



Coimisiún an Chúlchiste Náisiunta Pinsear  
National Pensions Reserve Fund Commission

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# National Pensions Reserve Fund Commission

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## Annual Report and Financial Statements 2012







Coimisiún an Chúlchiste Náisiunta Pinsean  
National Pensions Reserve Fund Commission

28 June 2013

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 2012.

Yours sincerely,

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Paul Carty,  
Chairman



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## From the Chairman



2012 has been a challenging year for the National Pensions Reserve Fund (“NPRF” or the “Fund”) and the Commission arising from the ongoing transition of the Fund’s mandate towards investment in Ireland.

### Investment Strategy

The Fund’s statutory mandate is to maximise long-term return, subject to risks that are acceptable to the Commission. This mandate has been reflected in the Fund’s investment strategy since inception by constructing a widely diversified portfolio, by asset type and by geography.

However, since 2011 it has been clear that the Government wishes to change the Fund’s mandate to refocus the NPRF’s resources on investment in areas of strategic importance to the Irish economy, under the Ireland Strategic Investment Fund (“ISIF”) initiative.

Since then, the Commission has been engaged in ongoing dialogue with the Minister for Finance and officials in his Department, in relation to the Ireland Strategic Investment Fund and the required legislative amendments to give effect to this initiative.

It has been a major challenge during 2012, in advance of the amending legislation being enacted, to align fulfilment of the Commission’s statutory responsibility with the Government’s stated intention for the Fund to increase investment in Ireland.

The Commission approached this dilemma by firstly incorporating a significant capital preservation element within the Fund’s investment strategy. This Capital Preservation Strategy was implemented by a combination of equity options and equity sales.

Because of a scarcity of capital at a time of stabilisation and recovery in the economy, the Commission believes there are attractive investment opportunities in Ireland which have the potential to offer significant returns. In that light, the Commission secondly formed a view that up to 20% of the Discretionary Portfolio may prudently be committed to commercial investments in Ireland to avail of

such opportunities, without prejudice to the Fund’s current statutory investment mandate.

The Commission believes this twin-track approach represents a prudent and common sense means of combining adherence to the Fund’s long-term investment strategy, reflecting its statutory responsibilities, with a strategy that recognises the Government’s intention to refocus the Fund’s mandate on Ireland. The Commission also believes that the lower volatility of the Fund arising from the Capital Preservation Strategy will help to ensure that the amounts available for investment in Ireland will not, when required, be unduly depleted by major market movements.

In light of this investment strategy, and in anticipation of the legislative amendment to the investment mandate, the Commission has been working to develop a pipeline of potential investments under the Strategic Investment Fund umbrella. A number of projects have been announced to date, including commitments in the areas of infrastructure, water, long-term financing for SMEs and venture capital.

### Portfolio

The Fund is sub-divided for management purposes into two portfolios – the Discretionary Portfolio (the investment of which remains the Commission’s responsibility) and the Directed Portfolio (public policy investments in the banks made under direction from the Minister for Finance).

At 31 December 2012, the NPRF was valued at €14.7 billion, comprising the Discretionary Portfolio of €6.1 billion and the Directed Portfolio of €8.6 billion.

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

**Table 1**  
**NPRF Change in Value 2012**

	€bn
NPRF at 31 December 2011	13.4
Exchequer contribution / withdrawal	-
Net gain in value of Discretionary Portfolio	0.5
Net gain in value of Directed Portfolio	0.8
<b>Total at 31 December 2012</b>	<b>14.7</b>

## Performance

The total Fund return in 2012, including the Discretionary and Directed Portfolios, was +9.4%. This comprised a Discretionary Portfolio return of +7.8% and a Directed Portfolio return of +10.5%.

The Discretionary Portfolio's return of +7.8% was generated by steady increases in value through the year with reduced risk, reflecting the objectives of the Capital Preservation Strategy. However, a consequence of the strategy is that the Fund does not participate to the same extent as previously in positive equity market performance, such as was experienced in 2012. Nonetheless, in the period since the Capital Preservation Strategy was implemented, the risk adjusted return achieved by the Discretionary Portfolio has been very satisfactory.

As we face into the final months before the NPRF transitions into the ISIF, it is timely to reflect on the longer term performance of the Fund.

Since the Fund's inception in April 2001, the Discretionary Portfolio has generated an annualised return of +3.7% p.a. compared with +3.1% p.a. for the Fund's benchmark and +2.2% p.a. for the average Irish managed pension fund. The Irish inflation rate over the period has been +2.5% p.a.

In light of the financial difficulties facing the Exchequer, the Commission in January 2010 adopted a secondary objective of seeking to outperform the cost of government debt over rolling five year periods. Since then, the Discretionary Portfolio has produced a return of +7.1% p.a., which was in excess of the average Irish five year government bond yield over the period of +6.3% p.a.

## Commission Members and NTMA Staff

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.

I wish to note the resignation of John Canning on 17 January 2013 as a member of the Commission and the Private Equity Advisory Committee and I would like to acknowledge John's valuable contribution and support over the last eight years.

I would also like to thank the staff of the National Treasury Management Agency ("NTMA") for their hard work and professionalism through what has continued to be a period of significant change and complexity for the Fund.

## Next Steps

On 13 June 2013, the Government announced legislative proposals to establish the Ireland Strategic Investment Fund and that the legislation is expected to be enacted later in 2013.

On the enactment of the new legislation, the NPRF Commission will be dissolved and a new governance structure will be put in place within the NTMA. The Commission is committed to ensuring an orderly transition from the NPRF to the ISIF and from the Commission to the new NTMA governance arrangements and will support the transition in every way possible.

**Paul Carty**

Chairman  
27 June 2013

## Executive Summary

### Overview

- The NPRF was established in 2001 with an objective to meet as much as possible of the costs of social welfare and public service pensions from 2025 until at least 2055.
- The NPRF is controlled by the NPRF Commission. The Commission performs its functions through the NTMA, which is the Manager of the Fund.
- The Fund's statutory mandate is to maximise long-term return, subject to risks that are acceptable to the Commission. This mandate has been reflected in the Fund's investment strategy since inception by constructing a widely diversified portfolio, by asset type and by geography.
- In 2009, the Fund's legislative and operating framework changed significantly when the Minister for Finance directed the Fund to assist in dealing with the financial crisis facing Ireland by recapitalising Bank of Ireland and Allied Irish Banks ("AIB"). In November 2010, the Government announced that the Fund would provide €10 billion of the State's €17.5 billion contribution to the €85 billion EU / IMF Programme of Financial Support for Ireland and in 2011 this amount was invested in Bank of Ireland and AIB. The Fund, under direction from the Minister for Finance, has invested a total of €20.7 billion in Bank of Ireland (€4.7 billion) and AIB (€16.0 billion).
- In September 2011, the Government announced its intention to establish the Strategic Investment Fund which would "*channel resources from the NPRF towards productive investment in the Irish economy... and target investment in areas of strategic importance to the future of the Irish economy*".
- Against the backdrop of the significant changes made in respect of the Fund since 2009, the liquidity demands facing the Fund and the uncertainty over the Fund's future purpose and mandate, the Commission, in 2011 and continuing throughout 2012, implemented a Capital Preservation Strategy which provides some downside protection against equity market declines while providing some participation if markets perform well.
- The Commission believes there are attractive investment opportunities in Ireland, driven by the scarcity of capital. In that context, it formed a view that up to 20% of the Fund

may prudently be committed to commercial investments in Ireland to avail of such opportunities, without prejudice to the Fund's current statutory investment mandate. To date the Fund has invested or committed approximately €1 billion to areas of strategic importance to the Irish economy, including infrastructure, long-term financing for SMEs and venture capital.

- The Commission believes this twin-track approach represents a prudent and common sense means of combining adherence to the Fund's long-term investment strategy, reflecting its statutory responsibilities, with a strategy that recognises the Government's intention to refocus the Fund's mandate on Ireland.
- On 13 June 2013, the Government announced legislative proposals to establish the Ireland Strategic Investment Fund and that the legislation is expected to be enacted later in 2013.

### NPRF Investments

At 31 December 2012, the Fund's total value stood at €14.7 billion:

- The Discretionary Portfolio, the investment of which remains the Commission's responsibility, was valued at €6.1 billion (41% of total).
- The Directed Portfolio, investments made in Irish financial institutions for public policy reasons at the direction of the Minister for Finance, was valued at €8.6 billion (59% of total).

#### Chart 1

NPRF 31 December 2012 – Total Value



## Asset Allocation

The Fund's asset allocation at 31 December 2012 was as follows:

**Table 2**  
**NPRF Summary Asset Allocation<sup>1</sup>**

	Assets €m	% of Discretionary Portfolio	% of Total Fund
Quoted Equity	2,052	33.7	14.0
Bonds and Cash	1,956	32.2	13.3
Alternative Assets <sup>1</sup>	2,076	34.1	14.1
<b>Total Discretionary Portfolio</b>	<b>6,084</b>	<b>100.0</b>	<b>41.4</b>
Allied Irish Banks	6,402		43.6
Bank of Ireland	2,198		15.0
<b>Total Directed Investments</b>	<b>8,600</b>		<b>58.6</b>
<b>Total Fund</b>	<b>14,684</b>		<b>100.0</b>

### Notes

<sup>1</sup> Alternative Assets comprise Property, Private Equity, Absolute Return Funds, Commodities and Infrastructure.

- The Capital Preservation Strategy has been implemented through the purchase of equity index options and equity sales. Implementation of this strategy is monitored on an ongoing basis and changes were made during 2012 to ensure efficient implementation.

The Fund's investment commitments to Ireland as at 31 May 2013 are summarised as follows:

**Table 3**  
**NPRF Irish Investment Commitments**

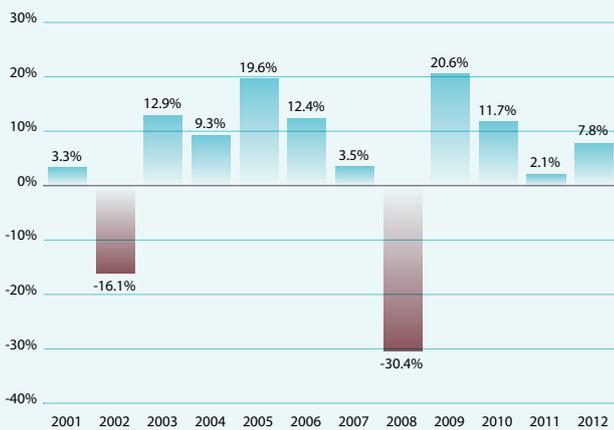
As at 31 May 2013	€m
Innovation Fund Ireland	125
Local Venture Capital Funds	69
Irish Corporate Bonds	83
Irish Forestry	35
Irish Infrastructure Fund	250
PPP Standby Facility	29
SME Equity Fund - Carlyle Cardinal	125
SME Equity Fund - Better Capital	50
SME Credit Fund - Bluebay	200
<b>Committed to Date</b>	<b>966</b>
<b>Expected Commitments</b>	
Irish Water	250
Other Approved Transactions	80
<b>Total Commitments</b>	<b>1,296</b>
NPRF Discretionary Portfolio Value	6,489
<b>% of Discretionary Portfolio Value</b>	<b>20.0%</b>

<sup>1</sup> The Asset Allocation table depicts the economic exposure of the Fund's assets. This differs from the Financial Statements primarily due to (i) the Fund's short equity index futures positions, the notional value of which are subtracted from total equities and added to cash in the Asset Allocation, and (ii) the Fund's listed infrastructure equities, which are recorded in Alternative Assets in the Asset Allocation.

## Performance

- The total NPRF return in 2012 was +9.4% comprising:
  - Discretionary Portfolio +7.8%
  - Directed Portfolio +10.5%
- From the Fund's inception in 2001 to end 2012, the Discretionary Portfolio has delivered an annualised performance of +3.7% p.a.
- This compares over the same period with returns for the average Irish managed pension fund of +2.2% p.a., the Irish inflation rate of +2.5% p.a. and the Fund's benchmark of +3.1% p.a.
- The Fund's year by year performance since inception is shown in Chart 2.

**Chart 2**  
**NPRF Discretionary Portfolio Performance**  
**2001 to 2012**



- 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 five year government debt on a rolling five year basis.
- Over the period from 1 January 2010 to 31 December 2012, the Discretionary Portfolio earned a return of +7.1% p.a., which compares over the same period with the average yield on Irish Government five year debt of +6.3% p.a.
- Since the implementation of the Capital Preservation Strategy in 2011, the Fund has generated a strong risk-adjusted return. Its value has increased in a steady manner while a significant reduction in volatility has been achieved.

- The +7.8% return on the Discretionary Portfolio in 2012 compared with a +13.7% return to the Fund's long-term benchmark. The underperformance against the benchmark was a result of the impact of the Capital Preservation Strategy (which while providing some protection against declines in equity markets allows limited participation in rising markets and incurred option premium costs), and the underperformance of the Fund's illiquid asset classes (property and private equity) against their respective benchmarks.
- The Directed Portfolio's return of +10.5% in 2012 reflected an uplift in the valuations of both Allied Irish Banks and Bank of Ireland ordinary and preference shares and a cash dividend of €188 million on the preference shares issued by Bank of Ireland.

# NPRF Mandate and Investment Strategy

## Legislative Framework

The National Pensions Reserve Fund (“NPRF” or “the Fund”) was established in April 2001, under the *National Pensions Reserve Fund Act, 2000* (the “NPRF Act”), with a statutory objective to meet as much as possible of the costs of social welfare and public service pensions from 2025 until at least 2055. The legislation underpinning the NPRF provided that in each year, commencing in 2001 and continuing until 2055, the Minister for Finance shall pay the equivalent of 1% of GNP into the Fund to support this objective.

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

Under the NPRF Act, the Commission is required to invest the assets of the Fund so as to secure the optimal total financial return, having regard to the purpose of the Fund and the requirements on the Fund to make payments to the Exchequer from 2025 onwards, provided the level of risk to the moneys held or invested is acceptable to the Commission.

Given the long-term horizon of the Fund specified in the legislation, the Commission developed a long-term investment strategy which is reflected in its strategic asset allocation.

## Legislative Changes

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 NPRF Act, 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.

The NPRF Act was also amended to disapply the NPRF’s Directed Investments from 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 Exchequer contribution to the NPRF in any of the years 2012 and 2013;
- direct the Commission to invest in Irish Government securities;
- direct the Commission 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 capital expenditure by the Exchequer.

The Minister exercised these powers in relation to suspension of the Exchequer contribution and to the Fund making payments directly to the Exchequer.

## Strategic Investment Fund Announcement

In September 2011, the Government announced its intention to establish the Strategic Investment Fund, which had formed part of the Programme for Government published by the Government in March 2011. The Minister for Public Expenditure and Reform stated in the announcement that:

*“The Strategic Investment Fund ... will, following appropriate legislative changes regarding the NPRF’s investment policy, channel resources from the NPRF towards productive investment in the Irish economy. As well as money from the NPRF, the Strategic Investment Fund will seek matching commercial investment from private investors, and target investments in areas of strategic significance to the future of the Irish economy.”*

The Commission has been engaged in ongoing dialogue with the Minister for Finance and his officials in relation to the proposed legislative amendment. On 13 June 2013, the Government announced its legislative proposals to establish the Ireland Strategic Investment Fund and that the legislation is expected to be enacted later in 2013.

## Investment Strategy

As a result of the Directed Investments in the banks in 2009, the Commission decided to separate the Fund into two distinct portfolios:

- Discretionary Portfolio – the investment of which is the Commission’s responsibility, and
- Directed Portfolio – public policy investments in the banks made under direction from the Minister for Finance.

## Long-Term Strategic Asset Allocation

The Discretionary Portfolio is managed by the Commission in line with its original investment strategy, reflected in its strategic asset allocation. This represents the optimal mix of asset classes taking into consideration the Fund’s risk and return objectives, timeframes and investment constraints. It is primarily focussed on investment in a globally diversified portfolio including quoted equities, bonds, property, private equity, commodities and absolute return funds. The strategic asset allocation aims to maximise long-term performance and diversify the sources of risk to the Fund taking into account its long-term horizon. As a long-term investor, the Fund has the ability to weather shorter-term market volatility and invest in illiquid assets that generate superior returns in the long run.

The Commission reviewed its strategic asset allocation in January 2010 and noted that, notwithstanding the changes made by the 2009 Act, there had been no legislative changes at that time which would cause it to revisit its original statutory objective as it related to the NPRF’s Discretionary Portfolio.

## Investment Objective

However, in light of the financial difficulties facing the Exchequer, in January 2010 the Commission decided to amend its investment strategy to include a secondary investment objective of seeking to outperform the cost of Irish government debt over rolling five year periods. The inclusion of this secondary objective was taken in light of the fact that it could reasonably be 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.*

Reflecting the addition of the secondary objective, the Commission in January 2010 reviewed and updated its strategic asset allocation.

Market dislocations can present opportunities within particular asset classes that are not captured by the strategic asset allocation. With this in mind, the Commission adopted a dynamic asset allocation policy which would allow for these opportunities to be captured by deviations from the strategic asset allocation weights. The Commission has delegated authority to the NTMA to vary the central strategic asset allocation levels within permitted ranges. 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.

## Capital Preservation Strategy

Against the backdrop of (i) the significant changes made in respect of the Fund since 2009 relating to directed investment in Irish banks, (ii) the radical changes in the Discretionary Portfolio following the realisation of €10 billion from the Fund for the EU / IMF Programme of Financial Support for Ireland, (iii) the liquidity demands facing the Fund, and (iv) the uncertainty over the Fund's future purpose and mandate as referenced in the Programme for Government, the Fund purchased equity index put options in June 2011. The Commission also considered this a sensible investment in the context of the significant macroeconomic and market stresses at the time.

The Commission also acknowledged that the proposed establishment of the Strategic Investment Fund required capital to be preserved in order to ensure the availability of assets of the NPRF when appropriate commercial investment opportunities in Ireland were developed or sourced, while still maintaining some capacity for the NPRF to participate in gains if markets performed well. The Commission developed a "Capital Preservation Strategy" to give effect to its dual objective.

A combination of equity options and the sale of some of the Fund's equity positions have been used to implement the strategy. The strategy is monitored on a constant basis to ensure it is being implemented as cost efficiently as possible and changes were made to the strategy in 2012 to reflect this.

The Commission, in summary, considered the Capital Preservation Strategy to be a means of applying a "prudent person" principle combining (i) adherence to the Fund's long-term investment strategy with an asset allocation broadly in line with the Fund's strategic asset allocation and with upside capacity when markets perform, and (ii) a common sense approach to reducing volatility, given the statements by and likely requirements of Government that the Fund's mandate would be changed. In this context, the strategy would help to ensure that the amounts available near term for investment in Ireland would not, when required, be unduly depleted by major market movements.

It had been originally intended to close out the equity options in mid-2012 on the assumption that the expected legislative amendments would have been implemented by that time. However, given the continued uncertainty regarding the Fund's long-term investment policy and while acknowledging the ongoing premium costs, the Commission decided to continue to maintain equity and options exposures at levels consistent with the Capital Preservation Strategy throughout 2012.

## Investments in Ireland

In September 2011, the Government outlined its proposal regarding the establishment of the Strategic Investment Fund. In considering investment in Ireland, the Commission believes there are attractive investment opportunities, driven by the scarcity of capital. One of the core investment beliefs of the Commission is to seek to invest when prices represent good value, and Ireland may offer significant possibility in this regard. In that context, the Commission, having initially considered the matter in September 2011 and cognisant of its statutory responsibilities to maximise long-term return subject to risks being acceptable to it, formed a view during 2012 that up to 20% of the Fund may be committed to commercial investments in Ireland to avail of these opportunities.

A number of investment areas of strategic importance have been identified to date including infrastructure, water, long-term financing for SMEs (both credit and equity) and venture capital. The Commission has supported a number of projects under the Strategic Investment Fund umbrella in these areas in 2012 and into 2013. As a result of these investments, the Discretionary Portfolio has now committed close to the 20% limit on Irish exposure determined by the Commission as being an appropriate maximum acceptable level of risk in the context of the Fund's current legislation.

## Ireland Strategic Investment Fund (ISIF)

On 13 June 2013, the Government announced its decision to establish the Ireland Strategic Investment Fund which will absorb the NPRF and will have a statutory mandate to invest on a commercial basis to support economic activity and employment in Ireland. The ISIF will also include the NPRF's directed investments in Bank of Ireland and AIB.

The Government stated that the ISIF will be managed and controlled by the NTMA and the proposals will involve the dissolution of the National Pensions Reserve Fund Commission. An Investment Committee will be established within the NTMA with discretion to make investment, disposal and asset management decisions for all investments of the ISIF, within the parameters of the investment strategy to be set by the NTMA Board. The ISIF will aim to be a cornerstone minority investor and will seek to attract third-party investors. In this way, the ISIF's assets can be used as a catalyst to attract additional capital for investment in the Irish economy.

## Market Review

The continued provision of substantial liquidity by the largest developed market central banks supported demand for financial assets in 2012.

Yields on US, core eurozone and UK government bonds reached long-term lows during 2012 as monetary policy pushed down interest rates and demand for safe haven assets remained strong. For example, as Chart 3 illustrates, US 10 year Treasury yields finished 2012 at levels as low as have been seen in over a century. In turn, the extremely low yields available for 'safe' assets resulted in strong demand for corporate credit and other slightly higher risk assets as investors sought sufficient yield to meet their return requirements.

**Chart 3**  
US 10 year Treasury yields: 1900 - 2012

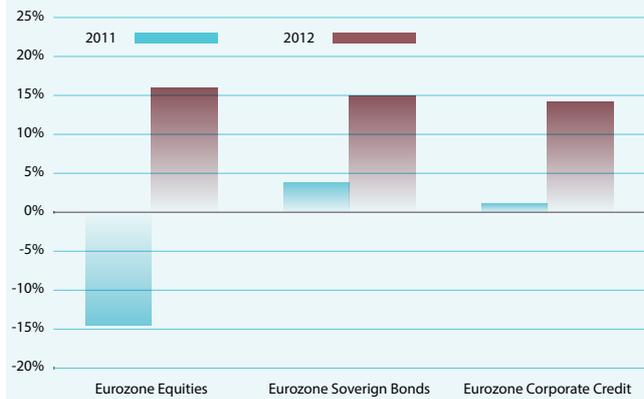


Source: Global Financial Data

### Europe

As shown in Chart 4, financial markets in Europe delivered strong returns in 2012 across equities, government bonds and corporate credit. In particular, equity markets rebounded strongly following a difficult 2011. While most asset classes delivered positive returns, markets during the year, driven by shifts in monetary policy and developments in the eurozone debt crisis, flipped between periods of optimism and pessimism. This resulted in large swings in performance during the course of the year.

**Chart 4**  
European Financial Markets Performance



Towards the end of 2011 the European Central Bank ("ECB") initiated a programme of three-year funding for banks through Long-Term Refinancing Operations ("LTRO"). Early in 2012 liquidity from the LTRO continued to stabilize the eurozone banking system and provide relief for indebted governments as banks reinvested excess liquidity in local government bond markets. However, by April the effects of the LTRO had begun to fade and investor sentiment weakened on poor economic data and fears of a Greek exit from the eurozone. The second quarter saw a steep increase in the pace of capital outflows from Spain and Italy and a substantial spike in government yields for these countries.

In July, a pledge by the President of the ECB, Mario Draghi, that the ECB would do 'whatever it takes' to preserve the Euro provided important reassurance to market participants. This was followed by the announcement of Outright Monetary Transactions ("OMT") to allow the ECB to buy unlimited amounts of shorter maturity government debt in the secondary markets of countries which had formally applied for assistance. Yields in eurozone periphery countries began to fall soon afterwards and continued to do so through to the end of the year.

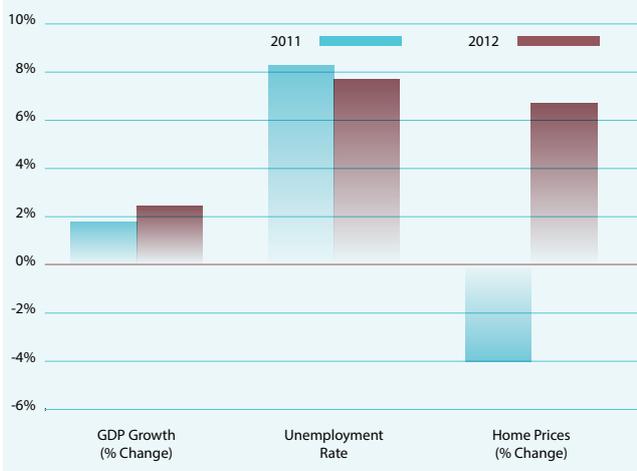
Economic data in the eurozone continued to be poor in 2012. GDP contracted by -0.6% and showed continued divergence between the 'core' and 'periphery' countries; unemployment in Germany hit all-time lows while in Spain youth unemployment reached very high levels.

### United States

In contrast to Europe, in the United States GDP growth was +2.3% in 2012 and unemployment continued to fall steadily, as illustrated in Chart 5. The US housing market also began

to show signs of improvement as construction spending and employment accelerated and house prices stabilised. In December, the Federal Reserve pledged to hold rates at close to zero and to continue to purchase long-term US treasuries and other bonds to the value of \$85 billion per month until unemployment fell below 6.5%. This was the first time that the Federal Reserve had explicitly tied its policy to unemployment rates and the current pace of employment growth suggests that rates will remain at their current low levels until the end of 2014.

**Chart 5**  
**US Economic Performance**



## Japan

In Japan, elections in December 2012 saw a return to power of Mr. Shinzo Abe who pledged to pursue more aggressive monetary and fiscal policies in an effort to finally lift the Japanese economy out of the deflationary trap it has been in since the collapse of an asset bubble in the 1990s. In response, Japanese equities soared and the Yen fell as markets anticipated a wave of central bank liquidity.

**Chart 6**  
**Nikkei and Japanese Yen Performance**



## Emerging Markets

Emerging Markets were the primary driver of global economic growth in 2012 as private debt deleveraging continued in developed markets. The poor performance of emerging markets equities in early 2012 reflected concerns about the potential for slower growth in China, but as these fears eased in the second half of the year, emerging market equities outperformed their developed market peers. Emerging market debt continued to attract strong inflows in 2012 and was a beneficiary of the global search for higher yield.

## 2013 Developments

Risk assets performed strongly in the first few months of 2013 before retracing in May and June as concerns over the withdrawal of liquidity in the US heightened.

Fears over political stability in the eurozone resurfaced following inconclusive Italian general elections in February. The handling of the Cypriot bailout in March also caused concern. Economic data showed the eurozone continued to contract, with GDP falling -0.2% in the first quarter, while record unemployment figures in Spain and France have led to increasing political pressure to rethink the fiscal austerity agenda being pursued in deficit countries.

Globally, government bond yields rose substantially in May as markets began to focus on the timing of the tapering of the US Federal Reserve's quantitative easing programme. The yield on the benchmark US 10-year bond rose 50 basis points during the month. These concerns continued in June with equity markets and emerging market assets, in particular, suffering declines.

In Japan, stocks continued their upward trend in early 2013 following the unveiling of a \$116 billion economic stimulus package and a plan by the Bank of Japan to target an inflation rate of 2% through a programme of long-term government bond purchases that will see its balance sheet double in size over the next two years. However, there was a sharp correction in May/June which saw the Nikkei fall 20% from its highs.

# Performance

## Overview

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

At 31 December 2012, the NPRF total value stood at €14.7 billion, comprising the Discretionary Portfolio €6.1 billion and the Directed Portfolio €8.6 billion.

The total NPRF, comprising the Discretionary and Directed Portfolios, recorded a total return of +9.4% in 2012.

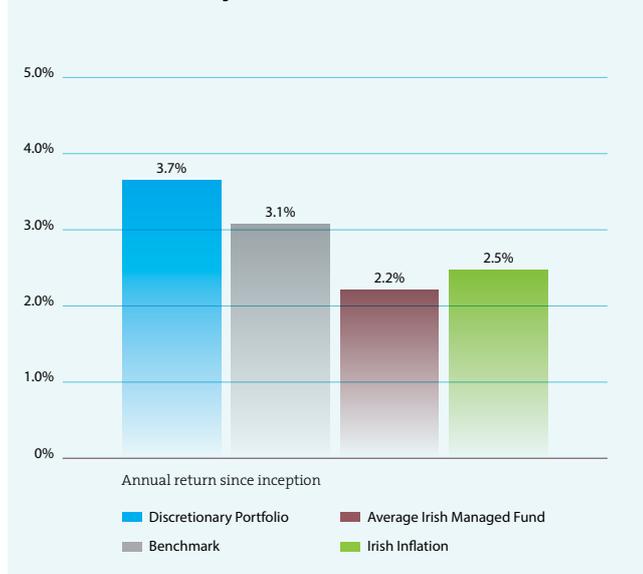
## Discretionary Portfolio Long-Term Performance

From the Fund's inception in 2001 to 31 December 2012, the Discretionary Portfolio has delivered an annualised return of +3.7% p.a.

- This compares with an annualised return for the average Irish managed pension fund of +2.2% p.a. and the Irish inflation rate of +2.5% p.a. over the same period.
- The Fund's performance has exceeded its benchmark (+3.1% p.a.) by +0.6% p.a. since inception.

**Chart 7**

**NPRF Discretionary Portfolio Performance 2001 to 2012**



## Performance since 1/1/2010

The investment strategy of the Discretionary Portfolio was modified in January 2010 and, taking account of the Exchequer's difficult fiscal position, a secondary investment objective was specified, seeking to outperform the cost of five year Irish Government debt over rolling five year periods.

The annualised return on the Discretionary Portfolio since the introduction of the supplementary objective in 2010 is +7.1% p.a., which exceeds the cost of the average yield on Irish five year government debt over that period of +6.3% p.a. This represents a favourable outcome for the Fund, particularly given the elevated costs of Irish debt over that period. The yield on Irish five year government debt fell to 3.3% at the end of 2012.

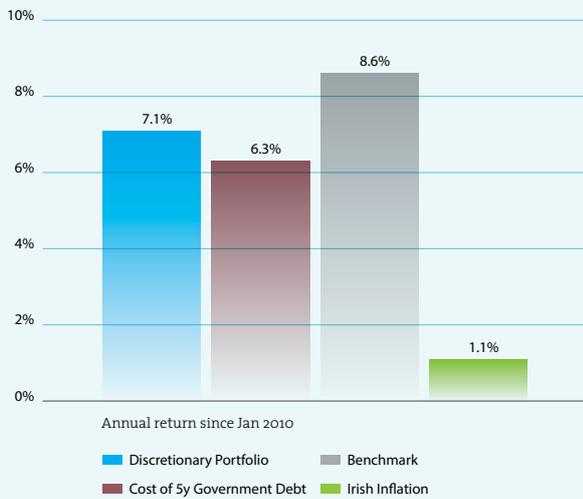
**Chart 8**

**Five year Irish Government Debt Yield**



Over the same period, which incorporates its increased focus on capital preservation, the Fund's annualised performance of +7.1% p.a., while below the return of the Fund's Benchmark (+8.6% p.a.) has also exceeded the rate of Irish inflation (+1.1% p.a.).

**Chart 9**  
NPRF Discretionary Portfolio Performance 2010-2012



## 2012 Performance

### Absolute Performance

The Discretionary Portfolio generated a return of +7.8% in 2012.

This reflects the impact of the Capital Preservation Strategy. Chart 10 below illustrates the relatively steady appreciation in the Fund's value over the course of 2012 and also illustrates that the Capital Preservation Strategy achieved its twin objectives of participating in equity market performance while limiting volatility.

**Chart 10**  
Discretionary Portfolio Performance 2012



Contributors to the Discretionary Portfolio's return in 2012 of +7.8% are set out below:

**Table 4**  
NPRF Discretionary Portfolio Asset Class Return 2012

	Asset Return	Contribution to Discretionary Portfolio Return <sup>1</sup>
Equity	16.5%	3.1%
Bonds	26.5%	1.8%
Private Equity	12.8%	1.7%
Infrastructure	14.9%	0.8%
Absolute Return	6.8%	0.2%
Cash	0.1%	0.0%
Commodities	-0.6%	0.0%
Property	-2.0%	-0.1%
Currency Hedge		0.3%
<b>Total</b>		<b>7.8%</b>

*Notes:*

<sup>1</sup> Contribution to portfolio return is calculated by multiplying and compounding each day the percentage weight within the Discretionary Portfolio and the return of each asset class.

- Equities performed strongly during 2012 returning +16.5%.
- Bonds were the best performing asset class in the Discretionary Portfolio returning +26.5%, as yields continued to fall throughout the year.
- Infrastructure and Private Equity performed well returning +14.9% and +12.8% respectively.
- Absolute Return Funds delivered a return of +6.8%.
- Cash returns fell to historically low levels of +0.1% during 2012.
- Property and Commodities delivered negative returns of -2.0% and -0.6% respectively.

### Relative performance

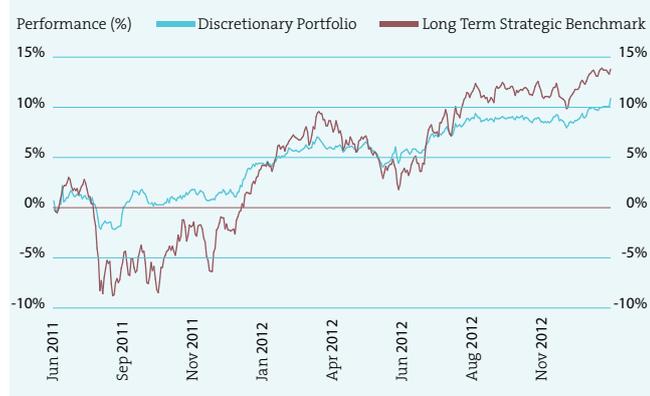
The Discretionary Portfolio performance of +7.8% in 2012 compared with the average cost of five year government debt in 2012 of +5.0% and the Fund's long-term benchmark return of +13.7%

As a result of the Capital Preservation Strategy the Fund's performance is likely to vary more widely than usual from its long-term strategic benchmark. In the context of the changing circumstances and timeframes for the Fund and the announcement of the Ireland Strategic Investment Fund, the Fund's Long-Term Strategic Benchmark has become substantially less relevant.

It should also be noted that when markets decline, the Fund's put options will preserve portfolio value. However, the option premium costs, which are generally significant, and the reduced participation in rising equity markets will reduce the positive impact on performance that would otherwise be enjoyed if markets rise.

Chart 11 below illustrates that the Fund outperformed its benchmark in the early period of the Capital Preservation Strategy (from mid-2011) but underperformed the long-term benchmark in 2012 when equity markets performed well. However, throughout the period, the Fund's volatility has been lower than that of the benchmark, thereby achieving one of the primary aims of the Capital Preservation Strategy. This relationship between return and risk is reflected in the Fund's Sharpe Ratio<sup>2</sup>, which measures risk-adjusted return. Over the period since the implementation of the Capital Preservation Strategy, the Fund's Sharpe Ratio has significantly exceeded that of the Fund's benchmark, thereby indicating that the objective of the Capital Preservation Strategy of participating in positive market performance while controlling downside risk has been achieved in a risk efficient manner.

**Chart 11**  
**Discretionary Portfolio Volatility 2012**



2. The Sharpe Ratio is an industry standard which measures, in respect of a portfolio, the ratio of excess returns over the risk-free rate to the volatility of returns. It therefore seeks to measure the level of excess return relative to the level of risk taken.

Attribution of the Fund's performance relative to its long-term strategic benchmark is set out in the following table:

**Table 5**  
**NPRF Discretionary Portfolio Relative Return Contributors 2012**

Discretionary Portfolio - contributions to relative performance against Benchmark 2012

Capital Preservation Strategy	-3.1%
Investment Decisions	-0.2%
Alternative Assets	-2.5%
Other	-0.1%
<b>Total</b>	<b>-5.9%</b>

The respective contributions to relative performance are summarised below:

- The largest relative detractor (-3.1%) was the Capital Preservation Strategy, which comprised equity options (premium costs) and an underweight position in equities, which was reduced gradually over the course of the year. However, as equities performed positively in 2012, this underweight position underperformed the benchmark.
- Investment decisions comprised the net effect of investment manager performance, credit portfolio performance, and the effect of the Fund's tactical asset allocation decisions.
- The performance of the property and private equity portfolios against their benchmarks in any single year should be interpreted with caution. Timing issues will cause significant performance differences when viewed over a shorter time frame.
  - The private equity portfolio detracted -1.3% from performance relative to its benchmark in 2012. The Fund's private equity investments are unlisted and lagged their benchmark. The benchmark is based on listed markets performance and reflect valuation uplifts faster than the Fund's unlisted investments (which are priced infrequently and in arrears).
  - The property portfolio detracted -1.2% relative to its benchmark following weaker performance in 2012 of European property relative to the US and UK markets.

## Directed Portfolio

The Directed Portfolio returned +10.5% in 2012. This return incorporates the uplift in valuations for the investments in AIB and Bank of Ireland and a cash dividend of €188 million on the 2009 Preference shares issued by Bank of Ireland

### Benchmark Portfolio

Under the NPRF Act, 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 subject to adjustments for liquidity constraints in the Fund's illiquid asset classes.

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. The Fund's unlisted investments in private equity and property portfolios are priced infrequently and in arrears and thus have a tendency to lag the performance of the more market responsive benchmarks. These timing issues will cause significant performance differences when viewed over a shorter time frame.

Following the Government's announcements in relation to the Ireland Strategic Investment Fund, a significant capital preservation element has temporarily been incorporated into the Fund's investment strategy. This capital preservation element is not incorporated in the Benchmark and the Fund's short-term performance relative to its benchmark will therefore vary more widely than in the past.

# Discretionary Portfolio Review

## Strategic Asset Allocation

To implement its investment objectives, the Commission in early 2010 reviewed its investment strategy and set its Strategic Asset Allocation as detailed in the table below.

**Table 6**  
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>

Strategic asset allocation is based on long-term risk and return objectives as well as investor expectations regarding asset class returns, volatility and correlations.

The principal factors driving this allocation were:

- **Asset Class Diversification:** allocations to a wide range of asset classes, which diversifies the risk to the portfolio of individual asset classes underperforming;
- **Geographic Diversification:** allocations to a wide range of different geographic regions, which diversifies the risk to the portfolio of different regions and countries underperforming;
- **Illiquidity Premium:** allocations to asset classes that are illiquid in nature but are expected to generate superior returns over a long time-horizon, consistent with that of the NPRF;
- **Growth:** allocations to asset classes expected to capture economic growth including emerging markets equity, small cap equity 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

Dynamic asset allocation refers to deviations from the strategic weights in order to take advantage of any perceived market pricing opportunities.

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.

**Table 7**  
NPRF Dynamic Asset Allocation Ranges

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%

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.

At 31 December 2012, the Fund maintained the following dynamic asset allocation positions:

- A significant underweight position in nominal and inflation-linked Eurozone government bonds.
- A small underweight in global equities in order to reflect the longer term pressures on risk assets as debtor developed markets continue to deleverage. The underweight in global equities was gradually reduced throughout 2012.

### Implementation of Capital Preservation Strategy

A capital preservation element was initially incorporated in June 2011 through a dynamic asset allocation underweight in equities and the purchase of equity index put options which provide downside protection against declines in equity markets while continuing to participate if markets improve. Market pricing is monitored on an ongoing basis to ensure that the Capital Preservation Strategy is implemented in as efficient a manner as possible.

On this basis, changes were made to the Capital Preservation Strategy during 2012. As the Commission's dynamic asset allocation underweight to equity markets reduced, in order to maintain the Capital Preservation Strategy, the Commission needed to purchase additional equity index put options. In addition, to enable a more cost effective implementation of the strategy, in July 2012 the Commission sold additional equity index futures and purchased equity call options.

### Fund Liquidity

The Commission has placed increased emphasis on the liquidity of the Discretionary Portfolio and, other than in respect of investments in, or related to, Ireland, has not entered into any investments which would have the effect of reducing the Fund's liquidity since 2010.

At 31 December 2012, the Fund held an estimated €4.2 billion (2011: €3.7 billion) of assets which are realisable at low transaction costs and within a short time frame.

In this context, the Commission has also taken advantage, where they occurred, of favourable conditions in the secondary market to sell and redeem its holdings in the

illiquid asset classes of property and private equity. In 2012, the Fund sold €148 million of its total exposure to global private equity funds. Sales have been conducted opportunistically through competitive market processes and, despite the illiquid nature of these assets, have been completed at acceptable prices and without incurring significant discounts compared to prevailing valuation.

### Asset Allocation

Taking account of all of the above factors, the Discretionary Portfolio's asset allocation at 31 December 2012 was as follows:

**Table 8**  
**NPRF Discretionary Portfolio Asset Allocation**  
**31 December 2012**

	Assets €m	% of Discretionary Portfolio
Global Large Cap	1,252	20.6
Global Small Cap	203	3.3
Global Emerging Markets	510	8.4
Equity Options	87	1.4
<b>Total Quoted Equities</b>	<b>2,052</b>	<b>33.7</b>
Eurozone Government Bonds	–	0.0
Eurozone Inflation Linked Bonds	135	2.2
Eurozone Corporate Bonds	401	6.6
Cash	1,420	23.4
<b>Total Financial Assets</b>	<b>1,956</b>	<b>32.2</b>
Private Equity	736	12.1
Property	454	7.5
Commodities and Forestry	270	4.4
Infrastructure	372	6.1
Absolute Return Investments	244	4.0
<b>Total Alternative Assets</b>	<b>2,076</b>	<b>34.1</b>
<b>Total Discretionary Portfolio</b>	<b>6,084</b>	<b>100.0</b>

## Equities

As at 31 December 2012, the NPRF was invested in 3,462 companies across global developed and emerging markets and 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 0.58% of the Discretionary Portfolio.

**Table 9**

### NPRF Equity Weightings

% of Discretionary Portfolio - 31 December 2012

	Fund Allocation %	Benchmark %
Eurozone	3.3	9.3
North America	12.9	11.7
Europe ex Eurozone	1.8	3.3
Japan	0.9	1.7
Pacific Basin	1.7	2.1
<b>Total Large Cap</b>	<b>20.6</b>	<b>28.1</b>
<b>Small Cap</b>	<b>3.3</b>	<b>9.7</b>
<b>Emerging Markets</b>	<b>8.4</b>	<b>9.7</b>
<b>Equity Options</b>	<b>1.4</b>	<b>0.0</b>
<b>Total</b>	<b>33.7</b>	<b>47.5</b>

The Fund's equity portfolio returned +16.5% in 2012 comprising large cap equities +16.2%, small cap equities +19.1% and emerging market equities +16.5%.

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

- Improved risk appetite globally led to a rise in equity markets in the latter half of 2012, which saw the vast majority of countries, sectors and styles end the year positively. With improving risk appetite, emerging markets also outperformed developed markets.
- With interest rates and bond yields at historically low levels, investors turned to equity markets for yield, resulting in high-dividend yielding stocks outperforming other equity styles and characteristics.

## Bonds

The Fund's strategic asset allocation to bonds is diversified across government bonds, inflation-linked bonds and corporate bonds. At 31 December 2012 these investments represented 8.8% of the Discretionary Portfolio and returned +26.5% in 2012.

**Table 10**

### NPRF Bond Weightings

% of Discretionary Portfolio - 31 December 2012

	Fund Allocation %	Benchmark %
Eurozone Government Bonds	-	6.1
Eurozone Inflation Linked Bonds	2.2	5.1
Eurozone Corporate Bonds	6.6	6.1
<b>Total</b>	<b>8.8</b>	<b>17.3</b>

Throughout 2012, the Commission maintained an underweight position in nominal and inflation-linked government bonds versus benchmark positions, reflecting a tactical view that yields in core government bond markets, which were at record low levels, did not offer attractive risk adjusted expected returns.

The Fund's corporate bond investments include a third party managed portfolio of Euro denominated investment grade corporate bonds and a number of Irish private placements which are not generally traded.

## Cash

At 31 December 2012, the Fund's cash holding was €1,420 million, representing 23.4% of the Discretionary Portfolio. This relatively large cash holding was as a result of the Capital Preservation Strategy and the underweight position in government bonds. While the portfolio cash overweight exceeded the 10% range permitted by the Fund's dynamic asset allocation policy, the Commission deemed this to be appropriate given the Fund's current circumstances and in light of the fact that the position was risk-reducing.

The pursuit of expansionary monetary policy by major central banks has seen the rate of return available for cash balances fall during 2012. The Fund's cash balances, which are on deposit with the Central Bank of Ireland and earn the EONIA rate, yielded a return of +0.1% in 2012. The Commission chose not to extend the maturity or increase the credit risk of the Fund because of the current fluid

circumstances facing the Fund, although this position is under continuous review.

### Commodities

The Fund's commodities portfolio returned -0.6% in 2012 and at 31 December 2012 represented 4.4% of the value of the Discretionary Portfolio.

The Fund's commodity investments are made in liquid enhanced index funds which provided a return based on a standard global commodities index. At 31 December 2012, the Fund's largest commodity investment, totalling €235 million, is 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 Commission made an investment in forestry during 2009, with a €20 million investment in an Irish forestry fund, the "1st Forestry Fund". The Fund purchased approximately 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 trees when they mature in the period 2025 to 2035. The NPRF also holds an investment totalling €11 million in the Irish Forestry Unit Trust.

### Absolute Return Investments

Absolute Return investments are strategies that aim to earn a positive return irrespective of market direction. The Fund is invested in two absolute return strategies delivered through pooled funds. One of these strategies invests across a broad range of asset classes whilst the other invests only in the currency markets. At 31 December 2012 these investments represented 4.0% of the Discretionary Portfolio and they returned +6.8% in 2012.

### Infrastructure

The Fund's largest infrastructure investment, totalling €326 million, is through listed equities that are passively managed against an infrastructure equities benchmark. Infrastructure performed very well in 2012, returning +14.9% as investors rewarded assets with stable return characteristics.

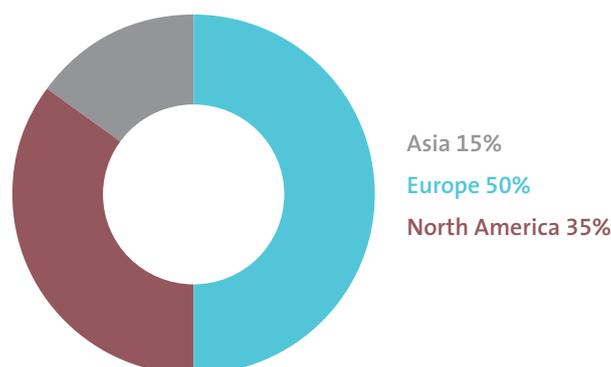
Under the Strategic Investment Fund umbrella, the Fund has also committed €250 million to the Irish Infrastructure Fund, of which €44 million has been drawn to date. Taken together, at 31 December 2012, infrastructure investments represented 6.1% of the Discretionary Portfolio.

### Property

Unlisted investment vehicles have been the basis for the Fund's long-term approach to investing in real estate, and at 31 December 2012, were valued at €454 million representing 7.5% of the Discretionary Portfolio. Property commitments are drawn down by managers on a phased basis as they identify suitable investment opportunities. At 31 December 2012 the Fund had uncalled commitments of €58 million.

The unlisted real estate portfolio is well diversified by geographic region, sector and investment manager. On a geographic basis, the NPRF's real estate allocation is 50% to Europe, 35% to North America and 15% to Asia and is invested in 27 countries.

**Chart 12**  
NPRF Property Commitments 2012



Due to the reduced size of the Discretionary Portfolio, the Commission initiated a strategy of opportunistically reducing its real estate exposure over the past 2 years. The Commission has sold or redeemed holdings in eight property funds over the period, receiving total proceeds of €74 million. This amounted to a 2.0% discount to the prevailing valuation of the funds. In 2008, the Fund ceased new real estate fund investing.

The property portfolio returned -2.0% in 2012. Over the 3 years to the end of December 2012, the portfolio generated a return of +5.6% p.a.

## Private Equity

At 31 December 2012, private equity investments were valued at €736 million and represented 12.1% of the Discretionary Portfolio. Similar to the property 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 €392 million, €125 million of which relates to the Fund's commitment to the SME Equity fund managed by Carlyle Cardinal Ireland.

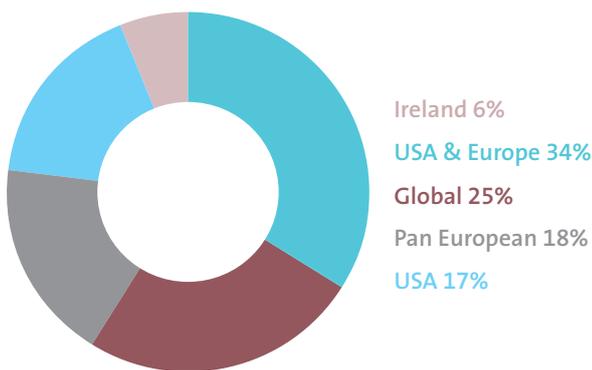
The private equity portfolio is diversified by both investment type and region. On a total exposure basis, which is defined as the total value plus the total commitments outstanding, the portfolio was split as follows on 31 December 2012:

- 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 is broadly diversified as shown in Chart 13.

### Chart 13

NPRF Private Equity Total Exposure 2012



The allocation to Ireland comprises five commitments totalling €81 million made to Irish venture capital funds that were raised in 2007, 2008 and 2010. At 31 December 2012, in respect of these Irish venture funds, there were €39 million of investment commitments outstanding. In addition, by year end, the NPRF had made five fund commitments totalling €86 million related to its participation in the Innovation Fund Ireland. The Commission has allocated a total of €125 million to the Innovation Fund Ireland and further announcements are expected in 2013.

The Commission has been repositioning the private equity portfolio in the context of the reduced size of the Discretionary Portfolio and the redirection of the Fund towards domestic opportunities. During the course of 2012, the Commission sold exposures totalling €148 million in seven further private equity fund positions, through competitive market processes at acceptable prices.

The 31 December 2012 valuation reflects a general improvement in the underlying performance of portfolio companies, notably where they are exposed to geographies where recovery is taking shape such as the United States or the Nordic region, coupled with an expansion in public market valuation multiples in the year. The NPRF's private equity investment return was +12.8% in 2012. Over the 3 years to the end of December 2012, the portfolio generated a return of +13.9% p.a.

## Features of NPRF Property and Private Equity Investment Programmes

The NPRF's property and private equity programmes, similar to many sovereign wealth funds generally, 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 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 the 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.

## Currency Hedge

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 exposure in property and absolute return funds. 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 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 2012 was to increase absolute performance by +0.3%.

## Transition Management

Transition Management is a specialist service providing for the efficient and cost effective transfer of assets on behalf of asset owners. The service is typically utilised by asset owners when rebalancing assets between asset classes, when replacing an investment manager or when undertaking large cash contributions or withdrawals. The economic benefits from using such a service are significant in that it minimises the costs, implicit and explicit, associated with the sale or purchase of securities.

## State Street Update

In December 2010 the NTMA was required to liquidate assets of approximately €6.8 billion in order to provide €10 billion under the 2010 EU/IMF Programme of Financial Support for Ireland. State Street was one of two firms appointed from the Fund's transition manager panel, consisting of three transition managers that had been chosen following a tender process in 2007. After signing a contract to manage the transition on the basis of a fee calculated upon the value of assets, State Street disposed of assets to the value of €4.7 billion between February and May of 2011.

In October 2011 the NTMA queried the departure of two senior executives from State Street's transition management unit following a report that a large UK based client had been overcharged through the application of commissions that had not been agreed in advance. State Street indicated that it would be engaging with an independent firm in reviewing a small number of transactions with similar fee arrangements. State Street subsequently informed the NTMA in November that approximately €2.65 million of commissions for which no contractual arrangements existed had been applied to the NPRF transactions. The commissions were applied through the manipulation of reported prices to the NTMA in a manner that was not visible. In July 2012 State Street informed the NTMA that it had identified

further unauthorised profits of \$787,000 that it had earned through the sale of an Exchange Traded Fund as part of the transition. Both amounts were repaid to the NTMA and State Street implemented arrangements to provide independent validation of these amounts by PricewaterhouseCoopers.

The NTMA has notified the relevant regulatory authority, the Financial Conduct Authority ("FCA"), formerly the Financial Services Authority ("FSA"), in the UK, of the overcharging by State Street. It is understood that the FCA is currently investigating State Street's transition management business. The FCA is also conducting a separate review of the wider transition management industry; in its 2013-14 business plan the FCA raised concerns that "the level of transparency and market conduct among transition management participants is not to the standard we require". The NTMA is awaiting the completion of the FCA investigation in order to determine whether any further action should be taken in respect of the State Street incident. The NTMA has also reported the incident to the Gardai and is currently supporting City of London Police with its investigation into the matter.

## Transition Manager Tender

The Commission issued a request for proposal in late 2012 for the provision of transition management services to the Fund. The principal rationale for maintaining a panel arrangement is to ensure that each transition manager submits a competitive proposal for each individual transaction, thereby providing a basis for comparison for the pre-trade cost estimates.

The NTMA is committed to promoting the development of improved market standards and practices within the transition management industry. In drafting the request for tender the NTMA sought to address key control issues within the transition management business with the objective of improving transparency, third party transaction validation and general oversight. As an example, the NTMA requested individual performance data from managers on their historical track record, information which has typically not been provided by transition managers. The NTMA also sought operational arrangements within the transition manager organisation that would ensure that prices could not be manipulated at source.

The NTMA is close to the conclusion of the tender process and has selected three firms as preferred parties to be invited to the panel for the provision of transition management services to the NPRF. It is expected that final due diligence and legal documentation will be completed in July 2013.

## Strategic Investment Fund Commitments

As set out earlier in the Report and in the context of reorienting the Fund towards commercial investment in Ireland, the Commission was committed to a number of projects under the Strategic Investment Fund umbrella in 2012 and 2013. As a result of these investments, the Discretionary Portfolio has now committed close to the 20% limit on Irish exposure determined by the Commission as being an appropriate maximum level of risk in the context of the Fund's current legislation.

A detailed table of the NPRF commitments to Irish investments to date is presented in Table 11.

### Long-Term Finance for SMEs

In early 2013, the Commission announced investment commitments to a suite of three new long-term funds which will provide equity, credit and restructuring / recovery investment for Irish small and medium-sized businesses (SMEs) and mid-sized corporates. The NPRF played a significant role in the development of the three funds over the course of 2012 and will be a cornerstone investor in each alongside additional investment from third-party investors. The three funds combined will involve a commitment by the NPRF of €375 million.

The details of the funds are as follows:

- The **SME Equity Fund** (total fund size €300 - €350 million / NPRF commitment €125 million) will focus on investing in healthy businesses seeking to grow, including those with overleveraged balance sheets. The fund, which has received first round commitments from third party investors, is operational and is managed by Carlyle Cardinal Ireland in Dublin. Marketing to investor prospects and development of a transaction pipeline is ongoing.
- The **SME Turnaround Fund** (total fund size €100 million / NPRF commitment €50 million) will invest in underperforming businesses which are at or close to the point of insolvency but have the potential for financial and operational restructuring. Typically 40% of the capital invested by the fund will be used to buy the business and 60% will be used to finance the turnaround plan in order to place the business on a sustainable long-term footing. The fund is operational and is managed by Better Capital. The London Stock Exchange-listed investment fund, BECAP12 Fund, which is managed by Better Capital, will co-invest not less than 51% of the investment into each transaction with the NPRF providing the remainder. Better Capital has established a Dublin office from which to source deal flow.

- The **SME Credit Fund** (initial fund size €450 million / NPRF commitment €200 million) will lend to larger SMEs and mid-size corporates and will be managed by BlueBay Asset Management. The SME Credit Fund may also acquire and refinance loans close to maturity where existing lenders are not willing to provide new lines of credit. Lending by the fund will be at competitive market rates with loan sizes ranging from €5 million to €50 million with an estimated average size of €15 million.

### Infrastructure

In late 2011, the Commission 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 and new infrastructure projects. The Irish Infrastructure Fund (IIF) was established by Irish Life Investment Managers, with AMP Capital appointed as the fund's discretionary investment manager.

In June 2012, the IIF successfully closed its first acquisition by acquiring a majority stake in a portfolio of wind assets owned by Viridian Power and Energy Holdings. This investment is performing to expectations and was valued by a third-party valuer at 31 December 2012 at a higher price than the June 2012 acquisition price.

Fundraising efforts are continuing as is the development of investment ideas and opportunities. Progress with the IIF remains significantly dependant on transaction visibility and asset availability.

### Public Private Partnerships (PPPs)

- **Standby Facilities**  
Standby facilities were provided on a commercial basis by the NPRF in respect of senior debt tranches for two Public Private Partnership (PPP) projects, Schools Bundle 3 and the N11 project. The NPRF's participation in these projects was required in order to secure European Investment Bank (EIB) funding. The Schools Bundle 3 transaction closed in November 2012 with work commencing on the schools immediately after. The N11 transaction closed in April 2013 and on-site work commenced in May 2013.

### ● **Stimulus Package**

In July 2012, the Government announced a €2.25 billion domestic infrastructure stimulus, with a Public Private Partnership (PPP) programme accounting for €1.4 billion of this. Funding is expected to come from a combination of sources such as the European Investment Bank (EIB) / Council of Europe Bank and domestic banks and including potentially, after its mandate change, up to €700 million on a commercial basis from the NPRF. The bulk of the Stimulus Package comprises PPP projects in the education, health, transport and justice sectors.

### **Water**

In April 2012, the Government announced the creation of a public water utility, Irish Water, which is responsible for designing, financing, installing, maintaining and upgrading a domestic water metering system. The regulatory framework for water is currently under development. In late 2010, the Commission agreed to underwrite a long dated loan facility to Irish Water, subject to certain pre-conditions principally relating to regulatory matters and to completion of a cost-benefit analysis. In the intervening period, circumstances and timeframes have evolved and it is now envisaged that the NPRF will provide an interim bridging finance facility of €250 million on commercial terms to Irish Water to fund the initiation of the metering programme and Irish Water's start up costs.

### **Venture Capital**

#### ● **Silicon Valley Bank (SVB)**

In June 2012, the Fund announced a collaborative relationship with Silicon Valley Bank (SVB) 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 has established a presence in Ireland and expects to lend US\$100 million over five years to fast growing Irish technology, life sciences and venture capital businesses. SVB has appointed an Ireland Relationship Director. Together with support from its team in London, SVB is currently looking closely at a number of opportunities and completed its first loan in May 2013.

#### ● **Innovation Fund Ireland (IFI)**

The Innovation Fund Ireland programme is a Government initiative - led by Enterprise Ireland and the NPRF - to attract leading international venture capital fund managers to Ireland and to increase the availability of capital to Irish early-stage and high-growth companies. The NPRF has made five investment commitments to date amounting to a total of €86 million of its €125 million allocation.

The Innovation Fund's second call for expressions of interest from prospective managers closed successfully in June 2012 and a number of new opportunities were identified. The commitment to Highland Europe, a leading European venture capital investor in growth stage technology companies, has closed and other opportunities are currently in the pipeline.

### **Innovation Fund Ireland Case Study – DFJ Esprit Fund II**

DFJ Esprit is a Pan-European Venture and Growth Firm based in London. It invests in seed stage and growth capital companies in the Technology sector. The NPRF has committed €20 million to a total fund of €90 million.

DFJ Esprit has opened an office in Dublin where it is actively sourcing and making investments into fast growing Irish companies.

Irish Investments made to date are:

- **Mobile Travel Technology** – Provides a mobile application platform to the travel sectors, primarily airlines and hotels, to allow companies to take advantage of the consumer shift to the mobile channel for both sales and customer service applications.
- **Datahug** – Uses communications traffic data (email, telephone call records, calendar entries etc.) to improve customer relationships for organisations.
- **Movidius** – Produces semiconductor technology which assists in enabling much thinner mobile devices and cheaper camera modules within those devices, while simultaneously greatly improving imaging performance.

### **Strategic Investment Fund Co-investors**

A critical component of the Strategic Investment Fund strategy is to attract commercial co-investment alongside the NPRF. This may take the form of other institutional investments into funds or syndicate partners in project finance transactions. The Fund also works closely with Enterprise Ireland to help drive innovation and projects that meet shared objectives.

The NPRF's approach has been to engage with and attract third-party investors both directly and in conjunction with the managers of its funds. This is a multi-year process that has been accelerated by the relationships built by the NTMA in recent years.

In engaging with the broader investment market throughout 2012, the feedback received indicated a very positive attitude towards Ireland and the investment opportunities it offered as an overall market. However, it was clearly a challenge for large scale investors to find ways and means to access opportunities in a small economy. Their priorities were to find opportunities with very high quality managers in areas that fit within their global asset allocation strategies. The NPRF's investments in Ireland are specifically designed to cater to this requirement and have already begun to increase the number and type of opportunities for international investors to deploy capital in Ireland.

**Table 11**  
**NPRF and 3rd Party Commitments to**  
**Strategic Investment Fund**  
**31 May 2013**

	NPRF Committed Capital (€m)	3rd Party Capital (€m)	Total Project Size (€m)	Multiple of NPRF Commitment
Innovation Fund Ireland <sup>1</sup>	125	125	250	2.0x
Local Venture Capital Funds	69	320	389	5.6x
Irish Corporate Bonds	83	0	83	1.0x
Irish Forestry	35	187	222	6.3x
Irish Infrastructure Fund	250	50	300	1.2x
PPP Standby Facility <sup>2</sup>	29	287	287	9.9x
SME Equity Fund - Carlyle Cardinal	125	30	155	1.2x
SME Equity Fund - Better Capital	50	50	100	2.0x
SME Credit Fund - Bluebay	200	250	450	2.3x
<b>Total Committed</b>	<b>966</b>	<b>1,299</b>	<b>2,236</b>	<b>2.3x</b>
<b>Expected Commitments</b>				
Irish Water	250	0	250	1.0x
Other Transactions	80	246	326	4.1x
<b>Total Commitments</b>	<b>1,296</b>	<b>1,545</b>	<b>2,812</b>	<b>2.2x</b>

*Notes*

<sup>1</sup> Launched in 2010, Innovation Fund Ireland is an Irish Government initiative designed to attract leading international venture capital fund managers to set up venture capital management operations in Ireland, thereby ensuring a sizeable pool of capital is available to early stage Irish companies. Innovation Fund Ireland funding comprises €125 million from the NPRF, providing its commercial investment criteria are met, alongside Exchequer funding of €125 million, which is managed by Enterprise Ireland, and this capital will at least be matched by participating venture capital managers. Funds under the Innovation Fund Ireland initiative can invest both in Ireland and outside Ireland.

<sup>2</sup> The NPRF initially provided Standby Facilities totalling €128 million for School Bundles 3 and N11 projects. This standby commitment has now reduced by €13 million to €115 million. Given the contingent nature of the facilities provided and the low probability of being drawn down, 25% of these standby commitments have been estimated as the capital commitment involved.

## Exchequer Contributions

The Fund received no Exchequer contributions in 2012 and no contribution will be received in 2013.

In 2009 and 2010 the Fund received contributions totalling €2,072 million from sixteen university and state sponsored pension schemes. These contributions funded the annual 1% Exchequer contribution to the NPRF up 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.

A standing instruction was issued by the Minister for Finance on 21 December 2012 exercising the powers under section 18(2B) of the *National Pensions Reserve Fund Act 2000* (inserted by section 76 of the CISA Act) to order that:

- (i) no sum shall be paid from the Exchequer into the National Pensions Reserve Fund in the year 2012, and
- (ii) no sum shall be paid from the Exchequer into the National Pensions Reserve Fund in the year 2013.

## NPRF Managers as at 31 December 2012

Investment Style	Mandate	Manager	Value (€m)
<b>Large Cap Equity</b>			
Passive	Eurozone	State Street Global Advisors Ireland	225
Active	Pan-European	Putnam Investments	112
Active	Pan-European	Oechsle International Advisors	104
Passive	Europe ex Eurozone	State Street Global Advisors Ireland	125
Passive	North America	Blackrock	745
Active	North America	Goldman Sachs Asset Management International	122
Passive	Japan	Blackrock	113
Active	Pacific Basin ex Japan	Schroder Investment Management	155
Active	Global	Generation Investment Management	97
<b>Total Large Cap</b>			<b>1,800</b>
<b>Emerging Markets Equity</b>			
Active	Global	Batterymarch Financial Management	148
Active	Global	Principal Global Investors	175
Passive	Global	State Street Global Advisors Ireland	185
<b>Total Emerging Markets</b>			<b>509</b>
<b>Small Cap Equity</b>			
Active	EAFE	Acadian Asset Management	105
Passive	US	Blackrock	110
<b>Total Small Cap</b>			<b>214</b>
<b>Irish Equity</b>			
Passive	Ireland	National Treasury Management Agency	6
<b>Total Irish Equity</b>			<b>6</b>
<b>Equity Options</b>			
Equity Options		National Treasury Management Agency	87
<b>Total Options</b>			<b>87</b>
<b>Total Equity</b>			<b>2,616</b>
<b>Fixed Income</b>			
Active	Eurozone Corporate Bonds	DB Advisors	268
Active	Eurozone Corporate Inflation Linked Bonds	National Treasury Management Agency	135
Active	Eurozone Corporate Bonds	National Treasury Management Agency	133
<b>Total Fixed Income</b>			<b>537</b>
<b>Cash</b>			
Cash		National Treasury Management Agency	776
<b>Total Cash</b>			<b>776</b>
<b>Other</b>			
Currency Forwards		National Treasury Management Agency	5
Transition Manager		Nomura International	41
Transition Manager		Citigroup	34
<b>Total Other</b>			<b>80</b>
<b>Total Financial Assets</b>			<b>1,392</b>
<b>Infrastructure</b>			
Passive	Global	State Street Global Advisors Ireland	326
Active	Irish	Irish Infrastructure Trust	46
<b>Total Infrastructure</b>			<b>372</b>
<b>Absolute Return</b>			
Active	Currency	JP Morgan Asset Management	76
Active	Global Macro	Bridgewater Associates	168
<b>Total Absolute Return</b>			<b>243</b>

Numbers may not add due to rounding

Investment Style	Mandate	Manager	Value (€m)
<b>Commodity</b>			
Commodity	Global	Fund Logic - Morgan Stanley	235
Forestry	Ireland	Irish Forestry Unit Trust	11
Forestry	Ireland	AIB Investment Managers	24
<b>Total Commodity</b>			<b>270</b>
<b>Private Equity</b>			
Buyout	Global	CVC Capital Partners	33
Buyout	Global	Providence Equity Partners	70
Buyout	Global	TPG	37
Buyout	Global	Vestar Capital Partners	18
Buyout	Ireland	Carlyle Cardinal Ireland	-
Buyout	Pan European	Charterhouse Capital Partners	29
Buyout	Pan European	Nordic Capital Partners	70
Buyout	US	Madison Dearborn Capital Partners	34
Buyout	US	New Mountain Capital Partners	33
Buyout	US and Europe	Clayton, Dubilier & Rice	115
Other	Pan European	Palamon Capital Partners	18
Other	US	Fortress Investment Group	90
Other	US and Europe	Summit Partners	26
Other	US and Europe	HIG Capital	14
Other	US and Europe	OCM Opportunities Fund	15
Venture Capital	Global	SVB Capital	3
Venture Capital	Global	Greenspring Associates	52
Venture Capital	Global	Weathergage Capital	18
Venture Capital	Ireland	Atlantic Bridge	4
Venture Capital	Ireland	Delta Partners	8
Venture Capital	Ireland	Fountain Healthcare Partners	6
Venture Capital	Ireland	Seroba Kernel Lifesciences	6
Venture Capital	Ireland	NCB	7
Venture Capital	Innovation Fund	Draper, Fisher, Jurvetson	6
Venture Capital	Innovation Fund	DFJ Esprit	12
Venture Capital	Innovation Fund	Highland Europe	2
Venture Capital	Innovation Fund	Polaris Ventures	10
Venture Capital	Innovation Fund	Sofinnova Venture Partners	1
<b>Total Private Equity</b>			<b>736</b>
<b>Property</b>			
Core	Europe	Grosvenor	27
Core	Ireland	IPUT	11
Core	Ireland	Irish Life Investment Managers	7
Core	Ireland / UK	State Street Global Advisors	13
Opportunistic	Asia	Composition Capital	12
Opportunistic	Asia	MGPA	12
Opportunistic	Europe and Asia	Forum Partners	52
Opportunistic	Europe and US	Pramerica REI	19
Opportunistic	Global	Morgan Stanley REI	55
Opportunistic	Global	Silverpeak	18
Opportunistic	UK	Aviva	6
Opportunistic	US	Broadway Partners	15
Opportunistic	US	Capital Trust	2
Opportunistic	US and Europe	Tishman Speyer	52
Value Add	Europe	Rockspring PIM Ltd	29
Value Add	Europe and US	CBRE Investors	18
Value Add	US	AREA	34
Value Add	US	Berkshire	33
Value Add	US	Madison Marquette	39
Other	Ireland/UK	Various	1
<b>Total Property</b>			<b>454</b>
<b>Total Alternative Assets</b>			<b>2,076</b>
<b>Total Discretionary Portfolio</b>			<b>6,084</b>

Numbers may not add due to rounding

## Directed Portfolio Review

Since 2009 a total of €20.7 billion of the Fund's assets have been invested in Allied Irish Banks ("AIB") and Bank of Ireland at the direction of the Minister for Finance for public policy reasons, via a combination of ordinary and preference shares and a capital contribution (AIB only). All investments and disposals in the Directed Portfolio are under direction from the Minister for Finance. The Commission's responsibilities are to implement directions from the Minister and to value the securities for the purposes of the NPRF's financial statements.

### 2012 Developments

There were no investments in the banks or disposals of Fund holdings in 2012. At 31 December 2012, the NPRF's percentage ownership of AIB was 99.8% and of Bank of Ireland was 15.1%.

In February 2012, the NPRF received a cash dividend of €188 million with respect to the Bank of Ireland preference shares held by the Fund. This dividend income, on foot of a direction from the Minister for Finance, was credited to the Discretionary Portfolio.

In May 2012, the NPRF received a dividend of 3,624 million ordinary shares in lieu of a cash dividend, on its preference shares in AIB which was retained in the Directed Portfolio.

### Transactions in Previous Years

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

In April 2010 the Fund participated, pursuant to a Ministerial Direction, 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 AIB was made pursuant to a direction issued by the Minister for Finance. This increased the Fund's ownership of AIB to 92.8%.

### 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.

Subsequently, on foot of directions from the Minister for Finance, €10 billion was realised from the Discretionary Portfolio 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 cash be invested in the following manner:

- €1.2 billion in Bank of Ireland ordinary shares;
- €5.0 billion in AIB ordinary shares; and
- €3.8 billion capital contribution to AIB.

Pursuant to a Ministerial Direction issued in July 2011, the Fund sold part of its shareholding in Bank of Ireland for a total consideration, on a phased basis over a number of weeks, of €1.0 billion (net of fees). Following a further direction from the Minister, the net proceeds of these sales (after fees) were remitted to the Exchequer.

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

### Valuation

The Fund's ordinary shareholding in Bank of Ireland was valued at its market price of €0.114 (11.4 cents) per share at 31 December 2012 (2011: €0.082 per share).

As the Fund's ordinary share holding of 99.8% in AIB leaves a free float of only 0.2% and its preference share investments in both AIB and Bank of Ireland are unlisted, 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 market valuation.

As at end 2012, the Commission has valued the AIB ordinary shares at €0.0079 (0.79 cent) per share (2011: €0.0076 per share) and has valued the preference share investments as follows:

- AIB: 66.4% of cost (2011: 63.5% of cost);
- Bank of Ireland: 91.7% of cost (2011: 80.2% of cost).

## Performance

The Directed Portfolio returned +10.5% in 2012 (2011: -58.1%).

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

**Table 12**  
**Summary of NPRF's Banking Investments**  
**31 December 2012**

	Net Investment €bn	Cash Received €bn	Current Value €bn
Preference shares	1.8	1.0	1.7
Ordinary shares	2.9	1.0	0.5
<b>Bank of Ireland</b>	<b>4.7</b>	<b>2.0</b>	<b>2.2</b>
Preference shares	3.5	–	2.3
Ordinary shares	8.7	–	4.1
Capital contribution	3.8	–	–
<b>AIB</b>	<b>16.0</b>	<b>0.0</b>	<b>6.4</b>
<b>Total</b>	<b>20.7</b>	<b>2.0</b>	<b>8.6</b>

In summary, since inception €20.7 billion has been invested in the two banks, €2.0 billion cash has been received from income and from sale of investments, and the valuation of the remaining investments, on a fair value basis as at 31 December 2012, is €8.6 billion.

## 2013 Developments

In February 2013, the NPRF received a cash dividend of €188 million on the Bank of Ireland preference shares.

In May 2013, the NPRF received a dividend of 4,144 million ordinary shares in lieu of a cash dividend on its preference shares in AIB.

# 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).

## 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 1,000, representing US \$31 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.

Further details on the PRI are available at [www.unpri.org](http://www.unpri.org)

## Proxy Voting & Engagement Service

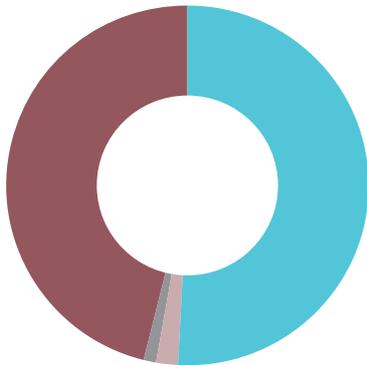
The Commission has appointed Hermes Equity Ownership Services (Hermes EOS) to execute proxy votes on the Fund's behalf and to engage with companies on environmental, social and governance issues across its global equity portfolio.

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, financial analysts, lawyers and accountants. Hermes usually engages on a discreet basis thereby giving it greater access to boards and management.

## Voting

In 2012, Hermes voted on the NPRF's behalf on 40,635 resolutions at 3,926 meetings and opposed one or more resolutions at 2,022 of those meetings. Hermes voted with management by exception (where it is satisfied the company's management will act subsequently to address concerns) at 63 meetings and abstained at 47 meetings. It supported management on all resolutions at the remaining 1,794 meetings.

**Chart 14**  
**NPRF Voting Activity in 2012**



Meetings where voted against 51%  
Meetings where voted with management by exception 2%  
Meetings where abstained 1%  
Meetings where voted in favour 46%

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.

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

During 2012, the Commission continued to publish its proxy voting record quarterly in arrears on the Fund's website.

## Engagement

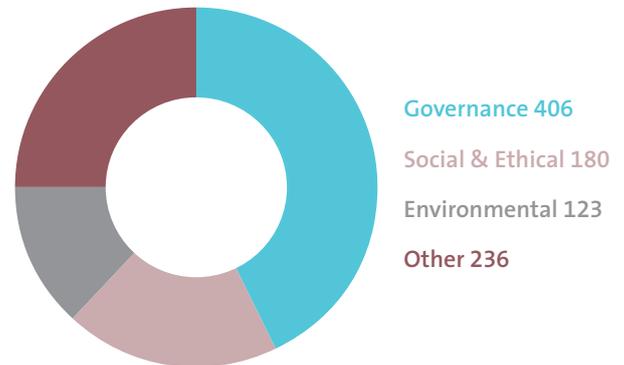
Engagement is based on the concept of shareholders raising concerns directly with company management and boards in a constructive manner in order to address issues and to effect change. In the majority of cases, engagement is a more appropriate strategy than the option of excluding stocks from portfolios as a first step which eliminates 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;
- Submitting shareholder resolutions at general meetings.
- During 2012 Hermes engaged with 373 companies on 945 issues across areas including social, environmental and governance. A breakdown of the type of engagement within each of these areas is illustrated in the charts

below. Hermes also engaged over the last year on additional issues such as business strategy, risk, remuneration and shareholder communications.

**Chart 15**  
**Number of Engagements in 2012**



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 (<http://www.nprf.ie/ResponsibleInvesting/engagement.htm>).

## Carbon Disclosure Project (CDP)

Since 2007 the NPRF has been a signatory to the Carbon Disclosure Project, recently rebranded as CDP. CDP is an investor led initiative requesting disclosure by companies in relation to carbon emissions. The most recent CDP information request which was sent to thousands of companies worldwide was signed by investors representing combined assets of \$87 trillion. 2012 was the fourth year of CDP in Ireland with 29 of the 40 largest companies listed on the ISEQ equity index responding. The NPRF also supports additional CDP led initiatives such as the CDP Water Disclosure Project – an investor led programme aimed at encouraging meaningful and systematic reporting on issues including water usage and conservation and the Forestry Footprint Disclosure Project, an information request currently sent to companies on behalf of investors who wish to understand the exposure to deforestation within their portfolios.

## 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. During 2012, the NPRF excluded two companies – Doosan Corporation and Aryt Industries Ltd – from its investment universe, bringing the total number of prohibited securities to thirteen. The updated prohibited list is shown below:

**Table 13**  
**NPRF's Prohibited Securities List**

Company	Country
Aryt Industries Ltd	Israel
Doosan Corporation	South Korea
Hanwha Corporation	South Korea
Poongsan Holdings Corporation & Poongsan Corporation	South Korea
Aerostar	Romania
Singapore Technologies Engineering	Singapore
Alliant Techsystems	United States
General Dynamics	United States
L-3 Communications	United States
Lockheed Martin	United States
Northrop Gruman	United States
Raytheon	United States
Textron	United States

## Responsible Investment Award

In recognition of its responsible investment reporting policy, the NPRF was nominated by the global publication, Responsible Investor, as a finalist alongside seven other pension funds for the best responsible investment reporting worldwide by a small or medium-sized pension fund. The award seeks to recognise those funds that are most transparent about how they are putting responsible investment into action. Responsible Investor assessed over 1,000 funds globally in the judging process.



## Risk, Oversight and Controls

### Oversight

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

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 risk management process.

- 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 assessment.
- In addition, the Audit Committee reviews the results of the audits carried out by the NTMA Control Unit, the NPRF's Internal Auditor (PricewaterhouseCoopers) and the NPRF's statutory external auditor, and discusses their reports with each.
- 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.

### Market Risk

#### Absolute 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, fixed income, commodity 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 Manager monitors 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 NPRF's long-term strategic asset allocation is predicated on the NPRF being a long-term investor and thus able to absorb volatility in asset values provided the assets retain the capacity to recover in value over time. However, due to the proposed changes in the Fund's legislation, the investment horizon of the Fund has been reduced. With this in mind, the Commission implemented the Capital Preservation Strategy to protect against capital losses and volatility. The effect of the Fund's Capital Preservation Strategy has been to maintain the Fund's market risk in 2012 at levels well below long-term norms.

### Relative Risk

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. The Commission's decision to implement the Capital Preservation Strategy has resulted in an increase in the relative market risk of the portfolio. However, as noted previously in the Report, the Fund's changing circumstances and timeframe has made the Fund's long term benchmark substantially less relevant.

### Credit Risk

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, by monitoring the size of credit exposures against these limits and by contractual agreements which regulate how assets are managed if a counterparty defaults.

### Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulties raising cash to meet its obligations when they fall due. The NTMA regularly monitors the liquidity of the Fund's investment portfolio to ensure it holds appropriate levels of liquid assets.

## 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 Control Unit. This work is supplemented by an external firm, currently PricewaterhouseCoopers, which performs internal audit work. The 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.

## 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, maintain ongoing compliance and assist with the development of appropriate management procedures. The NTMA's legal function and the Fund's taxation advisors, currently KPMG, advise on proposed transactions to ensure compliance with relevant legislation and regulation.

## Global Custodian

The NPRF's global custodian, currently BNY Mellon, provides custody and accounting functions to the NTMA. 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.

An essential part of BNY Mellon's service is the maintenance of accurate records and the issuance of reports to the NTMA and certificates to auditors confirming the details of assets in custody. 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.

Data supplied electronically every day by the custodian is used to generate the NPRF's valuations and its risk, performance and control reports.

The NTMA obtains independently audited service organisational control reports on the control environment at BNY Mellon to ensure the controls are operating effectively and no control issues arise.

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.

## Fees and Expenses

The fees and expenses incurred by the Commission in the operation of the Fund as set out in the NPRF's financial statements for 2012 were €10.4 million. In addition, the costs incurred by the NTMA in 2012 in its role as Manager, which are borne by the Exchequer, amounted to €3.9 million.

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 2011, found that total Fund costs, including the costs incurred by the NTMA as Manager and fees charged within third-party investment vehicles, were 0.53% of average Fund assets (2010: 0.39% of average Fund assets). The NPRF's costs in 2011 were slightly less than the median of its peer group. The increase in costs as a proportion of the Fund between 2010 and 2011 was a direct consequence of the reduced size of the Discretionary Portfolio in 2011 and the loss of economies of scale that has resulted from this.

## Commissioners



**Paul Carty** Chairman

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



**Dr. Brian Hillery**

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



**Maurice Keane**

Company Director and  
Former 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 NPRF Act, 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 is the 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 members of the NPRF Commission as at June 2013 are:

#### Paul Carty – Chairman

(Reappointed from 31 July 2010).  
Financial Consultant and Former Managing Partner of Deloitte & Touche Ireland.

#### 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 and Former 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 (ESRI).

#### John C. Corrigan

(Ex-officio member, appointed 4 December 2009),  
Chief Executive, National Treasury Management Agency.

Mr. John Canning, Chairman of Madison Dearborn Partners LLC, resigned as a member of the Commission on 17 January 2013.

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.

As a result of the Fund's evolving mandate, the Commission, which usually meets four times per year, met on eight occasions in 2012 with a number of meetings scheduled at short notice. If absent, Commission members generally provided input to the Chairman and to the NTMA in advance of the meeting.

**Table 14**  
**NPRF Commission Attendance 2012**

Commission Member	Meetings attended
Paul Carty	8/8
John Canning	6/8
John Corrigan	8/8
Brian Hillery	8/8
Maurice Keane	7/8
Knut Kjaer	7/8
Frances Ruane	8/8

### 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 systems of internal control and risk management, 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 Legal, Head of Control and Head of Compliance and the NPRF's internal and external auditors. The Audit Committee met five times during 2012.

### 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 Asset 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 four members, two commissioners and two external members.

The two commissioners on the Committee are Paul Carty (Chairman) and Brian Hillery. Mr. John Canning resigned as a member of the Committee on 17 January 2013. 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)*

## 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

No expenses were paid to Commissioners in 2012. 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.

## Disclosure of Interests

During the course of 2012, there was one disclosure of interest made pursuant to Section 12 of the NPRF Act.

John Corrigan declared an interest in relation to the consideration by the Commission of the provision of standby debt facilities for the Schools Bundle 3 Public Private Partnership project, given his position as chairman of the National Development Finance Agency ("NDFA") Board. The NDFA acted as the procuring authority in respect of the project.

## National Treasury Management Agency

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

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;
- opening and maintaining bank accounts for the Fund, including accounts in currencies other than the currency of the State; 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 the NTMA's IT, Legal, Control, Compliance and HR Units.

A Management Agreement is in place which documents the relationship between the Commission and the NTMA as Manager, and sets out the NTMA's responsibilities.

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## NPRF Commission Members and Other Information

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### **Commission Members**

Mr. Paul Carty - Chairman  
Mr. John A. Canning Jr. (Resigned 17 January 2013)  
Mr. John C. Corrigan (ex-officio)  
Dr. Brian Hillery  
Mr. Maurice A. Keane  
Mr. Knut N. Kjaer  
Prof. Frances Ruane

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### **Bankers**

Central Bank of Ireland  
Dame St.  
Dublin 2

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### **Global Custodian**

The Bank of New York Mellon (BNYM)  
One Canada Square  
London, E14 5AL

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### **Auditors**

Comptroller & Auditor General  
Dublin Castle  
Dublin 2

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### **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:

	2012 €m	% of Total Investment Assets	2011 €m	% of Total Investment Assets
<b>Equities</b>				
Quoted Developed Markets Equities	2,223	15.1%	1,943	14.5%
Quoted Emerging Markets Equities	506	3.5%	386	2.9%
Equity Options	87	0.6%	264	2.0%
Global Equity Fund	97	0.7%	84	0.6%
<b>Total Equities</b>	<b>2,913</b>	<b>19.9%</b>	<b>2,677</b>	<b>20.0%</b>
<b>Bonds</b>				
Quoted Corporate Bonds	263	1.8%	150	1.1%
Unquoted Corporate Bonds	244	1.7%	194	1.5%
<b>Total Bonds</b>	<b>507</b>	<b>3.5%</b>	<b>344</b>	<b>2.6%</b>
<b>Property Investments</b>	<b>454</b>	<b>3.1%</b>	<b>507</b>	<b>3.8%</b>
<b>Private Equity Investments</b>	<b>736</b>	<b>5.0%</b>	<b>772</b>	<b>5.8%</b>
<b>Commodity Investments</b>	<b>235</b>	<b>1.6%</b>	<b>241</b>	<b>1.8%</b>
<b>Infrastructure Investments</b>	<b>46</b>	<b>0.3%</b>	<b>-</b>	<b>0.0%</b>
<b>Forestry Investments</b>	<b>35</b>	<b>0.2%</b>	<b>32</b>	<b>0.2%</b>
<b>Currency &amp; Other Investment Funds</b>	<b>244</b>	<b>1.7%</b>	<b>170</b>	<b>1.3%</b>
<b>Deposits, Cash and other Investments</b>				
Deposits and Cash	870	5.9%	749	5.6%
Unrealised Gain / (Loss) on Futures Contracts	(4)	0.0%	(1)	0.0%
Unrealised Gain / (Loss) on Foreign Exchange Contracts	20	0.1%	(93)	(0.7%)
<b>Total Deposits, Cash and Other Investments</b>	<b>886</b>	<b>6.0%</b>	<b>655</b>	<b>4.9%</b>
<b>Total Discretionary Investment Assets</b>	<b>6,056</b>	<b>41.3%</b>	<b>5,398</b>	<b>40.4%</b>
<b>Directed Investments</b>	<b>8,600</b>	<b>58.7%</b>	<b>7,962</b>	<b>59.6%</b>
<b>Total Investment Assets</b>	<b>14,656</b>	<b>100.0%</b>	<b>13,360</b>	<b>100.0%</b>



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



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

27 June 2013

## 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.



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



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

27 June 2013

## Statement on Internal Financial Control

### Responsibility for the 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 and administrative procedures, including segregation of duties and a system of delegation and accountability. In particular it includes:

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

Under the governance of the Commission, the Manager has an internal audit function which operates in accordance with the Code of Practice on the Governance of State Bodies and which reports to the Commission via the Audit Committee. 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 via the Audit Committee. At least annually the internal auditor (currently PricewaterhouseCoopers) provides the Commission, via the Audit Committee, 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 2012, 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)

27 June 2013

# 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 Pensions Reserve Fund for the year ended 31 December 2012 under the *National Pensions Reserve Fund Act, 2000*. The financial statements, which have been prepared under the accounting policies set out therein, comprise the accounting policies, the fund account, the net asset statement, the administration account, the cash flow statement and the related notes. The financial statements have been prepared in the form prescribed under section 26 of the Act.

## 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 the Commission's 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 the form 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 2012 and of 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 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 public money has not been applied for the purposes intended or where the transactions did not conform to the authorities governing them, or
- the information in the Commission's annual report is not consistent with the related 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 on which reporting is by exception.



**Seamus McCarthy**  
Comptroller and  
Auditor General

28 June 2013

## 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 2012.

### (c) Reporting Currency

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

### (d) Investments

The Fund holds two types of investments:

#### (i) 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.

#### (ii) Directed Investments

The Commission holds the Directed Investments subject to directions given by the Minister for Finance pursuant to Section 19B of the *National Pensions Reserve Fund Act, 2000*, (as amended). The holding and management of the Directed Investments, the exercise by the Commission of voting and other rights attaching to the Directed Investments and the disposal by the Commission of the Directed Investments must be conducted in accordance with such directions.

### (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.

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 managers' 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.

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

#### *(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, comparable company analysis and precedent transaction analysis.

#### *Preference Shares*

The preference shares held as part of the Directed Investment portfolio are valued at fair value. Fair value is determined using valuation methodologies which may include discounted cash flow analysis, an annuity valuation based on comparable company yields, comparable company analysis and precedent transaction analysis.

### **(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 (Change in Value of Investments).

### **(h) Long Term Receivables**

Long Term Receivables are shown at their fair value. The fair value of these receivables is estimated by discounting the contractual future cash flows at the market rate that is currently available to the Fund for similar financial instruments.

### **(i) Cash Collateral arising from Derivative Transactions**

Cash received/posted as collateral arising from derivative transactions is recorded as an asset/liability on the Balance Sheet and is valued at its fair value. The obligation to repay the collateral is recorded as a liability and the entitlement to receive the collateral is recorded as an asset in the Fund account.

**(j) Investment Income**

Income from investments is recognised at fair value 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.

**(k) Expenses**

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

**(l) Foreign Currencies**

All transactions in foreign currencies are translated into euro at the rate of exchange prevailing at the dates of such transactions. Assets and liabilities in foreign currencies are translated into euro at the rate 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.

**(m) 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.

**(n) 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

	Notes	Year Ended 31 December 2012 €m	Year Ended 31 December 2011 €m
<b>Discretionary Portfolio</b>			
- Discretionary Investment Income	1	126	203
- Change in Value of Investments	7(e)	319	(22)
- Taxation	2	(3)	15
<b>Discretionary Investment Return</b>		<b>442</b>	<b>196</b>
<b>Directed Investments Portfolio</b>			
- Directed Investment Income	3	216	503
- Change in Value of Investments	10(b)	610	(8,937)
<b>Directed Investment Return</b>		<b>826</b>	<b>(8,434)</b>
<b>Total Investment Return after Tax</b>		<b>1,268</b>	<b>(8,238)</b>
Transfer to the Administration Account	4	(10)	(17)
<b>Total Investment Return after Tax and Expenses</b>		<b>1,258</b>	<b>(8,255)</b>
<b>Contributions / (Withdrawals)</b>			
- Withdrawal by the Exchequer	5(a)	-	(1,018)
- Assets Transferred to the Fund	5(b)	11	1
<b>Total Contributions / (Withdrawals)</b>		<b>11</b>	<b>(1,017)</b>
Increase/(Decrease) in Fund during the Year		1,269	(9,272)
<b>Net Assets of Fund at Start of Year</b>		<b>13,415</b>	<b>22,687</b>
<b>Net Assets of Fund at Year End</b>		<b>14,684</b>	<b>13,415</b>



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



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

27 June 2013

## Net Assets Statement

	Notes	Year Ended 31 December 2012 €m	Year Ended 31 December 2011 €m
<b>Discretionary Portfolio</b>			
Discretionary Investments	7	6,056	5,398
Current Assets	8(a)	18	60
Non Current Assets	8(b)	24	-
Current Liabilities	9(a)	(14)	(5)
<b>Net Assets - Discretionary Portfolio</b>		<b>6,084</b>	<b>5,453</b>
<b>Directed Investments Portfolio</b>			
Directed Investments	10	8,600	7,962
<b>Net Assets - Directed Investments Portfolio</b>		<b>8,600</b>	<b>7,962</b>
<b>Net Assets of the Fund at Year End</b>		<b>14,684</b>	<b>13,415</b>



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



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

27 June 2013

## Administration Account

	Notes	Year Ended 31 December 2012 €000	Year Ended 31 December 2011 €000
Transfer from Fund Account	4	10,435	17,192
General Administration Fees and Expenses	6(a)	(10,411)	(17,141)
Directed Investments Fees and Expenses	6(b)	(24)	(51)
		-	-



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## Cashflow Statement

	Year Ended 31 December 2012 €m	Year Ended 31 December 2011 €m
<b>Discretionary Investments Cashflow</b>		
<b>Cashflows from Operating Activities</b>		
Purchase of Investments	(1,580)	(7,895)
Proceeds from Sale of Investments	1,460	15,720
Income Received	130	214
Interest & Tax Reclaims Received	8	45
Operating Expenses Paid	(10)	(21)
Net Cash Collateral Received	9	-
<b>Net Cash from Operating Activities</b>	<b>17</b>	<b>8,063</b>
<b>Cashflows from Financing Activities</b>		
Transfer from Directed Investments Portfolio	188	214
Transfer to Directed Investments Portfolio	-	(10,000)
<b>Net Cash from Financing Activities</b>	<b>188</b>	<b>(9,786)</b>
<b>Net Increase/(Decrease) in Cash</b>	<b>205</b>	<b>(1,723)</b>
<b>Cash at Beginning of Year</b>	<b>749</b>	<b>2,443</b>
Exchange Gain on Cash	(83)	29
Net Increase/(Decrease) in Cash	205	(1,723)
<b>Cash at End of Year</b>	<b>871</b>	<b>749</b>

Cashflow Statement continues overleaf →

## → Cashflow Statement continued from previous page

	Year Ended 31 December 2012 €m	Year Ended 31 December 2011 €m
<b>Directed Investments Cashflow</b>		
<b>Cashflows from Operating Activities</b>		
Purchase of Investments	-	(6,229)
Proceeds from Sale of Investments	-	1,051
Allied Irish Banks Capital Contribution	-	(3,770)
Transaction Fees Paid	-	(34)
Income Received	188	214
<b>Net Cash from Operating Activities</b>	<b>188</b>	<b>(8,768)</b>
<b>Cashflows from Financing Activities</b>		
Transfer to Discretionary Portfolio	(188)	(214)
Transfer from Discretionary Portfolio	-	10,000
Withdrawal by the Exchequer	-	(1,018)
<b>Net Cash from Financing Activities</b>	<b>(188)</b>	<b>8,768</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

	2012 €m	2011 €m
<b>Income from Discretionary Investments</b>		
Equities	77	93
Bonds	19	29
Private Equity	17	7
Property	9	13
Deposits	2	60
Other Income	2	1
	<b>126</b>	<b>203</b>

### 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, based on their asset values at the reporting date.

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 for are detailed below:

	2012 €m	2011 €m
Withholding Tax Reclaim	2	20
Foreign Taxes on Income	(5)	(5)
<b>Net Tax (Cost)/ Income</b>	<b>(3)</b>	<b>15</b>

In 2012, the Fund received €2.3m from the Dutch tax authorities in relation to tax reclaims submitted for 2004, 2005 and 2006. In 2011, 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

	2012 €m	2011 €m
<b>Income from Directed Investments</b>		
Income Received - Bank of Ireland	188	214
Income Received - Allied Irish Banks	28	289
	<b>216</b>	<b>503</b>

The Bank of Ireland preference share dividend of €188m in 2012 (2011: €214m) was paid in cash and subsequently transferred to the Discretionary Portfolio.

The holding of preference shares in Allied Irish Banks Plc (AIB) entitles the NPRF to an annual dividend. In May 2012, AIB announced that it would opt to pay the preference share dividend of €280m by issuing 3,624m ordinary shares as consideration. In accordance with the Articles of Association of AIB, the ordinary shares issued are based on the quoted market price over a prescribed period of time. Subsequent to the capital injection provided to AIB in July 2011, the quoted market price has not been a reliable source in determining the enterprise value of AIB, due to relatively low volumes of trade in comparison to the shares in issue. As a consequence and due to the significant volume of AIB ordinary shares held by the Fund, the NPRF using comparative quoted company analysis has attributed a fair value of €28m to the preference share dividend received in 2012, in the form of ordinary shares, based on independent valuation advice.

### 4. Transfer To Administration Account

€10.4m (2011: €17.2m) 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 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.

During 2009, €3.0bn was contributed to the Fund for the purposes of recapitalising Bank of Ireland and AIB. Under the Investment of the *National Pensions Reserve Fund and Miscellaneous Provisions Act, 2009*, the pension fund assets of sixteen university and non-commercial state bodies totalling €2.1bn were transferred to the Fund in the period 2009 to 2012. As a result of these contributions, the annual contributions to the Fund by the Minister for Finance were pre-funded to early 2012. Under S.I. 584, *National Pensions Reserve Fund Act, 2000* (Suspension of Exchequer Contribution) Order 2012, the Minister directed that no further contribution will be made to the Fund in 2012 and 2013 (See also Note 14).

## 5. Contributions / Withdrawals (continued)

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

Details of withdrawals from the Fund are set out below:

	2012 €m	2011 €m
<b>Withdrawal by the Exchequer</b>	<b>-</b>	<b>(1,018)</b>

### (b) Assets transferred to the Fund

	2012 €m	2011 €m
<b>Assets transferred</b>	<b>11</b>	<b>1</b>

During 2012 a total of €11.1m (2011: €0.7m) in residual cash balances was transferred to the Fund from the universities' accounts.

## 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

	2012 €000	2011 €000
Investment Managers' Fees	7,342	11,981
Global Custodian Fees	1,126	1,827
Systems & Services	991	1,875
Legal Fees & Tax Advisory Fees	484	843
Commission Fees	223	223
Consultancy Fees	125	259
Internal Audit Fees	87	90
External Audit Fees	33	42
Commission Expenses	-	1
	<b>10,411</b>	<b>17,141</b>

### (b) Directed Investment Fees and Expenses

Advisory Fees	24	51
	<b>24</b>	<b>51</b>
<b>Total Expenses</b>	<b>10,435</b>	<b>17,192</b>

## 6. Expenses (continued)

### (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

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

No expenses were incurred by Commission members during 2012 (2011: €834). Expenses in 2011 were related to travel and accommodation costs incurred by overseas based members.

(d) In addition to the above expenses, the costs incurred by the National Treasury Management Agency in its role as Manager amounted to €3.9m (2011: €3.7m). These costs are charged on the Central Fund and are not included in the above.

## 7. Discretionary Investment Assets

### (a) Summary of Assets

	2012 €m	2011 €m
Quoted Equities	2,826	2,413
Unquoted Private Equity Investments	736	772
Deposits and Cash	870	749
Unquoted Property Investments	454	507
Equity Options	87	264
Commodity Investments	235	241
Unquoted Corporate Bonds	244	194
Currency & Other Funds	244	170
Quoted Corporate Bonds	263	150
Unquoted Irish Infrastructure Investments	46	-
Forestry Investments	35	32
Equity Futures Contracts	(4)	(1)
Foreign Currency Contracts	20	(93)
	<b>6,056</b>	<b>5,398</b>

## 7. Discretionary Investment Assets (continued)

### b) Analysis by Geographical Classification

	2012 €m	2011 €m
Europe	2,904	2,406
North America	2,230	2,208
Emerging Markets	507	392
Asia Pacific	415	392
	<b>6,056</b>	<b>5,398</b>

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

	2012 €m	2011 €m
<b>Investment Managers</b>		
National Treasury Management Agency	954	902
Blackrock Advisors (UK) Limited	967	857
State Street Global Advisors (UK) Limited	859	750
Deutsche Asset Management	263	149
Principal Global Investors	175	128
Schroders Investment Management Limited	155	123
Batterymarch Financial Management Inc	149	121
Goldman Sachs Asset Management International	122	103
Putnam Investment Limited	112	91
Oechsle International Advisors LLC	104	89
Acadian Asset Management Inc.	105	85
	<b>3,965</b>	<b>3,398</b>
<b>Other Investments</b>		
Unquoted Private Equity Investments	736	772
Unquoted Property Investments	454	507
Commodity Investments	235	241
Unquoted Irish Infrastructure Fund	46	-
Unquoted Corporate Bonds	244	194
Unquoted Currency & Other Funds	244	170
Generation Investment Managers	97	84
Forestry Investments	35	32
	<b>2,091</b>	<b>2,000</b>
<b>Total Investment Assets</b>	<b>6,056</b>	<b>5,398</b>

## 7. Discretionary Investment Assets (continued)

### (d) 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.

	2012 Level 1 €m	2012 Level 2 €m	2012 Level 3 €m	2012 Total €m	2011 Total €m
<b>(i) Listed Equities and Managed Funds</b>					
Listed Equity Securities	2,729	-	-	2,729	2,329
Global Equity Fund	-	97	-	97	84
Commodity Investments	-	235	-	235	241
Currency & Other Funds	-	244	-	244	170
Forestry Investments	-	-	35	35	32
<b>(ii) Debt Securities</b>					
Listed Debt Securities	263	-	-	263	150
Unlisted Debt Securities	-	244	-	244	194
<b>(iii) Limited Partnerships/Trusts</b>					
Property	-	-	454	454	507
Private Equity	-	-	736	736	772
Infrastructure	-	-	46	46	-
<b>(iv) Derivatives Financial Assets</b>					
Futures Contracts	(4)	-	-	(4)	(1)
Equity Options	-	87	-	87	264
Foreign Exchange Contracts	20	-	-	20	749
Cash and Cash Equivalents	870	-	-	870	(93)
	<b>3,878</b>	<b>907</b>	<b>1,271</b>	<b>6,056</b>	<b>5,398</b>

Investment assets included in Level 3 include Property, Private Equity, Forestry and Infrastructure Investments 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.

## 7. Discretionary Investment Assets (continued)

### (d) Valuation of Investments (continued)

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:

#### Investment Assets included in Level 3

	2012 €m	2011 €m
<b>Opening Valuation</b>	<b>1,279</b>	<b>1,435</b>
Total Level 3 Gains and Losses in the Fund Account	55	77
Transfers in or out of Level 3	(63)	(233)
<b>Closing Valuation</b>	<b>1,271</b>	<b>1,279</b>

Transfers in or out of Level 3 include total sales of €286m (2011: €468m) and total purchases of €142m (2011: €235m) in relation to Property and Private Equity Investments. Infrastructure and Forestry investments were transferred into Level 3 during the period.

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

	2012 €m	2011 €m
Value of Investments as at Start of Year	5,398	15,011
Change in Value of Investments	319	(22)
Transfer to Fund (Note 5)	11	1
Transfer to Directed Investments Portfolio	-	(10,000)
Transfer from Directed Investments Portfolio	188	214
Movement in Pending Settlements	36	(43)
Transfer to Long Term Receivable	(24)	-
Movement in Cash Collateral	9	-
Fund Expenses Paid	(11)	(21)
Net Cash Movement	130	258
<b>Total Investments</b>	<b>6,056</b>	<b>5,398</b>

## 7. Discretionary Investment Assets (continued)

### (f) Net Cash Movement Reconciled to Investment Income

	2012 €m	2011 €m
<b>Income Received Net of Foreign Withholding Tax</b>	<b>130</b>	<b>258</b>
Net Cash Movement	130	258
Opening Income Accrual	(19)	(59)
Closing Income Accrual	12	19
Foreign Withholding Tax on Income (Note 2)	3	(15)
<b>Investment Income (Note 1)</b>	<b>126</b>	<b>203</b>

### 8(a) Current Assets

	2012 €000	2011 €000
Amounts Receivable for Securities Sold	5,664	40,507
Accrued Interest on Fixed Income Securities	6,072	6,018
Dividends Receivable	3,512	3,961
Tax Reclaims Recoverable	2,412	7,664
Other Income Receivable	272	1,363
	<b>17,932</b>	<b>59,513</b>

### 8(b) Non Current Assets

	2012 €000	2011 €000
Long Term Receivables	24,489	-
	<b>24,489</b>	<b>-</b>

Long Term Receivables represents the present value of the contractual cash flows receivable in the period to 2017 arising from the sale of private equity investmantants.

**9(a) Current Liabilities**

	2012 €000	2011 €000
Cash Collateral arising from Derivative Transactions (9b)	9,080	-
Amounts Payable for Securities Purchased	2,522	1,322
Fund Manager Fees Payable	1,568	2,143
Global Custodian Fees Payable	168	523
VAT Payable & Other Accrued Expenses	485	952
	<b>13,823</b>	<b>4,940</b>

**9(b) Cash Collateral Arising From Derivative Transactions**

	2012 €000	2011 €000
Opening Balance	-	-
Cash Collateral paid to Counterparties	(166,810)	-
Cash Collateral received from Counterparties	175,890	-
<b>Net Cash Collateral held</b>	<b>9,080</b>	<b>-</b>

Cash collateral arising from derivative transactions under Credit Support Annexes (CSA), represents cash deposits with/from derivative counterparties. These balances can change on a daily basis and are dependent on the market value of the underlying derivatives.

## 10. Directed Investments

The Investment of the National Pensions Reserve Fund and Miscellaneous Provisions Act, 2009, empowered the Minister for Finance to direct the Commission to invest in financial institutions or to underwrite share issues by these institutions. Initial Directed Investments were made in 2009. Details of Directed Investment year end valuations, movements and transactions during 2012 are set out below.

### (a) Directed Investments Valuation

	2012 Units Millions	Valuation (€) Per Unit	2012 €m	2011 €m
<b>Bank of Ireland</b>				
Ordinary Shares	4,512	0.1140	514	370
Preference Shares (1)	1,837	0.9167	1,684	1,473
			<b>2,198</b>	<b>1,843</b>
<b>Allied Irish Banks (AIB)</b>				
Ordinary Shares (1)	516,234	0.0079	4,078	3,896
Preference Shares (1)	3,500	0.6638	2,324	2,223
			<b>6,402</b>	<b>6,119</b>
<b>Total Directed Investments</b>			<b>8,600</b>	<b>7,962</b>

(1) As the preference share investments in AIB and Bank of Ireland are unlisted and not traded, and given the Fund's ordinary share holding in AIB (99.8%), the Commission engaged Goodbody Corporate Finance ("Goodbody") to provide an independent fair value of the investments as at 31 December 2012.

Goodbody had previously provided an independent fair value of these investments as at the end of 2011.

Goodbody employed a different valuation technique to value the Fund's holdings in AIB preference shares in 2012 to that used in 2011. Had Goodbody applied the 2012 valuation technique to its 2011 valuation of AIB preference shares, it would have resulted in an increase in the 2011 valuation of €226m (10%). The difference in valuations arose from changes in assumptions regarding the timing and mechanism by which the preference shares would be redeemed.

## 10. Directed Investments (continued)

### (b) Summary of Directed Investment valuation movement

	2012 €m	2011 €m
<b>Bank of Ireland</b>		
Opening Valuation	1,843	2,171
Dividends Received	188	214
Investment in Ordinary Shares	–	1,230
Investment Gain/(Loss) during the Year	355	(506)
Transaction Fees Paid	–	(34)
Transfer to Discretionary Investments	(188)	(214)
Withdrawal by the Exchequer	–	(1,018)
<b>Closing Valuation</b>	<b>2,198</b>	<b>1,843</b>
<b>Allied Irish Banks (AIB)</b>		
Opening Valuation	6,119	5,456
Investment in Allied Irish Banks Capital	–	8,771
Dividends Received	28	289
Investment Gain/(Loss) during the Year	255	(8,397)
<b>Closing Valuation</b>	<b>6,402</b>	<b>6,119</b>

### (c) Directed Investment Summary

Since 2009, a total of €16.0bn of the Fund's assets have been invested in AIB and €4.7bn in Bank of Ireland, at the direction of the Minister for Finance via a combination of ordinary and preference shares and a capital contribution (AIB).

The preference shares pay an annual non-cumulative fixed dividend of 8% in AIB and 10.25% in Bank of Ireland. If the dividend is not paid in cash, the Fund will receive the dividend in the form of ordinary shares. The preference shares can be repurchased by the banks at €1 per share within the first five years after issue and thereafter at €1.25 per share.

Since inception, €2bn in cash has been received in the form of dividends and other income (€1bn), and from the sale of the directed investments (€1bn).

At 31 December 2012, the Fund's percentage ownership of AIB and Bank of Ireland was 99.8% and 15.1% respectively.

## 10. Directed Investments (continued)

### (d) Directed Investment Transactions during 2012

No new directed investments occurred in 2012.

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

In May 2012, AIB paid the preference share dividend due of €280m in the form of ordinary shares. The Fund received 3,624m (2011: 1,247m) ordinary shares in AIB. The estimated fair value of the ordinary shares received is €28m based on independent valuation advice.

### (e) Developments since the year end

In February 2013, Bank of Ireland paid a preference share dividend of €188.3m in cash.

In May 2013, AIB paid the preference share dividend due of €280m in the form of ordinary shares. The Fund received 4,144m ordinary shares in AIB. The Fund will value these shares at fair value.

## 11. Commitments

### (a) Foreign Currency and Futures Commitments

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

	2012 Notional Principal €m	2012 Unrealised gain / (loss) €m	2011 Notional Principal €m	2011 Unrealised gain / (loss) €m
<b>NTMA</b>				
Forward Foreign Exchange Contracts	1,413	15	1,488	(91)
<b>Investment Managers</b>				
Forward Foreign Exchange Contracts	413	5	318	(2)
Financial Futures	(577)	(4)	(279)	(1)
		<b>16</b>		<b>(94)</b>

### Foreign Exchange Contracts

The Fund follows a policy of hedging its foreign currency risk, using forward foreign exchange contracts.

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.

## 11. Commitments (continued)

### (a) Foreign Currency and Futures Commitments (continued)

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 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.

### (b) Property, Private Equity, Infrastructure and SME Commitments

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

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

	2012 €m	2011 €m
Property Investments	58	80
Private Equity Investments	267	414
Infrastructure Investments	221	-
SME Equity Investments	125	-
	<b>671</b>	<b>494</b>

## 12. Contingent Liabilities

In the opinion of the Commission the Fund has no material contingent liabilities at 31 December 2012 (2011: 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 2012 the Fund earned €0.8m through securities lending (2011: €1m).

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. Where the value of collateral falls below the required limits, additional collateral is called by the Global Custodian from the counterparty, restoring collateral requirements the following day.

### 13. Securities Lending (continued)

The market value of securities loaned at 31 December 2012 amounted to €298.2m (2011: €531.2m). The Fund held collateral of 107.68% (2011: 108.56%) 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(2b) 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. S.I. 584, *National Pensions Reserve Fund Act 2000 (Suspension of Exchequer Contribution) 2012*, provided 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*.

#### (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.

Against the backdrop of the significant changes made in respect of the Fund since 2009, the liquidity demands facing the Fund and the uncertainty over the Fund's future purpose and

## 15. Financial Risk Management (continued)

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

mandate, the Commission, in 2011 and continuing throughout 2012, implemented a Capital Preservation Strategy which provides some downside protection against equity market declines while providing some participation if markets perform well.

The Manager monitors the Fund's absolute market risk (an ex-ante measure) and the Fund's performance (an ex-post measure) on a daily basis. 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 deviating from the Fund's strategic asset allocation. 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 a portfolio or sub-portfolio, and its benchmark portfolio. Standard deviation is a statistical concept which reflects variability of return. The Capital Preservation Strategy has reduced the Fund's volatility and the probability that the Fund falls in value, but it has resulted in the Fund having higher relative risk and thus higher tracking error.

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

#### (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 2012 is the value of investment assets as detailed in the following table:

	2012 €m	2011 €m
<b>Exposed to Price Risk</b>		
Quoted Investments (1)	3,655	3,238
Unquoted Investments	244	194
Property	454	507
Forestry	35	32
Private Equity	736	772
Infrastructure	46	-
Derivative Instruments (Net)	16	(94)
<b>Total</b>	<b>5,186</b>	<b>4,649</b>
<b>Not Exposed to Price Risk</b>		
Cash	870	749
<b>Total Discretionary Fund Investment Assets</b>	<b>6,056</b>	<b>5,398</b>

## 15. Financial Risk Management (continued)

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

#### (i) Price Risk (continued)

(1) The Fund's exposure to quoted investments is reduced by €553m (2011: €279m) through the usage of futures contracts (not included in the above table). The Fund also holds equity index call options with a notional value of €500m (2011: Nil) and equity index put options with a notional value of €1,300m (2011: €1,415m).

#### *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 and private equity investments of USD244m and JPY542m as at 31 December 2012.

#### *Currency Risk Management*

The Fund follows a policy of hedging its foreign currency risk, using forward foreign exchange contracts. In respect of quoted developed equities, the Fund uses forward currency contracts to maintain a currency exposure at 50% of the foreign currency exposure of the Fund's underlying holdings. 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.

#### *Currency Risk Exposure*

The following table details the asset values exposed to currency risk as at 31 December 2012 both before and after the impact of the currency hedge:

**15. Financial Risk Management (continued)****(a) Market Risk - Price, Currency and Interest Rate Risks (continued)***(ii) Currency Risk (continued)***Currency of Investments Assets: 2012**

	Local Currency m	Base Currency €m	Hedge €m	Net Exposure €m
US Dollar	2,995	2,270	(1,141)	1,129
Japanese Yen	9,842	87	(48)	39
British Pound	99	121	(63)	58
Hong Kong Dollar	1,636	160	(28)	132
Australian Dollar	72	57	(28)	29
Canadian Dollar	128	97	(47)	50
Swiss Franc	22	18	(10)	8
Scandinavia	Various	23	(12)	11
Other	Various	364	(21)	343
<b>Total</b>		<b>3,197</b>	<b>(1,398)</b>	<b>1,799</b>

**Currency of Investments Assets: 2011**

	Local Currency m	Base Currency €m	Hedge €m	Net Exposure €m
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>

*(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 fixed income investments are susceptible to value changes due to fluctuations in market interest rates.

## 15. Financial Risk Management (continued)

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

#### (iii) Interest Rate Risk (continued)

##### *Interest Rate Exposure*

The following table details the value of fixed interest-bearing securities exposed to interest rate risk as at 31 December 2012:

#### Fixed Interest Bearing Investments

	2012 €m	2011 €m
Maturing within one year	1	22
Maturing between one and five years	121	74
Maturing after five years <sup>(2)</sup>	278	194
<b>Total Fixed Interest Bearing Investments</b>	<b>400</b>	<b>290</b>

(2) The Fund's exposure to fixed interest-bearing securities maturing after five years is reduced by €24m through the usage of futures contracts (not included in the above table). This table reflects the portion of financial assets exposed 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 €0.9bn (2011: €0.7bn). 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.

## 15. Financial Risk Management (continued)

### (b) Credit Risk (continued)

The maximum exposure to credit risk at 31 December 2012 is the carrying value of the financial assets as set out below.

	2012 €m	2011 €m
Corporate Debt Securities	507	344
Long Term Receivables	24	-
Cash and Cash Equivalents (1)	870	805
Accrued Income from Investments	4	5
Derivatives	4	1
<b>Total</b>	<b>1,409</b>	<b>1,155</b>

(1) 2011 Cash and Cash Equivalents includes 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. 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 of credit risk.

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. 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. In order to mitigate the credit risks arising from derivative transactions, the Fund, in some cases, enters into Credit Support Annexes (CSA) with its market counterparties. CSAs require the posting of collateral by counterparties in specified circumstances.

Forward currency contracts are settled through Continuous Linked Settlement (CLS) 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 2012 held a Moody's credit rating of Aa1 (2011: Aa2). The Global Custodian's credit rating is reviewed regularly by the Manager.

## 15. Financial Risk Management (continued)

### (b) Credit Risk (continued)

At 31 December 2012 cash was held at the Central Bank of Ireland and with the Global Custodian. No cash was held as collateral as part of the Securities Lending Programme as at 31 December 2012 (2011: €56m).

### (c) Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulties in raising cash to meet its obligations as 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 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 €0.9bn as at 31 December 2012 (2011: €0.7bn), comprising cash and cash equivalent assets. The Fund also mitigates its exposure to liquidity risk through investment in assets that are readily realisable at low transaction costs and within a short time frame. In 2012 the Fund held €4.2bn (2011: €3.7bn) of readily realisable assets.

## 16. Subsequent Events

On 13 June 2013, the Government announced its decision to establish the Ireland Strategic Investment Fund ("ISIF") and that the related legislation is expected to be enacted later in 2013. It is expected that, on the enactment of the new legislation, the NPRF Commission will be dissolved and a new governance structure will be put in place within the NTMA. The Commission is committed to ensuring an orderly transition from the NPRF to the ISIF and from the Commission to the new NTMA governance arrangements and will assist in this transition as much as possible. There is no impact on the carrying values of the investments at year end arising from this decision.

Other than the events which have taken place subsequent to the year end as outlined above and in note 10, there were no other significant subsequent events impacting the Fund as at 31 December 2012.

## 17. Approval of Financial Statements

The financial statements were approved by the Commission on 19 June 2013.

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78  
Quoted Securities  
– Equities

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103  
Quoted Securities  
– Corporate Bonds

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106  
Unquoted Securities  
– Corporate Bonds

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107  
Unquoted Securities  
– Property

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107  
Unquoted Securities  
– Private Equity

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108  
Unquoted Securities  
– Infrastructure

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108  
Commodity  
Investments

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108  
Currency & Other  
Funds

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108  
Equity Derivative  
Options

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108  
Forestry Funds

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108  
Cash, Deposits and  
Unrealised  
Gains / Losses

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108  
Directed  
Investments

## Quoted Securities – Equities

## Europe

Holding	Security Description	Market Value €
<b>Austria</b>		
764	AMS	62,021
6,458	Andritz	313,471
63,404	Erste Group Bank	1,523,281
564,273	Immoeast	0
95,134	Immofinanz	302,146
491,815	Immofinanz	0
46,574	Immofinanz Nachsprung	0
2,200	Oesterreichische Post	68,640
14,417	OMV	394,377
9,173	Polytec	53,846
4,763	Raiffeisen Bank	149,820
10,803	Strabag	220,651
26,979	Telekom Austria	154,859
5,529	Verbund	103,724
3,118	Vienna Insurance Group	125,889
14,023	Voestalpine	387,876
		<b>3,860,602</b>
	<b>% of Total Investments</b>	<b>0.03%</b>

<b>Belgium</b>		
21,910	Ageas	486,731
306,917	Agfa Gevaert	408,200
68,014	Anheuser-Busch	4,471,240
232,744	Anheuser-Busch (Vvpr)	233
15,235	Barco	830,308
3,680	Bekaert	80,500
15,320	Belgacom	340,181
5,466	Colruyt	204,975
20,414	Deceuninck	23,680
8,445	Delhaize Group	255,461
47,477	Dexia	3,323
20,519	Elia	701,750
4,134	Gimv	156,803
6,738	Groupe Bruxelles	405,223
16,885	KBC Groupe	441,543
930	Kinopolis Group	76,251
5,906	Melexis	76,069
2,795	Mobistar	54,195
8,973	Recticel	47,288
3,900	Sioen Industries	25,740
38	Sipef	2,223
15,520	Solvay	1,697,112
7,241	Telenet Group	258,142
28,867	UCB	1,247,632
10,397	Umicore	433,451
		<b>12,728,252</b>
	<b>% of Total Investments</b>	<b>0.09%</b>

<b>Denmark</b>		
63	A P Moller - Maersk	359,710
28	A P Moller - Maersk	150,264

Holding	Security Description	Market Value €
3,815	Auriga Industries B	44,741
4,532	Carlsberg	336,514
5,545	Coloplast B	205,494
57,979	Danske Bank	743,291
7,804	DSV	152,398
2,257	FLSmidth & Co	98,980
46,387	GN Store Nord	508,572
2,173	Lundbeck H	24,144
44,038	Novo-Nordisk	5,409,573
10,580	Novozymes	225,752
51	Per Aarsleff	2,871
861	Rockwool International	73,164
2,811	Royal Unibrew	185,366
10,416	Schouw & Co	208,013
941	Tryg	53,791
7,495	Vestas Wind System	32,005
859	William Demant	55,712
		<b>8,870,356</b>
	<b>% of Total Investments</b>	<b>0.06%</b>

<b>Finland</b>		
2,231	Digia	5,845
37,194	Fortum	526,295
5,429	Kesko	134,476
13,823	Kone Corporation B	771,323
47,772	Metsa Board	106,054
12,557	Metso	402,326
10,410	Neste Oil	101,706
322,193	Nokia	942,737
11,678	Nokian Renkaat	351,508
88,304	Outokumpu	70,113
7,455	Raisio - V	22,961
8,544	Rautaruukki	50,880
49,453	Sampo	1,203,686
3,961	Sanoma	29,450
55,333	Stora Enso	290,222
25,934	Tieto	386,157
43,427	UPM-Kymmene	382,375
16,468	Wartsila	538,833
		<b>6,316,947</b>
	<b>% of Total Investments</b>	<b>0.04%</b>

<b>France</b>		
41,187	Accor	1,099,487
31,373	ADP Promesses	1,831,242
12,189	Air France-KLM	85,311
26,553	Air Liquide	2,523,863
977	Akka Technologies	23,448
193,503	Alcatel Lucent	194,084
19,809	Alstom	596,944
5,353	Arkema	424,011
8,106	Assystem Brime	120,698
35,623	Atos	1,613,763
199,484	Axa	2,663,111
2,981	BIC	269,244
1,602	Biomerieux	115,344
152,053	BNP Paribas	6,475,177

Holding	Security Description	Market Value €
833	Boiron	21,800
401	Bollore	103,298
2,690	Bonduelle	192,335
817	Bongrain	37,419
98,510	Bouygues	2,206,624
4,765	Bureau Veritas	403,357
91	Burelle	16,744
40,107	Cap Gemini	1,317,916
154,898	Carrefour	2,996,502
3,669	Casino Guichard Perrachon	264,535
4,156	Cegid Group	63,587
24,979	Christian Dior	3,203,557
15,310	Cie Generale de Geophysique	345,853
886	Ciments Francais	39,613
6,904	Club Mediterranee	92,376
15,192	CNP Assurances	176,303
45,332	Compagnie Deint-Gobain	1,460,597
1,052	CRCAM Brie Picardie	19,883
1,433	CRCAM Nord de France	17,282
86,459	Credit Agricole	526,017
52,019	Danone	2,596,008
5,067	Dassault Systemes	426,793
48,581	Derichebourg	153,030
41,408	Edenred	964,806
21,425	EDF	299,522
5,481	Eiffage	183,997
861	Eramet	95,528
18,118	Essilor	1,377,330
1,091	Euler Hermes	70,915
3,192	Eurazeon	115,566
1,768	Europacorp	7,408
120,114	Eutelsat Communications	3,014,861
4,275	Faurecia	50,103
2,412	Fonciere des Regio	152,680
242,481	France Telecom	2,022,049
151,870	GDF Suez	2,365,375
1,484	Gecina	125,992
453,319	GET	2,647,383
9,140	Groupe Steria	129,788
726	Hermes	164,294
1,813	Icade	121,326
2,033	Iliad	264,392
3,061	Imerys	147,510
3,120	Ipsen Promesses	71,058
2,159	Jacquet Metal Service	18,956
5,398	JC Decaux	97,083
8,203	Klepierre	246,254
17,865	Lafarge	861,629
10,648	Lagardere	269,235
1,179	Lectra	5,577
21,754	Legrand	693,409
73	Linedata Services	872
728	Lisi	44,918



## Quoted Securities – Equities

Holding	Security Description	Market Value €
29,918	Hellenic Telecom Organization	152,582
4,527	Metka	44,319
79,789	National Bank of Greece	102,928
19,428	OPAP	104,911
9,419	Public Power	55,478
		<b>826,842</b>
	<b>% of Total Investments</b>	<b>0.01%</b>

Ireland		
42,342	Accenture	2,134,109
3,022,929	Allied Irish Banks	23,881
426,777	Beazley	925,093
45,701,961	Bank of Ireland	5,210,024
31,552	Covidien	1,380,789
28,362	CRH	433,719
30,049	Eaton	1,234,398
49,750	Elan	389,443
38,140	Experian	457,998
20,460	Ingersoll-Rand Public	743,718
217,179	Irish Bank Resolution Corporation	0
1,372,985	Irish Bank Resolution Corporation	0
308,460	James Hardie Industries	2,212,992
53,774	Kerry Group	2,148,809
196,696	National Toll Roads	0
1,213	Prothema	6,741
64,059	Ryanair	302,807
26,178	Seagate Technology	604,749
64,993	Shire	1,502,779
3,050	Unidare Units	0
16,226	Warner Chilcott	148,068
793,776	Waterford Wedgewood	0
12,181	Willis Group Public	309,557
199,898	WPP	2,175,094
21,104	XI Group	400,838
		<b>22,745,604</b>
	<b>% of Total Investments</b>	<b>0.16%</b>

Israel		
96,251	Africa Israel Investments	145,379
13,107	Check Point Software Technology	473,259
2,552	Delta-Galil Industries	22,894
300	Formula Systems (1985)	3,526
16,919	Teva Pharmaceutical Industries	478,820
		<b>1,123,878</b>
	<b>% of Total Investments</b>	<b>0.01%</b>

Holding	Security Description	Market Value €
Italy		
127,199	A2A	55,624
134,422	Assicurazioni Generali	1,846,958
29,461	ASTM	230,090
275,288	Atlantia	3,763,187
10,329	Autogrill	89,707
522,910	Banca Monte dei Paschi di Siena	118,021
143,167	Banco Popolare Societa Cooperativa	180,104
81,679	Banca Carige	62,934
6,338	Banca Popolare Etrur- Lazio	3,502
6,689	Buzzi Unicem	70,502
25,247	Campari	146,433
4,741	CSP	4,599
19,734	Danieli & C'Officine	429,215
31,416	De'Longhi	343,063
599,686	Enel	1,881,815
168,132	Enel Green Power	236,225
484,416	Eni	8,884,189
35,090	Exor	666,710
4,054	Exor Priv	67,215
188,234	Fiat Industrial	1,553,872
278,308	Fiat	1,054,787
35,131	Finmeccica	152,890
93,923	Indesit	542,875
222,425	Intek	73,912
1,087,488	Intesanpaolo	1,413,734
440	Italmobiliare	5,632
4,191	Lottomatica	72,085
45,932	Luxottica	1,427,107
69,209	Mediaset	107,689
35,056	Mediobanca	163,431
17,837	Mediolanum	68,387
28,691	Parmalat	50,496
216,384	Pirelli	1,872,804
19,235	Prysmian Cables & Systems	288,717
12,580	Safilo	83,846
27,947	Saipem	818,847
2,968	Servizi Italia	9,581
48,768	Sias	344,790
1,637,834	Snam	5,755,349
72,249	Sorin	121,306
1,066,402	T. E. R. N. A.	3,224,800
503,290	Telecom Italia	300,716
1,155,488	Telecom Italia	789,198
71,436	UBI Banca	250,455
550,894	Unicredit	2,041,613
6,308	Vittoria Assicuraz	30,770
		<b>41,699,782</b>
	<b>% of Total Investments</b>	<b>0.28%</b>

Liechtenstein		
395	Verwalt & Privat Bank	21,268
		<b>21,268</b>
	<b>% of Total Investments</b>	<b>0.00%</b>

Holding	Security Description	Market Value €
Luxembourg		
4,753	Aperam	54,232
99,930	Arcelormittal	1,292,595
353,309	S.E.S. SA Fiduciary Dr Each Rep	7,668,572
39,439	Tenaris S	614,460
		<b>9,629,858</b>
	<b>% of Total Investments</b>	<b>0.07%</b>

Netherlands		
412,811	Aegon	1,982,731
20,275	Akzo Nobel	1,008,580
44,459	ASML	2,134,032
15,308	Be Semiconductor Industries	88,633
6,721	Boskalis Westminster	228,514
2,422	CNH Global	73,960
6,183	Corio	212,170
11,164	CSM	181,359
50,325	De Master Blenders	438,784
107,167	EADS	3,161,427
6,919	Fugro	308,034
20,952	Gemalto	1,424,736
10,335	Heineken	428,231
24,703	Heineken	1,246,760
892,492	ING	6,301,886
90,989	Koninklijke Ahold	922,174
15,953	Koninklijke DSM	730,488
294,486	Koninklijke KPN	1,094,310
81,893	Koninklijke Philips Electronic	1,629,261
52,254	Koninklijke Vopak	2,785,661
28,902	Lyondellbasell Industries	1,250,580
27,238	Mediq	349,327
9,661	Nielsen N.V.	223,988
36,050	Postnl	105,194
20,677	Qiagen	284,309
10,324	Randstad	287,059
60,442	Reed Elsevier	676,044
87,416	Royal Dutch Shell	2,270,631
335,111	Royal Dutch Shell	8,713,461
151,073	Royal Dutch Shell B	4,026,269
14,052	SBM Offshore	147,757
71,429	SNS Reaal	73,572
57,005	STMicroelectronics	306,003
34,177	TNT Express	288,112
216,802	Unilever	6,251,486
74,723	Vimpelcom	594,091
22,070	Wessanen	48,444
66,297	Wolters Kluwers	1,025,946
15,400	Yandex	251,764
29,699	Ziggo	735,347
		<b>54,291,112</b>
	<b>% of Total Investments</b>	<b>0.37%</b>

## Quoted Securities – Equities

Holding	Security Description	Market Value €	Holding	Security Description	Market Value €	Holding	Security Description	Market Value €
<b>Norway</b>								
8,792	Aker Solutions	135,081	9,176	ENCE Energia y Celulosa	19,545	82,558	Skandinaviska Enskilda Banken	531,500
26,065	Atea	212,825	6,878	Endesa	116,032	16,644	Skanska 'B'	205,965
28,268	Austevoll Seafood	109,636	337,874	Ferrovial	3,784,189	15,658	SKF	297,761
22,189	Cermaq	252,892	4,135	Fomento de Construcciones y Contratas	38,745	8,858	SSAB	58,369
167,382	DNB	1,603,594	36,466	Gas Natural	495,208	2,949	SSAB	16,566
7,933	Gjensidige Forsikring	85,718	17,301	Grifols	456,054	23,334	Svenska Cellulosa	383,371
10,142	Grieg Seafood	17,045	390,571	Iberdrola	1,638,445	24,264	Svenska Handelsbanken	657,068
7,592	Kvaerner	16,737	13,313	Indira Sistemas	133,396	36,263	Swedbank 'A'	536,635
39,715	Norsk Hydro	150,682	21,324	Industria de Diseno Textil	2,249,682	8,352	Swedish Match	212,352
262,927	Norske Skogsindustrier	141,691	75,672	Mapfre	175,181	16,576	Telez 'B'	226,177
215,299	Orkla	1,421,009	13,378	Mediaset Espana Comunicacion	68,094	85,161	Teliasonera	437,217
38,234	Sparebank	181,068	83,460	Red Electrica	3,113,058	18,050	Volvo 'A'	188,030
104,264	Statoil	1,972,252	183,109	Repsol	2,807,977	154,330	Volvo 'B'	1,596,889
16,712	Storebrand	60,996	183,109	Repsol	84,596			
31,610	Telenor	482,648	460,028	Telefonica	4,687,685			
59,426	Yara International	2,214,232	12,512	Zardoya-Otis	135,130			
		<b>9,058,106</b>			<b>39,853,626</b>			<b>16,457,422</b>
	<b>% of Total Investments</b>	<b>0.06%</b>		<b>% of Total Investments</b>	<b>0.27%</b>		<b>% of Total Investments</b>	<b>0.11%</b>
<b>Portugal</b>			<b>Sweden</b>			<b>Switzerland</b>		
14,418	Altri	22,896	19,675	Acando	35,306	88,859	ABB	1,380,141
1,933,822	Banco Commercial Portugese	145,037	2,544	AF	46,096	22,154	Ace	1,339,919
190,105	Banco Espirito Santo	170,144	11,646	Alfa Laval	183,606	3,563	Actelion	128,477
183,291	EDP Energias Portugal	419,736	13,277	Assa Abloy	375,785	5,435	Adecco	216,283
20,201	GALP Energia	237,564	24,847	Atlas Copco	516,222	2,141	AFG	40,968
22,210	Jeronimo Martins	324,266	14,357	Atlas Copco	264,656	3,539	Aryzta	137,344
15,775	Mota Engil	24,719	39,835	Bilia	433,998	1,839	Baloise	119,584
74,875	Portugal Telecom	280,706	141,855	Billerudkorsnas	1,012,424	77	Barry Callebaut	56,130
4,145	Semapa Sociedade de Investimento	23,585	10,062	Boliden	143,157	19	Bell	31,556
		<b>1,648,653</b>	4,005	Byggmax Group	13,534	584	BKW	15,190
	<b>% of Total Investments</b>	<b>0.01%</b>	11,016	Electrolux	218,857	150	Banque Cantonale Vaudoise	60,232
<b>Spain</b>			10,468	Elekta	123,684	11,905	Clariant 37	121,792
279,779	Abertisinfraestructuras	3,474,855	219,606	Ericsson	1,665,853	195	Comet	34,729
2,064	Acciona	116,017	8,961	Getinge	229,716	19,291	Compagnie Financiere	1,140,969
6,337	Acerinox	52,901	22,870	Hennes & Mauritz	598,266	74,895	Credit Suisse	1,381,016
18,966	ACS Actividades	361,113	9,614	Hexagon	182,713	1,026	Daetwyler	73,389
92,968	Amadeus	1,771,040	2,286	Holmen	51,250	356	Emmi	67,826
651,850	Banco Bilbao Vizcaya	4,536,876	16,276	Husqvarna	74,325	661	Ems-Chemie	117,942
248,200	Banco Debadell New	490,195	9,990	Industrivarden	129,095	57,373	Ferrexpo	176,597
6,766	Banco Espanol de Credito	24,053	4,331	Industrivarden	54,352	58	Fischer	17,681
870,938	Banco Santander	5,312,722	23,044	Intrum Justitia	260,460	2,811	Flughafen Zurich	984,386
36,702	Bankinter S A	115,244	18,242	Investor	361,354	7,842	Foster Wheeler	144,549
459,668	Banco Popular Espanol	269,365	8,413	Kinnevik Investment	133,028	7,602	GAM	77,771
101,517	Caixabank	267,700	9,381	Lundin Petroleum	163,419	10,760	Garmin	332,896
101,475	Caixabank	5,946	2,180	Modern Times	57,561	1,568	Geberit	261,593
2,409	Corporacion Financiera Alba	85,062	2,262	Nolato	20,691	353	Givaudan	281,593
56,737	Distribuidora Internacional	272,905	315,158	Nordea Bank	2,280,507	206,392	Glencore Xstrata	888,439
30,045	Duro Felguera	144,516	8,794	Ratos	64,044	2	Helvetia	574
21,250	EDP Renovaveis	84,873	28,556	Saab	449,536	10,905	Highlight Common	43,402
152,740	Enagas	2,465,224	48,403	Sandvik	583,746	9,251	Holcim	512,667
			15,634	Scania	244,657	13,888	Implenia	459,022
			12,800	Securitas	84,568	8,961	Julius Baer	239,984
			9,487	Semcon	53,062	21,352	Kardex	431,568
						303	Komax	17,821
						2,208	Kuehne & Nagel	201,193
						5	Lindt & Spruengli	142,955
						37	Lindt Spruengli	91,335
						30,067	Lonza	1,229,380

## Quoted Securities – Equities

Holding	Security Description	Market Value €	Holding	Security Description	Market Value €	Holding	Security Description	Market Value €
8,702	Micronas	59,758	53,760	ARM	505,914	2,228	Genus	38,139
296,411	Nestle	14,633,943	13,379	Ashmore	58,919	60,572	GKN	169,818
4,573	Nobel Biocare	29,396	111,087	Associated British Foods	2,128,907	310,537	Glaxosmithkline	5,079,854
16,667	Noble	439,855	82,757	Astrazeneca	2,950,392	26,034	Hammerson	155,770
133,087	Novartis	6,333,539	111,889	Aviva	511,391	8,640	Hargreaves Lansdown	72,097
22,213	OC Oerlikon	190,444	64,788	Avocet Mining	55,571	51,109	Hays	51,541
472	Orior	20,019	129,641	Bae Systems	535,180	235,610	Healthcare Locums	6,351
1,412	Pargesa	73,279	2,031,931	Barclays	6,533,252	673,924	HICL Infrastructure	1,023,975
5,872	Partners Group	1,027,308	58,996	Berendsen	431,211	40,530	Highland Gold Mining	47,925
1,772	PSP Swiss Property	127,043	28,894	Berkeley	622,065	5,234	Hill & Smith	25,525
221	Publigrroupe	26,325	397,209	BG	4,928,000	20,173	Hogg Robinson	12,730
46,867	Roche	7,143,413	154,105	BHP Billiton	4,021,157	402,539	Home Retail	624,944
715	Schindler	78,181	104,599	Bodycote	580,479	948,395	HSBC	7,517,666
1,066	Schindler	114,618	739,417	BP	3,848,846	24,425	ICAP	91,882
88	Schweiter Technologies	38,270	75,369	British American Tobacco	2,882,326	12,876	IMI	173,079
224	SGS	375,931	33,252	British Land	228,987	5,300	Impellam	20,457
39	Sika Finanz	68,166	2,026	British Polythene Industries	9,868	38,549	Imperial Tobacco	1,120,902
1,970	Sonova	165,472	50,007	British Sky Broadcasting	469,984	16,803	Inmarsat	120,345
288	Straumann	26,720	302,263	BT	855,937	79,405	Innovation	23,352
1,328	Sulzer	158,520	12,072	Bunzl	149,254	9,954	Intercontinental Hotels	208,203
1,929	Swatch	125,836	16,562	Burberry	248,805	126,517	Intermediate Cap	489,883
4,196	Swatch	1,603,044	261,909	Cairn Energy	849,816	34,115	International Consolidated	77,251
1,180	Swiss Life	118,665	25,187	Capita	233,013	95,200	International Personal Finance	435,113
2,244	Swiss Prime Site	141,923	8,236	Carnival	237,967	55,434	Interserve	264,094
35,349	Swiss Re	1,929,671	1,768	Carr's Milling Industries	22,856	6,003	Intertek	227,954
793	Swisscom	258,684	728,014	Centrica	2,975,928	23,992	Intu Properties	102,953
53,625	Swisslog	52,417	45,225	Coalfield Resources	3,741	29,676	Invensys	118,180
6,159	Syngenta	1,870,352	42,186	Cobham	114,136	23,349	Investec	121,223
27,917	TE Connectivity	785,417	268,290	Compass	2,383,412	143,087	ITV	184,447
14,270	Transocean	476,849	17,019	Computacenter	88,004	13,704	John Wood	121,994
30,152	Tyco International	668,445	4,881	Concentric	31,850	8,207	Johnson Matthey	238,939
303,781	UBS	3,590,917	31,720	Costain	98,724	52,066	Johnson Service	22,808
998	Valora	153,023	17,790	Cranswick	185,072	289,094	Johnston Press	46,051
100	Vaudoise Versicherung	24,437	6,495	Creston	6,208	7,877	Kazakhmys	75,093
28	Vetropack	39,105	10,018	Daily Mail & General Trust 'A'	67,638	328,176	Kelda	0
48,698	Weatherford	413,014	65,975	Dairy Crest	310,594	65,576	Keller	557,247
10,700	Wolseley	380,223	113,593	Dart	175,379	770,777	Kingfisher	2,683,222
173,988	Xstrata	2,257,729	69,215	Debenhams	96,686	33,196	Ladbrokes	80,661
11,509	Zurich Insurance	2,320,486	97,820	Diageo	2,141,948	31,588	Land Securities	314,874
		<b>61,339,329</b>	19,641	Diageo	1,735,446	57,522	Lavendon	97,620
		<b>% of Total Investments 0.42%</b>	230,871	Drax	1,540,366	1,361,727	Legal & General	2,429,450
			68,989	DS Smith	172,959	6,472,642	Lloyds Banking	3,800,228
			19,759	EzV Technologies	29,720	7,445	London Stock Exchange	99,255
			100,322	Elementis	285,809	20,829	Lonmin	72,535
			738,795	Enquest	1,086,330	68,981	Man	69,945
			28,700	Etalon Group	118,550	60,721	Marks & Spencer	284,446
			62,059	Etalon Sponsored	256,345	6,470	May Gurney Integrated Services	14,478
			14,213	Eurasian Natural Resources	49,461	48,054	McBride	78,461
			117,701	Fiberweb	99,514	10,377	Mecom	9,473
			51,810	G4S	162,839	31,439	Meggitt	147,275
			111,176	Gem Diamond	196,169	6,004	Menzies (John)	47,195
						104,941	Micro Focus	748,385
						178,406	Mondi	1,463,581

## United Kingdom

174,102	888	254,401
35,451	3i	94,351
637,758	3i Infrastructure	952,612
7,403	Admiral	105,226
33,599	Aegis	96,668
260,100	Afren	417,830
4,525	African Barrick Gold	24,430
35,720	Aggreko	761,583
12,122	Amdoc	312,283
12,197	Amec	149,903
141,506	Anglo American	3,284,063
48,959	Antofagasta	794,286
20,678	Aon	871,379

## Quoted Securities – Equities

Holding	Security Description	Market Value €
3,768	Morgan Sindall	23,801
97,740	Morrison (W) Supermarket	314,981
2,769,258	National Grid	23,854,777
6,634	Next	301,501
241,716	Northgate	917,431
183,901	Old Mutual	401,558
55,514	Pace	128,156
49,330	Paragon	154,802
142,227	Pearson	2,070,404
145,761	Pendragon	31,256
262,551	Pennon	2,010,714
346,707	Persimmon	3,398,672
63,822	Petrofac	1,269,245
437,531	Prudential	4,640,155
31,497	PV Crystalox Solar	4,438
345,148	Qinetiq	776,065
3,594	Randgold Resources	262,030
27,914	Reckitt Benckiser	1,326,779
45,945	Reed Elsevier	361,435
66,598	Rentokil	78,137
53,423	Resolution	162,017
36,326	Rexam	194,071
4,579	Ricardo	21,041
55,212	Rio Tinto	2,375,652
203,609	Rolls-Royce	2,179,297
7,836	Rowan	185,715
72,980	Royal Bank of Scotland	290,185
58,038	RPC	282,332
139,184	RSA Insurance	214,379
46,207	Sabmiller	1,599,495
48,146	Sage	173,623
71,356	Sainsbury	301,739
10,716	Savills	61,452
28,644	Scapa	21,673
6,237	Schroders	128,852
2,218	Schroders (Non Voting)	37,016
27,015	Segro	81,631
19,791	Serco	129,741
181,792	Severn Trent	3,506,195
145,714	Shanks	155,784
17,822	Shire	1,245,136
224,482	Smith & Nephew	1,869,079
64,088	Smiths	935,287
210,498	Speedy Hire	100,593
136,130	SSE	2,365,303
180,253	Standard Chartered	3,475,409
93,937	Standard Life	382,263
13,602	Subsea	244,522
17,924	Synergy Health	239,616
316,213	TalkTalk Telecom	905,126
17,144	Tate & Lyle	160,075
58,166	Taylor Wimpey	46,898
147,849	Telecite	1,424,865
13,527	Telford Homes	30,581
582,166	Tesco	2,396,860

Holding	Security Description	Market Value €
31,372	Tetragon Financial Group	226,837
138,367	Trinity Mirror	156,831
118,029	TT Electronics	208,261
417,289	TUI Travel	1,444,482
6,919	Tullett Prebon	21,348
51,692	Tullow Oil	798,721
12,009	Tyman	22,661
49,976	Unilever	1,448,881
524,809	United Utilities	4,331,073
112,115	Valiant Petroleum	553,294
4,874	Vedanta Resources	69,100
4,623,029	Vodafone	8,749,257
7,821	Weir	180,072
258,576	WH Smith	2,122,852
6,716	Whitbread	201,373
94,667	William Hill	403,793
83,784	Xchanging	128,330
		<b>179,857,817</b>
	<b>% of Total Investments</b>	<b>1.23%</b>
	<b>Total European Equities</b>	<b>703,996,781</b>
	<b>% of Total Investments</b>	<b>4.80%</b>

## North America

Holding	Security Description	Market Value €
<b>Canada</b>		
11,068	Agnico-Eagle Mines	439,198
9,957	Agrium	751,417
8,448	Alimentation Couche-Tard	314,654
20,747	ARC Resources	385,976
43,089	Bank of Montreal	1,996,191
78,324	Bank of Nova Scotia	3,425,818
66,367	Barrick Gold	1,759,077
17,399	BCE	564,603
5,600	Bell Aliant	112,196
6,169	Bombardier	17,985
89,855	Bombardier	257,178
41,503	Brookfield Asset Management	1,151,229
25,757	Brookfield Office Properties	332,525
27,066	Cameco	403,610
27,164	Canadian Imperial Bank of Commerce	1,653,578
29,185	Canadian National Railway	2,006,760
73,116	Canadian Natural Resources	1,594,003
31,812	Canadian Oil Sands	488,428
11,149	Canadian Pacific Railway	856,310
4,908	Canadian Tire	259,205
5,468	Canadian Utilities	299,435
49,954	Cenovus Energy	1,265,866
18,308	CGI Group	319,697
13,636	CI Financial	258,769
24,185	Crescent Point Energy	692,578
48,733	Eldorado Gold	474,829
631,949	Enbridge	20,694,562
49,406	Encana	739,379
99,984	Entertainment One	206,437
1,252	Fairfax Financial	341,710
10,705	Finning International	200,215
31,926	First Quantum Minerals	532,465
149,586	Fortis	3,896,501
54,152	Goldcorp	1,507,451
17,781	Great West Lifeco	329,579
19,479	Husky Energy	435,931
23,405	Iamgold Corp	202,925
8,154	IGM Financial	258,207
22,622	Imperial Oil	735,813
8,703	Intact Financial	429,088
55,817	Keyera	2,091,704
73,329	Kinross Gold	539,208
7,020	Loblaws Companies	224,061
15,209	Magna International	575,157
120,898	Manulife Financial	1,243,307
9,185	MEG Energy	212,827



## Quoted Securities – Equities

Holding	Security Description	Market Value €	Holding	Security Description	Market Value €	Holding	Security Description	Market Value €
43,236	Caterpillar	2,935,486	200	Cousins Properties	1,266	11,749	Entergy	567,681
132,093	Catlin Group	814,959	9,299	Coventry Health Care	315,957	17,695	EOG Resouces	1,619,963
164,627	CBRE	2,483,005	13,283	CR Bard	983,993	10,173	EQT	454,755
40,469	CBS	1,167,080	17,363	Credicorp	1,928,696	7,662	Equifax	314,285
10,574	Celanese	356,875	7,825	Cree	201,526	14,152	Equinix	2,211,719
45,820	Celgene	2,733,781	307,379	Crown Castle International	16,811,027	21,093	Equity Residential	905,973
337,893	Centerpoint Energy	4,929,847	68,979	CSX	1,031,496	2,363	Erie Indemnity	123,971
41,431	Centurylink	1,228,423	40,100	CTC Media	236,454	29,181	Estee Lauder	1,323,916
11,270	Cerner	663,182	12,342	Cummins	1,013,533	3,453	Everest Reinsurance Group	287,750
4,195	CF Industries	645,942	82,678	CVS Caremark	3,029,772	12,326	Exelis	105,286
10,846	CH Energy	536,135	90,184	Danaher	3,820,893	56,392	Exelon	1,271,107
10,864	CH Robinson Worldwide	520,556	8,658	Darden Restaurants	295,753	7,730	Expedia	360,019
83,967	Charles Schwab	913,875	6,906	Davita Healthcare Partners	578,536	14,127	Expeditors International of Washington	423,467
7,000	Charter Communications	404,487	26,148	Deere & Co	1,712,680	53,329	Express Scripts Holding	2,182,633
161,315	Cheniere Energy	2,296,116	116,681	Dell	895,845	302,174	Exxon Mobil	19,822,010
44,348	Chesapeake Energy	558,636	13,712	Delta Air Lines	123,360	4,996	F5 Networks	367,865
130,660	Chevron	10,709,089	24,785	Denbury Resources	304,318	85,206	Facebook	1,719,748
1,940,000	China Gas	1,157,246	8,867	Dentsply International	266,198	19,182	Family Dollar Stores	921,882
11,195	Chipotle Mexican Grill	2,523,924	26,769	Devon Energy	1,055,827	19,046	Fastenal	673,986
17,842	Chubb	1,018,538	4,295	Diamond Offshore Drilling	221,228	4,294	Federal Realty Investment Trust	338,534
9,526	Church & Dwight	386,773	7,982	Digital Realty Trust	410,715	38,069	Fedex	2,646,422
18,927	Cigna	766,892	40,062	Directv	1,523,048	20,226	Fidelity National Information	533,627
5,371	Cimarex Energy	235,007	33,475	Discover Financial Services	978,067	59,709	Fifth Third Bancorp	687,418
10,130	Cincinnati Financial	300,660	26,010	Discovery Communications	1,251,413	3,991	First Solar	93,408
9,034	Cintas	280,044	5,815	Discovery Communications	257,827	28,045	Firstenergy	887,645
353,337	Cisco Systems	5,262,295	13,780	Dish Network	380,167	9,069	Fiserv	543,219
13,461	CIT	394,219	58,965	Dollar General	1,970,416	3,479	Flowserve	387,083
193,938	Citigroup	5,814,906	15,726	Dollar Tree	483,437	10,961	Fluor	487,986
12,322	Citrix Systems	614,045	37,443	Dominion Resources	1,470,022	15,802	FMC Technologies	512,960
3,260	City National	122,355	12,408	Dover	617,955	9,775	Foot Locker	237,967
9,058	Cliffs Natural Resources	264,724	78,933	Dow Chemical	1,933,541	247,240	Ford Motor	2,426,677
8,544	Clorox	474,149	19,749	Dr Horton	296,070	17,727	Forest Laboratories	474,547
58,793	CME	2,259,658	13,905	Dr Pepper Snapple	465,608	10,369	Fortune Brands Home & Security	229,636
1,569	CNA Financial	33,309	2,904	DST Systems	133,381	3,986	Fossil	281,262
18,464	Coach	776,820	11,162	DTE Energy	508,017	10,498	Franklin Resources	1,000,151
299,784	Coca-Cola	8,236,448	46,395	Duke Energy	2,243,445	62,045	Freeport-McMoRan Copper & Gold	1,608,261
19,040	Coca-Cola Enterprises	457,889	19,449	Duke Realty	204,455	61,444	Frontier Communications	199,318
19,698	Cognizant Technology Solutions	1,105,530	3,093	Dun & Bradstreet	184,375	9,334	Gamestop	177,497
31,649	Colgate-Palmolive	2,507,645	10,190	Eastman Chemical	525,564	14,881	Gannett	203,128
139,032	Comcast	3,938,924	84,960	Ebay	3,285,326	24,559	GAP	577,771
35,223	Comcast	959,729	35,211	Ecolab	1,918,805	699,868	General Electric	11,134,023
12,547	Comerica	288,522	21,134	Edison International	723,848	30,891	General Growth Properties	464,746
6,029	Commerce Bancshares	160,207	7,611	Edwards Lifesciences	520,148	42,613	General Mills	1,305,132
10,364	Computer Sciences	314,596	61,245	Ei Du Pont De Nemours & Co	2,087,455	41,717	General Motors	911,552
27,050	Conagra Foods	604,801	20,755	Electronic Arts	228,566	8,946	Gentex	127,606
7,005	Concho Resources	427,712	75,831	Eli Lilly & Co	2,834,610	10,623	Genuine Parts	511,907
80,635	Conocophillips	3,544,053	139,214	EMC	2,669,482	30,329	Genworth Financial	172,632
15,665	Consol Energy	381,118	47,990	Emerson Electric	1,926,293	88,272	Gilead Sciences	4,914,035
232,346	Consolidated Edison	9,780,580	24,732	Enbridge Energy Management	541,540	31,173	Goldman Sachs	3,013,815
11,632	Constellation Brands	312,003	4,398	Energizer	266,600			
3,384	Continental Resources	188,487						
99,681	Corning	953,444						
52,500	Cosan	688,779						
73,799	Costco Wholesale	5,524,577						

## Quoted Securities – Equities

Holding	Security Description	Market Value €	Holding	Security Description	Market Value €	Holding	Security Description	Market Value €
28,141	Google	15,129,893	9,020	Jacobs Engineering	291,027	2,289	Marriott Vacations Worldwide	72,292
10,030	Green Mountain Coffee Roasters	314,416	5,715	JB Hunt Transport Services	258,635	35,555	Marsh & McLennan	928,893
18,942	H&R Block	266,601	14,639	JC Penney	218,686	40,469	Marvell Technology Group	222,681
98,657	Halliburton	2,593,915	7,396	JM Smucker	483,425	24,379	Masco	307,832
14,617	Harley-Davidson	541,075	193,103	Johnson & Johnson	10,259,603	14,109	Mastercard	5,253,501
4,304	Harman International Industries	145,620	44,763	Johnson Controls	1,041,552	22,534	Mattel	625,432
7,964	Harris	295,526	6,890	Joy Global	333,064	18,733	Maxim Integrated Products	417,425
29,456	Hartford Financial Services	500,980	251,673	JPMorgan Chase & Co	8,387,193	7,938	McCormick & Co	382,220
8,455	Hasbro	230,055	33,208	Juniper Networks	495,075	77,002	McDonald's	5,148,057
11,341	HCA	259,328	7,190	Kansas City Southern Railway	454,920	17,988	McGraw-Hills	745,342
29,502	HCP	1,010,232	17,753	Kellogg	751,482	15,746	McKesson	1,157,141
17,065	Health Care Reit	792,719	61,688	Keycorp	393,674	11,790	MDU Resources	189,798
5,795	Henry Schein	353,392	26,031	Kimberly-Clark	1,665,755	13,215	Mead Johnson Nutrition	659,949
7,504	Herbalife	187,344	26,908	Kimco Realty	394,014	11,512	MeadWestvaco	278,071
10,424	Hershey	570,579	505,264	Kinder Morgan	13,529,617	68,380	Medtronic	2,125,927
22,755	Hess	913,373	76,660	Kinder Morgan Management	4,384,390	201,377	Merck & Co	6,248,578
131,961	Hewlett-Packard	1,425,227	11,499	KLA-Tencor	416,244	1,574	Mercury General	47,349
8,539	Hillshire Brands	182,119	15,860	Kohl's	516,646	53,349	Metlife	1,331,905
21,006	HJ Heinz	918,316	38,967	Kraft Foods	1,342,905	16,608	MetroPCS Communications	125,120
13,719	Hollyfrontier	484,023	37,187	Kroger	733,368	23,006	MGM Resorts International	202,963
99,696	Home Depot	4,673,486	6,315	Laboratory Corporation of America	414,586	12,667	Microchip Technology	312,883
100,324	Honeywell International	4,826,106	15,100	Laclede	441,876	69,620	Micron Technology	335,067
12,452	Hormel Foods	294,548	12,879	LAM Research	352,674	556,762	Microsoft	11,279,558
10,298	Hospira	243,830	52,094	Las Vegas Sands	1,822,540	4,689	Mohawk Industries	321,520
7,748	Hospitality Properties Trust	137,531	9,499	Legg Mason	185,171	4,402	Molex	91,183
49,016	Host Hotels & Resorts	582,144	9,092	Leggett & Platt	187,573	4,976	Molex	84,178
32,687	Hudson City Bancorp	201,414	10,486	Lennar	307,332	10,990	Molson Coors Brewing	356,421
10,531	Humana	547,781	11,336	Leucadia National	204,399	116,902	Mondelez International	2,256,703
53,594	Huntington Bancshares	259,562	9,391	Liberty Global	448,339	35,484	Monsanto	2,545,521
5,481	IAC	196,492	7,215	Liberty Global	321,268	8,444	Monster Beverage	338,426
31,001	Illinois Tool Works	1,428,809	35,568	Liberty Interactive	530,528	14,627	Moody's	557,853
7,805	Illumina	328,846	7,574	Liberty Media - Liberty	665,954	97,451	Morgan Stanley	1,412,205
330,461	Intel	5,167,054	7,172	Liberty Property Trust	194,439	19,703	Mosaic	845,673
13,905	Intercontinental Exchange	1,304,819	2,295	Liberty Ventures	117,864	18,861	Motorola Solutions	795,953
74,915	International Business Machine	10,876,132	11,175	Life Technologies	415,696	12,699	Murphy Oil	573,159
5,434	International Flavors & Fragrances	274,048	19,658	Lincoln National	385,889	27,018	Mylan	562,721
18,431	International Game Technology	197,944	15,785	Linear Technology	410,357	19,920	Nabors Industries	218,163
29,245	International Paper	883,069	13,243	Linn Energy	353,709	38,485	National Oilwell Varco	1,993,671
30,177	Interpublic	252,047	25,911	Loews	800,268	10,066	NCR	194,393
19,628	Intuit	885,149	8,662	Lorillard	765,951	92,781	Netapp	2,359,256
5,518	Intuitive Surgical	2,050,827	75,890	Lowe's	2,043,060	3,727	Netflix	262,082
28,686	Invesco	567,241	38,278	LSI	205,403	30,905	New Jersey Resources	928,040
13,528	Iron Mountain	318,360	20,039	Ltd Brands	714,746	27,343	New York Community Bancorp	271,482
1,714,338	iShares Russell 2000 Index Fund	109,520,653	20,896	Lululemon Athletica	1,207,293	19,277	Newell Rubbermaid	325,374
37,313	ITC	2,175,036	8,415	M&T Bank	628,032	8,294	Newfield Exploration	168,344
6,163	ITT	109,583	9,083	Macerich	401,348	32,593	Newmont Mining	1,147,202
13,484	Jabil Circuit	197,140	26,634	Macy's	787,675	103,280	News	1,999,220
			5,141	Manpower	165,366	39,687	News	789,288
			46,658	Marathon Oil	1,084,231	72,810	News	1,371,202
			23,359	Marathon Petroleum	1,115,368			
			611	Markel	200,712			
			68,819	Marriott International	1,943,978			

## Quoted Securities – Equities

Holding	Security Description	Market Value €	Holding	Security Description	Market Value €	Holding	Security Description	Market Value €
27,952	Nextera Energy	1,465,817	9,970	PPG Industries	1,022,768	33,824	SLM	439,143
10,576	NII	57,152	38,411	PPL	833,490	10,376	Smithfield Foods	169,630
117,532	Nike	4,596,522	52,274	Praxair	4,336,357	57,604	Southern	1,869,052
244,180	Nisource	4,606,367	9,595	Precision Castparts	1,377,509	81,740	Southern Copper	2,345,518
11,637	Noble Energy	897,338	5,972	Priceline.com	2,811,737	12,491	Southwest Airlines	96,944
13,638	Nordstrom	553,004	19,757	Principal Financial	427,065	33,982	Southwest Gas	1,092,297
25,801	Norfolk Southern	1,209,287	215,511	Procter & Gamble	11,089,163	22,549	Southwestern Energy	570,988
248,848	Northeast Utilities	7,370,759	41,184	Progressive	658,619	524,353	Spectra Energy	10,881,298
52,703	Northern Trust	2,003,625	30,509	Prologis	843,772	196,562	Sprint Nextel	844,707
19,751	Northwest Natural Gas	661,660	30,152	Prudential Financial	1,218,740	3,177	SPX	168,915
26,687	Northwestern	702,470	33,816	Public Service Enterprise	784,273	21,295	St Jude Medical	583,296
21,369	NRG Energy	372,346	8,466	Public Storage	930,144	11,141	Stanley Black & Decker	624,602
15,003	Nuance Communications	253,802	24,228	PVH	2,038,465	45,321	Staples	391,587
20,610	Nucor	674,503	11,970	QEP Resources	274,619	49,565	Starbucks	2,014,306
39,527	Nvidia	368,188	228,056	Qualcomm	10,720,049	13,037	Starwood Hotels & Resorts	566,775
371	Nvr	258,693	10,589	Quest Diagnostics	467,653	30,823	State Street	1,098,218
16,140	NYSE Euronext	385,824	10,995	Questar	164,667	5,746	Stericycle	406,192
53,425	Occidental Petroleum	3,102,084	4,058	Ralph Lauren	461,100	18,988	Stryker	788,936
16,218	Old Republic International	130,909	10,506	Range Resources	500,297	35,218	Suntrust Banks	756,731
7,302	Omnicare	199,789	9,858	Red Hat	395,695	47,383	Symantec	675,515
17,699	Omnicom	670,185	6,521	Regency Centers	232,886	9,292	Synopsys	224,236
161,982	Oneok	5,248,394	6,190	Regeneron Pharmaceuticals	802,579	38,642	Sysco	927,244
422,803	Oracle	10,677,426	95,070	Regions Financial	513,035	33,881	T Rowe Price	1,672,480
8,234	O'Reilly Automotive	558,045	3,446	Renaissance	212,234	20,928	Targa Resources	838,135
10,242	Owens-Illinois	165,111	23,831	Republic Services	529,758	43,143	Target	1,934,797
23,936	Paccar	820,181	745,508	Resmed	2,310,653	18,087	TD Ameritrade	230,440
7,175	Pall	327,699	28,759	Reynolds American	903,051	13,341	Teco Energy	169,467
10,004	Parker Hannifin	644,945	9,083	Robert Half International	219,055	7,166	Telephone & Data Systems	120,248
4,678	Partnerre	285,381	23,287	Rockwell Automation	1,482,397	11,115	Teradata	521,379
7,718	Pattersons	200,233	9,608	Rockwell Collins	423,600	74,326	Texas Instruments	1,742,949
9,709	Patterson-UTI Energy	137,092	6,412	Roper Industries	541,769	24,680	Thermo Fisher Scientific	1,193,035
23,838	Paychex	562,616	14,788	Ross Stores	606,920	7,895	Tiffany & Co	343,110
17,817	Peabody Energy	359,338	1,071	Rouse Properties	13,735	62,594	Time Warner	2,269,116
13,427	Pentair	500,180	6,947	Rovi	81,243	20,474	Time Warner Cable	1,508,161
23,237	People's United Financial	212,927	12,726	RR Donnelley & Sons	86,808	49,144	TJX	1,581,145
179,578	Pepco	2,669,035	3,213	Ryder System	121,589	7,776	Toll Brothers	190,540
142,734	Pepsico	7,402,825	17,354	Safeway	237,937	6,540	Torchmark	256,118
6,331	Perrigo	499,177	23,131	Saic	198,456	12,087	Total System Services	196,228
7,430	Petsmart	384,846	21,999	Salesforce.com	2,802,813	25,430	Travelers	1,384,252
488,279	Pfizer	9,281,520	15,611	Sandisk	515,397	9,230	Tripadvisor	293,536
338,481	PG&E	10,307,842	91,309	SBA Communications	4,914,935	19,104	Tyson Foods	280,899
133,215	Philip Morris International	8,444,825	8,739	Scana	302,295	37,456	UIL	1,016,598
41,398	Phillips 66	1,666,086	165,732	Schlumberger	8,703,631	31,357	Union Pacific	2,987,875
52,114	Piedmont Natural Gas	1,236,690	6,086	Scripps Networks Interactive	267,168	5,386	United Continental	95,441
7,372	Pinnacle West Capital	284,845	13,446	Seadrill	372,001	48,018	United Parcel Service	2,683,316
8,178	Pioneer Natural Resources	660,674	12,320	Sealed Air	163,501	8,897	United States Steel	160,961
12,625	Pitney Bowes	101,811	3,444	Sears	107,961	60,075	United Technologies	3,734,084
8,760	Plains Exploration & Production	311,653	8,765	SEI Investments	155,052	68,397	Unitedhealth	2,811,773
11,296	Plum Creek Timber	379,872	30,300	Semgroup	897,472	5,627	Universal Health Services	206,204
34,853	PNC Financial Services	1,540,305	177,662	Sempra Energy	9,552,329	19,226	UNUM	303,384
3,144,650	Polo Resources	95,368	6,671	Sherwin-Williams	777,727	45,554	Urban Outfitters	1,358,955
			7,580	Sigma-Aldrich	422,720	125,348	US Bancorp	3,034,421
			20,090	Simon Property	2,407,176	36,944	Valero Energy	955,381
			246,519	Sirius Xm Radio	539,973			

## Quoted Securities – Equities

Holding	Security Description	Market Value €
7,387	Varian Medical Systems	393,257
19,481	Ventas	955,594
10,676	Verisign	314,114
10,500	Verisk Analytics	405,866
188,744	Verizon Communications	6,189,899
43,904	Vertex Pharmaceuticals	1,395,584
7,296	VF	834,832
75,525,000	Viacom	3,018,939
18,103	Virgin Media	504,233
44,777	Virgin Media	1,226,827
35,323	Visa	4,058,102
6,024	Vmware	429,816
12,363	Vornado Realty Trust	750,363
9,110	Vulcan Materials	359,387
62,315	Walgreens	1,747,975
167,142	Wal-Mart Stores	8,643,398
118,235	Walt Disney	4,461,816
271	Washington Post	75,013
30,514	Waste Management	780,311
320,000	Water Oasis Group	33,483
5,670	Waters	374,390
8,234	Watson Pharmaceuticals	536,702
2,313	Weight Watchers International	91,791
7,511	Weingarten Realty Investors	152,395
20,139	Wellpoint	929,868
350,692	Wells Fargo & Co	9,084,927
17,027	Western Digital	548,338
40,153	Western Union	414,190
35,059	Weyerhaeuser	739,231
38,072	WGL	1,130,849
5,334	Whirlpool	411,349
500	White Mountains Insurance	195,164
12,327	Whole Foods Market	853,286
528,353	Williams	13,110,715
38,275	Windstream	240,198
15,407	Wisconsin Energy	430,308
12,545	WPX Energy	141,481
9,108	WR Berkeley	260,524
4,708	WW Grainger	722,115
9,442	Wyndham Worldwide	380,786
6,497	Wynn Resorts	553,924
31,381	Xcel Energy	635,279
86,172	Xerox	445,424
116,718	Xilinx	3,175,819
12,326	Xylem	253,172
80,716	Yahoo!	1,217,408
49,139	Yum! Brands	2,472,965
12,261	Zimmer	619,462
11,045	Zions Bancorporation	179,144
	<b>1,056,161,860</b>	
	<b>% of Total Investments</b>	<b>7.21%</b>

Holding	Security Description	Market Value €
	<b>Total North American Equities</b>	<b>1,165,439,999</b>
	<b>% of Total Investments</b>	<b>7.95%</b>

## Japan

Holding	Security Description	Market Value €
<b>Japan</b>		
19,000	77th Bank	57,697
1,500	ABC-Mart	49,710
3,082	Acom	66,979
1,900	Aderans	18,965
10,000	Advantest	118,652
40,100	Aeon	348,373
5,200	Aeon Credit Service	79,641
900	Aeon Fantasy	9,173
6,300	Aeon Mall	117,338
2,300	Ahresty	9,636
33,000	AI	178,347
12,600	Aida Engineering	75,305
10,000	Air.Water	96,999
16,200	Airport Facilities	57,465
10,200	Aisin Seiki	239,176
35,000	Ajinomoto	352,126
1,600	Alconix	19,843
3,900	Alfresa	115,685
4,600	Alinco	30,569
80,000	All Nippon Airways	127,454
12,000	Alpen	160,338
2,000	Alpha	16,900
8,600	Alps Electric	39,060
20,000	Amada	97,703
6,900	Amuse	101,244
21,000	Aoyama Trading	305,360
43,628	Aozora Bank	101,380
4,000	ARC Land Sakamoto	47,109
5,100	Argo Graphics	50,277
7,100	Arnest One	88,305
4,500	Asahi Broadcasting	17,903
59,000	Asahi Glass	325,095
24,600	Asahi Group	397,766
72,000	Asahi Kasei	321,310
2,200	Asatsu-Dk	39,736
10,000	Asics	115,307
2,000	Aska Pharmaceutical	8,292
23,900	Astellas Pharma	815,179
1,600	Autobacs Seven	50,981
5,300	Avex	81,546
13,000	Awa Bank	56,298
4,200	Azbil	64,325
7,000	Bando Chemical	17,807
19,000	Bank of Kyoto	121,750
69,000	Bank of Yokohama	242,936
34,950	Belluna	187,348
33	Benefit One	28,204
4,900	Benesse	154,837
267	Best Bridal	185,426
17,000	Best Denki	21,547
4,700	BML	87,083
2,900	Bookoff	17,281
41,600	Bridgestone	814,351
18,700	Brother Industries	151,430

## Quoted Securities – Equities

Holding	Security Description	Market Value €	Holding	Security Description	Market Value €	Holding	Security Description	Market Value €
7,000	Bunka Shutter	24,707	7,700	Dena	192,619	20,000	GS Yuasa	60,910
60,000	Calsonic Kansei	185,899	33,000	Denki Kagaku Kogyo	85,107	4,000	Gulliver International	107,913
0	Can Do	0	30,200	Denso	790,288	24,000	Gunma Bank	88,936
90,400	Canon	2,657,653	9,300	Dentsu	188,685	2,100	Gurunavi	16,377
4,900	Canon Marketing Japan	53,266	49,000	DIC	68,577	4,900	H.I.S.	126,543
3,300	Capcom	38,226	1,100	Disco	43,328	7,000	H2o Retailing	49,538
14,200	Casio Computer	94,117	4,000	Don Quijote	111,610	26,000	Hachijuni Bank	98,636
1,900	Cawachi	28,581	3,600	Doutor Nichires	35,680	2,060	Hakuhodo	100,996
14,000	Central Glass	35,736	21,000	Dowa	102,588	2,600	Hakuto	18,148
10,500	Central Japan	646,950	5,000	Dydo Drinco	154,476	900	Hamakyorex	21,959
1,900	Central Sports	21,206	20,300	East Japan Railwa	997,043	4,300	Hamamatsu Photonics	118,088
2,800	Century Tokyo Leasing	43,943	22,000	Ebara	69,712	86,000	Hankyu Hanshin	337,611
45,000	Chiba Bank	199,630	9,000	Eighteenth Bank	17,903	3,000	Happinet	18,484
13,000	Chiyoda	140,516	15,200	Eisai	481,648	96,500	Haseko	57,759
5,600	Chiyoda	42,588	11,200	Electric Power Development	201,898	2,600	Heiwa	32,062
14,100	Chori	115,049	1,600	Exedy	26,603	6,240	Hiday Hidaka	88,978
38,900	Chubu Electric	393,759	7,000	Ezaki Glico	54,775	7,000	Higashi Nihon House	22,428
40,000	Chuetsu Pulp & Paper	52,108	2,600	F&A Aqua	20,276	12,000	Higo Bank	50,700
15,000	Chugai Pharmaceutical	217,983	255	Faith	20,223	1,100	Hikari Tsushin	32,242
14,000	Chugoku Bank	147,998	5,000	Familymart	156,456	1,600	Hi-Lexoration	20,280
18,600	Chugoku Electric Power	221,510	12,200	Fanuc	1,709,568	15,000	Hino Motors	102,060
18,800	Citizen	74,796	3,600	Fast Retailing	692,052	4,800	Hinokiya	36,588
4,000	Cleanup	21,583	3,500	Fields	36,198	2,000	Hirose Electronics	181,146
10,300	Coca Cola Central	97,007	2,400	First Juken	20,132	33,000	Hiroshima	104,859
3,500	Coca-Cola West Company	41,066	3,700	FJ Next	17,033	3,300	Hisamitsu Pharmaceutical	124,611
5,400	Computer Engineering	25,477	2,100	Freund Industrial	22,181	10,000	Hitachi Cable	12,411
7,800	Comsys	75,933	8,100	F-Tech	83,203	2,400	Hitachi Capital	37,412
2,600	Corona	24,464	4,600	Fuji	19,354	6,700	Hitachi Chemical	76,194
45,000	Cosmo Oil	76,050	42,000	Fuji Electric	78,004	6,000	Hitachi Construction Machinery	94,640
12,600	Credit Saison	237,782	40,000	Fuji Heavy	378,840	3,000	Hitachi High Technologies	46,871
102	D A Consortium	19,312	6,000	Fuji Kiko	13,942	3,100	Hitachi Koki	19,182
37,000	Dai Nippon Printing	219,180	30	Fuji Media	34,354	3,100	Hitachi Koki	19,182
18,000	Daicel	89,834	12,259	Fuji Soft	176,531	10,000	Hitachi Metals	64,343
23,000	Daido Steel	87,862	26,500	Fujifilm	401,897	239,000	Hitachi	1,060,259
33,000	Daihatsu Diesel	74,069	23,000	Fujikura	54,053	2,100	Hitachi Transport Systems	23,272
12,000	Daihatsu Motor	180,724	1,200	Fujimori Kogyo	24,558	7,700	Hitachi Zosen Fukui	54,085
19,000	Daiho Construction	21,407	47	Fujishoji	41,287	11,100	Hokkaido Electric Power	102,197
6,000	Dai-ichi Jitsugyo	21,072	8,000	Fuji-Tec	43,799	8,000	Hokkaido Gas	16,548
678	Dai-ichi Life Insurance	715,537	106,000	Fujitsu	335,886	8,000	Hokkan	17,252
36,500	Daiichi Sankyo	424,725	2,400	Fukoku	15,759	17,000	Hokkoku Bank	47,584
14,900	Daikin Industries	385,845	6,000	Fukuda	21,653	71,000	Hokuhoku Financial Group	79,368
17,630	Daikoku Denki	280,255	600	Fukuda Denshi	14,106	10,600	Hokuriku Electric Power	95,354
165,000	Daikyo	339,847	58,000	Fukuoka Financial Group	175,618	92,200	Honda Motor	2,552,319
2,300	Dainichi	19,577	1,400	Fukusima Industries	22,070	8,500	H-One	62,697
13,000	Dainippon Screen	59,845	7,000	Fukuyama Transporting	26,987	3,600	Hoshizaki Electric	72,596
11,200	Dainippon Sumitomo Pharma	102,033	118	Fullcast	14,769	8,500	Hosiden	39,653
18,000	Daishi Bank	43,095	700	Funai Electric	6,901	3,400	House Food Industrial	38,935
1,600	Daito Pharmaceutical	18,956	34,000	Furukawa Electric	57,460	36,000	Howa Machinery	28,519
5,500	Daito Trust Construction	394,552	400	Fuso Chemical	6,707	29,400	Hoya Pentax Horation	437,597
31,000	Daiwa House Industry	403,565	127,400	Futaba Industrial	417,153	20,700	Hulic	106,224
120,000	Daiwa Securities	501,716	2,100	Gaia	6,359	12,000	Hyakugo Bank	41,088
14,764	Data Communications Systems	137,231	2,200	Gamecard-Joyco	26,859			
			3,500	Glory Kogyo	61,429			
			4,230	Goldcrest	54,285			
			6,100	Gree	71,841			

## Quoted Securities – Equities

Holding	Security Description	Market Value €	Holding	Security Description	Market Value €	Holding	Security Description	Market Value €
15,000	Hyakujushi Bank	41,986	11,000	Kaneka	42,118	12,900	Kyocera	882,255
7,700	Ibiden	92,582	245,000	Kanematsu	254,467	6,100	Kyokuto Kaihatsu	50,686
1,300	Idemitsu Kosan	85,591	5,200	Kanematsu Electronics	45,633	14,800	Kyokuto Securities	114,117
7,000	Ihara Chemical	28,835	48,600	Kansai Electric Power	387,996	15,193	Kyowa Hakko Kirin	113,536
75,000	IHI	146,554	14,000	Kansai Paint	114,233	10,000	Kyudenko	39,169
15,900	Iida Home Max	142,891	24,000	Kansai Urban Banking	24,505	24,700	Kyushu Electric Power	213,714
2,600	Imasen Electric	23,114	35,600	Kao	704,730	5,100	Lawson	263,507
1,000	IMI	13,194	28,000	Kasai Kogyo	99,322	2,400	Lintec	33,842
14,700	Inabata & Co	74,917	22,800	Kasumi	109,575	16,000	Lion	61,826
43	Infocom	38,417	24,600	Kato Sangyo	333,457	16,000	Lixil Group	269,976
2,600	Information Services International	19,178	500	Kawada Technologies	5,633	30	M3	36,388
21,100	Innotech	78,375	40,000	Kawai Musical Instruments	56,333	2,000	Mabuchi Motor	64,343
188	Inpex	757,064	87,000	Kawasaki Heavy Industries	177,660	2,500	Mac House	14,655
11,000	Iseki & Co	21,591	54,000	Kawasaki Kisen Kaisha	62,266	2,200	Macnica	33,036
20,180	Isetan Mitsukoshi	149,560	6,000	Kayaba Industry	18,326	44,000	Maeda Road Construction	509,673
87,000	Isuzu Motors	391,312	22,900	KDDI	1,227,542	2,100	Maezawa Kaisei Industries	16,285
10,200	IT	93,462	39,000	Keihan Electric Railway	134,222	1,600	Maezawa Kyuso Industries	15,069
9,100	ITC Networks	53,185	28,000	Keikyu	188,786	7,300	Makita	255,092
6,600	Itfor	19,055	33,000	Keio	186,771	14,000	Mamiya Op	18,238
4,400	Ito En	61,579	18,000	Keisei Electric Railway	115,342	89,000	Marubeni	480,996
80,300	Itochu	641,071	9,000	Keiyo Bank	30,103	50,000	Marudai Food	125,869
8,300	Itochu Fuel	32,656	3,300	Kenko Mayonnaise	21,959	16,700	Marui Group	100,985
1,800	Itochu Techno Solutions	56,324	7,500	Kewpie	78,756	5,000	Maruichi Steel Tube	87,140
24,000	Iwatsu Electric	15,421	3,125	Keyence	656,577	9,200	Maruka Machinery	76,768
16,000	Iyo Bank	96,189	11,000	Kikkoman Shoyu	119,092	8,000	Maruzen Showa	17,463
2,700	Izumi	43,206	4,700	Kimoto	29,248	6,900	Matsui Securities	47,373
26,200	J Front Retailing	110,003	13,000	Kinden	64,193	2,600	Matsumotokiyoshi	46,663
86,000	Jaccs	352,751	46,000	Kinki Sharyo	117,014	204,000	Mazda Motor	312,437
2,300	Jafco	51,179	116,000	Kintetsu	361,447	12,100	Medipal	101,712
52,600	Japan Airport Terminal	410,670	49,000	Kirinco	436,476	3,950	Meiji	130,033
4,800	Japan Carlit	18,717	3,000	Kissei Pharmaceutical	41,907	7,800	Mikuni Coca Cola	56,023
2,300	Japan Digital Laboratory	19,617	10,000	Kitano Construction	18,836	16,978	Mimasu Semiconductor Industry	105,207
1,900	Japan Petroleum Ex	50,506	32	Kito	20,984	26,000	Minebea	69,571
2,400	Japan Property Management Center	40,644	55,000	KNT	56,641	3,300	Ministop	42,118
20,000	Japan Steel Works	98,231	1,400	Kobayashi Pharmaceuticals	50,524	3,100	Miraca	94,820
67,900	Japan Tobacco	1,458,287	155,000	Kobe Steel	148,711	8,400	Miraito	57,893
29,400	JFE	414,566	6,000	Koito Manufacturing	65,910	30,900	Misawa Homes	343,515
13,000	JGC	306,205	6,200	Kokuyo	33,726	3,200	Misumi Group	66,022
8,000	Jidosha Buhin Kog	22,815	5,000	Komatsu Seiren	17,340	2,100	Mitani	20,314
19,000	J-Oil Mills	40,305	2,600	Komatsu Wall	26,455	6,000	Mitsuba	32,955
38,000	Joyo Bank	136,801	64,900	Komatsu	1,247,616	78,500	Mitsubishi Chemical	294,349
13,000	JSR	187,545	3,100	Komeri	59,566	84,100	Mitsubishi	1,219,195
23,000	JTEKT	164,792	16,000	Konaka	82,669	110,000	Mitsubishi Electric	707,772
18,000	Juroku Bank	46,264	6,900	Konami	117,338	71,000	Mitsubishi Estate	1,280,512
15,400	Justsystem	69,131	27,000	Konica Minolta	146,396	24,000	Mitsubishi Gas & Chemicals	110,906
126,590	JX	538,183	1,500	Kose	23,832	230,000	Mitsubishi Heavy Industries	840,155
6,900	Kagome	100,272	13,000	Krosaki Harima	26,433	9,000	Mitsubishi Logistics	97,518
10,000	Kagoshima Bank	47,707	3,000	K'S	58,041	67,000	Mitsubishi Material	172,203
53,000	Kajima	132,488	44,000	Kubota	381,868	287,000	Mitsubishi Motor	224,831
1,900	Kakaku.com	47,730	95,000	Kumagai-Gumi	84,456	12,000	Mitsubishi Tanabe Pharma	118,933
34,000	Kamei	232,233	32,000	Kurabo Industries	41,405			
14,000	Kamigumi	84,658	26,500	Kuraray	262,411			
25,000	Kanamoto	290,687	6,800	Kurita Water Industries	113,244			
15,000	Kandenko	51,228	28,800	Kuroda Electric	257,808			

## Quoted Securities – Equities

Holding	Security Description	Market Value €	Holding	Security Description	Market Value €	Holding	Security Description	Market Value €
960,570	Mitsubishi UFJ Financial Group	3,897,745	7,200	Nintendo	581,146	1,000	NS Solutions	13,494
3,120	Mitsubishi UFJ Lease & Finance	101,336	52,000	Nippo	544,670	29,000	NSK	155,453
92,700	Mitsui & Co	1,046,863	7,000	Nippon Densetsu Kogyo	50,462	27,000	NTN	54,898
50,000	Mitsui Chemicals	98,143	25,000	Nippon Electric Glass	107,165	76	NTT Data	179,748
40,000	Mitsui Engineering & Shipping	46,475	54,000	Nippon Express	168,735	1,195	NTT Docomo	1,304,287
60,000	Mitsui Fudosan	1,103,776	16,000	Nippon Form Feed	14,506	85	NTT Urban Development	62,248
12,900	Mitsui High-Tec	69,490	18,000	Nippon Hume	73,198	77	Nuflare Technology	355,145
2,000	Mitsui Home	8,908	9,000	Nippon Kayaku	75,020	36,000	Obayashi	153,367
55,000	Mitsui Matsushima	69,712	5,200	Nippon Konpo	46,091	11,000	Obayashi Road	36,212
42,000	Mitsui Mining & Smelt	78,004	12,000	Nippon Meat Packers	126,221	320	Obic	48,587
61,000	Mitsui O.S.K. Lines	136,379	13,000	Nippon Paint	84,676	37,000	Odakyu Electric Railway	292,457
5,600	Mitsumi Electric	24,596	6,100	Nippon Paper	64,055	63,000	Oenon	109,797
10,000	Miyazaki Bank	18,484	6,000	Nippon Pillar Packing	30,261	25,000	Ogaki Kyoritsu Bank	64,695
1,624,160	Mizuho Financial Group	2,244,460	29,000	Nippon Road	102,614	11,000	Ohsho Food Service	198,002
5,000	Mochida Pharmaceutical	46,607	5,000	Nippon Seisen	13,863	7,000	Oita Bank	17,314
5,700	Mori Seiki	37,679	63,000	Nippon Sheet Glass	62,662	54,000	Oji	140,692
6,000	Morita	38,078	10,000	Nippon Shokubai	77,634	17,100	Okabe	84,589
43,237	MS&AD Insurance Group	648,878	484,135	Nippon Steel & Sumitomo Metal	894,889	3,300	Okinawa Electric Power	78,368
268	MTI	189,895	13,000	Nippon Steel Trading	26,318	8,000	Okuma	41,405
1,000	Murakami	9,990	8,000	Nippon Synthetic Chemical Industry	44,151	6,000	Okura Industrial	14,101
15,300	Murata Manufacturing	680,090	27,400	Nippon Tel & Tel	875,469	13,900	Olympus	203,710
1,900	Musashino Bank	46,994	3,300	Nippon Television	33,433	16,300	Omron	294,981
8,000	N.G.K. Spark Plug	80,275	85,000	Nippon Yusen	150,383	5,900	Ono Pharmaceutical	229,020
3,400	Nabtesco	57,160	5,800	Nipro	31,142	9,000	Onward	51,650
1,400	Nafco	15,884	371,000	Nishimatsu Construction	587,800	1,800	Oracle Japan	56,879
5,000	Nagase & Co	41,854	42,000	Nishi-Nippon City Bank	78,743	3,100	Oriental Land	285,688
1,600	Nagawa	21,125	22,000	Nishi-Nippon Railroad	66,227	7,560	Orix	644,806
46,000	Nagoya Railroad	93,126	3,400	Nishio Rent All	36,062	106,000	Osaka Gas	292,967
6,000	Naikai Zosen	8,344	11,900	Nissan Chemical Industries	106,420	1,100	Osaka Titanium Technologies	18,512
25,000	Nakayo Telecom	58,754	153,600	Nissan Motor	1,096,467	28,300	Otsuka	606,304
11,000	Namco Bandai	108,151	79,000	Nissei Build Kogyo	130,033	800	Otsuka Shokai	45,911
7,600	Namura Shipbuilding	18,865	4,900	Nissei Plastic Industries	17,942	4,000	Pacific Industrial	16,618
20,000	Nanto Bank	68,832	2,200	Nissha Printing	19,674	10,000	Pacific Metals	35,560
5,500	NEC Capital Solutions	62,935	2,700	Nisshin Fudosan	12,738	1,800	Paltac	15,527
180,000	NEC	286,771	13,000	Nisshin Seifun Group	123,352	4,000	Panahome	20,350
2,759	NEC Fielding	25,086	6,400	Nisshin Steel	44,503	157,570	Panasonic	723,982
1,900	NEC Mobiling	58,617	9,000	Nisshinbo	57,354	7,900	Park 24	94,917
1,500	NEC System Integration & Construction	20,227	6,000	Nissin Foods	172,960	1,000	Piolax	17,516
17,000	NGK Insulators	152,029	1,950	Nitori	108,648	23,800	Pocket Card	103,697
12,000	NHK Spring	74,571	13,000	Nittan Value	32,039	450	Point	12,497
10,000	Nice	19,541	8,800	Nitto Denko	326,873	1,400	Pressance	26,371
29,900	Nichiha	262,655	8,000	Nitto Seiko	17,886	50,000	Prima Meat Packers	64,255
15,000	Nichirei	59,414	28,600	NKSJ	461,940	141	Raysum	67,267
11,288	Nichireki	50,176	18,000	NOF	61,315	9,000	Regal	21,072
7,572	Nidec	334,578	3,413	Nojima	15,712	8,700	Relo	246,580
99	Nifty	117,726	8,800	NoKo	103,639	13,000	Rengo	49,661
2,800	Nihon Eslead	21,121	251,900	Nomura Holding	1,115,269	127,600	Resona	440,271
2,400	Nihon Plast	10,436	11,400	Nomura Research Institute	179,815	38,000	Ricoh	303,371
33,000	Nihon Unisys	166,728	5,600	Nomura Real Estate	80,739	24,900	Right-On	143,995
16,000	Nihon Yamamura Glass	25,913	9,900	Noritz	125,482	10,000	Riken	27,990
20,500	Nikon	455,796	19,200	North Pacific Bank	40,898	2,700	Rinnai	139,028
						5,100	Riso Kagaky	72,543
						7,600	Rohm	187,241
						6,000	Rohto Pharmaceutical	53,129

## Quoted Securities – Equities

Holding	Security Description	Market Value €	Holding	Security Description	Market Value €	Holding	Security Description	Market Value €
22,500	Round One	97,835	34,000	Shizuoka Bank	251,686	26,400	Tachi-S	341,822
2,000	Ryohin Keikaku	84,940	5,500	Shizuokagas	28,272	306	Tact Home	290,082
5,400	Ryoyo Electric	38,262	4,700	Shobunsha Publications	22,712	21,572	Taihei Dengyo Kaisha	100,635
1,400	Sakai Moving Services	22,884	13,000	Showa	97,263	14,000	Taihei Kogyo	43,746
10,000	Sakata Inx	39,169	75,000	Showa Denko	86,480	64,000	Taiheiyu Cement	132,946
31,884	San-Ai Oil	100,751	7,100	Showa Shell Sekiyu	30,497	3,100	Taiho Kogyo	25,322
8,000	San-In Godo Bank	42,672	282	Sky Perfect Jsat	89,234	58,000	Taisei	146,008
20,000	Sanki Engineering	74,113	3,600	SMC	493,055	4,599	Taisho Pharmaceutical	239,645
3,200	Sankyo	96,470	20,700	SNT	67,050	20,000	Taiyo Nippon Sanso	86,964
12,000	Sankyo Frontier	63,375	5,100	Sodick	18,001	8,000	Taiyu Yuden	53,094
12,400	Sanoh Industrial	62,213	59,900	Softbank	1,655,541	1,500	Takamatsu	17,719
73,200	Sanoyas	103,734	3,200	Sohgo Security Services	30,166	11,000	Takara	66,227
2,900	Sanrio	70,018	85,800	Sojitz	95,912	23,400	Takara Leben	192,168
3,100	Sanshin Electronics	15,853	1,800	Soken Chemical & Engineering	12,675	6,200	Takasago Thermal Engineering	37,000
4,400	Santen Pharmaceutical	128,387	68,000	Sony	573,400	17,000	Takashimaya	91,726
180	Sanyo Housing Nagoya	146,237	11,923	Sony Financial	161,618	2,700	Takata	41,661
19,000	Sapporo	46,660	24,000	Sotetsu	63,586	485	Take & Give Needs	36,329
74,000	Sasebo Heavy Industries	66,438	2,900	Square Enix	27,951	40,100	Takeda Pharmaceutical	1,360,668
800	Sawai Pharmaceutical	61,192	5,300	SRA	42,825	8,000	Takiron	21,125
9,000	Saxa	12,754	8,800	Stanley Electric	94,499	5,000	Takuma	21,433
15,400	SBI	103,290	10,500	Studio Alice	114,695	6,000	Tayca	12,728
7,800	Scroll	17,645	2,100	Sugi	56,192	11,000	TBK	44,538
11,800	Secom	450,251	6,600	Sumco	48,799	6,500	TDK	177,933
13,700	Sega Sammy	175,456	48,000	Sumikin Bussan	94,217	50,000	Teijin	93,742
14,000	Seika	29,328	13,000	Sumitomo Bakelite	41,079	4,000	Tenma	32,462
10,400	Seiko Epson	63,804	86,000	Sumitomo Chemical	203,626	4,400	Tera Probe	23,199
92,450	Seino	444,307	63,300	Sumitomo	612,886	9,800	Terumo	293,715
26,000	Sekisui Chemical	171,411	10,200	Sumitomo Densetsu	84,214	9,100	THK	123,031
34,000	Sekisui House	281,912	40,600	Sumitomo Electric Industries	353,075	8,000	Toa Doro Kogyo	21,195
2,000	Sekisui Jyshi	15,949	9,600	Sumitomo Forestry	68,867	72,000	Tobu Railway	289,622
1,900	Senshu Electric	16,239	33,000	Sumitomo Heavy Industries	118,220	16,000	Toda Construction	36,898
11,580	Senshu Ikeda	50,250	39,000	Sumitomo Metal Mining	414,682	4,000	Toell	15,632
45,100	Seven & I	967,421	96,000	Sumitomo Mitsui	2,632,163	9,700	Toho	129,692
59,000	Sharp	157,354	283,679	Sumitomo Mitsui Trust	751,583	403,000	Toho Gas	1,642,364
13,000	Shiga Bank	61,104	30,000	Sumitomo Osaka Cement	82,651	2,000	Toho	26,600
10,300	Shikoku Electric Power	124,659	50,000	Sumitomo Precision	183,082	2,400	Toho Titanium	17,956
1,800	Shima Seiki Manufacturing	22,292	550	Sumitomo Real Estate	19,679	25,000	Tohoku Electric Power	176,701
3,300	Shimachu	52,604	32,000	Sumitomo Realty & Development	801,901	11,000	Tokai Carbon	34,759
15,000	Shimadzu	77,502	8,600	Sumitomo Rubber Industries	78,347	3,500	Tokai/Gifu	66,728
1,200	Shimamura	88,513	3,500	Sun	20,394	2,400	Tokai Rika Denki	25,181
4,700	Shimano	228,360	1,300	Sundrug	33,744	2,000	Tokai Rubber Industries	15,228
41,000	Shimizu	116,565	13,000	Suruga Bank	121,178	3,430	Token	145,672
11,000	Shin Maywa Industries	56,351	3,000	Suzuken	64,140	39,200	Tokio Marine	822,230
9,000	Shinagawa Refractories	15,448	28,400	Suzuki Motor	560,451	17,000	Tokuyama	28,281
12,000	Shindengen Electric Manufacturing	25,350	2,200	Sysmex	76,780	2,300	Tokyo Broadcasting Systems	18,301
21,800	Shin-Etsu Chemicals	1,003,556	2,000	T & K Toka	21,829	84,000	Tokyo Electric Power	152,311
4,400	Shinko Electric Industries	26,413	23,000	T Rad	45,551	9,100	Tokyo Electron	315,188
141,119	Shinsei Bank	212,405	34,400	T&D	315,205	5,000	Tokyo Energy & Systems	21,785
16,000	Shinsho	23,801				1,884,000	Tokyo Gas	6,550,304
17,600	Shionogi & Co	222,614				32,000	Tokyo Nissan Auto	90,978
3,100	Ship Healthcare	62,622				8,500	Tokyo Sangyo	20,425
35,000	Shiroki	67,468				7,500	Tokyo Steel Manufacturing	27,528
20,500	Shiseido	219,598				21,000	Tokyo Tatemono	81,146
						41,000	Tokyo Tekko	116,205

## Quoted Securities – Equities

Holding	Security Description	Market Value €
18,700	Tokyu Construction	40,820
64,000	Tokyu	273,779
28,000	Tokyu Land	154,282
2,800	Tokyu Livable	34,455
12,000	Toli	19,435
5,000	Tomoku	10,342
19,000	Tonen Gen Sekiyu	124,760
4,800	Toppan Forms	32,659
35,000	Toppan Printing	163,894
4,600	Topre	31,825
83,000	Toray Industries	385,010
2,400	Torii Pharmaceutical	40,560
415	Tosei	185,199
218,000	Toshiba	646,651
86,000	Toshiba Tec	330,798
29,000	Tosoh	52,583
15,700	Totetsu Kogyo	163,205
20,000	Toto	113,722
27,500	Touei Housing	289,015
40,600	Towa	192,619
33,000	Toyo Kohan	88,883
11,200	Toyo Seikan Kaisha	113,567
6,000	Toyo Suisan Kaisha	121,363
57,000	Toyobo	61,711
3,300	Toyoda Gosei	50,512
4,800	Toyota Boshoku	41,912
8,700	Toyota Industries	209,134
160,675	Toyota Motor	5,664,144
9,700	Toyota Tsushu	180,493
13,100	Trans Cosmos	107,005
7,100	Trend Micro	162,048
7,100	TSI	31,122
3,700	Tsumura & Co	85,001
1,200	TV Asahi	12,664
51,000	UBE Industries	92,474
2,000	UCS	12,710
2,100	UKC	31,719
2,400	Ulvac	16,858
7,200	Unicharm	284,869
16,000	Uniden	27,462
13,000	UNY	73,119
32,230	Usen	34,610
7,500	Ushio Electric	62,186
1,610	USS	127,400
7,300	Utoc	16,128
2,600	Vital KSK	18,194
36,900	VT	267,307
7,000	Wacoal	55,206
14,000	Wakita	86,999
8,800	Warabeya Nichyo	123,933
1,203	Watabe Wedding	6,766
10,100	West Japan Railway	302,262
1,100	Yachiyo Bank	17,796
2,600	Yachiyo Industry	13,022
1,189	Yahoo Japan	291,572
11,900	Yakult Honsha	395,410
2,700	Yamabiko	31,893
6,490	Yamada Denki	189,941

Holding	Security Description	Market Value €
13,000	Yamaguchi Financial Group	86,964
10,500	Yamaha	83,919
17,400	Yamaha Motor	145,345
5,200	Yamaichi Electronics	7,140
23,900	Yamato	275,162
5,300	Yamato International	17,354
3,400	Yamato Kogyo	75,057
8,000	Yamazaki Baking	67,741
9,900	Yamazen	56,205
13,000	Yaskawa Electric Manufacturing	94,173
8,600	Yellow Hat	99,088
8,000	Yokogawa Bridge	55,840
13,700	Yokogawa Electric	113,473
17,000	Yokohama Rubber	92,774
12,548	Yonekyu	81,179
2,800	Yorozu	31,201
263,000	Yuasa Trading	356,500
5,000	Yurtec	13,335
12,000	Zeon	78,479
6,000	Zojirushi	14,471
6,000	Zuken	30,525
<b>Total Japanese Equities</b>		<b>143,772,479</b>
<b>% of Total Investments</b>		<b>0.98%</b>

## Asia Pacific

Holding	Security Description	Market Value €
<b>Australia</b>		
200,975	Aditya Birla Minerals	75,887
209,930	AGL Energy	2,539,902
593,778	Apa Group	2,583,065
270,352	Australia & New Zealand Bank	5,327,500
445,129	Australian Infrastructure Fund	1,089,011
181,476	Australian Pharmaceutical	67,097
525,748	Awe	502,505
647,419	Beach Energy	753,760
16,690	Bega Cheese	25,405
383,525	BHP Billiton	11,193,186
630,833	Brambles	3,726,838
107,096	Caltex Australia	1,618,403
80,418	Capral	13,601
494,210	Carnarvon Petrol	27,992
153,053	Coca-Cola Amatil	1,619,386
16,801	Codan	31,852
26,814	Collection House	20,883
19,812	Collins Foods Group	20,495
111,665	Commonwealth Bank of Australia	5,462,028
251,390	Computershare	1,777,845
81,546	Credit Group	521,530
104,115	CSL	4,414,568
98,960	Cue Energy	10,899
527	Dragon Mining	265
750,485	Duet Group	1,227,980
559,998	Duluxgroup	1,665,192
993,382	Emeco	476,686
180,275	Flexigroup	527,551
8,323	Forge Group	32,278
171,300	Grange Resources	47,164
116,098	Great Southern	0
483,881	Incitec Pivot	1,229,496
393,413	Insurance Australia Group	1,451,469
20,880	Integrated Research	22,503
29,632	Kingsrose Mining	19,814
198,716	Lend Lease Group	1,450,664
924,387	Macmahon	163,615
304,566	Macquarie Atlas Roads	398,916
12,120	McPhersons	18,973
40,245	Mincor Resources	31,184
9,898	Mystate	27,486
304,999	National Australia Bank	5,998,250
93,320	Newcrest Mining	1,628,255
120,370	Nexus Energy	14,677
498,915	Northern Star Resources	484,707
93,507	Nufarm	427,372
106,258	Orica	2,095,570
268,837	Prime Infrastructure Group	0

## Quoted Securities – Equities

Holding	Security Description	Market Value €	Holding	Security Description	Market Value €	Holding	Security Description	Market Value €
74,304	Programmed Maintenance	111,059	1,525,520	China Overseas Land & Investment	3,446,070.02	1,417,000	KWG Property	806,467.83
141,628	QBE Insurance Group	1,214,400	2,043,000	China Power	491,470.76	13,704,000	Lai Sun Development	408,734.60
94,698	RCR Tomlinson	139,306	514,000	China Res Logic	804,224.53	24,000	Lee & Man Chemical	10,091.92
382,854	Resolute Mining	493,927	129,800	China Resources Cement	64,481.13	24,000	Lee & Man Handbags	2,323.49
227,187	RHG	80,423	72,000	China Resources Enterprise	196,792.49	108,000	Lee & Man Paper	51,539.21
46,238	Rio Tinto	2,401,015	522,000	China Resources Land	1,077,078.04	12,942	Lerado Group	936.54
1,274,750	Roc Oil	441,229	118,000	China Resources Power	228,245.65	304,500	Link Real Estate Investment	1,152,371.41
716,229	Saracen Mineral	214,102	153,100	China State Construction	139,236.26	684,000	Lippo China Resources	13,310.78
66,285	Service Stream	18,772	1,221,800	China Taiping Insurance	1,875,832.19	15,000	Lippo	5,309.99
1,382,002	Sigma Pharmaceuticals	799,065	294,000	China Unicom (Hong Kong)	357,078.04	3,254,400	Loudong General Nice Resources	144,802.66
5,092	Silver Chef	23,073	232,000	Chuangs Consortium	22,460.40	168,000	Luen Thai	19,221.59
229,528	Skilled Group	465,845	96,000	Citic Pacific	108,523.37	180,000	Midland	65,128.10
1,175,767	SP Ausnet	1,026,669	101,843	Cosco Pacific	109,949.81	96,000	Minmetals Resources	30,134.95
856,485	Spark Infrastructure Group	1,125,181	5,200,000	CSI Properties	160,179.93	10,000	Moiselle	1,554.86
256,640	Suncorp Group	2,053,201	48,000	Dah Chong Hong	38,255.43	1,890,000	NewOcean Green Energy	840,944.65
536,334	Sydney Airport	1,426,061	84,000	Dicksons Concept	33,761.00	91,000	Nine Dragons Paper	62,292.20
114,509	Tap Oil	56,300	241,000	DMX Technologies	32,909.19	284,000	NWS	363,817.72
833,376	Telstra	2,864,894	588,000	Emperor Capital Group	19,550.17	246,000	Oriental Press Group	21,169.57
1,060,946	Transurban Group	5,082,726	246,000	Emperor International	51,480.54	738,000	Pacific Andes	28,506.75
126,556	Troy Resources	376,323	90,000	eSun	13,113.63	275,916	Pacific Century Premium	48,837.08
303,443	UXC	256,609	17,000	Fairwood	26,864.85	12,000	Pacific Textiles	8,167.42
3,390	Village Roadshow	10,720	148,000	Far East Horizon	90,310.97	1,204,000	Pico Far East	270,799.92
3,640	WDS	1,403	1,761,200	First Pacific	1,465,657.35	44,000	Playmates	25,343.24
66,642	Wesfarmers	1,931,842	1,384,000	Fountain Set	100,152.55	758,000	Poly Property Group	449,196.17
87,960	Westfield Group	730,694	1,372,000	Franshion Properties	374,328.18	500,000	Prosperity Real Estate	114,903.19
343,201	Westpac Banking	7,030,329	421,800	GCL-Poly Energy	64,346.57	570,000	Real Nutraceutical Group	157,187.56
51,621	Woodside Petroleum	1,375,802	2,640,000	Geely Automobile	947,467.24	285,400	Regal Hotels	99,077.84
163,528	Woolworths	3,773,030	136,000	Giordano	99,080.77	495,000	Road King Infrastructure	327,708.78
		<b>98,387,703</b>	3,880,000	Global Bio-Chem Technology	333,894.00	49,000	Shanghai Industrial	130,574.03
	<b>% of Total Investments</b>	<b>0.67%</b>	607,000	Gome Electrical Appliances	54,609.82	1,040,000	Shimao Property	1,486,876.59
			249,000	Great Eagle	625,787.21	166,000	Shougang Fushan Resources	46,264.42
			1,128,000	Guangdong Investment	671,770.00	226,000	Singamas Container	40,885.98
			650,000	Haier Electronics	720,809.70	1,742,000	Sinofert	320,258.17
			371,000	Hang Lung	1,598,137.10	1,804,042	Sinolink Worldwide	121,727.85
			1,978,000	Henderson Investment	116,057.11	451,000	Stelux	112,463.33
			64,000	HKR International	24,783.88	433,000	Sun Hung Kai Properties	4,920,262.08
			3,787,139	Hong Kong & China Gas	7,832,778.20	706,000	Sunevision	109,773.13
			529,000	Hongkong Land	2,802,569.35	104,000	Sunlight Real Estate Investment Trust	33,561.51
			26,000	Hopson Development	31,476.63	362,000	Swire Pacific	3,393,086.25
			89,000	Huabao International	33,420.69	675,400	Swire Properties	1,707,323.49
			392,000	Huafeng Group	9,966.75	169,000	Tai Cheung	104,943.28
			496,000	Hutchison Whampoa	3,923,958.54	49,000	Tao Heung	21,562.68
			405,000	IPE Group	24,555.06	251,000	Television Broadcast	1,421,171.52
			184,422	Jardine Matheson	8,666,184.63	666,000	Tianneng Power	324,337.96
			93,000	Jardine Strategic	2,503,683.49	1,934,000	TPV Technology	395,272.83
			594,000	Joyce Boutique	31,947.98	168,000	Tradelink Electronic Commerce	21,850.19
			1,398,000	Ju Teng International	500,359.87	900,000	Universal Technologies	43,565.42
			137,000	K Wah	49,971.64	161,000	Varitronix	48,649.52
			591,000	Kerry Properties	2,326,202.82	14,000	Victory City	1,054.18
			34,000	Kingboard Chemical	91,433.60	196,000	VST	32,008.61
			8,000	Kingmaker Footwear	876.20	328,000	Welling	37,848.62
			200,000	Kunlun Energy Company	316,448.27	24,000	Wheelock & Co	91,531.39
<b>Hong Kong</b>								
1,708,400	AIA Group	5,053,696.46						
13,672,000	Apollo Solar Energy Technology	467,944.46						
563,995	Asia Standard	75,559.67						
108,000	Avichina Industry	36,119.69						
373,500	Beijing Enterprise H	1,844,489.54						
1,400,000	Belle International	2,302,757.67						
579,500	BOC Hong Kong	1,365,729.51						
154,700	Bosideng International	34,794.64						
148,000	Brilliance China Automated	138,071.58						
262,000	C C Land	69,689.03						
684,000	Champion Technology	7,558.38						
172,000	Chaoda Modern Agriculture	18,501.86						
136,500	China Agri-Industries	57,931.74						
34,651	China Engine Group	59,261.75						
1,048,000	China Everbright	1,531,108.94						
102,779	China Great Star International	110,363.38						
867,000	China Green	131,415.02						
940,000	China Mengniu Dairy	2,022,296.11						
896,417	China Merchants	2,178,365.19						
869,000	China Mobile	7,669,396.64						

## Quoted Securities – Equities

Holding	Security Description	Market Value €
190,000	Wing Hang Bank	1,503,129.28
24,000	Wing On	49,872.87
53,000	Yingde Gases	40,840.99
278,000	Yuexiu Property	66,604.73
		<b>93,062,816</b>
	<b>% of Total Investments</b>	<b>0.63%</b>

## New Zealand

732,499	Auckland International Airport	1,218,929
11,044	Nuplex Industries	21,751
		<b>1,240,680</b>
	<b>% of Total Investments</b>	<b>0.01%</b>

## Singapore

78,000	2nd Chance Properties	19,366
15,570	Avago Technologies	373,614
29,000	Boustead Singapore	18,270
59,000	Breadtalk	24,902
654,745	Broadway Industrial	125,983
25,000	Bukit Sembawang Estates	104,277
949,000	Capitaland	2,179,443
69,000	Ch Offshore	20,772
1,664,000	China Gaoxian Fibre Fabric	196,239
279,000	China Sky Chemical Fibre	17,664
196,000	City Developments	1,565,713
96,000	CSE Systems & Engineering	46,478
26,000	CWT	19,769
132,000	DBS	1,215,865
6,672	Elec & Eltek	10,417
86,000	Far East Orchard	117,435
48,113	Flextronics International	226,453
95,000	Fortune Real Estate Investment	59,363
222,000	Frasers Commercial Trust	181,888
1,347,000	Genting Singapore	1,157,964
220,000	Ho Bee Investment	261,498
157,000	Hong Fok	56,520
70,000	Hong Leong Asia	72,994
3,649,800	Hutchison Port Trust	2,185,343
31,000	Innotek	6,638
53,000	Jardine Cycle & Carriage	1,583,980
235,600	Keppel	1,608,590
271,000	Kreuz	68,124
206,000	LC Development	19,307
1,646,000	Lian Beng	413,773
101,405	Metro	51,927
310,144	Miclyn Express	597,744
46,000	Pan-United	22,128
126,000	Popular Holdings	18,379
555,000	QAF	263,531
291,000	Saizen Real Estate Investment	32,693

Holding	Security Description	Market Value €
495,000	Sembcorp Industries	1,613,028
457,000	Sembcorp Marine	1,304,823
41,000	Sim Lian	19,341
81,000	SING	21,116
5,000	Singapore Land	23,090
1,148,129	Singapore Telecommunications	2,351,701
46,000	Stamford Land	16,417
15,000	Tech Group Asia	1,164
84,000	Transpac Industrial	85,767
103,996	UE E&C	40,989
1,046,000	UMS	269,437
240,000	United Overseas Bank	2,951,027
48,000	Uob-Kay Hian	48,414
215,000	UOL	796,692
45,000	Viz Branz	19,552
873,000	Wing Tai	1,010,580
4,638	Yed Hiap	8,176
		<b>25,526,357</b>
	<b>% of Total Investments</b>	<b>0.17%</b>

<b>Total Asia Pacific Equities</b>	<b>218,217,556</b>
<b>% of Total Investments</b>	<b>1.49%</b>

## Emerging Markets

Holding	Security Description	Market Value €
<b>Brazil</b>		
6,900	Aes Tiete (Preference)	60,205
27,100	All America Latina Logistica	83,297
6,000	Ambev Compania de Bebidas	185,752
7,218	Amil Participacoes	82,363
25,915	Anhanguera Educacional	331,366
103,900	Arteris	728,253
192,163	Banco Bradesco (Preference)	2,499,768
24,000	Banco Bradesco	301,287
34,700	Banco do Brasil	328,569
75,023	Banco do Estado do Rio Grande (Preference)	430,392
52,480	Banco Santander	290,585
68,400	Banco Santander	376,890
250,319	BM&F Bovespa	1,296,222
27,040	BR Malls Participacoes	270,240
11,600	BR Properties	109,410
13,800	Bradespar (Preference)	167,574
94,700	Braskem (Preference)	448,350
42,400	BRF-Brasil Foods	661,657
60,300	CCR	433,805
22,100	Centrais Eletricas Brasileiras- Eletrobras	51,743
13,200	Centrais Eletricas Brasileiras (Preference)	51,167
77,383	Cesp-Cia Energetica (Preference)	554,985
10,825	Cetip - Mercados	101,660
34,772	Cia Brasileira de Distribucao	1,169,872
6,132	Cia Brasileira de Distribucao (Preference)	205,262
48,922	Cia de Bebidas das Americas (Preference)	1,548,581
105,219	Cia de Bebidas das Americas	3,348,602
53,728	Cia de Saneamento Basico	3,403,099
32,305	Cia Energetica de Minas Gerais (Preference)	270,045
23,625	Cia Energetica de Minas Gerais	194,458
16,500	Cia Energetica de Minas Gerais	133,655
7,400	Cia Hering	114,930
8,700	Cia Paranaense de Energia (Preference)	102,008
22,691	Cia de Saneamento Basico	729,090
5,000	Cia de Saneamento Minas Gerais	80,911

## Quoted Securities – Equities

Holding	Security Description	Market Value €	Holding	Security Description	Market Value €	Holding	Security Description	Market Value €
84,700	Cia Vale do Rio Doce	1,324,573	50,800	QGEP Participacoes	246,522	<b>China</b>		
67,068	Cielo	1,413,747	10,714	Raia Drogasil	91,423	355,500	AAA Technologies	942,113
65,442	Cosan Industria e Comercio	1,010,580	44,900	Sider Nacional	196,965	74,000	Agile Property	78,877
11,600	CPFL Energia	91,818	28,700	SLC Agricola	210,717	1,347,000	Agricultural Bank of China	504,499
119,000	Cyrela Brazil Real	787,435	26,700	Souza Cruz	304,271	2,658,000	Air China	1,702,513
13,100	Diagnosticos da America	63,911	7,782	Sul America	50,947	228,000	Aluminum Corporation of China 'H'	79,151
90,500	Direcional Engenharia	473,656	20,144	Telefonica Brasil (Preference)	365,090	74,000	Angang Steel H	41,103
17,210	Duratex	94,529	49,695	Tim Participacoes	150,725	88,000	Anhui Conch Cement	242,676
11,147	Ecorodovias Infraestrutura e Logistica Eletropaulo	71,328	6,120	Totvs	91,429	59,700	Anta Sports Products	40,049
6,055	Metropolitana (Preference)	37,625	21,600	Ultrapar Participacoes	369,827	16,726,600	Bank of China	5,659,499
32,500	Embraer	173,704	46,900	Usinas Siderurgicas de Minas (Preference)	222,045	547,200	Bank of Communications	312,502
24,300	Energias do Brasil	112,260	311,460	Vale (Preference)	4,708,304	830,000	Baofeng Modern International H	91,717
410,100	Even Construtora	1,425,854	159,600	Vale	2,535,407	59,500	BBMG Corporation H	40,962
34,600	Ez Tec Empreendimentos	328,902	35,126	Valid Solucoes e Servicos	591,150	1,746,000	Beijing Capital International Airport	947,614
15,901	Fibria Celulose	132,744	8,506	Vigor Alimentos	18,248	28,500	BYD 'H'	64,798
166,700	Gerdau (Preference)	1,105,537	10,000	Weg	99,867	2,355,500	BYD Electronic International	462,992
50,800	Grupo BTG Pactual	582,483			<b>62,528,348</b>	73,320	Changsha Zoomlion Heavy Industries	81,881
17,507	Hypermarcas	107,622			<b>% of Total Investments 0.43%</b>	1,480	Chiho-Tiande Group	566
117	Hypermarcas	0				512,000	China Bluechemical	260,356
0	lochpe-Maxion	0				2,336,400	China Citic Bank Corporation H	1,050,992
301,000	Itau Unibanco (Preference)	3,717,410				1,766,000	China Coal Energy	1,454,109
168,400	Itau Unibanco	2,100,852				2,210,000	China Communications Construction H	1,616,546
627,106	Itausa - Investimentos (Preference)	2,247,617				328,400	China Communications Services	143,872
368,714	JBS	818,273				10,605,300	China Construction Bank	6,450,711
27,000	Klabin (Preference)	127,730				103,000	China First Chemical	17,123
42,265	Light	348,925				286,000	China Hongxing Sports	20,415
6,087	Localiza Rent A Car	84,429				211,755	China King-Highway	426,904
22,801	Lojas Americanas (Preference)	154,587				471,000	China Life Insurance	1,165,294
7,100	Lojas Renner	209,434				106,002	China Longyuan Power Group	55,561
24,100	MAHLE Metal	222,851				807,000	China Merchants	1,349,472
97,900	Marcopolo (Preference)	467,122				262,000	China Milk Products Group	0
99,900	Marfrig Frigorificos	313,342				1,991,000	China Minsheng Banking	1,744,510
135,000	Metalurgica Gerdau (Preference)	1,143,475				392,000	China Minzhong Food	194,650
77,325	Minerva	321,472				996,000	China National Building Materials	1,104,502
16,357	MRV Engenharia Multiplan	72,480				496,000	China Oilfield Services H	775,091
4,578	Empreendimentos Imobiliários	101,937				121,000	China Pacific Insurance	339,004
10,400	Natura Cosmeticos	225,572				3,540,000	China Petroleum and Chemical	3,039,429
17,667	Odontoprev	70,116				4,154,522	China Railway Construction	3,579,243
84,100	OGX Petroleo e Gas	136,247				226,000	China Railway Group	100,115
11,788	OI	39,939				111,700	China Shanshui Cement Group	61,934
51,918	OI (Preference)	159,771				695,000	China Shenhua Energy	2,307,378
75,968	PDG Realty Empreendimentos	93,007						
270,700	Petroleo Brasileiro (Preference)	1,954,455						
40,600	Petroleo Brasileiro (Preference)	593,891						
196,600	Petroleo Brasileiro	1,421,634						
260,683	Petroleo Brasileiro	3,846,823						
81,443	Porto Seguro	707,611						
					<b>4,534,002</b>			
					<b>% of Total Investments 0.03%</b>			

## Quoted Securities – Equities

Holding	Security Description	Market Value €	Holding	Security Description	Market Value €	Holding	Security Description	Market Value €
231,000	China Shipping Container Lines	50,375	50,000	Shenzhou International Group	85,566	<b>Cyprus</b>		
88,000	China Shipping	38,208	188,500	Shui On Land	69,125	26,799	Eurasia Drilling	725,121
290,000	China Southern Airlines	110,884	106,000	Sihuan Pharmaceutical	35,244	14,332	Eurasia Drilling	387,792
1,242,000	China Taisan Technology Group	37,774	431,000	Sino Grandness Food Industry	168,537	28,440	Global Ports Investment	303,929
4,324,000	China Telecom	1,822,456	274,000	Sino-Ocean Land	155,140	57,290	Globaltrans Investment	716,885
134,400	Chongqing Rural Commercial	55,726	160,000	Sinopec Shanghai Petrochemical	43,184	34,100	Globaltrans Investment	426,702
37,000	Citic Securities	70,917	56,800	Sinopharm Group	134,696	<b>2,560,429</b>		
2,670,000	Cnooc	4,381,244	116,000	Sinotel Technologies	7,488	<b>% of Total Investments 0.02%</b>		
147,000	Cosco Development H	54,625	114,500	Soho China	69,645	<b>Czech Republic</b>		
2,353,439	Country Garden	934,379	111,000	Sun Art Retail Group	129,171	40,987	CEZ	1,108,153
999,500	CSR	660,730	685,000	Sunvic Chemicals	184,951	896	Komerčni Banka	142,856
52,000	Daphne International	54,004	104,400	Tencent	2,542,108	7,710	Telefonica O2	99,199
178,000	Daqing Dairy	29,243	136,000	Tingyi Cayman	286,603	<b>1,350,208</b>		
1,278,000	Datang International Power	369,928	20,000	Tsingtao Brewery	89,478	<b>% of Total Investments 0.01%</b>		
24,000	Dongfang Electric	36,706	68,000	Uni-President China	54,594	<b>Egypt</b>		
164,000	Dongfeng Motor Group	191,809	410,900	Want Want China	429,143	32,406	Commercial International Bank (Egypt)	133,514
590,000	ENN Energy	1,947,242	31,200	Weichai Power	104,956	21,266	EFG Hermes	27,905
2,806,888	Evergrande Real Estate Group	1,166,563	35,000	Wumart Stores H	57,090	43,051	Egyptian Kuwaiti	41,765
109,800	Fosun International	53,150	118,000	Yanzhou Coal Mining	147,933	7,373	National Societe Generale	30,939
46,000	Golden Eagle Retail Group	85,828	58,000	Zhaojin Mining Industry	68,629	7,066	Orascom Constructions Industry	212,518
1,074,750	Great Wall Motor Company	2,569,689	1,162,000	Zhejiang Expressway H	693,155	186,804	Orascom Telecom	444,286
490,500	Greentown China	681,117	33,500	Zhongsheng Group	38,394	76,085	Orascom Telecom	180,957
126,000	Guangzhou Automobile Group	84,649	30,200	Zhuzhou CSR Times Electric	84,758	145,820	Orascom Telecom	68,994
1,633,600	Guangzhou R&F Properties	2,060,771	847,000	Zijin Mining Group	252,626	64,045	Talaat Mostafa Group	33,814
50,500	Hengan International Group	345,441	33,600	ZTE	42,912	23,350	Telecom Egypt	39,377
2,172,000	Huadin Power International	577,727	<b>85,241,740</b>		<b>1,214,069</b>			
2,206,000	Huaneng Power International H	1,546,746	<b>% of Total Investments 0.58%</b>		<b>% of Total Investments 0.01%</b>			
14,503,997	Industrial & Commercial Bank	7,800,898	<b>Colombia</b>			<b>Gabon</b>		
56,600	Intime Department Store Group	50,589	11,337	Almacenes Exito	172,761	67	Total Gabon	23,082
1,112,000	Jiangsu Expressway	868,852	5,516	Banco Davivienda (Preference)	55,596	<b>23,082</b>		
1,206,000	Jiangxi Copper H	2,405,867	13,447	Bancolombia	173,167	<b>% of Total Investments 0.00%</b>		
2,786,000	Lenovo Group	1,912,548	22,380	Bancolombia (Preference)	286,475	<b>Hungary</b>		
35,778	Li Heng Chemical Fibre	2,843	15,759	Cementos Argos	68,323	2,534	Magyar Olaj es Gazipare	153,921
402,900	Longfor Properties	598,085	4,739	Corporate Finance del Valle	74,210	32,092	Magyar Telekom	41,172
110,000	Parkson Retail Group	67,231	26,746	Ecopetrol	1,209,591	14,429	OTP Bank	204,859
3,498,000	Petrochina	3,755,920	312,380	Ecopetrol	732,141	<b>399,952</b>		
2,000,400	PiCC Property & Ca	2,124,422	4,885	Grupo Argos (Preference)	44,707	<b>% of Total Investments 0.00%</b>		
118,500	Ping An Insurance	752,068	17,614	Grupo Argos	158,780	<b>India</b>		
165,000	Powerlong Real Estate	26,623	96,454	Grupo Aval Acciones y Valores (Preference)	53,825	32,609	ACC	643,641
96,000	Shandong Weigao Group Medical	72,380	16,266	Grupo de Inversiones	265,328	13,850	Adani Exports	51,794
672,000	Shanghai Electric Group	217,516	4,002	Grupo de Inversiones Suramerica (Preference)	66,998	24,015	Adani Ports and Special Economic Zone	44,681
29,100	Shanghai Pharmaceuticals	42,116	22,059	Interconexion Electrica	90,903	2,449	Andita Birla Nuvo	36,981
			51,293	Isaen	55,155	1,725	Asian Paint	105,377
			20,385	Pacific Rubiales Energy	358,603	40,250	Axis Bank	752,496
			<b>3,866,562</b>			5,203	Baja Auto	152,817
			<b>% of Total Investments 0.03%</b>			7,515	Bank of Baroda	89,738
						35,210	Bharat Heavy Electricals	110,759
						10,402	Bharat Pete	51,085
						33,240	Bharti Airtel	145,265





## Quoted Securities – Equities

Holding	Security Description	Market Value €	Holding	Security Description	Market Value €	Holding	Security Description	Market Value €
<b>South Africa</b>			9,437	Tiger Brands	274,722	1,266	E-Mart	214,267
16,951	ABSA	248,818	42,369	Truworths	412,097	7,188	Fila Korea	327,139
42,175	African Bank Investments	121,549	114,703	Vodacom	1,273,029	3,227	Forhuman	25
6,203	African Rainbow Minerals	105,431	147,952	Woolworths	940,202	18,360	Global & Yuasa Battery	615,599
3,991	Anglo American Platinum	159,434			<b>33,448,123</b>	2,620	Green Cross	28,599
24,261	Anglogold Ashanti	569,659			<b>% of Total Investments</b>	2,110	GS Engineering & Construction	85,977
200	Anglogold Ashanti	4,755				3,000	GS	153,602
10,091	Arcelormittal South Africa	32,515				166	Gwangju Shinsegae	27,446
16,709	Aspen Pharmacare	252,743				25,112	Halim	30,804
11,917	Assore	434,540				44,050	Hana Financial	1,086,974
20,945	Aveng	57,477				4,899	Hankook Tire	163,738
27,800	AVI	149,168				3,263	Hankuk Paper Manufacturing	48,032
32,682	Barloworld	255,952				5,380	Hansol Paper Manufacturing	34,892
20,620	Bidvest	397,702				5,100	Hanwha Chemical	66,550
24,700	Clicks	143,500				11,880	Hanwha Life Insurance	65,557
90,800	Coronation Fund	322,315				1,350	Hanwha Timeworld	18,816
52,494	Discovery	292,195				26,600	Hite Jinro	575,041
36,698	Exxaro	555,100				850	Honam Petrochemical	148,393
893,588	Firststrand	2,479,367				12,240	Husteel	215,862
11,656	Foschini	146,838				13,370	Hwa Shin	95,552
154,577	Gold Fields	1,435,406				1,263	Hyosung T&C	66,104
95,290	Growthpoint Properties	208,956				822	Hyundai Department Store	92,942
23,434	Harmony Gold Mining	155,210				3,090	Hyundai Development	47,573
51,821	Impala Platinum	777,823				3,990	Hyundai Engineering & Construction	198,616
67,571	Imperial	1,202,195				30,130	Hyundai Fire & Marine	713,489
23,686	Investec	124,655				906	Hyundai Glovis	142,707
4,879	Kumba Iron	248,424				7,861	Hyundai Heavy Industries	1,352,810
6,847	Liberty	68,129				64,780	Hyundai Hy Communications & Network	196,704
262,768	Life Healthcare	799,638				15,160	Hyundai Hysco	489,978
7,789	Massmart	133,211				2,986	Hyundai Merchant Marine	50,112
114,800	Mediclinic International	563,586				611	Hyundai Mipo Dock	55,181
469,778	MMI	932,181				14,362	Hyundai Mobis	2,941,379
26,500	Mondi	218,590				15,184	Hyundai Motor (Preference)	764,742
68,500	Mr Price	858,342				34,250	Hyundai Motor	5,321,765
214,837	MTN	3,415,025				8,140	Hyundai Securities	52,155
60,961	Naspers	2,963,833				5,569	Hyundai Wia	685,121
87,401	Nedbank	1,470,673				3,360	Hyundai Steel	209,786
324,945	Netcare	571,497				533	Ilshin Spinning	29,223
86,388	Northam Platinum	293,818				9,920	Industrial Bank of Korea	83,594
12,300	Omnia	151,142				5,863	Intops	116,532
14,785	Pick'N Pay Stores	58,874				20,810	INZI	107,437
44,233	PPC	135,399				28,478	Jeon Buk Bank	84,853
154,998	Redefine Properties	130,405				5,410	Kangwon Land	112,530
29,543	Remgro	420,959				75,996	KB Financial Group	2,048,206
17,061	Reunert	115,061				2,320	KCC	489,991
46,827	RMB	170,582				8,500	Kepco Plant Service & Engineering	368,112
203,327	RMI	374,526				82,574	Kia Motors	3,317,687
405,893	Sanlam	1,626,810				8,400	Kisco	167,853
32,577	Sappi	90,097						
66,316	Sasol	2,153,414						
28,907	Shoprite	529,101						
36,099	SPAR	426,007						
75,911	Standard Bank	807,710						
76,468	Steinhoff	187,736						
			5,379	Able C&C	301,802			
			1,372	Amoreg	456,120			
			195	Amorepacific	168,344			
			2,680	Asia Cement	115,301			
			28,980	BS Financial	272,029			
			2,940	Busan City Gas	42,859			
			53,850	Capro	478,673			
			8,198	Celltrion	152,150			
			3,299	Cheil Industries	220,992			
			13,630	Chong Kun Dang	358,626			
			433	Chosun Refractorie	18,413			
			550	CJ Cheiljedang	139,042			
			2,791	CJ	235,192			
			9,122	Com2Us	314,612			
			4,200	Cosmax	129,325			
			2,750	Coway	85,166			
			78,770	Daeduck	988,665			
			10,000	Daegu City Gas	39,538			
			11,530	Daegu Department Store	125,448			
			842	Daehan Flour Mill	83,228			
			63,810	Daekyo	288,142			
			47,613	Daelim Industrial	2,945,700			
			7,110	Daesang	132,469			
			8,280	Daesang	37,684			
			3,030	Daesung	17,432			
			5,009	Daewoo Capital	14,284			
			9,390	Daewoo Engineering	66,440			
			2,140	Daewoo	60,339			
			10,993	Daewoo Securities	93,808			
			5,620	Daewoo Shipbuilding & Marine	108,505			
			1,308	Daewoong Pharmaceutical	44,371			
			8,030	Daishin Securities	56,932			
			80,861	Daou Data System	181,706			
			27,650	Daou Technology	309,684			
			29,610	DGB Financial	306,369			
			741	Dong Il	22,500			
			33,970	Dong Wha Pharmaceutical	145,907			
			60,160	Dongbli Securities	154,440			
			7,690	Dongbu Insurance	251,279			
			6,330	Dongil Industries	218,318			
			442	Dongwon Food & Beverages	23,259			
			5,972	Dongyang E&P	63,702			
			6,067	Doosan Heavy Industry	195,010			
			7,820	Doosan Infracore	94,536			
			1,059	Et	52,113			

## Quoted Securities – Equities

Holding	Security Description	Market Value €	Holding	Security Description	Market Value €	Holding	Security Description	Market Value €
5,306	Kiswire	116,215	209	Orion	163,338	<b>Taiwan</b>		
15,850	Kolon	198,938	40,472	Paradise	495,025	155,000	Acer	102,025
2,560	Korea Aerospace Industries	47,059	4,194	Posco	1,040,872	372,359	Advanced Semi Engineering	245,096
740	Korea Air Terminal Service	14,208	23,629	Posco	1,471,216	19,800	Advantech	63,354
508	Korea District Heating	26,732	2,110	S&T	14,600	372,000	Amtran Technology	219,596
15,550	Korea Electric Power	336,714	2,363	Sam Yang Genex	94,773	108,211	Asia Cement	105,569
1,510	Korea Electric Terminal	31,247	9,980	Sam Young Electronics	61,460	224,480	Asustek Computer	1,914,409
14,530	Korea Exchange Bank	78,734	4,945	Samchully	437,804	455,000	Au Optronics	154,500
9,390	Korea Flange Industries	81,799	7,572	Samsung C&T	337,077	81,200	Capital Securities	23,649
13,078	Korea Gas	698,433	2,416	Samsung Card	62,710	39,000	Catcher Technology	146,690
2,120	Korea Investment	64,147	6,660	Samsung Electro Mechanics	469,818	428,400	Cathay Financial	352,480
110	Korea Iron & Steel	2,957	1,301	Samsung Electronics (Preference)	788,244	263,583	Chang Hwa Commercial Bank	109,813
5,337	Korea Storage Battery	125,623	22,100	Samsung Electronics	23,919,416	120,384	Cheng Shin Rubber Industry	237,090
1,320	Korea United Pharmacies	8,298	1,818	Samsung Engineering	213,961	24,480	Cheng Uei Precisio	39,964
6,164	Korea Zinc	1,775,257	2,153	Samsung Fire & Marine Insurance	333,768	29,994	Chicony Electronics	52,569
2,017	Korean Air Lines	64,975	100,680	Samsung Heavy Industries	2,760,014	2,124,903	Chimei Innolux	865,840
4,040	KP Chemical	34,762	3,767	Samsung Life Insurance	252,610	154,842	China Air Lines	48,534
104,139	Korea Real Estate Investment	97,753	6,080	Samsung SDI	652,866	717,507	China Development Financial	142,434
42,930	KT	1,083,759	3,872	Samsung Securities	147,035	104,662	China Life Insurance	71,625
7,665	KT	97,250	2,160	Samsung Techwin	91,701	37,000	China Motor	26,336
12,402	KT&G	712,602	1,754	Samyang	88,559	116,325	China Petrochemical	54,691
22,230	KTCS	36,201	9,310	Savezone I&C	17,875	737,651	China Steel	526,966
868	Kumho Petro Chemical	80,552	224	SeAH	13,173	666,167	Chinatrust Financial	298,415
1,440	Kunsul Chemical Industrial	20,122	2,670	Sebang	33,417	307,000	Chin-Poon Industrial	250,990
17,430	Kwang Dong Pharmaceutical	74,865	32,190	Sejong Industrial	271,258	1,201,000	Chipbond Technology	1,791,237
1,001	Kyung Dong City Gas	53,886	38,080	Shinhan Financial	1,052,038	100,000	Chong Hong Construction	221,237
291	Kyungbang	18,541	447	Shinsegae	69,455	246,200	Chunghwa Telecom	607,706
19,490	Kyungnam Energy	55,993	980	Shinyoung Securities	22,858	25,933	Clevo	24,250
5,750	LG	266,599	1,170	SI	58,158	258,000	Compal Electronic	131,747
9,870	LG Chemical	2,316,193	6,752	Sindo	302,494	59,000	CTCI	88,458
510	LG Chemical (Preference)	36,993	1,425	SK C&C	104,375	109,000	Delta Electronic	303,215
64,930	LG Display	1,433,675	26,711	SK	3,400,062	51,000	E Ink	29,507
6,736	LG Electronics	352,552	32,580	SK Hynix	596,584	219,637	E Sun Financial	93,225
639	LG Household & Healthcare	298,545	3,985	SK Innovation	493,084	280,000	Elan Microelectronics	341,911
1,030	LG Industrial Systems	49,148	5,940	SK Networks	35,693	59,000	Epistar	81,215
7,680	LG Innotek	449,474	13,752	SK Telecom	164,995	44,100	Eternal Chemical	28,970
15,850	LG Uplus	87,916	10	SK Telecom	1,084	830,100	Eva Airways	368,598
14,030	LIG Non-Life Insurance	257,906	2,660	S-Oil	196,725	92,399	Evergreen Marine	41,874
49	Lotte Confectionery	56,797	12,990	TK	198,603	51,812	Far East Department	40,803
4,089	Lotte Shopping Center	1,096,231	13,720	Tae Kyung Industrial	32,587	177,170	Far Eastern New Century	153,176
976	LS	65,449	240	Taekwang Industrial	161,282	840,000	Far Eastone Telecom	1,625,816
4,734	Mando	432,589	38,730	Taeyoung Engineering & Construction	143,217	17,000	Farglory Land Development	23,135
1,934	Media Solution	19,804	20,797	Ubiquoss	74,390	30,000	Feng Hsin Iron & Steel	40,512
28,660	Meritz Finance	80,402	61,930	Woori Finance	519,669	351,877	First Holding	162,681
1,580	Mirae Asset Securities	39,999	6,384	Woori Investment & Securities	53,797	191,000	Formosa Chemicals & Fibre	374,170
9,820	National Plastic	17,074	2,410	Yesco	49,100	2,420	Formosa International Hotels	24,620
1,064	NCSOFT	113,873	2,170	Youngone	92,125	67,000	Formosa Petrochemical	150,504
23,992	Neowiz	248,241	568	Yuhan	69,878	256,000	Formosa Plastic	525,577
429	Nexen	23,765			<b>91,351,660</b>	52,000	Formosa Tafeeta	38,031
2,591	NHN	418,251			<b>% of Total Investments</b>	44,100	Foxconn Technology	104,707
911	Oci	107,216			<b>0.62%</b>			



## Quoted Securities – Equities

## Global Equity Funds

Holding	Security Description	Market Value €
673,123	Generation IM Global Equity	96,705,550
<b>Total Global Equity Funds</b>		<b>96,705,550</b>
<b>% of Total Investments</b>		<b>0.66%</b>
<b>Total Equities</b>		<b>2,826,139,287</b>
<b>% of Total Investments</b>		<b>19.28%</b>

## Quoted Securities – Corporate Bonds

Holding	Security Description	Market Value €
<b>Australia</b>		
800,000	Ancor 4.625% 4/16/2019	930,674
730,000	BHP Billiton Finance 2.125% 11/29/2018 Commonwealth	760,161
1,700,000	Bank Australia 4.25% 11/10/2016	1,911,619
1,850,000	National Australia Bank 4.75% 7/15/2016	2,096,646
800,000	National Australia Bank 4.625% 2/10/2020	900,061
1,520,000	Origin Energy Finance 2.875% 10/11/2019	1,571,923
1,400,000	Telstra Corporation 4.25% 3/23/2020	1,639,442
780,000	Wesfarmers 2.75% 8/2/2022	799,721
		<b>10,610,246</b>
<b>% of Total Investments</b>		<b>0.07%</b>

<b>Austria</b>		
800,000	Erste Group Bank 3.375% 3/28/2017	864,820
740,000	Erste Group Bank 7.125% 10/10/2022	836,762
870,000	OMV 6.75% 4/29/2049	963,400
		<b>2,664,982</b>
<b>% of Total Investments</b>		<b>0.02%</b>

<b>Belgium</b>		
1,730,000	Anheuser-Busch InBev 2% 12/16/2019	1,767,195
800,000	Delhaize Group 3.125% 2/27/2020	814,592
800,000	Eandis 4.5% 11/8/2021	942,398
400,000	Eandis 2.75% 11/30/2022	412,152
		<b>3,936,336</b>
<b>% of Total Investments</b>		<b>0.03%</b>

<b>Brazil</b>		
117	Hypermarcas Variable 10/15/2015	0
117	Hypermarcas 11.30% 10/15/2018	0
500,000	Vale Sa 4.375% 03/24/2018	553,542
		<b>553,542</b>
<b>% of Total Investments</b>		<b>0.00%</b>

<b>Czech Republic</b>		
1,340,000	CEZ 3.625% 5/27/2016	1,460,560
		<b>1,460,560</b>
<b>% of Total Investments</b>		<b>0.01%</b>

<b>Denmark</b>		
870,000	Dansk Olie & Naturgas Dong 6.5% 5/7/2019	1,104,047

Holding	Security Description	Market Value €
700,000	Tele Danmark 3.5% 2/23/2015	737,682
		<b>1,841,730</b>
<b>% of Total Investments</b>		<b>0.01%</b>

<b>Finland</b>		
870,000	Fortum 4% 5/24/2021	991,426
950,000	Fortum 2.25% 9/6/2022	935,425
		<b>1,926,851</b>
<b>% of Total Investments</b>		<b>0.01%</b>

<b>France</b>		
800,000	Alstom 2.875% 10/5/2015	834,304
1,100,000	Autoroutes du Sud de La France 4.125% 4/13/2020	1,239,423
1,050,000	Axa 5.25% 4/16/2040	1,096,361
1,050,000	Banque Federale de Credit Mutuel 4% 10/22/2020	1,093,607
2,220,000	BNP Paribas 3% 2/24/2017	2,374,037
930,000	BNP Paribas 2.5% 8/23/2019	967,061
1,150,000	BNP Paribas 4.73% 4/29/2049	1,086,384
700,000	Bouygues 3.641% 10/29/2019	762,666
1,600,000	BPCE 2% 4/24/2018	1,629,488
1,200,000	BPCE 1.75% 3/14/2016	1,222,452
650,000	Carrefour 1.875% 12/19/2017	650,792
1,400,000	Carrefour 5.125% 10/10/2014	1,501,864
1,700,000	Casino Guichard Per- rach 5.5% 1/30/2015	1,848,866
700,000	Casino Guichard Perrachon 4.726% 5/26/2021	798,511
1,000,000	Casino Guichard Perrachon 3.157% 8/6/2019	1,044,870
700,000	Compagnie de St- Gobain 4.75% 4/11/2017	787,413
960,000	Compagnie de St- Gobain 3.5% 9/30/2015	1,016,861
2,000,000	Credit Agricole 3.875% 2/13/2019	2,225,780
1,100,000	Credit Agricole London 1.875% 10/18/2017	1,114,879
1,700,000	EDF 3.875% 1/18/2022	1,908,520
1,100,000	Electricite de France 2.75% 3/10/2023	1,114,961
800,000	Electricite de France 5.375% 5/29/2020	982,845
750,000	Electricite de France 4.625% 4/26/2030	869,175
1,000,000	France Telecom 4.75% 2/21/2017	1,139,210



## Quoted Securities – Corporate Bonds

Holding	Security Description	Market Value €	Holding	Security Description	Market Value €	Holding	Security Description	Market Value €
820,000	Enel Finance 3.625% 4/17/2018	849,030	900,000	Santander International Debt 4.625% 3/21/2016	939,420	1,300,000	B.A.T. International Finance 5.875% 3/12/2015	1,441,924
560,000	Enexis 1.875% 11/13/2020	560,501	1,300,000	Telefonica Emisiones 4.967% 2/3/2016	1,402,466	1,100,000	Barclays Bank 6% 1/23/2018	1,247,124
620,000	Heineken 2.5% 3/19/2019	652,345	800,000	Telefonica Emisiones 4.797% 2/21/2018	873,199	1,300,000	Barclays Bank 6% 1/14/2021	1,469,471
1,000,000	Hit Finance 5.75% 3/9/2018	1,110,054	600,000	Telefonica Emisiones 4.71% 1/20/2020	651,077	1,130,000	BG Energy Capital 6.5% 11/30/2072	1,268,425
1,600,000	Iberdrola 4.5% 9/21/2017	1,743,648	700,000	Telefonica Emisiones 5.811% 9/5/2017	793,562	900,000	BP Capital Markets 3.83% 10/6/2017	1,014,685
400,000	Iberdrola 4.25% 10/11/2018	432,376			<b>10,567,276</b>	1,100,000	Brambles Finance 4.625% 4/20/2018	1,267,640
1,355,000	ING Bank 4.25% 1/13/2017	1,517,771		<b>% of Total Investments</b>	<b>0.07%</b>	670,000	Compass Group 3.125% 2/13/2019	725,639
1,900,000	ING Bank 3.25% 4/3/2019	2,055,701	<b>Sweden</b>			410,000	G4S 2.625% 12/6/2018	409,392
750,000	Koninklijke 7.5% 2/4/2019	953,034	380,000	Akzo Nobel Sweden Finance 2.625% 7/27/2022	381,072	1,050,000	HSBC Bank 3.125% 11/15/2017	1,144,603
600,000	Lanxess Finance 2.625% 11/21/2022	608,340	950,000	Investor 4.5% 5/12/2023	1,127,830	1,510,000	HSBC 4.5% 4/30/2014	1,587,862
540,000	Metro Finance 2.25% 5/11/2018	551,734	800,000	Nordea Bank 4% 3/29/2021	859,338	1,250,000	Imperial Tobacco Finance 7.25% 9/15/2014	1,380,963
690,000	Paccar Financial Europe 1.375% 6/8/2015	699,761	1,890,000	Nordea Bank 4% 7/11/2019	2,155,243	760,000	Imperial Tobacco Finance 5% 12/2/2019	903,619
1,230,000	Petrobras Global Finance 3.25% 4/1/2019	1,273,050	550,000	Skandinaviska Enskilda Banken 4% 9/12/2022	582,247	550,000	Imperial Tobacco Finance 4.5% 7/5/2018	628,330
2,350,000	Rabobank 4% 1/11/2022	2,687,566	600,000	SKF 3.875% 5/25/2018	675,400	600,000	LloydsTSB Bank 4.5% 9/15/2014	637,505
760,000	Tennet 3.875% 2/21/2018	851,808	760,000	Svenska Cellulosa 3.625% 8/26/2016	831,509	1,260,000	LloydsTSB Bank 6.375% 6/17/2016	1,476,723
		<b>37,175,934</b>	1,140,000	Svenska Handelsbanken 4.375% 10/20/2021	1,345,540	870,000	LloydsTSB Bank 4.625% 2/2/2017	980,253
	<b>% of Total Investments</b>	<b>0.25%</b>	960,000	Swedbank 3.375% 2/9/2017	1,043,010	1,450,000	LloydsTSB Bank 5.625% 3/5/2018	1,398,525
			730,000	Swedbank 3% 12/5/2022	738,176	600,000	Rio Tinto Finance 2.875% 12/11/2024	612,278
			660,000	Teliasonera 3.625% 2/14/2024	731,148	995,000	Rio Tinto Finance 2% 5/11/2020	1,010,847
					<b>10,470,512</b>	1,650,000	Royal Bank of Scotland Group 4.375% 2/10/2015	1,758,582
				<b>% of Total Investments</b>	<b>0.07%</b>	1,400,000	Royal Bank of Scotland 4.875% 1/20/2017	1,582,977
			<b>Switzerland</b>			750,000	Royal Bank of Scotland 4.75% 5/18/2016	833,757
			1,500,000	Credit Suisse London 3.875% 1/25/2017	1,663,860	780,000	SSE 5.625% 9/29/2049	826,355
			1,950,000	UBS London 6% 4/18/2018	2,406,284	1,530,000	Standard Chartered 1.75% 10/29/2017	1,558,244
					<b>4,070,144</b>	1,280,000	Standard Chartered 3.625% 11/23/2022	1,308,902
				<b>% of Total Investments</b>	<b>0.03%</b>	1,100,000	WPP Group 6.625% 5/12/2016	1,285,900
			<b>United Arab Emirates</b>					<b>32,772,038</b>
			2,340,000	Xstrata Finance Dubai 1.5% 5/19/2016	2,334,290			<b>% of Total Investments</b>
					<b>2,334,290</b>			<b>0.22%</b>
				<b>% of Total Investments</b>	<b>0.02%</b>	<b>United States</b>		
			850,000	Abbey National 4.125% 3/3/2014	880,418	850,000	Amgen 4.375% 12/5/2018	987,792
			700,000	Anglo American Capital 5.875% 4/17/2015	774,796	1,300,000	AT&T 3.555% 12/17/2032	1,357,918
			1,320,000	Anglo American Capital 2.5% 9/18/2018	1,356,300	790,000	Bacardi 7.75% 4/9/2014	857,592

## Quoted Securities – Corporate Bonds

Holding	Security Description	Market Value €
1,400,000	Bank of America 4.625% 8/7/2017	1,577,384
2,000,000	Bank of America 7% 6/15/2016	2,365,420
500,000	Cargill 1.875% 9/4/2019	504,611
1,520,000	Citigroup 4% 11/26/2015	1,643,056
700,000	GE Capital Trust 5.5% 9/15/2067	697,942
950,000	Global Switch 5.5% 4/18/2018	1,082,535
1,200,000	Goldman Sachs 6.375% 5/2/2018	1,445,108
1,660,000	Hutchinson Whampoa 2.5% 6/6/2017	1,746,370
1,950,000	Hutchison Whampoa 4.75% 11/14/2016	2,211,495
730,000	IPIC GMTN 2.375% 5/30/2018	748,250
1,280,000	IPIC GMTN 4.875% 5/14/2016	1,420,641
800,000	JPMorgan Chase 5.25% 1/14/2015	871,299
1,830,000	JPMorgan Chase 3.75% 6/15/2016	2,001,729
1,400,000	JPMorgan Chase 2.75% 8/24/2022	1,446,283
1,000,000	JPMorgan Chase 1.875% 11/21/2019	1,002,893
1,600,000	Lehman Brothers 4.25% 9/26/2016	0
1,200,000	Lehman Brothers 4.63% 3/14/2019	0
950,000	Metropolitan Life Global Funding 4.625% 5/16/2017	1,091,650
1,400,000	Mondelez 6.25% 3/20/2015	1,559,284
700,000	Morgan Stanley 6.5% 12/28/2018	839,059
840,000	Morgan Stanley 4.5% 2/23/2016	902,632
1,680,000	Petrobras 4.875% 3/7/2018	1,873,452
880,000	Philip Morris 2.125% 5/30/2019	910,193
800,000	SES Global Americas 4.875% 7/9/2014	847,520
1,400,000	Swiss Re Treasury 7% 5/19/2014	1,518,854
1,690,000	Wells Fargo 2.625% 8/16/2022	1,746,556
2,000,000	Zurich Finance USA 4.5% 9/17/2014	2,128,126
	<b>37,385,644</b>	
	<b>% of Total Investments</b>	<b>0.26%</b>

**Total Quoted Corporate Bonds** 263,111,130  
**% of Total Investments** 1.80%

## Unquoted Securities – Corporate Bonds

Holding	Security Description	Market Value €
<b>Ireland</b>		
100,000,000	Bank of Ireland Governor & Co 1.7% 12/06/2027	90,611,009
100,000,000	DAA Finance 6.5872% 09/07/2018	107,992,000
19,450,000	European Investment Bank 01/08/2027	20,185,210
12,500,000	European Investment Bank 01/08/2027	12,083,750
13,650,000	European Investment Bank 01/08/2037	12,556,635
<b>Total Unquoted Corporate Bonds</b>		<b>243,428,604</b>
<b>% of Total Investments</b>		<b>1.66%</b>

## Unquoted Securities – Property

Commitment €m	Security Description	Market Value €
38	Apollo Domestic Emerging Markets Fund	34,097,533
0	Ardawn II Loan Notes	3,540
13	Asian Retail Mall II	560,662
202	Bank of Ireland Exempt Property Unit Trust	12,979,647
30	Berkshire Multifamily Value Fund	32,932,611
58	Broadway Partners Value Added Fund	14,544,203
37	CB Richard Ellis Strategic Partners UK Fund III	9,031,953
36	CB Richard Ellis Strategic Partners UK Fund II	0
44	CB Richard Ellis Strategic Partners US IV	9,221,614
18	Composition Capital Asia Fund	11,586,329
0	Crystal UK Development Fund	1,760
29	CT Large Loan 2006	1,853,803
15	French Development Venture II	37,521
1	FF F&C Property Fund	648,066
36	Forum Asian Realty Income II	30,549,093
50	Forum European Realty Income	21,798,860
32	Grosvenor French Retail Investment	27,036,000
23	Irish Property Unit Trust	11,364,335
16	Irish Life Irish Property Fund	7,140,396
55	Madison Marquette Retail Enhancement Fund	39,119,384
44	Mall Unit Trust	5,843,025
35	MGP Japan Core Plus Fund	12,228,452
50	Morgan Stanley Eurozone Office Fund	16,714,564
44	Morgan Stanley Real Estate Fund V International	11,383,171
82	Morgan Stanley Real Estate Fund V U.S.	6,142,281
80	Morgan Stanley Real Estate Fund VI International	20,426,968
37	Pramerica Real Estate Companies Account III	18,524,063
35	Rockspring German Retail Box Fund	24,645,000
8	Rockspring PanEuropean Fund	4,839,030
40	Silverpeak Offshore Real Estate Partners II	17,504,584
75	Tishman Speyer European Real Estate Venture VI	27,000,734
47	Tishman Speyer Real Estate Fund	24,666,807
<b>1,130.00</b>	<b>Total Unquoted Property Investments</b>	<b>454,425,989</b>
	<b>% of Total Investments</b>	<b>3.10%</b>

## Unquoted Securities – Private Equity

Commitment €m	Security Description	Market Value €
0	Act 1994 Development Capital	886
0	Act 2001 - BIAM Venture	237,818
0	Act Venture Capital 94 Fund	4,700
0	Allianz Irish Life	360,091
0	Allied Irish Pension Unit	460,136
10	Atlantic Bridge II	3,665,861
0	Bank of Ireland Unlisted Fund	17,229
0	Canford Healthcare	34,521
0	Canford Healthcare Loan Notes	90,001
25	Charterhouse Capital Partners VIII	16,876,416
25	Charterhouse Capital Partners IX	12,513,159
67	Clayton Dubilier & Rice Fund VII	60,659,932
22	Clayton Dubilier & Rice Fund VII Co-Investment	21,692,900
74	Clayton Dubilier & Rice VIII	32,253,233
35	CVC European Equity Partners IV	16,347,949
25	CVC European Equity Partners V	16,587,960
125	Carlyle Cardinal Ireland Fund	0
1	Delta Equity Fund II	626,106
23	Delta Equity Fund III	8,117,255
0	Delta Equity Fund No.2	176,454
0	Delta I 9900777	112,947
20	DFJ Espirit Capital III	12,300,726
9	Draper Fisher Jurvetson	5,666,770
15	Fortress Investment Fund IV	15,489,483
15	Fortress Investment Fund IV	12,344,422
45	Fortress Investment Fund V	45,395,441
24	Fortress Co-Investment Fund V	16,738,214
30	Fortress IV Coinvestment Fund	0
15	Fountain Healthcare Partners	6,255,317
22	Greenspring Global Partners III	23,810,039
30	Greenspring Global Partners IV	27,751,338
36	H.I.G Bayside Loan Opportunity	13,801,362
10	Highland Europe Technology	1,701,607
0	ICC Private Equity Fund	57,466
1	KBC Venture Capital Fund	1,101,074
37	Madison Dearborn Capital Partners	33,716,655
37	New Mountain Partners III	33,103,029
75	Nordic Captial VII Beta	69,940,871
37	OCM Opportunities Fund VIIb	15,040,941
24	Palamon European Equity II	17,568,091
38	Polaris Venture Partners VI	10,166,496
74	Providence Equity Partners VI	69,924,291
15	Seroba Kernel Life Sciences	6,303,454
10	Sofinnova Venture Partners	1,151,331
19	Strategic Investors Fund V	3,083,359
30	Summit Partners Europe	15,700,893
15	Summit Subdebt IV B	10,160,687
58	TPG Partners V	37,260,311
18	Ulster Bank Diageo Venture Fund	6,590,381
26	Vestar Capital Partners V	17,926,045
22	Weathergage Venture Capital	18,342,339
	Provision	(3,278,668)
<b>1,240.34</b>	<b>Total Private Equity Investments</b>	<b>735,949,316</b>
	<b>% of Total Investments</b>	<b>5.02%</b>

## Unquoted Securities – Infrastructure

Holding	Security Description	Market Value €
250	Irish Infrastructure Trust	31,109,296
0	Loan to Irish Infrastructure Trust	14,936,192
<b>250.00</b>	<b>Total Infrastructure Fund Investments</b>	<b>46,045,488</b>
	<b>% of Total Investments</b>	<b>0.31%</b>

## Commodity Investments

Holding	Security Description	Market Value €
2,843,474	Fundlogic Global Solutions	235,318,246
		<b>235,318,246</b>
	<b>% of Total Investments</b>	<b>1.61%</b>

## Currency & Other Funds

Holding	Security Description	Market Value €
54,088	Bridgewater Pure Alpha Euro	91,703,796
12,600	Bridgewater Pure Alpha Euro 'A'	12,766,471
66,441	Bridgewater Pure Alpha Major Markets II	63,045,128
800,000	JP Morgan Currency Plus Fund	75,968,000
		<b>243,483,395</b>
	<b>% of Total Investments</b>	<b>1.66%</b>

## Equity Derivative Options

Holding	Security Description	Market Value €
7,230	S&P 500 Index P1350 Jun 14	66,442,133
18,868	Euro Stoxx 50 C2650 Jun 13	18,396,300
32,258	Euro Stoxx 50 P1550 Jun 13	1,967,738
		<b>86,806,171</b>
	<b>% of Total Investments</b>	<b>0.59%</b>

## Forestry Funds

Holding	Security Description	Market Value €
20,000,000	AIBIM 1st Forestry Fund	23,438,600
3,357,543	ILIM- Irish Forestry Unit Trust	110,578
24,315	Irish Forestry Unit Trust	11,140,230
		<b>34,689,408</b>
	<b>% of Total Investments</b>	<b>0.24%</b>

## Cash, Deposits and Unrealised Gains / Losses

Security Description	Market Value €
<b>Cash and Deposits</b>	
Euro	789,157,265
US Dollar	81,449,241
Other Currencies	2,677,587
Sterling	(453,443)
Japanese Yen	(2,481,187)
	<b>870,349,463</b>

Unrealised Gains/(Losses)	
Unrealised Gain/(Loss) on Foreign Exchange Contracts	19,696,888
Unrealised Gain/(Loss) on Futures Contracts (Note 1)	(3,639,129)
	<b>16,057,759</b>

<b>Total Cash Deposits and Other Investments</b>	<b>886,407,222</b>
<b>% of Total Investments</b>	<b>6.05%</b>

## Directed Investments

Holding	Security Description	Market Value €
	<b>Direct Investments</b>	
516,234,340,793	Allied Irish Banks	4,078,251,292
3,500,000,000	Allied Irish Banks Preference Shares	2,323,300,000
4,512,323,039	Bank of Ireland	514,404,826
1,837,041,304	Bank of Ireland Preference Shares	1,684,015,763

<b>Total Directed Investments</b>	<b>8,599,971,882</b>
<b>% of Total Investments</b>	<b>58.68%</b>

<b>Total Investments</b>	<b>14,655,776,139</b>
<b>% of Total Investments</b>	<b>100.00%</b>

**Note 1: Open Futures 31 December 2012**

Contracts	Security Description	Commitment €	Unrealised Gain / (Loss) €
(5,282)	DJ Euro Stoxx 50 Contracts (Expiring March 2013)	(140,119,453.57)	1,995,153.57
(65)	Euro-Bobl Contracts (Expiring March 2013)	(8,247,200.00)	(61,100.00)
(105)	Euro-Bund Contracts (Expiring March 2013)	(15,128,400.00)	(163,800.00)
(1,433)	FTSE 100 Contracts (Expiring March 2013)	(103,831,715.87)	1,145,943.62
(68)	Hang Seng Contracts (Expiring January 2013)	(7,576,354.06)	37,570.90
(62)	MSCI Singapore Contracts (Expiring January 2013)	(2,778,475.11)	6,926.95
16	MSCI Taiwan Contracts (Expiring January 2013)	328,513.68	4,971.22
(1,407)	Nikkei 225 Contracts (Expiring March 2013)	(58,979,041.35)	(5,265,412.29)
(291)	OMX 30 Contracts (Expiring January 2013)	(3,722,341.96)	(33,836.48)
(182)	Russell 2000 Mini Industries Contracts (Expiring March 2013)	(11,346,377.14)	(331,749.28)
(2,396)	S&P 500 Mini Contracts (Expiring March 2013)	(127,899,837.09)	(1,043,606.94)
(122)	S&P/TSE 60 Contracts (Expiring March 2013)	(13,025,589.91)	(187,592.27)
16	SGX S&P CNX Nifty Contracts (Expiring January 2013)	143,884.32	496.45
(522)	SPI 200 Contracts (Expiring March 2013)	(46,959,608.33)	(427,745.47)
(609)	Swiss SMI Contracts (Expiring March 2013)	(34,706,217.56)	654,266.32
5	Topix Contracts (Expiring March 2013)	348,763.30	30,384.65
<b>Total Futures</b>		<b>(573,499,451)</b>	<b>(3,639,129)</b>

## Glossary

**Absolute Return** Investments which seek a positive return irrespective of market direction.

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

**Alternative Assets** Any assets, in which a fund invests, other than quoted equity, quoted fixed income 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.

**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.

**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 hold an investment.

**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.

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

**Put Option** a put option is a derivative contract which gives the owner the right but not the obligation, to sell an underlying asset at a pre-agreed price.

**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.

**Sharpe Ratio** A measure of the ratio of excess returns over the risk-free rate to the volatility of the returns. The Sharpe Ratio seeks to measure how a portfolio's return compensates for the level of risk taken.

**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.

**Tier 1 Capital** The principal measure of a bank's financial strength from a regulator's point of view. It is composed of core capital, which consists primarily of common stock and disclosed reserves (or retained earnings), but may also include non-redeemable non-cumulative preferred stock. Tier 1 capital is also seen as a metric of a bank's ability to sustain future losses.

**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.

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## National Treasury Management Agency – Corporate Information

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John C. Corrigan

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### 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

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### Finance & Legal

#### Director Finance, Technology & Risk

Brendan Murphy

#### Financial Controller

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#### Senior Fund Accountant

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**Coimisiún an Chúlchiste Náisiunta Pinsear**  
**National Pensions Reserve Fund Commission**

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