



Ireland Strategic Investment Fund
Quarterly Performance and Portfolio Update
At 30 June 2017

1. Fund Overview

The Ireland Strategic Investment Fund (ISIF) was established on 22 December 2014 with a statutory mandate to invest on a commercial basis in a manner designed to support economic activity and employment in the State.

The Discretionary Portfolio was valued at €8.5 billion as at 30 June 2017.¹

The Directed Portfolio (public policy investments in Allied Irish Banks, Bank of Ireland and the Strategic Banking Corporation of Ireland made at the direction of the Minister for Finance) was valued at €11.2 billion at 30 June 2017.

The Total Fund size at 30 June 2017 was €19.7 billion.

Fund at 30 June 2017	€bn	% Fund
Discretionary Portfolio	8.5	43%
Directed Portfolio	11.2	57%
Total Fund	19.7	100%

¹ Figures in this statement are preliminary and unaudited. Total may not add due to rounding.

2. Fund Performance

The Discretionary Portfolio earned a preliminary year to date return of +1.7% and has generated an annualised return of +2.4% since inception on 22 December 2014.

Performance	31 December 2016 to 30 June 2017	22 December 2014 to 30 June 2017 *
Discretionary Portfolio	+1.7%	+2.4% p.a.
Directed Portfolio	+12.2%	+8.1% p.a.

*Returns for periods greater than one year are calculated on an annualized basis.

3. Asset Allocation

(a) Discretionary Portfolio

The Discretionary Portfolio Asset Allocation as at 30 June 2017 is set out below:

30/06/2017		
Asset Allocation	Market Value €m	Discretionary Portfolio %
Quoted Equities	868	10%
Fixed Income	3,609	43%
Cash & Cash Equivalents	771	9%
Total Financial Assets	4,380	52%
Private Equity	554	7%
Property	301	4%
Forestry	41	0%
Infrastructure	339	4%
Absolute Return	1,985	23%
Total Alternative Assets	3,220	38%
TOTAL	8,468	

Irish Portfolio

The ISIF commitments as at 30 June 2017 to investments aligned with the ISIF mandate are set out below:

30/06/2017	Total ISIF Commitment (€m)
Water	450
Infrastructure	376
Energy	155
SME	430
Food & Agriculture	120
Real Estate	515
Venture Funds	504
Direct Equity	146
Innovation	12
Other	142
Total	2,850

The ISIF's €2.9bn has unlocked third party capital to generate an estimated total investment commitment of €8.0bn in Ireland. €1.7bn of the Fund's Irish commitments have been drawn by investee entities as of 30 June 2017.

Global Portfolio

The breakdown of the Global Portfolio by manager is set out below:

Managers	Mandates	Market Value €m
Goldman Sachs Asset Management	Multi-Asset	1,557
J.P. Morgan Asset Management	Multi-Asset	1,231
Irish Life Investment Managers	Multi-Asset	831
Amundi Asset Management	Fixed Income	714
Deutsche Asset Management	Fixed Income	293
BlackRock Investment Management	Fixed Income	320
Muzinich & Co.	Fixed Income	233
Acadian Asset Management	Equity	259
Generation Investment Management	Equity	196
Blackstone Alternative Asset Management	Absolute Return	234
AQR Capital Management	Absolute Return	194
Bridgewater Associates	Absolute Return	216
Global Property (21 legacy managers)	Property	112
Cash and Financial Asset	N/A	362
Total		6,753

(b) Directed Portfolio

The Directed Portfolio consists of public policy investments in Allied Irish Banks, Bank of Ireland and the Strategic Banking Corporation of Ireland (“SBCI”) that were undertaken on foot of directions from the Minister for Finance.

At 30 June 2017 the Directed Portfolio comprised

- (i) ordinary shares in Allied Irish Banks valued at market price €4.95 per share;
- (ii) ordinary shares in Bank of Ireland valued at market price €0.23 per share and
- (iii) €215 million in cash, committed for lending to SBCI.

In March 2017, and in line with contractual agreements, the Fund’s €25 million loan to SBCI was converted to equity in SBCI, ownership of which was transferred to the Minister for Finance.

Since 2009 the Fund has invested €20.7 billion in preference shares and ordinary shares in Bank of Ireland (€4.7 billion) where the Fund’s shareholding is 13.9 per cent, and Allied Irish Banks (€16.0 billion) where the Fund’s shareholding is 71.1 per cent.

In conjunction with the Allied Irish Banks IPO, on 27 June 2017, the Fund was directed to sell 780 million shares at a price of €4.40 per share, which resulted in a reduction of ISIF percentage holding from 99.9 per cent to 71.1 per cent. On 29 June 2017, €2,986 million of proceeds was transferred to the Exchequer on foot of Ministerial Directions.

At 30 June 2017, the Fund had received a total of €9.4 billion in cash from its directed investments comprising (i) in respect of Bank of Ireland - preference share dividends, redemption of preference shares and repurchase of warrants by the Bank and the sale of ordinary and preference shares to private investors, totalling €4.2 billion; and (ii) in respect of Allied Irish Banks - the sale of ordinary shares, preference and ordinary share dividends and redemption of preference shares totalling €5.2 billion.

At 30 June 2017 the Directed Portfolio was valued at €11.2 billion. This consisted of an investment value in Allied Irish Banks of €9.5 billion and in Bank of Ireland of €1.0 billion, together with €0.2 billion in cash and €0.4 billion in receivables in respect of the sale in June of shares in Allied Irish Banks.

Category	Investment value at 30 June 2017 (€bn)
Allied Irish Banks	9.5
Cash receivable from AIB sale	0.4
Bank of Ireland	1.0
Cash and equivalent	0.2
Total*	11.2

**Sum may not add to total due to rounding.*

On 6 July 2017 and on foot of directions from the Minister for Finance, the €448 million of cash proceeds from the sale in June of Allied Irish Banks ordinary shares was received and transferred to the Exchequer.