson Elec Co	3,529,970	0.05%
109,000	Energizer Hldgs Inc	2,899,876	0.04%
20,100	Engelhard Corp	428,373	0.01%
23,300	Ensco Intl Inc	654,320	0.01%
47,400	Entergy Corp	2,060,614	0.03%
29,100	Equifax Inc	642,104	0.01%
48,700	Equity Office Pptys Tr	1,160,032	0.02%
2,800	Equity Residential	65,628	0.00%
10,700	Erica Inc	441,182	0.01%
152,300	Estee Lauder Cos Inc	3,834,004	0.05%
19,300	Exelon Corp	971,165	0.01%
1,422,196	Exxon Mobil Corp	47,383,931	0.64%
131,000	Family Dlr Stores Inc	3,898,646	0.05%
344,397	Fannie Mae	21,126,212	0.29%
35,700	Federated Dept Stores Inc	979,052	0.01%
33,394	Fedex Corp	1,726,540	0.02%
3,700	Fidelity Natl Finl Corp	115,830	0.00%
75,822	Fifth Third Bancorp	4,233,220	0.06%
339,900	First Data Corp	11,476,932	0.16%
41,500	First Tenn Natl Corp	1,422,247	0.02%
4,350	First Va Bks Inc	154,430	0.00%
18,155	Firstenergy Corp	570,774	0.01%
4,300	Fiserv Inc	139,206	0.00%

National Pensions Reserve Fund
Portfolio of Investments 31 December 2002

QUOTED SECURITIES - EQUITIES

UNITED STATES (CONTINUED)

Holding	Security Description	Market Value	% of Total
313,672	Fleet Boston Finl Corp	7,268,265	0.10%
4,600	Fluor Corp	122,819	0.00%
258,880	Ford Mtr Co	2,295,780	0.03%
42,800	Forest Labs Inc	4,008,597	0.05%
37,500	Fortune Brands Inc	1,663,131	0.02%
10,100	Fox Entmt Group Inc	249,731	0.00%
19,556	FPL Group Inc	1,121,295	0.02%
11,900	Franklin Res Inc	386,719	0.01%
308,194	Freddie Mac Corp	17,353,729	0.23%
50,900	Gannett Inc	3,484,905	0.05%
271,782	Gap Inc	4,022,177	0.05%
89,200	Genentech Inc	2,820,513	0.04%
15,200	General Dynamics Corp	1,150,400	0.02%
1,377,704	General Elec Co	31,989,218	0.43%
22,401	General Mills Inc	1,002,886	0.01%
113,900	General Motors Corp – Class H	1,162,134	0.02%
106,300	General Motors Corp	3,736,262	0.05%
10,500	Genuine Parts Co	308,382	0.01%
1,600	Genzyme Corp	45,115	0.00%
23,800	Georgia Pac Corp	366,747	0.00%
10,500	Gilead Sciences Inc	340,421	0.01%
285,721	Gillette Co	8,271,660	0.11%
14,100	Globalsantafe Corporation Shs	326,988	0.01%
11,100	Golden West Finl Corp	760,075	0.01%
30,825	Goldman Sachs Group Inc	2,001,700	0.03%
6,200	Goodrich Corp	108,309	0.00%
9,600	Goodyear	62,340	0.00%
6,108	Grainger W W Inc	300,246	0.00%
45,900	Greenpoint Finl Corp	1,977,460	0.03%
35,000	Guidant Corp	1,029,608	0.01%
63,100	Halliburton Co	1,125,776	0.02%
40,900	Hancock John Finl Svcs Inc	1,088,119	0.01%
33,600	Harley Davidson Inc	1,480,233	0.02%
151,500	Harrahs Entmt Inc	5,720,797	0.08%
4,000	Harris Corp	100,315	0.00%
15,600	Hartford Finl Svcs Group Inc	675,797	0.01%
59,300	Hasbro Inc	653,109	0.01%
53,578	HCA Inc	2,120,232	0.03%
23,600	Healthsouth Corp	94,517	0.00%
59,200	Heinz H J Co	1,855,539	0.03%
9,500	Hershey Foods Corp	610,928	0.01%
454,276	Hewlett Packard Co	7,520,007	0.10%
28,600	Hibernia Corp	525,256	0.01%
3,400	Hillenbrand Inds Inc	156,626	0.00%
22,300	Hilton Hotels Corp	270,271	0.00%
252,859	Home Depot Inc	5,777,154	0.08%
68,500	Honeywell Intl Inc	1,567,655	0.02%
15,900	Host Marriott Corp	134,180	0.00%
48,065	Household Intl Inc	1,274,614	0.02%
15,200	Huntington Bancshares Inc	271,185	0.00%
223,587	IBM Corp	16,523,307	0.22%
98,879	Illinois Tool Wks Inc	6,115,469	0.08%
24,200	IMS Health Inc	369,219	0.01%
14,200	Ingersoll-Rand Company Ltd	583,057	0.01%
1,185,585	Intel Corp	17,602,325	0.24%
216,524	International Paper Co	7,220,220	0.10%
96,200	Inerpublic Group Cos Inc	1,291,595	0.02%
1,700	Intersil Corp	22,598	0.00%
127,400	Intuit	5,700,017	0.08%
5,300	ITT Inds Inc Ind	306,720	0.01%
12,100	Ivax Corp	139,957	0.00%
449,257	J P Morgan Chase & Co	10,281,461	0.14%
33,400	Jabil Circuit Inc	570,733	0.01%
24,900	JC Penney Co Inc	546,342	0.01%
130,200	JDS Uniphase Corp	306,660	0.01%

QUOTED SECURITIES - EQUITIES

UNITED STATES (CONTINUED)

Holding	Security Description	Market Value	% of Total
9,100	Jefferson Pilot Corp	330,696	0.00%
609,056	Johnson & Johnson	31,193,285	0.42%
9,400	Johnson Ctls Inc	718,602	0.01%
11,300	Jones Apparel Group Inc	381,875	0.01%
19,400	Juniper Networks Inc	125,794	0.00%
8,300	KB Home	339,139	0.00%
128,060	Kellogg Co	4,184,816	0.06%
6,000	Kerr Mcgee Corp	253,457	0.00%
70,500	Keycorp	1,690,064	0.02%
8,100	Keyspan Corp	272,188	0.00%
60,842	Kimberly Clark Corp	2,754,048	0.04%
10,000	King Pharmaceuticals Inc	163,917	0.00%
65,300	KLA Tencor Corp	2,202,404	0.03%
5,000	Knight Ridder Inc	301,564	0.00%
34,994	Kohls Corp	1,866,992	0.02%
25,200	Kraft Foods Inc	935,478	0.01%
49,000	Kroger Co	721,894	0.01%
68,400	Lam Resh Corp	704,415	0.01%
8,500	Lear Corp	269,743	0.00%
11,900	Leggett & Platt Inc	254,635	0.00%
22,500	Lehman Bros Hldgs Inc	1,143,344	0.02%
22,200	Level 3 Communications Inc	103,728	0.00%
15,000	Lexmark International Inc	865,357	0.01%
982,481	Liberty Media Corp	8,375,494	0.11%
277,151	Lilly Eli & Co	16,781,814	0.23%
394,120	Limited Brands Inc	5,235,140	0.07%
11,400	Lincoln Natl Corp Ind	343,294	0.00%
42,800	Linear Technology Corp	1,049,696	0.02%
16,933	Liz Claiborne Inc	478,748	0.01%
68,912	Lockheed Martin Corp	3,794,858	0.05%
55,500	Loews Corp	2,352,942	0.03%
136,661	Lowes Cos Inc	4,886,800	0.07%
22,100	LSI Logic Corp	121,595	0.00%
355,700	Lucent Technologies Inc	427,369	0.01%
96,500	Marathon Oil Corp	1,959,078	0.03%
110,600	Marriott Intl Inc	3,466,599	0.05%
41,588	Marsh & Mclennan Cos Inc	1,832,537	0.02%
36,000	Marshall & Ilsley Corp	939,907	0.01%
63,700	Masco Corp	1,278,616	0.02%
217,700	Mattel Inc	3,975,355	0.05%
37,200	Maxim Integrated Prods Inc	1,172,011	0.02%
52,800	May Dept Stores Co	1,156,998	0.02%
8,800	Maytag Corp	239,153	0.00%
26,074	MBIA Inc	1,090,498	0.01%
479,593	MBNA Corp	8,698,254	0.12%
148,557	McDonalds Corp	2,277,865	0.03%
37,900	McGraw Hill Cos Inc	2,184,301	0.03%
38,800	McKesson Corp	1,000,061	0.01%
12,014	Meadwestvaco Corp	283,080	0.00%
21,900	Medimmune Inc	567,391	0.01%
153,413	Medtronic Inc	6,670,766	0.09%
317,827	Mellon Finl Corp	7,913,095	0.11%
286,831	Merck & Co Inc	15,483,458	0.21%
7,700	Mercury Interactive Corp	217,703	0.00%
260,955	Merrill Lynch & Co Inc	9,443,351	0.13%
224,175	Metlife Inc	5,780,196	0.08%
104,000	Metro-Goldwyn Mayer Inc	1,289,215	0.02%
27,300	Mgic Invt Corp	1,075,131	0.01%
3,400	MGM Mirage	106,892	0.00%
12,200	Microchip Technology Inc	284,438	0.00%
44,100	Micron Technology Inc	409,587	0.01%
947,590	Microsoft Corp	46,715,365	0.63%
16,300	Millennium Pharmaceuticals Inc	123,412	0.00%
2,800	Millipore Corp	90,779	0.00%
4,400	Molex Inc	83,452	0.00%

National Pensions Reserve Fund
Portfolio of Investments 31 December 2002

QUOTED SECURITIES - EQUITIES

UNITED STATES (CONTINUED)

Holding	Security Description	Market Value	% of Total
13,600	Molex Inc	298,793	0.00%
136,000	Monsanto Co	2,496,424	0.03%
15,900	Moodys Corp	626,024	0.01%
120,454	Morgan Stanley	4,585,223	0.06%
767,904	Motorola Inc	6,333,908	0.09%
8,100	Mylan Labs Inc	269,562	0.00%
133,686	National City Corp	3,482,694	0.05%
10,600	National Semiconductor Corp	151,717	0.00%
5,900	NCR Corp New	133,562	0.00%
35,300	Network Appliance Inc	336,607	0.01%
2,000	Networks Associates Inc	30,686	0.00%
71,200	New York Times Co	3,104,774	0.04%
86,400	Newell Rubbermaid Inc	2,498,819	0.03%
130,480	Newmont Mining Corp Holding Co	3,611,933	0.05%
95,900	Nextel Communications Inc	1,056,208	0.02%
125,300	Nike Inc	5,313,332	0.07%
13,600	Nisource Inc	259,369	0.00%
8,100	Nordstrom Inc Wash	146,521	0.00%
23,200	Norfolk Southn Corp	442,231	0.01%
8,000	Northeast Utils	115,724	0.00%
13,741	Northern Trust Corp	459,256	0.01%
17,904	Northrop Grumman Corp	1,656,039	0.02%
18,200	Novellus Sys Inc	487,323	0.01%
15,800	Nucor Corp	622,237	0.01%
139,000	Occidental Pete Corp	3,770,907	0.05%
8,700	Ocean Energy Inc Tex	165,671	0.00%
35,500	Office Depot Inc	499,647	0.01%
39,700	Old Rep Intl Corp	1,059,979	0.01%
17,100	Omnicom Group Inc	1,053,361	0.01%
557,200	Oracle Corporation	5,738,305	0.08%
16,800	Oxford Health Plans Inc	583,923	0.01%
6,900	Paccar Inc	303,516	0.00%
7,400	Pall Corp	117,700	0.00%
14,200	Park Pl Entmt Corp	113,741	0.00%
71,000	Parker Hannifin Corp	3,123,133	0.04%
22,500	Paychex Inc	598,598	0.01%
191,535	Peoplesoft Inc	3,342,320	0.05%
11,500	Pepco Hldgs Inc	212,630	0.00%
5,800	Pepsi Bottling Group Inc	142,138	0.00%
580,698	Pepsico Inc	23,378,535	0.32%
1,322,763	Pfizer Inc	38,559,040	0.52%
67,100	PG&E Corp	889,377	0.01%
133,111	Pharmacia Corp	5,305,654	0.07%
5,700	Phelps Dodge Corp	172,027	0.00%
273,653	Philip Morris Cos Inc	10,576,100	0.14%
5,100	Pinnacle West Cap Corp	165,785	0.00%
35,100	Pitney Bowes Inc	1,093,131	0.02%
42,000	PMC Sierra Inc	222,676	0.00%
8,200	PMI Group Inc	234,889	0.00%
35,200	PNC Financial Services Group	1,406,389	0.02%
20,300	PPG Inds Inc	970,769	0.01%
23,700	PPL Corp	783,748	0.01%
92,750	Praxair Inc	5,109,343	0.07%
20,242	Principal Financial Group Inc	581,569	0.01%
240,881	Procter & Gamble Co	19,739,976	0.27%
102,600	Progress Energy Inc	4,241,165	0.06%
25,600	Progressive Corp Ohio	1,211,527	0.02%
38,500	Public Svc Enterprise Group Inc	1,178,459	0.02%
5,200	Puget Energy Inc	109,335	0.00%
9,900	Qlogic Corp	325,783	0.00%
345,145	Qualcomm Inc	11,976,568	0.16%
148,000	Qwest Communications Intl Inc	705,636	0.01%
22,800	Radio Shack Corp	407,430	0.01%
25,300	Raytheon Co	741,847	0.01%
5,500	Readers Digest Assn Inc	79,193	0.00%

QUOTED SECURITIES - EQUITIES

UNITED STATES (CONTINUED)

Holding	Security Description	Market Value	% of Total
13,900	Regions Finl Corp	442,170	0.01%
23,000	Republic Svcs Inc	460,132	0.01%
30,900	Rockwell Automation Inc	610,221	0.01%
11,100	Rockwell Collins Inc	246,196	0.00%
115,500	Rohm & Haas Co	3,577,229	0.05%
7,400	Ross Stores Inc	299,119	0.00%
193,000	Sabre Group Hldgs Inc	3,332,917	0.05%
7,700	Safeco Corp	254,562	0.00%
27,099	Safeway Inc	603,636	0.01%
88,600	Sanmina-Sci Corp	379,340	0.01%
118,523	Sara Lee Corp	2,544,057	0.03%
573,083	SBC Communications Inc	14,814,799	0.20%
526,102	Schering Plough Corp	11,137,088	0.15%
212,704	Schlumberger Ltd	8,536,961	0.12%
693,800	Schwab Charles Corp	7,178,154	0.10%
17,700	Scientific Atlanta Inc	200,174	0.00%
1,800	Scripps Co	132,078	0.00%
5,100	Sealed Air Corp	181,396	0.00%
52,481	Sears Roebuck & Co	1,198,551	0.02%
69,600	Sempra Energy	1,569,600	0.02%
19,900	Service Master Co	210,632	0.00%
53,600	Sherwin Williams Co	1,443,883	0.02%
30,700	Siebel Sys Inc	218,972	0.00%
4,600	Sigma Aldrich Corp	213,617	0.00%
7,500	Simon Ppty Group Inc	243,659	0.00%
12,700	SLM Corp	1,257,769	0.02%
42,600	Smurfit-Stone Container Corp	625,209	0.01%
124,200	Solectron Corp	420,435	0.01%
43,600	Southern Co	1,180,322	0.02%
21,300	Southtrust Corp	504,725	0.01%
436,422	Southwest Airls Co	5,784,558	0.08%
113,600	Sprint Fon Group	1,568,540	0.02%
105,700	Sprint Pcs Group	441,467	0.01%
4,800	SPX Corp	171,412	0.00%
1,900	St Joe Pany	54,353	0.00%
21,432	St Jude Med Inc	811,747	0.01%
12,600	St Paul Cos Inc	409,107	0.01%
5,600	Stanley Wks	184,655	0.00%
272,280	Staples Inc	4,751,334	0.06%
131,600	Starbucks Corp	4,557,460	0.04%
136,000	Starwood Hotels & Resorts Paired Ctf	3,078,707	0.04%
158,800	State Street Corp	5,905,597	0.08%
13,300	Stilwell Finl Inc	165,759	0.00%
45,300	Stryker Corp	2,899,338	0.04%
302,751	Sun Microsystems Inc	897,831	0.01%
13,000	Sungard Data Sys Inc	292,057	0.00%
5,100	Sunoco Inc	161,360	0.00%
29,000	Suntrust Bks Inc	1,574,025	0.02%
17,200	Supervalu Inc	270,785	0.00%
53,400	Symantec Corp	2,062,777	0.03%
17,600	Synovus Finl Corp	325,584	0.00%
54,500	Sysco Corp	1,548,160	0.02%
338,592	Target Corp	9,686,049	0.13%
11,500	Teco Energy Inc	169,643	0.00%
5,600	Tektronix Inc	97,134	0.00%
3,000	Telephone & Data Sys Inc	134,509	0.00%
26,300	Tellabs Inc	182,322	0.00%
3,000	Temple Inland Inc	128,187	0.00%
52,000	Tenet Healthcare Corp	813,197	0.01%
300,200	Teradyne Inc	3,724,232	0.05%
340,127	Texas Instrs Inc	4,868,224	0.07%
31,500	Textron Inc	1,291,299	0.02%
11,000	Thermo Electron Corp	211,042	0.00%
59,030	TJX Cos Inc	1,098,756	0.01%
45,400	Tmp Worldwide Inc	489,629	0.01%

National Pensions Reserve Fund
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QUOTED SECURITIES - EQUITIES

UNITED STATES (CONTINUED)

Holding	Security Description	Market Value	% of Total
25,300	Torchmark Corp	881,290	0.01%
11,900	Toys R Us Inc	113,474	0.00%
1,300	Transatlantic Hldgs Inc	82,683	0.00%
24,600	Transocean Inc	544,217	0.01%
29,551	Travelers Property Casualty Corp - Class A	412,818	0.01%
75,093	Travelers Property Casualty Corp - Class B	1,049,025	0.01%
8,100	Tri Contl Corp	102,341	0.00%
144,628	Tribune Co	6,269,466	0.09%
6,900	Trizec Properties Inc	61,782	0.00%
46,614	TXU Corp	830,313	0.01%
300,363	Tyco Intl Ltd	4,891,962	0.07%
101,200	Union Pac Corp	5,777,481	0.08%
24,150	Union Planters Corp	648,022	0.01%
19,300	Unisys Corp	182,197	0.00%
40,376	United Health Group Inc	3,214,834	0.05%
112,300	United Parcel Svc Inc Cl B	6,754,919	0.09%
106,315	United Technologies Corp	6,279,347	0.09%
3,100	Unitrin Inc	86,376	0.00%
237,200	Univision Communications Inc	5,541,528	0.08%
80,100	Unocal Corp	2,335,709	0.03%
26,700	Unumprovident Corp	446,570	0.01%
270,280	US Bancorp	5,469,001	0.07%
10,382	UST Inc	330,953	0.00%
13,400	UT Star Inc	253,382	0.00%
70,100	V F Corp	2,409,750	0.03%
72,600	Veritas Software Co	1,081,350	0.02%
486,758	Verizon Communications	17,985,956	0.24%
613,494	Via Inc	23,844,775	0.32%
5,300	Viad Corp	112,954	0.00%
4,300	Vishay Intertechnology Inc	45,842	0.00%
6,100	Vulcan Matls Co	218,127	0.00%
279,146	Wachovia Corp	9,699,705	0.13%
687,752	Wal Mart Stores Inc	33,125,158	0.45%
223,765	Walgreen Co	6,228,378	0.09%
179,888	Washington Mutual Inc	5,923,079	0.08%
140	Washington Post Co	98,522	0.00%
200,067	Waste Mgmt Inc	4,372,590	0.06%
6,600	Watson Pharmaceuticals Inc	177,917	0.00%
40,000	Weight Watchers Intl Inc	1,753,409	0.02%
19,200	Wellpoint Health Network Inc	1,302,824	0.02%
367,306	Wells Fargo & Co	16,416,165	0.22%
6,900	Wendys Intl Inc	178,109	0.00%
13,500	Weyerhaeuser Co	633,484	0.01%
4,284	Whirlpool Corp	213,322	0.00%
6,400	Winn Dixie Stores Inc	93,251	0.00%
7,300	Wisconsin Energy Corp	175,417	0.00%
138,300	Wrigley Wm Jr Co	7,237,441	0.10%
463,238	Wyeth	16,520,550	0.22%
23,200	Xcel Energy Inc	243,349	0.00%
964,900	Xerox Corp	7,406,737	0.10%
76,000	Xilinx Inc	1,492,896	0.02%
60,000	Yahoo Inc	935,444	0.01%
29,500	Yum Brands Inc	681,310	0.01%
16,400	Zimmer Hldgs Inc	649,307	0.01%
		1,529,443,766	**20.70%**
Total North American Equities		**1,566,066,396**	**21.20%**

QUOTED SECURITIES - EQUITIES

JAPAN

Holding	Security Description	Market Value	% of Total
20,000	Hoya Corp	1,336,120	0.02%
203,000	Mitsubishi Heavy Ind	473,270	0.01%
262,000	Sekisui House	1,769,274	0.02%
288,000	Wacoal Corp	2,118,498	0.03%
35,000	Hitachi High Technologies Corp	414,744	0.01%
28,000	Kyocera Corp	1,555,430	0.02%
6,000	Mabuchi Motor	526,730	0.01%
2,600	Rohm Co	315,829	0.00%
88,500	Sony Corp	3,528,901	0.04%
20,200	Tokyo Electron	872,048	0.01%
5,000	Acom Co	156,765	0.00%
54,000	Canon Inc	1,940,510	0.03%
216,000	Nec Corp	770,994	0.01%
351,000	Nissan Motor Co	2,612,959	0.03%
27,000	Kao Corp	565,439	0.01%
170,000	Shiseido	2,108,771	0.03%
20,000	Aeon Co Ltd	451,805	0.01%
355,000	Hitachi Ltd	1,298,537	0.02%
90	Japan Real Estate Invst Co	437,013	0.01%
152,000	Mitsui Fudosan Co	940,912	0.01%
65,000	Nikko Cordial Corp	209,020	0.00%
72,000	Sumitomo Realty & Dev Co	279,572	0.00%
28,373	Chugai Pharmaceutl	257,750	0.00%
89,000	Takeda Chemical Industries	3,548,838	0.05%
196,000	Fujitsu Ltd	534,158	0.01%
999	NTT Docomo Inc	1,758,831	0.02%
13,000	TDK Corp	499,558	0.01%
30,000	Chubu Electric	511,295	0.01%
Total Japanese Equities		**31,793,571**	**0.43%**

ASIA PACIFIC

AUSTRALIA

Holding	Security Description	Market Value	% of Total
400,000	Amcor Limited	1,830,135	0.02%
450,674	BHP Billiton Limited	2,465,154	0.03%
109,100	Brambles Inds	276,336	0.00%
30,000	Commonwealth Bank Of Australia	436,516	0.01%
207,000	Fosters Group	501,994	0.01%
232,335	Qantas Airways Limited	479,545	0.01%
67,000	QBE Ins Group	294,271	0.00%
61,000	Westpac Banking Corp	452,010	0.01%
115,500	Wmc Res Ltd	262,671	0.00%
		6,998,632	**0.09%**

HONG KONG

Holding	Security Description	Market Value	% of Total
354,000	Cheung Kong Infrastructure	577,873	0.01%
45,000	Cheung Kong(Hldgs)	279,252	0.00%
170,000	Dah Sing Financial	821,095	0.01%
1,318,000	Great Eagle	757,462	0.01%
166,000	Hong Kong Land	218,442	0.00%
277,000	Johnson Elec	289,597	0.01%
227,000	Swire Pacific	827,160	0.01%
		3,770,881	**0.05%**

SINGAPORE

Holding	Security Description	Market Value	% of Total
317,000	DBS Hldgs	1,916,040	0.03%
3,432,000	Singapore Telecom	2,338,415	0.03%
		4,254,455	**0.06%**
Total Asia Pacific Equities		**15,023,968**	**0.20%**
Total Quoted Equities		**4,205,271,987**	**56.93%**

National Pensions Reserve Fund
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QUOTED SECURITIES - BONDS

Holding	Security Description	Market Value	% of Total
	AUSTRIA		
€29,000,000	Republic of Austria 5% 15/01/2008	30,938,940	0.42%
€11,900,000	Republic of Austria 6.25% 15/07/2027	14,169,687	0.19%
		45,108,627	**0.61%**
	BELGIUM		
€58,900,000	Kingdom of Belgium 5% 28/09/2012	62,104,160	0.84%
€43,650,000	Kingdom of Belgium 5.75% 28/09/2010	48,498,642	0.66%
		110,602,802	**1.50%**
	FINLAND		
€6,950,000	Republic of Finland 5.375% 04/07/2013	7,580,713	0.10%
€6,895,000	Republic of Finland 5% 25/04/2009	7,354,000	0.10%
€3,300,000	Republic of Finland 5.75% 23/02/2011	3,673,791	0.05%
		18,608,504	**0.25%**
	FRANCE		
€123,300,000	Government of France 5% 25/10/2011	130,874,319	1.77%
€70,500,000	Government of France 5.25% 25/04/2008	76,211,910	1.03%
€46,500,000	Government of France 5.75% 25/10/2032	52,895,145	0.72%
		259,981,374	**3.52%**
	GERMANY		
€127,700,000	Federal Republic of Germany 4.125% 04/07/2008	131,015,091	1.77%
€80,000,000	Federal Republic of Germany 5.5% 04/01/2031	87,977,600	1.19%
€69,750,000	Federal Republic of Germany 5.25% 04/01/2011	75,439,508	1.02%
		294,432,199	**3.98%**
	GREECE		
€27,500,000	Republic of Greece 5.25% 18/05/2012	29,191,525	0.39%
€17,750,000	Republic of Greece 5.35% 18/05/2011	19,031,905	0.26%
€4,750,000	Republic of Greece 6.50% 22/10/2019	5,589,183	0.08%
		53,812,613	**0.73%**
	ITALY		
€93,850,000	Republic of Italy 5% 01/02/2012	98,961,071	1.34%
€58,500,000	Republic of Italy 6% 01/05/2031	67,418,325	0.91%
€48,250,000	Republic of Italy 5.25% 01/08/2017	51,270,933	0.69%
€39,550,000	Republic of Italy 4.5% 01/05/2009	41,033,125	0.56%
		258,683,454	**3.50%**
	NETHERLANDS		
€56,777,000	Dutch Government 3.75% 15/07/2009	56,621,999	0.77%
€17,875,000	Dutch Government 5.5% 15/01/2028	19,550,245	0.26%
		76,172,244	**1.03%**
	PORTUGAL		
€20,250,000	Republic of Portugal 5.15% 15/06/2011	21,564,022	0.29%
€4,750,000	Republic of Portugal 5.85% 20/05/2010	5,286,513	0.07%
		26,850,535	**0.36%**

QUOTED SECURITIES - BONDS

Holding	Security Description	Market Value	% of Total
	SPAIN		
€72,000,000	Government Of Spain 5.35% 31/10/2011	77,955,840	1.05%
€50,000,000	Government Of Spain 4.75% 30/07/2014	51,440,500	0.70%
€13,000,000	Government Of Spain 5.15% 30/07/2009	13,986,830	0.19%
		143,383,170	**1.94%**
Total Quoted Bonds		**1,287,635,522**	**17.42%**
Cash Deposits			
Euro		1,831,016,776	24.78%
Sterling		2,183,717	0.03%
US Dollar		23,803,387	0.32%
Other Deposits		99,967	0.00%
Total Cash Deposits		**1,857,103,847**	**25.13%**
Unrealised gain on foreign exchange contracts		39,516,901	0.53%
Unrealised loss on futures contracts (Note 1)		(535,891)	(0.01)%
Total Investments		**7,388,992,366**	**100.00%**

Note 1

Open Futures Contracts at 31 December 2002	**Commitment** €	**Unrealised loss** €
393 DJ Euro Stoxx Contracts (Expiring March 2003)	9,412,350	(460,190)
14 S&P 500 Index Contacts (Expiring March 2003)	2,933,298	(75,701)
	12,345,648	**(535,891)**