



Ireland Strategic Investment Fund
Quarterly Performance and Portfolio Update
At 31 December 2016

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 €8.1 billion as at 31 December 2016.¹

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 €12.6 billion at 31 December 2016.

The Total Fund size at 31 December 2016 was €20.7 billion.

Fund at 31 December 2016	€bn	% Fund
Discretionary Portfolio	8.1	39%
Directed Portfolio	12.6	61%
Total Fund	20.7	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 +2.9% and has generated an annualised return of +2.2% since inception on 22 December 2014.

Performance	31 December 2015 to 31 December 2016	22 December 2014 to 31 December 2016 *
Discretionary Portfolio	+2.9%	+2.2% p.a.
Directed Portfolio	-9.9%	+4.5% 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 31 December 2016 is set out below:

31/12/2016		
Asset Allocation	Value in €m	Fund Weight
Quoted Equity	789	10%
Bonds and Debt	3,566	44%
Cash and Cash Investments	712	9%
Total Financial Assets	4,278	53%
Private Equity	518	6%
Real Estate	247	3%
Commodities	52	1%
Infrastructure	206	3%
Absolute Return Funds	1,999	25%
Total Alternative Assets	3,022	37%
TOTAL	8,089	100%

Irish Portfolio

The ISIF and 3rd party commitments as at 31 December 2016 to investments aligned with the ISIF mandate are set out below:

31/12/2016	Total ISIF Commitment (€m)
Water	450
Infrastructure	361
Energy	79
SME	385
Food & Agriculture	110
Real Estate	502
Venture Funds	504
Direct Equity	109
Big Idea/Innovation	12
Other	142
Total	2,654

The ISIF's €2.7bn has unlocked third party capital to generate a total investment commitment of €7.3bn in Ireland. €1.4bn of the Fund's Irish commitments have been drawn by investee entities as of 31 December 2016.

ISIF committed €522m to 22 investments in 2016. These commitments unlocked €1,565m of third party capital and as a result €2,087m of capital was committed to Irish investment in 2016 arising from ISIF activities.

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	1,531
J.P. Morgan Asset Management	Multi-Asset	1,210
Irish Life Investment Managers	Multi-Asset	813
Amundi Asset Management	Fixed Income	680
Deutsche Asset Management	Fixed Income	303
BlackRock Investment Management	Fixed Income	318
Muzinich & Co.	Fixed Income	229
Acadian Asset Management	Equity	253
Generation Investment Management	Equity	173
Blackstone Alternative Asset Management	Absolute Return	245
AQR Capital Management	Absolute Return	196
Bridgewater Associates	Absolute Return	229
Global Property (21 legacy managers)	Property	148
Cash & Sundry	N/A	329
Total		6,655

(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 31 December 2016 the Directed Portfolio comprised;

- (i) ordinary shares in Allied Irish Banks valued at €4.17 per share, based on a preliminary external valuation,
- (ii) ordinary shares in Bank of Ireland valued at the market price of €0.23 per share,
- (iii) a €25m loan to SBCI, and
- (iv) €215m in cash, committed for lending to SBCI.

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 99.9 per cent.

The Fund to date has received a total of €6.4 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 - preference share dividends and redemption of preference shares totalling €2.2 billion.

At 31 December 2016 the Directed Portfolio was valued at €12.6 billion. This consisted of an investment value in Allied Irish Banks of €11.3 billion (2015: €12.2 billion) and in Bank of Ireland of €1.1 billion (2015: €1.5 billion), a €25 million loan to SBCI together with cash €0.2 billion.

Category	Investment value at 31 December 2016 (€bn)
Allied Irish Banks*	11.3
Bank of Ireland	1.1
SBCI	0.0
Cash and Equivalent	0.2
Total	12.6

**The Allied Irish Banks shares were independently valued based on the estimated financial position of the bank, using publicly available information as of 31 December 2016.*