

## National Pensions Reserve Fund announces new funds - €850m available for investment in Irish SME sector

- 3 new SME funds to provide equity, credit and restructuring/ recovery investment
- NPRF will invest up to €500 million across new funds as cornerstone investor
- Further step in refocusing of NPRF towards commercial investment in Irish economy

**Wednesday 9 January 2013** – The National Pensions Reserve Fund (NPRF) has today 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. These funds were referenced by the Minister for Finance in his Budget 2013 speech.

The NPRF has played a significant role in the development of the three funds 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 up to €500 million.

The details of the funds announced today are as follows:

- The **SME Equity Fund** (total fund size €300 million - €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 commitments from other-third party investors, is operational and is managed by Carlyle Cardinal Ireland in Dublin.
- The **SME Turnaround Fund** (total effective 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 per cent of the capital invested by the fund will be used to buy the business and 60 per cent will be used to finance the turnaround in order to place it on a sustainable long-term footing. The fund is operational immediately 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 will establish a Dublin office from which to source deal flow.

- The **SME Credit Fund** (initial fund size €450 million / NPRF commitment €175 million - €325 million depending on the amount of third-party investment raised) 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. Returns to investors in the fund will vary according to their position in the fund's capital structure. The NPRF has agreed a Letter of Intent with BlueBay regarding the NPRF's investment in the SME Credit Fund and the objective is for the fund to be operational by early in the second quarter of 2013.

The NPRF is also currently reviewing additional SME fund opportunities that would complement those announced today, with the objective that the eventual suite of funds would have the capacity to invest across the full spectrum of SME financing needs.

The SME funds represent a further step in the redeployment of the NPRF towards commercial investment in the Irish economy. By committing its resources as a cornerstone minority investor, the NPRF's assets can act as catalyst for attracting additional investment from third-party investors into funds targeted at areas of strategic importance to the economy. The commitments to the SME funds have been made under the existing NPRF mandate which is due to be amended by legislation to facilitate further investment in Ireland.

Speaking today, **National Pensions Reserve Fund Chairman Paul Carty** said: "This substantial commitment by the NPRF represents a significant step towards its future objective of focusing on investment opportunities in the Irish economy while at the same time earning commercial returns. SMEs are the backbone of the domestic economy and we believe that the development of these new financing options will enhance their ability to contribute to economic recovery."

### **Media enquiries**

Gordon MRM

Ray Gordon (087 241 7373) / David Clerkin (087 830 1779)

ntma@gordonmrm.ie

## **Editor's Notes**

### **Carlyle Cardinal Ireland**

Carlyle Cardinal Ireland is a joint venture between Carlyle Group and Cardinal Capital Group.

The Carlyle Group (NASDAQ: CG) is a global alternative asset manager with \$157 billion of assets under management across 101 funds and 64 fund of fund vehicles. Carlyle invests across four segments - Corporate Private Equity, Real Assets, Global Market Strategies and Fund of Funds Solutions - in Africa, Asia, Australia, Europe, the Middle East, North America and South America.

Cardinal Capital Group ("Cardinal") is a specialist investment management firm with offices in London and Dublin. Cardinal's business activities encompass alternative investment management including hedge funds, private equity and real estate. Cardinal Asset Management Limited (UK) is registered and authorised by the Financial Services Authority as a financial advisor and maintains regulatory approval to conduct a wide range of financial services activities.

Cardinal was founded in 2003 by Nigel McDermott and Nick Corcoran.

### **Better Capital**

Better Capital PCC Limited is a main market London-listed company which has invested its net proceeds into two Guernsey-based feeder funds with the investment objective of generating attractive total returns from investing in portfolios of businesses that have significant operating issues and/ or associated financial distress, with a primary focus on businesses which have significant activities within the United Kingdom and Ireland. Better Capital's total AUM in full is £380 million and has a total market capitalisation of just under £0.5 billion. The co-investment with the NPRF will be funded out of BECAP12 Fund LP, Better Capital's second feeder fund (ticker: BC12.L) and managed by BECAP12 GP LP. There are currently nine core investments in the funds.

### **BlueBay Asset Management**

BlueBay is a specialist manager of fixed income credit and alternative products. Based in London, with offices in the US, Luxembourg, Hong Kong and Japan, we manage over US\$46.9 billion (as at 30 September 2012) for institutions and high net-worth-individuals. BlueBay manages a combination of fixed income and alternative products covering investment grade, emerging markets, convertibles, distressed and high yield. BlueBay Asset Management LLP is a wholly-owned subsidiary of Royal Bank of Canada (RBC) and part of the RBC asset management division, RBC Global Asset Management group of companies.