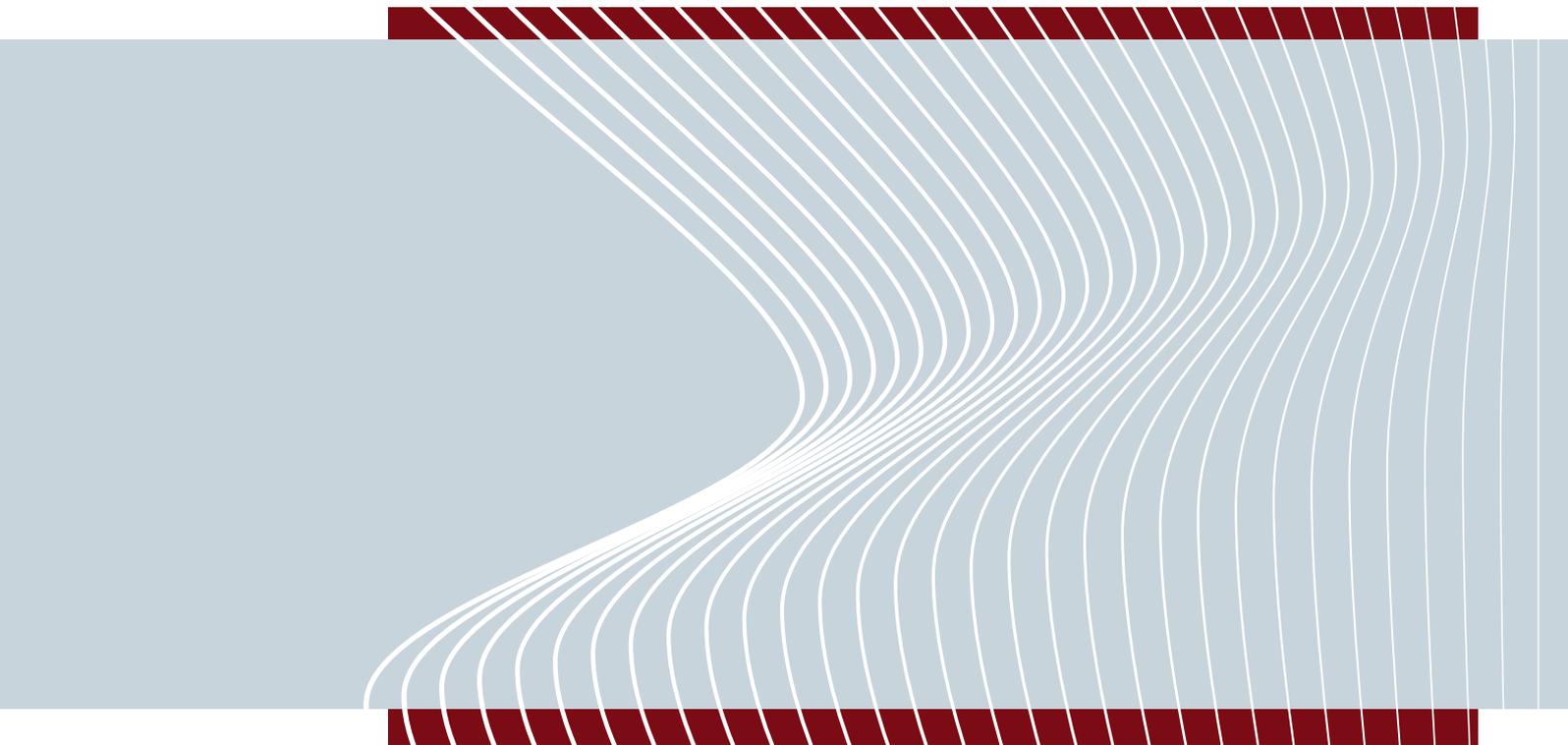




National Pensions Reserve Fund  
Commission



Annual Report and Financial Statements **2011**





Coimisiún an Chúlchiste Náisiúnta Pinsean  
National Pensions Reserve Fund Commission

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29 June 2012

Mr. Michael Noonan, 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 2011.

Yours sincerely,

Paul Carty,  
Chairman



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## From the Chairman



The National Pensions Reserve Fund (“NPRF” or the “Fund”) encountered considerable challenges during 2011.

The Fund is sub-divided for management purposes into two portfolios – the Discretionary Portfolio (the investment of which remains the Commission’s

responsibility) and Directed Investments (investments made under direction from the Minister for Finance).

At 31 December 2011 the NPRF was valued at €13.4 billion, comprising the Discretionary Portfolio €5.4 billion and the Directed Portfolio €8.0 billion.

### PRINCIPAL DEVELOPMENTS

The size of the Discretionary Portfolio reduced significantly as a consequence of the requirement to liquidate €10 billion to invest in recapitalising the Irish banks under the EU / IMF Programme of Financial Support for Ireland. The required sales were implemented across a range of asset classes and were executed on a phased basis during the first half of 2011, with the dual objectives of minimizing market impact from the sale of these assets and maintaining asset class exposures broadly in line with long-term strategic weights. In addition, over the course of the year portions of the Fund’s illiquid assets (property and private equity) were sold at times when the Commission was able to take advantage of favourable conditions in the secondary markets for these assets.

In announcing the Strategic Investment Fund initiative in September 2011, the Government indicated a refocusing of the Fund’s investments towards Ireland. It has been a significant challenge to align the Fund’s strategy, which is appropriate for the Fund’s long-term mandate under its legislation, with the likely but not yet legislated requirement that a significant portion of the Fund be invested in Ireland. In light of this uncertainty it was agreed that management of the Fund should become more focused on capital preservation while still having the capacity to participate in gains if markets performed well.

This was achieved through the purchase in June 2011 of equity index put options with a nominal exposure of €1.3 billion which, when combined with a tactical investment decision to maintain an underweight position in equities, significantly reduced the Fund’s exposure to weak equity markets. As a result the Fund was largely protected from the sharp declines in equity markets that occurred in the second half of the year.

### DIRECTED INVESTMENTS

In respect of the Directed Investments:

- In July 2011 €10 billion was invested in recapitalising Allied Irish Banks (€8.8 billion) and Bank of Ireland (€1.2 billion).
- During the second half of 2011 the Directed Portfolio received €1.0 billion in total from the sale of Bank of Ireland ordinary shares to a consortium of private investors. These proceeds were, following a Direction from the Minister for Finance, remitted to the Exchequer.
- At 31 December 2011 the Directed Portfolio was valued, on a fair value basis in line with generally accepted accounting principles, at €8.0 billion.
- At 31 December 2011 the Fund’s ownership of Allied Irish Banks and Bank of Ireland amounted to 99.8% and 15.1% respectively.

### PERFORMANCE

- The Discretionary Portfolio delivered a return of +2.1% in 2011, which exceeded both the Fund’s benchmark (-0.7%) and the return on the average Irish managed pension fund (-3.5%).
- Since the Fund’s inception in April 2001, the Discretionary Portfolio has generated an annualised return of +3.3% p.a. compared with +2.1% p.a. for the Fund’s benchmark and +1.1% p.a. for the average Irish managed pension fund.
- In 2011 the Directed Portfolio returned -58.1% which was due to reductions in the valuations of the ordinary and preference shares of Allied Irish Banks and Bank of Ireland held by the Fund.
- The total Fund return including the Discretionary and Directed Portfolios was -36.7% for 2011.

The movement in the Fund's value over the course of the year is summarised as follows:

	€bn
NPRF at 31 December 2010	22.7
Exchequer withdrawal	-1.0
Net gain in value of Discretionary Portfolio	0.2
Net decrease in value of Directed Investments	-8.5
<b>NPRF at 31 December 2011</b>	<b>13.4</b>

### STRATEGIC INVESTMENT FUND

A key development was the announcement in September 2011 by the Government of the Strategic Investment Fund initiative. Under this initiative, the Fund, subject to the necessary legislative amendments, is expected to take the lead role in the development and establishment of investment funds, investing on a commercial basis in sectors that are of strategic importance to the Irish economy. The Fund will be a cornerstone investor, thereby acting as a catalyst for attracting additional third party investment capital while earning attractive risk adjusted returns for the Fund.

Such an approach, which involves greater concentration of investment in Ireland, will require a change in the legislation governing the Fund's mandate. In anticipation of this legislative amendment, the Commission has been working to develop a pipeline of potential investments under the Strategic Investment Fund umbrella.

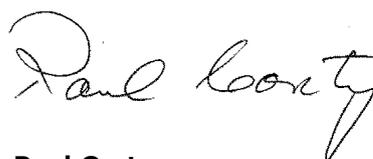
### MANAGER

Having consulted with the Minister for Finance, the Commission in March 2011 re-appointed the NTMA as Manager of the Fund for a further five year period until April 2016.

### SUMMARY

The Fund has performed well through what has been a year that was both volatile for markets and challenging for the Fund as it embarked on a significant refocusing towards greater investment in Ireland. The Fund, however, is well positioned to deliver on this new agenda.

Finally, I would like to thank my fellow Commissioners and the members of our Advisory Committees for their commitment and diligence over the past twelve months. In particular, I would like to thank the staff of the NTMA for their hard work and professionalism through what has continued to be a period of significant change and complexity for the Fund.



**Paul Carty**  
Chairman  
29 June 2012

# Key Facts and Figures

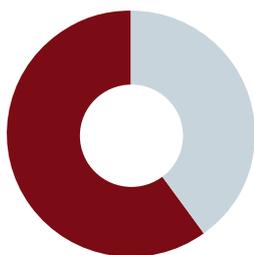
## OVERVIEW

At 31 December 2011 the total Fund's value stood at €13.4 billion:

- The Discretionary Portfolio, the investment of which remains the Commission's responsibility, was valued at €5.4 billion (40.6% of total).
- The Directed Portfolio, investments in Irish financial institutions made for public policy reasons at the direction of the Minister for Finance, was valued at €8.0 billion (59.4% of total).

**Chart 1**

NPRF 31 December 2011 total value €13.4bn



- Directed portfolio - €7,962m
- Discretionary portfolio - €5,453m

## ASSET ALLOCATION

The Fund's asset allocation at 31 December 2011 is set out as follows:

Asset Allocation			
	Assets €m	% of Discretionary Portfolio	% of Total fund
Large Cap	1,346	24.7	
Small Cap	141	2.6	
Emerging Markets	376	6.9	
Equity Put Options	265	4.9	
<b>Total Quoted Equity</b>	<b>2,128</b>	<b>39.1</b>	
Eurozone government bonds	-	0.0	
Eurozone inflation linked bonds	78	1.4	
Eurozone corporate bonds	271	5.0	
Cash	946	17.3	
<b>Total Financial Assets</b>	<b>1,295</b>	<b>23.7</b>	
Private equity	772	14.2	
Property	507	9.3	
Commodities	273	5.0	
Infrastructure	308	5.6	
Absolute return funds	170	3.1	
<b>Total Alternative Assets</b>	<b>2,030</b>	<b>37.2</b>	
<b>TOTAL DISCRETIONARY PORTFOLIO</b>	<b>5,453</b>	<b>100.0</b>	<b>40.6</b>
Allied Irish Banks	6,119		45.6
Bank of Ireland	1,843		13.8
<b>TOTAL DIRECTED INVESTMENTS</b>	<b>7,962</b>		<b>59.4</b>
<b>TOTAL FUND</b>	<b>13,415</b>		<b>100.0</b>

- In June 2011 the NPRF reduced its equity exposure through the purchase of two-year equity index put options and the adoption in mid-year of a significant tactical underweight position in equities.

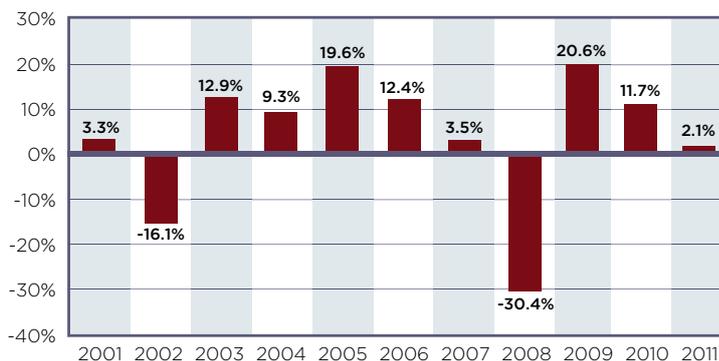
- At year end the Fund's direct exposure to equities was €1,863 million but in net terms this exposure was offset by the aggregate nominal amount of the put options of €1,428 million. The put options were valued at €265 million at year end.
- The Directed Portfolio comprised €6.1 billion in Allied Irish Banks (representing 99.8% ownership) and €1.8 billion in Bank of Ireland (representing 15.1% ownership).

## PERFORMANCE

- The Fund's Discretionary Portfolio generated a return of +2.1% in 2011.
- The Discretionary Portfolio return in 2011 of +2.1% compared with a return to the Fund's benchmark of -0.7% and a return for the average Irish managed pension fund of -3.5%.
- Since the NPRF's inception in 2001, the Discretionary Portfolio has generated an annualised return of +3.3% p.a., which compares over the same period with returns for the average Irish managed pension fund of +1.1% p.a., Irish inflation of +2.5% p.a. and the Fund's benchmark of +2.1% p.a.
- The Fund's strong performance in 2011 against its benchmark was largely due to the decision to reduce the Fund's exposure to equity markets. This decision was driven by a greater need for capital preservation as the Fund's mandate evolved and also incorporated a tactical decision to underweight equity markets.
- The chart below sets out the Fund's annual returns since inception.
- The investment strategy of the Discretionary Portfolio was modified from 1 January 2010 and a secondary investment objective was specified, seeking to outperform the cost of government debt over rolling 5 year periods with a 75% probability.
- Over the period from 1 January 2010 the Discretionary Portfolio earned a return of +6.8% p.a., which compares over the same period with returns for the average Irish managed pension fund of +3.7% p.a., for the Fund's benchmark of +6.2% p.a. and with the average yield on Irish Government five year debt of +6.9% p.a.
- The Directed Investments portfolio generated a return of -58.1% in 2011 reflecting write-downs in the fair value of preference shares and ordinary shares of Allied Irish Banks and Bank of Ireland.
- The total NPRF return in 2011, including the Directed Portfolio, was -36.7%.

### Chart 2

NPRF Discretionary Portfolio Performance  
2001 to 2011



# Overview

## LONG TERM PENSIONS COSTS

The National Pensions Reserve Fund was established in April 2001 under the National Pensions Reserve Fund Act, 2000, with the objective of meeting, as much as possible, the costs of social welfare and public service pensions from 2025 until at least 2055.

Ireland currently has a pay-as-you-go State pension system – in any one year the costs of social welfare and public service pensions are paid out of taxation, social insurance contributions and other Government receipts.

Demographic projections indicate that there will be less than two people of working age to every person aged 65 or over by the middle of the century, compared to almost six people today. With the establishment of the Fund, the Government moved from a fully pay-as-you-go to a part pre-funded public pension system with the objective of lessening the cost to future generations of pensions for today's workforce.

The Government has invested the equivalent of 1% of GNP in the NPRF annually. Drawdowns to meet pension costs may not commence before 2025 and, from then on, they will continue until at least 2055 to support the pay-as-you-go system under rules to be made by the Minister for Finance.

It should be emphasised that the NPRF was not designed to provide a complete solution to the budgetary issues posed by increased pension costs and, even allowing for part pre-funding, the costs to the Exchequer of social welfare and public service pension provision are set to increase substantially.

## INVESTMENT POLICY

The Fund's statutory investment policy requires that the NPRF be invested so as to secure the optimal total financial return provided the level of risk to the moneys held or invested is acceptable to the Commission. Given the funding and drawdown rules and the long term nature of the Fund, the Commission developed a long term investment policy which is reflected in its strategic asset allocation primarily focused on investment in a diversified portfolio of real (as opposed to financial) assets.

## FINANCIAL CRISIS

In 2009 the Minister for Finance decided to utilise part of the assets of the Fund to assist in dealing with the financial crisis facing Ireland.

The *Investment of the National Pensions Reserve Fund and Miscellaneous Provisions Act 2009* (the "2009 Act") amended the National Pensions Reserve Fund Act, 2000 to enable the NPRF to be used for the purposes of bank recapitalisation. It empowers the Minister for Finance to direct the Commission to invest in specified securities of credit institutions where, having consulted the Governor of the Central Bank and the Financial Regulator, he decides such a direction is necessary, in the public interest, for either or both of the following purposes –

- to remedy a serious disturbance in the economy of the State;
- to prevent potential serious damage to the financial system in the State and ensure the continued stability of that system.

It also amended the National Pensions Reserve Fund Act, 2000 to disapply from the NPRF's Directed Investments its statutory investment policy (to seek the optimal financial return provided the level of risk is acceptable to the Commission).

In late November 2010, the Government announced that the Fund would provide up to €10 billion of the State's €17.5 billion contribution to the €85 billion EU/IMF Programme of Financial Support for Ireland ("the Programme").

The *Credit Institutions Stabilisation Act 2010* (the "CISA Act") enacted in December 2010 significantly amended the legislation governing the Fund.

The CISA Act gave the Minister for Finance significant powers in relation to the Fund including the power to:

- reduce or suspend the annual 1% Exchequer contribution to the NPRF in any of the years 2012 and 2013;
- direct the Fund to invest in Irish Government securities;
- direct the Fund to make payments directly to the Exchequer in the years 2011, 2012 or 2013, where it appears to him to be desirable to do so in the interests of funding of capital expenditure by the Exchequer.

## **DISCRETIONARY AND DIRECTED PORTFOLIOS**

As a result of the directed investments in the banking institutions the Commission decided to separate the Fund into two portfolios:

- Discretionary Portfolio – the investment of which is the Commission’s responsibility, and
- Directed Portfolio – investments made at the direction of the Minister for Finance.

## **MANDATE**

In September 2011 the Government announced the Strategic Investment Fund initiative. Under this initiative, investment on a commercial basis from the NPRF will be channelled towards productive investment into sectors of strategic importance to the Irish economy (including infrastructure, water, venture capital and provision of long-term capital to the SME sector) and matching commercial investment from private investors would be sought.

Changes to the NPRF’s governing legislation will be required to give effect to a significant refocusing of the NPRF’s mandate towards investment in Ireland.

## **GOVERNANCE**

The NPRF is controlled and managed by the National Pensions Reserve Fund Commission.

The Commission’s functions include the determination and implementation of the NPRF’s investment strategy in accordance with its statutory investment policy and it is also required to implement directions issued by the Minister for Finance pursuant to the 2009 Act and CISA Act.

## **MANAGER**

The Commission performs its functions through the NTMA, which is the Manager of the Fund. In March 2011, the Commission, in accordance with the Fund’s legislation and having consulted with the Minister for Finance, reappointed the NTMA as Manager for a further five year period until April 2016.

# Directed Portfolio

## BACKGROUND

In 2009, pursuant to his powers under the 2009 Act, the Minister for Finance directed the Commission to make investments totaling €7 billion in preference shares issued by Bank of Ireland and Allied Irish Banks, for the purpose of recapitalising these institutions.

In April 2010 the Fund participated in a share placement and rights issue by Bank of Ireland, which involved approximately half of the Fund's preference shares being converted into ordinary shares and the repurchase by Bank of Ireland of warrants held by the Fund. After this transaction, the Fund's ownership of Bank of Ireland represented 36.0% of the ordinary share capital of the bank.

In December 2010 a further investment of €3.7 billion in ordinary shares of Allied Irish Banks was made pursuant to a direction issued by the Minister for Finance. On 1 April 2011 the Fund converted 10.5 billion convertible non-voting ordinary shares into ordinary shares - the non-voting shares had been issued to the NPRFC in connection with the €3.7 billion investment and were converted following conclusion of the sale of Allied Irish Banks businesses in Poland. This increased the Fund's ownership of Allied Irish Banks to 92.8%.

## EU/IMF PROGRAMME OF FINANCIAL SUPPORT FOR IRELAND

In late November 2010, the Irish Government announced that the Fund would provide up to €10 billion of the State's €17.5 billion contribution to the EU/IMF Programme of Financial Support for Ireland.

Subsequently, on foot of directions from the Minister for Finance, €10 billion was realised through asset sales of €5.5 billion in February 2011 and €4.5 billion in April 2011.

In July 2011, the Minister for Finance directed that the €10 billion in cash realised pursuant to the Minister's Direction be invested in Bank of Ireland (€1.2 billion) and Allied Irish Banks (€8.8 billion).

## TRANSACTIONS DURING 2011

On 21 February 2011, Bank of Ireland paid a dividend in cash of €214.5 million with respect to the 2009 preference shares held by the Fund. The EU Commission's prohibition on the payment of discretionary dividend and coupon payments on Bank of Ireland's capital instruments had expired on 31 January 2011. This dividend income, as per Ministerial Direction, is available to the Discretionary Portfolio.

On 29 April 2011, following a direction from the Minister for Finance, €7 billion was placed on short-term deposit with Allied Irish Banks and €3 billion was placed on deposit with Irish Life & Permanent, both deposits earning a market interest rate of 1.7%.

In May 2011 Allied Irish Banks was precluded by the EU Commission from paying the annual dividend on the 2009 Preference Shares in cash and as a result a total of 1,247 million ordinary shares were issued to the Fund in May and July to the total value of €289m.

In July 2011 the Minister for Finance directed that the €10 billion cash on deposit be invested in the following manner:

- €1.2 billion in Bank of Ireland ordinary shares at a price of €0.10 per share;
- €5.0 billion in Allied Irish Banks ordinary shares at a price of €0.01 per share; and
- €3.8 billion capital contribution to Allied Irish Banks.

Pursuant to a Ministerial Direction issued in July 2011, the Fund agreed to sell part of its shareholding in Bank of Ireland for total consideration, on a phased basis over a number of weeks, of €1.0 billion (net of fees). The Minister also directed that the net after fees proceeds of these sales be remitted to the Exchequer when received.

After these transactions were completed, the Fund's ownership of Allied Irish Banks was 99.8% and of Bank of Ireland was 15.1%.

## VALUATION

The Fund's ordinary share holding in Bank of Ireland was valued at its market price of €0.082 (8.2 cents) per share at 31 December 2011.

As the preference share investments in both banks are unlisted and given the Fund's ordinary share holding in Allied Irish Banks is 99.8% and the free float is only 0.2%, for the purposes of valuing these investments in line with generally accepted accounting principles the Commission engaged Goodbody Corporate Finance to provide an independent fair value as at 31 December 2011.

The Commission has valued the Allied Irish Banks ordinary shares at €0.0076 (0.76 cent) per share based on the advice of Goodbody Corporate Finance and has valued the preference share investments as follows:

- Allied Irish Banks: 63.5% of cost;
- Bank of Ireland: 80.2% of cost.

## PERFORMANCE

The performance of the Directed Portfolio to date is shown in the following table:

Summary of Banking Investments					
30/12/2011	Gross investments	Fees received	Spent €bn	Cash Received €bn	Value €bn
Preference shares	1.9	0.03	1.8	0.8	1.5
Ordinary shares	3.0	0.08	2.9	1.0	0.4
<b>Bank of Ireland</b>	<b>4.9</b>	<b>0.11</b>	<b>4.7</b>	<b>1.8</b>	<b>1.9</b>
Preference shares	3.5	0.03	3.5	-	2.2
Ordinary shares	8.8	0.12	8.7	-	3.9
Capital contribution	3.8	-	3.8	-	-
<b>AIB</b>	<b>16.1</b>	<b>0.15</b>	<b>16.0</b>	<b>-</b>	<b>6.1</b>
<b>Total</b>	<b>21.0</b>	<b>0.26</b>	<b>20.7</b>	<b>1.8</b>	<b>8.0</b>

In summary: since inception €20.7 billion has been invested, €1.8 billion cash has been received from income and sale of investments, and the valuation of the remaining investments, on a fair value basis as at 31 December 2011, is €8.0 billion.

## 2012 DEVELOPMENTS

In February 2012 the NPRF received a cash dividend of €188 million on the Bank of Ireland preference shares and in May 2012 received a dividend of ordinary shares in lieu of a cash dividend on its preference shares in Allied Irish Banks.

# Investment Strategy

## INVESTMENT OBJECTIVE - DISCRETIONARY PORTFOLIO

The Fund's investment strategy is reflected in its long-term strategic asset allocation which represents the optimal mix of asset classes taking into consideration the Fund's risk and return objectives and its investment constraints.

An updated strategic asset allocation for the Fund was adopted by the NPRF Commission in early 2010.

In arriving at the new strategic asset allocation, the Commission noted that its Mission Statement as set out below from the NPRF Act 2000 remained valid:

*to meet as much as possible, within prudent risk parameters to be agreed by the Commission, of the cost to the Exchequer of social welfare and public service pensions to be paid from the year 2025 until the year 2055*

The Commission further noted that there had been no legislative changes which would cause it to revisit the Mission Statement insofar as it relates to the NPRF's discretionary investments and agreed, that for purpose of the review, it would consider the NPRF's Discretionary Portfolio only and would not take the NPRF's Directed Portfolio into account.

The Commission agreed that its existing Investment Objective should be modified to include a supplementary objective of seeking to outperform the cost of Government debt. Borrowing costs had not been explicitly factored into the return objective of the Fund in earlier years as the Exchequer was in surplus and the debt/GDP ratio was low.

The inclusion of a supplementary objective was due to the fact that the cost of Government borrowing had become of much greater significance as the Exchequer had moved into deficit and the cost of borrowing had substantially increased. In this environment it could be reasonably argued that the cost of Government debt represents the opportunity cost against which the return generated by the NPRF should be compared.

It was therefore decided that the costs of borrowing should be formally recognised in the Fund's investment objective and explicitly factored into the level of risk it is prepared to take.

Accordingly the NPRF Commission set out its Investment Objective as follows:

*The primary objective is to maximise the terminal wealth of the Fund over the time scale as laid down in the Act, through an investment strategy that has due regard to the purpose of the Fund.*

*A supplementary objective will be to outperform the cost of five year government debt over rolling five year periods at a 75% probability level.*

The supplementary objective set out above was adopted on the basis that it represents a reasonable balance between maintaining a long-term investment perspective and recognising Ireland's changed fiscal position and the increased budgetary impact of debt service costs.

## STRATEGIC ASSET ALLOCATION

The Strategic Asset Allocation adopted by the Commission in early 2010 is set out in the following table.

NPRF Discretionary Portfolio Strategic Asset Allocation	
	%
<b>Quoted Equity</b>	
Global Large Cap	29
Global Small Cap	10
Global Emerging Markets	10
<b>Total Quoted Equities</b>	<b>49</b>
<b>Bonds</b>	
Eurozone Government Bonds	6
Eurozone Corporate Bonds	6
Eurozone Inflation Linked Bonds	5
Cash	1
<b>Total Financial Assets</b>	<b>18</b>
<b>Alternative Assets</b>	
Private Equity	10
Property	8
Commodities and Forestry	5
Infrastructure	5
Absolute Return Investments	5
<b>Total Alternative Assets</b>	<b>33</b>
<b>Total Discretionary Portfolio</b>	<b>100</b>

The principal factors driving this allocation were:

- Diversification: allocations to a wide range of asset classes spread geographically, which diversifies the risk of individual asset classes underperforming;
- Growth: allocations to asset classes expected to capture economic growth including Emerging Markets and Small Cap equities and Private Equity;
- Inflation protection: allocations to assets that are more likely to protect against longer term inflation including inflation linked bonds, commodities and infrastructure.

### DYNAMIC ASSET ALLOCATION

Asset allocation incorporates two distinct processes: strategic and dynamic asset allocation.

- Strategic asset allocation is based on long-term risk and return objectives as well as investor expectations regarding asset class returns, volatility and correlations.
- Dynamic asset allocation refers to deviations from the strategic weights in order to take advantage of any perceived market pricing opportunities within particular asset classes.

The NPRF Commission has delegated authority to the NTMA to vary the central strategic asset allocation levels within permitted ranges as set out in the table below.

Asset Class	Permitted range % of Discretionary Portfolio
Quoted Equity	+/- 10%
Nominal and Inflation Linked Bonds	+/- 10%
Cash	+10%
Property / Private Equity	+/-2%
Commodities	+/-2%
Infrastructure	+/-2%

These ranges are based on the premise that dynamic asset allocation movements should be large enough to have a material impact on Fund risk and return while not being so large as to compromise the strategic asset allocation or the Commission's fiduciary role with regard to the NPRF. The dynamic asset allocation policy is based on taking significant positions if and when market positions move to extremes, rather than on taking small positions on an ongoing basis or attempting to time the market.

### EVOLVING MANDATE - PUT OPTIONS

Since the adoption of the Fund's strategic asset allocation in early 2010, changes to the Fund's governing legislation and the announcement of the Strategic Investment Fund have required a refinement of the NPRF's investment strategy to include a significant capital preservation element while retaining some upside capacity when markets perform positively. It has presented a challenge to align the strategic asset allocation (appropriate for the Fund's existing statutory long term objectives) with the likely requirement (not yet legislated) that the Fund be refocused on Ireland.

In effect, although the Fund's strategic asset allocation which remains in place is suitable for the Fund's long term investment objectives, there is a greater need for near term capital preservation to ensure that when appropriate commercial investment opportunities in Ireland can be developed or sourced that the assets of the Discretionary Portfolio will be available to fund such opportunities.

To date this capital preservation element has been achieved through the purchase of equity index put options in June 2011 which provide downside protection against declines in equity markets while continuing to participate if markets improve.

For long-term investors, purchasing put options (the premium), which can be costly, is generally more expensive than the alternative of selling the physical underlying assets in order to reduce risk. Put options therefore should primarily be employed for short term tactical purposes rather than as a core, long-term element of the Fund's asset allocation. As such, they are an appropriate strategy for the NPRF during the current period of transition from a globally diversified fund to one focused on Ireland.

It should be noted that, because it is more focused than usual on nearer term capital preservation, the Fund's performance against its benchmark may vary more widely than normal due to the effect of the put options. When markets decline the options will preserve value that would have otherwise declined. However the option premium costs, which as noted can be significant, will always be incurred and these premiums will therefore be a detractor from performance which will reduce the positive impact on performance that would otherwise be enjoyed if markets rise.

The Commission has also placed increased emphasis on the liquidity of the Discretionary Portfolio and has not entered into any investments which would have the effect of reducing the Fund's liquidity.

### **STRATEGIC INVESTMENT FUND**

In announcing the Strategic Investment Fund initiative in September 2011 the Government indicated a refocusing of the Fund's investments from global towards Ireland. Commercial investment will be channelled from the NPRF towards productive investment in sectors of strategic importance to the Irish economy.

A key principle of the Strategic Investment Fund is that the NPRF investment, which is to be solely on a commercial basis, will seek matching investment from third-party investors. In this way the Fund's assets can be used as a catalyst to attract additional capital for investment in the Irish economy. In addition the Fund has been working closely with NewERA in respect of investment opportunities relating to the commercial semi-state sector.

The Strategic Investment Fund will include a series of sub-funds targeted at commercial investment in areas of strategic significance to the future of the Irish economy including infrastructure, water, venture capital and the provision of long-term capital to Small and Medium Enterprises (SMEs). The NPRF is expected to take a lead role in the development and implementation of each sub-fund.

It is understood by Government that implementation of the Strategic Investment Fund will require a change in the legislation governing the Fund's mandate, and discussion on the details of this are ongoing.

In parallel, and in anticipation that the Fund's governing legislation will be amended in due course, the Commission, in addition to managing the Discretionary Portfolio, has been working to develop a pipeline of potential investments under the Strategic Investment Fund umbrella.

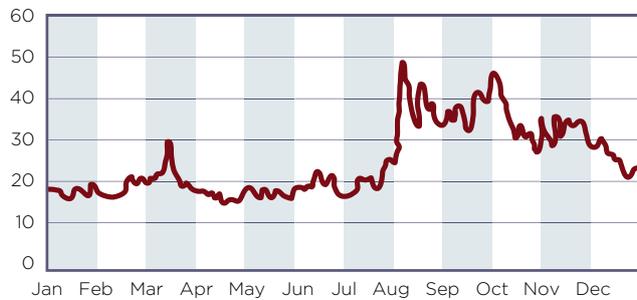
The broad principles applied in the development of Strategic Investment Fund initiatives are that investments by the NPRF will only be made on a commercial basis, and that the NPRF will generally be a cornerstone minority investor, thereby acting as a catalyst for attracting additional third-party capital into such investment opportunities.

It is important to stress that investments under the Strategic Investment Fund umbrella will be structured with the twin objectives of generating a commercial risk adjusted return for the Fund while benefiting the Irish economy through investment in sectors of strategic importance.

# Market Review

The performance of asset prices in 2011 can, in general, be split into two halves. The first half of the year was characterised by sideward price movements accompanied by very low volatility. The Vix index, which measures market expectations for the volatility of the US S&P 500 equity index, had fallen close to multi-year lows at the beginning of June. This was despite the major risks that were developing for the global economy, in particular the eurozone crisis that would dominate market action in the second half of the year.

**Chart 3**  
Vix Index 2011



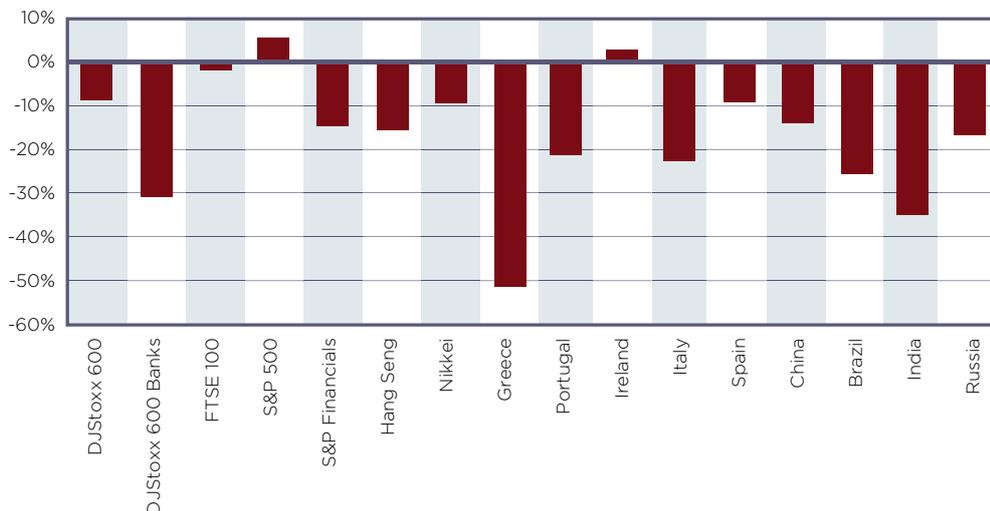
In June a vote in the Greek parliament on new austerity measures passed by only a small majority and in the same month sovereign bond yields for Italy and Spain began to rise rapidly. In spite of impressive earnings reports from the US in particular, markets began to focus on the macroeconomic outlook. Budget issues in the US were accompanied by disappointing economic data, prompting concerns about a 'double-dip' recession.

As a result of these issues, the prevailing calm in markets disappeared in July. Over the summer and autumn most risk assets experienced substantial losses and volatility increased significantly. It was now perceived that many debtor governments in the developed world had exhausted their borrowing capacities and that the global economy was increasingly dependent on central banks to ensure that demand did not collapse. While the European Central Bank (ECB) continued to purchase periphery sovereign bonds on the secondary market, and at a time when Greek bond yields had risen to extremely high levels, concerns about the ability of Spain and Italy to successfully issue new debt at sustainable levels saw bond yields for these countries rise close to levels that had resulted in the entry of smaller countries into EU/IMF financial support programmes.

**Chart 4**  
Selected Eurozone Sovereign 10 year Yields 2011



**Chart 5**  
Selected Equity Markets 2011 return (Euro)

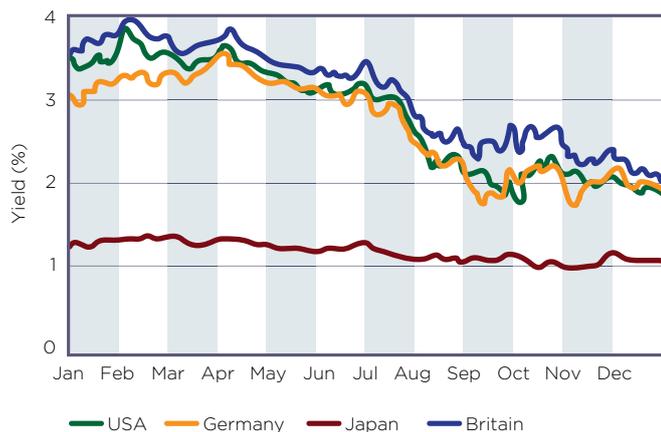


Official responses to the eurozone crisis became much more significant in the fourth quarter and this was reflected in generally very strong performances by equity markets. In particular the ECB extended the maturity of its funding to the banking system from one to three years, while significantly relaxing the collateral requirements to access this funding. Market sentiment was also helped by better US economic data, supported by business capital goods spending and a surprisingly resilient consumer.

Over the course of 2011 there was substantial variation in equity market performance across countries. The US and the UK were among the best performing markets while emerging markets performed poorly. Within the eurozone, Greece was the worst performing market, finishing the year down over 50%. A notable feature of equity markets in 2011 was the high correlation between individual equities, as share prices moved in similar patterns irrespective of the fundamentals of the underlying companies.

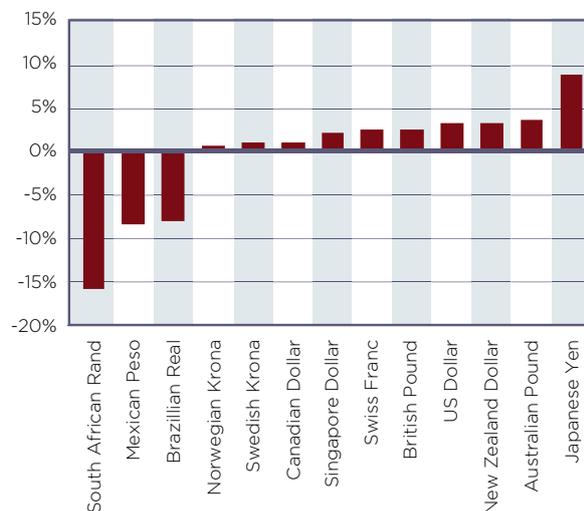
The best performing assets in 2011 were sovereign bonds which benefited from flight to quality flows, in particular US, UK and German bonds. This flight to quality drove down yields and correspondingly drove up prices.

**Chart 6**  
10 year Sovereign Yields 2011



The euro declined against all major developed currencies in 2011, though only against the yen was this by a sizeable margin. In general, the net currency moves during the year were the smallest in many years. The US dollar, euro, sterling and Swiss franc all ended 2011 at similar rates relative to each other as they had begun the year.

**Chart 7**  
Exchange rate returns versus Euro 2011



## 2012 DEVELOPMENTS

Buoyed by continued aggressive provision of liquidity by central banks, risk assets continued the strong performance seen towards the end of 2011 in the early part of 2012. In Europe, the ECB's Long Term Refinancing Operations ("LTRO") initiative profoundly altered market sentiment by mitigating what had been a substantial risk of a banking crisis. This initiative offered unlimited funds to banking institutions for a three-year period at low rates of interest. This injection of liquidity demonstrated to the markets that the ECB would not remain passive in the face of systemic risks. The approximately €1 trillion in funding provided by the LTRO supported sovereign bond markets, especially shorter dated bonds as banks reinvested cheap cash in these instruments. In the US, expectations for future interest rates fell as the Federal Reserve extended the period for which it said it expected to keep interest rates exceptionally low from 2013 to 2014. Japan also substantially stepped up its debt purchasing programme during the first quarter.

However, by April post-LTRO optimism had faded and the eurozone sovereign and banking debt crisis had again returned to the forefront of investors' minds. Global growth has also slowed markedly and broadly as the effects of monetary stimulation have faded.

# Performance

## OVERALL

Performance of the National Pensions Reserve Fund is reported on three levels: (i) the Discretionary Portfolio, (ii) the Directed Investments, and (iii) Total Fund.

At 31 December 2011, the NPRF total fund value stood at €13.4 billion, comprising the Discretionary Portfolio €5.4 billion and the Directed Portfolio €8.0 billion.

## DISCRETIONARY PORTFOLIO

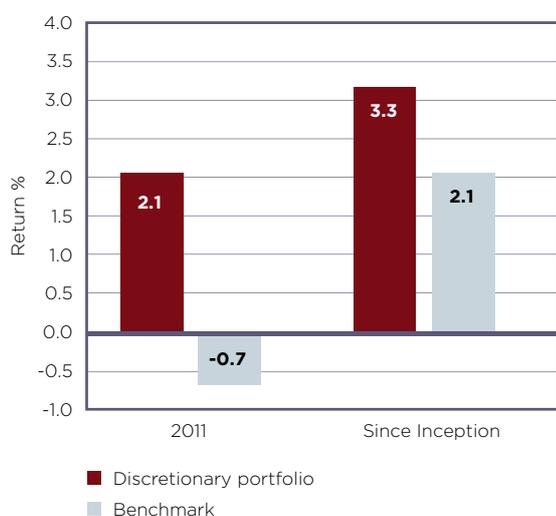
The Discretionary Portfolio earned a return of +2.1% in 2011 compared with a return in 2011 to the Fund's benchmark of -0.7% and to the average Irish managed pension fund of -3.5%.

From the Fund's inception in 2001 to 31 December 2011, the Discretionary Portfolio has delivered an annualised return of +3.3% p.a.

- This compares with an annualised return for the average Irish managed pension fund of +1.1% p.a. and the Irish inflation rate of +2.5% p.a. over the same period.
- The Fund's performance has exceeded its benchmark (+2.1% p.a.) by 1.2% p.a. since inception.

**Chart 8**

NPRF Discretionary Portfolio Performance



A secondary benchmark was introduced in 2010. As a supplementary objective, the Discretionary Portfolio should aim to outperform the cost of five year government debt over rolling five year periods at a 75% probability level.

The annualised return on the Discretionary Portfolio since the introduction of the supplementary objective in 2010 was +6.8% p.a., which marginally trails the cost of the average yield on Irish 5-year debt which was +6.9%. This represents a broadly favourable outcome for the Fund given the elevated costs of Irish debt over the period in question. The year-end yield on Irish 5 year debt was 7.3% at the end of 2011.

Contributors to the Discretionary Portfolio's return in 2011 of +2.1% are set out below:

Asset Class		
2011	Asset Return	Contribution to Discretionary Portfolio Return
Equities	-6.5%	-0.9%
Bonds	6.2%	0.4%
Property	9.1%	1.0%
Private Equity	6.0%	1.3%
Commodities	2.4%	0.2%
Cash	0.8%	0.2%
Absolute Return	8.8%	0.2%
Infrastructure	18.4%	0.9%
Currency Hedge		-1.2%
<b>Total</b>		<b>2.1%</b>

Comments are as follows:

- Infrastructure was the best performing asset class, returning +18.4%.
- Equities delivered a negative performance. Eurozone equity negative returns were in high single digits, while negative returns in Emerging Markets equities exceeded -20% in most markets.
- Bonds delivered +6.2%, driven by a flight to quality in sovereign bonds and strong performance in corporate bonds.
- Property and Private Equity also delivered positive returns, reflecting ongoing post-crisis recovery.
- Cash returns remained extremely low.

In summary, most asset classes delivered positive performance but this was largely offset by negative performance to varying degrees in most equity markets.

The Fund's passive currency hedging strategy is designed to mitigate the effect of adverse currency movements relating to non-euro denominated assets. The Fund's policy is to hedge 50% of non-euro exposures in quoted equities (other than emerging markets which are not hedged) and private equity and to hedge 100% of non-euro denominated exposures in property. The purpose of the hedging strategy is to reduce the effects of currency fluctuations on the Fund and its effect is to add value when the currencies of the Fund's underlying assets depreciate and to reduce value when the currencies of the underlying assets appreciate. The effect of the currency hedge in 2011 was to reduce absolute performance by 1.2%.

## RELATIVE PERFORMANCE

In 2011, the Discretionary Portfolio generated a return of +2.1% which compares with a benchmark return of -0.7% for the same period, giving an outperformance of +2.8%.

The analysis of this outperformance is set out in the following table.

Discretionary Portfolio - contributors to relative performance against Benchmark 2011	
Equity Put Option	1.2%
Tactical asset allocation decisions	0.4%
Active manager performance	0.4%
Implementation effects	0.2%
Fees	-0.3%
Property	-1.1%
Private equity	1.8%
Credit Investments	0.2%
<b>Total</b>	<b>2.8%</b>

Comments are as follows:

- The largest value added came from the impact of the put options which contributed +1.2% to relative performance in an environment of declining equity markets during the second half of 2011.
- Tactical asset allocation decisions added +0.4% to relative performance. This performance was primarily due to the decision to tactically underweight equities in June 2011. The positive impact of this decision was marginally offset by the decision to underweight sovereign bonds which detracted from performance.
- Active manager performance was primarily due to positive equity manager performance and to very strong performance within the Absolute Return portfolio.
- While the private equity portfolios performed very strongly, property, where the Fund's investments are largely unlisted, lagged their listed property equity benchmark which reflects valuation recoveries faster than unlisted investment valuations.
- It should be noted that the performance of the property and private equity portfolios against their benchmarks in any single year should be interpreted with caution. Because of their illiquid nature the investment performance of these asset classes is best evaluated on a longer-term basis.

## DIRECTED PORTFOLIO

The Directed Portfolio returned -58.1% in 2011. This return incorporates the fair values of the investments in Allied Irish Banks and Bank of Ireland, in line with the recommendations from the independent valuation report.

## TOTAL INVESTMENT RETURN

The total Fund, including Directed Investments, recorded a return of -36.7% in 2011.

Investment Return	Fund 2011	Benchmark 2011	Fund since inception	Benchmark since inception
	%	%	%p.a.	%p.a.
Discretionary Portfolio	2.1	-0.7	3.3	2.1
Directed Investments	-58.1	-	-34.6	-
<b>Total</b>	<b>-36.7</b>	<b>-</b>	<b>-3.2</b>	<b>-</b>

### BENCHMARK PORTFOLIO

Under the National Pensions Reserve Fund Act, 2000 the Commission is required to determine appropriate benchmarks against which the investment return of the NPRF can be assessed.

The NPRF's performance is measured relative to a benchmark portfolio consistent with its strategic asset allocation. In calculating the benchmark, the weights for each asset class in the strategic asset allocation are adjusted where liquidity is a constraint on sensibly implementing the strategic asset allocation, for example to reflect the higher weight in private equity after the €10 billion sales of assets in 2011 were implemented in liquid asset classes only.

The performance of each asset class is measured against a defined benchmark (e.g. the NPRF's eurozone equity investments are measured against the FTSE All World eurobloc Index). The NPRF's overall benchmark return is the sum of the returns to the benchmarks for each asset class weighted according to their relative percentage share in the NPRF's strategic asset allocation.

# Discretionary Portfolio Review

## REALISATION OF €10 BILLION FOR EU/IMF PROGRAMME OF FINANCIAL SUPPORT FOR IRELAND

In late November 2010, the Government announced that the Fund would provide up to €10 billion of the State's €17.5 billion contribution to the €85 billion EU/IMF Programme of Financial Support for Ireland ("the Programme"). The CISA Act subsequently passed into law in December 2010 facilitated this investment being made by the Fund into credit institutions or into Irish Government securities.

In 2011, on foot of directions from the Minister for Finance, €10 billion in cash was realised, comprising €5.5 billion in February 2011 and €4.5 billion in April 2011. This cash was placed on deposit with Irish commercial banks, and, further to directions from the Minister for Finance, was subsequently invested in the recapitalisation of Allied Irish Banks and Bank of Ireland.

The asset sales to raise the €10 billion were concentrated in liquid asset classes and implemented through the Fund's transition manager panel. In transacting such large sales volumes, there is a risk that the transaction sizes will drive market prices against the seller. By staggering the transactions and taking account of prevailing market conditions, the Commission was able to minimise the costs of liquidation. The implementation shortfall (which is the "all-in" cost of trading including taxes, commissions and most importantly the market impact of the transaction volumes) for the total €10 billion was less than 0.2%, which was an extremely satisfactory outcome.

As a consequence of concentrating the realisations in liquid asset classes, the residual Discretionary Portfolio became overweight in some illiquid assets, principally property and private equity. While it would be possible to exit such positions at short notice, substantial discounts would generally have to be taken. The Commission was of the view that in order to maximise value from these positions, it is necessary to tolerate an overweight position in the short to medium term, and that it is in the best interests of the Fund to reduce these investments through time.

## DYNAMIC ASSET ALLOCATION

During 2011 the Fund implemented the following dynamic asset allocation positions:

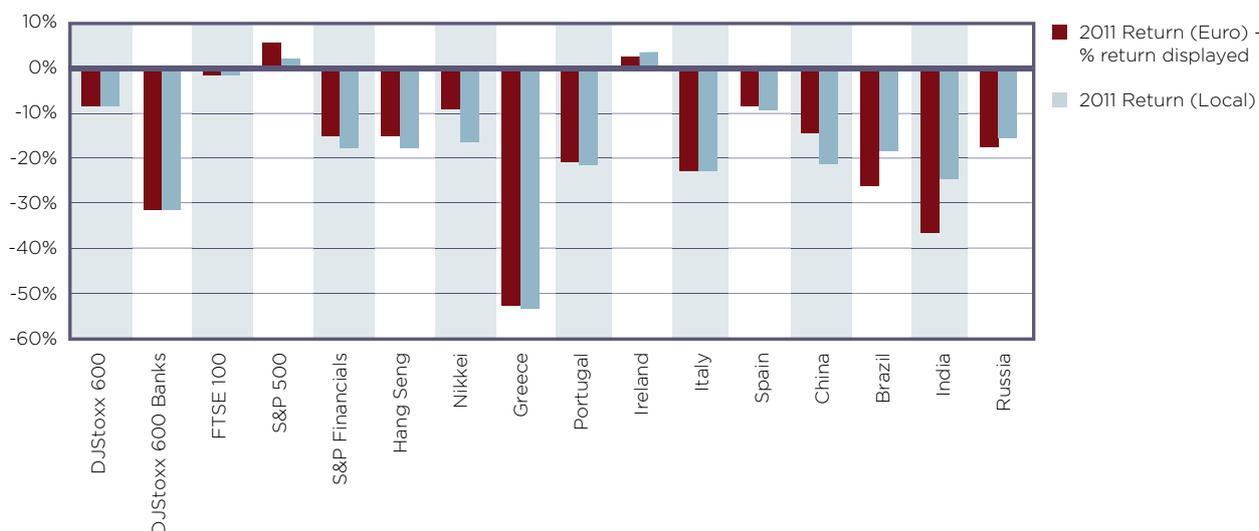
- The Fund continued to maintain significant underweight positions in nominal and inflation linked eurozone sovereign bonds;
- In June 2011, believing that market pricing was not adequately reflecting uncertainties with respect to eurozone sovereign and banking issues and also having concerns with respect to the economic growth outlook more generally, the Fund reduced significantly its weighting in quoted global equities. This position was reduced in early December 2011 in advance of the announcement of the LTRO, following comments by prominent eurozone policy makers that indicated an increased possibility of substantial moves that would allow the ECB to expand its balance sheet and support sovereign funding.
- In the Fund's current circumstances and because this was a risk reducing position, the Commission determined that the combination of these two decisions, which resulted in a Cash overweight above the 10% range permitted by the Fund's dynamic asset allocation policy, was appropriate.
- The Fund continued to maintain a small relative underweight in small cap equities versus large cap equities.

## EQUITIES

As at 31 December 2011 the NPRF was invested in 3,387 companies across global developed and emerging markets (a full list of these companies is set out separately in this annual report). The Fund's Discretionary Portfolio did not own more than 0.38% of the shares outstanding of any company and no single stock accounted for more than 0.61% of the Discretionary Portfolio.

The following chart summarises the performance of a range of equity market indices during 2011.

**Chart 9**  
Selected Equity Market 2011 Returns



NPRF Equity Weightings % of Discretionary Portfolio - 31 December 2011		
	Fund Allocation	Benchmark
	%	%
Total Large Cap Eurozone	7.4	7.8
<i>North America</i>	10.9	10.5
<i>Europe ex Eurozone</i>	3.1	2.9
<i>Japan</i>	1.6	1.7
<i>Pacific Basin</i>	1.7	1.6
Total Large Cap Non-Eurozone	17.3	16.7
<b>Total Large Cap</b>	<b>24.7</b>	<b>24.5</b>
<b>Small Cap</b>	<b>2.6</b>	<b>8.6</b>
<b>Emerging Markets</b>	<b>6.9</b>	<b>8.3</b>
<b>Equity Put Options</b>	<b>4.9</b>	<b>0.0</b>
<b>Total</b>	<b>39.1</b>	<b>41.4</b>

Comments on the Fund's Equity portfolio are as follows:

- Country specific factors had a much greater impact than individual stock returns as divergences between country returns became much more pronounced in 2011. In general countries such as the US, UK and Switzerland that have the flexibility of their own exchange rate outperformed.

- Those markets that tend to be less volatile and have more defensive characteristics tended to outperform. Emerging markets underperformed developed markets.
- A notable feature of equity markets in 2011 was that investment returns to individual companies became increasingly driven by macroeconomic concerns and investor sentiment. This was reflected in historically high measures of correlation among individual stocks as prices moved in similar patterns irrespective of the growth prospects and valuations of the underlying companies.

The Fund's equity portfolio returned -6.5% in 2011 comprising large cap equities -2.7%, small cap equities -7.2% and emerging markets equities -18.2%.

The Commission agreed in June 2011 to purchase equity index put options. The options purchased protected against adverse equity price movements on €1.3 billion of the Fund's quoted equities holdings of €1.7 billion, while still retaining the capacity to gain from any upward price movements on the entire €1.7 billion.

## BONDS

The Fund's strategic asset allocation to bonds is diversified across sovereign bonds, inflation linked bonds and corporate bonds. These investments at 31 December 2011 represented 6.4% of the Discretionary Portfolio and returned +6.2% in 2011.

At 31 December 2011, the Fund was underweight nominal and inflation linked sovereign bonds versus benchmark, reflecting a tactical view that yields in core eurozone sovereign bond markets, which are extremely low by historical standards, do not offer an attractive risk adjusted expected return and are unlikely to be sustained.

The Fund's corporate bond investments include a third party managed portfolio of eurozone investment grade corporate bonds and a number of Irish private placements which are not generally traded and where the intention is to hold them to maturity (although these are valued on a mark to market basis).

The Fund's allocation to Bonds is set out below:

NPRF Bond Weightings % of Discretionary Portfolio - 31 December 2011		
	Fund Allocation	Benchmark
	%	%
Eurozone Sovereign Bonds	0.0	5.2
Eurozone Inflation Linked Bonds	1.4	4.5
Eurozone Corporate Bonds	5.0	5.3
<b>Total</b>	<b>6.4</b>	<b>15.0</b>

## CASH

At 31 December 2011, the Fund's cash holding was €946 million, representing 17.3% of the Discretionary Portfolio. This relatively large cash holding primarily reflected the underweight in sovereign bonds and the underweight in equities. The Fund's cash balances, which are on deposit with the Central Bank of Ireland and earn the EONIA rate, earned a return of 0.8% in 2011.

## COMMODITIES

The Fund's commodities portfolio returned +2.4% in 2011 and at 31 December 2011 represented 5.0% of the value of the Discretionary Portfolio.

The Commission originally gained passive exposure to global commodities through the purchase of certificates which provided a return based on a global commodities index. However as these certificates have matured, the Fund's commodity

investments were made in liquid enhanced index funds. The Fund's entire commodity investment, €240 million, is now invested in a commodity fund managed by Morgan Stanley which provides daily liquidity. This fund is managed passively against an index that has been modified to reduce some of the costs associated with rolling commodity futures.

The NPRF made an investment in forestry during 2009 with a €20m investment in an Irish forestry fund, the "1st Forestry Fund". The fund purchased about five million semi-mature trees (but not the underlying land) from Coillte, which will remain in charge of the day-to-day management of the trees on behalf of the fund manager. The 1st Forestry Fund's investment return will be derived from the sale of the trees when they mature in the period 2025 to 2035.

## ABSOLUTE RETURN INVESTMENTS

Absolute Return investments are strategies that aim to earn a positive return irrespective of market conditions. The Fund has invested in one Currency strategy and one Global Tactical Asset Allocation strategy. These strategies are delivered through pooled funds and aim to generate returns by identifying and exploiting price inefficiencies among currencies and other asset classes. These investments, which at 31 December 2011 represented 3.1% of the Discretionary Portfolio, returned +8.8% in 2011.

## INFRASTRUCTURE

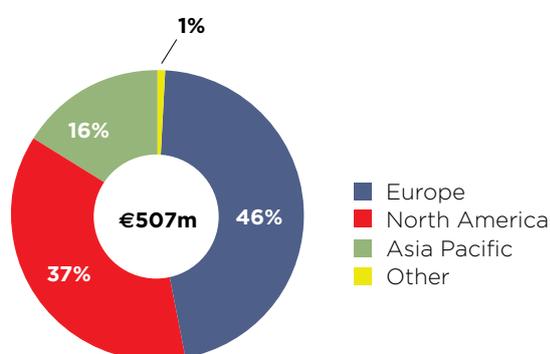
The Fund's infrastructure investment is through listed equities that are passively managed. Infrastructure performed very well in 2011, returning 18.4% as investors recognised the benefits of stable returns and high cash yields. At 31 December 2011 infrastructure investments represented 5.6% of the Discretionary Portfolio.

## PROPERTY

Unlisted investment vehicles have been the basis for the Fund's long term approach to investing in real estate, and, at 31 December 2011 were valued at €507m representing 9.3% of the Discretionary Portfolio. Property commitments are drawn down by managers on a phased basis as they identify suitable investment opportunities. At 31 December 2011 the Fund had uncalled commitments of €80m. It did not have any exposure to listed REITs.

The unlisted real estate portfolio is well diversified by geographic region, sector and investment manager. On a geographic basis, the NPRF's targeted real estate allocation is 50% to Europe, 35% to North America and 15% to Asia. On a value basis, as set out in the chart below, the portfolio was broadly in line with this target allocation at end 2011 and is invested in over 30 countries.

**Chart 10**  
NPRF Property Portfolio Geographic Exposure



Because of the increased weighting in real estate due to the reduced size of the Discretionary Portfolio, the Commission initiated a strategy of reducing its real estate exposure. The first stage was the liquidation of its €547m listed property portfolio in January and April 2011. In addition redemption notices were submitted on 7 unlisted funds and full or partial secondary market sales were completed at or close to valuation on 3 other unlisted funds.

Against a backdrop of difficult markets, the portfolio performed reasonably well in 2011. At an overall portfolio level, it can be considered that the respective underlying funds have faced up to and dealt with their problem assets and are now on a more stabilised footing.

The 2011 return for the unlisted portfolio was +9.1%. The portfolio generated a positive cash flow of €24m in 2011, with capital calls of €47m offset by receipt of €71m in distributions of capital and income.

## PRIVATE EQUITY

At end December 2011, private equity investments were valued at €772 million and represented 14.2% of the Discretionary Portfolio. Private equity commitments are drawn down by managers on a phased basis as they identify suitable investment opportunities. In addition on that basis the Fund has uncalled commitments of €414m.

### FEATURES OF NPRF PROPERTY AND PRIVATE EQUITY INVESTMENT PROGRAMMES

The NPRF's property and private equity programmes each principally comprise a portfolio of indirect investment vehicles, typically structured as limited partnerships, which acquire physical buildings or companies relevant to the specific property or private equity strategy being pursued e.g. a US office property fund will acquire office investments in the major US metropolitan areas.

These vehicles are generally constituted in such a way that the NPRF is an arm's length investor with no involvement in the day to day management of the investment. The vehicles are usually closed end with a fixed life of around eight to ten years. A general partner is responsible for the implementation of strategy while the NPRF, as a limited partner, receives regular reports on how the investment is performing. The NPRF may be represented on the advisory board of the investment vehicle.

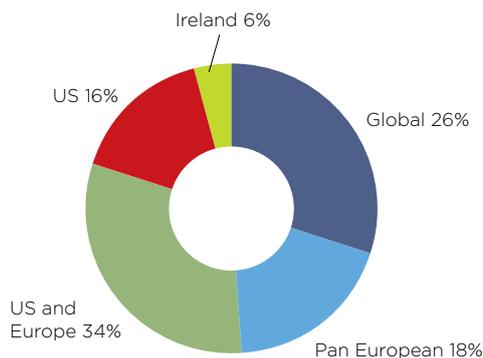
Investments are generally undertaken on a commitment basis i.e. the NPRF commits a certain amount of money that can be called over a defined period, generally three to five years.

The private equity portfolio is diversified by both investment type and region. On a total exposure basis, which is defined as the total value plus the total commitments outstanding, the portfolio was split as follows on 31 December 2011:

- 57% to managers specialising in buyout deals,
- 23% to managers specialising in venture capital,
- 20% to managers specialising in other investment categories.

On a geographic basis the portfolio can be classified into five major groupings as shown in the chart below:

**Chart 11**  
NPRF Private Equity Total Exposure by Geography at 31 December 2011



The allocation to Ireland comprises five commitments totalling €81 million made to Irish venture capital funds that were raised in 2007, 2008 and 2010. Relatively little of this commitment has been drawn to date so that at 31 December 2011, there were €50 million of commitments outstanding for investment. In addition, the NPRF has made four fund commitments totalling €78 million related to its participation in the Innovation Fund Ireland. The Commission has allocated a total of €125 million to Innovation Fund Ireland and expects to see further commitments made during 2012.

As the reduction in the size of the Discretionary Portfolio during 2011 was achieved by selling liquid assets, the percentage of the reduced Discretionary Portfolio represented by private equity therefore increased significantly. The norm in the private equity market is that secondary transactions in private equity funds (similar to the NPRF's investments) generally take place at significant discounts to valuation. The Commission determined that sales of illiquid assets by the Fund would only be implemented if price levels achieved were close to valuation and that significant discounts would not be incurred purely for the purposes of rebalancing asset class weights within the Discretionary Portfolio.

In monitoring market conditions closely, the Commission was able to take advantage of a relatively buoyant private equity secondary market which prevailed for the first seven months of 2011 and reduced the total exposure of the private equity

portfolio by around one quarter (some €470 million). These sale transactions included both the existing assets and the undrawn commitments attaching to such investments. All of the sales transactions which were entered into during 2011 were completed by January 2012.

The 31 December 2011 valuations reflect a moderate increase in comparable price-to-earnings valuation multiples in the public markets over the course of 2011 and the impact of improving economic conditions on companies made more efficient through the downturn. The NPRF's private equity investment return was +6.0% in 2011.

In terms of the broader market environment, 2011 overall represented the strongest year for private equity since the collapse of Lehman Brothers and the onset of the financial crisis, when measured by new deal activity and exits. The value globally of new deals announced and exits reported on a quarterly basis hit new highs in the second quarter of the year. However, these second quarter figures would prove to be the end of a steady nine quarter recovery for the industry and the onset of the European sovereign debt crisis in August 2011 and the ensuing market volatility and tightening credit conditions led to a marked slowdown in deal and exit activity. However, perhaps anticipating a slowdown, 2011 was the third consecutive year that fund raising declined, with aggregate capital raised by funds which closed in 2011 down 61% from the peak amount raised by funds which closed in 2008.

## STRATEGIC INVESTMENT FUND

In November 2011 the NPRF announced a commitment of €250 million to a new Irish infrastructure investment fund which is seeking up to €1 billion from institutional investors in Ireland and overseas and which will invest in infrastructure assets in Ireland, including assets designated for disposal by the Government and commercial State enterprises as well as new infrastructure projects. The Irish Infrastructure Fund was established by Irish Life Investment Managers, with AMP Capital appointed as the fund's discretionary investment manager.

As previously reported the Commission had decided, subject to various pre-conditions, to extend a financing facility to the new Irish Water company to fund the installation of domestic water meters on a national basis. It is now expected that the size of this facility will be approximately €450 million.

Because none of this facility has yet been drawn down and as water has been identified as a sector of strategic importance, it is expected that the NPRF's commitment will come under the Strategic Investment Fund initiative.

Similarly it is anticipated, because only very small amounts of commitments have been drawn down to date and as venture capital has been identified as a sector of strategic importance, that the Fund's commitments of €125 million to Innovation Fund Ireland will come under the Strategic Investment Fund initiative.

In June 2012, the Fund announced a collaborative relationship with Silicon Valley Bank aimed at supporting the technology innovation sector in Ireland. The NPRF has committed to invest in technology funds managed by SVB Capital, while Silicon Valley Bank will establish a presence in Ireland and expects to lend US\$100 million to fast growing Irish technology, life sciences and venture capital businesses over five years.

The Commission, while awaiting legislation to give effect to the Strategic Investment Fund, continues in parallel to develop additional potential investment opportunities under the Strategic Investment Fund umbrella, including the development of investment funds targeting the provision of finance to the SME sector.

## **EXCHEQUER CONTRIBUTIONS**

Following receipt of contributions on 31 December 2009 and in 2010 from sixteen university and state sponsored pension schemes with a total value of €2,072m, it is estimated that the Exchequer's annual contribution to the NPRF of 1% of GNP has been funded to early 2012.

The CISA Act in December 2010 gave the Minister for Finance power to reduce or suspend the annual 1% Exchequer contribution to the NPRF in any of the years 2012 or 2013.

## **NPRF MANDATES AND MANAGERS**

The NTMA, under the terms of the Fund's legislation, was appointed as Manager of the Fund from its inception for an initial ten year period until April 2011. The Commission believes the NTMA's performance in its role as Manager is the most important role in assisting the Fund to deliver on its objectives. In 2011, the Commission extended the NTMA's appointment for a further five year period until April 2016.

The Fund's strategic asset allocation is broken down for investment purposes into a number of investment mandates. The model employed by the Fund is to outsource the management of these mandates to specialist external investment management institutions with expertise in particular markets.

Mandates are managed against a market index benchmark within guidelines and parameters set down by the Commission. Tactical and stock level investment decisions are delegated to the individual managers. Investment mandates may be passive (where the manager's target is to reproduce the return of a specified market index) or active (where the manager's target is to outperform a specified market index).

Passive management represents an extremely cost effective way of achieving market index returns and 60% of the Fund's quoted equity allocation was passively managed at end 2011.

Active managers are engaged where there is a reasonable expectation that they can add value over and above the benchmark after deducting any extra costs incurred. The Commission's approach is to channel active management risk into those areas most likely to lead to additional return.

Property and private equity managers will generally follow asset specific investment styles.

The Fund's multi-manager investment approach across all asset classes allows for diversification so that the Fund's performance is not overly dependent on the performance of any one manager or investment style.

Transition managers specialise in carrying out large blocks of trades in the market on behalf of institutional investors in order to minimise the costs and portfolio risk arising from such trades. Typically these services are employed when sizeable transactions are required to effect asset liquidation or portfolio rebalancing. The Fund employs a panel of transition managers who tender on each occasion that transition management services are required by the Fund.

The table overleaf lists all of the Fund's managers as at 31 December 2011.

## NPRF Managers as at 31 December 2011

Investment Style	Mandate	Manager	Value (€m)
<b>Large Cap Equity</b>			
Passive	Eurozone	State Street Global Advisors Ireland	189
Active	Pan-European	Putnam Investments	92
Active	Pan-European	Oechsle International Advisors	90
Passive	Europe ex Eurozone	State Street Global Advisors Ireland	108
Passive	North America	Blackrock	656
Active	North America	Goldman Sachs Asset Management International	103
Passive	Japan	Blackrock	106
Active	Pacific Basin ex Japan	Schroder Investment Management	124
Active	Global	Generation Investment Management	84
		<b>Total Large Cap</b>	<b>1,552</b>
<b>Emerging Markets Equity</b>			
Active	Global	Batterymarch Financial Management	121
Active	Global	Principal Global Investors	128
Passive	Global	State Street Global Advisors Ireland	150
		<b>Total Emerging Markets</b>	<b>399</b>
<b>Small Cap Equity</b>			
Active	EAFE	Acadian Asset Management	85
Passive	US	Blackrock	96
		<b>Total Small Cap</b>	<b>181</b>
<b>Miscellaneous</b>			
Futures and other		National Treasury Management Agency	-269
<b>Options</b>			
Equity Put Options		National Treasury Management Agency	265
<b>TOTAL EQUITY</b>			<b>2,128</b>
<b>Fixed Income</b>			
Active	Eurozone Corporate Bonds	DB Advisors	153
Active	Eurozone Inflation linked Bonds	National Treasury Management Agency	78
Active	Eurozone Corporate Bonds	National Treasury Management Agency	118
		<b>Total Fixed Income</b>	<b>349</b>
<b>Cash</b>			
Cash	Ireland	National Treasury Management Agency	680
Currency hedging	Global	National Treasury Management Agency	-91
Cash	Futures contracts	National Treasury Management Agency	278
Transition Manager		State Street	0
Transition Manager		Nomura International	0
Transition Manager	Futures contracts	Citigroup	79
		<b>Total Cash</b>	<b>946</b>
<b>TOTAL FINANCIAL ASSETS</b>			<b>1295</b>
<b>Infrastructure</b>			
Passive	Global	State Street Global Advisors Ireland	308
		<b>Total Infrastructure</b>	<b>308</b>
<b>Absolute Return</b>			
Active	Currency	JP Morgan Asset Management	62
Active	Global Macro	Bridgewater Associates	108
		<b>Total Absolute Return</b>	<b>170</b>
<b>Commodity</b>			
Global	Commodity	Fund Logic	241
Forestry	Ireland	Irish Forestry Unit Trust	11
Forestry	Ireland	AIB Investment Managers	21
		<b>Total Commodity</b>	<b>273</b>

Investment Style	Mandate	Manager	Value (€m)
<b>Private Equity</b>			
Buyout	Global	CVC Capital Partners	40
Buyout	Global	Providence Equity Partners	75
Buyout	Global	TPG	59
Buyout	Global	Vestar Capital Partners	22
Buyout	Pan European	Charterhouse Capital Partners	30
Buyout	Pan European	Nordic Capital Partners	37
Buyout	US	Madison Dearborn Capital Partners	34
Buyout	US	New Mountain Capital Partners	24
Buyout	US and Europe	Clayton, Dubilier & Rice	140
Buyout	US and Europe	Hellman & Friedman	14
Buyout	US	Jordan Resolute Fund	22
Other	Pan European	Palamon Capital Partners	17
Other	US	Fortress Investment Group	81
Other	US and Europe	Summit Partners	17
Other	Pan-European	Atlantic Bridge	1
Other	US and Europe	HIG Capital	7
Other	US and Europe	OCM Opportunities Fund	30
Venture Capital	Global	Greenspring Associates	44
Venture Capital	Global	Weathergace Capital	16
Venture Capital	US	Frazier Healthcare	6
Venture Capital	US	Oak Investment Partners	13
Venture Capital	US and Europe	Abingworth	14
Venture Capital	Ireland	Delta Partners	6
Venture Capital	Ireland	Fountain Healthcare Partners	7
Venture Capital	Ireland	Seroba Kernel Lifesciences	3
Venture Capital	Ireland	NCB	5
Venture Capital	Innovation Fund Ireland	Draper, Fisher, Jurvetson	3
Venture Capital	Innovation Fund Ireland	DFJ Esprit	5
Venture Capital	Innovation Fund Ireland	Polaris Ventures	0
Venture Capital	Innovation Fund Ireland	Sofinnova Venture Partners	0
		<b>Total Private Equity</b>	<b>772</b>
<b>Property</b>			
Core	Asia	Pramerica REI	6
Core	Europe	Grosvenor	27
Core	Ireland	AIB Investment Managers	1
Core	Ireland	IPUT	19
Core	Ireland	Irish Life Investment Managers	12
Core	Ireland and UK	State Street Global Advisors	19
Opportunistic	Asia	Composition Capital	11
Opportunistic	Asia	MGPA	12
Opportunistic	Europe	AXA REIM	0
Opportunistic	Europe and Asia	Forum Partners	56
Opportunistic	Europe and US	Pramerica REI	23
Opportunistic	Global	Morgan Stanley REI	69
Opportunistic	Global	Silverpeak	20
Opportunistic	UK	Aviva	6
Opportunistic	US	Broadway Partners	14
Opportunistic	US	Capital Trust	2
Opportunistic	US and Europe	Tishman Speyer	52
Value Add	Europe	Lothbury	3
Value Add	Europe	Rockspring PIM Ltd	32
Value Add	Europe and US	CBRE Investors	21
Value Add	US	AREA	32
Value Add	US	Berkshire	34
Value Add	US	Madison Marquette	35
Other	Ireland and UK	Various	1
		<b>Total Property</b>	<b>507</b>
<b>Total Alternative Assets</b>			<b>2,030</b>
<b>Total Discretionary Portfolio</b>			<b>5,453</b>

# Responsible Investment

The Commission recognises that the way in which companies manage environmental, social and governance (ESG) factors can affect their long-term performance and it has taken steps to integrate these factors into its ownership and investment decision making practices. It has adopted a formal Responsible Investment Policy and is a founder signatory to the UN sponsored Principles for Responsible Investment (PRI).

## HERMES EQUITY OWNERSHIP SERVICES

The Commission has appointed Hermes Equity Ownership Services to execute proxy votes on the Fund's behalf and to engage with companies on environmental, social and governance issues across its global equity portfolio.

The Hermes approach is based on the premise that a company run in the long-term interest of shareholders will need to manage effectively its relationships with employees, suppliers and customers, behave ethically and have regard for the environment and society as a whole. The Hermes team includes former CEOs and other board members of public companies, as well as senior strategists, corporate governance experts, fund managers, lawyers and accountants. Hermes usually engages on a discreet basis thus giving it greater access to boards and management.

## VOTING

In 2011 Hermes voted on the NPRF's behalf on 51,438 resolutions at meetings and opposed one or more resolutions at 2,633 of those meetings. Hermes voted with management by exception (where it is satisfied the company's management will act subsequently to address concerns) at 4 meetings and abstained at 54 meetings. It supported management on all resolutions at the remaining 2,229 meetings.

## PRINCIPLES FOR RESPONSIBLE INVESTMENT (PRI)

The PRI provide a best-practice framework for investors to integrate consideration of ESG factors into investment decision making and ownership practices.

Since its launch in April 2006, the number of signatories has increased to over 1000 representing US \$32 trillion in assets under management.

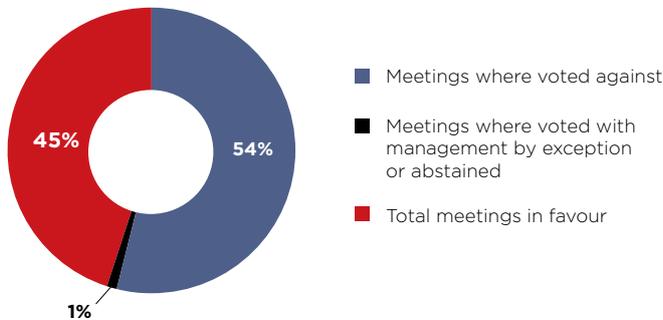
As a PRI signatory, the National Pensions Reserve Fund commits to its six principles, which serve as a guide for activities and reporting related to responsible investing.

### Signatory Commitments

- 1. Incorporate ESG issues into investment analysis and decision-making processes.**
- 2. Be active owners and incorporate ESG issues into ownership policies and practices.**
- 3. Seek appropriate disclosure on ESG issues by the entities in which they invest.**
- 4. Promote acceptance and implementation of the PRI within the investment industry.**
- 5. Work together to enhance the effectiveness of the PRI within the investment industry.**
- 6. Report on activities related to and progress towards implementing the PRI.**

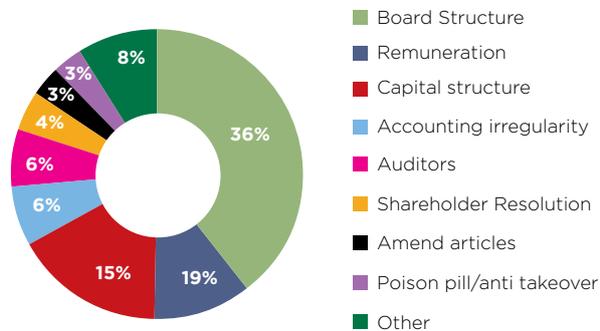
As a PRI signatory the NPRF is obliged to report on its progress in implementing the Principles as part of the PRI Initiatives Annual Reporting and Assessment Process. During 2011 the Commission elected to make public its responses to the 2010 survey. This information is available on [www.nprf.ie](http://www.nprf.ie).

**Chart 12**  
NPRF Voting Activity 2011



Hermes will generally support the recommendations of a company's board unless it has a good reason not to do so. The Commission reserves the right to override Hermes' voting recommendations. The issues on which Hermes voted against management or abstained on resolutions are shown below.

**Chart 13**  
Votes Against or Abstentions 2011



In respect of any Discretionary Portfolio share holdings in Bank of Ireland and Allied Irish Banks, the Commission voted its share holdings in line with the vote directed by the Minister for Finance in respect of the Directed Portfolio investments.

During 2011 the Commission continued to publish its proxy voting record quarterly in arrears on its website.

## ENGAGEMENT

Engagement is based on the concept of shareholders raising concerns directly with company management and boards in a constructive manner in order to address issues and to effect change. The NPRF believes that in the majority of cases engagement is a more appropriate strategy than the option of excluding stocks from portfolios as a first step and, thereby, eliminating any possibility of influencing these companies for the better.

Engagement activities include:

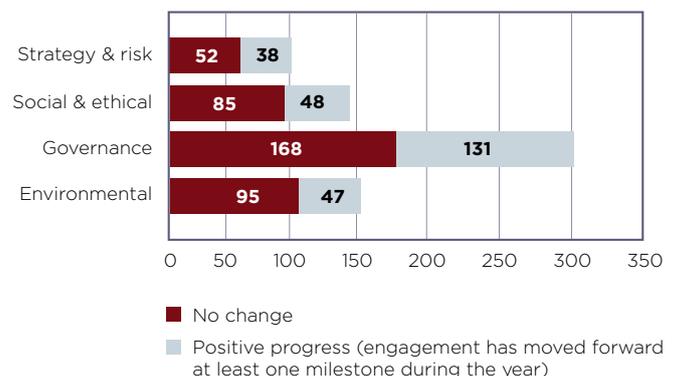
- Meeting with a company's executive and non-executive directors;
- Participating in initiatives with other investors; and
- Submitting shareholder resolutions at general meetings.

During 2011 on behalf of the NPRF Hermes engaged with 343 companies on 1169 issues across the areas of social, environmental, governance and business strategy.

Some engagements involve one or two meetings over a period of months while others are more complex and entail multiple meetings with different board members over several years. The NPRF publishes a summary of Hermes' ongoing engagements on its website every quarter.

Hermes has reported on the progress of its engagements in aggregate against its pre-set milestones as set out below:

**Chart 14**  
Engagement Progress in 2011



## SUDAN

In addition to its engagement activities through Hermes, the NPRF continued to support the UN PRI Sudan Engagement Group, a collaborative engagement by institutional investors with approximately US\$2.3 trillion total assets under management, and which are all PRI signatories.

## CARBON DISCLOSURE PROJECT (CDP)

Since 2007 the NPRF has been a signatory to the Carbon Disclosure Project (CDP) – an investor led initiative requesting disclosure by companies in relation to carbon emissions. The most recent CDP information request was sent to more than 3,700 companies worldwide signed by investors representing combined assets of \$78 trillion. 2011 saw increased Irish company participation with 48% of the 40 largest companies listed on the ISEQ equity index responding. The NPRF also supports the CDP Water Disclosure Project – an investor led programme aimed at encouraging meaningful and systematic reporting on issues including water usage and conservation.

## CLUSTER MUNITIONS

The Cluster Munitions and Anti-Personnel Mines Act 2008 obliges the NPRF to avoid investment in manufacturers of cluster munitions or anti-personnel mines. The Commission has divested from seven companies and excluded four others during 2008 and 2009 (where it did not have existing investments) because of their involvement in the manufacture of cluster munitions or anti-personnel mines or where companies have not distanced themselves sufficiently from the manufacture of these weapons.

### Prohibited Securities List

<b>Aerostar (Romania)</b>
<b>Alliant Techsystems (US)</b>
<b>General Dynamics Corp (US)</b>
<b>L-3 Communications Holdings Inc (US)</b>
<b>Lockheed Martin (US)</b>
<b>Northrop Grumman (US)</b>
<b>Raytheon (US)</b>
<b>Textron (US)</b>
<b>Hanwha Corporation (South Korea)</b>
<b>Poongsan Holdings Corporation &amp; Poongsan Corporation (South Korea)</b>
<b>Singapore Technologies Engineering</b>

## Risk, Oversight and Controls

The NPRF is exposed to a number of risks and one of the principal tasks of the Commission and the NTMA is to manage these risks.

### MARKET RISK

Absolute market risk is the primary source of risk to the NPRF. It arises from the capacity of the assets of the Fund to fall in value due to reductions in asset prices.

- Market risk includes fluctuations in equity, bond and property prices and foreign exchange movements.
  - It is obviously necessary to take market risk in order to generate return. In line with its statutory investment mandate, the Commission has endeavoured to maximise potential return while keeping volatility within reasonable limits by diversifying the NPRF's investments and by taking into account the expected volatility of each asset class and the expected correlation of asset classes with other asset classes.
  - The Commission is principally focused on managing absolute risk at overall Discretionary Portfolio level. While individual asset classes may rise or fall in value, because of the Fund's diversification strategy it is the combined effect at the overall level that is most important.
  - The Fund's long term strategic asset allocation incorporates a volatility target of 12%. During 2011 the purchase of equity put options reduced the Fund's market risk to a level well below the long term volatility target of 12%.
  - As a long-term investor, volatility in asset values can be absorbed provided the assets retain the capacity to recover in value given time. The main concern of a long-term investor is therefore to avoid assets that may suffer permanent loss.
  - The Manager monitors on a daily basis the Fund's absolute market risk (an ex-ante measure) and the Fund's performance (an ex-post measure). This is the critical control in overseeing the total risk arising within the Fund.
- The risk of deviation of the NPRF's actual return from the benchmark return due to relative market risk is measured by tracking error, which is the expected standard deviation of the difference between the performance of a portfolio or sub-portfolio and its benchmark portfolio. Standard deviation is a statistical concept which reflects variability of return.
  - The overall tracking error limit for the NPRF as determined by the Commission is set at 3%.
  - The purchase of equity put options has reduced the probability of the Fund falling in value; this has resulted in a higher potential positive deviation from the Fund's benchmark.
  - Credit risk is the risk that the Fund would incur a loss if a counterparty failed to discharge its obligations to the Fund. Credit risk is mitigated by setting appropriate exposure limits based on financial ratings and regulatory environments and then monitoring the size of credit exposures against these limits.

### OPERATIONAL RISK

Operational risk is the risk that inadequate or failed internal processes and controls, people, systems or external events may give rise to losses. The Commission's aim is to minimise operational risk.

To this end the NTMA has installed information technology systems and developed detailed control procedures in line with industry best practice. These controls are regularly reviewed to ensure that they address and remain appropriate to the risks to which the NPRF is exposed. The implementation of the controls is monitored by the NTMA's Internal Control Unit. This work is supplemented by an external firm, currently PricewaterhouseCoopers, which performs internal audit work. The Internal Control Unit and the external firm are required to draw attention to any deficiencies in controls or instances where they believe controls should be strengthened in line with best international practice and make appropriate recommendations for change.

### GLOBAL CUSTODIAN

The NPRF's global custodian, BNY Mellon, is responsible for transaction settlement (the delivery of cash or securities in respect of purchases/sales of the NPRF's assets) and, in most cases, the holding of the NPRF's assets independently of the investment managers.

Relative market risk arises from (i) the performance of the NPRF's investment managers as compared to their benchmarks; and (ii) any tactical asset allocation decisions deviating from the Fund's strategic asset allocation.

An essential part of the service is the maintenance of accurate records and the issuance of reports to the NPRF and certificates to auditors confirming the details of assets in custody. Data supplied electronically every day by the custodian is used to generate the NPRF's valuations and its risk, performance and control reports.

The custodian's functions also include the collection of income and dividends on assets, tax reclaims due to the NPRF and the provision of a comprehensive range of financial accounting reports.

The NPRF's property and private equity investments and its investments in pooled funds are not held by the global custodian. The NPRF's property and private equity investments are mainly structured as limited partnerships, in which the NPRF is a limited partner. The NPRF's holdings in pooled investment funds, certain property unit trusts and structured equity products are registered in the name of the NPRF with the relevant transfer agent or trustee.

## REGULATORY RISK

Regulatory risk is the risk that the NPRF fails to adhere to laws and regulations. The NTMA's compliance function has developed a programme to advise Commissioners and staff members on relevant laws and regulations, and, to maintain ongoing compliance, assists with the development of appropriate management procedures.

## OVERSIGHT

The NTMA has primary responsibility for managing the risks of the Fund on a daily basis.

The Commission's Audit Committee is actively involved in the controls process. Designated senior personnel within the NTMA are required to make a series of standard written reports to each Audit Committee meeting setting out details of any breaches of controls and any other control issues which may have arisen.

Each year, the Audit Committee considers the NTMA's annual risk review, which identifies a wide range of possible sources of risk and assesses each as to likelihood and impact, and focuses in particular on those risks with a high combined score. In addition the Audit Committee reviews the results of the audits carried out by the NTMA Internal Control Unit, PricewaterhouseCoopers and the NPRF's statutory external auditor, the Comptroller and Auditor General, and discusses their reports with each.

# Fees and Expenses

The accrued fees and expenses incurred in the operation of the NPRF in 2011 totalled €17.2 million.

Fund Expenses 2011	
	€'000
Investment Managers' Fees	11,981
Systems & Services	1,875
Global Custodian Fees	1,827
Legal & Tax Advisory Fees	843
Consultancy Fees	259
Commission Fees	223
Internal Audit Fees	90
External Audit Fees	42
Commission Expenses	1
Consultancy and Expert Advice pertaining to Directed Investments	51
<b>Total</b>	<b>17,192</b>

In addition to the above expenses, the costs incurred by the NTMA in its role as Manager amounted to €3.7m in 2011. These costs are borne by the Exchequer.

The NPRF participates each year in a survey run by a Canadian firm, CEM Benchmarking Inc (CEM), which measures the total operating costs of pension funds relative to their peers, including costs incurred within pooled investment vehicles. The survey benchmarks the NPRF's cost performance in respect of the Discretionary Portfolio against a cost benchmark comprising a customised peer group of similar international funds that CEM has identified as the most appropriate comparison for the NPRF. The survey takes account of differences in asset allocation within the peer group.

The most recent survey results, which was in respect of 2010, found that total Fund costs, including the costs incurred by the NTMA as Manager and fees charged within third-party investment vehicles, were 0.39% of average Fund assets. Against the median of its peer group benchmark, the NPRF costs are slightly favourable.

## Current Commissioners



**Paul Carty** – Chairman

Financial Consultant and Former  
Managing Partner, Deloitte &  
Touche, Ireland



**John A Canning Jr**

Chairman of Madison Dearborn  
Partners LLC



**Dr Brian Hillery**

Chairman Providence Resources  
plc and Former Director of the  
Central Bank and Financial  
Services Authority of Ireland



**Maurice Keane**

Company Director (including Irish  
Bank Resolution Corporation  
Limited) & Retired Group Chief  
Executive, Bank of Ireland



**Knut N. Kjaer**

Chairman of FSN Capital,  
Former President Risk Metrics  
Group and Former Chief  
Executive of Norges Bank  
Investment Management



**Prof. Frances Ruane**

Director of the Economic and  
Social Research Institute (ESRI)



**John C. Corrigan**

Chief Executive, National  
Treasury Management Agency

# Fund Governance

## OVERVIEW

The NPRF is controlled and managed by the National Pensions Reserve Fund Commission, a body corporate consisting of seven members appointed by the Minister for Finance. Under the National Pensions Reserve Fund Act, 2000, the Minister may only appoint persons to be Commissioners who have acquired substantial expertise and experience at a senior level in any of a number of listed areas including investment or international business management, finance or economics, law, actuarial practice and accountancy and auditing.

The Commission's functions include the determination and implementation of the NPRF's investment strategy in accordance with its statutory investment policy. This policy requires that the NPRF be invested so as to secure the optimal total financial return provided the level of risk to the moneys held or invested is acceptable to the Commission.

The NPRF's statutory investment policy does not apply to Directed Investments.

The National Treasury Management Agency (NTMA) is the statutory Manager of the NPRF for the period to April 2016 and the Commission is required to perform its functions through the Manager.

## THE COMMISSION

The Commission sets the NPRF's asset allocation strategy and the parameters within which Fund assets may be invested and reviews Fund performance and strategy implementation.

The Commission has established an Audit Committee, a Property Advisory Committee and a Private Equity Advisory Committee to assist it in carrying out its functions. Without prejudice to its own responsibility for its functions, the Commission may also delegate to the Manager any of its functions as it considers appropriate.

The Commission maintains a formal list of functions delegated to the NTMA on an ongoing basis.

### Functions delegated to the NTMA

Authority to open and maintain bank accounts for the Fund, including accounts in currencies other than the currency of the State.
Managing the Fund's uninvested cash and its strategic foreign currency hedging operations.
Management of the passive bond portfolio as required.
Authority to select and invest in individual property and private equity investment vehicles including the power to partly or completely dispose of such investments.
Dynamic asset allocation within parameters agreed by the Commission.
Monitoring (performance review) of the Fund's external investment managers and investment vehicles.
Monitoring and management of the risks to the Fund.
Authority to amend Statement of Investment Objectives and Restrictions ("SIORs") on the basis that any such changes are technical in nature and would be reported to the Audit Committee.
The accounting function for the Fund.
Implementation of the Fund's Counterparty Risk policy.

The members of the NPRF Commission as of June 2012 are:

#### **Paul Carty - Chairman**

(Reappointed from 31 July 2010).

*Financial Consultant and Former Managing Partner of Deloitte & Touche Ireland.*

#### **John A Canning Jr.**

(Reappointed from 2 April 2010).

*Chairman of Madison Dearborn Partners LLC.*

#### **Dr. Brian Hillery**

(Reappointed from 1 July 2009).

*Chairman Providence Resources plc and Former Director of the Central Bank and Financial Services Authority of Ireland.*

#### **Maurice Keane**

(Reappointed from 5 February 2012).

*Company Director (including Irish Bank Resolution Corporation Limited), and Retired Group Chief Executive of Bank of Ireland.*

#### **Knut N. Kjaer**

(Appointed from 2 April 2010).

*Chairman of FSN Capital, Former President Risk Metrics Group and Former Chief Executive of Norges Bank Investment Management.*

#### **Prof. Frances Ruane**

(Appointed from 1 July 2009).

*Director of the Economic and Social Research Institute.*

#### **John C. Corrigan**

(Ex-officio member, appointed 4 December 2009).

*Chief Executive, National Treasury Management Agency.*

The term of office of a Commissioner, other than the Chief Executive of the Manager who serves on the Commission in an ex-officio capacity, is five years. A Commissioner, other than the Chief Executive of the Manager, may not serve for more than two consecutive terms of office. The Commission met on five occasions in 2011.

Commission Member	Meetings attended
Paul Carty	5/5
John Canning	5/5
John Corrigan	5/5
Brian Hillery	5/5
Maurice Keane	5/5
Knut Kjaer	5/5
Frances Ruane	5/5

## CORPORATE GOVERNANCE CODES

The Code of Practice for the Governance of State Bodies is modelled on a typical corporate structure consisting of a Board of Directors which has legal responsibility for the body, and an executive management team and staff, who carry out the functions delegated to them by the Board.

However the Commission does not have its own executive and carries out its functions through the NTMA. The Commission is implementing the Code adapted to the NPRF's governance structure and the requirements of the NPRF Act.

A code of business conduct is in place for Commissioners.

The Commission is a prescribed public body for the purposes of the Ethics in Public Office Acts, 1995 and 2001. In addition, there are specific disclosures of interest requirements under the National Pensions Reserve Fund Act.

## AUDIT COMMITTEE

The Audit Committee reviews the financial reporting process, the NTMA's system of internal control, the audit process and the NTMA's process for monitoring the compliance of the NPRF's custodian, investment managers and other key service providers with their contractual obligations to the Commission/NTMA.

The Committee comprises three members:

*Maurice Keane (Chairman)*

*Brian Hillery*

*Frances Ruane*

The Committee meets on an ongoing basis with the senior managers within the NTMA responsible for the NPRF, the NTMA's Head of Internal Control, the NTMA's Compliance Officer and the NPRF's internal and external auditors. The Audit Committee met seven times during 2011.

## REMUNERATION AND EXPENSES

Remuneration of Commission members is set by the Minister for Finance and all members have agreed to a voluntary reduction as requested by the Minister.

The current level of remuneration is:

Chairperson: €51,424 per annum

Other Members: €34,283 per annum

A total of €834 in expenses was paid to Commissioners in 2011 reflecting travel and accommodation expenses incurred by non-Irish based members.

The Chief Executive of the NTMA does not receive any remuneration in respect of his membership of the Commission.

Members of the Property Advisory Committee and Private Equity Advisory Committee receive no remuneration.

## PROPERTY ADVISORY COMMITTEE

The Commission has delegated property investment decisions to the NTMA. It established the Property Advisory Committee to advise the NTMA in relation to property investment, to monitor the implementation of the property investment strategy and to report back to the Commission.

The Committee has four members, two Commissioners and two external members.

The two Commissioners on the Committee are Paul Carty (Chairman) and Maurice Keane.

The two external members are:

Barden Gale  
*Former CEO, J.E. Roberts Companies*

John Mulcahy  
*Head of Portfolio Management, National Asset Management Agency*

### PRIVATE EQUITY ADVISORY COMMITTEE

The Commission has delegated private equity investment decisions to the NTMA. It established the Private Equity Advisory Committee to advise the NTMA in relation to private equity investment, to monitor the implementation of the private equity investment strategy and to report back to the Commission.

The Committee has five members, three Commissioners and two external members.

The three Commissioners on the Committee are Paul Carty (Chairman), John Canning and Brian Hillery.

The two external members are:

Maurice O'Connell  
*Former Governor of the Central Bank of Ireland*

Walter O'Hara  
*Managing Director, Allen & Co., New York*

### DISCLOSURE OF INTERESTS

Section 12(1) of the National Pensions Reserve Fund Act, 2000 provides, inter alia, that, where a commissioner or member of staff of the Manager or member of a committee established by the Commission has a pecuniary or other beneficial interest in any matter being considered by the Commission, the Manager or the committee, he or she must disclose that interest, not seek to influence a decision in relation to the matter and take no part in any consideration of the matter.

During the course of 2011 there were two disclosures of interest made under Section 12(1) of the Act in relation to directed investments in banking institutions:

- As was the case in 2009, Maurice Keane, who was appointed a Director of Irish Bank Resolution Corporation (formerly Anglo Irish Bank) by the Minister for Finance on 21 January 2009, declared a potential conflict of interest with regard to the Commission's considerations of the Fund's directed investments in Bank of Ireland and Allied Irish Banks.

- Following the delegation of certain banking functions to the NTMA between March 2010 and August 2011, John Corrigan, as Chief Executive of the NTMA, declared a conflict of interest in relation to any discussion on banking issues.

Maurice Keane and John Corrigan absented themselves from meetings and parts of meetings where issues relating to Bank of Ireland and Allied Irish Banks were discussed and took no part in any consideration of these matters.

In addition, in relation to the reappointment of the NTMA as Manager of the Fund, John Corrigan declared himself conflicted and absented himself from meetings and parts of meetings where issues relating to the appointment of Manager for the Fund were discussed and took no part in any consideration of these matters.

### NATIONAL TREASURY MANAGEMENT AGENCY

The core functions of the NTMA in its capacity as Manager of the NPRF include:

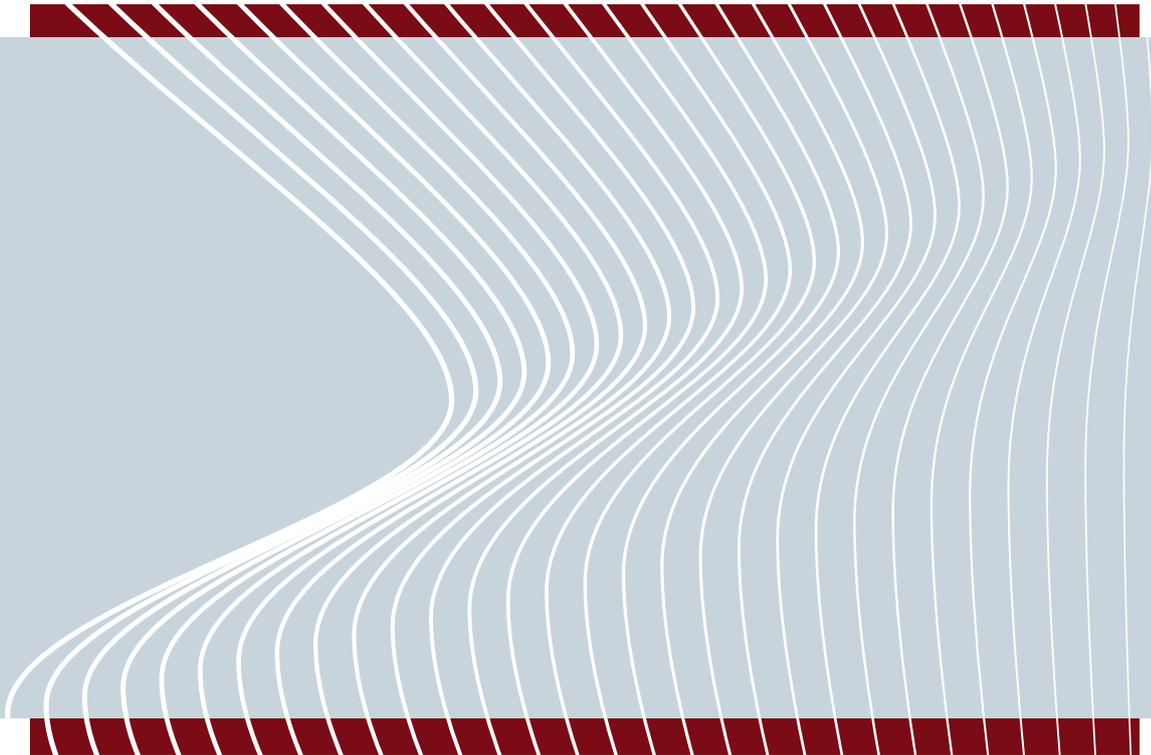
- provision of policy advice to the Commission;
- implementation of the NPRF's investment strategy;
- dynamic asset allocation decision making within agreed parameters;
- selection and performance review of investment managers and investment vehicles;
- implementation of directions issued by the Minister for Finance in respect of the NPRF's Directed Investments and execution, under direction and in accordance with the relevant legislation, of the Fund's ownership functions relating to these assets;
- development and operation of Fund controls to ensure that the NPRF is managed within the parameters set down by the Commission and the operational risks to the NPRF are minimised; and
- preparation of the NPRF's financial statements and monitoring of the NPRF's global custodian.

These functions are primarily delivered through a dedicated NPRF Unit, and through a specialist accounting and operational team within the NTMA's Finance Directorate. Support for NPRF activities is also provided by various departments within the NTMA.

# National Pensions Reserve Fund

## Financial Statements

For the Year Ended 31 December 2011



## Commission Members and Other Information

### **COMMISSION MEMBERS**

Mr. Paul Carty - Chairman

Mr. John A. Canning Jr.

Mr. John C. Corrigan (ex-officio)

Dr. Brian Hillery

Mr. Maurice A. Keane

Mr. Knut N. Kjaer

Prof. Frances Ruane

### **BANKERS**

Central Bank of Ireland

Dame St.

Dublin 2

### **GLOBAL CUSTODIAN**

The Bank of New York Mellon (BNYM)

One Canada Square

London, E14 5AL

### **AUDITORS**

Comptroller & Auditor General

Dublin Castle

Dublin 2

### **MANAGER**

National Treasury Management Agency

Treasury Building

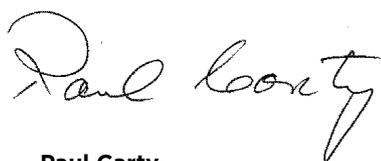
Grand Canal St

Dublin 2

## Investment Report

With the exception of the Directed Investments the Commission determines the investment strategy for the Fund. The investment assets of the Fund were invested at 31 December as follows:

	2011 €m	% of Total Investment Assets	2010 €m	% of Total Investment Assets
<b>Equities</b>				
Quoted Developed Markets Equities	1,943	14.5%	7,751	34.2%
Quoted Emerging Markets Equities	386	2.9%	1,040	4.6%
Equity Put Options	264	2.0%	-	0.0%
Global Equity Fund	84	0.6%	88	0.4%
Emerging Markets Funds	-	0.0%	448	2.0%
<b>Total Equities</b>	<b>2,677</b>	<b>20.0%</b>	<b>9,327</b>	<b>41.2%</b>
<b>Bonds</b>				
Quoted Corporate Bonds	150	1.1%	412	1.8%
Unquoted Corporate Bonds	194	1.5%	405	1.8%
Quoted Government Bonds	-	0.0%	138	0.6%
<b>Total Bonds</b>	<b>344</b>	<b>2.6%</b>	<b>955</b>	<b>4.2%</b>
<b>Property Investments</b>	<b>507</b>	<b>3.8%</b>	<b>487</b>	<b>2.1%</b>
<b>Private Equity Investments</b>	<b>772</b>	<b>5.8%</b>	<b>948</b>	<b>4.2%</b>
<b>Commodity Investments</b>	<b>241</b>	<b>1.8%</b>	<b>496</b>	<b>2.2%</b>
<b>Forestry Investments</b>	<b>32</b>	<b>0.2%</b>	<b>30</b>	<b>0.1%</b>
<b>Currency &amp; Other Investment Funds</b>	<b>170</b>	<b>1.3%</b>	<b>172</b>	<b>0.8%</b>
<b>Collateralised Repurchase Agreements</b>	<b>-</b>	<b>0.0%</b>	<b>200</b>	<b>0.9%</b>
<b>Deposits, Cash and Other Investments</b>				
Deposits and Cash	749	5.6%	2,443	10.8%
Unrealised Gain / (Loss) on Futures Contracts	(1)	0.0%	-	0.0%
Unrealised Gain / (Loss) on Foreign Exchange Contracts	(93)	(0.7%)	(64)	(0.3%)
Cross Currency Swaps	-	0.0%	17	0.1%
<b>Total Deposits, Cash and Other Investments</b>	<b>655</b>	<b>4.9%</b>	<b>2,396</b>	<b>10.6%</b>
<b>Total Discretionary Investment Assets</b>	<b>5,398</b>	<b>40.4%</b>	<b>15,011</b>	<b>66.3%</b>
<b>Directed Investments</b>	<b>7,962</b>	<b>59.6%</b>	<b>7,627</b>	<b>33.7%</b>
<b>Total Investment Assets</b>	<b>13,360</b>	<b>100.0%</b>	<b>22,638</b>	<b>100.0%</b>



**Paul Carty**  
Chairman  
National Pensions Reserve Fund Commission



**John C. Corrigan**  
Chief Executive  
National Treasury Management Agency (as Manager)

## 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:

- selects suitable accounting policies and then applies them consistently;
- makes judgements and estimates that are reasonable and prudent;
- prepares the financial statements on a going concern basis unless it is inappropriate to do so;
- discloses and explains 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 in order to prevent and detect fraud and other irregularities.



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*Chairman*  
*National Pensions Reserve Fund Commission*



**John C. Corrigan**  
*Chief Executive*  
*National Treasury Management Agency (as Manager)*

# Statement on Internal Financial Control

## Responsibility for System of Internal Financial Control

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

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

The system can provide only 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 manner.

## Key Control Procedures

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

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

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

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

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

In particular it includes:

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

## Statement on Internal Financial Control *(continued)*

### Key Control Procedures *(continued)*

Under the governance of the Commission, the Manager has an internal audit function which operates in accordance with the 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 (currently PricewaterhouseCoopers), provides the Commission and the Manager with a report of internal audit activity. The report includes the internal auditor's opinion on the adequacy and effectiveness of the system of internal financial control.

The Manager's monitoring and review of the effectiveness of the system of internal financial control is informed by the work of the internal auditor, 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 2011, the Commission, having taken advice from the Fund's Audit Committee, has conducted a review of the effectiveness of the system of internal financial control.



**Paul Carty**  
*Chairman*  
*National Pensions Reserve Fund Commission*



**John C. Corrigan**  
*Chief Executive*  
*National Treasury Management Agency (as Manager)*

**29 June 2012**

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

## National Pensions Reserve Fund

I have audited the financial statements of the National Pension Reserve Fund for the year ended 31 December 2011 under the National Pension Reserve Fund Act 2000. The financial statements, which have been prepared in accordance with the National Pensions Reserve Fund Act, 2000 in a format approved by the Minister for Finance, comprise the accounting policies, the fund account, the net assets statement, the administration account, the cash flow statement and the related notes.

## Responsibilities of the Commission

The National Pensions Reserve Fund Commission is responsible for the preparation of the financial statements, for ensuring that they give a true and fair view of the results of the Fund's operations for the year and of its balances at year end, and for ensuring the regularity of transactions.

## Responsibilities of the Comptroller and Auditor General

My responsibility is to audit the financial statements and report on them in accordance with applicable law.

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation.

My audit is carried out in accordance with the International Standards on Auditing (UK and Ireland) and in compliance with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements, sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of

- whether the accounting policies are appropriate to the Fund's circumstances, and have been consistently applied and adequately disclosed
- the reasonableness of significant accounting estimates made in the preparation of the financial statements, and
- the overall presentation of the financial statements.

I also seek to obtain evidence about the regularity of financial transactions in the course of audit.

In addition, I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

## Opinion on the Financial Statements

In my opinion, the financial statements, which have been properly prepared in accordance with the National Pensions Reserve Fund Act, 2000 in a format approved by the Minister for Finance, give a true and fair view of the results of the Fund's operations for the year ended 31 December 2011 and its balances at that date.

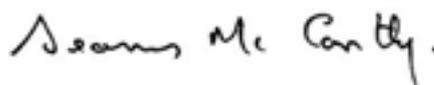
In my opinion, proper books of account have been kept by the Commission. The financial statements are in agreement with the books of account.

## Matters on Which I am Required to Report by Exception

I report by exception if

- I have not received all the information and explanations I required for my audit, or
- my audit noted any material instance where moneys have not been applied for the purposes intended or where the transactions did not conform to the authorities governing them, or
- the information given in the Commission's Annual Report for the year for which the financial statements are prepared is not consistent with the financial statements, or
- the Statement on Internal Financial Control does not reflect the Commission's compliance with the Code of Practice for the Governance of State Bodies, or
- I find there are other material matters relating to the manner in which public business has been conducted.

I have nothing to report in regard to those matters upon which reporting is by exception.



**Seamus McCarthy**

*Comptroller and Auditor General*

29 June 2012

## Accounting Policies

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

### (a) 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 summarise the transactions and net assets of the Fund.

Notwithstanding the Fund's significant holdings in the equity of Bank of Ireland and Allied Irish Banks, the Commission does not have the ability to exercise control, dominant influence, or significant influence over the Directed Investments. Therefore, the Commission does not consolidate the results and financial position of Bank of Ireland or Allied Irish Banks into the financial statements of the Fund.

### (b) Reporting Period

The reporting period is the year ended 31 December 2011.

### (c) Reporting Currency

The reporting currency is the Euro, which is denoted by the symbol €. Monetary amounts unless otherwise indicated are stated in €m. Where used, '€ 000' denotes thousands and 'bn' denotes billion.

### (d) Investments

The Fund holds two types of investments:

#### (a) *Discretionary Investments*

Investments made in accordance with the National Pensions Reserve Fund Act, 2000, whereby investments are controlled and managed by the Commission with the discretionary authority to determine and implement an investment strategy for the purpose of meeting the objectives of providing a fund of money to meet future costs of social welfare and public service pensions.

#### (b) *Directed Investments*

Investments made in accordance with the Investment of the National Pensions Reserve Fund and Miscellaneous Provisions Act 2009

whereby the Minister for Finance directs the Commission to invest in financial institutions or to underwrite share issues by those institutions where he decides such a direction is warranted in the public interest.

### (e) Valuation of Discretionary Investments

Investments are recorded on a trade date basis and are stated at fair value. Fair value is determined as follows for quoted, unquoted and derivative investments:

#### (i) *Quoted Investments*

Fair value is the closing market value on the primary exchange or market where the investment is quoted.

#### (ii) *Unquoted Investments*

Fair value is estimated by the Manager of the Fund and approved by the Commission. The principal unquoted valuations are as follows:

#### *Investments in Property and Private Equity Funds*

The estimated fair value for unquoted investments in property and private equity funds for which there is not an active market is based on the latest audited valuation placed on the fund or partnership by the external manager of that fund or partnership. Where an audited valuation is not available, in circumstances such as where the fund or partnership's year end does not coincide with that of the Fund, the latest available unaudited valuation is used.

The valuations of these investments are determined by external managers using accepted industry valuation methods and guidelines published by relevant industry bodies. Such valuation methodologies used by external managers may include considerations such as earnings multiples of comparable publicly traded companies, discounted cash flows, third party transactions, or events which suggest material impairment or improvement in the fair value of the investment. In the first year of ownership, cost is usually considered to be an appropriate estimate of the fair value for property and private equity investments unless there is an indication of a permanent impairment in value.

## Accounting Policies *(continued)*

### **(e) Valuation of Discretionary Investments continued**

A range of possible values can exist for these investments, and estimated fair values may differ from the values that would have been used had there been an active market value for such investments.

The Commission relies on the external manager's valuation as being a representative estimate of the fair value of an investment. The Commission has, in conjunction with the Manager, established procedures to periodically review the fund or partnership's valuation of individual property and private equity investments. Based on its judgement, and relevant information available to it, the Commission may in certain circumstances determine that an adjustment to the external manager's valuation is appropriate in recording an investment's fair value.

#### Unquoted Bonds

Unquoted Bonds are valued at their fair value as estimated by the Manager using bond valuation models based on observable market data.

#### Currency Funds, Commodity Funds and Other Unquoted Investments

Currency funds and other unquoted investments are valued at the most recent Net Asset Value as published by the funds' administrators.

### **(iii) Derivatives**

#### Futures

Futures contracts used by the Fund's investment managers are valued at their closing market value on the exchange on which they are traded and are recognised as investment assets.

#### Equity Options

Where pricing availability exists, closing market prices are used to represent fair value. Where closing market prices are unavailable, a Bloomberg model is used to value the equity options.

### **(f) Valuation of Directed Investments**

Directed Investments are valued as follows:

#### Ordinary Shares

The ordinary shares held as part of the Directed Investment portfolio are valued at fair value. Fair value is the closing market value on the primary exchange or market where the investment is quoted.

Where closing market prices are deemed not to be a reliable estimation of fair value, ordinary shares are valued using an appropriate valuation technique. Such valuation methodologies used may include discounted cash flow analysis, total equity analysis and comparable public company analysis.

#### Preference Shares

The preference shares held as part of the Directed Investment portfolio are valued at fair value.

### **(g) Gains and Losses on Investments**

Realised and unrealised capital gains and losses on investments are dealt with in the Fund Account in the year in which they arise.

### **(h) Investment Income**

Income from investments is recognised on an accruals basis. Dividends are credited to income on the dates on which the relevant securities are listed as "ex-dividend". Income is shown gross of any non-recoverable withholding taxes which are disclosed separately in the Fund Account as part of the taxation charge.

### **(i) Expenses**

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

### **(j) 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 date.

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 accounted for as part of investment income.

## Accounting Policies *(continued)*

### **(k) Securities Lending**

The Fund undertakes securities lending arrangements whereby securities are loaned to external counterparties for a set period of time. The Fund receives collateral of greater value than the securities loaned for the duration of the loan period and receives interest where the collateral assets are reinvested. Under the terms of the securities lending agreements, the Fund retains substantially all the risks and rewards of ownership of the loaned securities and also retains the rights to any cashflows relating to the securities. Therefore the loaned securities are not derecognised from the Fund's Net Assets and collateral assets held are not recognised in the Fund's Net Assets Statement.

### **(l) Deferred Tax**

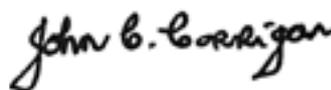
Provision for deferred tax is made in respect of any additional foreign taxes that are expected to be payable on the realisation of unrealised gains on property and private equity investments. Deferred tax is calculated based on the average tax rates that are expected to apply when the gains are expected to be realised.

## Fund Account

	Note	Year Ended 31 December 2011 €m	Year Ended 31 December 2010 €m
<b>Discretionary Portfolio</b>			
- Discretionary Investment Income	1	203	398
- Change in Value of Discretionary Investments		(22)	1,426
- Taxation	2	15	(2)
<b>Discretionary Investment Return</b>		<b>196</b>	<b>1,822</b>
<b>Directed Investments Portfolio</b>			
- Directed Investment Income	3	503	661
- Change in Value of Directed Investments		(8,937)	(3,190)
<b>Directed Investment Return</b>		<b>(8,434)</b>	<b>(2,529)</b>
<b>Total Investment Return after Tax</b>		<b>(8,238)</b>	<b>(707)</b>
Transfer to the Administration Account	4	(17)	(21)
<b>Total Investment Return after Tax and Expenses</b>		<b>(8,255)</b>	<b>(728)</b>
<b>Contributions / (Withdrawals)</b>			
- Withdrawal by the Exchequer	5(a)	(1,018)	-
- Assets Transferred to the Fund	5(b)	1	1,079
<b>Total Contributions / (Withdrawals)</b>		<b>(1,017)</b>	<b>1,079</b>
Increase/(Decrease) in Fund during the Year		(9,272)	351
<b>Net Assets of Fund at Start of Year</b>		<b>22,687</b>	<b>22,336</b>
<b>Net Assets of Fund at Year End</b>		<b>13,415</b>	<b>22,687</b>



**Paul Carty**  
Chairman  
National Pensions Reserve Fund Commission



**John C. Corrigan**  
Chief Executive  
National Treasury Management Agency (as Manager)

29 June 2012

The accounting policies together with notes 1 to 17 form part of these financial statements.

## Net Assets Statement

	Note	Year Ended 31 December 2011 €m	Year Ended 31 December 2010 €m
<b>Discretionary Portfolio</b>			
Discretionary Investments	7	5,398	15,011
Current Assets	8	60	65
Current Liabilities	9	(5)	(16)
<b>Net Assets - Discretionary Portfolio</b>		<b>5,453</b>	<b>15,060</b>
<b>Directed Investments Portfolio</b>			
Directed Investments	10	7,962	7,627
<b>Net Assets - Directed Investments Portfolio</b>		<b>7,962</b>	<b>7,627</b>
<b>Net Assets of the Fund at Year End</b>		<b>13,415</b>	<b>22,687</b>



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## Administration Account

	<b>Note</b>	<b>Year Ended 31 December 2011 €'000</b>	<b>Year Ended 31 December 2010 €'000</b>
Transfer from Fund Account	4	17,192	21,065
General Administration Fees and Expenses	6 (a)	(17,141)	(20,593)
Directed Investments Fees and Expenses	6 (b)	(51)	(472)
		<b><u>NIL</u></b>	<b><u>NIL</u></b>



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**29 June 2012**

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## Cashflow Statement

	Year Ended 31 December 2011 €m	Year Ended 31 December 2010 €m
<b>DISCRETIONARY INVESTMENTS CASHFLOW</b>		
<b>Cashflows from Operating Activities</b>		
Purchase of Investments	(7,895)	(15,280)
Proceeds from Sale of Investments	15,720	17,496
Income Received	214	322
Interest & Tax Reclaims Received	45	36
Operating Expenses Paid	(21)	(24)
<b>Net Cash from Operating Activities</b>	<b>8,063</b>	<b>2,550</b>
<b>Cashflows from Financing Activities</b>		
Transfer from Directed Investments Portfolio	214	661
Transfer to Directed Investments Portfolio	(10,000)	(3,818)
<b>Net Cash from Financing Activities</b>	<b>(9,786)</b>	<b>(3,157)</b>
<b>Net Decrease in Cash</b>	<b>(1,723)</b>	<b>(607)</b>
<b>Cash at Beginning of Year</b>	<b>2,443</b>	<b>2,808</b>
Exchange Gain on Cash	29	242
Net Decrease in Cash	(1,723)	(607)
<b>Cash at End of Year</b>	<b>749</b>	<b>2,443</b>

	Year Ended 31 December 2011 €m	Year Ended 31 December 2010 €m
<b>DIRECTED INVESTMENTS CASHFLOW</b>		
<b>Cashflows from Operating Activities</b>		
Purchase of Investments	(6,229)	(5,481)
Proceeds from Sale of Investments	1,051	2,194
Allied Irish Banks Capital Contribution	(3,770)	-
Transaction Fees Paid	(34)	-
Income Received	214	130
<b>Net Cash from Operating Activities</b>	<b>(8,768)</b>	<b>(3,157)</b>
<b>Cashflows from Financing Activities</b>		
Transfer to Discretionary Portfolio	(214)	(661)
Transfer from Discretionary Portfolio	10,000	3,818
Withdrawal by the Exchequer	(1,018)	-
<b>Net Cash from Financing Activities</b>	<b>8,768</b>	<b>3,157</b>
<b>Net Decrease in Cash</b>	<b>-</b>	<b>-</b>
<b>Cash at End of Year</b>	<b>-</b>	<b>-</b>

## Notes to the Accounts

### 1. DISCRETIONARY INVESTMENT INCOME

	2011	2010
	€m	€m
<b>Income from Discretionary Investments</b>		
Deposits	60	18
Equities	93	284
Bonds	29	57
Property	13	14
Private Equity	7	11
Securities Lending & Other Income	1	14
	<u>203</u>	<u>398</u>

### 2. TAXATION

The income and profits of the Fund are exempt from Irish corporation tax in accordance with Section 30 of the National Pensions Reserve Fund Act, 2000. The Fund may, however, be liable for taxes in overseas jurisdictions where full tax exemptions are not available.

Dividends and interest may be subject to irrecoverable foreign withholding taxes imposed by the country from which the investment income is received. Distributions of income and gains received by the fund from its property and private equity fund investments may also be subject to foreign withholding taxes. The Fund may also be subject to additional foreign taxes payable on certain property and private equity investments annually.

Deferred tax may arise in respect of unrealised gains on property or private equity investments where it is expected that additional tax may be payable in respect of these gains on disposal.

The foreign taxes provided are detailed below:

	2011	2010
	€m	€m
French Withholding Tax Reclaim	20	16
Foreign Taxes on Income	(5)	(18)
<b>Net Tax Income / (Cost)</b>	<u>15</u>	<u>(2)</u>

The Fund received €19.6m from the French tax authorities following a successful ruling obtained in the French Administration Court in relation to tax reclaims submitted for 2006, 2007 and 2008.

### 3. DIRECTED INVESTMENT INCOME

	2011	2010
	€m	€m
<b>Income from Directed Investments</b>		
Income Received - Bank of Ireland	214	251
Income Received - Allied Irish Banks	289	280
Bank Transaction Fee & Other Income	-	130
	<u>503</u>	<u>661</u>

The Bank of Ireland preference share dividend which totalled €214m in 2011 was paid in cash and subsequently transferred to the Discretionary Portfolio.

Allied Irish Banks paid the dividend due (€289m) on the preference shares in the form of ordinary shares. The Fund received 1,247m ordinary shares in Allied Irish Banks.

## Notes to the Accounts *(continued)*

### 4. TRANSFER TO ADMINISTRATION ACCOUNT

This amount of €17.2m (2010: €21.1m) represents the amount required to cover the investment management and administration costs of the Commission. (See Note 6)

### 5. CONTRIBUTIONS/WITHDRAWALS

#### (a) Contributions to/Withdrawals by the Exchequer

Under the National Pensions Reserve Fund Act, 2000 the Minister for Finance was required to make an annual contribution to the Fund equivalent to 1% of Gross National Product (GNP).

The National Pensions Reserve Fund Act, 2000 was amended in 2010 by the Credit Institutions (Stabilisation) Act, 2010 to provide that the annual contribution to the Fund may be less than 1% of GNP or that no sum may be paid into the Fund in the years 2012 and 2013.

As required by the EU/IMF Programme of Financial Support for Ireland, €10bn was made available to the Programme by the Fund. This money was transferred to the Directed Investments Portfolio and subsequently invested into the Irish banking system in July 2011.

During 2009 €3.0bn was contributed to the Fund for the purposes of recapitalising Bank of Ireland and Allied Irish Banks. In addition during 2009, 2010 and 2011 the pension fund assets of sixteen university and non-commercial state bodies totalling €2.1bn were transferred to the Fund. As a result of these contributions, the annual contribution to the Fund by the Minister for Finance has been pre-funded to early 2012.

Details of contributions to the Fund and withdrawals from the Fund are set out below:

	2011 €m	2010 €m
Withdrawal by the Exchequer	<u>(1,018)</u>	<u>-</u>

In accordance with a direction received from the Minister for Finance, €1,018m was transferred to the Exchequer during 2011. This amount related to the net proceeds from the sale of ordinary shares in Bank of Ireland by the Fund in July and October 2011.

#### (b) Assets Transferred to the Fund

	2011 €m	2010 €m
Additional Contribution - Assets transferred	<u>1</u>	<u>1,079</u>

Under the Investment of the National Pensions Reserve Fund and Miscellaneous Provisions Act 2009, the assets of six university and non-commercial state bodies pension funds were transferred to the Fund during 2010.

During 2011 a total of €0.7m in residual cash balances were transferred to the Fund from the universities' accounts. This compared to €1,079m in universities and other state bodies assets transferred in 2010.

## Notes to the Accounts *(continued)*

### 6. 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:

#### (a) General Administration Fees and Expenses

	2011 €'000	2010 €'000
Investment Managers' Fees	11,981	15,247
Systems & Services	1,875	2,031
Global Custodian Fees	1,827	2,307
Legal Fees & Tax Advisory Fees	843	438
Consultancy Fees	259	191
Commission Fees	223	223
Internal Audit Fees	90	111
External Audit Fees	42	30
Commission Expenses	1	15
	<b><u>17,141</u></b>	<b><u>20,593</u></b>

#### (b) Directed Investment Fees and Expenses

Legal Advice	-	472
Consultancy and Expert Advice	51	-
	<b><u>51</u></b>	<b><u>472</u></b>
<b>Total Expenses</b>	<b><u>17,192</u></b>	<b><u>21,065</u></b>

#### (c) Remuneration and Expenses

Remuneration of Commission members is set by the Minister for Finance.

##### *Remuneration of Commission Members:*

Chairman:	€51,424 per annum
Other Members:	€34,283 per annum

A total of €834 in travel and accommodation expenses was incurred by Commission members in 2011, reflecting travel and accommodation expenses incurred by non-Irish based members.

The Chief Executive of the National Treasury Management Agency did not receive any remuneration in respect of his membership of the Commission.

#### (d) Expenses of the Manager

In addition to the above expenses, the costs incurred by the National Treasury Management Agency in its role as Manager amounted to €3.7m (2010: €4.5m). These costs are charged on the Central Fund and are not included in the above.

## Notes to the Accounts *(continued)*

### 7. DISCRETIONARY INVESTMENT ASSETS

(a) Summary of Assets	2011 €m	2010 €m
Quoted Equities	2,413	8,879
Unquoted Private Equity Investments	772	948
Deposits and Cash	749	2,443
Unquoted Property Investments	507	487
Equity Put Options	264	-
Commodity Investments	241	496
Unquoted Corporate Bonds	194	405
Currency & Other Funds	170	172
Quoted Corporate Bonds	150	412
Forestry Investments	32	30
Quoted Government Bonds	-	138
Emerging Markets Funds	-	448
Repurchase Agreements	-	200
Cross Currency Swaps	-	17
Equity Futures Contracts	(1)	-
Foreign Currency Contracts	(93)	(64)
	<b><u>5,398</u></b>	<b><u>15,011</u></b>
(b) Analysis by Geographical Classification	2011 €m	2010 €m
Europe	2,406	7,605
North America	2,208	4,197
Emerging Markets	392	1,938
Asia Pacific (excluding Japan)	234	689
Japan	158	582
	<b><u>5,398</u></b>	<b><u>15,011</u></b>

## Notes to the Accounts *(continued)*

### 7. DISCRETIONARY INVESTMENT ASSETS *(continued)*

#### (c) The Movement in the Value of Discretionary Investments Held by the Fund during the Year was as Follows:

	2011 €m	2010 €m
Value of Investments as at Start of Year	15,011	15,306
Transfer to Fund (Note 5)	1	1,079
Transfer to Directed Investments Portfolio	(10,000)	(3,818)
Transfer from Directed Investments Portfolio	214	661
Net Cash Movement	258	374
Movement in Pending Settlements	(43)	2
Fund Expenses Paid	(21)	(20)
Change in Value of Investments	(22)	1,427
<b>Total Investments</b>	<b><u>5,398</u></b>	<b><u>15,011</u></b>

#### Net Cash Movement Reconciled to Investment Income

	2011 €m	2010 €m
Income Received Net of Foreign Withholding Tax	<u>258</u>	<u>374</u>
Net Cash Movement	258	374
Opening Income Accrual	(59)	(37)
Closing Income Accrual	19	59
Foreign Withholding Tax on Income (Note 2)	(15)	2
<b>Investment Income (Note 1)</b>	<b><u>203</u></b>	<b><u>398</u></b>

## Notes to the Accounts *(continued)*

### 7. DISCRETIONARY INVESTMENT ASSETS *(continued)*

#### (d) The Investment Assets of the Fund at the Year End are Held as Follows:

	2011 €m	2010 €m
<b>Investment Managers</b>		
National Treasury Management Agency	902	2,423
Blackrock Advisors (UK) Limited	857	2,251
State Street Global Advisors (UK) Limited	750	3,099
Deutsche Asset Management	149	425
Principal Global Investors	128	216
Schroders Investment Management Limited	123	425
Batterymarch Financial Management Inc	121	221
Goldman Sachs Asset Management International	103	372
Putnam Investment Limited	91	355
Oechsle International Advisors LLC	89	335
Acadian Asset Management Inc.	85	357
Invesco Institutional (N.A.) Inc.	-	505
Lord, Abbett & Co. LLC	-	410
Pioneer Investments Management Ltd	-	106
RCM (UK) Limited	-	218
	<b><u>3,398</u></b>	<b><u>11,718</u></b>
<b>Other Investments</b>		
Unquoted Private Equity Investments	772	948
Unquoted Property Investments	507	488
Commodity Investments	241	496
Unquoted Corporate Bonds	194	406
Unquoted Currency & Other Funds	170	172
Generation Investment Managers	84	88
Forestry Investments	32	30
Emerging Markets Funds	-	448
Cross Currency Swaps	-	17
Repurchase Agreements	-	200
	<b><u>2,000</u></b>	<b><u>3,293</u></b>
<b>Total Investment Assets</b>	<b><u>5,398</u></b>	<b><u>15,011</u></b>

## Notes to the Accounts *(continued)*

### 7. DISCRETIONARY INVESTMENT ASSETS *(continued)*

#### (e) Valuation of Investments:

The investment assets of the Fund are valued at their fair value as described in the accounting policy on the valuation of investments.

The following table analyses the investment assets between those whose fair value is based on:

- Level 1 - quoted prices in active markets for identical assets or liabilities.
- Level 2 - valuation techniques involving only the use of model inputs observable in the market.
- Level 3 - valuation techniques which do not involve the use of model inputs observable in the market.

	2011 Level 1 €m	2011 Level 2 €m	2011 Level 3 €m	2011 Total €m	2010 Total €m
<b>(i) Listed Equities and Managed Funds</b>					
Listed Equity Securities	2,329	-	-	2,329	8,792
Global Equity Fund	-	84	-	84	88
Emerging Markets	-	-	-	-	448
Commodity Investments	-	241	-	241	495
Currency & Other Funds	-	170	-	170	172
Forestry Investments	-	32	-	32	30
<b>(ii) Debt Securities</b>					
Listed Debt Securities	150	-	-	150	550
Unlisted Debt Securities	-	194	-	194	405
<b>(iii) Limited Partnerships/Trusts</b>					
Property	-	-	507	507	487
Private Equity	-	-	772	772	948
<b>(iv) Derivatives Financial Assets</b>					
Currency Swaps	-	-	-	-	17
Futures Contracts	(1)	-	-	(1)	-
Equity Put Options	-	264	-	264	-
Cash and Cash Equivalents	656	-	-	656	2,579
	<b><u>3,134</u></b>	<b><u>985</u></b>	<b><u>1,279</u></b>	<b><u>5,398</u></b>	<b><u>15,011</u></b>

Investment assets included in level 3 include property and private equity funds for which there is currently no active market. In valuing such investments the Fund relies on valuations received from external managers as outlined in the accounting policy.

The following table shows a reconciliation of all movements in the fair value of investment assets categorised within level 3 between the beginning and the end of the year:

#### Property and Private Equity

	2011 €m	2010 €m
<b>Opening Valuation</b>	1,435	973
Total Level 3 Gains and Losses in the Fund Account	77	184
Transfers to the Fund	-	1
Transfers in or out of Level 3 <sup>(1)</sup>	(233)	277
<b>Closing Valuation</b>	<b><u>1,279</u></b>	<b><u>1,435</u></b>

<sup>(1)</sup> Transfers in or out of Level 3 include total sales of €468m (2010: €53m) and total purchases of €235m (2010: €330m).

## Notes to the Accounts *(continued)*

### 8. CURRENT ASSETS

	2011 €'000	2010 €'000
Amounts Receivable for Securities Sold	40,507	5,776
Accrued Interest on Fixed Income Securities	6,018	34,591
Accrued Interest on Deposits	1,363	6,535
Dividends Receivable	3,961	9,463
Tax Reclaims Recoverable	7,664	6,054
Securities Lending Income Receivable	-	427
Other Receivables	-	1,915
	<b><u>59,513</u></b>	<b><u>64,761</u></b>

### 9. CURRENT LIABILITIES

	2011 €'000	2010 €'000
Amounts Payable for Securities Purchased	1,322	8,757
Fund Manager Fees Payable	2,143	5,064
Global Custodian Fees Payable	523	938
VAT Payable & Other Accrued Expenses	952	1,470
	<b><u>4,940</u></b>	<b><u>16,229</u></b>

### 10. DIRECTED INVESTMENTS

The Investment of the National Pensions Reserve Fund and Miscellaneous Provisions Act, 2009, empowered the Minister to direct the Commission to invest in financial institutions or to underwrite share issues by these institutions. Directed Investments were initially made during 2009. Details of Directed Investment year end valuations and transactions during 2011 are set out below:

#### (a) Directed Investments Valuations

	2011 Units Millions	Valuation Per Unit €	2011 €m	2010 €m
<b>Bank of Ireland</b>				
Ordinary Shares	4,512	0.0820	370	712
Preference Shares <sup>(2)</sup>	1,837	0.8016	1,473	1,459
			<b><u>1,843</u></b>	<b><u>2,171</u></b>
<b>Allied Irish Banks</b>				
Ordinary Shares <sup>(1)</sup>	512,610	0.0076	3,896	262
CNV Shares*	-	N/A	-	3,147
Preference Shares <sup>(2)</sup>	3,500	0.6353	2,223	2,047
			<b><u>6,119</u></b>	<b><u>5,456</u></b>
<b>Total Directed Investments</b>			<b><u>7,962</u></b>	<b><u>7,627</u></b>

<sup>(1)</sup> In attributing fair value to these holdings at year end 2011, the Manager, as agreed with the Commission, based the assessment of the fair value of the ordinary share holdings in Allied Irish Banks on independent valuation advice.

<sup>(2)</sup> As these investments are unlisted and not traded, the Manager, as agreed with the Commission, based the assessment of the fair value of the preference share holdings in Bank of Ireland and Allied Irish Banks on independent valuation advice.

\* CNV shares are convertible non voting shares. The Fund's holding in Allied Irish Bank CNV shares was converted into ordinary shares in April 2011. (See Note 10 (d))

## Notes to the Accounts *(continued)*

### 10. DIRECTED INVESTMENTS *(continued)*

#### (b) Summary of Directed Investments Valuation Movement

	2011 €m	2010 €m
<b>Bank of Ireland</b>		
<b>Opening Valuation</b>	2,171	3,500
Dividends Received	214	250
Transaction Fees Received	-	64
Realised Gain on Sale of Warrants	-	479
Investment in Ordinary Shares	1,230	-
Investment Loss during the Year	(506)	(1,579)
Transaction Fees Paid	(34)	-
Transfer to Discretionary Investments	(214)	(543)
Withdrawal by the Exchequer	(1,018)	-
<b>Closing Valuation</b>	<b><u>1,843</u></b>	<b><u>2,171</u></b>
	2011 €m	2010 €m
<b>Allied Irish Banks</b>		
<b>Opening Valuation</b>	5,456	3,500
Investment in Allied Irish Banks Capital	8,771	3,818
Transaction Fees Received	-	66
Dividends Received	289	280
Realised Gain on Sale of Warrants	-	52
Transfer to Discretionary Investments	-	(118)
Investment Loss during the Year	(8,397)	(2,142)
<b>Closing Valuation</b>	<b><u>6,119</u></b>	<b><u>5,456</u></b>

#### (c) Directed Investment - Bank of Ireland

##### 2009

The Commission was directed by the Minister for Finance on 30 March 2009 to invest €3.5bn in 2009 perpetual non-cumulative preference shares of Bank of Ireland, together with warrants over 334,737,148 ordinary shares in Bank of Ireland.

The preference shares originally paid an annual non-cumulative fixed dividend of 8% at the discretion of the bank. If the dividend is not paid in cash, the Fund will receive the value of the dividend in shares. The preference shares can be repurchased by the bank at €1 per share within the first five years after issue and thereafter at €1.25 per share.

##### 2010

On 19 February 2010 Bank of Ireland paid the dividend due (€250.4m) on the preference shares in the form of ordinary shares. The Fund received 184,394,378 ordinary shares in Bank of Ireland.

On 26 April 2010 Bank of Ireland announced a plan to raise €3.4bn equity capital through a share placement and rights issue.

## Notes to the Accounts *(continued)*

### 10. DIRECTED INVESTMENTS *(continued)*

#### **(c) Directed Investment - Bank of Ireland** *(continued)*

The Commission was directed by the Minister for Finance in accordance with the National Pensions Reserve Fund and Miscellaneous Provisions Act, 2009 to participate in the share placement and rights issue in accordance with the terms of a Transaction Agreement with Bank of Ireland.

Under the terms of the Agreement:

- (i) The Commission agreed to subscribe for 576m units of ordinary shares at a price of €1.80 per unit, through the conversion of 1,036m units of the 2009 Preference Shares into ordinary shares at a price of €1 per unit (or par value).
- (ii) Bank of Ireland re-purchased the warrants issued in conjunction with the 2009 preference shares for €491m, less cancellation fees of €12m.
- (iii) The Commission agreed to participate in the Bank of Ireland rights issue, taking up the full allocation to which it is entitled, based on its holding of ordinary shares after the share placement. The consideration for the shares purchased under the rights issue was met through the conversion of 626,958,696 additional units of the 2009 preference shares based on the rights price of €0.55 per share.
- (iv) The coupon on the remaining 1,837,041,304 preference shares was increased from 8% to 10.25%.
- (v) The Fund received €52m in transaction fees (a €22m transaction fee, €10m share placement fees, €19m underwriting fee <sup>(1)</sup> and €0.8m incentive fee).

<sup>(1)</sup> *In consideration for the Commission's participation in the rights issue, Bank of Ireland paid the Commission a fee which was calculated on the same basis as the commission paid to the underwriters.*

#### **2011**

On 21 February 2011 Bank of Ireland paid a preference share dividend of €214.4m in cash.

As required by the EU/IMF Programme of Financial Support for Ireland, the Fund underwrote the Bank of Ireland capital raising during July 2011 and invested €1.2bn in Bank of Ireland;

- (i) On 22 July 2011 the Fund exercised rights to purchase 6,839,549,406 ordinary shares in Bank of Ireland at €0.10 per share for a total cost of €684m.
- (ii) On 29 July 2011, the Fund subscribed for a further 6,283,859,561 Bank of Ireland shares at €0.10 per share for a net cost of €545m, after receipt of underwriting and other fees totalling €83m.

In August 2011, 2,381,532,330 ordinary shares in Bank of Ireland were sold to private investors at €0.10 per share. Transaction fees of €4.8m were paid in relation to this transaction.

In October 2011 a further 8,129,428,433 ordinary shares in Bank of Ireland were sold to private investors at €0.10 per share. Transaction fees of €28.8m were paid in relation to this transaction.

Following these transactions, the Directed Investments Portfolio holding in Bank of Ireland at 31 December 2011 amounted to 4,512,323,039 ordinary shares, 15.0% of its ordinary share capital. The Discretionary Portfolio held 0.1% of its ordinary share capital.

## Notes to the Accounts *(continued)*

### 10. DIRECTED INVESTMENTS *(continued)*

#### **(d) Directed Investment - Allied Irish Banks**

##### **2009**

The Commission was directed by the Minister on 12 May 2009 to invest €3.5bn in 2009 perpetual non-cumulative preference shares of Allied Irish Banks, together with warrants over 294,251,819 ordinary shares in Allied Irish Banks.

The preference shares pay an annual non-cumulative fixed dividend of 8% at the discretion of the bank. If the dividend is not paid in cash, the Fund will receive the value of the dividend in shares. The preference shares can be repurchased by the bank at €1 per share within the first five years after issue and thereafter at €1.25 per share.

##### **2010**

On 13 May 2010 Allied Irish Banks paid the dividend due (€280m) on the 2009 preference shares in the form of ordinary shares. The Fund received 198,089,847 ordinary shares in Allied Irish Banks.

On 23 December 2010, the Commission was directed by the Minister for Finance in accordance with the National Pensions Reserve Fund and Miscellaneous Provisions Act, 2009 to participate in a share placement in accordance with the terms of a Transaction Agreement with Allied Irish Banks.

Under the terms of the Agreement:

- (i) The Commission agreed to subscribe for 675m units of ordinary shares at a price of €0.3793 per unit and 10.5bn convertible non-voting (CNV) shares at a price of €0.3396 per unit.
- (ii) Allied Irish Banks re-purchased the warrants issued in conjunction with the 2009 preference shares for €52.5m.
- (iii) The Fund received €65.9m in placement fees under the agreement.

##### **2011**

On 8 April 2011 the Fund's holdings in Allied Irish Banks convertible non-voting shares were converted into Allied Irish Banks ordinary shares. 10,489,899,564 convertible non-voting shares were converted into ordinary shares on a one for one basis.

On 13 May 2011 Allied Irish Banks paid the dividend due on the 2009 preference shares in the form of ordinary shares. The Fund received 484,902,878 ordinary shares in Allied Irish Banks in May 2011 and a further 762,370,687 ordinary shares in July 2011, to a total value of €289m.

As required by the EU/IMF Programme of Financial Support for Ireland, the Fund invested €5bn in Allied Irish Banks in July 2011. In return, the Fund received 500bn ordinary shares in Allied Irish Banks valued at a cost of €0.01 per share.

The Fund also made a capital contribution to Allied Irish Banks of €3.8bn as required by the EU/IMF Programme of Financial Support for Ireland.

Following these transactions, the Fund's holding in Allied Irish Banks at 31 December 2011 was 512.6bn shares and amounted to 99.8% of its ordinary share capital.

#### **e) Developments Since the Year End**

##### *Bank of Ireland*

On 20 February 2012 Bank of Ireland paid a preference share dividend of €188.3m in cash.

##### *Allied Irish Banks*

On 14 May 2012 Allied Irish Banks paid the preference share dividend of €280m in the form of ordinary shares. Based on the market value of €0.077 per share, the Fund received 3,623,969,972 Allied Irish Banks ordinary shares. The Fund will value these shares at fair value.

## Notes to the Accounts *(continued)*

### 11. COMMITMENTS

The notional principal and unrealised gain/(loss) of currency derivative contracts entered into by the Manager and investment managers (excluding active currency fund managers) on behalf of the Fund were:

	<b>2011</b> <b>Notional</b> <b>Principal</b> <b>€m</b>	<b>2011</b> <b>Unrealised</b> <b>gain/(loss)</b> <b>€m</b>	<b>2010</b> <b>Notional</b> <b>Principal</b> <b>€m</b>	<b>2010</b> <b>Unrealised</b> <b>gain/(loss)</b> <b>€m</b>
<b>NTMA</b>				
Forward Foreign Exchange				
Contracts	1,488	(91)	3,683	(64)
Cross Currency Swaps	-	-	173	17
<b>Investment Fund Managers</b>				
Spot Foreign Exchange				
Contracts	318	(2)	4	(0)
Financial Futures	(279)	(1)	(9)	(0)
	<u><b>1,527</b></u>	<u><b>(94)</b></u>	<u><b>3,851</b></u>	<u><b>(47)</b></u>

#### Foreign Exchange Contracts

The Fund follows a policy of hedging its foreign currency risk through the use of forward foreign exchange contracts. In respect of quoted equities the Fund uses forward currency contracts to maintain a currency exposure at 50% of the foreign currency exposure of the Fund's underlying Benchmark. In respect of its property and private equity investments, the Fund hedges 50% of its non-euro private equity investments and 100% of its non-euro property investments. The gain/(loss) on these forward foreign currency contracts offsets the change in the value of the Fund's non-euro investments due to exchange rate movements.

The Fund's investment managers can execute spot foreign exchange contracts to manage their portfolios solely in line with the Statement of Investment Objectives and Restrictions agreed with the Fund.

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

#### Financial Futures

The Fund's investment managers are permitted to execute futures contracts solely in line with the Statement of Investment Objectives and Restrictions agreed with the Fund. The market value represents the unrealised gain/(loss) on the contracts held at year end.

## Notes to the Accounts *(continued)*

### 11. COMMITMENTS (continued)

#### Property and Private Equity Investments

The Fund has entered into commitments in respect of certain investments in property and private equity investments.

The uncalled capital commitments in respect of these investments amounts to:

	<b>2011</b>	<b>2010</b>
	<b>€m</b>	<b>€m</b>
Property Investments	80	131
Private Equity Investments	414	666
	<b><u>494</u></b>	<b><u>797</u></b>

### 12. CONTINGENT LIABILITIES

In the opinion of the Commission the Fund had no material contingent liabilities at 31 December 2011. (2010: Nil).

### 13. SECURITIES LENDING

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

The Fund receives income through the Global Custodian for securities loaned. During 2011 the Fund earned €1m through securities lending (2010: €14m).

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, specified equity index baskets and cash. The value of the collateral maintained by the Global Custodian must be at least 102% of the market value of securities loaned 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. When the value of collateral maintained falls below the required limits additional collateral is called by the Global Custodian from the counterparty, restoring collateral requirements the following day.

The market value of securities loaned at 31 December 2011 amounted to €531.2m (2010: €994.9m). The Fund held collateral of 108.56% (2010: 108.19%) of the market value of securities loaned.

### 14. RELATED PARTIES

#### (a) Minister for Finance

As set out in note 5, contributions to the Fund were to be made by the Minister for Finance by an annual charge on the Central Fund equivalent to 1% of Gross National Product (GNP) under section 18(2) of the Act. The National Pensions Reserve Fund Act, 2000 was amended in 2010 by the Credit Institutions (Stabilisation) Act 2010 to provide that the annual contribution to the Fund may be less than 1% of GNP or that no sum may be paid into the Fund in the years 2012 and 2013.

The Commissioners of the Fund were appointed by the Minister for Finance under Section 7 of the National Pension Reserve Fund Act, 2000.

## Notes to the Accounts *(continued)*

### 14. RELATED PARTIES (continued)

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

Under section 21 (2) of the National Pensions Reserve Fund Act, 2000, the National Treasury Management Agency was appointed as Manager of the Fund by the Commission from 2 April 2001 for 10 years. Following expiry of this appointment the National Treasury Management Agency was re-appointed as Manager for five years beginning 2 April 2011 in accordance with section 21 (3) of the National Pensions Reserve Fund Act, 2000.

### 15. FINANCIAL RISK MANAGEMENT

In the ordinary course of its activities, the Fund actively manages a variety of financial risks including market risk, credit risk and liquidity risk. The Fund identifies, measures and monitors risk through various control mechanisms as detailed in the following sections. The Fund measures returns and monitors portfolio risks in Euro.

The Commission is responsible for the risk in the Discretionary Portfolio whereas the risks associated with Directed Investments are the responsibility of the Minister for Finance. This note refers solely to financial risk in the Discretionary Portfolio.

#### **(a) Market risk – Price, Currency and Interest Rate Risks**

Market risk is the risk of potential loss the Fund may incur as a result of adverse changes to the fair value of the Fund's financial instruments.

It is necessary to take market risk in order to generate return.

The primary source of risk to the Fund is the amount of absolute market risk inherent in the Fund's strategic asset or benchmark allocation. Market risk includes fluctuations in equity, bond and other investment prices, currency rates and interest rates. The Commission has endeavoured to maximise potential return while keeping volatility within acceptable limits by diversifying the Fund's investments across multiple asset classes.

During 2011, the Commission purchased Equity Put Options to reduce the Fund's market risk.

The Manager monitors on a daily basis the Fund's absolute market risk (an ex-ante measure) and the Fund's performance (an ex-post measure). This is the critical control in overseeing the total risk arising within the Fund. The risk management procedures further described in this note principally reflect more detailed analysis of components of the Fund's market risk.

Relative market risk arises from the performance of the Fund's investment managers as compared to their benchmark and from any tactical asset allocation decisions taken by the Commission. The Fund's value is currently less volatile than the benchmark, increasing the relative market risk. The risk of deviation of the Fund's actual return from the benchmark return arising from relative market risk is measured by tracking error, which is the expected standard deviation of the difference between the performance of the Fund and its benchmark portfolio. The overall tracking error limit for the Fund as determined by the Commission is set at 3.0%. This means that annual Fund performance is expected to be within 3.0% of benchmark performance approximately two thirds of the time.

Market risk comprises three types of risk: price risk, currency risk and interest rate risk.

## Notes to the Accounts *(continued)*

### 15. FINANCIAL RISK MANAGEMENT *(continued)*

#### (a) Market Risk – Price, Currency and Interest Rate Risks *(continued)*

##### (i) Price Risk

Price risk is the risk that the value of an asset will fluctuate in its local currency due to changes in market price, caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

##### *Price Risk Exposure*

The maximum asset value exposed to price risk at 31 December 2011 is the value of traded investment assets as detailed in the following table:

<b>Exposed to Price Risk</b>	<b>2011</b>	<b>2010</b>
	<b>€'m</b>	<b>€'m</b>
Quoted Investments	3,238	10,745
Unquoted Investments	194	405
Property & Forestry	539	517
Private Equity	772	948
Derivative Instruments (Net)	(94)	(47)
<b>Total</b>	<b><u>4,649</u></b>	<b><u>12,568</u></b>
<b>Not Exposed to Price Risk</b>		
Cash	<u>749</u>	<u>2,443</u>
<b>Total Discretionary Fund Investment Assets</b>	<b><u>5,398</u></b>	<b><u>15,011</u></b>

##### *Price Risk Management*

A geographical analysis of the Fund's investment portfolio is shown in Note 7(b). This shows that there is a level of diversification by market. The Manager monitors the price risk inherent in the investment portfolio by ensuring full and timely access to relevant information from the Fund's investment managers. The Commission meets regularly and at each meeting reviews investment performance.

##### (ii) Currency Risk

Currency risk is the risk that the value of an asset or liability will fluctuate due to changes to currency exchange rates. The base currency of the Fund is Euro. However, the Fund has investment assets denominated in currencies other than Euro and is therefore impacted by fluctuations in currency exchange rates.

The Fund has no significant financial liabilities denominated in currencies other than Euro. However, the Fund has outstanding commitments in respect of property investments and private equity investments of USD372m, GBP9m and JPY1,664m as at 31 December 2011.

##### *Currency Risk Management*

The Fund maintains a strategic currency hedge. The Manager measures foreign currency exposure on a daily basis and adjusts the hedge accordingly. Foreign currency contracts are used to limit the Fund's exposure to future changes in exchange rates that might otherwise adversely affect the value of the portfolio of investments.

## Notes to the Accounts *(continued)*

### 15. FINANCIAL RISK MANAGEMENT *(continued)*

#### (a) Market Risk – Price, Currency and Interest Rate Risks *(continued)*

##### (ii) Currency Risk *(continued)*

###### *Currency Risk Exposure*

As described in Note 11, the Fund follows a policy of hedging its foreign currency risk through the use of forward foreign exchange contracts. Monitoring currency exposure in conjunction with the impact of the currency hedge provides an understanding of the degree to which the portfolio is exposed to currency fluctuations.

The following table details the asset values exposed to currency risk as at 31 December 2011 both before and after the impact of the currency hedge:

	2011 m	2011 €m	2011 €m	2011 €m
Currency of Investments Assets: 2011	Local Currency	Base Currency	Hedge	Net Exposure
US Dollar	2,799	2,163	(1,139)	1,024
Japanese Yen	14,943	149	(77)	72
British Pound	167	200	(111)	89
Hong Kong Dollar	1,039	103	(27)	76
Australian Dollar	106	83	(44)	39
Canadian Dollar	132	100	(52)	48
Swiss Franc	53	44	(23)	21
Scandinavia	Various	28	(14)	14
Other	Various	284	(15)	269
<b>Total</b>		<b>3,154</b>	<b>(1,502)</b>	<b>1,652</b>

	2010 m	2010 €m	2010 €m	2010 €m
Currency of Investments Assets: 2010	Local Currency	Base Currency	Hedge	Net Exposure
US Dollar	6,974	5219	(2,283)	2,936
Japanese Yen	63,168	581	(306)	275
British Pound	418	485	(414)	71
Hong Kong Dollar	3,915	377	(106)	271
Australian Dollar	397	302	(159)	143
Canadian Dollar	274	205	(113)	92
Swiss Franc	221	177	(98)	79
Scandinavia	Various	149	(80)	69
Other	Various	824	(67)	757
<b>Total</b>		<b>8,319</b>	<b>(3,626)</b>	<b>4,693</b>

## Notes to the Accounts *(continued)*

### 15. FINANCIAL RISK MANAGEMENT *(continued)*

#### (a) Market Risk – Price, Currency and Interest Rate Risks *(continued)*

##### (iii) Interest Rate Risk

Interest rate risk is the risk that future cash flows of a financial instrument, and the value of a financial instrument, will fluctuate due to changes in the market interest rates. The Fund's income investments, including the bond portfolio valued at €344m at 31 December 2011 (2010: €1,155m), are susceptible to value changes due to fluctuations in market interest rates.

##### *Interest Rate Exposure*

The following table details the value of fixed interest-bearing securities exposed to interest rate risk as at 31 December:

<b>Fixed Interest Bearing Investments</b>	<b>2011</b>	<b>2010</b>
	<b>€m</b>	<b>€m</b>
Maturing within one year	22	7
Maturing between two and five years	74	392
Maturing after five years	194	458
<b>Total Interest Bearing Investments</b>	<b><u>290</u></b>	<b><u>857</u></b>

This table reflects the portion of financial assets exposed to price risk directly related to changes in interest rate risk. For disclosure purposes fixed-interest bearing assets are included in exposures to both price and interest rate risk.

In addition to the interest-bearing securities detailed in the table above, the Fund holds investment cash of €0.7bn (2010: €2.4bn). These assets are interest-bearing and the future cash flows from these assets will fluctuate with changes in market interest rates.

##### *Interest Rate Risk Management*

The Fund has regard to the possible effects of a change in interest rates on the fair value of interest-bearing financial assets when making investment decisions.

#### (b) Credit Risk

Credit risk is the risk that the Fund would incur a financial loss if a counterparty failed to discharge its obligations to the Fund.

##### *Credit Risk Exposure*

The main credit risk to which the Fund is exposed arises from the Fund's investments in cash and debt securities. The Fund's assets are valued at fair value which reflects the market assessment of the likelihood and estimated impact of default. Credit risk is therefore primarily managed by reference to market price risk. The Fund is also subject to counterparty credit risk on trading derivative products, cash and cash equivalents.

## Notes to the Accounts *(continued)*

### 15. FINANCIAL RISK MANAGEMENT *(continued)*

#### **(b) Credit Risk** *(continued)*

The maximum exposure to credit risk at 31 December 2011 is the carrying value of the financial assets as set out below:

	<b>2011</b>	<b>2010</b>
	<b>€m</b>	<b>€m</b>
Government Debt Securities	-	138
Corporate Debt Securities	344	1,017
Cash and Cash Equivalents <sup>(1)</sup>	805	2,637
Accrued Income from Investments	5	16
Derivatives	1	25
<b>Total</b>	<b><u>1,155</u></b>	<b><u>3,833</u></b>

*(1) Including cash held as part of securities lending cash collateral programme.*

#### Credit Risk Management

The objective of managing credit risk is to minimise the impact of counterparty default on the Fund's financial assets causing financial loss to the Fund. The Fund, through the Manager, aims to mitigate its counterparty credit risk exposure by monitoring the size of its credit exposure to, and the creditworthiness of, counterparties including setting appropriate exposure limits. Counterparties are selected based on their financial ratings, regulatory environments and specific circumstances.

The following details the risk management policies applied to the financial assets exposed to credit risk:

For interest-bearing securities the credit rating of the issuer is taken into account to minimise the risk to the Fund of default. The Fund's policy is to invest in debt securities that are at minimum investment grade or above. Investments are made across a variety of industry sectors and issuers to reduce concentrations of credit risk.

Derivative financial instruments generating credit risk arise from the Fund's forward currency contracts and cross currency swap contracts. The Fund's forward currency contracts are dealt only with approved counterparties within defined limits.

Forward currency contracts are settled through CLS (Continuous Linked Settlement) where trades are pre-matched ahead of settlement date limiting the risk of settlement failure. The Fund's Global Custodian, Bank of New York Mellon, holds the Fund's securities in segregated accounts, minimising the risk of value loss of the securities held by the Global Custodian. In the event of its failure, the ability of the Fund to transfer the securities might be temporarily impaired. The Fund's Global Custodian is a member of a major securities exchange and at 31 December 2011 had a Moody's credit rating of Aa2 (2010: Aa2). The Global Custodian's credit rating is reviewed regularly by the Manager.

At 31 December 2011 cash was held at the Central Bank of Ireland and at the Global Custodian. Cash held as collateral as part of the securities lending programme amounted to €56m at 31 December 2011 (2010: €194m). These cash holdings are regularly monitored by the Manager and Bank of New York Mellon as Manager of the programme. Cash is also held from time to time with futures brokers appointed by the Fund's investment managers.

## Notes to the Accounts *(continued)*

### 15. FINANCIAL RISK MANAGEMENT (continued)

#### **(c) Liquidity Risk**

Liquidity risk is the risk that the Fund will encounter difficulties raising cash to meet its obligations when they fall due. The primary source of this risk for the Fund arises from the value of the Fund's commitments to property and private equity limited partnerships and ongoing payments of operational expenses.

#### *Liquidity Risk Management*

The Fund monitors its exposure to liquidity risk by regularly monitoring the liquidity of its investment portfolio and holding appropriate levels of liquid assets. The Fund held highly liquid assets amounting to €0.7bn as at 31 December 2011 (2010: €2.4bn), which comprises cash and cash equivalent assets. The level of highly liquid assets held is regularly reviewed by the Manager. The Fund also mitigates its exposure to liquidity risk, through investment in quoted securities that are readily realisable at low transaction cost.

### 16. SUBSEQUENT EVENTS

Other than the events which have taken place subsequent to the year end as outlined in note 10, there were no other significant subsequent events.

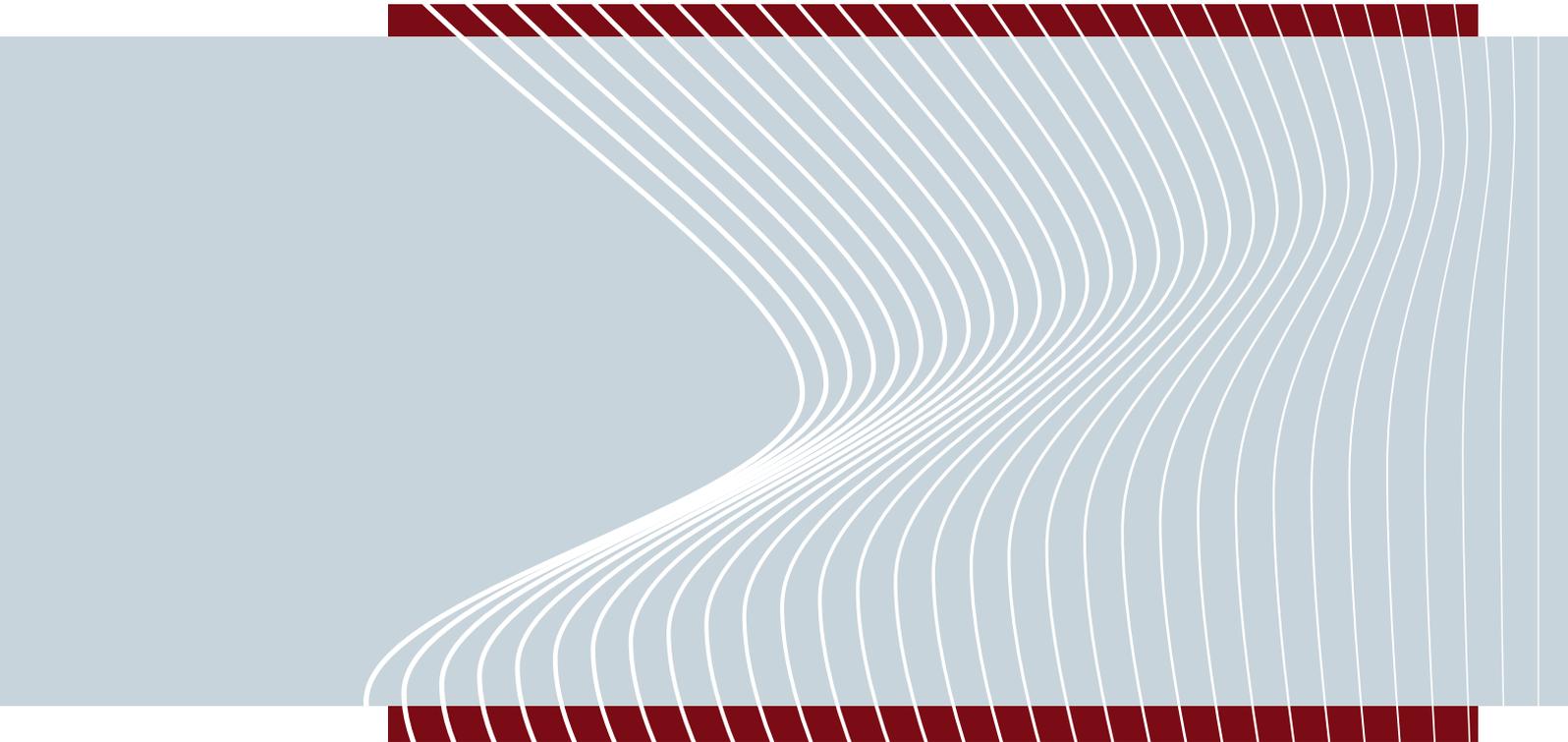
### 17. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Commission on 29 June 2012.



# National Pensions Reserve Fund

## Portfolio of Investments For the Year Ended 31 December 2011



## Portfolio of Investments 31 December 2011

## Quoted Securities – Equities

Holding	Security Description	Market Value €	Holding	Security Description	Market Value €	Holding	Security Description	Market Value €
<b>EUROPE</b>								
<b>AUSTRIA</b>			<b>DENMARK (CONTINUED)</b>			<b>FRANCE (CONTINUED)</b>		
3,229	Andritz	206,979	398	DFDS	19,005	1,602	Biomerieux	88,494
23,673	Erste Group Bank	321,598	6,804	DSV	94,269	186,586	BNP Paribas	5,662,885
564,273	Immoeast	0	5,834	East Asiatic Company	92,993	401	Bollore	60,752
46,574	Immofinanz Nachsprung	0	1,957	Flsmidth & Co	88,844	2,846	Bonduelle	177,875
576,607	Immofinanz	196,717	21,146	Lundbeck	307,198	817	Bongrain	39,551
2,200	Oesterreichische Post	51,260	45,592	Novo-Nordisk	4,047,607	93,741	Bouygues	2,282,125
13,287	OMV	311,447	9,980	Novozymes	238,015	4,391	Bureau Veritas	247,213
8,680	Polytec	47,002	51	Per Aarsteff	2,758	40,107	Cap Gemini	968,384
4,763	Raiffeisen Bank	95,570	338	Rockwool	20,951	92,591	Carrefour	1,630,990
10,803	Strabag	238,854	2,183	Royal Unibrew	94,406	3,584	Casino Guich-Perrachon	233,247
26,979	Telekom Austria	249,232	1,056	Schouw & Co	13,139	4,156	Cegid Group	59,639
5,529	Verbund	114,644	222	Simcorp	26,189	26,738	Christian Dior	2,449,468
3,118	Vienna Insurance Group	95,473	941	Tryg	40,378	886	Ciments Francais	52,983
14,023	Voestalpine	303,878	7,495	Vestas Wind System	62,507	14,392	CNP Assurances	137,847
		<b>2,232,655</b>	859	William Demant	55,185	59,509	Compagnie De Saint- Gobain	1,765,334
	% of Total Investments	<b>0.02%</b>			<b>6,547,454</b>	12,230	Compagnie Generale De Geophysique	221,730
				% of Total Investments	<b>0.05%</b>	1,052	CRCAM Brie Picardie	18,505
<b>BELGIUM</b>			<b>FINLAND</b>			80,233	Credit Agricole	349,816
219,100	Ageas	262,920	4,249	Digia	10,283	53,662	Danone	2,606,363
258,063	Agfa Gevaert	317,417	37,194	Fortum	613,329	5,067	Dassault Systemes	313,799
232,744	Anheuser-Busch (Vvpr)	233	5,429	Kesko	140,937	37,411	Derichebourg	87,617
120,859	Anheuser-Busch	5,717,235	13,823	Kone Corporation	554,302	40,373	Edenred	767,894
4,371	Barco	169,420	41,944	Metso	1,201,696	21,425	EDF	402,790
3,680	Bekaert	91,209	103,139	M-Real	137,175	5,481	Eiffage	102,522
13,822	Belgacom	335,045	10,410	Neste Oil	81,250	861	Eramet	81,365
94	Bois Sauvage	15,346	400,282	Nokia	1,509,864	17,777	Essilor	969,735
502	CFE	19,071	10,761	Nokian Renkaat	267,734	1,091	Euler Hermes	49,913
5,466	Colruyt	159,881	11,038	Outokumpu	56,073	2,469	Eurazeon	67,885
20,414	Deceuninck	14,902	8,544	Rautaruukki	60,791	86,561	Eutelsat Communications	2,609,814
8,445	Delhaize Group	366,555	46,785	Sampo	896,868	4,275	Faurecia	62,629
47,477	Dexia	14,101	3,961	Sanoma	35,114	2,230	Fonciere Des Regio	110,608
23,314	Elia	697,788	49,650	Stora Enso	229,780	237,736	France Telecom	2,884,926
6,738	Groupe Bruxelles	347,074	25,934	Tieto	285,274	215,146	GDF Suez	4,543,884
14,824	KBC Groupe	144,252	43,427	Upm-Kymmene	369,564	1,484	Gecina	96,460
459	Kinepolis Group	25,318	16,468	Wartsila	367,566	425,037	GET	2,235,695
1,462	Mobistar	59,196			<b>6,817,599</b>	9,140	Groupe Steria	120,237
934	Realdolmen	15,598		% of Total Investments	<b>0.05%</b>	3,527	Hermes	812,444
3,642	Recticel	16,608	<b>FRANCE</b>			626	Heurtley Petrochem	16,232
3,900	Sioen Industries	20,475	41,187	Accor	806,647	1,813	Icade	110,212
3,419	Solvay	217,654	28,800	ADP Promesses	1,526,400	1,759	Iliad	167,721
33,265	Telenet Group	980,985	12,189	Air France-KLM	48,427	3,061	Imerys	108,941
31,601	Tessenderlo Chemie	649,085	23,325	Air Liquide	2,229,637	1,365	Ipsen Promesses	33,101
28,055	UCB	912,068	4,261	Akka Technologies	68,900	5,398	JC Decaux	96,057
9,744	Umicore	310,541	193,503	Alcatel Lucent	233,558	7,700	Klepierre	169,708
		<b>11,879,977</b>	24,541	Alstom	574,996	17,865	Lafarge	485,213
	% of Total Investments	<b>0.09%</b>	37,507	Arkema	2,051,633	10,648	Lagardere	217,219
<b>DENMARK</b>			8,106	Assystem Brime	96,056	4,203	Lectra	19,334
87	A P Moller - Maersk	437,050	30,487	Atos	1,033,136	21,693	Legrand	539,071
4,532	Carlsberg	246,894	292,340	Axa	2,936,555	1,573	Linedata Services	14,472
1,143	Coloplast	126,997	2,981	BIC	204,199	728	Lisi	36,946
54,324	Danske Bank	533,068				25,156	L'Oreal	2,030,089
						30,139	LVMH Moet Hennessy	3,297,207
						1,342	M6 Metropole	15,467

Country classifications are determined by the entity's country of incorporation





## Portfolio of Investments 31 December 2011

## Quoted Securities – Equities

Holding	Security Description	Market Value €	Holding	Security Description	Market Value €	Holding	Security Description	Market Value €
<b>SPAIN</b>			<b>SWEDEN (CONTINUED)</b>			<b>SWITZERLAND (CONTINUED)</b>		
335,568	Abertisinfraestructuras	4,140,909	22,205	Hennes & Mauritz	551,388	3,194	Flughafen Zurich	856,568
2,064	Acciona	137,731	8,320	Hexagon	96,065	740	Forbo	300,115
20,244	Acerinox	200,618	2,286	Holmen	50,712	7,842	Foster Wheeler	116,003
19,710	ACS Actividades	451,359	16,276	Husqvarna	57,912	7,602	Gam	63,788
27,851	Amadeus	349,112	9,990	Industrivarden "A"	97,692	10,939	Garmin	336,565
401,552	Banco Bilbao Vizcaya	2,682,367	4,331	Industrivarden "C"	39,898	1,568	Geberit	233,472
112,870	Banco de Sabadell	331,161	39,246	Intrum Justitia	474,501	353	Givaudan	259,900
6,766	Banco Espanol de Credito	25,203	17,299	Investor	249,236	51,142	Glencore	240,006
84,688	Banco Popular Espanol	298,102	8,413	Kinnevik Investment	126,591	2	Helvetia	485
700,212	Banco Santander	4,110,244	8,447	Lundin Petroleum	160,372	4,680	Highlight Common	16,123
28,834	Bankinter	136,962	2,180	Modern Times Group	80,429	9,251	Holcim	382,414
97,237	Caixabank	369,014	247,812	Nordea Bank	1,480,699	148	Inficon	18,750
65	Construcciones y Auxiliar	25,119	8,794	Ratos	79,681	7,602	Julius Baer Gruppe	229,761
2,409	Corporacion Financiera Alba	72,824	109,501	Rottneros	25,925	303	Komax	17,137
56,737	Distribuidora Internacional	198,296	21,256	Saab	339,638	2,208	Kuehne & Nagel	191,629
12,640	Duro Felguera	63,958	45,091	Sandvik	427,282	5	Lindt & Spruengli	129,113
21,250	EDP Renovaveis	100,470	15,634	Scania	178,935	33	Lindt Spruengli	75,849
195,741	Enagas	2,797,139	12,800	Securitas	85,314	22,329	Lonza Group	1,019,463
6,878	Endesa	109,016	82,558	Skandinaviska Enskilda Banken	371,381	248,919	Nestle	11,057,606
391,622	Ferrovial	3,651,875	14,569	Skanska	186,363	4,573	Nobel Biocare	41,080
4,135	Fomento de Construcciones	82,865	15,658	SKF	255,813	15,662	Noble Corporation Baar	365,798
69,295	Gas National	919,198	11,807	Ssab	77,754	186,989	Novartis	8,260,373
34,596	Grifols	238,749	22,183	Svenska Cellulosa	253,890	472	Orior	18,832
8,605	Grupo Empresarial Ence	15,016	23,444	Svenska Handelsbanken	476,140	1,412	Pargesa	71,436
370,348	Iberdrola	1,792,114	36,263	Swedbank	362,752	354	Partners	47,730
13,313	Indira Sistemas	130,960	7,904	Swedish Match	216,668	10,464	Petroplus	14,978
20,824	Industria de Diseno Textil	1,317,743	15,431	Tele2	231,846	1,772	PSP Swiss Property	114,577
75,672	Mapfre	185,775	82,416	Teliasonera	432,518	221	Publigroupe	23,289
13,378	Mediaset Espana Comunicacion	58,997	56,956	Trelleborg	381,858	44,559	Roche	5,835,631
95,658	Red Electrica Corporation	3,162,932	55,101	Volvo 'A'	465,564	1,781	Schindler	160,021
201,583	Repsol	4,784,573	25,850	Volvo 'B'	220,299	224	SGS	286,542
457,878	Telefonica	6,128,697			<b>12,872,816</b>	39	Sika Finanz	56,787
1,395	Unipapel	16,670				1,810	Sonova	146,292
11,917	Zaradoya-Otis	126,320				288	Straumann	38,405
		<b>39,212,089</b>				1,183	Sulzer	97,707
	% of Total Investments	<b>0.29%</b>				6,125	Swatch Group	1,312,643
						1,180	Swiss Life	83,870
						1,574	Swiss Prime Site	91,351
						34,861	Swiss Reinsurance	1,372,817
						2,166	Swisscom	634,155
						8,359	Syngenta	1,891,021
						27,917	TE Connectivity	664,752
						12,123	Transocean	361,715
						29,411	Tyco	1,061,742
						141,199	UBS	1,298,622
						566	Uster Technologies	19,183
						1,549	Valora	250,394
						100	Vaudoise Versicherung	21,718
						28	Vetropack	37,776
						48,698	Weatherford	551,000
						176,263	Xstrata	2,063,752
						440	Zehnder Group	18,587
						11,427	Zurich Financial Services	1,997,563
								<b>50,285,249</b>
							% of Total Investments	<b>0.38%</b>
<b>SWEDEN</b>			<b>SWITZERLAND</b>					
19,675	Acando	32,122	85,399	ABB	1,242,065			
11,646	Alfa Laval	170,404	21,468	Ace	1,163,410			
13,277	Assa Abloy	257,138	3,563	Actelion	94,527			
38,332	Atlas Copco	608,864	5,435	Adecco	175,936			
10,587	Bilia	114,934	857	AFG	12,408			
148,341	Billerud	973,737	3,114	Aryzta	116,301			
10,062	Boliden	113,468	1,839	Baloise	97,426			
11,016	Electrolux	135,599	77	Barry Callebaut	58,624			
1,999	Elekta	66,955	19	Bell	27,540			
215,757	Ericsson	1,704,364	584	BKW	17,511			
8,182	Getinge	160,115	114	BQE Cant Vaudoise	42,788			
			3,768	Charles Voegelé	57,035			
			10,405	Clariant	79,347			
			19,796	Compagnie Financiere	773,699			
			69,213	Credit Suisse Group	1,256,607			
			1,026	Daetwyler	47,012			
			273	Emmi	43,793			
			661	Ems-Chemie	86,513			
			6,373	Ferrexpo	20,508			
			58	Fischer	15,316			

Country classifications are determined by the entity's country of incorporation

## Portfolio of Investments 31 December 2011

## Quoted Securities – Equities

Holding	Security Description	Market Value €	Holding	Security Description	Market Value €	Holding	Security Description	Market Value €
<b>UNITED KINGDOM</b>			<b>UNITED KINGDOM (CONTINUED)</b>			<b>UNITED KINGDOM (CONTINUED)</b>		
43,467	888	22,376	228,041	Drax Group	1,487,877	33,196	Ladbroke's	51,664
35,451	3I Group	76,818	132,872	DS Smith	314,961	86,743	Land Securities Group	659,945
453,764	3I Infrastructure	651,882	19,759	E2V Technologies	25,015	28,489	Lavendon Group	29,758
40,615	Aberdeen Asset Management	103,081	24,503	Enquest	27,120	1,963,797	Legal & General Group	2,416,836
7,403	Admiral Group	75,510	54,689	Entertainment One	134,873	4,471,702	Lloyds Banking Group	1,386,800
42,908	Aegis Group	74,176	8,314	Eros International	22,793	390,990	Logica	288,807
4,525	African Barrick Gold	24,854	13,833	Essar Energy	28,385	7,445	London Stock Exchange Group	70,858
9,757	Aggreko	235,602	14,213	Eurasian Natural Resources	108,133	7,439	Lonmin	87,277
12,122	Amdocs	267,285	13,166	Evraz	59,060	12,009	Lupus Capital	16,102
12,197	Amec	132,513	38,140	Experian	399,755	68,981	Man Group	103,806
73,642	Anglo American	2,097,382	117,701	Fiberweb	75,386	60,721	Marks & Spencer Group	226,077
17,204	Anite	19,206	7,915	Fresnillo	144,693	17,157	Marston's	18,845
68,682	Antofagasta	999,026	51,810	G4S	168,586	6,470	May Gurney Integrated Services	21,795
51,297	ARM Holdings	363,556	55,044	GKN	120,592	103,864	McBride	139,265
13,379	Ashmore Group	53,497	309,013	Glaxosmithkline	5,443,704	10,377	Mecom Group	25,498
152,107	Ashtead Group	411,543	21,147	Go-Ahead Group	349,623	27,439	Meggitt	115,892
142,282	Associated British Foods	1,885,624	9,433	Greggs	57,142	45,773	Micro Focus	211,631
83,145	Astrazeneca	2,961,288	26,034	Hammerson	112,202	132,081	Mondi	719,464
111,889	Aviva	402,924	8,640	Hargreaves Lansdown	44,529	3,768	Morgan Sindall Group	26,773
129,641	Bae Systems	442,484	51,109	Hays	39,220	485,063	Morrison Supermarket	1,894,260
1,092,771	Barclays	2,303,153	320,558	Healthcare Locums	11,801	3,355,084	National Grid	25,103,885
339,678	Beazley	546,136	551,200	HICL Infrastructure	777,342	6,634	Next Group	217,374
58,996	Berendsen	307,375	18,204	Highland Gold Mini	40,972	8,350	Nielsen	191,600
28,894	Berkeley Group	441,383	284,829	Home Retail Group	284,386	241,716	Northgate	556,471
392,523	BG Group	6,468,429	888,409	HSBC	5,222,713	210,173	Old Mutual	340,937
78,896	BHP Billiton	1,773,342	4,786	Hyder Consulting	20,913	8,732	Optos	22,828
69,913	Bodycote	219,959	24,425	ICAP	101,437	2,655	Oxford Instruments	30,196
850,352	BP	4,687,982	22,750	IG Group	129,887	49,330	Paragon Group of Companies	108,074
137,922	British American Tobacco	5,045,142	11,676	IMI	106,234	128,161	Pearson	1,856,516
32,834	British Land	181,800	5,340	Impellam Group	17,133	145,761	Pendragon	13,262
50,007	British Sky Broadcasting	438,527	38,549	Imperial Tobacco Group	1,123,750	410,753	Pennon Group	3,511,046
293,610	BT Group	671,018	16,803	Inmarsat	81,410	178,533	Persimmon	1,004,555
12,072	Bunzl	127,758	10,666	Intercontinental Hotels Group	147,738	9,524	Petrofac	164,301
16,562	Burberry Group	234,957	101,057	Intermediate Capital Group	276,809	53,127	Petropavlovsk	391,154
53,481	Cairn Energy	169,861	34,115	International Consolidated	60,201	480,084	Premier Foods	33,393
22,559	Capita	169,739	55,876	International Power	225,564	450,345	Prudential	3,442,419
18,165	Capital & Regional Properties	6,905	55,434	Interserve	212,830	31,497	PV Crystalox Solar	1,650
23,704	Capital Shopping Centres	88,624	6,003	Intertek Group	146,248	128,442	Qinetiq Group	203,896
388,334	Carillion	1,398,430	29,676	Invensys	74,963	3,344	Randgold Resources	263,621
8,236	Carnival	209,622	18,713	Investec	75,945	27,044	Reckitt Benckiser Group	1,029,569
646,554	Centrica	2,239,292	143,087	ITV	116,741	45,945	Reed Elsevier	285,472
9,578	Clarkson	131,636	1,893	JD Sports Fashion	14,141	66,598	Rentokil Initial	49,951
42,186	Cobham	92,624	8,090	JKX Oil & Gas	13,172	96,884	Resolution	291,592
268,290	Compass Group	1,962,471	3,288	John Menzies	20,862	6,131	Restaurant Group	21,866
37,387	Computacenter	149,763	13,704	John Wood Group	105,163	32,204	Rexam	136,018
31,720	Costain Group	70,205	7,898	Johnson Matthey	173,599	128,509	Rio Tinto	4,807,741
35,313	Creston	29,804	289,094	Johnston Press	21,631	45,295	Robert Wiseman Dairies	139,225
10,018	Daily Mail & General Trust	47,949	7,877	Kazakhmys	87,417	13,857,753	Rolls Royce "C"	16,590
113,469	Dairy Crest Group	456,430	40,468	Kcom Group	33,913	200,837	Rolls Royce Group	1,794,862
69,215	Debenhams	48,516	328,176	Kelda Group	0	670,956	Royal Bank of Scotland	162,096
6,733	Devro	20,780	275,841	Kesa Electricals	222,245	10,176	Royal Caribbean Cruises	194,806
93,935	Diageo	1,581,702	7,034	Kier Group	114,525	128,385	RSA Insurance Group	161,692
			770,777	Kingfisher	2,313,346	44,584	Sabmiller	1,209,741
						48,146	Sage Group	169,574

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## Portfolio of Investments 31 December 2011

## Quoted Securities – Equities

Holding	Security Description	Market Value €	Holding	Security Description	Market Value €	Holding	Security Description	Market Value €
<b>NORTH AMERICA</b>								
<b>UNITED KINGDOM (CONTINUED)</b>			<b>CANADA</b>			<b>CANADA (CONTINUED)</b>		
246,620	Sainsbury	894,304	11,068	Agnico-Eagle Mines	310,306	23,571	Osisko Mining	175,512
10,716	Savills	42,028	10,151	Agrium	525,256	53,442	Pacific Rubiales Energy	763,135
6,237	Schroders	98,113	7,225	Alimentation Couche-Tard	173,313	140,715	Pembina Pipeline	3,158,235
2,218	Schroders (Non Voting)	28,492	17,735	ARC Resources	336,851	29,029	Penn West Petroleum	443,508
43,344	Segro	108,191	40,806	Bank of Montreal	1,725,493	54,976	Potash Corporation of Saskatchewan	1,751,827
78,412	Senior	160,523	69,679	Bank of Nova Scotia	2,680,124	25,686	Power Canada	462,989
17,991	Serco Group	102,092	64,239	Barrick Gold	2,243,382	17,699	Power Financial	342,060
207,317	Severn Trent	3,712,992	17,399	BCE	559,164	229,900	Provident Energy	1,713,594
100,087	Shanks Group	108,798	4,200	Bell Aliant	90,865	33,709	Research in Motion	377,520
21,286	Shire	571,585	6,169	Bombardier	18,953	17,769	Riocan REIT	355,380
33,972	Smith & Nephew	254,393	89,855	Bombardier Inc	276,058	9,059	Rogers Communications	269,062
64,088	Smiths Group	702,029	40,599	Brookfield Asset Management	861,442	92,968	Royal Bank of Canada	3,656,812
5,181	Spectris	79,951	23,575	Brookfield Office Properties	284,898	9,740	Saputo	287,667
133,940	SSE	2,070,113	24,639	Cameco	343,249	25,785	Shaw Communications	395,116
47,854	Stagecoach Group	155,713	25,599	Canadian Imperial Bank of Commerce	1,429,399	13,519	Shoppers Drug Mart	420,864
171,605	Standard Chartered	2,894,666	28,628	Canadian National Railway	1,736,310	23,168	Silver Wheaton	517,182
86,437	Standard Life	213,480	70,390	Canadian Natural Resources	2,032,068	9,452	SNC-Lavalin Group	365,349
12,588	Subsea 7	180,200	30,052	Canadian Oil Sands	528,724	37,597	Sun Life Financial	537,710
19,217	Synergy Health	194,747	11,149	Canadian Pacific Railway	582,211	101,542	Suncor Energy	2,257,513
17,144	Tate & Lyle	144,594	4,908	Canadian Tire	244,750	66,597	Talisman Energy	654,127
147,849	Telecity Group	1,145,197	5,468	Canadian Utilities	254,635	37,094	Teck Resources	1,007,980
564,440	Tesco	2,726,246	48,342	Cenovus Energy	1,237,541	6,024	Telus (Non Voting)	249,074
16,308	Titan Europe	20,109	14,754	CGI Group	214,360	922	Telus	40,215
99,662	Trinity Mirror	57,270	13,636	CI Financial	217,722	27,506	Thomson Reuters	566,771
118,029	TT Electronics	190,050	17,827	Crescent Point Energy	605,700	10,581	Tim Hortons	395,216
341,271	TUI Travel	677,394	34,355	Eldorado Gold	364,478	57,676	Toronto-Dominion Bank	3,329,627
89,297	Tullett Prebon	288,641	639,744	Enbridge	18,439,538	13,889	Transalta	220,921
91,114	Tullow Oil	1,529,293	47,771	Encana	682,856	631,956	TransCanada	21,294,741
45,225	UK Coal	15,431	1,252	Fairfax Financial	414,027	9,541	Ultra Petroleum	218,487
48,973	Unilever	1,268,150	10,705	Finning International	179,915	19,525	Valeant Pharmaceuticals International	704,171
11,705	Unite Group	23,542	30,407	First Quantum Minerals	461,340	138,700	Veresen	1,605,834
599,476	United Utilities Group	4,349,126	169,186	Fortis	4,272,219	3,252	Weston (George)	167,559
45,714	Valiant Petroleum	240,391	51,990	Goldcorp	1,778,636	53,820	Westshore Terminals Investment	931,821
4,874	Vedanta Resources	59,226	17,781	Great West Lifeco	274,485	46,501	Yamana Gold	528,524
2,756	Vitec Group	18,336	18,379	Husky Energy	341,434			
10,017,800	Vodafone (Preference)	0	23,405	Iamgold	286,563			
4,511,455	Vodafone Group	9,662,388	8,154	IGM Financial	272,911			
7,821	Weir Group	190,258	21,859	Imperial Oil	750,798			
258,576	WH Smith	1,645,315	8,196	Intact Financial	363,006			
6,594	Whitbread	123,465	18,223	Ivanhoe Mines	249,454			
352,194	Whitbread "B" (Preference)	0	59,817	Keyera	2,263,224			
299,364	Whitbread "C" (Preference)	0	73,329	Kinross Gold	645,340			
94,667	William Hill	229,839	7,020	Loblaw Companies	204,411			
10,754	Willis Group	322,479	15,209	Magna International	391,302			
10,387	Wolseley	265,115	113,812	Manulife Financial	934,438			
6,200	Workspace Group	16,756	9,185	MEG Energy	288,930			
199,406	WPP	1,612,579	10,261	National Bank of Canada	560,143			
		<b>160,993,547</b>	32,967	Nexen	404,385			
			3,235	Niko Resources	118,066			
	% of Total Investments	<b>1.21%</b>					% of Total Investments	<b>0.78%</b>
<b>Total European Equities</b>		<b>588,291,988</b>						
<b>% of Total Investments</b>		<b>4.40%</b>						

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## Portfolio of Investments 31 December 2011

## Quoted Securities – Equities

Holding	Security Description	Market Value €	Holding	Security Description	Market Value €	Holding	Security Description	Market Value €
<b>UNITED STATES</b>			<b>UNITED STATES (CONTINUED)</b>			<b>UNITED STATES (CONTINUED)</b>		
45,286	3M	2,860,518	6,820	Arthur J Gallagher & Co	176,258	41,220	Caterpillar	2,886,260
149,208	Abbott Laboratories	6,484,246	4,951	Ashland	218,718	145,032	Catlin Group	692,257
5,454	Abercrombie & Fitch	205,869	6,619	Assurant	210,044	136,193	CBRE Group	1,602,023
41,543	Accenture	1,709,045	380,731	AT&T	8,898,142	40,469	CBS	848,851
37,119	Activision Blizzard	353,432	76,063	Atmos Energy	1,960,508	9,838	Celanese	336,601
31,573	Adobe Systems	689,828	15,483	Autodesk	362,933	28,480	Celgene	1,487,942
42,402	Advanced Micro Devices	176,962	5,557	Autoliv	229,727	359,115	Centerpoint Energy	5,575,872
49,473	AES	452,709	31,664	Automatic Data Processing	1,321,719	39,249	CenturyLink	1,128,420
23,870	Aetna	778,325	6,925	Autonation	197,330	10,852	Cerner	513,707
30,347	Aflac	1,014,616	2,044	Autozone	513,362	4,195	CF Industries	470,045
21,658	Agilent Technologies	584,677	6,101	Avalonbay Communities	615,805	13,846	CH Energy Group	624,723
97,988	AGL Resources	3,200,381	6,929	Avery Dennison	153,585	10,864	CH Robinson Worldwide	585,895
13,302	Air Products & Chemicals	875,800	9,587	Avnet	230,358	79,006	Charles Schwab	687,540
3,878	Airgas	234,017	114,586	Avon Products	1,547,119	6,400	Charter Communications	281,642
11,271	Akamai Technologies	281,187	7,762	Axis Capital	191,725	61,400	Cheniere Energy	412,370
69,848	Alcoa	466,949	7,330	Babcock & Wilcox	136,754	42,420	Chesapeake Energy	730,769
12,118	Alexion Pharmaceuticals	669,632	27,584	Baker Hughes	1,036,932	128,442	Chevron	10,562,044
7,077	Allegheny Technologies	261,443	10,972	Ball	302,813	2,968,000	China Gas	1,054,200
19,821	Allergan	1,344,072	644,575	Bank of America	2,769,794	1,954	Chipotle Mexican Grill	510,042
3,211	Alliance Data Systems	257,694	79,235	Bank of New York Mellon	1,219,236	17,842	Chubb	954,497
6,927	Alliant Energy	236,147	62,164	Baxter International	2,377,212	8,724	Church & Dwight	308,533
32,889	Allstate	696,721	44,897	BB&T	873,373	17,801	Cigna	577,821
14,361	Alpha Natural Resources	226,753	10,369	Beam	410,545	5,371	Cimarex Energy	256,948
20,908	Altera	599,495	13,727	Becton Dickinson and Co	792,705	10,130	Cincinnati Financial	238,473
132,940	Altria Group	3,046,349	15,814	Bed Bath & Beyond	708,507	9,034	Cintas	243,043
37,970	Amazon.com	5,079,687	6,777	Bemis	157,549	343,886	Cisco Systems	4,805,208
16,174	Ameren	414,131	67,706	Berkshire Hathaway	8,069,548	12,561	CIT Group	338,513
12,280	American Eagle Outfitters	145,113	24,749	Best Buy	447,008	185,071	Citigroup	3,763,210
31,165	American Electric Power	994,997	15,574	Biogen Idec	1,324,615	11,658	Citrix Systems	547,085
132,442	American Express	4,828,263	6,595	Blackrock	908,488	3,260	City National	111,312
28,676	American International Group	514,169	11,089	BMC Software	280,932	9,058	Cliffs Natural Resources	436,484
16,784	American States Water	452,710	47,546	Boeing	2,695,339	8,544	Clorox	439,515
437,165	American Tower	20,275,347	7,017	Borgwarner	345,671	13,781	CME Group	2,595,267
157,697	American Water Works	3,883,010	9,381	Boston Properties	722,117	1,569	CNA Financial	32,437
15,395	Ameriprise Financial	590,624	94,573	Boston Scientific	390,308	18,464	Coach	871,043
16,744	Amerisourcebergen	481,265	109,703	Bristol-Myers Squibb	2,987,815	169,225	Coca-Cola	9,151,150
10,118	Ametek	329,212	31,253	Broadcom	709,165	21,039	Coca-Cola Enterprises	419,187
50,895	Amgen	2,525,673	7,768	Broadridge Financial Solutions	135,380	19,698	Cognizant Technology Solutions	979,039
81,963	Amphenol	2,875,261	131,824	Brookfield Infrastructure	2,822,107	31,336	Colgate-Palmolive	2,237,525
31,576	Anadarko Petroleum	1,862,738	8,919	Brown & Brown	155,991	133,304	Comcast	2,442,722
18,480	Analog Devices	511,024	6,064	Brown-Forman	377,319	40,094	Comcast "Special A"	730,052
62,667	Annaly Capital Management	772,985	22,858	Bunge	1,010,494	12,547	Comerica	250,184
20,678	AON	747,917	23,928	CA	373,835	5,742	Commerce Bancshares	169,167
24,205	Apache	1,694,481	14,689	Cablevision Systems	161,433	9,536	Computer Sciences	174,668
8,871	Apollo Group	369,334	6,377	Cabot Oil & Gas	374,074	27,050	Conagra Foods	551,913
75,470	Apple	23,622,652	35,166	California Water Service Group	496,276	6,469	Concho Resources	468,714
86,523	Applied Materials	716,177	23,418	Calpine	295,553	84,873	Conocophillips	4,779,887
116,738	Aqua America	1,989,391	45,065	Cameron International	1,713,229	14,011	Consol Energy	397,406
42,289	Archer-Daniels-Midland	934,744	15,694	Campbell Soup	403,175	263,758	Consolidated Edison	12,644,647
33,553	Arcos Dorados	532,377	29,553	Capital One Financial	965,914	11,632	Constellation Brands	185,821
7,272	Arrow Electronics	210,252	22,742	Cardinal Health	713,774	12,434	Constellation Energy Group	381,217
			13,743	Carefusion	269,889	3,384	Continental Resources	174,470
			14,003	Carmax	329,864	10,323	Cooper Industries	432,020
			28,649	Carnival	722,701	99,681	Corning	999,969
						73,223	Costco Wholesale	4,715,156

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## Portfolio of Investments 31 December 2011

## Quoted Securities – Equities

Holding	Security Description	Market Value €	Holding	Security Description	Market Value €	Holding	Security Description	Market Value €
<b>UNITED STATES (CONTINUED)</b>			<b>UNITED STATES (CONTINUED)</b>			<b>UNITED STATES (CONTINUED)</b>		
200	Cousins Properties	991	29,764	Enbridge Energy Management	799,596	30,329	Genworth Financial	153,532
9,299	Coventry Health Care	218,263	4,398	Energizer	263,357	87,386	Gilead Sciences	2,764,285
31,552	Covidien	1,097,577	912,000	ENN Energy	2,259,357	46,000	Golden Eagle Retail Group	75,149
5,438	CR Bard	359,339	11,233	Entergy	634,184	31,585	Goldman Sachs Group	2,207,459
13,165	Credicorp	1,113,821	17,083	EOG Resources	1,300,600	8,031	Goodrich	767,783
6,868	CREE	116,988	9,258	EQT	392,029	25,530	Google	12,744,282
298,794	Crown Castle International	10,345,445	7,662	Equifax	229,404	9,275	Green Mountain Coffee Roasters	321,496
68,979	CSX	1,122,728	19,728	Equinix	1,546,038	18,942	H&R Block	239,062
12,342	Cummins	839,588	19,232	Equity Residential	847,671	127,238	Halliburton	3,393,603
83,506	CVS Caremark	2,631,869	2,363	Erie Indemnity	142,741	3,892	Hansen Natural	277,153
87,882	Danaher	3,194,968	7,529	Estee Lauder	653,572	14,617	Harley-Davidson	439,109
8,658	Darden Restaurants	304,994	6,932	Eurasia Drilling	125,900	4,304	Harman International Industries	126,535
6,036	Davita	353,651	3,453	Everest Reinsurance Group	224,409	7,964	Harris	221,827
26,964	Deere & Co	1,611,922	1,170,888	Evergrande Real Estate Group	375,113	27,577	Hartford Financial Services Group	346,338
116,681	Dell	1,319,301	12,326	Exelis	86,212	8,455	Hasbro	208,385
57,079	Delta Air Lines	356,882	42,382	Exelon	1,420,595	9,824	HCA	167,264
24,785	Denbury Resources	289,245	7,730	Expedia	173,371	26,383	HCP	844,770
8,867	Dentsply International	239,784	13,242	Expeditors International of Washington	419,192	11,820	Health Care Real Estate Investment Trust	498,141
61,709	Devon Energy	2,956,919	31,213	Express Scripts	1,078,066	5,795	Henry Schein	288,563
4,295	Diamond Offshore Drilling	183,431	307,295	Exxon Mobil	20,130,091	6,944	Herbalife	277,298
7,032	Digital Realty Trust	362,334	4,996	F5 Networks	409,750	10,424	Hershey	497,716
45,265	Directv	1,495,889	7,815	Family Dollar Stores	348,259	21,807	Hess	957,290
35,312	Discover Financial Services	654,987	18,306	Fastenal	616,991	127,469	Hewlett-Packard	2,537,755
8,831	Discovery	257,306	4,294	Federal Realty Investment Trust	301,167	21,006	HJ Heinz	877,320
8,492	Discovery Communications	268,890	20,197	Fedex	1,303,541	12,608	Hollyfrontier	228,014
16,702	Discovery Communications	528,851	20,226	Fidelity National Information	415,650	98,906	Home Depot	3,213,547
12,849	Dish Network	282,819	56,972	Fifth Third Bancorp	560,077	50,210	Honeywell International	2,109,061
241,000	DMX Technologies	33,673	3,991	First Solar	104,132	479,000	Hongkong Land	1,680,702
11,017	Dollar General	350,289	26,845	Firstenergy	919,108	12,452	Hormel Foods	281,876
7,863	Dollar Tree	505,058	9,069	Fiserv	411,711	10,298	Hospira	241,711
36,391	Dominion Resources	1,492,878	3,479	Flowserve	267,049	7,748	Hospitality Properties Trust	137,606
11,545	Dover	517,959	10,961	Fluor	425,682	45,656	Host Hotels & Resorts	521,168
75,656	Dow Chemical	1,681,634	15,802	FMC Technologies	637,869	32,687	Hudson City Bancorp	157,890
19,749	Dr Horton	192,468	5,300	Focus Media	79,834	11,763	Human Genome Sciences	67,183
13,905	Dr Pepper Snapple Group	424,275	9,775	Foot Locker	180,104	10,531	Humana	713,054
2,904	DST Systems	102,164	239,273	Ford Motor	1,989,781	53,594	Huntington Bancshares	227,399
10,454	DTE Energy	439,926	17,727	Forest Laboratories	414,575	5,481	IAC	180,455
85,667	Duke Energy	1,456,584	10,369	Fortune Brands Home & Security	136,474	31,001	Illinois Tool Works	1,119,141
15,788	Duke Realty	147,033	3,681	Fossil	225,770	7,805	Illumina	183,860
3,093	Dun & Bradstreet	178,877	10,498	Franklin Resources	779,379	20,460	Ingersoll-Rand	481,812
8,786	Eastman Chemical	265,230	60,536	Freeport-McMoran Copper & Gold	1,721,245	327,155	Intel	6,131,470
22,051	Eaton	741,850	61,444	Frontier Communications	244,560	10,016	Intercontinentalexchange	933,170
83,276	eBay	1,952,053	9,334	Gamestop	174,070	75,620	International Business Machine	10,746,584
39,336	Ecolab	1,757,488	14,881	Gannett	153,767	4,937	International Flavors & Fragrances	200,014
20,227	Edison International	647,189	24,559	GAP	352,090	18,431	International Game Technology	245,006
7,611	Edwards Lifesciences	415,873	677,372	General Electric	9,376,097	29,245	International Paper	669,025
59,490	Ei Du Pont De Nemours & Co	2,104,840	28,562	General Growth Properties	331,557	30,177	Interpublic Group of Companies	226,928
49,759	El Paso	1,021,792	41,290	General Mills	1,289,535	19,628	Intuit	797,771
20,755	Electronic Arts	330,437	39,633	General Motors	620,883			
73,943	Eli Lilly & Co	2,375,045	8,946	Gentex	204,585			
131,866	EMC	2,195,219	9,785	Genuine Parts	462,819			
97,181	Emerson Electric	3,499,237						

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## Portfolio of Investments 31 December 2011

## Quoted Securities – Equities

Holding	Security Description	Market Value €	Holding	Security Description	Market Value €	Holding	Security Description	Market Value €
<b>UNITED STATES (CONTINUED)</b>			<b>UNITED STATES (CONTINUED)</b>			<b>UNITED STATES (CONTINUED)</b>		
2,514	Intuitive Surgical	899,611	8,085	M&T Bank	477,014	17,181	Newell Rubbermaid	214,447
28,686	Invesco	445,399	8,167	Macerich	319,383	8,294	Newfield Exploration	241,852
12,425	Iron Mountain	295,765	28,204	Macy's	701,449	31,115	Newmont Mining	1,443,088
1,679,736	Ishares Russell 2000 Index Fund	95,664,074	5,141	Manpower	142,044	110,374	News Co	1,521,812
43,213	ITC	2,534,201	44,939	Marathon Oil	1,016,589	37,605	News Corporation	528,371
6,163	ITT	92,071	22,469	Marathon Petroleum	578,092	72,810	News Corporation 'A'	1,003,763
13,484	Jabil Circuit	204,881	611	Markel	195,814	27,178	Nextera Energy	1,278,767
7,805	Jacobs Engineering Group	244,785	99,254	Marriott International	2,237,607	10,576	NII	174,101
93,000	Jardine Strategic	1,988,801	2,289	Marriott Vacations Worldwide	30,357	53,563	Nike	3,989,386
5,715	JB Hunt Transport Services	199,069	35,555	Marsh & McLennan	868,884	253,805	Nisource	4,670,451
14,639	JC Penney	397,682	40,469	Marvell Technology Group	433,183	11,311	Noble Energy	825,137
7,396	JM Smucker	446,824	22,351	Masco	181,033	13,638	Nordstrom	523,955
175,952	Johnson & Johnson	8,917,947	17,859	Mastercard	5,145,832	25,082	Norfolk Southern	1,412,377
43,649	Johnson Controls	1,054,539	21,647	Mattel	464,426	158,528	Northeast Utilities	4,419,279
6,890	Joy Global	399,214	18,733	Maxim Integrated Products	377,005	70,207	Northern Trust	2,151,951
244,133	JPMorgan Chase & Co	6,273,609	7,424	McCormick & Co	289,294	22,451	Northwest Natural Gas	831,653
33,208	Juniper Networks	523,824	14,584	McDermott International	129,733	31,687	Northwestern	876,480
6,631	Kansas City Southern Railway	348,539	75,867	McDonald's	5,882,785	15,347	NRG Energy	214,922
17,162	Kellogg	670,749	19,191	McGraw-Hill	666,991	93,909	NSTAR	3,408,275
61,688	Keycorp	366,629	15,746	McKesson	948,119	13,504	Nuance Communications	262,586
25,104	Kimberly-Clark	1,427,197	11,790	MDU Resources Group	195,543	20,610	Nucor	630,294
25,195	Kimco Realty	316,228	13,215	Mead Johnson Nutrition	701,961	112,527	Nvidia	1,205,367
89,800	Kinder Morgan	2,232,681	10,446	Meadwestvaco	241,794	371	NVR	196,697
75,041	Kinder Morgan Management	4,553,844	25,109	Medco Health Solutions	1,084,777	16,140	NYSE Euronext	325,569
10,420	KLA - Tencor	388,566	68,380	Medtronic	2,021,435	62,599	Occidental Petroleum	4,533,215
17,285	Kohl's	659,259	197,174	Merck & Co	5,745,003	16,218	Old Republic International	116,192
113,290	Kraft Foods	3,271,129	1,574	Mercury General	55,496	7,302	Omnicare	194,415
39,592	Kroger	741,107	50,418	Metlife	1,214,957	17,699	Omnicom Group	609,801
1,293,500	KWG Property	337,177	16,608	Metropcs Communications	111,413	87,875	Oneok	5,887,537
6,315	Laboratory Corporation of America	419,585	23,006	MGM Resorts International	185,449	444,512	Oracle	8,811,912
7,797	LAM Research	223,081	11,597	Microchip Technology	328,308	156	Orchard Supply Hardware [Preference]	136
2,880	Lancashire	24,980	61,765	Micron Technology	300,256	156	Orchard Supply Hardware Stores	10,655
22,976	Las Vegas Sands	758,764	614,854	Microsoft	12,336,046	8,234	O'Reilly Automotive	508,778
9,499	Legg Mason	176,560	600,000	Midland	241,170	10,242	Owens-Illinois	153,404
9,092	Leggett & Platt	161,898	4,295	Mohawk Industries	198,667	23,936	Paccar	693,162
9,641	Lennar	146,414	4,402	Molex	81,175	7,175	Pall	316,911
11,336	Leucadia National	199,228	4,976	Molex Inc	76,069	10,004	Parker Hannifin	589,539
9,391	Liberty	297,792	10,990	Molson Coors Brewing	369,816	4,678	Partnerre	232,147
8,290	Liberty Global	253,204	34,413	Monsanto	1,863,605	7,718	Patterson	176,084
35,568	Liberty Interactive	445,734	14,627	Moody's	380,738	9,709	Patterson-UTI Energy	149,923
7,574	Liberty Media	456,875	91,665	Morgan Stanley	1,071,869	22,607	Paychex	526,081
7,172	Liberty Property Trust	171,166	17,317	Mosaic	674,933	17,817	Peabody Energy	455,925
11,175	Life Technologies	336,053	19,332	Motorola Mobility	579,706	6,193	Pentair	159,336
6,045	Lincare Holdings	120,115	20,895	Motorola Solutions	747,530	23,237	Peoples United Financial	230,772
19,658	Lincoln National	295,045	12,699	Murphy Oil	547,061	204,078	Pepco	3,201,780
14,084	Linear Technology	326,874	27,018	Mylan	448,107	147,458	Pepsico	7,561,510
10,871	Linn Energy	318,510	17,666	Nabors Industries	236,748	5,875	Perrigo	441,794
25,911	Loews	753,960	37,848	National Oilwell Varco	1,988,782	7,430	Petsmart	294,524
8,662	Lorillard	763,172	10,066	NCR	128,052	493,187	Pfizer	8,248,371
212,841	Lowe's	4,174,901	89,362	Netapp	2,504,954	364,756	PG&E	11,620,096
38,278	LSI	176,021	3,290	Netflix	176,184	4,700	Pharmasset	465,677
20,039	Limited Brands	624,912	35,105	New Jersey Resources	1,334,853	112,770	Philip Morris International	6,839,933
6,393	Lululemon Athletica	230,541	27,343	New York Community Bancorp	261,406	60,514	Piedmont Natural Gas	1,589,200

Country classifications are determined by the entity's country of incorporation

## Portfolio of Investments 31 December 2011

## Quoted Securities – Equities

Holding	Security Description	Market Value €	Holding	Security Description	Market Value €	Holding	Security Description	Market Value €
<b>UNITED STATES (CONTINUED)</b>			<b>UNITED STATES (CONTINUED)</b>			<b>UNITED STATES (CONTINUED)</b>		
6,732	Pinnacle West Capital	250,675	155,410	Schlumberger	8,204,697	7,776	Toll Brothers	122,719
7,690	Pioneer Natural Resources	531,804	6,086	Scripps Networks Interactive	199,527	6,540	Torchmark	219,314
12,625	Pitney Bowes	180,901	12,714	Seadrill	327,934	12,087	Total System Services	182,720
8,760	Plains Exploration & Production	248,603	28,443	Seagate Technology	360,511	3,914	Transatlantic	165,556
10,108	Plum Creek Timber	285,608	12,320	Sealed Air	163,867	26,760	Travelers	1,223,734
33,650	PNC Financial Services Group	1,499,803	3,444	Sears	84,589	7,730	Tripadvisor	150,609
3,144,650	Polo Resources	110,117	8,765	SEI Investments	117,531	19,104	Tyson Foods	304,743
9,970	PPG Industries	643,323	31,100	Semgroup	626,375	42,556	UIL	1,163,309
36,588	PPL	831,918	203,862	Sempra Energy	8,665,592	38,117	Union Pacific	3,120,886
51,792	Praxair	4,278,974	6,671	Sherwin-Williams	460,252	19,563	United Continental	285,303
9,290	Precision Castparts	1,183,166	188,500	Shui On Land	44,260	46,375	United Parcel Service	2,623,221
4,506	Priceline.com	1,628,798	7,580	Sigma-Aldrich	365,907	8,897	United States Steel	181,942
19,757	Principal Financial Group	375,626	18,702	Simon Property Group	1,863,696	58,506	United Technologies	3,304,895
208,079	Procter & Gamble	10,727,993	246,519	Sirius Xm Radio	346,754	68,397	Unitedhealth Group	2,679,001
18,952	Progress Energy	820,536	33,824	SLM	350,291	5,627	Universal Health Services	168,997
41,184	Progressive	620,991	10,376	Smithfield Foods	194,705	19,226	Unum Group	313,078
28,456	Prologis	628,763	54,906	Southern	1,964,293	74,436	Urban Outfitters	1,585,483
30,152	Prudential Financial	1,167,956	49,030	Southern Copper	1,143,617	123,076	US Bancorp	2,573,001
32,737	Public Service Enterprise Group	835,187	105,475	Southern Union	3,432,686	35,322	Valero Energy	574,641
8,235	Public Storage	855,768	51,410	Southwest Airlines	340,111	7,387	Varian Medical Systems	383,252
24,228	PVH	1,319,910	38,682	Southwest Gas	1,270,267	18,615	Ventas	793,141
10,870	QEP Resources	246,148	22,549	Southwestern Energy	556,623	10,676	Verisign	294,727
218,843	Qualcomm	9,251,652	588,204	Spectra Energy	13,978,880	9,600	Verisk Analytics	297,742
10,589	Quest Diagnostics	475,151	11,700	Spreadtrum Communications	188,806	183,044	Verizon Communications	5,675,651
10,995	Questar	168,762	196,562	Sprint Nextel	355,480	13,509	Vertex Pharmaceuticals	346,730
4,058	Ralph Lauren	433,054	3,177	SPX	147,985	7,296	VF Corporation	716,067
10,506	Range Resources	502,930	80,238	St Jude Medical	2,127,029	77,734	Viacom	2,728,110
8,950	Red Hat	285,606	11,141	Stanley Black & Decker	582,063	50,322	Virgin Media	830,705
6,521	Regency Centers	189,597	45,321	Staples	486,520	33,310	Visa	2,613,776
5,320	Regeneron Pharmaceuticals	227,906	47,780	Starbucks	1,699,017	6,024	Vmware	387,307
77,970	Regions Financial	259,117	13,037	Starwood Hotels & Resorts	483,333	11,945	Vornado Realty Trust	709,555
3,446	Renaissance Re	198,067	32,505	State Street	1,012,657	378,000	VST	36,480
526,000	Renhe Commercial	46,576	5,296	Stericycle	318,931	8,012	Vulcan Materials	243,660
23,831	Republic Services	507,415	18,988	Stryker	729,495	57,724	Walgreen	1,474,886
933,228	Resmed	1,811,737	7,485	Sunoco	237,294	165,496	Wal-Mart Stores	7,643,590
28,759	Reynolds American	920,626	35,218	Suntrust Banks	481,767	115,256	Walt Disney	3,340,366
9,083	Robert Half International	199,785	47,383	Symantec	573,108	12,257	Warner Chilcott	143,325
19,540	Rockwell Automation	1,108,007	9,292	Synopsys	195,334	271	Washington Post	78,921
9,608	Rockwell Collins	411,156	8,804	Synthes	1,140,696	29,533	Waste Management	746,599
6,412	Roper Industries	430,490	37,605	Sysco	852,427	5,670	Waters	324,495
14,788	Ross Stores	543,221	34,798	T Rowe Price Group	1,531,607	6,575	Watson Pharmaceuticals	306,620
6,947	Rovi	131,971	27,428	Targa Resources	862,544	2,313	Weight Watchers International	98,337
7,836	Rowan	183,682	43,958	Target	1,740,110	7,511	Weingarten Realty Investors	126,664
12,726	RR Donnelley & Sons	141,925	18,087	TD Ameritrade	218,766	22,317	Wellpoint	1,142,670
3,213	Ryder System	131,957	13,341	Teco Energy	197,347	339,100	Wells Fargo & Co	7,222,812
23,147	Safeway	376,391	3,151	Telephone & Data Systems	63,049	14,382	Western Digital	344,016
23,131	Saic	219,708	11,115	Teradata	416,716	126,788	Western Union	1,789,280
21,604	Salesforce.com	1,694,058	96,093	Texas Instruments	2,161,888	33,271	Weyerhaeuser	480,075
15,611	Sandisk	593,722	66,340	Thermo Fisher Scientific	2,305,673	43,272	WGL	1,478,853
38,642	Sara Lee	565,041	7,895	Tiffany & Co	404,299	4,719	Whirlpool	173,056
94,051	SBA Communications	3,122,676	64,209	Time Warner	1,793,426	500	White Mountains Insurance	175,230
7,870	Scana	274,072	20,474	Time Warner Cable	1,005,899	11,340	Whole Foods Market	609,813
			24,572	TJX	1,225,846	37,635	Williams	960,436

Country classifications are determined by the entity's country of incorporation

## Portfolio of Investments 31 December 2011

## Quoted Securities – Equities

Holding	Security Description	Market Value €	Holding	Security Description	Market Value €	Holding	Security Description	Market Value €
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## JAPAN

## UNITED STATES (CONTINUED)

35,029	Windstream	317,830
14,525	Wisconsin Energy	392,452
9,108	WR Berkley	242,078
4,540	WW Grainger	656,807
10,864	Wyndham Worldwide	317,633
6,187	Wynn Resorts	528,326
29,913	Xcel Energy	638,995
92,895	Xerox	571,485
116,520	Xilinx	2,887,110
19,308	XL Group	295,014
12,326	Xylem	244,729
80,716	Yahoo	1,006,221
43,756	Yum Brands	1,995,550
12,261	Zimmer	506,208
11,045	Zions Bancorporation	138,969

**937,214,584**% of Total Investments **7.02%****Total North American Equities****1,041,835,361****% of Total Investments****7.80%**

## JAPAN

21,000	77th Bank	69,581
1,700	ABC-Mart	49,660
3,082	Acom	42,385
9,600	Advantest	70,228
39,300	Aeon	414,572
5,000	Aeon Credit Service	60,679
900	Aeon Fantasy	11,201
6,300	Aeon Mall	102,737
2,300	Ahrestypr	8,470
500	Aichi Bank	22,255
10,000	Air.Water	97,804
7,100	Airporation	23,454
16,200	Airport Facilities	49,796
9,800	Aisin Seiki	214,583
34,000	Ajinomoto	313,533
8,000	Akita Bank	17,725
4,800	Alfresa	155,449
55,000	All Nippon Airways	118,014
8,400	Alpen	113,593
2,000	Alpharp	17,505
8,600	Alps Electric	45,403
19,000	Amada	92,535
1,700	Amuse	16,610
7,300	AOC	33,950
21,000	Aoyama Trading	303,054
43,628	Aozora Bank	92,307
2,000	Argo Graphics	20,020
4,500	Asahi Broadcasting	17,740
58,000	Asahi Glass	373,932
24,200	Asahi Group	408,164
70,000	Asahi Kaseirp	324,152
6,000	Asahi Kogyosha	19,760
2,200	Asatsu-DK	44,417
10,000	Asics	86,627
3,000	Aska Pharmaceutical	13,713
23,400	Astellas Pharma	730,958
1,800	Autobacs Seven	63,234
11,000	Awa Bank	56,866
7,000	Bando Chemical	20,259
19,000	Bank of Kyoto	125,719
69,000	Bank of Yokohama	250,659
34,950	Belluna	199,166
5,300	Benesse	197,031
267	Best Bridal	186,260
5,300	BML	96,267
40,700	Bridgestone	708,797
18,700	Brother Industries	176,362
7,000	Bunka Shutter	18,303
66,000	Calsonic Kansei	289,162
21	Can Do	17,458
88,400	Canon	3,008,423
4,900	Canon Marketing Japan	44,012
3,300	Capcom	59,874
13,400	Casio Computer	62,453
107	Central Japan	694,112

## JAPAN (CONTINUED)

2,800	Century Tokyo Leasing	40,659
45,000	Chiba Bank	222,754
14,500	Chiyoda.	122,066
291,000	Chori	249,760
38,100	Chubu Electric Power	546,404
20,000	Chuetsu Pulp & Paper	25,948
15,000	Chugai Pharmaceutical	189,970
6,000	Chugai Ro	14,850
12,000	Chugoku Bank	128,503
18,600	Chugoku Electric Power	250,413
2,800	Circle K Sunkus	35,629
16,900	Citizen Holdings	75,392
4,000	Cleanup	19,242
3,500	Coca-Cola West Company	46,632
10,300	Coca Cola Central	100,944
5,400	Computer Engineering	19,886
7,000	Comsys	56,447
2,600	Corona	31,449
41,000	Cosmo Oil	87,974
12,200	Credit Saison	187,870
194	Crooz	234,271
35,000	Dai Nippon Printing	258,483
18,000	Daicelrp	84,252
21,000	Daido Steel	101,228
33,000	Daihatsu Diesel	109,671
12,000	Daihatsu Motor	164,551
19,000	Daiho Construction	17,445
6,200	Daiichi Kosho	90,030
669	Dai-Ichi Life Insurance	505,422
35,100	Daiichi Sankyo Company	534,557
14,500	Daikin Industries	305,050
165,000	Daikyo	250,299
2,300	Dainichi	16,252
13,000	Dainippon Screen	84,202
10,200	Dainippon Sumitomo Pharma	89,275
18,000	Daishi Bank	45,090
5,300	Daito Trust Construction	349,102
30,000	Daiwa House Industry	274,850
115,000	Daiwa Securities Group	275,449
14,764	Data Communications Systems	131,874
7,400	Dena	170,525
33,000	Denki Kagaku Kogyo	93,862
29,500	Denso	625,918
9,300	Dentsu	218,021
44,000	DIC	61,477
1,100	Disco	44,077
3,700	Don Quijote	97,522
20,000	Dowa Holding	97,206
5,000	Dydo Drinco	152,196
19,900	East Japan Railway	973,154
22,000	Ebara	58,184
56,300	Edion	352,858
9,000	Eighteenth Bank	17,515

## Portfolio of Investments 31 December 2011

## Quoted Securities – Equities

Holding	Security Description	Market Value €	Holding	Security Description	Market Value €	Holding	Security Description	Market Value €
<b>JAPAN (CONTINUED)</b>			<b>JAPAN (CONTINUED)</b>			<b>JAPAN (CONTINUED)</b>		
14,900	Eisai	473,618	12,000	Higo Bank	52,096	4,400	Ito En	58,140
1,200	Eizo Nanao	18,886	1,100	Hikari Tsushin	21,045	12,700	Itochu Fuel	54,754
11,200	Electric Power Development	228,806	1,600	Hi-Lex	19,114	1,600	Itochu Techno Solutions	55,170
13,500	Elpida Memory	48,234	15,000	Hino Motors	69,910	79,300	Itochu	618,888
1,600	Exedy	35,465	4,800	Hinokiya	48,335	10,200	IT Holdings	94,162
7,000	Ezaki Glico	60,569	2,000	Hirose Electronics	134,731	24,000	Iwatsu Electric	16,527
384	Faith	31,042	30,000	Hiroshima Bank	107,186	16,000	Iyo Bank	121,357
5,000	Familymart	155,190	3,300	Hisamitsu Pharmaceutical	107,365	3,500	Izumi	44,466
11,900	Fanuc	1,399,022	225,000	Hitachi	907,186	26,200	J Front Retailing	97,269
3,500	Fast Retailing	489,022	10,000	Hitachi Cable	16,267	8,700	J Trust	46,365
114	Fields	134,707	5,800	Hitachi Capital	61,762	74,000	Jaccs	169,860
8,100	F-Tech	69,844	6,700	Hitachi Chemical	90,671	2,300	Jafco	32,434
36,000	Fuji Electric	75,808	2,600	Hitachi High Technologies	43,333	60,700	Japan Airport Terminal	606,394
38,000	Fuji Heavy Ltd	176,347	3,100	Hitachi Koki	18,130	4,800	Japan Carlit	19,018
6,000	Fuji Kiko	12,635	10,000	Hitachi Metals	83,533	2,300	Japan Digital Laboratory	17,445
3,200	Fuji Machine Manufacturing	43,880	2,100	Hitachi Transport Systems	27,707	2,100	Japan Petroleum	63,084
30	Fuji Media	34,940	5,500	Hitachi Construction Machinery	71,138	18,000	Japan Steel Works	96,108
12,259	Fuji Soft	169,448	11,100	Hokkaido Ele Power	121,413	333	Japan Tobacco	1,203,054
25,800	Fujifilm	469,395	8,000	Hokkan	17,565	30,200	JFE	420,148
23,000	Fujikura	51,647	17,000	Hokkoku Bank	47,844	93,000	JFE Shojj	297,934
26	Fujishoji	20,888	12,000	Hokuetsu Bank	18,683	13,000	JGC	239,760
8,000	Fuji-Tec	38,483	71,000	Hokuhoku Financial Group	106,287	4,000	Jidosha Buhin Kog	16,248
103,000	Fujitsu	411,178	10,600	Hokuriku Electric Power	152,018	42,000	Joyo Bank	142,515
2,400	Fukoku	16,240	90,100	Honda Motor	2,111,325	15,600	JS Group	229,641
600	Fukuda Denshi	13,072	8,500	H-One	46,487	13,000	JSR	184,232
58,000	Fukuoka Financial Group	186,966	3,600	Hoshizaki Electric	64,958	23,000	JTEKT	173,762
7,000	Fukuyama Transporting	32,485	14,000	Hosiden	71,816	18,000	Juroku Bank	45,090
118	Fullcast	20,350	3,400	House Food Industrial	49,134	8,500	Justsystem	12,300
700	Funai Electric	12,931	29,000	Hoya Pentax HD	479,860	61,900	JVC Kenwood	164,325
34,000	Furukawa Electric	60,060	4,500	Hulic	40,329	124,690	JX	578,651
1,300	Fuso Chemical	26,882	12,000	Hyakugo Bank	36,527	6,900	Kagome	105,428
122,500	Futaba Industrial	530,589	15,000	Hyakujushi Bank	51,497	10,000	Kagoshima Bank	53,892
56	Future Architect	16,766	7,700	Ibiden	116,960	53,000	Kajima	124,830
1,000	G Tekt	11,367	1,000	IBJ Leasing	17,066	1,900	Kakaku.com	53,511
2,100	Gaia	9,222	1,300	Idemitsu Kosan	103,014	17,000	Kamei	123,852
2,200	Gamecard-Joyco	28,521	7,000	Ihara Chemical Industries	19,770	14,000	Kamigumi	92,774
3,300	Glory Kogyo	54,572	75,000	IHI	139,970	17,000	Kanamoto	101,966
6,100	Gree	161,449	15,900	Iida Home Max	91,401	5,000	Kandenko	18,613
20,000	GS Yuasa	82,635	2,600	Imasen Electric Industries	22,341	11,000	Kaneka	45,010
4,000	Gulliver International	126,547	1,000	IMI	15,449	222,000	Kanematsu	159,521
24,000	Gunma Bank	101,317	14,700	Inabata & Co	67,632	46,800	Kansai Electric Power	551,605
4,900	H.I.S.	107,487	43	Infocom	37,807	14,000	Kansai Paint	95,988
7,000	H20 Retailing	41,008	2,600	Information Services International	19,798	24,000	Kansai Urban Banking	29,461
26,000	Hachijuni Bank	113,912	21,100	Innotech	107,395	34,800	Kao	730,383
2,060	Hakuhodo Dy	90,870	183	Inpex	885,778	19,000	Kasai Kogyo	73,762
2,600	Hakuto	19,435	20,180	Isetan Mitsukoshi	162,528	12,000	Kasumi	58,802
4,300	Hamamatsu Photonics	115,568	85,000	Isuzu Motors	301,996	22,100	Kato Sangyo	327,751
84,000	Hankyu Hanshin	271,617	3,500	ITC Networks	17,081	1,400	Kawada Technologies	14,154
3,800	Happinet	26,737	6,600	Itfor	17,389	21,000	Kawai Musical Instruments	29,970
96,500	Haseko	49,117				82,000	Kawasaki Heavy Industries	157,126
29,000	Heiwa Real Estate	44,281				37,000	Kawasaki Kisen Kaisha	51,327
12,300	Heiwa	163,141				6,000	Kayaba Industry	21,796
2,700	Hibiya Engineering	22,284				224	KDDI	1,106,587
5,200	Hiday Hidaka	65,649				39,000	Keihan Electric Railway	143,234

Country classifications are determined by the entity's country of incorporation

## Portfolio of Investments 31 December 2011

## Quoted Securities – Equities

Holding	Security Description	Market Value €	Holding	Security Description	Market Value €	Holding	Security Description	Market Value €
<b>JAPAN (CONTINUED)</b>			<b>JAPAN (CONTINUED)</b>			<b>JAPAN (CONTINUED)</b>		
27,000	Keikyū	186,198	3,950	Meiji	125,951	6,000	Naikai Zosen	19,701
33,000	Keio	178,832	7,000	Melco	145,379	11,800	Namco Bandai	129,070
18,000	Keisei Electric Railway	101,677	3,400	Micronics Japan	13,980	9,900	Namura Shipbuilding	27,269
9,000	Keiyo Bank Ltd	34,222	7,800	Mikuni Coca Cola	53,168	18,000	Nanto Bank	76,527
7,500	Kewpie	81,961	16,978	Mimasu Semiconductor Industry	108,781	2,759	Nec Fielding	27,315
2,750	Keyence	509,381	26,000	Minebea	83,553	1,900	Nec Mobiting	48,922
11,000	Kikkoman Shoyu	97,046	1,500	Ministop	21,542	15,600	NEC System Integration & Construction	174,838
13,000	Kinden	84,331	3,100	Miraca	94,825	173,000	NEC	269,341
30,000	Kinki Sharyo	73,353	8,400	Miraito	48,623	8,000	New Japan Radio	8,782
113,000	Kintetsu	339,451	7,900	Misawa Homes	48,803	17,000	NGK Insulators	155,070
48,000	Kirin	448,383	2,800	Misumi Group	49,405	12,000	NHK Spring	81,677
3,000	Kissei Pharmaceutical	47,455	2,100	Mitani	18,967	5,000	Nichias	21,257
1,400	Kobayashi Pharmaceuticals	56,587	6,000	Mitsuba	36,048	17,100	Nichiha	141,305
155,000	Kobe Steel	184,082	75,500	Mitsubishi Chemical	319,481	28,300	Nichii Gakkan	265,207
2,300	Kohnan Shoji	29,037	107,000	Mitsubishi Electric	788,084	15,000	Nichirei	55,838
6,000	Koito Manufacturing	64,671	69,000	Mitsubishi Estate	791,916	5,000	Nichireki	18,114
44,900	Kojima	225,844	24,000	Mitsubishi Gas & Chemical	102,275	4,000	Nidec Sankyo	19,561
6,200	Kokuyo	33,661	224,000	Mitsubishi Heavy Industries	733,253	7,200	Nidec	480,719
9,000	Komaihaltec	16,168	9,000	Mitsubishi Logistics	76,796	99	Nifty	84,278
66,800	Komatsu	1,199,333	67,000	Mitsubishi Material	139,751	2,400	Nihon Plast	13,413
2,600	Komeri	61,653	275,000	Mitsubishi Motor	249,751	41,400	Nihon Unisys	202,868
6,900	Konami	158,728	11,000	Mitsubishi Tanabe Pharma	133,713	16,000	Nihon Yamamura Glass	30,818
27,000	Konica Minolta	154,671	939,370	Mitsubishi UFJ Financial Group	3,065,609	20,100	Nikon	343,826
1,500	Kose	28,877	3,120	Mitsubishi UFJ Lease & Finance	94,970	7,100	Nintendo	751,098
32,400	K'S	986,228	82,400	Mitsubishi	1,278,762	14,000	Nippon Beet Sugar	21,377
43,000	Kubota	276,796	90,800	Mitsui & Co	1,084,707	8,000	Nippon Densetsu Kogyo	59,242
71,000	Kumagai-Gumi	48,892	50,000	Mitsui Chemicals	117,265	25,000	Nippon Electric Glass	190,120
32,000	Kurabo Industries	46,627	40,000	Mitsui Engineering & Shipping	47,904	54,000	Nippon Express	161,677
25,500	Kuraray	278,668	59,000	Mitsui Fudosan	660,659	25,000	Nippon Flour Mills	84,830
6,800	Kurita Water Industries	135,729	4,700	Mitsui High-Tec	15,338	9,000	Nippon Kayaku	66,647
6,500	Kuroda Electric	54,037	2,000	Mitsui Home	7,844	11,000	Nippon Meat Packers	104,950
900	Kusuri No Aoki	11,838	37,000	Mitsui Mining & Smelting	73,483	13,000	Nippon Paint	69,152
12,600	Kyocera	778,383	61,000	Mitsui O.S.K. Lines	181,417	5,600	Nippon Paper	93,892
6,100	Kyokuto Kaihatsu	30,865	5,600	Mitsumi Electric	32,024	6,000	Nippon Paper Packing	33,713
15,193	Kyowa Hakko Kirin	142,832	10,000	Miyazaki Bank	18,862	25,000	Nippon Piston Ring	37,924
13,000	Kyudenko	61,108	1,587,560	Mizuho Financial Group	1,647,767	15,889	Nippon Road	34,886
23,500	Kyushu Electric Power	258,453	6,000	Mochida Pharmaceutical	51,737	5,000	Nippon Seisen	18,663
9,700	Lac	49,371	5,700	Mori Seiki	39,024	63,000	Nippon Sheet Glass	90,539
4,900	Lawson	234,975	42,637	MS&AD Insurance Group	606,790	11,000	Nippon Shokubai	90,788
2,400	Lintec	33,389	268	MTI	252,220	13,000	Nippon Steel Trading	26,856
16,000	Lion	72,655	1,000	Murakami	7,924	340,000	Nippon Steel	651,497
10	M3	34,631	14,900	Murata Manufacturing	588,119	17,000	Nippon Synthetic Chem Industry	75,160
2,000	Mabuchi Motor	63,972	5,900	Musashi Seimitsu Industries	97,980	32,000	Nippon Tel & Tel	1,256,687
1,100	Macnica	19,464	1,600	Musashino Bank	40,894	390	Nippon Television Network	45,850
44,000	Maeda Road Construction	354,371	8,000	N.G.K. Spark Plug	76,248	85,000	Nippon Yusen	167,116
6,000	Maeda	16,886	4,000	Nabtesco	56,008	52,000	Nippo	381,956
7,000	Makita	174,022	1,700	NAC	24,584	4,000	Nipro	25,828
87,000	Marubeni	407,216	5,000	Nagase & Co	41,866	371,000	Nishimatsu Construction	488,743
50,000	Marudai Food	140,719	46,000	Nagoya Railroad	95,030	42,000	Nishi-Nippon City Bank	92,635
15,300	Marui Group	91,617				19,000	Nishi-Nippon Railroad	69,780
4,500	Maruichi Steel Tube	77,111				3,400	Nishio Rent All	19,850
6,900	Matsui Securities	25,892				11,000	Nissan Chemical Industries	81,786
2,600	Matsumotokiyoshi	40,427				150,000	Nissan Motor	1,035,928
3,900	Matsuya Foods	61,925						
90,000	Mazda Motor	122,156						
11,700	Medipal	93,880						

Country classifications are determined by the entity's country of incorporation

## Portfolio of Investments 31 December 2011

## Quoted Securities – Equities

Holding	Security Description	Market Value €	Holding	Security Description	Market Value €	Holding	Security Description	Market Value €
<b>JAPAN (CONTINUED)</b>			<b>JAPAN (CONTINUED)</b>			<b>JAPAN (CONTINUED)</b>		
2,200	Nissha Printing	20,946	450	Point	14,686	21,400	Shin-Etsu Chemicals	809,441
2,700	Nisshin Fudosan	11,749	15,000	Press Kogyo	55,539	4,400	Shinko Electric Industries	23,010
13,000	Nisshin Seifun Group	121,048	50,000	Prima Meat Packers	62,874	4,200	Shinko Shoji	25,611
48,000	Nisshin Steel	56,527	10,400	Raito Kogyo	43,800	133,119	Shinsei Bank	106,283
9,000	Nisshinbo	62,335	3,200	Relo	61,541	16,000	Shinsho	28,902
6,000	Nissin Foods	180,539	13,000	Rengo	69,671	17,600	Shionogi & Co	173,717
1,950	Nitori	140,509	125,100	Resona	423,243	20,700	Ship Healthcare	347,479
13,000	Nittan Value	34,122	37,000	Ricoh	247,774	35,000	Shiroki	75,798
8,600	Nitto Denko	236,371	14,800	Ricoh Leasing	254,200	19,800	Shiseido	279,611
8,000	Nitto Seiko	16,287	10,000	Riken	28,842	34,000	Shizuoka Bank	275,190
27,500	NKSJ	414,421	2,700	Rinnai	148,473	5,500	Shizuokagas	26,841
18,000	NOF	70,599	1,400	Riso Kagaky	15,383	78,000	Showa Denko	121,437
4,913	Nojima	29,664	7,600	Rohm	272,295	7,100	Showa Shell Sekiyu	36,775
8,300	NOK	109,590	6,000	Rohto Pharmaceutical	59,222	5,800	Showa	25,701
246,500	Nomura Holding	573,199	20,000	Ryobi	56,287	409	Sky Perfect Jsat	157,355
11,400	Nomura Research Institute	197,964	1,800	Ryohin Keikaku	67,455	3,600	SMC	446,228
4,900	Nomura RI	56,042	1,400	Sakai Moving Services	22,425	14,000	SNT Corporation	46,667
17,500	Noritz	245,035	10,000	Sakata Inx	34,631	55,100	Softbank	1,246,624
1,000	NS Solutions	15,309	36,000	San-Ai Oil	117,485	1,400	Software Service	25,150
27,000	NSK	134,731	8,000	San-In Godo Bank	46,068	3,200	Sohgo Security Services	25,932
27,000	NTN	83,533	20,000	Sanki Engineering	80,040	109,900	Sojitz	130,520
76	NTT Data	186,435	3,200	Sankyo	124,391	1,800	Soken Chemical & Engineering	12,539
1,167	NTT Docomo	1,648,009	26,000	Sankyo-Tatetama Ho	29,321	11,923	Sony Financial	134,937
85	NTT Urban Development	44,536	12,400	Sanoh Industrial	67,074	66,300	Sony	914,437
69	Nuflare Technology	186,135	73,200	Sanoyas	229,389	24,000	Sotetsu	56,527
11,000	Obayashi Road	20,309	2,900	Sanrio	114,466	2,900	Square Enix	43,732
36,000	Obayashi	122,874	4,200	Santen Pharmaceutical	132,874	2,100	SRI Sports	17,584
320	Obic	47,042	51	Sanyo Housing Nagoya	37,716	8,800	Stanley Electric	99,329
37,000	Odakyu Electric Railway	274,731	19,200	Sapporo Hokuyo	52,886	10,500	Studio Alice	126,063
42,000	Oenon	75,449	19,000	Sapporo	55,180	2,100	Sugi	47,030
17,000	Ogaki Kyoritsu Bank	42,585	16,000	Sasebo Heavy Industries	19,960	6,600	Sumco	37,479
11,000	Ohsho Food Service	201,228	800	Sawai Pharmaceutical	63,792	48,000	Sumikin Bussan	93,413
7,000	Oita Bank	15,509	9,000	Saxa	9,790	13,000	Sumitomo Bakelite	55,918
54,000	Oji Paper	212,874	1,540	SBI	86,683	82,000	Sumitomo Chemical	229,960
7,200	Okabe	27,521	11,600	Secom	410,978	39,500	Sumitomo Electric Industries	330,349
8,000	Okuma	39,281	13,100	Sega Sammy	217,418	8,400	Sumitomo Forestry	57,006
6,000	Okura Industrial	14,192	14,000	Seika	28,643	30,000	Sumitomo Heavy Industries	134,431
13,400	Olympus	135,337	9,600	Seiko Epson	98,012	241,000	Sumitomo Metal Industries	336,727
15,800	Omron	243,938	92,450	Seino	550,825	39,000	Sumitomo Metal Mining	384,940
5,900	Ono Pharmaceutical	254,371	27,000	Sekisui Chemical	171,108	93,800	Sumitomo Mitsui Group	2,007,058
9,000	Onward	50,749	34,000	Sekisui House	231,756	273,679	Sumitomo Mitsui Trust	617,280
1,600	Oracle Japan	40,671	2,000	Sekisui Jyshi	15,509	30,000	Sumitomo Osaka Cement	62,874
3,000	Oriental Land	243,413	1,900	Senshu Electric	17,919	18,000	Sumitomo Precision	85,150
7,340	Orix	465,892	57,900	Senshu Ikeda	65,296	550	Sumitomo Real Estate Sale	16,495
103,000	Osaka Gas	312,495	4,200	Senshukai	21,671	32,000	Sumitomo Realty & Development	430,499
1,100	Osaka Titanium Technologies	37,380	44,200	Seven & I	946,198	8,600	Sumitomo Rubber Industries	79,305
27,900	Otsuka	602,551	55,000	Sharp	369,411	62,600	Sumitomo	650,990
800	Otsuka Shokai	42,315	13,000	Shiga Bank	67,984	1,300	Sundrug	30,255
4,000	Pacific Industrial	14,810	11,200	Shikoku Electric Power	246,579	13,000	Suruga Bank	89,391
10,000	Pacific Metals	37,226	1,800	Shima Seiki Manufacturing	23,587	3,300	Suzuken	70,281
8,000	Panahome	41,677	3,300	Shimachu	58,129			
153,870	Panasonic	1,004,301	15,000	Shimadzu	97,605			
7,200	Park 24	73,437	1,200	Shimamura	94,252			
1,000	Piolax	16,737	4,600	Shimano	171,697			
23,800	Pocket Card	60,806	38,000	Shimizu	122,495			
			27,000	Shindengen Electric Manufacturing	87,036			

Country classifications are determined by the entity's country of incorporation

## Portfolio of Investments 31 December 2011

## Quoted Securities – Equities

Holding	Security Description	Market Value €	Holding	Security Description	Market Value €	Holding	Security Description	Market Value €
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JAPAN (CONTINUED)			JAPAN (CONTINUED)			JAPAN (CONTINUED)		
27,900	Suzuki Motor	443,281	1,700	Tomoe Engineering	23,447	3,600	Yamatake	60,144
2,200	Systemex	55,066	5,000	Tomoku	10,180	23,300	Yamato	301,598
16,000	T Rad	40,719	19,000	Tonen Gen Sekiyu	159,471	3,400	Yamato Kogyo	74,990
33,500	T&D	239,716	7,100	Toppan Forms	41,594	2,300	Yamaya	23,643
32,500	Tachi-S	437,226	35,000	Toppan Printing	197,705	7,000	Yamazaki Baking	70,629
16,572	Taihei Dengyo Kaisha	98,241	4,600	Topre	34,753	9,900	Yamazaki	55,725
24,000	Taihei Kogyo	98,204	81,000	Toray Industries	445,419	13,000	Yaskawa Electric Manufacturing	84,980
59,000	Taiheiyo Cement	86,557	1,300	Torii Pharmaceutical	18,748	1,800	Yasunaga	9,521
3,100	Taiho Kogyo	20,698	100,000	Toshiba Tec	273,453	6,600	Yellow Hat	80,886
58,000	Taisei	112,874	211,000	Toshiba	663,323	12,900	Yokogawa Electric	89,476
4,499	Taisho Pharmaceutical	266,707	29,000	Tosoh	59,621	17,000	Yokohama Rubber	73,293
20,000	Taiyo Nippon Sanso	107,186	6,000	Totetsu Kogyo	39,641	14,000	Yonekyu	103,673
8,000	Taiyo Yuden	45,828	18,000	Toto	106,707	4,600	Yorozu	80,707
1,500	Takamatsu	18,249	40,600	Towa	167,343	197,000	Yuasa Trading	222,166
12,000	Takara	59,281	33,000	Toyo Kohan	87,605	5,000	Yurtec	19,112
23,400	Takara Leben	106,024	11,200	Toyo Seikan Kaisha	117,365	28	Zappallas	21,824
16,000	Takashimaya	88,942	5,000	Toyo Suisan Kaisha.	93,064	12,000	Zeon	80,000
2,700	Takata	42,467	18,000	Toyo Tire & Rubber	31,437	6,000	Zojirushi	15,629
39,200	Takeda Pharmaceutical	1,322,315	57,000	Toyobo	59,162	6,000	Zuken	31,796
8,000	Takiron	20,838	3,300	Toyoda Gosei	40,410			
6,000	Tayca	18,323	4,800	Toyota Boshoku	38,467			
6,000	TBK	22,036	8,700	Toyota Industries	181,901			
6,500	TDK	221,208	156,775	Toyota Motor	4,013,252			
50,000	Teijin	118,263	9,700	Toyota Tsushu	131,753			
4,400	Tera Probe	35,876	13,100	Trans Cosmos	120,541			
10,600	Terumor	383,483	7,100	Trend Micro	163,045			
9,100	THK	137,771	7,100	TSI	26,926			
15,000	Toa Doro Kogyo	21,856	3,400	Tsumura & Co	77,026			
136,000	Toagosei	428,902	12	TV Asahi	15,198			
16,000	Toar	20,758	49,000	Ube Industries	103,184			
72,000	Tobu Railway	282,395	2,400	Ulvac	22,611			
16,000	Toda Construction	44,711	6,900	Unicharm	261,332			
9,700	Toho	132,818	40,000	Uniden	102,994			
460,000	Toho Gas	2,249,501	8,740	Unipres	192,943			
1,900	Toho Titanium	25,125	9,500	UNY	65,704			
25,000	Tohoku Electric Power	184,381	32,230	Usen	17,369			
11,000	Tokai Carbon	45,888	6,300	U-Shin	38,982			
2,400	Tokai Rika Denki	28,240	6,700	Ushio Electric	74,355			
2,000	Tokai Rubber Industries	17,026	1,500	USS	104,192			
3,500	Tokai	59,346	7,300	Utoc	17,849			
3,430	Token	89,276	3,000	Valor	35,838			
40,300	Tokio Marine	685,744	36,900	VT	121,527			
5,000	Toku Electric	14,321	7,000	Wacoal	71,397			
17,000	Tokuyama	41,567	5,000	Wakita	28,144			
2,300	Tokyo Broadcasting Systems	22,725	6,200	Warabeya Nichyo	62,186			
79,100	Tokyo Electric Power	144,464	1,203	Watabe Wedding	8,524			
8,900	Tokyo Electron	347,740	9,900	West Japan Railway	330,494			
2,180,000	Tokyo Gas	7,701,796	2,600	Yachiyo Industry	11,910			
22,000	Tokyo Nissan Auto	29,421	1,160	Yahoo Japan	286,990			
7,500	Tokyo Steel Manufacturing	46,856	11,700	Yakult Honsha	283,159			
21,000	Tokyo Tatemono	48,832	6,490	Yamada Denki	339,397			
26,000	Tokyu Land	75,509	13,000	Yamaguchi Financial Group	95,359			
18,700	Tokyu Construction	34,526	17,400	Yamaha Motor	169,138			
62,000	Tokyu	234,511	9,500	Yamaha	66,936			
			5,200	Yamaichi Electronics	8,770			
						<b>Total Japanese Equities</b>	<b>136,461,946</b>	
						<b>% of Total Investments</b>	<b>1.02%</b>	

Country classifications are determined by the entity's country of incorporation







## Portfolio of Investments 31 December 2011

## Quoted Securities – Equities

Holding	Security Description	Market Value €	Holding	Security Description	Market Value €	Holding	Security Description	Market Value €
<b>CHILE (CONTINUED)</b>			<b>CHINA (CONTINUED)</b>			<b>CHINA (CONTINUED)</b>		
823,520	Enerdis	646,369	226,000	China Railway Group	54,639	812,000	Maanshan Iron & Steels	201,162
32,068	Entel Telecommunication	462,211	537,500	China Railway Construction	228,883	167,000	Metallurgical Corporation of China	29,243
165,571	Gener	67,945	116,200	China Rongsheng Heavy Industry	24,741	69,500	Parkson Retail Group	65,828
7,841	Lan Chile	141,757	1,311,700	China Shanshui Cement Group	674,708	94,000	Peoples Food	36,328
5,473	Quimica y Minera	226,964	497,500	China Shenhua Energy	1,668,068	3,636,000	Petrochina	3,498,171
17,415	Saci Falabella	104,314	231,000	China Shipping Container Lines	40,680	1,786,400	PICC Property & Ca	1,866,202
7,500	Sociedad Quimica y Minera	312,138	450,000	China Shipping	217,143	335,000	Ping An Insurance	1,706,497
33,208	Vina Concha y Toro	48,740	124,000	China Southern Airlines	48,485	37,951	RCG	2,612
		<b>5,438,904</b>	1,242,000	China Taisan	67,937	55,000	Sany Heavy Equipment	34,638
	% of Total Investments	<b>0.04%</b>	2,214,000	China Telecom	973,623	1,234,000	Semiconductor Manufacturing	46,040
<b>CHINA</b>			218,000	China Zenith Chemical	8,242	96,000	Shandong Weigao Group Medical	66,764
162,000	AAC Acoustic Technologies	281,094	51,500	China Zhengtong Auto Services	39,044	892,000	Shanghai Electric Group	318,603
1,024,000	Agricultural Bank of China	340,281	110,800	China Zhongwang	29,323	29,100	Shanghai Pharmaceuticals	36,422
2,476,000	Air China	1,414,013	242,000	China Coal Energy	201,767	90,000	Shimao Property	59,367
228,000	Aluminum Corporation of China 'H'	76,673	122,000	China Communications Services	42,483	420,000	Sichuan Expressway	130,375
496,000	Angang Steel H	275,857	1,367,000	China Communications Construction	825,559	106,000	Sihuan Pharmaceutical	29,002
114,000	Anhuinch Cement	261,437	10,667,300	China Construction Bank Corporation	5,752,340	172,500	Sino-Ocean Land	61,785
59,700	Anta Sports Products	54,824	134,400	Chongqing Rural Commercial	53,755	160,000	Sinopec Shanghai Petrochemical	41,230
108,000	Avichina Industry	34,922	2,818,000	Cnooc	3,807,426	32,800	Sinopharm Group	60,894
10,570,600	Bank of China	3,007,852	147,000	Cosco Development	55,869	116,000	Sinotel Technologies	7,518
442,200	Bank of Communications	238,896	2,601,000	Country Garden	753,050	2,361,000	Soho China	1,214,443
522,000	Baofeng Modern International H	58,687	107,500	CSR	47,488	111,000	Sun Art Retail Group	107,234
59,500	BMG Corporation H	30,546	139,000	Dapai International	5,455	604,000	Sunvic Chemicals	158,012
1,464,000	Beijing Capital International Airport	568,063	178,000	Daqing Dairy	25,679	69,400	Tencent	1,077,837
992,000	BYD Electronic International	218,120	214,000	Datang International Power	54,719	116,000	Tingyi Cayman	272,371
28,500	BYD 'H'	47,750	98,400	Dongfang Electric	225,172	20,000	Tsingtao Brewery	85,564
73,320	Changsha Zoomlion Heavy Industries	60,985	562,000	Dongfeng Motor Group Cie	744,786	534,900	Want Want China	412,444
1,480	Chiho-Tiande Group	604	1,507,000	Dongyue Group	767,669	72,000	Weichai Power 'H'	273,644
512,000	China Bluechemical	299,528	66,000	Eagle Nice	9,915	61,000	World Precision Machinery	15,414
3,445,400	China Citic Bank	1,498,000	66,000	Far East Horizon	45,506	1,076,000	Yangzijiang Shipbuilding	582,175
194,000	China Dongxiang	25,478	109,800	Fosun International	44,353	658,000	Yanzhoual Mining	1,085,428
286,000	China Hongxing Sports	19,555	191,000	Fuxing China Group	5,224	53,000	Yingde Gases Group	41,816
60,182	China King-Highway	93,364	805,250	Great Wall Motor Company	908,520	84,000	Zhaojin Mining Industry	103,130
451,000	China Life Insurance	861,526	126,000	Guangzhou Automobile Group	81,234	1,870,000	Zhejiang Expressway H	937,698
106,002	China Longyuan Power Group	64,017	421,600	Guangzhou R&F Properties	257,549	33,500	Zhongsheng Group	43,129
609,000	China Merchants	951,278	914,000	Harbin Electric	616,548	30,200	Zhuzhou CSR Times Electric	51,140
262,000	China Milk Products Group	-	208,000	Huaneng Power	85,468	2,029,000	Zijin Mining Group	589,462
230,000	China Minsheng Banking	154,005	13,994,572	Industrial & Commercial Bank	6,418,762	33,600	ZTE	81,401
401,000	China Minzhong Food	194,313	549,600	Intime Department Store Group	434,715			<b>58,203,880</b>
530,578	China National Building Materials	465,595	1,108,000	Jiangsu Expressway 'H'	788,200		% of Total Investments	<b>0.44%</b>
369,000	China National Materials	101,327	570,000	Jiangxi Copper 'H'	951,607	<b>COLOMBIA</b>		
272,000	China Oilfield Services-H	331,780	203,000	Li Heng Chemical Fibre	14,846	11,337	Almacenes Exito	114,701
102,600	China Pacific Insurance	225,595	186,800	Lianhua Supermarket	184,551	13,447	Bancolombia	152,187
2,626,000	China Petroleum and Chemical	2,134,556	72,400	Longfor Properties	63,245	16,246	Bancolombia (Preference)	178,312
			128,000	Lonking	33,366	15,759	Cementos Argos	68,009
						95	Corporation Financiera Colombiana	1,239

Country classifications are determined by the entity's country of incorporation

## Portfolio of Investments 31 December 2011

## Quoted Securities – Equities

Holding	Security Description	Market Value €	Holding	Security Description	Market Value €	Holding	Security Description	Market Value €
<b>COLOMBIA (CONTINUED)</b>			<b>INDIA</b>			<b>INDIA (CONTINUED)</b>		
4,644	Corporate Finance del Valle	62,450	28,448	ACC	470,690	30,928	Reliance Communication	31,530
245,384	Ecopetrol	411,012	13,850	Adani Exports	59,179	17,757	Rural Electrification	39,732
96,454	Grupo Aval Acciones y Valores (Preference)	49,062	24,015	Adani Ports and Special Economic Zone	41,957	35,259	Satyam Computer	33,456
22,059	Interconexion Ele	98,178	2,449	Andita Birla Nuvo	26,380	20,611	Sesa Goa	49,013
17,614	Inversiones Argos	117,732	1,725	Asian Paints	65,079	7,455	Shriram Transport	45,660
12,298	Suramericana Inversiones	151,987	46,933	Axis Bank	551,956	4,079	Siemens India	38,111
		<b>1,404,870</b>	5,203	Baja Auto	120,502	7,411	State Bank of India	174,622
	% of Total Investments	<b>0.01%</b>	35,210	Bharat Heavy Electricals	122,392	5,934	State Bank of India-Sponsorship	293,513
<b>CYPRUS</b>			5,201	Bharat Pete	36,165	80,584	Sterlite Industries	105,197
116,331	Bank of Cyprus Public	70,962	33,240	Bharti Airtel	166,169	106,232	Sterlite Industries India	568,968
		<b>70,962</b>	6,551	Bank of India	25,393	18,519	Sun Pharmaceutical Industries	134,123
	% of Total Investments	<b>0.00%</b>	80,934	Canara Bank	429,328	42,612	Suzlon Energy	11,163
<b>CZECH REPUBLIC</b>			19,731	Cipla	91,860	292,397	Tata Motors	760,429
10,587	CEZ	322,697	97,108	Coal India	424,891	58,320	Tata Power	74,053
896	Komerčni Banka	115,705	25,040	Dabur India	36,241	18,397	Tata Steel	89,786
7,710	Telefonica O2	114,542	24,419	DLF	65,069	116,253	Tata Consultancy Services	1,963,661
		<b>552,944</b>	6,083	Dr Reddys Labs	139,692	12,780	Titan Industries	31,804
	% of Total Investments	<b>0.00%</b>	22,808	Gail India	127,345	4,106	Ultratech Cement	69,705
<b>EGYPT</b>			58,325	GMR Infrastructure	17,825	78,344	Unitech	22,062
32,406	Commercial International Bank (Egypt)	77,406	36,678	Gujarat Ambuja Cements	82,924	13,543	United Phosphorous	25,011
21,266	EFG Hermes	27,191	9,851	HCL Technologies	55,618	5,096	United Spirits	36,481
43,051	Egyptian Kuwaiti	32,607	157,977	HDFC Bank	1,932,274	29,417	Wipro	170,689
2,052	Mobinil	20,505	29,346	Hero Motocorp	813,653	190,006	Yes Bank	660,333
6,703	National Societe Generale	17,389	66,550	Hindalco Industries	112,203	26,380	Zee Entertainment Enterprises	45,244
145,820	Orascom Telecom	55,506	94,006	Hindustan Lever	557,362			<b>22,039,819</b>
5,406	Orascom Constructions Industry	138,900	64,981	Housing Development Finance	616,635		% of Total Investments	<b>0.16%</b>
64,045	Talaat Mostafa Group	24,215	53,999	Icici Bank	1,103,017	<b>INDONESIA</b>		
23,350	Telecom Egypt	39,400	32,665	Icici Bank (Demat)	325,471	855,500	Adaro Energy	129,075
		<b>433,118</b>	38,559	Idea Cellular	46,183	228,000	Aneka Tambang	31,485
	% of Total Investments	<b>0.00%</b>	9,491	Indusind Bank	31,196	26,500	Astra Agro Lestari	49,018
<b>HUNGARY</b>			35,263	Infosys	1,400,273	308,500	Astra International	1,945,962
847	Chemical Works of Gedeon	92,083	25,809	Infosys Technologies	1,039,545	1,205,000	Bank Central Asia	821,721
2,534	Magyar Olaj es Gazipari	139,757	56,917	Infrastructure Developers	75,916	2,485,346	Bank Negara Indonesia Persero	805,041
32,092	Magyar Telekom	52,946	488,864	ITC (Post Subdivision)	1,432,165	1,428,500	Bank Rakyat Indonesia Persero	821,924
14,429	OTP Bank	147,602	57,353	Jaiprakash Associates	43,737	187,770	Bank Danamon	65,623
		<b>432,388</b>	22,399	Jindal Steel & Power	147,717	1,951,635	Bank Mandiri	1,122,923
	% of Total Investments	<b>0.00%</b>	5,349	Jindal Vijaynagar Steel	39,483	926,000	Bumi Resources	171,679
			16,331	Kotak Mahindra Finance	102,329	1,866,600	Charoen Pokphand	342,088
			20,307	Larsen & Toubro	296,457	35,000	Gudang Garam	185,122
			17,070	LIC Housing Finance	54,989	290,500	Indocement Tunggal Prakarsa	422,200
			8,824	Lupin	57,512	1,071,000	Indofoods Sukses	419,947
			134,494	Mahindra & Mahindra	1,334,507	93,000	Indosat	44,790
			4,156	Maruti Suzuki India	55,542	116,000	Jasa Marga (Indonesia Highway)	41,529
			34,594	NTPC	80,981	304,000	Kalbe Farma	88,105
			46,151	Oil & Natural Gas	172,345	661,000	Perusahaan Gas Negara	178,893
			155,824	Petronet LNG	353,316	23,000	PT Indo Tambangraya Megah	75,775
			4,009	Piramal Healthcare	22,066	179,500	Semen Gresik Persero	175,193
			66,598	Power Grid Corporation of India	97,019			
			7,575	Ranbaxy Laboratories	44,637			
			5,889	Reliance Capital	20,141			
			85,391	Reliance Industries	933,628			
			6,411	Reliance Infrastructure	31,797			
			33,625	Reliance Power	34,720			

Country classifications are determined by the entity's country of incorporation

## Portfolio of Investments 31 December 2011

## Quoted Securities – Equities

Holding	Security Description	Market Value €	Holding	Security Description	Market Value €	Holding	Security Description	Market Value €
<b>INDONESIA (CONTINUED)</b>			<b>MALAYSIA (CONTINUED)</b>			<b>PERU</b>		
45,000	Tambang Batubara	66,552			<b>9,966,990</b>	52,412	Cia Minas Buenaventura	1,553,038
610,500	Telekomunikasi Indonesia	366,879		% of Total Investments	<b>0.07%</b>			<b>1,553,038</b>
87,000	Unilever Indonesia	139,420	<b>MEXICO</b>					% of Total Investments
702,378	United Tractors	1,577,608	107,100	ALFA SAB	902,369			<b>0.01%</b>
1,260,000	Vale Indonesia	343,691	2,557,566	America Movil	5,814,189	<b>PHILIPPINES</b>		
101,000	XI Axiata	38,957	30,574	Arca Continental	100,777	126,061	Aboitiz Equity Venture	89,180
		<b>10,471,199</b>	584,912	Cemex	239,782	122,332	Aboitiz Power	64,449
	% of Total Investments	<b>0.08%</b>	15,200	Coca Cola FEMSA	111,993	2,553,883	Alliance Global	465,291
<b>MALAYSIA</b>			68,300	Compartamos	64,701	290,100	Ayala Land	77,491
411,200	Airasia	377,597	159,300	Corporacion Geo	152,053	11,088	Ayala	60,760
63,500	Alliance Financial Group	61,095	8,800	Desarrolladora Homex	114,735	79,210	Bank of The Philippine Islands	77,041
105,000	AMMB	152,174	80,100	El Puerto de Liverpool	450,394	314,066	BDO Unibank	326,495
147,400	Axiata Group	184,542	288,300	Fomento Economico Mexicano	2,139,350	513,000	Energy Development	56,855
46,200	Berjaya Sports Toto	49,402	135,300	Genomma Lab Internacional	201,700	2,260	Globe Telecom	45,117
110,700	Berjaya Corporation Berhad	25,750	130,575	Gruma Sab	189,592	45,270	International Container	42,276
7,200	British American Tobacco Malaysia	87,547	26,500	Grupo Aeroportuario del Centro	69,365	28,300	Jollibee Foods	45,102
51,300	Bumi Armada	51,231	28,113	Grupo Aeroportuario del Pacifico	733,515	17,370	Manila Electric	75,657
21,800	Bursa Malaysia	35,577	19,809	Grupo Aeroportuario del Sureste	856,415	43,323	Metropolitan Bank & Trust	51,869
286,100	CIMB Group	518,471	85,600	Grupo Bimbo	135,149	2,650	Philippine Long Distance	118,693
212,000	Digi.com	200,356	85,107	Grupo Carso	159,312	27,630	San Miguel	56,863
91,500	Gamuda	75,554	4,200	Grupo Elektra	325,740	10,350	SM Investments	106,228
827,400	Genting	2,216,880	268,793	Grupo Financiero Banorte	540,454	319,000	SM Prime	74,756
172,300	Genting Malaysia	160,738	508,337	Grupo Mexico	1,033,221			<b>1,834,125</b>
15,500	Genting Plantations	32,469	274,300	Grupo Modelo	1,337,219		% of Total Investments	<b>0.01%</b>
186,580	Hong Leong Bank	495,365	142,000	Grupo Televisa	462,472	<b>POLAND</b>		
144,200	Hong Leong Finance	409,541	51,490	Industrias Penoles	1,754,223	3,239	Asseco Poland	35,238
60,800	IJM	83,673	30,200	Kimberly Clark de Mexico	126,982	2,234	Bank Handlowy w Warszawie	34,026
202,800	IOI	265,757	249,600	Mexichem	604,255	29,039	Bank Millennium	24,753
28,100	Kuala Lumpur Kepong	155,370	37,330	Minera Frisco	104,228	7,158	Bank Pekao	226,718
23,200	Lafarge Malayan Cement	39,557	160,500	OHL Mexico	191,165	812	Bank Rozwoju Eksportu	44,808
572,300	Malayan Banking	1,196,038	33,400	Urbi Desarrollos Urbanos	29,383	5,505	Cyfrowy Polsat	16,671
28,500	Malaysia Marine and Heavy Engineering	39,291	379,000	Wal-Mart de Mexico	804,140	7,339	Enea	29,633
130,800	Maxis	174,591			<b>19,748,871</b>	18,053	Geting	28,550
67,600	MISC	90,067		% of Total Investments	<b>0.15%</b>	9,002	Globe Trade Centre	18,779
52,100	MMC	35,152	<b>MOROCCO</b>			4,441	Grupa Lotos	23,211
32,219	Parkson	44,418	1,980	Attijariwafa Bank	62,300	2,565	Jastrzebska Spolka Weglowa	48,389
141,800	Petronas Chemicals Group	214,142	7,540	Douja Prom Addoha	47,367	50,064	KGHM Polska Miedz	1,242,054
17,000	Petronas Dagagan	73,706	10,304	Maroc Telecom	125,572	100,031	Polskie Gornictwo Naftowe	91,549
27,400	Petronas Gas	101,444			<b>235,239</b>	39,681	Polska Grupa Energetyczna	184,252
23,400	PPB Group	97,806		% of Total Investments	<b>0.00%</b>	32,169	Polski Koncern Naftowy Orlen	244,623
62,200	Public Bank	202,712				37,894	Powszechna Kasa Oszczed Bank	273,027
98,700	RHB Capital	179,826				3,317	Powszechny Zaklad Ubezpieczen	229,913
163,800	Sime Darby	367,059				111,093	Tauron Polska Energia	133,322
62,550	SP Setia	58,657				50,968	Telekomunikacja Polska	196,989
831,200	Telekom Malaysia	1,004,202						
148,575	Tenaga Nasional	213,517						
38,800	UMW	66,155						
147,500	YTL Power International	63,951						
182,000	YTL	65,610						

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## Portfolio of Investments 31 December 2011

## Quoted Securities – Equities

Holding | Security Description | Market Value €

Holding | Security Description | Market Value €

Holding | Security Description | Market Value €

**TURKEY (CONTINUED)**

23,822	Turk Traktor ve Ziraat	329,561
46,682	Turkcell Iletisim Hizmetleri	169,669
246,978	Turkiye Garanti Bankasi	596,419
155,962	Turkiye Halk Bankasi	631,968
544,224	Turkiye Vakiflar Bankasi	545,739
49,543	Yapi ve Kredi Bankasi	54,548
		<b>5,470,279</b>
	% of Total Investments	<b>0.04%</b>

**UNITED ARAB EMIRATES**

160,995	DP World	1,205,689
		<b>1,205,68</b>
	% of Total Investments	<b>0.01%</b>

**VIETNAM**

166,250	HAGL	212,004
		<b>212,004</b>
	% of Total Investments	<b>0.00%</b>
	<b>Total Emerging Markets Equities</b>	<b>385,756,225</b>
	<b>% of Total Investments</b>	<b>2.89%</b>

**GLOBAL EQUITY FUNDS**

674,350	Generation IM Global Equity	83,701,704
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<b>Total Global Equity Funds</b>	<b>83,701,704</b>
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<b>% of Total Investments</b>	<b>0.63%</b>
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<b>Total Equities</b>	<b>2,412,916,318</b>
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<b>% of Total Investments</b>	<b>18.06%</b>
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## Portfolio of Investments 31 December 2011

## Quoted Securities – Corporate Bonds

Holding	Security Description	Market Value €	Holding	Security Description	Market Value €	Holding	Security Description	Market Value €
<b>AUSTRALIA</b>			<b>DENMARK</b>			<b>FRANCE (CONTINUED)</b>		
800,000	Amcor 4.625% 04/16/2019	835,376	470,000	Dansk Olie & Naturgas Dong 6.5% 07/05/2019	564,678	1,100,000	Credit Mutuel Arkea 5.375% 22/04/2014	1,135,101
1,100,000	Commonwealth Bank Australia 4.250% 11/10/2016	1,162,487	800,000	Nykredit Bank 3.500% 11/04/2015	784,054	400,000	Electricite de France 5.375% 29/05/2020	455,042
600,000	National Australia Bank 4.625% 02/10/2020	573,894	520,000	Tele Danmark 3.50% 02/23/2015	537,430	550,000	Electricite de France 4.625% 04/26/2030	534,919
1,200,000	National Australia Bank 4.750% 07/15/2016	1,275,906	500,000	Tele Danmark 4.375% 02/23/2018	528,332	610,000	France Telecom 4.75% 21/02/2017	663,925
420,000	Telstra Corporation 3.750% 05/16/2022	425,661			<b>2,414,494</b>	570,000	France Telecom 3.875% 04/09/2020	579,685
500,000	Telstra Corporation 4.250% 03/23/2020	529,547		% of Total Investments	<b>0.02%</b>	500,000	GDF Suez 3.125% 01/21/2020	494,185
		<b>4,802,870</b>	<b>FINLAND</b>			400,000	Groupe Auchan 3.625% 10/19/2018	414,896
	% of Total Investments	<b>0.04%</b>	470,000	Fortum 4.000% 05/24/2021	495,054	500,000	Groupe Auchan 2.875% 11/15/2017	504,993
<b>AUSTRIA</b>					<b>495,054</b>	540,000	RCI Banque 3.250% 01/17/2014	528,805
950,000	OMV 6.25% 07/04/2014	1,034,170		% of Total Investments	<b>0.00%</b>	410,000	RCI Banque 4.00% 01/25/2016	386,514
1,100,000	OMV Variable 04/29/2049	1,078,000	<b>FRANCE</b>			450,000	Schneider Electric 3.625% 07/20/2020	454,250
		<b>2,112,170</b>	600,000	Alstom 2.875% 10/05/2015	584,598	500,000	Schneider Electric 3.750% 07/12/2018	516,643
	% of Total Investments	<b>0.02%</b>	400,000	Alstom 4.125% 02/01/2017	396,104	1,050,000	Societe Generale 3.750% 08/21/2014	1,045,166
<b>BELGIUM</b>			600,000	Autoroutes du Sud de la France 4.125% 04/13/2020	584,282	1,100,000	Societe Generale Variable 29/01/2049	561,000
600,000	Eandis Company 4.500% 11/08/2021	603,890	849,000	Axa 6.211% 29/10/2049	582,153	500,000	Suez Environnement Variable 09/21/2049	455,768
		<b>603,890</b>	1,000,000	Axa Variable 04/16/2040	729,755	550,000	Thales 2.75% 10/19/2016	540,982
	% of Total Investments	<b>0.00%</b>	750,000	Banque Fed Cred Mutuel 4.000% 10/22/2020	579,306	400,000	Total Infrastructures 4.339% 07/07/2021	421,031
<b>BRAZIL</b>			500,000	Banque Populaire Caisse 9.250% 10/29/2049	335,000	300,000	Valeo 4.875% 05/11/2018	289,484
117	Hypermarcas Variable 10/15/2015	0	800,000	Banque PSA Finance 3.500% 01/17/2014	774,621	650,000	Veolia Environnement 5.125% 24/05/2022	676,874
117	Hypermarcas 11.30% 10/15/2018	0	650,000	BNP Paribas Floating 29/04/2049	461,500	300,000	Vinci 4.125% 02/20/2017	307,358
500,000	Vale Sa 4.375% 03/24/2018	512,800	1,050,000	Bouygues 3.641% 10/29/2019	1,017,450	500,000	Vivendi 4.5% 03/10/2013	518,411
		<b>512,800</b>	500,000	Bouygues 4.000% 02/12/2018	507,322	500,000	Vivendi 4.750% 07/13/2021	495,860
	% of Total Investments	<b>0.00%</b>	1,150,000	Carrefour 5.125% 10/10/2014	1,200,943			<b>23,735,201</b>
<b>CZECH REPUBLIC</b>			1,100,000	Casino Guichard Perrachon 5.500% 01/30/2015	1,149,170		% of Total Investments	<b>0.18%</b>
200,000	CEZ 5.000% 10/19/2021	210,465	500,000	Casino Guichard Perrachon 4.726% 05/26/2021	459,968	<b>GERMANY</b>		
840,000	CEZ 3.625% 05/27/2016	865,339	560,000	Cie de St-Gobain 3.500% 09/30/2015	566,311	1,100,000	Commerzbank 6.375% 03/22/2019	779,891
		<b>1,075,804</b>	400,000	Cie de St-Gobain 4.000% 10/08/2018	393,952	1,300,000	Daimler 3.000% 07/19/2013	1,328,314
	% of Total Investments	<b>0.01%</b>	500,000	Cie de St-Gobain 4.75% 11/04/2017	520,235	500,000	Daimler 4.625% 09/02/2014	532,620
			800,000	Credit Agricole 3.90% 04/19/2021	555,784	750,000	Deutsche Bank 5.000% 06/24/2020	676,485
			550,000	Credit Agricole Variable 29/11/2049	355,857	970,000	ENBW Energie Baden- Wuerttemberg Variable 04/02/2072	942,229
						600,000	Eurogrid GMBH 3.875% 10/22/2020	593,391

## Portfolio of Investments 31 December 2011

## Quoted Securities – Corporate Bonds

Holding	Security Description	Market Value €	Holding	Security Description	Market Value €	Holding	Security Description	Market Value €
<b>GERMANY (CONTINUED)</b>			<b>ITALY (CONTINUED)</b>			<b>NETHERLANDS (CONTINUED)</b>		
550,000	Merck Financial Services 4.500% 03/24/2020	589,914	900,000	Telecom Italia 8.25% 21/03/2016	941,035	650,000	BAT Holdings 4.000% 07/07/2020	670,531
700,000	Metro 4.250% 02/22/2017	723,160	550,000	Telecom Italia 5.250% 02/10/2022	449,670	600,000	Delta Lloyd 4.250% 11/17/2017	562,577
1,200,000	Munchener Ruckversicherungs Variable 29/06/2049	936,000	530,000	Unicredit 4.875% 12/02/2013	522,559	850,000	Deutsche Telekom 4.25% 07/13/2022	876,784
900,000	Munich Variable 05/26/2041	834,939	650,000	Unicredit 6.70% 05/06/2018	462,876	800,000	Deutsche Telekom 6% 20/01/2017	916,886
724,000	Volkswagen Financial Services 6.875% 15/01/2014	793,584	1,340,000	Unicredit 3.625% 08/21/2013	1,285,958	800,000	E. On International Finance 5.25% 08/09/2015	892,458
1,300,000	Volkswagen Leasing 2.750% 07/13/2015	1,321,861	700,000	ENI 4% 29/06/2020	686,711	550,000	ENBW International Finance 4.125% 07/07/2015	589,430
500,000	Volkswagen Leasing 3.250% 05/10/2018	506,020			<b>8,973,526</b>	790,000	Fortis Bank Nederland 4.000% 02/03/2015	801,850
		<b>10,558,407</b>		% of Total Investments	<b>0.07%</b>	500,000	Generali Finance Variable 28/02/2049	339,875
	% of Total Investments	<b>0.08%</b>	<b>LUXEMBOURG</b>			500,000	Hit Finance 5.750% 03/09/2018	489,710
<b>IRELAND</b>			285,000	Arcelormittal 9.375% 06/03/2016	316,407	1,000,000	ING Bank Floating 15/03/2019	891,992
687,000	Allied Irish Banks 3.250% 02/04/2013	604,161	580,000	Enel Finance 4.125% 07/12/2017	551,749	600,000	ING Groep 4.75% 31/05/2017	594,727
723,000	Allied Irish Banks 4.500% 10/01/2012	657,930	1,050,000	Enel Finance 5.000% 07/12/2021	957,340	900,000	KBC Internationale Financierin 4.500% 09/17/2014	856,542
64,000	Bank Of Ireland 4.625% 09/16/2014	53,382	780,000	Enel Finance 4.00% 09/14/2016	769,458	450,000	KBC Internationale Financiering 4.000% 03/01/2013	438,290
50,000	Bank Of Ireland 4.625% 09/16/2014	41,750	600,000	Gaz Capital 5.03% 25/02/2014	615,000	400,000	Koninklijke KPN 7.5% 04/02/2019	490,320
223,000	Bank Of Ireland 4.625% 04/08/2013	192,895	1,050,000	Gaz Capital 6.605% 13/02/2018	1,099,875	400,000	Koninklijke KPN 4.500% 10/04/2021	597,189
780,000	GE Capital Euro Funding Company 4.750% 07/30/2014	820,725	400,000	Glencore Finance 7.125% 23/04/2015	429,500	580,000	Linde Finance 3.8755% 06/01/2021	615,618
1,250,000	GE Capital Euro Funding Company 4.250% 03/01/2017	1,296,465	200,000	Glencore Finance 5.250% 03/22/2017	199,502	310,000	Linde Finance 3.125% 12/12/2018	320,712
750,000	LeasePlan Finance 3.75% 18/03/2013	754,089	550,000	Holcim Finance 9.00% 26/03/2014	619,806	500,000	Red Electrica de Espana Finance 3.500% 10/07/2016	494,287
		<b>4,421,397</b>	800,000	SES 4.625% 03/09/2020	828,426	700,000	Shell International Finance 4.50% 09/02/2016	775,366
	% of Total Investments	<b>0.03%</b>		% of Total Investments	<b>0.05%</b>	500,000	Verbund International Finance 5% 25/06/2014	536,967
<b>ITALY</b>			<b>MEXICO</b>			950,000	BMW Finance 3.250% 28/01/2016	988,509
600,000	Assicurazioni Generali 5.125% 09/16/2024	527,695	1,000,000	America Movil 3.750% 06/28/2017	1,042,800	900,000	Tennet Holding 3.875% 21/02/2018	946,764
700,000	Atlantia 4.375% 09/16/2025	602,515	480,000	America Movil 4.125% 10/25/2019	494,851			<b>18,709,233</b>
1,100,000	Banca Monte dei Paschi Siena 4.125% 11/11/2013	1,045,176	750,000	Petroleos Mexicanos 5.500% 01/09/2017	778,125			<b>0.14%</b>
1,000,000	Intesa Sanpaolo 4.00% 11/08/2018	846,353			<b>2,315,776</b>			
750,000	Intesa Sanpaolo Variable 10/29/2049	521,250		% of Total Investments	<b>0.02%</b>	<b>NORWAY</b>		
500,000	Lottomatica 5.375% 12/05/2016	465,875	<b>NETHERLANDS</b>			700,000	DNB Nor Bank 4.375% 02/24/2021	718,596
590,000	Telecom Italia 7.875% 22/01/2014	615,854	1,450,000	ABN Amro Bank 4.250% 04/11/2016	1,480,734	550,000	Statkraft 6.625% 02/04/2019	673,981
			720,000	Akzo Nobel 4.000% 12/17/2018	735,381			<b>1,392,577</b>
			900,000	Allianz Finance 4.00% 23/11/2016	954,900			<b>0.01%</b>
			1,000,000	Allianz Finance Variable 07/08/2041	850,836			

## Portfolio of Investments 31 December 2011

## Quoted Securities – Corporate Bonds

Holding	Security Description	Market Value €	Holding	Security Description	Market Value €	Holding	Security Description	Market Value €	
<b>SPAIN</b>			<b>SWITZERLAND</b>			<b>UNITED KINGDOM (CONTINUED)</b>			
1,100,000	Banco Bilbao Vizcaya 4.750% 02/10/2016	1,100,678	1,250,000	Credit Suisse 6.125% 05/16/2014	1,340,463	500,000	Tesco 5.125% 10/04/2047	558,050	
800,000	BBVA Senior Finance 4.000% 03/22/2013	795,169	1,300,000	Credit Suisse Variable 23/01/2018	1,179,100	300,000	TUI Travel 6.000% 10/05/2014	308,871	
1,200,000	Caja Ahorros Barcelona 4.750% 03/18/2015	1,202,639	900,000	UBS Floating 29/04/2049	669,351	873,000	Vodafone Group 6.25% 15/01/2016	1,009,804	
750,000	Gas Natural Capital 5.250% 07/09/2014	766,553	750,000	UBS 6.000% 04/18/2018	827,787	800,000	WPP Group 6.625% 12/05/2016	887,000	
600,000	Gas Natural Capital 5.375% 05/24/2019	586,931			<b>4,016,700</b>	250,000	Tesco 3.375% 11/02/2018	258,336	
250,000	Gas Natural Capital 4.375% 11/02/2016	243,450		% of Total Investments	<b>0.03%</b>			<b>20,515,863</b>	
900,000	Iberdrola Finanzas 4.875% 04/03/2014	918,670	<b>UNITED KINGDOM</b>					% of Total Investments	<b>0.15%</b>
600,000	Iberdrola Finanzas 4.625% 04/07/2017	604,522	600,000	Abbey National 4.125% 03/03/2014	592,110	<b>UNITED STATES</b>			
200,000	Iberdrola Finanzas 4.750% 01/25/2016	203,771	500,000	Anglo American Capital 5.875% 17/04/2015	550,985	650,000	Amgen 4.375% 12/05/2018	685,900	
500,000	Red Electrica 4.750% 02/16/2018	518,673	650,000	Anglo American Capital 4.250% 09/30/2013	674,937	590,000	Bacardi 7.75% 04/04/2014	656,638	
1,100,000	Repsol 4.250% 02/12/2016	1,109,662	800,000	B.A.T.International Finance 5.875% 12/03/2015	888,682	1,450,000	Bank of America 7.000% 06/15/2016	1,470,781	
1,400,000	Santander International Debt 3.75% 02/28/2013	1,389,508	800,000	Barclays Bank 6.00% 23/01/2018	720,062	800,000	Bank of America 4.625% 08/07/2017	715,613	
500,000	Telefonica Emisiones 5.431% 03/02/2014	510,565	950,000	Barclays Bank 5.250% 05/27/2014	985,344	420,000	Citigroup 4.00% 11/26/2015	410,172	
800,000	Telefonica Emisiones 4.967% 02/03/2016	804,013	700,000	Barclays Bank 6.000% 01/14/2021	582,449	700,000	Citigroup Variable 30/11/2017	557,486	
700,000	Telefonica Emisiones 3.661% 09/18/2017	640,710	650,000	BP Capital Markets 3.830% 10/06/2017	690,667	1,190,000	GE Capital Trust 5.500% 09/15/2067	946,336	
750,000	Telefonica Emisiones 4.693% 11/11/2019	704,310	800,000	Brambles Finance 4.625% 04/20/2011	844,832	700,000	Global Switch 5.500% 04/18/2018	681,713	
		<b>12,099,822</b>	650,000	Diageo Finance 6.625% 12/05/2014	739,272	750,000	Goldman Sachs Group 6.375% 02/05/2018	769,206	
	% of Total Investments	<b>0.09%</b>	550,000	HSBC Bank 3.125% 11/15/2017	545,752	500,000	Goldman Sachs Group 5.375% 02/15/2013	501,621	
<b>SWEDEN</b>			1,110,000	HSBC Holding 4.500% 04/30/2014	1,160,494	1,250,000	Hutchison Whamp 4.750% 11/14/2016	1,313,250	
750,000	Investor 4.500% 05/12/2023	774,524	1,200,000	HSBC 5.3687% To 24/03/2014	1,032,000	830,000	IPIC GMTN 4.875% 05/14/2016	856,975	
1,000,000	Skandinaviska Enskilda Banken 5.5% 06/05/2014	1,055,600	750,000	Imperial Tobacco Finance 7.25% 15/09/2014	836,343	820,000	IPIC GMTN 5.875% 03/14/2021	794,812	
450,000	SKF 3.875% 05/25/2018	473,060	400,000	Imperial Tobacco Finance 4.500% 07/05/2018	411,004	750,000	JP Morgan Chase & Co 31/03/2018	637,500	
560,000	Svenska Cellulosa 3.625% 08/26/2016	574,110	560,000	Imperial Tobacco Finance 5.000% 12/02/2019	586,466	1,130,000	JP Morgan Chase & Co 3.750% 06/15/2016	1,146,649	
766,000	Teliasonera 5.125% 13/03/2014	824,158	860,000	Lloyds TSB Bank 6.375% 06/17/2016	886,660	400,000	JP Morgan Chase & Co 5.250% 11/14/2015	426,246	
350,000	Vattenfall Treasury 5.75% 05/12/2013	377,962	800,000	Lloyds TSB Bank 4.500% 09/15/2014	788,024	750,000	Kraft Foods 6.25% 20/03/2015	833,612	
600,000	Volvo Treasury 5% 31/05/2017	620,100	1,050,000	Lloyds TSB Bank 5.625% 03/05/2018	795,928	700,000	Metropolitan Life Global Funding 4.625% 16/05/2017	727,824	
840,000	Svenska Handelsbanken 4.375% 10/20/2021	870,255	700,000	Royal Bank of Scotland 4.875% 01/20/2017	661,255	500,000	Morgan Stanley 6.50% 28/12/2018	477,965	
		<b>5,569,769</b>	550,000	Royal Bank of Scotland 4.750% 05/18/2016	523,185	490,000	Morgan Stanley 4.500% 02/23/2016	451,417	
	% of Total Investments	<b>0.04%</b>	720,000	Scottish & Southern Energy Variable 09/30/2049	666,000	980,000	Petrobras 4.875% 03/07/2018	1,008,175	
			1,250,000	Standard Chartered 5.750% 04/30/2014	1,331,350				

Country classifications are determined by the entity's country of incorporation

## Portfolio of Investments 31 December 2011

**Quoted Securities – Corporate Bonds**

Holding	Security Description	Market Value €
<b>UNITED STATES (CONTINUED)</b>		
600,000	SES Global Americas 4.875% 07/09/2014	638,057
1,000,000	Swiss Re Treasury 7% 05/19/2014	1,098,045
1,300,000	Zurich Finance 4.5% 17/09/2014	1,362,491
		<b>19,168,484</b>
	% of Total Investments	<b>0.14%</b>
<b>Total Quoted Corporate Bonds</b>		<b>149,880,900</b>
	<b>% of Total Investments</b>	<b>1.12%</b>

**Unquoted Securities – Corporate Bonds**

Holding	Security Description	Market Value €
<b>IRELAND</b>		
100,000,000	Bank of Ireland Floating 12/06/2027	38,940,360
21,753,000	Bank of Ireland 6.750% 01/30/2012	21,653,589
100,000,000	DAA Finance 6.5872% 09/07/2018	94,366,000
19,450,000	European Investment Bank 01/08/2027	17,485,550
12,500,000	European Investment Bank 01/08/2032	10,512,500
13,650,000	European Investment Bank 01/08/2037	11,074,245
<b>Total Unquoted Corporate Bonds</b>		<b>194,032,244</b>
	<b>% of Total Investments</b>	<b>1.45%</b>

## Portfolio of Investments 31 December 2011

## Unquoted Securities – Property

Commitment €m	Security Description	Market Value €
1	Allied Irish Property Fund	1,043,839
38	Apollo Domestic Emerging Markets Fund	32,255,487
0	Ardawn II Loan Notes	6,840
13	Asian Retail Mall II	5,522,074
22	Bank of Ireland Exempt Property Unit Trust	18,696,302
30	Berkshire Multifamily Value Fund	34,155,918
58	Broadway Partners Value Added Fund	13,596,034
36	CB Richard Ellis Strategic Partners UK Fund III	10,395,056
37	CB Richard Ellis Strategic Partners UK II	0
44	CB Richard Ellis Strategic Partners US IV	10,806,075
18	Composition Capital Asia Fund	11,097,366
0	Crystal UK Development Fund	74,368
30	CT Large Loan 2006	1,752,554
1	FF F&C Property Fund	738,494
35	Forum Asian Realty Income II	31,465,969
50	Forum European Realty Income	24,846,259
15	French Development Venture II	170,096
35	Grosvenor French Retail Investment	27,224,007
16	Irish Life Irish Property Fund	11,864,198
23	Irish Property Unit Trust	19,174,202
3	Lothbury European Property Fund	2,995,460
55	Madison Marquette Retail Enhancement Fund	35,374,843
46	MGP Japan Core Plus Fund	11,728,339
50	Morgan Stanley Eurozone Office Fund	31,403,815
44	Morgan Stanley Real Estate Fund V International	13,503,018
82	Morgan Stanley Real Estate Fund V U.S.	5,362,955
80	Morgan Stanley Real Estate Fund VI International	18,672,195
0	New Ireland Property Fund	87,359
37	Pramerica Real Estate Companies Account III	22,819,524
35	Rockspring German Retail Box Fund	26,633,000
8	Rockspring PanEuropean Fund	5,731,215
38	Silverpeak Offshore Real Estate Partners II	20,034,217
44	The Mall Unit Trust	6,144,880
75	Tishman Speyer European Real Estate Venture VI	26,184,280
47	Tishman Speyer Real Estate Fund	25,324,929

**1,147** Total Unquoted Property Investments **506,885,165**

% of Total Investments **3.79%**

## Unquoted Securities – Private Equity

Commitment €m	Security Description	Market Value €
9	Abingworth Bioventures V	8,342,582
12	Abingworth Bioventures V Co-Invest Growth Equity	5,940,263
0	Act 1994 Development Capital	965
0	Act 2001 - BIAM Venture	250,914
0	Act Venture Capital 94 Fund	4,781
0	Allianz Irish Life Holdings	360,091
0	Allied Irish Pension Unit Trust	448,905
10	Atlantic Bridge II	825,371
0	Bank of Ireland Unlisted Fund	343,130
0	Canford Healthcare	136,478
25	Charterhouse Capital Partners IX	11,014,160
25	Charterhouse Capital Partners VIII	19,101,247
22	Clayton Dubilier & Rice Fund Co-Investment	18,103,680
67	Clayton Dubilier & Rice Fund VII	75,616,647
74	Clayton Dubilier & Rice Fund VIII	46,110,225
35	CVC European Equity Partners IV	24,177,925
25	CVC European Equity Partners V	16,259,146
0	Delta Equity Fund I	112,879
1	Delta Equity Fund II	643,823
23	Delta Equity Fund III	5,748,249
0	Delta Equity Fund No.2	179,850
20	DFJ Espirit Capital III	5,396,255
10	Draper Fisher Jurvetson	2,826,286
15	Fortress Investment Fund IV	12,908,896
15	Fortress Investment Fund IV Co-Investment	12,342,746
45	Fortress Investment Fund V	41,210,232
24	Fortress Investment Fund V Co-Investment	14,879,087
30	Fortress IW Coinvestment Fund	0
15	Fountain Healthcare Partners	6,522,994
15	Frazier Healthcare VI	6,490,120
22	Greenspring Global Partners III	23,678,569
30	Greenspring Global Partners IV	20,637,813
37	H.I.G Bayside Loan Opportunity	6,796,497
18	Hellman & Friedman Capital Partners	14,023,925
0	ICC Private Equity Fund	105,161
1	KBC Venture Capital Fund	992,995
37	Madison Dearborn Capital Partners	33,751,735
37	New Mountain Partners III	23,971,073
75	Nordic Captial VII	37,190,046
15	Oak Investment Partners XII	13,227,508
37	OCM Opportunities Fund VIIIb	30,000,606
24	Palamon European Equity II	17,469,820
39	Polaris Venture Partners VI	452,077
74	Providence Equity Partners VI	73,869,320
15	Seroba Kernel Life Sciences Fund II	3,339,416
10	Sofinnova Venture Partners	160,083
30	Summit Partners Europe	8,584,513
15	Summit Subordinated Debt IV	8,637,474
35	The Resolute Fund II	21,829,976
18	The Ulster Bank Diageo Venture Fund	5,389,956
58	TPG Partners V	36,251,633
38	TPG Partners VI	21,609,483
26	Vestar Capital Partners V	21,130,223
22	Weathergage Venture Capital Provision	16,193,242
		(3,579,972)

**1,228** Total Private Equity Investments **772,011,099**

% of Total Investments **5.78%**

## Portfolio of Investments 31 December 2011

## Other Investments

Holding	Security Description	Market Value €
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## COMMODITY INVESTMENTS

2,843,474	Fundlogic Global Solutions	240,681,073
		<b>240,681,073</b>
	% of Total Investments	<b>1.80%</b>

## CURRENCY &amp; OTHER FUNDS

800,000	JP Morgan Currency Plus Fund	62,592,000
54,088	Bridgewater Pure Alpha Euro	90,700,635
18,834	Bridgewater Pure Alpha Major Markets II	16,900,877
		<b>170,193,513</b>
	% of Total Investments	<b>1.27%</b>

## EQUITY DERIVATIVE OPTIONS

7,226	S&P 500 Index P1275 Jun 13	94,848,636
610	S&P 500 Index P1250 Jun 13	7,420,512
23,470	Euro Stoxx 50 P2750 Jun 13	152,601,940
2,440	Euro Stoxx 50 P2350 Jun 13	9,369,600
		<b>264,240,687</b>
	% of Total Investments	<b>1.98%</b>

## FORESTRY FUNDS

20,000,000	AIBIM 1st Forestry Fund	21,423,400
3,357,543	ILIM- Irish Forestry Unit Trust	103,624
24,315	Irish Forestry Unit Trust	10,440,198
		<b>31,967,222</b>
	% of Total Investments	<b>0.24%</b>

<b>Total Other Investments</b>	<b>707,082,495</b>
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<b>% of Total Investments</b>	<b>5.29%</b>
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## Cash, Deposits and Unrealised Gains/(Losses)

Security Description	Market Value €
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## CASH AND DEPOSITS

Euro	629,474,597
US Dollar	80,474,931
Other Currencies	17,713,715
Sterling	11,453,670
Japanese Yen	10,161,235
	<b>749,278,148</b>

## UNREALISED GAINS/(LOSSES)

Unrealised Gain/(Loss) on Foreign Exchange Contracts	(93,079,474)
Unrealised Gain/(Loss) on Futures Contracts (Note 1)	(1,136,604)
	<b>(94,216,078)</b>

<b>Total Cash, Deposits and Unrealised Gains/(Losses)</b>	<b>655,062,070</b>
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<b>% of Total Investments</b>	<b>4.90%</b>
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## Portfolio of Investments 31 December 2011

## Directed Investments

Holding	Security Description	Market Value €
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**DIRECTED INVESTMENTS**

512,610,370,821	Allied Irish Banks Ordinary Shares	3,895,838,819
3,500,000,000	Allied Irish Banks Preference Shares	2,223,550,000
4,512,323,039	Bank of Ireland Ordinary Shares	370,010,489
1,837,041,304	Bank of Ireland Preference Shares	1,472,572,309

<b>Total Directed Investments</b>	<b>7,961,971,617</b>
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<b>% of Total Investments</b>	<b>59.60%</b>
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<b>Total Investments</b>	<b>13,359,841,906</b>
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<b>% of Total Investments</b>	<b>100.00%</b>
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**Note 1 Open Futures 31 December 2011**

Contracts	Security Description	Commitment €	Unrealised Gain/(Loss) €
784	CAC 40 Euro Index Contracts (Expiring January 2012)	24,300,080	517,440
134	Dax Index Contracts (Expiring March 2012)	19,570,700	194,300
2,400	Dow Jones Euro Stoxx 50 Contracts (Expiring March 2012)	53,462,665	1,929,335
(65)	Euro Bobl Contracts (expiring March 2012)	(8,123,050)	(9,100)
(30)	Euro Bund Contracts (Expiring March 2012)	(4,167,900)	(3,300)
702	FTSE 100 Contracts (Expiring March 2012)	(45,659,892)	(865,572)
15	FTSE/JSE Top 40 Contracts (Expiring March 2012)	415,426	(6,336)
81	FTSE/MIB Contracts (Expiring March 2012)	6,115,500	5,265
(198)	Hang Seng Contracts (Expiring January 2012)	(18,348,513)	169,784
111	IBEX 35 Contracts (Expiring January 2012)	9,264,645	143,715
9	Kospi2 Contracts (Expiring March 2012)	750,096	(33,671)
(62)	MSCI Singapore Contracts (Expiring January 2012)	(2,238,326)	24,330
1,145	MSCI Taiwan Contracts (Expiring January 2012)	(22,171,581)	(261,180)
(471)	Nikkei 225 Contracts (Expiring March 2012)	(20,118,563)	235,030
(311)	OMX 30 Contracts (Expiring January 2012)	(3,339,882)	(111,408)
(690)	Russell 2000 Mini Industries Contracts (Expiring March 2012)	(38,915,488)	(482,611)
4,051	S&P 500 Mini Contracts (Expiring March 2012)	(193,161,313)	(2,923,493)
(122)	S&P/TSE 60 Contracts (Expiring March 2012)	(12,412,704)	(122,415)
62	SGX CNX Nifty Contracts (Expiring January 2012)	457,822	(14,493)
(221)	SPI 200 Contracts (Expiring March 2012)	(18,164,800)	712,175
136	Swiss SMI Contracts (Expiring March 2012)	(6,357,963)	(231,705)
4	Topix Index Contracts (Expiring March 2012)	293,313	(2,695)
<b>Total Futures</b>		<b>(278,549,726)</b>	<b>(1,136,604)</b>

## Glossary

**Absolute Return** Investments which seek a positive return in all market conditions.

**Active Management** Investment management where the manager seeks to outperform a specified market benchmark.

**Alternative Assets** Any assets, in which a fund invests, other than quoted equity, quoted bonds and cash.

**Benchmark** A measure against which a portfolio's investment performance is assessed. The NPRF's investment mandates are generally measured against the index return for the relevant market.

**Buyout** The purchase of an established business.

**Commodities** A generic term for traded raw materials such as oil, gas, industrial and precious metals and agricultural produce.

**Corporate Bonds** A bond issued by a company. Corporate bonds usually have a higher yield than government bonds due to the increased credit risk and lower liquidity.

**Dynamic Asset Allocation** An investment strategy that seeks to increase returns and reduce risk by shifting the allocation between asset classes as market conditions change.

**Diversification** The process of spreading investments across a number of different asset classes in order to reduce risk.

**EAFE** Refers to the geographical area that includes Europe, Australasia and the Far East. These regions represent the most developed investment markets outside of North America.

**Emerging Markets Equities** Equities quoted on the stock exchanges of developing countries.

**EONIA** Euro Overnight Index Average is an effective overnight interest rate for the euro which is calculated by the European Central Bank.

**ESG Factors** Environmental, social and governance factors, which can affect companies' long term performance.

**Financial Assets** Assets, such as bonds or bank deposits, where the rate of return is contractual in nature and whose values do not rise with inflation.

**Global Custodian** The entity, typically a major bank, responsible for transaction settlement (the delivery of cash/securities in respect of purchases/sales of a fund's assets) and for the holding of a fund's assets.

**Investment Horizon** The time period over which an investor expects to maintain an investment portfolio.

**Liquidity** The ease with which investments can be traded in the market. Investors usually require a premium or additional return for holding less liquid assets.

**Listed Property** Property companies and investment vehicles whose shares are traded on a stock exchange.

**Market Index** A proxy for the value and rate of return of a particular market based on the values of a specified number of companies or other entities within that market.

**Passive Management** Investment management where the manager seeks to replicate the return to a specified market index.

**Pay As You Go** A method of financing the costs of pension benefits out of current cash flow, where no advance funding of benefits is made. For example, the State finances public pensions from taxation and social insurance contributions.

**Private Equity** Investment in unquoted firms, including buyouts and venture capital.

**Put Option** A derivative contract which gives the owner the right, but not the obligation, to sell an underlying asset at a pre-agreed price at, or before, a specific expiry date.

**Quoted Equities** Company shares which are listed on a stock exchange.

**Real Assets** Assets, such as equities, property and commodities, where the rate of return is, over the long-term, linked to the rate of growth in the economy and where asset values can be expected to rise with inflation.

**REITS** Listed real estate investment trusts.

**Standard Deviation** A statistical measure which reflects variation of return. For example an investment portfolio with an expected return of 10% and a standard deviation of 5% would be expected to deliver a return of between 5% and 15% approximately two thirds of the time.

**Strategic Asset Allocation** The long-term mix of assets chosen by an investor in order to meet his or her return objectives and/or liabilities while maintaining risk within acceptable levels.

**Tracking Error** The expected standard deviation of the performance difference between an investment portfolio and the relevant market index. The higher the tracking error, the greater the difference between the constituent securities of the investment portfolio and those in the market index.

**Venture Capital** The provision of finance to start-up and emerging companies.

**Volatility** The variability in the price of an asset through time. Real assets, such as equities, are likely to be more volatile than financial assets, such as bonds, over short time periods, but, over the long-term, the investor can expect to be rewarded for this increased volatility through additional return.

**Yield** The annualised rate of return (including both interest and capital) on a bond.

# National Treasury Management Agency - Corporate Information

Chief Executive  
John C. Corrigan

## **NPRF Unit**

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Eugene O'Callaghan

Deputy Director  
Nick Ashmore

Head of Property  
Brendan O'Regan

Head of Portfolio Strategy & Credit Investments  
Peter Haran

Commission Secretary  
Gemma Bannon

## **Finance & Legal**

Director Finance, Technology & Risk  
Brendan Murphy

Financial Controller  
Barry Keogh

Senior Fund Accountant  
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