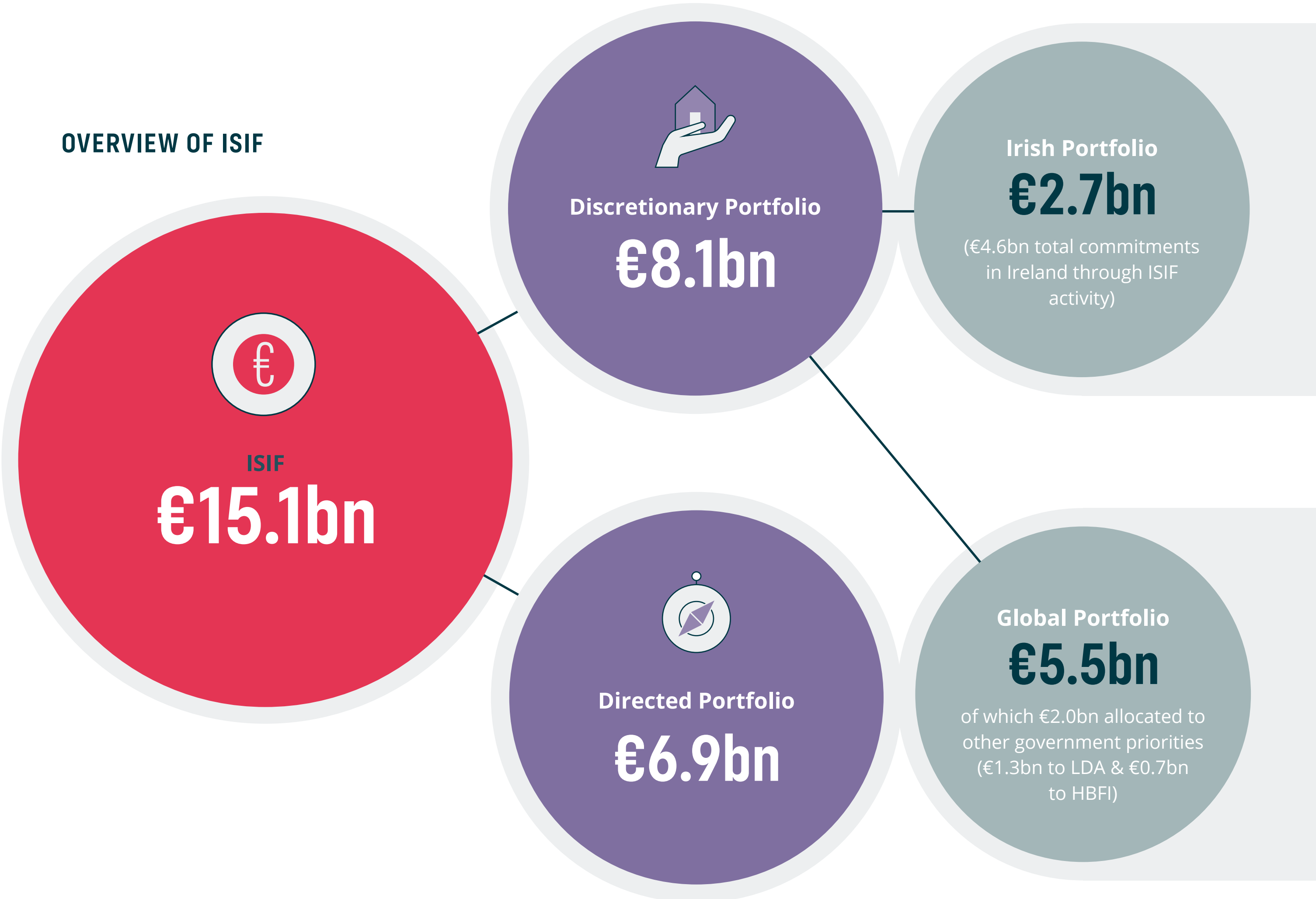
IRELAND STRATEGIC INVESTMENT FUND

OVERVIEW OF ISIF



Economic Impact

32,673

Jobs supported to end-June 2019.

Housing

3,000 new homes

€937m investment programme targeting the delivery of 15,000 new homes, of which 3,000 homes already sold, 6,500 new homes under construction and funding advanced for a further 5,500.

Investments

121

Commitments across multiple sectors.

Financial Returns

+5.1%

ISIF investment returns of +5.1% in 2019 with accumulated returns at end-2019 exceeding over €1.0bn since inception.

€m	2019	since Dec 2014
Global	308	531
Irish	141	515

IRELAND STRATEGIC INVESTMENT FUND

OVERVIEW

The Ireland Strategic Investment Fund (ISIF), controlled and managed by the National Treasury Management Agency (NTMA), is a €15.1bn fund. The ISIF is comprised of the Discretionary Portfolio (€8.1bn) and the Directed Portfolio (€6.9bn). The Discretionary Portfolio has a "double bottom line" mandate to invest on a commercial basis in a manner designed to support economic activity and employment in Ireland. In December 2014, the assets of the National Pensions Reserve Fund (NPRF) transferred to ISIF to enable it to make investments that meet this mandate. In July 2018, the Minister for Finance announced that the ISIF would focus on priorities that will support Project Ireland 2040; Regional Development, Housing, Indigenous Businesses, Climate Change and sectors adversely affected by Brexit (ISIF's 2019 Investment Strategy).[2]

The Directed Portfolio (primarily public policy investments in AIB and Bank of Ireland) continues to be held within the ISIF under direction from the Minister for Finance.

DISCRETIONARY PORTFOLIO

The Discretionary Portfolio is comprised of the Irish Portfolio (€2.7bn) and the Global Portfolio (€5.5bn). The Discretionary Portfolio value has grown since inception from €7.1bn to €8.1bn, comprised of investment gains of over €1.0bn, cash injections of €1.5bn (AIB dividends €1.1bn, Bank of Ireland dividends €41m and the sale of the State's shareholding in Aer Lingus €335m) less transfers to other Government initiatives of €1.5bn.

In 2019, the ISIF investment return was +5.1%, made up of +5.0% on the Irish Portfolio and +5.5% on the Global Portfolio. The Irish Portfolio benefited from broad based gains across asset classes and the Global Portfolio benefitted from strong equity and credit markets in 2019. Since inception, the ISIF to end-2019 has generated an annualised return of +2.5% per annum, comprising +6.7% per annum from the Irish Portfolio and +1.7% per annum from the Global Portfolio. ISIF's investment target is to exceed the five-year rolling cost of Government debt (3.1% at end-2019) over the long term. As a long-term patient capital investor, the return on ISIF's investments will be recognised over an extended period. Nonetheless, ISIF's portfolio of investments is performing in line with expected financial targets at end-2019 and is expected to exceed the investment target over the long term.

The Irish Portfolio return comprising +6.7% per annum since inception is encouraging and reflects investment in instruments right across the capital structure and risk spectrum, some valuation gains and some valuation reductions in the higher risk categories as would be expected.

On balance economic impact has been broadly on track with 88% of investments delivering the expected impact at end-2019, more detailed economic impact data are set out on page 24.

In general achievement of the expected economic impact is broadly correlated with financial performance.

The Global Portfolio return of +1.7% per annum since inception reflects the portfolio's low risk appetite and its requirement for ongoing liquidity to finance both Irish Portfolio requirements and other Government initiatives throughout a period of low/negative interest rates.

IRISH PORTFOLIO

Irish Portfolio Mandate

The ISIF's "double bottom line" mandate makes it one of the few sovereign funds globally with a mandate to support economic activity and employment, in addition to delivering commercial returns. The ISIF is required to seek to generate a return over the long term in excess of the cost of Irish Government debt.

ISIF's 2019 Investment Strategy, guided by the objectives of Project Ireland 2040, targets a €3bn five-year investment programme focusing on five Priority Themes of key importance to the Irish economy: Regional Development, Housing, Indigenous Businesses, Climate Change and sectors adversely affected by Brexit. In addition to the Priority Themes, the Connectivity Fund sub-portfolio in the ISIF includes projects that enhance Ireland's global data, energy and physical connectivity. Some flexibility is also maintained to selectively take advantage of compelling opportunities of national significance which are consistent with the ISIF mandate and do not fit under the Priority Themes. In 2019, the ISIF developed detailed strategies for Regional Development, Housing, Indigenous businesses and Climate. The Brexit strategy depends on the Brexit outcome.

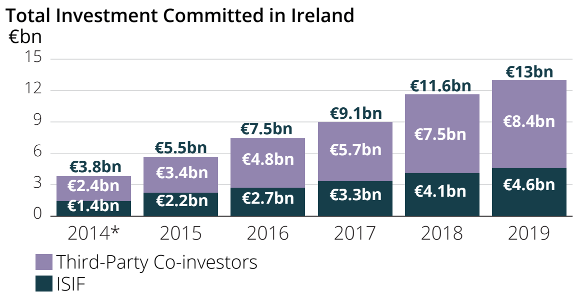
IRISH PORTFOLIO COMMITMENTS

Including investments made by the NPRF, the ISIF committed €4.6bn at end-2019 to investments consistent with its "double bottom line" investment mandate. Including third-party co-investor commitments, a total of €13bn had been committed to investment in Ireland arising from ISIF investments.

The ISIF portfolio is diversified across the regions and many sectors of the economy and includes investments in infrastructure, energy, housing, commercial real estate, SMEs, food and agriculture, forestry, technology, life sciences, education and international financial services.

ISIF set a co-investment target at inception to attract €1m in third-party capital alongside every €1m ISIF invests. As at 31 December 2019, ISIF exceeded this target with a co-investment rate of €1.8m alongside every €1m committed by ISIF.

ISIF COMMITMENTS TO IRELAND 2014-2019



*Irish assets transferred in December 2014 from NPRF that were broadly consistent with ISIF mandate.

Figures may not total due to rounding.

2 ISIF's 2019 Investment Strategy was approved by the NTMA Board in November 2018 and published following consultation with the Minister for Finance and Public Expenditure and Reform on 1 February 2019.

IRISH PORTFOLIO: CAPITAL COMMITTED AT END-2019

Of the €4.6bn committed to Ireland, €3.3bn had been drawn down at end-2019.

€442m was committed by the ISIF to 21 separate investments during 2019 (average investment size of €20m).

ISIF Irish Investments 2019

Investment	Description of Investment	Amount €m
Quadrant Real Estate Fund II	Financing the development of large prime office blocks in Cork city supporting regional development.	35
Irish Life Residential Property Fund	Fund's objective is to assemble a portfolio of high quality residential assets to rent primarily through forward purchase and funding.	140
Green Isle Foods	Funding for the acquisition of Green Isle Foods and Donegal Catch to grow revenues and revitalise the brands.	11
Frontline EMEA Expansion Fund	Follow-on commitment to expansion stage VC fund that will invest in highly rated North American software companies that are at the point of entering EMEA.	4
Beechbrook Capital	SME lending fund providing growth capital to regional Irish businesses with investments typically ranging from €2m to €6m.	20
ATA	Backing ATA, a precision engineering group, to scale and expand domestic and international operations through the acquisition of Karnasch.	15
Fountain Healthcare Partners III	Venture fund providing risk capital and expertise to entrepreneurs developing life sciences companies.	20
Atlantic Bridge Fund IV	Venture fund focused on investing primarily at the expansion capital and growth equity stages in companies that have started to scale.	20
Vectra	Follow-on investment in a successful artificial intelligence cybersecurity company expanding their presence in Ireland.	5
Gore Street Energy Storage	Financing the build out of energy storage infrastructure in Ireland to support the growth in renewables.	34
Kilkenny Abbey Quarter	Development finance enabling 50,000 sq. ft. Grade A office development on the Abbey Quarter site in Kilkenny.	12
Shannon Hangar	Long term, limited recourse funding for the development of an aircraft hangar at Shannon Airport.	12
HISCo	Commercial joint venture company with Cork County Council to provide an infrastructure "design-build-finance" service on housing sites of scale.	2
Swrve	Follow-on investment supporting a software company founded in Dublin.	6
West Cork Distillers	Equity investment into West Cork Distillers to finance the expansion of its distillery and to support growth of its products in international markets.	15
MilkFlex II	Fund that will offer flexible, competitively priced loans to milk farmers across Ireland with loan repayments linked to milk price.	24
Pearl Residential Fund	Residential equity fund providing capital to small and mid-scale developers to facilitate the build out of residential units in Ireland.	10
Niche Living	Equity funding to Bartra to develop shared-living site in Dublin.	8
MML Growth Capital Partners Ireland Fund II	Growth capital private equity fund that will support indigenous SMEs to grow domestically and internationally.	20
Strategic Investors Fund X	Commitment to a new venture capital fund-of-funds building on the longstanding relationship between ISIF and Silicon Valley Bank.	23
Guinness Enterprise Centre	Loan to finance the upgrade and expansion of the Guinness Enterprise Centre in Dublin.	7
Total		**442**

Figures may not total due to rounding.

IRELAND STRATEGIC INVESTMENT FUND (CONTINUED)

IRISH PORTFOLIO ECONOMIC IMPACT

The ISIF seeks to maximise the economic impact from investments while also ensuring that all investments satisfy its commercial return objectives.

The economic impact and employment supported by ISIF investment differs from traditional Government expenditure. With commercial investment, public resources are expected to be returned with a gain at the end of the investment period; whereas, with Government expenditure public financial resources are depleted as a result of the spending. Returned investment capital can then be recycled into additional beneficial projects.

In line with the ISIF's "double bottom line" mandate, a key part of the ISIF's due diligence in advance of investment is a comprehensive assessment of the additionality, displacement and deadweight potential of each transaction.

Additionality refers to the additional economic benefits to Gross Value Added (GVA) which are likely to arise as a result of the investment under consideration, over and above what would have taken place anyway.

Displacement refers to instances whereby the additionality created from an investment is reduced or made smaller at the overall economy level due a reduction in such benefits elsewhere in the economy.

Deadweight refers to instances whereby the economic benefits created from an investment would have been achieved in any event in the absence of intervention.

Post-investment, the ISIF completes a semi-annual survey of all investees to collect economic impact and employment data to enable it to monitor the economic impact progress of all investments. The results of the H1 2019 survey are outlined here.

ISIF ECONOMIC IMPACT JUNE 2019

2,670

IRISH BASED COMPANIES/PROJECTS

generated combined revenues of €1.4bn, 26% through exports.

€538m

WAGES & SALARIES

earned in the 6 months to June 2019.

32,673

JOBS

are supported, directly and indirectly, by ISIF investments.

€743m

GROSS VALUE ADDED (GVA)

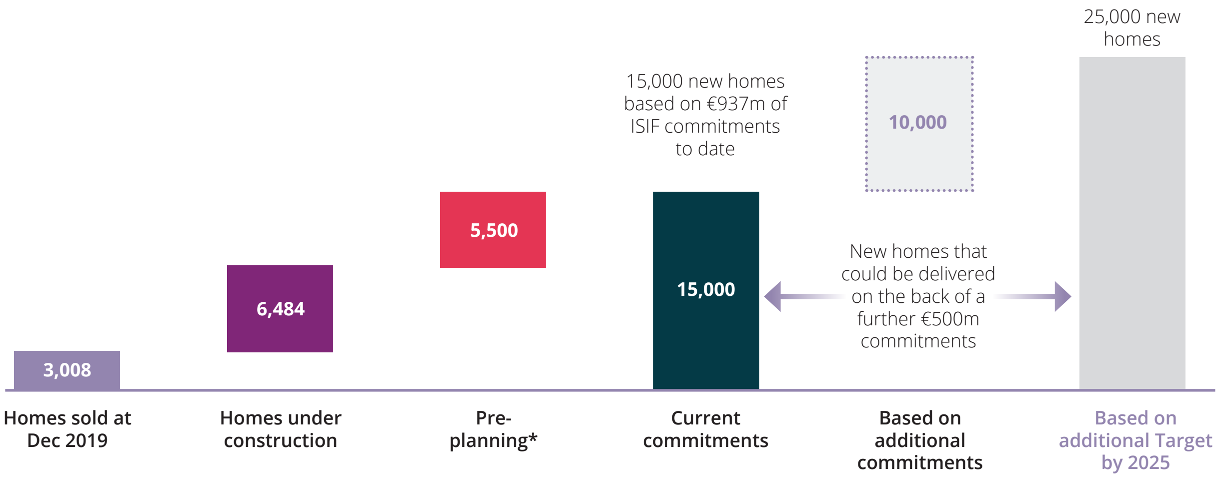
to the Irish economy for the 6 months to June 2019.

Reflects detailed survey data for H1 2019. Given the quantum of surveys of investees and underlying investees of indirect investments and the comprehensive analysis completed, finalisation and publication of this economic impact data always lags 6 months behind.

HOUSING

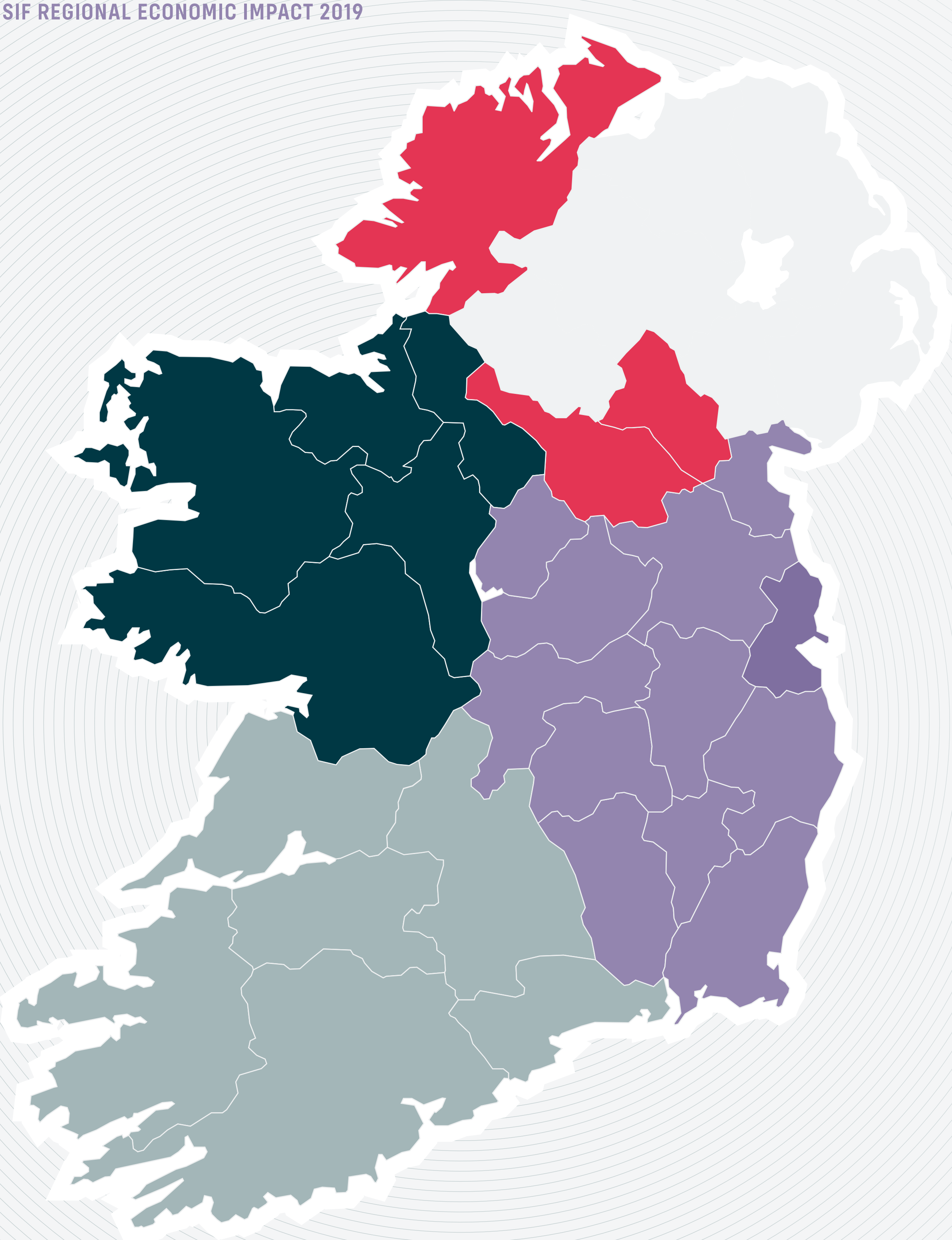
ISIF committed €937m to residential housing, this investment programme is targeting the delivery of 15,000 new homes.

By end-2019 3,000 homes sold with an additional 6,500 under construction.



*Estimate based on 1) sites that have planning permission but construction has not commenced and 2) sites without planning permission.

ISIF REGIONAL ECONOMIC IMPACT 2019



	ULSTER	MUNSTER	CONNACHT	LEINSTER (EX DUBLIN)	DUBLIN
Jobs	4%	22%	6%	23%	45%
ISIF Capital	3%	21%	7%	16%	53%
GVA	4%	20%	5%	22%	49%
*CSO Regional Split of GVA (2016)	5%	24%	7%	19%	45%

Gross Value Added (GVA) is the enterprise or sector level measure of goods or services produced which, when aggregated across all enterprises and adjusted for taxes and subsidies, equals Gross Domestic Product (GDP)

IRELAND STRATEGIC INVESTMENT FUND (CONTINUED)

GLOBAL PORTFOLIO

Total value €5.5bn, of which €2.0bn allocated to other Government Priorities (€1.3bn to LDA & €0.7bn to HBFI).

The main objective of the Global Portfolio is to ensure that cash is available to fund Irish investment commitments as they materialise as well as other directed or expected withdrawals including Home Building Finance Ireland (HBFI) and Land Development Agency (LDA) and to earn an appropriate risk adjusted return that will assist ISIF's performance with a low risk appetite in the intervening period. The Global Portfolio, with total assets at end-2019 of €5.5bn, accounted for 67% of invested assets of the Discretionary Portfolio at December 2019.

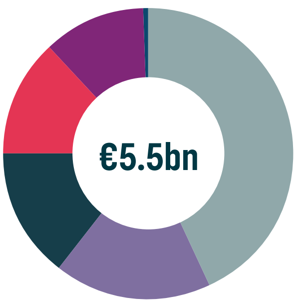
In July 2016, the NTMA completed implementation of its Global Portfolio Transition Strategy (GPTS), which is designed to position the ISIF to transition from a largely global portfolio into an Irish Portfolio as investment opportunities in Ireland are executed and drawn down over a period of years. The primary objective of the GPTS is to ensure that cash is available as required for Irish investments over an indicative period of five to seven years, while making a contribution towards the ISIF's overall investment return objective.

By design, the Global Portfolio is a relatively low-risk multi-asset class and multi-strategy investment approach, investing across cash, fixed income, credit, equities, multi-strategy solutions and absolute return mandates through top quality external global asset managers. The Global Portfolio has, by design a low sensitivity to equity and credit markets. The alternative to the Global Portfolio Transition Strategy would be to convert the portfolio into cash and earn a negative return.

Pursuant to directions issued by the Minister for Finance, during 2019 €1.5bn was transferred from the Global Portfolio to fund the newly established National Surplus (Exceptional Contingencies) Reserve Fund (the 'Rainy Day Fund'). Assets had been liquidated to cash from the Global Portfolio to fund this transfer earlier in the year.

GLOBAL PORTFOLIO ASSETS AT END-2019

- **€2,352m** Multi-Asset
- **€956m** Credit
- **€793m** Cash and Financial assets
- **€701m** Absolute Return
- **€630m** Equity
- **€18m** Legacy Global Real Estate and Private Equity



Figures may not total due to rounding.

GLOBAL PORTFOLIO MANAGERS AT END-2019

Manager	Mandate	Market Value €m	Global Portfolio %
Goldman Sachs Asset Management	Multi-Asset	1,695	31
Irish Life Investment Managers	Multi-Asset	657	12
J.P. Morgan Asset Management	Credit	282	5
Amundi Asset Management	Credit	205	4
BlackRock Investment Management	Credit	368	7
Mackay Shields Europe Investment	Credit	101	2
Acadian Asset Management	Equity	368	7
Generation Investment Management	Equity	262	5
Blackstone Alternative Asset Management	Absolute Return	258	5
AQR Capital Management	Absolute Return	229	4
Bridgewater Associates	Absolute Return	214	4
Global Real Estate Managers*	Real Estate	18	0
NTMA	Cash and Financial Assets	793	14
Total		**5,451**	**100**

*Legacy NPRF investments
Figures may not total due to rounding.

The ISIF's custodian, BNY Mellon, provides custody, accounting, pricing and transaction services to the NTMA. BNY Mellon is responsible for transaction settlement and the custody of the segregated holdings of the ISIF's directly-owned public markets assets.

Sustainability and Responsible Investment Strategy 2020

- The Sustainability and Responsible Investment Strategy (S&RIS) 2020 seeks to protect and enhance both the long-term value and reputation of the ISIF. Among other areas of focus, the S&RIS is focussed on ensuring that the whole portfolio, Global and Irish, third-party managers, and investee companies consider potential climate risks and opportunities as appropriate and that such risks are appropriately considered as a part of ISIF's decision making and portfolio management.

SOME OF ISIF's S&RI Beliefs and Principles

- The NTMA has a responsibility to actively contribute to sustainability of the Irish economy for future generations and to encourage others to do the same.
- Responsibly managed companies, those that actively manage Environmental, Social and Governance (ESG) factors, are best-placed to achieve a sustainable competitive advantage and provide strong, long-term investment returns.
- ISIF is a founding signatory of the UN sponsored Principles for Responsible Investment (PRI) and endorses the Santiago Principles, which sets out best practice standards for accountability and conduct for sovereign wealth funds.

Whole of Fund approach to Sustainability and Responsible Investment

The different characteristics of the Irish and Global Portfolios require varied ESG tools and approaches that take portfolio characteristics, time horizons, asset classes and liquidity profiles together with the size, scale and maturity of investees into consideration.

Key ESG tools include integrated analysis and active ownership.

- Integration: ESG Framework tool to assist in the identification, monitoring and mitigation of material ESG risks across the Irish Portfolio. Throughout its investment decision making processes, the Fund aims to mitigate and manage ESG issues.
- The ISIF has a long history of active ownership and EOS at Federated Hermes provides Active Ownership services for the Global Portfolio. EOS, on ISIF's behalf, engaged with 493 companies on a range of ESG issues and objectives over 2019. EOS made voting recommendations for 11,559 resolutions.
- ISIF uses the services of ISS-ESG to conduct detailed portfolio analytics including carbon footprinting and impact analysis aligned with the UN Sustainable Development Goals (SDGs). Climate Risk assessment is conducted on both an aggregated basis across the Global Portfolio and as part of the monitoring of each of our individual Investment Managers.

Fossil Fuel Divestment

The Fossil Fuel Divestment Act 2018 provides for the divestment by ISIF from fossil fuel undertakings (effectively, companies that derive more than 20% of their revenues from the exploration, extraction and/or refinement of fossil fuels) within a practicable timeframe.

By year end-2019, ISIF had developed a list of 211 fossil fuel companies in which it will not invest. ISIF continues to monitor any potential exposure within its portfolio. Exiting fossil fuel investments builds on ISIF's existing investment exclusionary strategy in respect of cluster munitions and anti-personnel mines (which are prohibited investments under the Cluster Munitions and Anti-Personnel Mines Act 2008), coal production and processing, and tobacco manufacturing.

Climate Change Investment

Climate change is one of ISIF's five priority investment themes in ISIF's 2019 Investment Strategy. ISIF's Climate Strategy is to make investments that help position Ireland for the net zero carbon economy ("Net Zero") envisaged under the national Climate Action Plan. The Climate Strategy encompasses investments ranging from sustainable infrastructure to new technologies and business models that will underpin the transition to Net Zero across each segment of the economy that is heavily reliant on energy and carbon: electricity, transport, buildings, agriculture, and wider enterprise. ISIF has, to date, committed €349m to projects in Ireland in the renewable energy and forestry space.

This includes (i) a £30m investment in Gore Street Energy Storage Fund plc, resulting in the world's first listed energy storage company investing in Ireland; (ii) a €76m cornerstone investment in Greencoat Renewables plc, underpinning the establishment of Ireland's first renewable infrastructure company; (iii) a €50m cornerstone investment in Temporis Aurora LP, Ireland's first dedicated renewable energy development fund aiming to create more than 1000MW of new renewable energy assets by 2030; (iv) a €35m commitment to NTR Wind 1 LP to target construction ready onshore wind assets and (v) a €35m co-investment with Encavis that will target Irish solar energy projects.

IRELAND STRATEGIC INVESTMENT FUND (CONTINUED)

Directions from the Minister for Finance

The Government informed ISIF in relation to €3.5bn for other Government initiatives; the Land Development Agency (LDA) (€1.25bn), Home Building Finance Ireland (HBFI) (€730m) and the Rainy Day Fund (€1.5bn). In 2019, €1.5bn cash was transferred to the Rainy Day Fund and loan facility was drawn by HBFI (€7m).

- **Land Development Agency:** On 22 October 2018, the Minister for Finance informed the NTMA in writing of a proposal to allocate a reserve of up to €1.25bn to support the Land Development Agency. No direction has yet been issued to the NTMA in respect of this transfer.
- **Home Building Finance Ireland:** On 8 April 2019, the Minister for Finance directed the NTMA to execute a loan facility agreement with Home Building Finance Ireland (Lending) DAC (HBFIL) and to make available a loan facility of up to €730m from the ISIF to HBFIL.
- **Rainy Day Fund:** On 15 November 2019, €1.5bn was transferred from the ISIF to the National Surplus (Exceptional Contingencies) Reserve Fund (the 'Rainy Day Fund') under direction from the Minister for Finance.

Directed Portfolio

The Directed Portfolio – primarily public policy investments in AIB, Bank of Ireland, Strategic Banking Corporation of Ireland (SBCI) and HBFI – continues to be held within the ISIF under direction from the Minister for Finance. During the financial crisis, a total of €20.7bn was invested by the NPRF in AIB and Bank of Ireland at the direction of the Minister for Finance for public policy reasons. These assets transferred to the ISIF on the establishment of the ISIF.

The figures in this section relate to investments held by the ISIF only and do not include public policy investments in Irish financial institutions made by the Minister for Finance through the Exchequer. At end-2019, the Directed Portfolio comprised:

(i) Ordinary shares in AIB valued at the market price of €3.10 per share;

(ii) Ordinary shares in Bank of Ireland valued at the market price of €4.88 per share; and

(iii) €215m in cash, committed to lending to the Strategic Banking Corporation of Ireland (SBCI).

(iv) €7m loan facility, drawn by and committed to lending to HBFI.

The Directed Portfolio had a valuation of €6.9bn at end-2019. Its return in 2019 was -8.8%. Arising from the €20.7bn invested in AIB and Bank of Ireland, cash returns on investments to date have amounted to €10.3bn while investment valuations in AIB and Bank of Ireland at end-2019 were €6.7bn, bringing the total amount (income and value) to €17.0bn.

DIRECTED PORTFOLIO AT END-2019

	Cash Invested €bn	Cash Received €bn	End-2018 Value €bn	End-2019 Value €bn	Total (Income & Value) €bn	Shareholding at End-2019 %
Preference Shares	1.8	3.2	-	-	3.2	
Ordinary Shares	2.9	1.0	0.7	0.7	1.7	
Bank of Ireland	**4.7**	**4.2**	**0.7**	**0.7**	**4.9**	**14**
Preference Shares	3.5	2.2	-	-	2.2	
Ordinary Shares	8.7	3.9	7.1	6.0	9.9	
Capital Contribution	3.8	-	-	-	-	
AIB	**16.0**	**6.1**	**7.1**	**6.0**	**12.1**	**71**
Total Bank Investments	**20.7**	**10.3**	**7.8**	**6.7**	**17.0**	
HBFI			n/a	0.0		
Cash committed to SBCI			0.2	0.2		
Total Directed Portfolio			**8.0**	**6.9**		

Figures may not total due to rounding.

NATIONAL SURPLUS (EXCEPTIONAL CONTINGENCIES) RESERVE FUND

Overview

The National Surplus (Reserve Fund for Exceptional Contingencies) Act 2019 (the "**Act**") was commenced by Order of the Minister for Finance on 31 October 2019. The National Surplus (Exceptional Contingencies) Reserve Fund (the "**Rainy Day Fund**") was established on that date. The Minister for Finance has delegated to the NTMA certain functions of the Minister in relation to the investment of the Rainy Day Fund. On 7 November 2019, the Minister directed the NTMA to transfer assets of a value of €1.5bn from the ISIF to the Rainy Day Fund. This transfer was made on 15 November 2019, having been funded by the liquidation of various Global Portfolio assets which had been held in cash like instruments within the ISIF's Global Portfolio.

Investment Strategy and Governance

On 7 November 2019, the Minister for Finance directed the NTMA to invest the Rainy Day Fund subject to and in accordance with Section 8 of the Act and in a manner consistent with the investment guidelines annexed to the Minister's directions (the "**Investment Guidelines**"). The Investment Guidelines state that the investment objective of the Rainy Day Fund is to preserve capital to the greatest extent possible subject to prevailing market conditions while ensuring the Rainy Day Fund has adequate liquidity at all times. The NTMA is required to prepare an appropriate investment plan for the Rainy Day Fund each year (an "**annual investment plan**").

In line with the Minister's directions, the Investment Guidelines and the first annual investment plan prepared by the NTMA, the Rainy Day Fund was invested in Irish Exchequer Notes in 2019 (maturities are less than 1 year).

	Cash Invested €bn	End-2019 value €bn
Initial transfer (Nov 2019)	1.5	1.5

A National Surplus (Exceptional Contingencies) Reserve Fund Oversight Committee within the NTMA oversees the management and investment of the Fund. This Committee, which is made up of representatives from various NTMA business units and corporate functions, reports to the Chief Executive who in turn reports to the Agency. The Committee meets quarterly and held its first meeting in November 2019.