National Pensions Reserve Fund

Review 2005

Contents

Note: The financial results and performance figures for 2005 set out in this Review are unaudited and are based on the latest available financial information. Year end valuations for certain unquoted property and private equity investments are not available at the date of publication. Final results and performance figures for 2005 will be published in the NPRF Commission's Annual Report and Accounts in mid 2006.

The National Pensions Reserve Fund

Like other developed countries, Ireland is set to experience a dramatic ageing of its population over the first half of this century due to lower birth rates and increased life expectancy. While there are currently 4.3 people at work for each person aged over 65, this ratio is projected to fall to 1.4 people at work for each person aged over 65 by mid-century.

Demographic change on this scale will have profound implications for the costs of public pensions, particularly in the social welfare area, with overall public pension costs projected to more than treble from their current level of 4.3% of GNP to 13.8% of GNP over the next 50 years[1].

The objective of the National Pensions Reserve Fund is to supplement the current "pay as you go" public pension system and to meet as much as possible of the costs of social welfare and public service pensions from 2025 until at least 2055.

The Government is required to invest 1% of GNP in the Fund annually. No money can be taken from the Fund before 2025. From then on, drawdowns will continue until at least 2055 under rules to be made by the Minister for Finance. By spreading the Exchequer burden arising from Ireland's additional pension commitments over a lengthy period, these drawdowns will contribute to the long-term sustainability of the pension system.

The fact that Ireland's population is still young and the pensions burden comparatively low means that relatively modest contributions now can have a significant effect. The Fund is expected to accumulate to €140 billion or 40% of GNP by 2025.

The Fund is controlled and managed by the National Pensions Reserve Fund Commission. The Commission is independent of Government in the exercise of its functions and is required to operate the Fund on a commercial basis so as to secure the best possible financial return subject to prudent risk management.

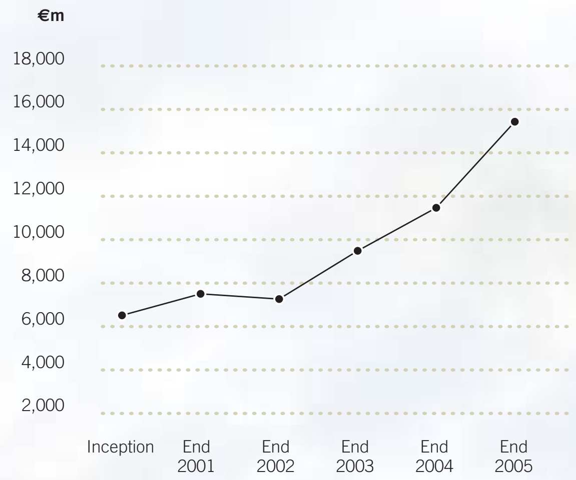
The National Treasury Management Agency (NTMA) has been appointed the Manager of the Fund until April 2011 and the Commission is required to perform its functions through the Manager.

[1] Demographic projections and projections of future pension costs are taken from the National Pensions Review published by the Pensions Board in January 2006.

Key Figures

- Fund assets grew from €11,689m to €15,420m in 2005.
- The Fund achieved an investment return of 19.6% or €2,411m for the year.
- The Fund's end-year value was equivalent to 11.5% of GNP.

NPRF Value Inception (2 April 2001) to 31 December 2005



NPRF Summary Asset Allocation 31 December 2005

	€m	%
Quoted Equities	12,136	78.7
Private Equity	7	0.1
Property	133	0.8
Commodities	200	1.3
Government Bonds	1,802	11.7
Cash	1,142	7.4
Total	**15,420**	**100.0**

Change in NPRF 2005

		€m
Net Assets of Fund at 1 January 2005		11,689
Exchequer Contribution		1,320
Net Investment Return		
Investment Income	347	
Change in Market Value of Investments	2,087	
Fees and Expenses	(23)	2,411
Net Assets of Fund at 31 December 2005		**15,420**

From the Chairman

2005 was the best year so far for the National Pensions Reserve Fund with its investments earning a return of 19.6%, or €2.4 billion. In the five years since its inception in 2001, the Fund has grown from €6.5 billion to €15.4 billion, a sum equivalent to 11.5% of GNP.

The Fund's strong performance reflected the benefits of the Commission's averaging-in approach to the markets under which we continued to invest in the difficult market conditions of previous years. As a result the Fund's equity allocation was close to fully invested going into 2005 and it was well positioned to benefit from strong equity markets, particularly in Europe.

As has been amply demonstrated over the last five years, equity markets are volatile and returns of last year's magnitude should not be regarded as the norm. However, as a long-term investor, we are prepared to accept this volatility. Indeed, the biggest risk we could run would be to take an overcautious investment approach and thus reduce the Fund's potential contribution to Ireland's increasing pension costs.

The scale of the pensions costs the country is facing as the population ages has been starkly brought home by the Pensions Board's recently published National Pensions Review. The Review found that annual social welfare pension costs are likely to rise from their current level of 3.0% of GNP to 10.1% of GNP by mid-century with public service pension costs projected to climb from 1.3% of GNP to 3.7% of GNP over the same period.

Sustaining the public pension system in an environment where the burden on the taxpayer is rising so dramatically is one of the central challenges we face as a society. The National Pensions Review has acknowledged the key role the Fund has to play in achieving this aim. It projects, using conservative return assumptions, that payments from the Fund could reduce the cost of pension payments to the Exchequer by 3.5% of GNP annually by mid-century - a quarter of the total cost.

Of course, the actual return earned on Fund investments is a critical determinant of its impact on the sustainability of the public pension system. In that context we announced, 12 months ago, an ambitious plan for the period to end 2009. This plan entails significant expansion of Fund investments into new asset classes such as property, private equity and commodities. Its objective is to increase the Fund's potential long-term return while diversifying risk.

During 2005 we made substantial progress on the implementation of the plan and it is an area on which we will continue to focus during 2006. In particular, building up high quality global portfolios in property and private equity is a task that will take considerable skills as well as time. The Fund's long-term investment horizon and strong cash flow give us an advantage in accessing these asset classes and they will form a key part of our strategy to maximise the Fund's return.

The Fund's first Chairman, Donal Geaney, was the driving force behind the development of its diversified investment strategy, including its entry into property and private equity. As most people will be aware, Donal passed away last October following a long and courageous battle against illness. The strategic course on which we are now set is very much a testament to Donal's vision and energy and he has left behind a very clear and focused operating framework. Donal had a strong personal commitment to the Fund and continued to give generously of his time and talents even as he fought his illness. He was always an eloquent spokesman on its behalf and showed a real passion for the mandate he had volunteered to take on. He will be sadly missed and, on the Commission's behalf, I would like to extend our sincere sympathies to his wife and family.

Finally, on my own behalf, I consider it a great honour to have been asked by the Minister for Finance to succeed Donal as Commission Chairman. We still have much work to do: completing the diversification of our investment base, engaging managers and selecting investment vehicles capable of adding value and ensuring that our investment approach remains at all times at the leading edge of international best practice. It is a task my fellow commissioners and I are looking forward to with confidence.

Paul Carty

Paul Carty
Chairman

March 2006

2005 was the best year so far for the National Pensions Reserve Fund with its investments earning a return of 19.6%, or €2.4 billion. In the five years since its inception in 2001, the Fund has grown from €6.5 billion to €15.4 billion, a sum equivalent to 11.5% of GNP.

Fund Strategy

Asset Allocation Factors

As the main determinant of investment returns, asset allocation is the critical element of the Commission's work. In making asset allocation decisions, we are guided by the Fund's purpose as set out in the National Pensions Reserve Fund Act: to meet as much as possible of the cost to the Exchequer of social welfare pensions and public service pensions to be paid from the year 2025 until at least 2055.

In delivering on this goal our focus is on maximising the performance of the Fund. However, superior performance is not possible without taking risk and the aim of strategic asset allocation is to strike the right balance between risk and return over the long-term.

Our asset allocation strategy is founded on the premise that real assets such as equities and property will continue, over the long-term, to outperform financial assets such as bonds.[2] While equities are inherently more volatile than bonds, with sharp performance swings over short time periods, the Fund's 20 year investment horizon enables it to accept this volatility in a trade-off for the higher expected return.

This long-term investment horizon and the Fund's strong cash flow, due to the annual Exchequer contribution, also mean the Fund is ideally positioned to exploit the additional return and diversification benefits available from holding less liquid assets such as private equity and property.

Target Strategic Asset Allocation (end 2009)

Our initial investment strategy in 2001 involved an 80% allocation to equities and a 20% allocation to bonds. In February 2005 we announced the results of a review we conducted of prospective new asset classes with a view to diversifying the Fund's investment base. The purpose of the review was to improve the Fund's prospective long-term return without substantially altering its risk profile.

As a result of the review, we decided to allocate 18% of the Fund to alternative asset classes (property, private equity and commodities). We also decided to increase its small cap equity allocation from 2% to 4% and to make a 2% allocation to emerging markets equities.

Target NPRF Strategic Asset Allocation (end 2009)

	%
Large Cap Equity	63
Small Cap Equity	4
Emerging Markets Equity	2
Total Quoted Equity	**69**
Private Equity	8
Property	8
Commodities	2
Total Alternative Assets	**18**
Government Bonds	11
Corporate Bonds	2
Total Financial Assets	**13**
Total	**100**

Strategy Implementation

Transition from a portfolio fully invested in quoted assets, such as equities and bonds, to a more diversified portfolio including less liquid assets, such as property and private equity, will take time. Accordingly, we are planning to achieve our target allocations on a phased basis by end 2009. High quality property and private equity investment vehicles cannot be as readily accessed as can quoted investment opportunities. They also involve a higher level of due diligence.

We made significant progress in the implementation of the target strategic asset allocation during 2005. The target weightings in small cap and emerging markets equities and commodities were substantially achieved. Commitments totalling €404m and €181m were made to property and private equity investment vehicles respectively. It is a feature of such investment vehicles that there is a time delay between the making of commitments and when cash is drawn as the managers of the chosen investment vehicles identify suitable investment opportunities.

[2] The performance of real assets is, over the long-term, linked to the rate of growth in the economy and values can be expected to rise with inflation. The return on financial assets is contractual in nature and values do not rise with inflation.

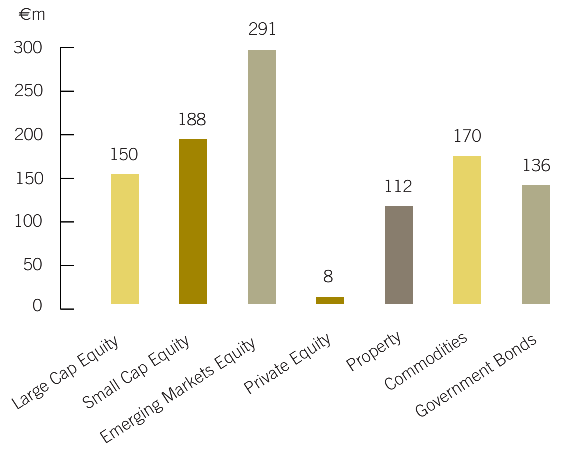
NPRF Asset Allocation 31 December 2005[3]

	%
Large Cap Equity	73.1
Small Cap Equity	3.5
Emerging Markets Equity	2.1
Total Quoted Equity	**78.7**
Private Equity	0.1
Property	0.8
Commodities	1.3
Total Alternative Assets	**2.2**
Government Bonds	11.7
Corporate Bonds	0.0
Cash	7.4
Total Financial Assets	**19.1**
Total	**100.0**

The large cash holding at end 2005 is primarily due to our tactical decision not to allocate additional cash to bonds at the very low yields that pertained through the year.

As yields rose, we committed €136m to bond markets in December. Investment will continue on a phased basis if yields rise further. We did not make any investments in corporate bonds as the difference in yields between government and corporate bonds was towards the lower end of its historical range. This yield difference is the additional return for the greater risk and reduced liquidity of corporate bonds.

New NPRF Investments 2005



The Fund's strong cash flow means that the transition to the new strategic asset allocation can be primarily financed from cash with limited or no recourse to sales of existing assets thus minimising transaction costs. During 2005, we invested €1,055m net new money in the capital markets.

Foreign Currency

The Fund's global investment profile exposes it to the risk of large, and difficult to predict, swings in exchange rates. In order to dampen this volatility, our policy is to hedge 50% of the foreign currency exposure arising from the Fund's non-euro denominated investments.

[3] Asset allocation is based on amounts allocated to each investment manager and includes residual cash held by them.

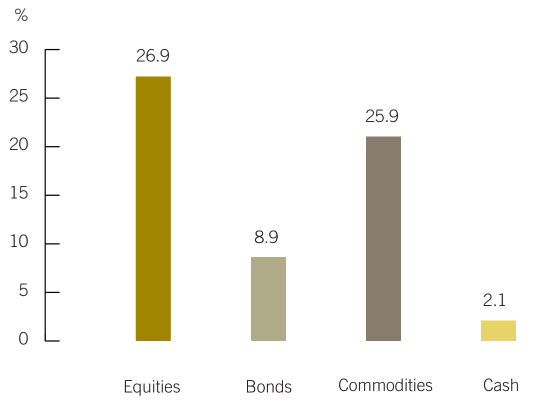
Overall Performance

Absolute Performance

The Fund had a strong investment performance in 2005 earning a return of 19.6%.

Performance was primarily driven by the Fund's heavy equity weighting, although bonds also performed solidly during the year. As the Fund is at a very early stage in its property and private equity programmes, these did not impact materially on overall performance.

NPRF Performance by Asset Class 2005



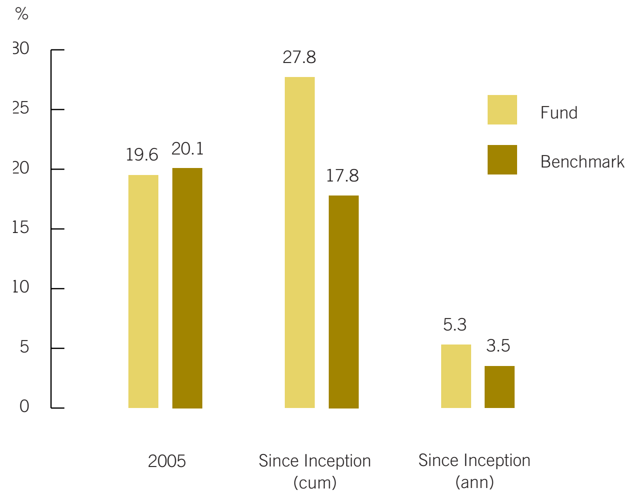
Benchmark Performance

The performance of the Fund's investments is measured against particular benchmark indices (e.g. the Fund's eurozone equity investments are measured against the FTSE All World Eurobloc Index). The Fund's overall benchmark return is the weighted average of the returns to the benchmarks for each asset class as per the strategic asset allocation. Fund performance is measured in accordance with the Global Investment Performance Standards (GIPS).[4]

The Fund has outperformed its benchmark by a cumulative 10.0% over the period since inception largely due to the averaging-in approach we took to investing cash in the markets. Under this strategy we phased our investments over the period from inception to end 2004. This mitigated the worst effects of the bear market of 2001 and 2002 and enabled us to invest at attractive valuations as recovery took hold.

Allowing for our tactical decision to maintain an underweight position in bonds relative to the benchmark, the Fund performed broadly in line with its benchmark during 2005.

NPRF Performance
Inception (April 2001) to 31 December 2005



We took the tactical decision to maintain an underweight position in bonds as, over the last few years, interest rates have been at historically low levels. In our view, the Fund's long-term investment goal of wealth maximisation would not be well served by investing in bonds for periods of 10 years and more at an annual nominal return in the region of 3.25%. This underweight position in bonds resulted in a drag of 0.5% on the Fund's overall performance against its benchmark in 2005.

The Fund has outperformed its benchmark by a cumulative 10.0% over the period since inception

[4] GIPS requires the calculation of time weighted rates of return where return on funds invested is calculated for the period from one cash flow to the next.

Quoted Equities

Investment Approach

The Fund's equity investments are predominantly in large capitalisation companies across developed global markets. We regard the eurozone, where there is no currency risk, as our domestic market and 50% of our large cap allocation is to the eurozone. Strategic allocations to other large cap markets are on the basis of market weighting and such allocations are adjusted quarterly in the light of market movements.

Allocations to small-cap and emerging markets are for purposes of diversification and additional return. Emerging markets, which include many countries with rapidly growing economies, offer opportunities to earn returns in excess of those available in developed markets.

NPRF Large Cap Equity Benchmark Weightings
% of Total Fund 31 December 2005

	%
Eurozone	**36.2**
North America	23.4
Europe (non-eurozone)	6.4
Japan	4.7
Pacific Basin	1.7
Total Non-Eurozone	**36.2**
Total Large Cap Equity	**72.4**

For investment purposes the Fund's equity allocation is broken down into a number of regional investment mandates which have been outsourced to specialist investment management companies.

Passive management, where the fund manager's task is to replicate the return to a specified market index, represents an extremely cost effective way of achieving market index returns and approximately half of the Fund's large cap equity allocation is passively managed.

We also aim to achieve returns in excess of the market indices and, to this end, the remainder of the Fund's large cap equity allocation is actively managed by a number of managers employing a range of different investing styles whose task is to outperform their specified market index.

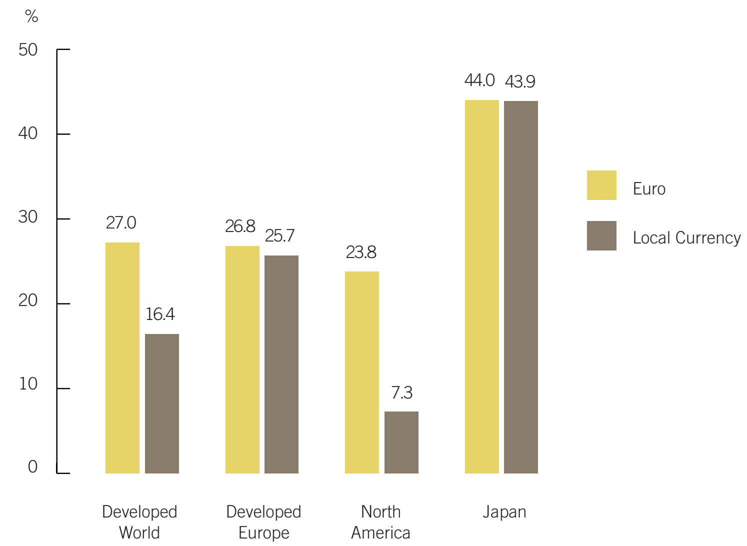
All of the Fund's small cap and emerging market equities are actively managed reflecting the greater opportunities for managers to outperform in these markets.

Performance

The Fund's equity investments delivered an excellent return of 26.9% in 2005 as corporate earnings grew and inflation expectations remained subdued.

The Fund was particularly boosted by the strong performance of European equities. While nominal returns on North American equities were substantially lower than in Europe, the appreciation of the dollar against the euro meant that, in euro denominated terms, North American returns were close to European returns. Japanese equities performed very strongly as markets grew more convinced as to the durability of the economic recovery in Japan.

Returns to Selected FTSE Indices 2005



Allowing for investment manager fees (0.2%) the Fund's equity performance in 2005 was in line with its benchmark. However, our objective is to outperform our equity benchmark net of fees. To this end, the Fund's equity managers are formally reviewed twice yearly, and more frequently if necessary. The review process concentrates on three main areas: the manager's investment team, the investment process and performance. Judgements about a manager's investment performance, particularly where there have been no changes in the team or process, are typically made over the medium-term. We will be placing an increasing emphasis on managers' performance now that many of them have been in place for 3 years.

Alternative Assets

Equity Manager Strategy Review

During the year we reviewed our equity manager strategy in the light of experience and international best practice developments. The overall aim of our equity manager strategy is to channel the risk we are taking through active management into those sectors and managers who are considered most likely to generate returns above the market indices.

We are obliged to run competitions for equity mandates under EU public procurement procedures. One of the principal findings of the review was that some of the managers who performed strongly in the period following the award of the Fund mandates had not applied for these mandates due to the perceived complexity and long timeframe of competitions run under EU procedures. We are, accordingly, updating our tender process to make it as user friendly as possible while complying with the EU public procurement procedures.

The Fund's equity investments delivered an excellent return of 26.9% in 2005 as corporate earnings grew and inflation expectations remained subdued.

Property

Property offers attractive returns and significant diversification benefits.

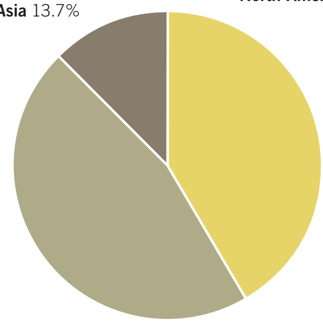
Our property strategy is focused on assembling a portfolio of indirect holdings i.e. the Fund will invest in property vehicles rather than directly acquire assets. The advantages of this approach are that the investment and diversification opportunities available to the Fund are greatly expanded and the ability to access specialist managers, market sectors and strategies is increased.

NPRF Property
Strategic Geographic Allocation

	Allocation Range
Europe	35% to 65%
North America	15% to 50%
Asia Pacific	0% to 30%

Our property investment programme commenced at the end of 2004. Investments are generally undertaken on a commitment basis i.e. the Fund commits a certain amount of money that may be called over a defined period, generally 3 years. At the end of 2005 the Fund had commitments to 12 separate investment vehicles totalling €404m with €124m of this total commitment having been invested.

NPRF Property Commitments 31 December 2005



Features of NPRF Property & Private Equity Investment Programmes.

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

These vehicles are generally constituted in such a way that the Fund is an arms length investor with no involvement in the day to day management of the investment. The vehicles are usually created for a fixed term of approximately 10 years. A general partner is responsible for the implementation of strategy while the Fund, as a limited partner, in common with other similar institutional investors, receives regular reports on how the investment is performing. The Fund may be represented on the advisory board of the investment vehicle.

The Fund's property and private equity investment programmes are overseen by internal investment committees of the Commission which review each proposal prior to any commitment being made.

Private Equity

Private equity ranges from venture capital (the provision of finance to start-up and emerging companies) to buyouts (the purchase of established businesses or going concerns). Private equity investments are made against longer time horizons than apply to the quoted markets. The fact that the Fund has no liquidity requirement until the year 2025 at the earliest makes private equity a natural asset class in which to invest.

Our private equity programme is targeting investments in Europe and the US on a broad 50/50 basis. While the main investment focus will be in the buyout area, it is also planned to allocate funds to venture capital.

There can be significant differences between the performance of the top-tier and average private equity funds and investment in the better funds is essential if the additional return available from the asset class is to be obtained. There has, however, historically been a strong correlation between past and future performance in this area with the better funds maintaining strong performance over a number of economic cycles.

Indeed, many of these better funds can be oversubscribed and one of our main challenges will be obtaining meaningful allocations in these funds. A key element of our strategy is to use the Fund's long-term investment horizon and strong cash flow to build long-term relationships with the best private equity funds.

Our private equity investment programme commenced in mid 2005. As with property, investments are generally undertaken on a commitment basis i.e. the Fund commits a certain amount of money that may be called over a defined period, generally 3 to 5 years. At the end of 2005 the Fund had commitments to 3 separate buyout vehicles totalling €181m with €8m of this total commitment having been invested.

Commodities

Commodities (oil and gas, industrial and precious metals and agricultural produce) offer attractive return prospects and substantial diversification benefits which can be achieved through small allocations to the asset class.

We are accessing the commodities market through the purchase from investment banks of certificates which reflect the return on the production weighted Goldman Sachs Commodity Index. We invested €170m in such certificates in 2005.

The Fund's commodity investment programme commenced in May 2005. It earned strong returns of 25.9% as continued recovery in global growth, in particular very high growth rates in emerging market economies, put upward pressure on commodity prices. With energy comprising 67% of the overall Goldman Sachs Index, returns on the index are predominantly driven by oil and gas prices.

A quarter of the Fund's overall commodity allocation will be to forestry and we expect to finalise details of how we will enter the forestry market during 2006.

Fixed Income

Investment Approach

Our relatively low allocation to bonds reflects the Fund's long-term investment horizon and the fact that bonds have, historically, underperformed equities over long time periods. Bonds do, however, diversify risk and reduce overall Fund volatility.

Reflecting the high degree of efficiency in the government bond markets, most of the Fund's government bond investments are passively managed by the NTMA with some outsourced active management in seeking to add value. The purpose of the corporate bond allocation is also to add value and these investments will be actively managed.

NPRF Fixed Income Benchmark Weightings
% of Total Fund 31 December 2005

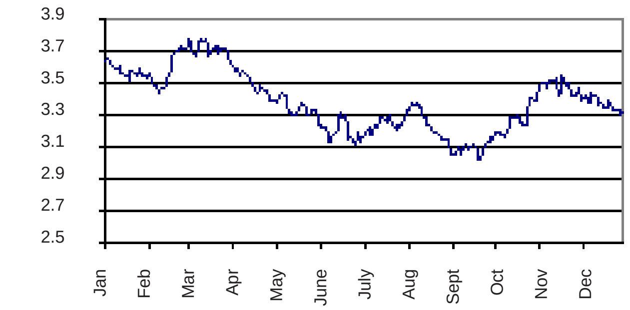
	%
Passive Government	11.8
Active Government	4.8
Active Corporate	2.0
Total	**18.6**

Performance

The Fund's bond investments performed well in 2005 delivering a return of 8.9% in line with their benchmark.

The strong performance of bond markets in 2005 was unanticipated given the low yields prevailing at the end of 2004.[5] Nevertheless, eurozone bond yields continued to fall through the first three quarters of 2005.

German 10 Year Government Bond Yields 2005



Source: Bloomberg

While sluggish growth prospects and low inflation expectations explained some of this fall, increased investor demand, particularly from defined benefit pension funds, was also a contributory factor. Many of these funds seek to match specific future liabilities and have a lower tolerance for volatility than the NPRF. Yields reached historically low levels in September with German 10 year yields falling to close to 3% at one point.

Yields subsequently increased, as the markets anticipated the move by the European Central Bank to increase its refinancing rate from the 2% level it had held since June 2003.

[5] There is an inverse relationship between a bond's yield and its price. Bonds are issued at a particular face value and nominal yield – e.g. €100 and 5%. Should interest rates in the market be less than 5% the price of the bond will increase above €100 so that the real yield on the bond is reduced to the market rate.

How the Fund Operates

The Fund was established on 2 April 2001 under the National Pensions Reserve Fund Act, 2000. It is controlled and managed by the National Pensions Reserve Fund Commission, a seven member body corporate, appointed by the Minister for Finance. The Commission is independent of Government in the exercise of its functions. It is required to operate the Fund on a commercial basis so as to secure the best possible financial return subject to prudent risk management.

The Commission sets and reviews the Fund's asset allocation strategy and sets out the parameters within which Fund assets may be invested. The Commission has established an Audit Committee, a Property Investment Committee and a Private Equity Investment Committee to assist it in carrying out its functions.

The National Treasury Management Agency (NTMA) acts as the Manager of the Fund and the Commission performs its functions through the NTMA. Without prejudice to its own responsibility for its functions, the Commission may also delegate to the Manager any of its functions as it considers appropriate.

The Commission and the NTMA have adopted, where feasible, a "buy not make" philosophy to managing the Fund's assets with investments being managed, in most cases, by third party investment management institutions. This approach means that asset allocation and manager selection and review are crucial elements of the work done by the Commission and the NTMA and the NTMA has concentrated its resourcing efforts in building up its expertise in these areas.

The Fund's assets are held in safekeeping by its global custodian.

The core functions of the NTMA, as Manager, include:

- provision of policy advice to the Commission;
- implementation of the Fund's investment strategy;
- selection and performance review of investment managers and specific investment vehicles;
- development and operation of Fund controls to ensure that the Fund is managed within the parameters set down by the Commission and the operational risks to the Fund are minimised; and
- preparation of the Fund's financial statements and monitoring of the Fund's global custodian.

Investment Managers and Investment Vehicles
31 December 2005

QUOTED EQUITY

Mandate	Manager	Assets under Management €m
Large Cap Passive		
Eurozone	Barclays Global Investors	1,987
Eurozone	Bank of Ireland Asset Management/State Street Global Advisors	2,655
North America	Barclays Global Investors	1,374
Large Cap Active		
Pan Europe	Oechsle International Advisors	676
Pan Europe	Putnam Investments	494
Global	Capital International	705
Global	RCM	610
North America	Invesco	709
North America	Goldman Sachs Asset Management International	483
North America	Lord, Abbett & Co	577
Japan	Daiwa SB Investments	355
Japan	JPMorgan Asset Management	370
Pacific Basin (ex Japan)	Schroder Investment Management	280
Small Cap Active		
United States	UBS Global Asset Management	274
Europe, Australasia, Far East	Acadian Asset Management	270
Emerging Markets Active[6]		
	Alliance Capital Management	162
	Emerging Markets Management	155
Total Quoted Equity		**12,136**

FIXED INCOME

Mandate	Manager	Assets under Management €m
Eurozone Government - Passive	National Treasury Management Agency	1,341
Eurozone Government - Active	Irish Life Investment Managers	461
Eurozone Corporate - Active	Deutsche Asset Management	Not funded
Total Fixed Income		**1,802**

PROPERTY

Region	Investment Vehicle	Amount Committed €m
Global	Lehman Brothers Real Estate Partnership II	42
Europe	Property Index Certificates	12
Europe	German Residential Investment Partnership	15
Europe	CB Richard Ellis Strategic Partners UK Fund II	37
Europe	AXA French Development Venture II	30
Europe	Scottish Widows – Airport Industrial Property Unit Trust	43
Asia/Europe	Morgan Stanley Real Estate Fund V International	42
Asia	Asia Retail Mall II	21
US	Broadway Partners Real Estate Fund I	34
US	Tishman Speyer Real Estate Venture Fund VI	43
US	Berkshire Multifamily Value Fund	34
US	CB Richard Ellis Strategic Partners US Fund IV	51
Total Property Commitment		**404**[7]

PRIVATE EQUITY

Region	Investment Vehicle	Amount Committed €m
Europe	CVC European Equity Partners Fund IV	75
US/Europe	Vestar Capital Partners Fund V	30
US/Europe	Clayton, Dubilier & Rice Fund VII	76
Total Private Equity Commitment		**181**[8]

[6] Emerging markets investments are in pooled investment funds in which other investors also participate. Other quoted equity investments are in segregated accounts where other investors do not participate.
[7] This commitment will be drawn down on a phased basis as the general partners concerned identify suitable investments. The value of property investments at 31 December 2005 was €133m.
[8] This commitment will be drawn down on a phased basis as the general partners concerned identify suitable investments. The value of private equity investments at 31 December 2005 was €8m.

Key Personnel
- Commission and Management

Commission

Paul Carty – Chairman
Financial Consultant and former Managing Partner, Deloitte & Touche, Ireland

John Canning
Chairman and Chief Executive of Madison Dearborn Partners LLC

Dr Brian Hillery
Chairman of Independent News & Media plc, UniCredito Italiano Bank (Ireland) plc, and Providence Resources plc

Brid Horan
General Pensions Manager, ESB

Don Roth
Managing Partner, EMP Global LLC

Dr Michael Somers
Chief Executive of the National Treasury Management Agency (ex-officio member).

There was one vacancy on the Commission as of end 2005 arising from the death of the Commission's first Chairman, Donal Geaney.

Manager – National Treasury Management Agency

Chief Executive
Dr Michael Somers

NPRF Unit

Director
John Corrigan

Head of Risk & Asset Allocation
Dr Ronan O'Connor

Head of Investment Manager Programme
Eugene O'Callaghan

Senior Analyst, Investment Manager Programme
Elaine Hudson

Head of Property
Ian Gleeson

Head of Private Equity
Ronan Cunningham

Senior Manager & Commission Secretary
Adrian O'Donovan

Finance Unit

Director
Brendan McDonagh

Financial Controller
Stephen Judge

Senior Fund Accountant
Mark McCrone

Contact Details

Address: Treasury Building,
Grand Canal Street, Dublin 2

Tel: +353 1 6640800
Fax: +353 1 6766483

Email: info@nprf.ie
Web: www.nprf.ie

Glossary

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, fixed income and cash.

Averaging-in The process of investing in markets on a phased basis.

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

Buyout The purchase of an established business.

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

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

Defined Benefit A pension scheme in which the benefit paid is typically a proportion of final salary for each year of contributions made.

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

Emerging Markets Equities Equities quoted on the stock exchanges of developing countries. Investments in such markets can offer attractive returns due to their higher growth potential. However, they are less liquid than developed markets and returns are likely to be more volatile.

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 safekeeping of a fund's assets.

Global Investment Performance Standards (GIPS) Standards for the calculation and presentation of investment performance intended for global use. In calculating the performance of portfolios, GIPS requires the calculation of time weighed rates of return where return on funds invested is calculated for the period from one cash flow to the next. This negates the impact of cash flows which are unique to each fund and can arbitrarily affect performance ahead of a market fall or rise.

Investment Horizon The time period over which an investor expects to maintain an investment portfolio. The NPRF has a long-term investment horizon as no cash will be drawn down before 2025.

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.

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

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

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

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

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.

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.

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

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

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

National Pensions Reserve Fund,
Treasury Building,
Grand Canal Street, Dublin 2

Tel: +353 1 6640800
Fax: +353 1 6766483

Email: info@nprf.ie
Web: www.nprf.ie