



National Pensions Reserve Fund
Commission



Annual Report and Financial Statements

2005



Treasury Building,
Grand Canal Street, Dublin 2, Ireland.

Telephone: (353 1) 664 0800

Fax: (353 1) 664 0890

**National Pensions Reserve Fund
Commission**

28 June 2006

Mr. Brian Cowen, T.D.,
Minister for Finance,
Government Buildings,
Upper Merrion Street,
Dublin 2

Dear Minister,

I have the honour to submit to you the Report and Accounts of the National Pensions Reserve Fund Commission for the year ended 31 December 2005.

Yours sincerely,

Paul Carty,
Chairman

ABOUT THE NATIONAL PENSIONS RESERVE FUND

The National Pensions Reserve Fund (NPRF) was established in April 2001 under the National Pensions Reserve Fund Act, 2000. Its objective is to meet as much as possible of the costs of social welfare and public service pensions from 2025 onwards when these costs are projected to increase dramatically due to the ageing of the population.

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 Fund is controlled and managed by the National Pensions Reserve Fund Commission. The Commission 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.

More information is available at the Fund's website:
www.nprf.ie



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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. Coupled with the Exchequer contribution of €1.3 billion, this brought the Fund's value to €15.4 billion, a sum equivalent to 11.4% of GNP.

The Fund's strong performance in 2005 was driven by buoyant global equity markets. However, it is obviously unrealistic to expect financial markets to continue to deliver these types of returns. Already in 2006 we have seen a pullback with strong gains in the first quarter being eroded subsequently as markets focus on inflationary concerns and a less favourable interest rate climate. If there is one certainty in equity investment, it is that markets do not follow an even path. However, as a long-term investor, the Commission is prepared to accept this volatility as a trade-off for the superior long-term return that can be anticipated from investment in equities and other real assets.

Indeed, the biggest risk the Commission 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 Commission's investment strategy and its strong orientation towards investment in real assets is predicated on equities earning, on average, a return of 3% per annum in excess of bonds over the long-term. Historical long-term experience shows that such an assumption is modest and achievable.

In its management of the Fund, the Commission is acutely conscious of its responsibility to maximise the return on the taxpayers' investment within prudent risk limits. To that end, the Commission's 2005 work programme focused heavily on the planned expansion of the range of the Fund's investments to include small cap and emerging markets equities, private equity, property, commodities and forestry. These new asset classes will increase the Fund's potential return while diversifying its risk by reducing its dependence on the performance of any single asset class.

The Commission made substantial progress in implementing this investment strategy in 2005 and the Fund's property and private equity programmes are now well underway. The development of these programmes and the diversification of the Fund's investment base in line with the best practice of its international peers will remain one of the Commission's priorities both in 2006 and in the following years.

While the National Pensions Reserve Fund Act gives the Commission a strictly commercial investment mandate, the Commission is conscious of the need to act responsibly in its

capacity as a large institutional owner of companies across the globe. In particular, it has spent considerable time considering how it can best integrate environmental, social and governance (ESG) issues into its management of the Fund.

The Commission took a very significant initiative in this regard in April 2006 when it joined a group of the world's largest institutional investment funds in signing the Principles for Responsible Investment at their launch in New York by the UN Secretary General, Kofi Annan. The aim of the Principles is to provide a framework for the integration of ESG issues into investment decision-making and ownership practices. They represent the beginning of a process which will see the Commission taking account of ESG factors in its investment strategies and becoming a more engaged shareholder in the companies in which it invests. By signing the Principles the Commission is committing itself to take concrete steps in their implementation and it will report on progress made each year in its Annual Report.

The management of a large, globally diversified fund such as the National Pensions Reserve Fund is a complex, evolving and challenging task. I would like to thank my fellow commissioners, the members of our investment committees and the staff of the NTMA for their contribution over the last year. I would also like to place on record my appreciation of a number of external experts who have shared their time, wisdom and experience with the Commission and proved of great assistance in the launch of the Fund's property and private equity programmes.

Finally, I would like to pay tribute to the Fund's first Chairman, Donal Geaney, who passed away last October. The Fund is now just over five years in existence and the distance it has come in that time is a testament to Donal's vision, leadership and energy. I consider it a great honour to have been asked by the Minister for Finance to succeed Donal as Commission Chairman and I look forward to working with my fellow commissioners and the NTMA in building on the strong foundations laid during Donal's tenure.

Paul Carty
Chairman
28 June 2006

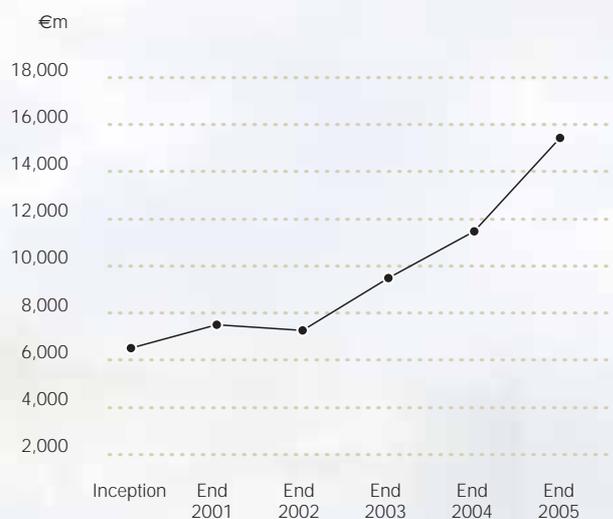
Key Figures 2005

- Fund assets grew from €11,689m to €15,419m.
- The investment return for the year was 19.6% or €2,410m.
- The Exchequer contribution was €1,320m.
- Since its inception in April 2001, the Fund's annualised return has been 5.3%.
- The Fund's value at end 2005 was equivalent to 11.4% of GNP.

NPRF Summary Asset Allocation 31 December 2005

	€m	%
Quoted Equities	12,136	78.7
Private Equity	20	0.1
Property	133	0.9
Commodities	200	1.3
Government Bonds	1,802	11.7
Cash	1,128	7.3
Total	15,419	100.0

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

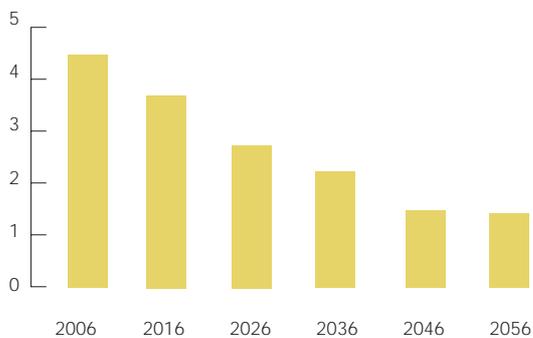


Fund Overview

The Pensions Issue

Ireland currently has a pay as you go State pension system – in any one year the costs of social welfare and public service pensions are paid out of taxation, social insurance contributions and other Government receipts. This system works well when there are sufficient people in employment to meet the costs of pensions for those who have retired. At present this is the case in Ireland as there are 4.3 people at work to each person over 65. However, this situation will change as the population ages due to increased life expectancy and lower birth rates. The National Pensions Review, published by the Pensions Board in January 2006, projects that the ratio of people at work to people over 65 will fall to 2.7:1 by 2026 and to 1.4:1 by mid-century.

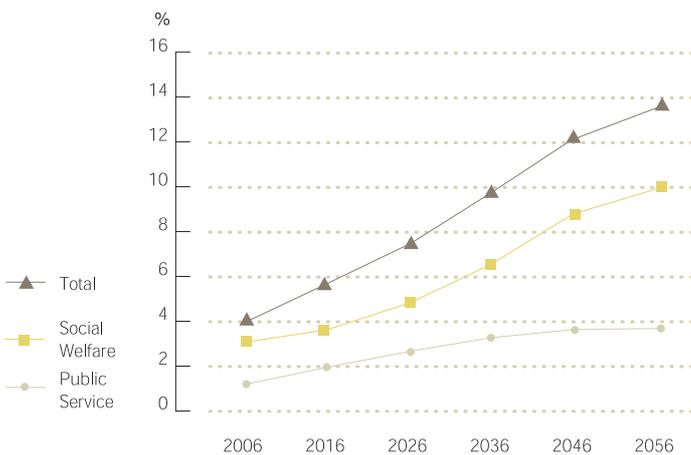
Projected Ratio of People at Work to People over 65
2006 to 2056



Source: *The National Pensions Review (2006)*

Population ageing will inevitably lead to significantly increased State pension costs, in particular in the social welfare area, as more pensioners have to be supported by proportionally fewer workers. Projections indicate that annual social welfare pension costs will rise from their current level of 3.0% of GNP to 10.1% of GNP by mid-century and public service pension costs will climb from 1.3% of GNP to 3.7% of GNP over the same period putting significant pressures on the public finances.

Projected State Pension Costs as % of GNP



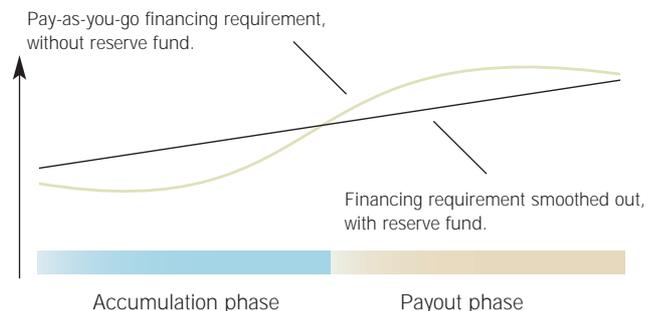
Source: *The National Pensions Review (2006)*

The National Pensions Reserve Fund

The National Pensions Reserve Fund was established in April 2001 with the objective of meeting as much as possible of the increased costs of social welfare and public service pensions from 2025 until at least 2055. The Fund is essentially a demographic equalisation mechanism involving the statutory investment by the Government of 1% of GNP annually in order to diminish the cost to future generations of pensions for today's workforce. No money can be drawn down before 2025 and, from then on, drawdowns will continue until at least 2055 under rules to be made by the Minister for Finance.

Ireland's population is younger than that of other European countries and the issues posed by population ageing will, consequently, affect it later. The Fund entails setting aside some of the revenues generated while the bulk of the population is in the labour force and contributing to economic growth, investing them, and drawing them down in the future when growth rates are likely to be slower and the age dependency burden very much increased.

Life Cycle of the National Pensions Reserve Fund



Note: *Diagram is not to scale*

The Fund's life-cycle consists of (1) an accumulation phase during which funds are put aside to pre-finance a proportion of the additional pension costs associated with population ageing and (2) a payout phase which supports the pay as you go system. In this way the Fund smooths the Exchequer costs arising from Ireland's additional pension commitments over a lengthy period thus contributing to the long-term sustainability of the pension system.

Establishment of the Fund before the fiscal issues caused by population ageing begin to bite means that relatively modest contributions can have a significant effect. The National Pensions Review has projected, using conservative return assumptions, that the Fund's value will peak at 50% of GNP around the year 2040 and that payments from the Fund will reduce the impact of pension payments on the Exchequer by 3.5% of GNP annually by mid-century - a quarter of the total cost. These projections are based on the Fund being completely exhausted by 2070.

Investment 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, the Commission is guided by the Fund's objective 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 the Commission's focus is on maximising the Fund's performance. 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.

The Commission's asset allocation strategy is founded on the premise that real assets, such as equities and property whose performance is linked to the rate of economic growth, will continue, over the long-term, to outperform financial assets such as bonds. While equities are inherently more volatile than bonds, with sharp performance swings over short time periods, the Fund's long 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 means 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)

The Commission's initial investment strategy in 2001 involved an 80% allocation to equities and a 20% allocation to bonds. In February 2005 the Commission announced the results of a review it 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, the Commission decided to allocate 18% of the Fund to alternative asset classes (property, private equity and commodities). It also decided to increase the Fund's small cap equity allocation from 2% to 4% and to make a 2% allocation to emerging markets equities.

NPRF Asset Allocation

	Target Allocation (end 2009)	Fund Allocation (end 2005) ¹	Benchmark Portfolio (end 2005)
	%	%	%
Large Cap Equity	63	73.1	72.3
Small Cap Equity	4	3.5	3.5
Emerging Markets Equity	2	2.1	2.0
Total Quoted Equity	69	78.7	77.8
Private Equity	8	0.1	0.1
Property	8	0.9	1.0
Commodities	2	1.3	1.5
Total Alternative Assets	18	2.3	2.6
Government Bonds	11	11.7	16.6
Corporate Bonds	2	0.0	2.0
Cash		7.3	1.0
Total Financial Assets	13	19.0	19.6
Total	100	100.0	100.0

Transition from a portfolio fully invested in quoted assets, such as equities and bonds, to a more diversified portfolio including substantially less liquid assets, such as property and private equity, will take time. Accordingly, the Commission is planning to achieve its target allocations on a phased basis by end 2009.

The Commission made significant progress in the implementation of the target 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 investments respectively. It is a feature of such investments that there is a time delay between the making of commitments and when cash is drawn as the managers of the selected investment vehicles identify suitable investment opportunities.

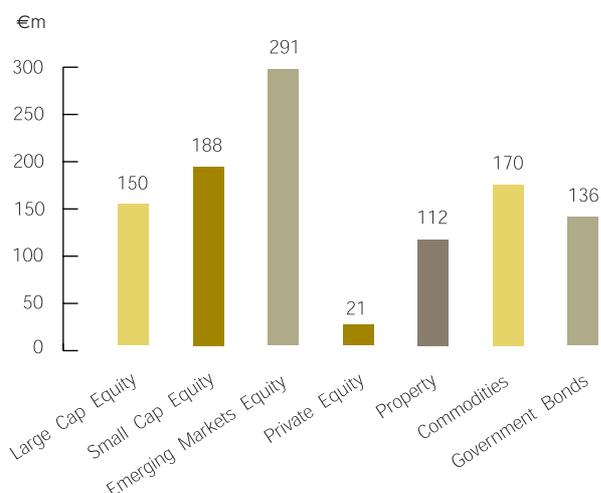
¹ Asset allocation is based on amounts allocated to each investment manager and includes cash, accrued income and other net assets held. Cash includes cash equivalents.

The large cash holding - 7.3% of Fund value at end 2005 - is primarily due to the Commission's decision not to allocate additional cash to bonds at the very low yields that prevailed through most of the year. Yields reached historically low levels in September with German 10 year yields falling close to 3% at one point.

As yields rose, the Commission committed €136m to bond markets in December. It did not make any investments in corporate bonds as the difference in yields between corporate and government bonds was towards the lower end of its historical range and did not, in the Commission's view, represent adequate compensation for the greater risk and reduced liquidity of corporate bonds.

The Fund's strong cash flow from the Exchequer means that the transition to the new strategic asset allocation can be financed from cash with limited or no recourse to sales of existing assets, thus minimising transaction costs. During 2005, the Commission invested €1,068m in the capital markets.

New NPRF Investments 2005



Benchmark Portfolio

Under the National Pensions Reserve Fund Act, the Commission is required to determine appropriate benchmarks against which the investment return of the Fund can be assessed. It measures Fund performance relative to a benchmark portfolio consistent with its strategic asset allocation. The performance of each asset class is measured against a defined benchmark (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.

From inception to end 2004, the benchmark portfolio was based on an 80% allocation to equities and a 20% allocation to bonds. As the Commission is transitioning the Fund from this strategic allocation to one that also includes

non-quoted and illiquid asset classes, it has, from the start of 2005, adopted a benchmark which moves in a reasonable and replicable way to the targeted investment strategy while also providing an objective standard against which overall Fund performance can be measured. This benchmark is based on two general principles:

- (i) Quoted asset classes move to their full weighting as early as possible (as soon as the Commission is in a position to invest in the asset class).
- (ii) The weightings of property and private equity in the benchmark are increased each quarter in line with projected investment in these areas. This approach recognises the fact that attractive investment opportunities in these asset classes arise in an irregular fashion and they are not suitable for benchmarking against a predetermined target weighting. As these weightings are increased, the large cap equity and government bond weightings will be correspondingly reduced.

The benchmark's cash allocation reflects the fact that a certain degree of liquidity is required at all times to fund capital calls from the managers of property and private equity vehicles in which the Fund has invested.

Managing Foreign Currency Risk

The Fund's global investment profile exposes it to the risk of large swings in exchange rates. However, investment in non-euro denominated assets can also serve to reduce risk through the increased diversification it brings to the Fund. The Commission has, since inception, hedged 50% of the foreign currency exposure arising from its non-euro denominated equity investments on the basis this provides the most efficient trade-off between risk and return. It should be emphasised that the 50% hedge is an integral part of the Commission's long-term investment strategy and gains or losses on the hedge should not be viewed in isolation.

During 2005 the Commission expanded its 50% currency hedge to include private equity and property. The level of the property hedge will be reviewed in the light of the weightings of the currencies in which the assets in the property portfolio are denominated.

The Commission has not hedged the currency exposure on its emerging markets equities investments as a currency view is an integral part of the investment manager's decision to invest in a particular country.

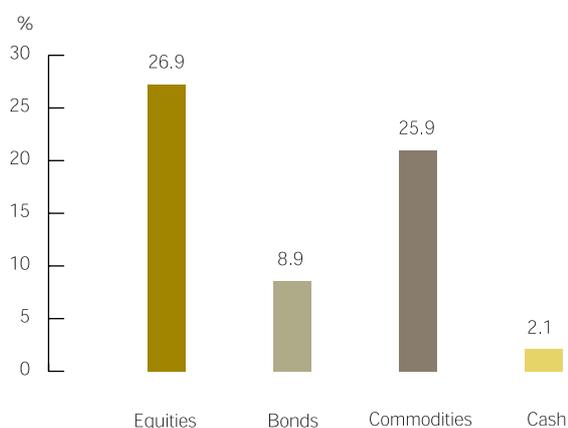
The Fund's commodity exposure is unhedged as commodities were incorporated into the Fund primarily for diversification purposes. Hedging the foreign currency exposure arising from commodity investments would decrease their diversification power.

Overall Performance

Absolute Performance

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

NPRF Performance by Asset Class 2005



Performance was primarily driven by the Fund's heavy equity weighting, although bonds also performed solidly during the year. While commodities performed very strongly, the Fund's allocation to them is low. As the Fund is at a very early stage in its property and private equity programmes, these did not impact materially on overall performance. The return earned on the Fund's cash deposits reflects the fact that unallocated cash is placed on deposit with the Central Bank.

In monetary terms, the Fund earned an investment return of €2,410m during 2005. Together with the Exchequer contribution of €1,320m, this brought the Fund's year-end value to €15,419m (equivalent to 11.4% of GNP).

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 Value of Investments	2,087
Management Fees & Fund Expenses	(24)
Net Assets of Fund at 31 December 2005	15,419

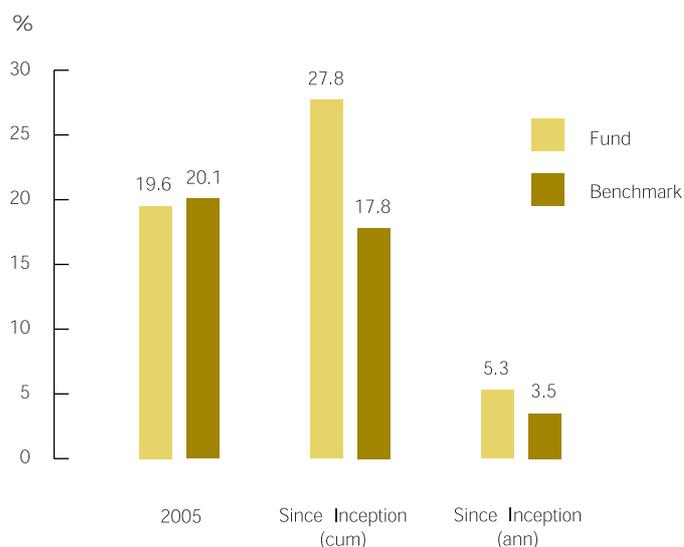
In a year when the euro declined significantly against the US dollar, the Commission's policy of hedging 50% of the Fund's foreign currency exposure detracted from overall return by 2.7%. Gains and losses on the currency hedge do not represent absolute positions but serve to reduce the impact of currency fluctuation on the Fund's overall value. Losses of €292m on the currency hedge in 2005 served to partially offset cumulative gains of €414m in previous years.

Benchmark Performance²

Allowing for the Commission's 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



The Commission 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 the Commission's 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%.

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

²As benchmarks for property and private equity have not yet been finalised, for performance measurement purposes it was assumed that benchmark performance for these assets classes was the same as actual performance.

Quoted Equities

Investment Approach

The Fund's equity investments are predominantly in large capitalisation companies across developed global markets. The Commission's strategic preference for equities is on the basis that, over the long-term, they will generate a superior return although short-term market volatility can cause large performance swings. The Commission regards the eurozone, where there is no currency risk, as its domestic market and 50% of its large cap allocation is to the eurozone. Allocations to other large cap markets are on the basis of market weighting and are adjusted quarterly in the light of market movements.

The Commission has also made allocations to small cap and emerging markets equities for purposes of diversification and additional return. Historical evidence indicates that, over the long-term, small cap equities have tended to outperform their large cap counterparts, but that this outperformance tends to be uneven. Emerging markets, which include many countries with rapidly growing economies, offer opportunities to earn returns in excess of those available in developed markets.

NPRF Equity Benchmark Weightings

% of Total Fund - 31 December 2005

	%
Large Cap Eurozone	36.2
Large Cap North America	23.3
Large Cap Europe (non-eurozone)	6.4
Large Cap Japan	4.7
Large Cap Pacific Basin	1.7
Total Large Cap Non-Eurozone	36.1
Small Cap	3.5
Emerging Markets	2.0
Total	77.8

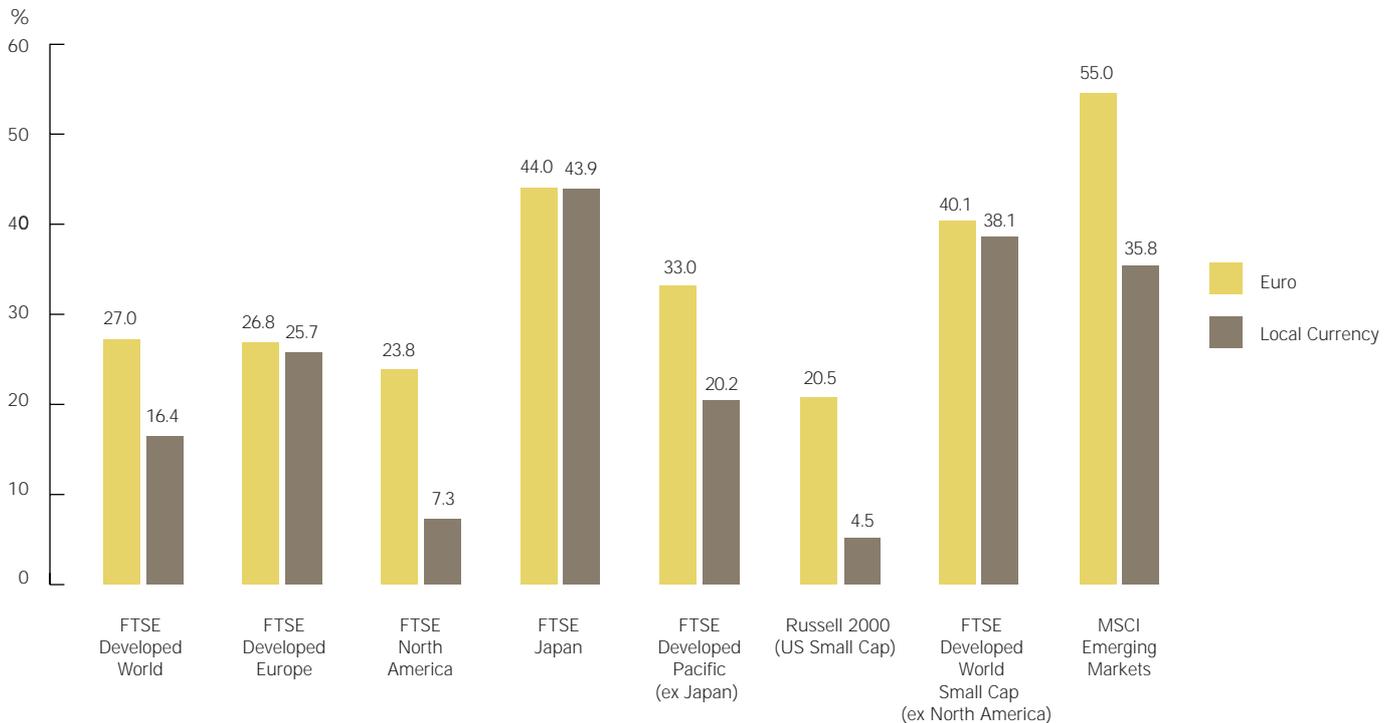
NPRF Equity Mandates and Managers - 31 December 2005

Mandate	Manager	Assets under Management ³ €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 Active⁴		
	Alliance Bernstein	162
	Emerging Markets Management	155
Total		12,136

³ Assets under management include cash, accrued income and other net assets held.

⁴ 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.

Returns to Selected Equity Indices 2005



As the Fund moves towards its 2009 target allocation, its large cap equity allocation will drop progressively to 63%.

The Commission has adopted a "buy not make" approach to managing its equity investments with all equity management being outsourced to external investment management firms. This approach means that manager selection and review are crucial elements of the work done by the Commission and the NTMA. The NTMA has concentrated its resourcing efforts in building up its expertise in these areas.

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.

The Commission also aims 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. This multi-manager approach allows for diversification so that the Fund's performance is not too dependent on the performance of any one manager or investment style.

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. These opportunities can often arise due to the generally lower level of analyst coverage of stocks in these markets.

Performance

The Fund's equity investments delivered a return of 26.9% in 2005 against a background of continued strong growth in the global economy as corporate earnings grew and inflation expectations remained subdued.

Equity performance in 2005 was driven by very strong corporate profitability, in particular in the resource and basic materials sectors which benefited from China's exceptionally strong economic activity. European equities performed well despite the fact that the European economy remained more sluggish than its North American and Asian counterparts. However, European companies reaped the reward of cost-cutting measures made in previous years while they also benefited from the perception that they had been undervalued at the start of the year. 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. Emerging markets benefited substantially from globalisation.

The Fund's equity performance in 2005 was in line with its benchmark. However, the Commission's objective is to outperform its equity benchmark. 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. The Commission will be placing an increasing emphasis on managers' performance now that many of them have been in place for three years.

The Commission earns additional revenue on the Fund's equity holdings through its securities lending programme. Securities lending involves the temporary transfer of a security from its owner to another investor or financial intermediary and represents a low risk means of enhancing portfolio performance. The securities lending programme is managed by the Fund's global custodian – ABN Amro Mellon. The Fund earned €6.9m from the programme in 2005.

The Fund also participates in a commission recapture programme which allows a fund to separate the cost of research and execution in brokerage commissions and pay only for execution on specified trades. The programme is managed by Frank Russell Securities Inc. The Fund earned €1.0m from the programme in 2005.

Equity Manager Strategy Review

During the year the Commission reviewed its equity manager strategy in the light of experience and international best practice developments. The overall aim of the Commission's equity manager strategy is to channel the risk it is taking through active management into those sectors and managers considered most likely to generate returns above the market indices. The key initiatives arising from the review are:

- encourage the best performing managers to apply for Fund mandates;
- develop greater alignment between active and passive mandates to increase operational flexibility in managing the Fund;
- play to managers' specific skills and strengths in the construction and awarding of mandates.

Under EU public procurement procedures, the Commission is obliged to run competitions for segregated equity mandates. 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 both to the perceived complexity and long timeframe of competitions run under EU procedures and, particularly in the United States, lack of awareness of the competitions. The Commission is, accordingly, updating its tender process to make it as user friendly as possible while complying with EU public procurement procedures and will also be undertaking more active marketing initiatives.

The Commission has also retendered the Fund's passive equity mandates. Under the current mandates, each manager is appointed to track a particular market index. The retendered mandates will ask managers to manage against one or more of a number of indices as specified from time to time. This will give the Commission significantly increased flexibility in the operational management of the Fund. It will enable it to switch quickly between active and passive management of a particular mandate and assist in the overall aim of focusing risk on those strategies most likely to lead to additional return.

Active managers may have particular strengths in generating outperformance from specific countries, sectors, styles or some other area. The increased operational flexibility arising from the retendered passive mandates will allow the Commission to construct mandates that exploit managers' particular skills.

Alternative Assets

Property

Property offers the prospect of attractive returns and significant diversification benefits. As in the early years of this decade, property may offer positive returns in periods when equity markets are declining. Property can also act as an effective hedge against inflation.

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

The Fund's property investment programme will comprise holdings across the investment style range: core (low risk and market return), value add (medium risk and above average return) and opportunistic (higher risk and higher return), on a global basis: Europe, North America and Asia. Achieving the Fund's 8% investment target by end 2009 is likely to involve investments in the region of €2.0bn by that time.

NPRF Property - Strategic Geographic Allocation

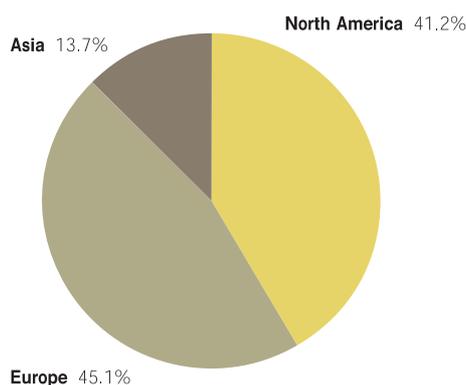
	Allocation Range
Europe	35% to 65%
North America	15% to 50%
Asia	0% to 30%

The 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 three 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

% Geographic Allocation



Private Equity

Private equity ranges from buyouts (the purchase of established businesses or going concerns) to venture capital (the provision of finance to start-up and emerging companies). 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.

As with property, achieving the Fund's 8% investment target by end 2009 is likely to involve investments in the region of €2.0bn by that time. The Fund's private equity investment 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.

NPRF Property Commitments - 31 December 2005

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 Value Added Fund V International	42
Asia	Asia Retail Mall II	21
US	Broadway Partners Value Added 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		404

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 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 the Commission's main challenges will be obtaining meaningful allocations in these funds. A key element of the Commission's strategy is to use the Fund's long-term investment horizon and strong cash flow to build long-term relationships with the higher calibre private equity funds.

The 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 three to five years. At the end of 2005 the Fund had commitments to three separate buyout vehicles totalling €181m with €21m of this total commitment having been invested.

NPRF Private Equity Commitments 31 December 2005

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

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.

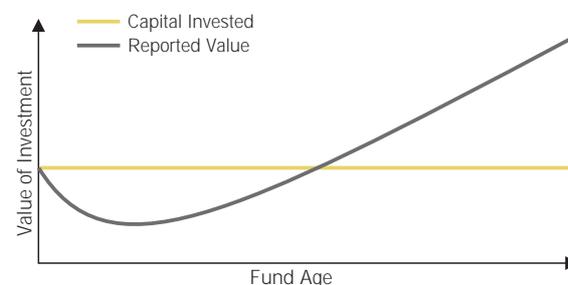
These vehicles are generally constituted in such a way that the Fund is an arms length investor with no involvement in the day to day management of the investment. The vehicles are usually created for a fixed term of approximately 10 years. A General Partner is responsible for the implementation of strategy 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 from the NTMA prior to any commitment being made.

It is planned to finalise benchmarks for the private equity and property portfolios during 2006. One feature of investment in these asset classes which must be borne in mind when interpreting performance is what is known as the J-curve effect. The J-curve effect is particularly pronounced in private equity. It arises from the fact that negative returns are experienced in the early years of an investment programme due to investment entry costs and management fees while the anticipated excess returns typically do not emerge until the investment programme has been underway for a number of years and companies are sold or floated on the stock market.

The J-Curve Effect



The J-curve effect will have implications for the performance of the property and private equity programmes during their early years as the Commission builds towards the 8% target allocations in each area. Given the size of the programmes, it can also be expected to cause a drag on the Fund's overall performance during these years. The Commission's view is that this short-term performance drag is a price worth paying for the expected significantly enhanced diversification and potential excess returns available from a substantial alternative assets programme.

Finally, it should be noted that the J-curve effect on the performance of the property portfolio was minimised during 2005. This was due to a number of factors including entry into investment vehicles which already had assets and faster than anticipated drawdown of property commitments.

Commodities

Commodities offer attractive return prospects, a hedge against inflation and substantial diversification benefits. Diversification benefits can be achieved through relatively small allocations to the asset class.

The Commission is accessing the commodities market through the purchase from investment banks of certificates which reflect the return on the Goldman Sachs Commodity Index (GSCI). The GSCI includes 24 different commodities across five different categories (energy, industrial and precious metals, agriculture and livestock). This investment approach obviates the need to physically hold commodities or to put in place resources to trade in the various commodities futures contracts. The Commission invested €170m in commodity 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 the principal component of the GSCI, returns on the index are predominantly driven by oil and gas prices.

The GSCI does not include forestry. However, forestry is an attractive investment for pension funds as mature trees can be left in place during economic downturns and harvested when business improves. A quarter of the Fund's overall commodity allocation is to forestry and the Commission expects to finalise details of how it will enter the forestry market during 2006.

Fixed Income

Investment Approach

The Commission invests in both government and corporate bonds and all of the Fund's bond investments are denominated in euro. The Commission is prohibited under the National Pensions Reserve Fund Act from investing in Irish Government bonds.

The Commission's 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.

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

Eurozone Government - Passive	11.8
Eurozone Government - Active	4.8
Eurozone Corporate - Active	2.0
Total	18.6

As the Fund moves towards its 2009 target allocation, the benchmark government bond allocation will drop progressively to 11%. The Commission can afford to let the Fund's bond allocation fall in this manner, while broadly maintaining its existing risk profile, due to the diversification effect of the new asset classes which reduces the Fund's dependence on the performance of any single asset class.

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 Mandates and Managers – 31 December 2005

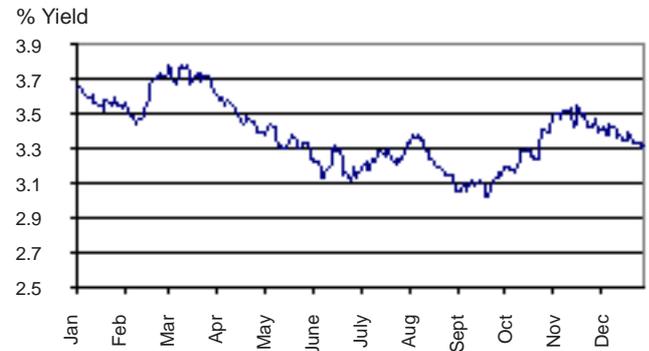
Mandate	Manager	Assets under Management ⁶ €m
Eurozone Government - Passive	National Treasury Management Agency	1,341
Eurozone Government - Active	Irish Life Investment Managers	461
Eurozone Corporate - Active	Deutsche Asset Management	Not funded
Total		1,802

The Commission has not yet funded the corporate bond mandate as the difference in yields between corporate and government bonds has been 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. The Commission will continue to monitor the yield difference and will fund the mandate when it believes the risk/reward ratio is more fairly balanced.

Performance

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

German 10 Year Government Bond Yields 2005



Source: Bloomberg

The strong performance of bond markets in 2005 was unanticipated given the low yields prevailing at the end of 2004⁵. Nevertheless, eurozone bond yields continued to fall through the first three quarters of 2005. 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 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.

⁶ Assets under management include cash, accrued income and other net assets held.

Risk, Oversight and Controls

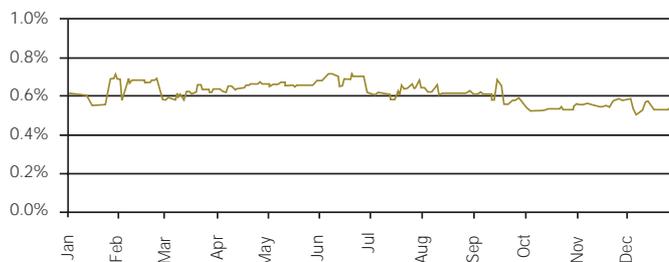
The Fund is exposed to a number risks and one of the principal tasks of the Commission and the NTMA as Fund Manager is managing this risk. To this end, the NTMA has installed information technology systems and developed detailed control procedures in line with industry best practice.

Market Risk

The primary source of risk to the Fund is the amount of market risk (risk arising from conscious investment decisions) the Commission wishes to take so that the Fund will achieve its investment objective. Market risk includes fluctuations in equity and bond prices and foreign exchange movements. It is obviously necessary to take some market risk in order to generate return. In formulating its investment strategy the Commission has taken the view that, due to its long-term investment horizon, the Fund can afford to bear short-term volatility of returns in anticipation of superior long-term return. The Commission has endeavoured to maximise potential return while keeping this volatility within reasonable limits by diversifying the Fund's investments across a number of asset classes.

Relative market risk arises from the performance of the Fund's roster of managers and tactical asset allocation decisions. The Commission has chosen to take a limited degree of risk in these areas in pursuit of additional return. The resulting risk of deviation of the Fund's actual return from the benchmark return is monitored on a daily basis by the NTMA through the use of tracking error. Tracking error is the expected standard deviation of the performance difference between the actual Fund and the benchmark portfolio. Standard deviation is a statistical concept which reflects variation of return. The Fund's overall tracking error limit is 1.25%. This means that annual Fund performance would be expected to be within 1.25% of benchmark performance approximately two thirds of the time.

NPRF Tracking Error 2005



During 2005 the Fund remained well below its tracking error limit. This was due to the low level of volatility within the financial markets through the year and the fact that the Fund's investment managers did not, as a group, utilise all of their allotted tracking error⁷.

The tracking error limit for the Fund does not include its property and private equity investments. The Commission has not yet made a decision on whether to extend the tracking error framework to include these asset classes. Indeed, their illiquid nature combined with the fact that publicly available index portfolios against which deviation from benchmark can be measured do not exist in these areas makes the extension of the tracking error framework to property and private equity somewhat problematic. The Commission currently manages the market risk of its property and private equity portfolio by ensuring that, when assessed by investment region and investment type, they remain within defined ranges of its preferred strategic portfolio. When the benchmarks for these asset classes are finalised, it will make a decision on the extent to which they will or will not be brought within the Fund's tracking error framework.

Operational Risk

Operational risk is the risk arising from errors in the implementation of the Fund's investment strategy. The Commission's aim is to minimise operational risk and the NTMA has put in place a comprehensive range of controls to this end. These controls are formally reviewed on an annual basis to ensure that they address and remain appropriate to the risks to which the Fund is exposed. The implementation of the controls is monitored by the NTMA's Internal Control Unit. This work is supplemented by a firm of auditors, currently PricewaterhouseCoopers, which performs internal audit work. The Internal Control Unit and the external firm are required to draw attention to any gaps in controls or instances where they believe controls should be strengthened in line with best international practice and make appropriate recommendations for change.

The Commission's Audit Committee is actively involved in the controls process. The NTMA is required to make a series of standard written reports to each Audit Committee meeting setting out details of any breaches of controls and any other control issues which may have arisen. Each year, the Committee considers the NTMA's review of controls as well as the results of the audits

⁷ The Fund's overall tracking error is allocated between individual investment managers through a risk budgeting process. The higher the tracking error allocated to a manager, the greater the flexibility accorded to the manager in departing from the benchmark portfolio. For example, the Fund's active equity managers typically have a risk budget of 6%: annual manager performance would be expected to be within 6% of benchmark performance two thirds of the time.

carried out by the NTMA Internal Control Unit, the external firm and the Fund's statutory external auditor, the Comptroller and Auditor General.

The Fund has received satisfactory reports from both its external and internal auditors in respect of 2005.

Global Custodian

The Fund's global custodian, ABN Amro Mellon, is responsible for transaction settlement (the delivery of cash or securities in respect of purchase/sales of the Fund's assets) and the safekeeping of all the Fund's assets independently of the investment managers, with the exception of the Fund's indirect investments⁸. An essential part of the service is the maintenance of accurate records and the issuance of reports to the Fund and certificates to auditors confirming the details of assets in custody. Data supplied every day by the custodian is used to generate the Fund's control reports and valuations.

The custodian's functions also include the collection of income and dividends on assets, tax reclaims due to the Fund and the provision of a comprehensive range of financial accounting reports.

The monitoring of the global custodian is an integral part of the functions of the NTMA's Finance Directorate who are also responsible for the preparation of the Fund's valuations, management information, taxation administration and production of the annual financial statements.

⁸ The Fund's indirect investments in funds or partnerships are registered in the name of the Fund in the relevant share or partnership register.

Fees and Expenses

The accrued fees and expenses incurred in the operation of the Fund in 2005 totalled €23.8m reducing overall Fund performance by 0.2%.

Fund Expenses 2005

	€
Investment Manager fees	19,653,821
Global Custodian fees	1,770,682
Fees & Expenses of Commissioners	270,899
IT Systems/Risk Management	712,037
Legal and Tax Advisory Fees	900,053
Consultancy Fees	333,505
External & Internal Audit Fees	138,000
Other Fees and Expenses	34,899
Total	23,813,896

Investment manager fees reflect the costs of the Fund's segregated equity and bond mandates (where securities held in the name of the Fund are managed by an external investment manager). The Fund's size and position as a long-term investor enables it to negotiate very competitive fees with its investment managers.

Investment manager fees do not include fees and other operating expenses charged to the Fund indirectly through its participation in third party investment vehicles in respect of emerging markets equities, commodities, property and private equity. Such fees and expenses are charged within the investment vehicles concerned and are not charged separately to the Fund.

Legal and tax advisory fees reflect the costs of legal and tax due diligence associated with property and private equity investments.

In addition to the above expenses, the costs incurred by the NTMA in its role as Manager amounted to €4,375,838 in 2005. The costs are borne by the Exchequer.

Principles for Responsible Investment

In April 2006, the Commission joined a group of over 30 of the world's largest institutional investment funds in signing the Principles for Responsible Investment at their launch at the New York Stock Exchange by the UN Secretary General, Kofi Annan. The aim of the Principles is to integrate consideration of environmental, social and governance (ESG) issues into investment decision-making and ownership practices and thereby improve long-term returns. They stem from a growing view among institutional investors that, in order to fulfil their duty to their stakeholders, they need to give appropriate consideration to ESG issues, but to date, they have lacked a framework for doing so. The Principles for Responsible Investment aim to provide this framework.

The Commission regards the launch of the Principles as a very significant initiative and one which represent a significant step towards bringing consideration of ESG issues into the investment mainstream. As a long-term, globally diversified investor, it recognises that ESG issues will have a material impact on performance. On the most general level, it is obvious that major environmental issues such as global warming will impact on the global economy over the Fund's lifetime. More specifically, incorporation of ESG data into investment analysis can play a useful role in evaluating difficult-to-predict risks and liabilities such as might arise from environmental degradation or inadequate corporate governance. Thorough analysis of such factors can lead to a fuller understanding of the likely risks and returns associated with potential investments.

A major consideration for the Commission is ESG practices within companies the Fund already owns. The Fund has direct shareholdings in about 1,800 companies of which almost 1,100 are held through indexed investments. Poor management of any of these companies or value destroying actions by management will impact negatively on the Fund's performance. In these circumstances, shareholder engagement, whereby shareholders regard themselves as long-term owners of companies and raise concerns directly with company management, represents a practical means of seeking to have issues addressed and increasing long-term shareholder value.

The Commission believes that selection of investment managers who integrate consideration of ESG issues into their investment framework together with active stewardship of the companies in which the Fund is already invested can add to the long-term performance of the Fund. Of course, the Commission can achieve little acting alone in either area. It is dependent on the supply of suitable products by financial services firms in incorporating ESG factors into investment management and analysis. As for engagement, the Fund has very small shareholdings in most companies and the Commission will need to liaise with other likeminded investors if it is to have a tangible effect.

The Principles provide a high-level framework within which the Commission can develop its approach to these areas. The fact that some of the world's largest investors have already committed to the Principles is a strong incentive to investment managers across the globe to incorporate ESG issues into their investment process and to provide products suited to the needs of long-term investors. Becoming a signatory also give the Commission access to a network of large, likeminded and reputable investors on which it can draw in order to engage with companies in a meaningful and cost effective way that can deliver real results.

The Commission will be taking specific measures to implement the Principles. Actions it is planning to take over the next 12 months include:

- Development of the Fund's Policy on Responsible Investment;
- Development and implementation of a comprehensive proxy voting policy;
- Development of an engagement capacity with investee companies on ESG issues;
- Refinement of its investment manager selection process to include consideration of ESG factors.

The Commission would stress that incorporation of ESG issues into the Fund's investment and operating framework is a long-term project. It will be taking further implementation actions as its capacity in the area develops and the supply of suitable products increases.

One issue which has received considerable public attention since the Fund's establishment is the exclusion or screening out of particular companies or sectors. The Principles reflect the fiduciary duty of investors to their stakeholders as their first responsibility and do not call for screening or avoiding stocks. Instead, they promote a policy of engagement with companies. Nevertheless, the Commission has considered the screening issue but, as is the case with many other funds subscribing to the Principles, any such action would, most likely, not be consistent with its statutory investment mandate of seeking the optimal total financial return subject to prudent risk management.

The Principles for Responsible Investment

As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). We also recognise that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following:

1. We will incorporate ESG issues into investment analysis and decision-making processes.

Possible actions:

- Address ESG issues in investment policy statements
- Support development of ESG-related tools, metrics, and analyses
- Assess the capabilities of internal investment managers to incorporate ESG issues
- Assess the capabilities of external investment managers to incorporate ESG issues
- Ask investment service providers (such as financial analysts, consultants, brokers, research firms, or rating companies) to integrate ESG factors into evolving research and analysis
- Encourage academic and other research on this theme
- Advocate ESG training for investment professionals

2. We will be active owners and incorporate ESG issues into our ownership policies and practices.

Possible actions:

- Develop and disclose an active ownership policy consistent with the Principles
- Exercise voting rights or monitor compliance with voting policy (if outsourced)
- Develop an engagement capability (either directly or through outsourcing)
- Participate in the development of policy, regulation, and standard setting (such as promoting and protecting shareholder rights)
- File shareholder resolutions consistent with long-term ESG considerations
- Engage with companies on ESG issues
- Participate in collaborative engagement initiatives
- Ask investment managers to undertake and report on ESG-related engagement

3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Possible actions:

- Ask for standardised reporting on ESG issues (using tools such as the Global Reporting Initiative)
- Ask for ESG issues to be integrated within annual financial reports
- Ask for information from companies regarding adoption of/adherence to relevant norms, standards, codes of conduct or international initiatives (such as the UN Global Compact)
- Support shareholder initiatives and resolutions promoting ESG disclosure

4. We will promote acceptance and implementation of the Principles within the investment industry.

Possible actions:

- Include Principles-related requirements in requests for proposals (RFPs)

- Align investment mandates, monitoring procedures, performance indicators and incentive structures accordingly (for example, ensure investment management processes reflect long-term time horizons when appropriate)
- Communicate ESG expectations to investment service providers
- Revisit relationships with service providers that fail to meet ESG expectations
- Support the development of tools for benchmarking ESG integration
- Support regulatory or policy developments that enable implementation of the Principles

5. We will work together to enhance our effectiveness in implementing the Principles.

Possible actions:

- Support/participate in networks and information platforms to share tools, pool resources, and make use of investor reporting as a source of learning
- Collectively address relevant emerging issues
- Develop or support appropriate collaborative initiatives

6. We will each report on our activities and progress towards implementing the Principles.

Possible actions:

- Disclose how ESG issues are integrated within investment practices
- Disclose active ownership activities (voting, engagement, and/or policy dialogue)
- Disclose what is required from service providers in relation to the Principles
- Communicate with beneficiaries about ESG issues and the Principles
- Report on progress and/or achievements relating to the Principles using a 'Comply or Explain'¹ approach
- Seek to determine the impact of the Principles
- Make use of reporting to raise awareness among a broader group of stakeholders

¹ The Comply or Explain approach requires signatories to report on how they implement the Principles, or provide an explanation where they do not comply with them.

The Principles for Responsible Investment were developed by an international group of institutional investors reflecting the increasing relevance of environmental, social and corporate governance issues to investment practices. The process was convened by the United Nations Secretary-General.

In signing the Principles, we as investors publicly commit to adopt and implement them, where consistent with our fiduciary responsibilities. We also commit to evaluate the effectiveness and improve the content of the Principles over time. We believe this will improve our ability to meet commitments to beneficiaries as well as better align our investment activities with the broader interests of society.

We encourage other investors to adopt the Principles.

NPRF Commission



Paul Carty – Chairman

Financial Consultant and Former Managing Partner, Deloitte & Touche, Ireland.



John A Canning Jr

Chairman and Chief Executive of Madison Dearborn Partners LLC and Member of the Boards of Directors of the Federal Reserve Bank of Chicago and the Smurfit Kappa Group.



Dr Brian Hillery

Chairman of Independent News & Media plc, Unicredito Italiano Bank (Ireland) plc and Providence Resources plc.



Brid Horan

Group Pensions Manager, Electricity Supply Board and Member of the Board of IDA, Ireland.



Donald C Roth

Managing Partner, EMP Global LLC, Member of the Boards of Directors of Newmont Mining plc and ISEQ Exchange Traded Fund plc, Member of the National Treasury Management Agency Advisory Committee and former Treasurer of the World Bank.



Dr Michael J Somers (*ex-officio* member)

Chief Executive of the National Treasury Management Agency and Chairman of the National Development Finance Agency and Ulysses Securitisation plc, Member of the Boards of Directors of the European Investment Bank, the Irish Stock Exchange and St Vincents Healthcare Group and Member of the Council of the Dublin Chamber of Commerce.

Fund Governance

Overview

The Fund is controlled and managed by the National Pensions Reserve Fund Commission, a body corporate consisting of seven members appointed by the Minister for Finance. Under the National Pensions Reserve Fund Act, 2000, the Minister may only appoint persons to be commissioners who have acquired substantial experience and experience at a senior level in any of a number of listed areas including investment or international business management, finance or economics, law, actuarial practice and accountancy and auditing.

The Commission's functions include the determination and implementation of the Fund's investment strategy in accordance with its statutory investment mandate. This mandate requires that the Fund operate on a commercial basis so as to secure the best possible financial return subject to prudent risk management. The National Treasury Management Agency (NTMA) is the statutory Manager of the Fund for the period to April 2011 and the Commission is required to perform its functions through the Manager. 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

The Commission sets the Fund's asset allocation strategy and the parameters within which Fund assets may be invested and reviews Fund performance and strategy implementation. 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. Under Section 14 of the National Pensions Reserve Fund Act, Committees only have advisory functions and all decision making powers reside with the Commission.

The Commission met five times during 2005.

The members of the Commission as of June 2006 are:

Paul Carty – Chairman	<i>(Appointed an ordinary commissioner from 1 August 2005 and appointed Chairman from 19 December 2005)</i>
John A Canning Jr	<i>(Appointed from 2 April 2005)</i>
Dr Brian Hillery	<i>(Appointed from 1 July 2004)</i>
Brid Horan	<i>(Re-appointed from 1 July 2004)</i>
Donald C Roth	<i>(Re-appointed from 2 April 2005)</i>
Dr Michael J Somers	<i>(ex-officio member)</i>

The term of office of a commissioner, other than the chief executive of the Manager who serves on the Commission in an *ex-officio* capacity, is five years.

A commissioner, other than the chief executive of the Manager, shall not serve more than two consecutive terms of office.

The late Donal J Geaney served as Commission Chairman until October 2005. Robert J Curran and Dr Martin Kohlhaussen completed their terms of appointment as commissioners in April 2005. There was one vacancy on the Commission as of June 2006.

Donal J Geaney

The Commission's first Chairman, Donal Geaney, passed away in October 2005 following a long and courageous battle against illness.

The Commission would like to express its sincere appreciation of Donal's leadership and vision which, coupled with his intellect and energy, were crucial to the Fund's development. The strategic course on which the Fund is now set is a testament to Donal's vision and energy and he has left behind a very clear and focused operating framework.

The Commission would also like to acknowledge Donal's generosity in giving of his time and talents to the Fund 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. The country is, indeed, fortunate that people such as Donal are willing to apply the talents that brought them such outstanding success in their own business careers to public service.

Donal will be missed, not only for his undoubted abilities, but also for the unfailing wit, enthusiasm and, over his last two years, bravery with which he approached his task as Chairman.

Audit Committee

The Audit Committee reviews the financial reporting process, the NTMA's system of internal control, the audit process and the NTMA's process for monitoring the compliance of the Fund's custodian, investment managers and other key service providers with their contractual obligations to the Commission/NTMA.

The Committee comprises all commissioners except the Chairman and the Chief Executive of the Manager (NTMA) and is chaired by Donald Roth. The Committee meets on an ongoing basis with the senior managers within the NTMA responsible for the Fund and with the Fund's internal and external auditors.

The Audit Committee met five times during 2005.

Property Investment Committee

The Commission has delegated property investment decisions to the NTMA. It established the Property Investment Committee to advise the NTMA in relation to property investment, to monitor the implementation of the property investment strategy and to report back to the Commission. The Committee commenced its work in February 2005.

The Committee has four members, two commissioners and two external members. The two commissioners on the Committee are Paul Carty (Chairman) and Brid Horan. The two external members are:

Barden Gale
Managing Director, Chief Investment Officer, Real Estate, ABP Investments.

John Mulcahy
International Director and Managing Director, Ireland, Jones Lang Lasalle.

The Committee functions primarily through conference calls to discuss specific investment recommendations from the NTMA. All proposed investments are referred to the Committee and the NTMA will not proceed with an investment if the Committee does not agree with it. The Committee also held two physical meetings during 2005 to facilitate more detailed discussion of strategic and operational issues.

Private Equity Investment Committee

The Commission has delegated private equity investment decisions to the NTMA. It established the Private Equity Investment Committee to advise the NTMA in relation to private equity investment, to monitor the implementation of the private equity investment strategy and to report back to the Commission. The Committee commenced its work in August 2005.

The Committee has six members, four commissioners and two external members. The four commissioners on the Committee are Paul Carty (Chairman), Brian Hillery, Brid Horan and Don Roth. The two external members are:

Maurice O'Connell
Former Governor of the Central Bank of Ireland.

Walter O'Hara
Managing Director, Allen & Co and Member of the Advisory Board of Merrion Capital.

The Committee functions in a similar manner to the Property Investment Committee. It meets primarily through conference calls to discuss specific investment recommendations from the NTMA. All proposed investments are referred to the Committee and the NTMA

will not proceed with an investment if the Committee does not agree with it. The Committee also held one physical meeting during 2005 to facilitate more detailed discussion of strategic and operational issues.

Disclosure of Interests

Section 12 of the National Pensions Reserve Fund Act, 2000 provides, inter alia, that, where a commissioner or member of staff of the Manager or member of a committee established by the Commission has a pecuniary or other beneficial interest in any matter being considered by the Commission, the Manager or the committee, he or she must disclose that interest, not seek to influence a decision in relation to the matter and take no part in any consideration of the matter. Section 12(7) requires the Commission to issue and publish guidelines on what constitutes an interest for the purpose of the section.

The Ethics in Public Office Act, 1995 has also been applied to the Commission and the NTMA with effect from 1 January 2005.

As the Ethics in Public Office Act, 1995 did not apply to the Commission and the NTMA when the Commission originally issued guidelines under Section 12 of the National Pensions Reserve Fund Act, the guidelines provided for the completion of an annual disclosure statement analogous to that required of designated directors and holders of designated positions under Sections 17 and 18 respectively of the Ethics in Public Office Act. Due to the application of the Ethics in Public Office Act to the Commission and the NTMA, the Commission has amended the guidelines to remove the requirement for completion of a separate and similar statement.

The National Treasury Management Agency

The NTMA is the asset and liability management arm of the Government. Its fundamental role is that of borrowing for the Government and managing the National Debt but its remit has been expanded greatly and, as well as Manager of the National Pensions Reserve Fund, it also acts as the State Claims Agency and operates the National Development Finance Agency. Further information on the NTMA's functions can be found at www.ntma.ie. The core functions of the NTMA, in its capacity as NPRF 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.

These functions are primarily delivered through a dedicated NPRF Unit and through a specialist accounting team within the Agency's Finance Directorate. Support is also provided by the NTMA's Finance, IT and Legal Units.

Audit Arrangements

The Fund's statutory external auditor is the Comptroller and Auditor General. The Commission has also appointed an external firm, currently PricewaterhouseCoopers, to supplement the role of the NTMA's Internal Control Unit in carrying out internal audit work. The Commission has adopted guidelines with regard to the engagement of the internal audit firm for non-audit work. Under these guidelines the internal audit firm may bid for work on the same terms as any other bidder but, where a potential conflict of interest arises, the internal audit firm must declare the potential conflict and set out how they propose to address it. In such cases, the matter must be brought to the Audit Committee before the internal audit firm can be awarded the work concerned.

Commission Members and Other Information

COMMISSION MEMBERS

The Members of the Commission at the date of the report are:

Mr. Paul Carty - Chairman
Mr. John A. Canning
Dr. Brian Hillery
Ms. Brid Horan
Mr. Donald C. Roth
Dr. Michael J. Somers

Mr. Robert Curran and Dr. Martin Kohlhaussen served as members of the Commission until 1 April 2005. Mr John A. Canning and Mr. Paul Carty were appointed as members of the Commission on 2 April 2005 and 1 August 2005 respectively. Mr. Donal Geaney served as Chairman of the Commission until his death on 7 October 2005. Mr. Paul Carty was appointed Chairman of the Commission on 19 December 2005

BANKERS & CUSTODIAN

Central Bank of Ireland
ABN Amro Mellon

AUDITORS

Comptroller & Auditor General
Dublin Castle
Dublin 2

MANAGER

National Treasury Management Agency

INVESTMENT MANAGERS

Acadian Asset Management Inc.
AXA Rosenberg Investment Management Limited*
Barclays Global Investors Limited
Bank of Ireland Asset Management Limited / State Street Global Advisors (UK) Limited
Capital International Limited
Daiwa SB Investments (UK) Limited
Deutsche Asset Management International GmbH**
Goldman Sachs Asset Management International
Invesco Institutional (N.A.) Inc.
Irish Life Investment Managers Limited
JPMorgan Asset Management (UK) Limited
Lord, Abbett & Co
Oechsle International Advisors LLC
Putnam Investments Limited
RCM (UK) Limited
Schroder Investment Management (Singapore) Limited
UBS A.G.

* Manager appointed in March 2006.

** Manager appointed in May 2004, monies not yet invested at 31 December 2005.

Investment Report

The Commission determines the investment strategy for the Fund, which was invested at 31 December 2005 as follows:

	€	% of Total Investment Assets
Equities		
Europe	6,775,779,653	44.02
North America	3,642,058,558	23.66
Japan	882,282,835	5.73
Asia Pacific	353,748,007	2.30
Emerging Markets	317,456,189	2.06
	<u>11,971,325,242</u>	<u>77.77</u>
Bonds		
Austria	69,028,700	0.45
Belgium	114,187,972	0.74
Finland	13,982,632	0.09
France	360,227,685	2.34
Germany	397,332,699	2.58
Greece	59,622,553	0.39
Italy	445,536,063	2.89
Netherlands	84,588,740	0.55
Portugal	38,606,199	0.25
Spain	178,835,153	1.16
	<u>1,761,948,396</u>	<u>11.44</u>
Commodity Investments		
United States	<u>200,449,352</u>	<u>1.30</u>
Property Investments		
Europe	82,044,456	0.53
Global & Asia	18,519,635	0.12
North America	30,451,649	0.20
	<u>131,015,740</u>	<u>0.85</u>
Private Equity		
Europe	7,224,088	0.05
North America	12,317,082	0.08
	<u>19,541,170</u>	<u>0.13</u>

Investment Report (continued)

	€	% of Total Investment Assets
Deposits		
Euro	1,239,047,827	8.05
US Dollar	64,481,041	0.42
Japanese Yen	12,397,203	0.08
Sterling	2,661,109	0.02
Other Currencies	<u>328,047</u>	<u>0.00</u>
	<u>1,318,915,227</u>	<u>8.57</u>
Unrealised gain/(loss) foreign exchange contracts	(9,686,353)	(0.06)
Unrealised gain/(loss) on futures contracts	<u>161,725</u>	<u>0.00</u>
Total Investment Assets	<u>15,393,670,499</u>	<u>100.00</u>



Paul Carty
Chairman of Commission



Michael J. Somers
Chief Executive
National Treasury Management Agency (as Manager)

15 June 2006

Statement on Commission's Responsibilities

The Commission is required by the National Pensions Reserve Fund Act, 2000 to prepare financial statements in respect of its operations for each financial year.

In preparing those statements, the Commission is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate;
- disclose and explain any material departure from applicable accounting standards.

The Commission is responsible for keeping in such form as may be approved by the Minister for Finance all proper and usual accounts of all moneys received or expended by it and for maintaining accounting records which disclose with reasonable accuracy at any time the financial position of the National Pensions Reserve Fund and the administrative costs of the Commission.

The Commission is also responsible for safeguarding assets under its control and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Paul Carty
Chairman of Commission



Michael J. Somers
Chief Executive
National Treasury Management Agency (as Manager)

15 June 2006

Statement on the System of Internal Financial Control

Responsibility for System of Internal Financial Control

The Commission acknowledges its responsibility for ensuring that an effective system of internal financial control is maintained in relation to the operations of the National Pensions Reserve Fund ("the Fund").

The National Treasury Management Agency ("the Manager") is the Manager of the Fund and acts as the Commission's agent in the performance of its functions. The Manager implements the system of internal financial control on the Commission's behalf.

The system can only provide reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected in a timely period.

Key Control Procedures

The Manager has taken steps to ensure an appropriate control environment by:

- clearly defining management responsibilities;
- establishing formal procedures for reporting significant control failures to the Commission and ensuring appropriate corrective action.

The Manager has established processes to identify and evaluate certain risks by:

- identifying the nature, extent and financial implication of risks facing the Fund and monitoring them against standards which the Commission regards as acceptable;
- assessing the likelihood of identified risks occurring;
- assessing the Fund's ability to manage and mitigate the risks that do occur;
- assessing the costs of operating particular controls relative to the benefit obtained.

The system of internal financial control is based on a framework of regular management information, administrative procedures including segregation of duties, and a system of delegation and accountability. In particular it includes:

- a comprehensive budgeting system for the administration costs of the Fund, with an annual budget which is determined by the Commission ;
- regular reviews of periodic and annual financial reports which indicate financial performance against forecasts;

Statement on the System of Internal Financial Control (continued)

Key Control Procedures (continued)

- setting targets to measure financial and other performance;
- clearly defined investment control guidelines;
- formal project management disciplines.

Under the governance of the Commission, the Manager has an internal audit function, which operates in accordance with the Framework Code of Best Practice set out in the Code of Practice on the Governance of State Bodies. The work of internal audit is informed by analysis of the operational risks to which the Fund is exposed, and annual internal audit plans are based on this analysis. The analysis of risk and the internal audit plans are approved by the Commission and the Manager. At least annually, the Internal Auditor provides the Commission and the Manager with a report of internal audit activity. The report includes the Internal Auditor's opinion on the adequacy and effectiveness of the system of internal financial control.

The Manager's monitoring and review of the effectiveness of the system of internal financial control is informed by the work of the internal auditor (currently PricewaterhouseCoopers), the Manager's executives who have responsibility for the development and maintenance of the financial control framework, and comments made by the Comptroller and Auditor General in his management letter or other reports.

Annual Review of Controls

For the year ended 31 December 2005, the Commission has conducted a review of the effectiveness of the system of internal financial control.



Paul Carty
Chairman of Commission



Michael J. Somers
Chief Executive
National Treasury Management Agency (as Manager)

15 June 2006

Report of the Comptroller and Auditor General for presentation to the Houses of the Oireachtas

I have audited the financial statements of the National Pensions Reserve Fund for the year ended 31 December 2005 under the National Pensions Reserve Fund Act, 2000.

The financial statements, which have been prepared under the accounting policies set out therein, comprise the Accounting Policies, the Fund Account, the Net Assets Statement, the Administration Account and the related notes.

Respective Responsibilities of the Commission and the Comptroller and Auditor General

The Commission is responsible for preparing the financial statements in accordance with the National Pensions Reserve Fund Act, 2000, and for ensuring the regularity of transactions. The Commission prepares the financial statements in accordance with Generally Accepted Accounting Practice in Ireland. The accounting responsibilities of the Members of the Commission are set out in the Statement of Commission Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report my opinion as to whether the financial statements properly present, in accordance with Generally Accepted Accounting Practice in Ireland, the results of the Fund's operations for the year and its balances at year-end. I also report whether in my opinion proper books of account have been kept. In addition, I state whether the financial statements are in agreement with the books of account.

I report any material instance where moneys have not been applied for the purposes intended or where the transactions do not conform to the authorities governing them.

I also report if I have not obtained all the information and explanations necessary for the purposes of my audit.

I review whether the Statement on Internal Financial Control reflects the Commission's compliance with the Code of Practice for the Governance of State Bodies and report any material instance where it does not do so, or if the statement is misleading or inconsistent with other information of which I am aware from my audit of the financial statements. I am not required to consider whether the Statement on Internal Financial Control

covers all financial risks and controls, or to form an opinion on the effectiveness of the risk and control procedures.

Basis of Audit Opinion

In the exercise of my function as Comptroller and Auditor General, I conducted my audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and by reference to the special considerations which attach to State bodies in relation to their management and operation. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures and regularity of the financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Commission's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations that I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion, the financial statements properly present, in accordance with Generally Accepted Accounting Practice in Ireland, the results of the Fund's operations for the year ended 31 December 2005 and its balances at that date.

In my opinion, proper books of account have been kept by the Commission. The financial statements are in agreement with the books of account.



John Purcell
Comptroller and Auditor General
22 June 2006

Accounting Policies

The National Pensions Reserve Fund was established under the National Pensions Reserve Fund Act, 2000. The significant accounting policies adopted in respect of the National Pensions Reserve Fund are as follows: -

Basis of preparation

The financial statements have been prepared in accordance with the National Pensions Reserve Fund Act, 2000 in a format approved by the Minister for Finance. The financial statements are also prepared in accordance with the standards of the Statement of Recommended Practice of the Consultative Committee of Accountancy Bodies.

The financial statements summarise the transactions and net assets of the National Pensions Reserve Fund. They do not affect the Exchequer's liabilities to pay pensions and other benefits in the future.

Reporting Year

The reporting year is the year ended 31 December 2005.

Reporting Currency

The reporting currency is the euro, which is denoted by the symbol €

Valuation of Investments

Investments are recorded on a trade date basis and are stated at fair market value, determined on the following basis:

Quoted Investments

For quoted investments fair market value is the closing market value on the primary exchange or market where the investment is quoted.

Investments in Property and Private equity Funds

The estimated fair value for unquoted investments in property and private equity funds for which there is not an active market is based on the latest audited valuation placed on the fund or partnership by the external manager of that fund or partnership. Where an audited valuation is not available, in circumstances such as where the fund or partnership's year-end does not coincide with that of the Fund, the latest available unaudited valuation is used.

Valuation of Investments (continued)

The valuation of these investments are determined by external managers using accepted industry valuation methods and guidelines published by relevant industry bodies. Such valuation methodologies used by external managers may include considerations such as earnings multiples of comparable publicly traded companies, discounted cash flows and third party transactions, or other events which suggest material impairment or improvement in fair value of the investment. In the first year of ownership cost is usually considered to be an appropriate estimate of the fair value for property and private equity investments unless there is an indication of a permanent impairment in value. A range of possible values can exist for these investments, and estimated fair values may differ from the values that would have been used had there been an active market for such investments.

The Commission relies on the external manager's valuation as being a representative estimate of the fair value of an investment. The Commission has in conjunction with the NTMA as Manager established procedures to periodically review the fund or partnership's valuation of individual property and private equity investments. Based on its judgement and relevant information available to it, the Commission may in certain circumstances determine that an adjustment to the external manager's valuation is appropriate in recording an investment's fair value.

Other Unquoted Investments

Other unquoted investments are valued at their estimated fair market value estimated by the NTMA, as Manager of the Fund and approved by the Commission.

Gains and losses on investments

Realised and unrealised capital gains and losses on investments are dealt with in the Fund Account in the year in which they arise.

Accounting Policies (continued)

Investment income

Income from investments is accounted for on an income receivable basis.

Expenses

Expenses are accounted for in the year in which they fall due.

Foreign Currencies

All transactions in foreign currencies are translated into euro at the rates of exchange prevailing at the dates of such transactions. Assets and liabilities in foreign currencies are translated into euro at the rates of exchange ruling at the year end dates. Exchange differences arising on the revaluation of investments and settlement of investments are dealt with in the change in market value of investments. Exchange differences arising on income items are dealt with as part of investment income.

During the year, the Fund has entered into a number of forward foreign exchange contracts for the purpose of hedging foreign currency risk of its underlying portfolio of investments. Open forward exchange contracts are valued at the cost to close out the contracts on the balance sheet date and are included in investment assets. Gains and losses arising on foreign exchange contracts are included as part of the change in market value of investments.

Fund Account - for the year ended 31 December 2005

	Notes	Year Ended 31 December 2005 €	Year Ended 31 December 2004 €
Contributions	1	1,320,250,000	1,177,000,000
Investment return for the year			
- Investment income	2	347,048,433	275,011,799
- Change in value of investments	3	<u>2,086,148,779</u>	<u>694,432,327</u>
		3,753,447,212	2,146,444,126
Transfer to Administration Account	4	<u>(23,813,896)</u>	<u>(18,295,164)</u>
Increase / (Decrease) in Fund during the year		3,729,633,316	2,128,148,962
Net assets of Fund at start of year		<u>11,688,997,511</u>	<u>9,560,848,549</u>
Net assets of Fund at year end		<u>15,418,630,827</u>	<u>11,688,997,511</u>



Paul Carty
Chairman of Commission



Michael J. Somers
Chief Executive
National Treasury Management Agency (as Manager)

15 June 2006

The statement of accounting policies and notes 1 to 14 form part of these accounts.

Net Assets Statement - 31 December 2005

	Notes	2005 €	2004 €
Investment assets	3	15,393,670,499	11,651,134,333
Current assets	6	64,877,329	57,459,515
Current liabilities	7	<u>(39,917,001)</u>	<u>(19,596,337)</u>
Net Assets of Fund at 31 December 2005		<u>15,418,630,827</u>	<u>11,688,997,511</u>



Paul Carty
Chairman of Commission



Michael J. Somers,
Chief Executive
National Treasury Management Agency (as Manager)

15 June 2006

The statement of accounting policies and notes 1 to 14 form part of these accounts.

Administration Account - for the year ended 31 December 2005

	Notes	Year Ended 31 December 2005 €	Year Ended 31 December 2004 €
Transfer from Fund Account	4	23,813,896	18,295,164
Expenses of Commission	5	(23,813,896)	(18,295,164)
Net income\expenditure		<u>Nil</u>	<u>Nil</u>



Paul Carty
Chairman of Commission



Michael J. Somers
Chief Executive
National Treasury Management Agency (as Manager)

15 June 2006

The statement of accounting policies and notes 1 to 14 form part of these accounts.

Notes to the Accounts

1. Contributions

	Year Ended 31 December 2005 €	Year Ended 31 December 2004 €
Paid in by the Minister for Finance – 1 per cent of GNP	1,320,250,000	1,177,000,000
	<u>1,320,250,000</u>	<u>1,177,000,000</u>

2. Investment income

	Year Ended 31 December 2005 €	Year Ended 31 December 2004 €
Income from investments	<u>347,048,433</u>	<u>275,011,799</u>

Summary of Investment Income from	2005 €	2004 €
- Deposits	27,820,135	23,756,879
- Equities	240,200,254	181,030,608
- Bonds	69,794,085	64,816,802
- Property Securities	1,293,373	-
- Securities Lending	6,932,632	4,283,689
- Commission Recapture	1,007,954	1,123,821
	<u>347,048,433</u>	<u>275,011,799</u>

3. Investment assets

(a) Summary of Assets	2005 €	2004 €
- Equities	11,971,325,242	8,892,902,830
- Bonds	1,761,948,396	1,485,096,866
- Commodity Investments	200,449,352	-
- Property	131,015,740	11,346,715
- Private Equity	19,541,170	-
- Deposits and Cash	1,318,915,227	1,233,414,938
- Foreign currency contracts	(9,686,353)	28,216,797
- Futures contracts	161,725	156,187
	<u>15,393,670,499</u>	<u>11,651,134,333</u>

Notes to the Accounts *(continued)*

3. Investment assets *(continued)*

(b) Analysis by geographical classification of Assets	2005	2004
	€	€
Europe	9,859,786,980	8,127,325,384
North America	3,966,120,825	2,754,405,618
Japan	894,680,039	550,597,099
Asia Pacific (excluding Japan)	355,626,466	218,806,232
Emerging Markets	<u>317,456,189</u>	<u>-</u>
	<u>15,393,670,499</u>	<u>11,651,134,333</u>

(c) The movement in the value of investment assets held by the Fund during the year was as follows;

	2005	2004
	€	€
Value of investments at start of Year	11,651,134,333	9,524,939,912
Transfer to Fund (Note 1)	1,320,250,000	1,177,000,000
Net cash movement	339,636,441	270,252,635
Securities received for income	-	785,137
Movement in pending settlements	18,061,399	826,033
Fund expenses paid	(21,560,453)	(17,101,711)
Change in value of investments	<u>2,086,148,779</u>	<u>694,432,327</u>
Total Investments	<u>15,393,670,499</u>	<u>11,651,134,333</u>

Notes to the Accounts *(continued)*

3. Investment assets *(continued)*

Net cash movement	2005	2004
	€	€
Transfer of funds to Investment Managers and Other Investments	(1,054,867,566)	(1,426,623,400)
Purchases at Cost	8,949,426,940	7,911,387,652
Proceeds of Sales	<u>(7,554,922,933)</u>	<u>(6,214,511,617)</u>
Net Cash movement	<u>339,636,441</u>	<u>270,252,635</u>
Net cash movement reconciled to Investment Income	2005	2004
	€	€
Income received in Cash	<u>339,636,441</u>	<u>270,252,635</u>
Net Cash Movement	339,636,441	270,252,635
Income received as Securities	-	785,137
Opening income accrual	(47,516,542)	(43,542,515)
Closing income accrual	<u>54,928,534</u>	<u>47,516,542</u>
Investment income (Note 2)	<u>347,048,433</u>	<u>275,011,799</u>

Notes to the Accounts *(continued)*

3. Investment assets *(continued)*

(d) The investment assets of the Fund at the year-end are held as follows:

	2005	2004
	€	€
Investment Managers		
Acadian Asset Management Inc.	269,601,919	122,388,500
Barclays Global Investors Limited	3,358,579,272	2,682,707,473
Bank of Ireland Asset Management Limited / State Street Global Advisors (UK) Limited	2,655,944,538	1,700,368,224
Bank of Ireland Asset Management	-	419,912,689
Capital International Limited	704,929,633	558,857,198
Daiwa SB Investments (UK) Limited	356,449,873	227,298,472
Goldman Sachs Asset Management International	481,476,542	406,029,090
Invesco Institutional (N.A.) Inc.	707,464,398	538,791,610
Irish Life Investment Managers Limited	451,453,088	370,201,193
JPMorgan Asset Management (UK) Limited	371,956,479	225,578,303
Lord, Abbett & Co	574,739,281	468,235,432
National Treasury Management Agency	2,455,464,449	2,279,190,256
Oechsle International Advisors LLC	674,962,750	473,816,835
Putnam Investments Limited	493,923,044	386,677,415
RCM (UK) Limited	613,820,465	477,994,127
Schroder Investment Management Limited	279,768,248	192,718,527
UBS AG	274,674,069	109,022,274
	<u>14,725,208,048</u>	<u>11,639,787,618</u>
Other Investments		
Emerging Markets Funds	317,456,189	-
Commodity Certificates	200,449,352	-
Property investment vehicles	131,015,740	11,346,715
Private Equity investment vehicles	19,541,170	-
	<u>668,462,451</u>	<u>11,346,715</u>
Total Investment Assets	<u>15,393,670,499</u>	<u>11,651,134,333</u>

Notes to the Accounts *(continued)*

4. Transfer to Administration Account

This amount of €23,813,896 represents the amount required to cover the administration costs of the Commission.

5. Expenses of Fund

Under section 26 (1) of the National Pensions Reserve Fund Act, 2000, the Commission is required to include a separate account of the administration fees and expenses incurred by it in the operation of the Fund. These are detailed below on an accruals basis:

	Year Ended 31 December 2005 €	Year Ended 31 December 2004 €
Investment Managers' fees	19,653,821	16,073,182
Global Custodian fees	1,770,682	1,010,250
Fees & Expenses of Commissioners	270,899	313,571
IT Systems/Risk Management	712,037	597,494
Legal and Tax Advisory Fees	900,053	3,509
Consultancy Fees	333,505	123,410
External & Internal Audit Fees	138,000	120,000
Other Fees and Expenses	<u>34,899</u>	<u>53,748</u>
	<u>23,813,896</u>	<u>18,295,164</u>

In addition to the above expenses, the costs incurred by the National Treasury Management Agency in its role as Manager amounted to €4,375,838 (2004: €3,420,775). These costs are charged on the Central Fund and are excluded from the above.

Notes to the Accounts *(continued)*

6. Current Assets

	2005	2004
	€	€
Accrued interest on fixed income securities	38,795,896	34,160,037
Amounts receivable for securities sold	9,948,791	9,942,973
Accrued interest on deposits	7,389,658	6,064,803
Dividends Receivable	7,152,722	6,195,955
Tax Reclaims Recoverable	1,102,730	891,728
Income receivable on property investments	42,037	-
Securities Lending Income Receivable	345,157	141,487
Commission Recapture Receivable	100,338	62,532
	<u>64,877,329</u>	<u>57,459,515</u>

7. Current Liabilities

	2005	2004
	€	€
Amounts payable for securities purchased	18,357,524	13,822,669
Amount payable for private equity capital call	13,532,362	-
Fund Manager fees payable	5,871,598	4,540,926
Custodian fees payable	292,709	294,581
Legal and tax fees payable	400,000	-
Consultancy fees payable	181,500	-
VAT payable	114,712	689,909
Accrued Expenses	1,166,596	248,252
	<u>39,917,001</u>	<u>19,596,337</u>

8. Taxation

The income and profits of the National Pensions Reserve Fund are exempt from corporation tax in accordance with section 30 of the National Pensions Reserve Fund Act, 2000.

Notes to the Accounts *(continued)*

9. Commitments

The notional principal and unrealised gain / (loss) of derivative contracts entered into by the Manager and investment managers on behalf of the National Pensions Reserve Fund were:

	2005	2005	2004	2004
	Notional	Unrealised	Notional	Unrealised
	Principal	gain / (loss)	Principal	gain / (loss)
	€	€	€	€
Forward Foreign Exchange Contracts	3,207,575,225	(9,687,087)	2,156,294,017	28,216,545
Spot Foreign Exchange Contracts	3,266,439	734	31,190	252
Financial Futures	<u>57,790,629</u>	<u>161,725</u>	<u>9,612,341</u>	<u>156,187</u>
	<u>3,268,632,293</u>	<u>(9,524,628)</u>	<u>2,165,937,548</u>	<u>28,372,984</u>

Foreign Exchange Contracts

The Fund follows a policy of hedging 50% of the foreign currency risk of its non-euro equity, property and private equity investments through the use of forward foreign currency contracts. The gain / (loss) on these forward foreign currency contracts offsets the change in the value of the Fund's non-euro investments due to exchange rate movements.

The Fund's investment managers can also execute spot foreign exchange contracts to manage their portfolios.

The notional value represents the total contracted foreign exchange contracts outstanding at the year end. The market value represents the unrealised gain / (loss) on these contracts at the year end.

Financial Futures

The Fund's investment managers are permitted to execute equity index futures contracts for facilitating increases or decreases in exposure to a market pending the orderly acquisition or disposal of physical securities. The market value represents the unrealised gain / (loss) on the contracts held at the year end.

Notes to the Accounts *(continued)*

9. Commitments (continued)

Property and Private Equity Investments

During 2005, the fund has entered into commitments in respect of certain investments in Private Equity and Property investments.

At 31 December 2005, the uncalled capital commitments in respect of these investments amounts to:

	€
Property Investments	279,333,004
Private Equity Investments	<u>159,908,326</u>
	<u>439,241,330</u>

10. Contingent liabilities

In the opinion of the Commissioners the National Pensions Reserve Fund had no contingent liabilities at 31 December 2005.

11. Securities Lending

Through a programme managed by its Global Custodian, some of the securities in the National Pensions Reserve Fund are lent from time to time.

The Fund receives a Fee from the Global Custodian for securities lent. During 2005 the Fund earned €6,932,632 through securities lending (2004: €4,283,689).

Loans are made to approved counterparties who meet minimum credit criteria. The loans are secured by collateral in the form of government bonds, bonds of specified supranational issuers and specified equity index baskets. The value of the collateral maintained by the Global Custodian must be at least 102% of the market value of securities lent, where the collateral is in the same currency as the loaned securities and 105% where the collateral is not in the same currency as the loaned securities.

The market value of securities loaned at 31 December 2005 amounted to €1,475,937,161 (2004: €470,581,364). The National Pensions Reserve Fund held collateral of 104.88% (2004: 104.15%) of the market value of securities lent.

Notes to the Accounts *(continued)*

12. Commission Recapture

The National Pensions Reserve Fund participates in a Commission Recapture programme administered by Frank Russell Securities Inc to reduce the Fund's commission costs.

Under the programme, the Investment Managers are requested, subject to best execution, to execute a portion of their investment trades through the programme's network of participating brokers. The Investment Manager pays the broker the normal negotiated commission for the investment trade at the time of settlement. The participating broker then rebates a portion of the negotiated commission by way of a cash payment to Frank Russell Securities Inc which administers the scheme on behalf of the Fund.

During 2005, the Fund received €1,007,954 (2004: €1,123,821) from Frank Russell Securities Inc in respect of Commission Recapture.

13. Related parties

(a) Minister for Finance

As set out in note 1, contributions to the National Pensions Reserve Fund are to be made by the Minister for Finance by an annual charge on the Central Fund equivalent to 1 per cent of Gross National Product (GNP) under section 18(2) of the Act. The Minister for Finance may make such additional payments to the National Pensions Reserve Fund as are approved by Dáil Eireann under section 18(5) of the Act.

The commissioners of the National Pensions Reserve Fund, as given on page 27, were appointed by the Minister for Finance under section 7 of the Act.

(b) National Treasury Management Agency

Under section 21 of the National Pensions Reserve Fund Act, 2000, the National Treasury Management Agency was appointed as Manager of the Fund by the Commission for 10 years.

14. Approval of Financial Statements

The financial statements were approved by the Commission on 23 May 2006.

National Pensions Reserve Fund

Portfolio of Investments 31 December 2005

Quoted Securities - Equities				Quoted Securities - Equities			
Holding	Security Description	Market Value €	% of Total Investments	Holding	Security Description	Market Value €	% of Total Investments
EUROPE				Finland (continued)			
Austria				206,336	Outokumpu	2,589,517	0.02%
10,800	Andritz	1,002,780	0.01%	180,000	Raisio	406,800	0.00%
418,056	Erste Bank Der Osterreichischen	19,669,535	0.13%	472,200	Rautaruukki	9,703,710	0.06%
17,613	EVN	1,208,252	0.01%	641,571	Sampo	9,443,925	0.06%
509,396	Immofinanz Immobilien	4,131,202	0.03%	59,773	Sanoma WSOY	1,175,735	0.01%
6,881	Oesterreichische Electrizitatswirts	2,073,245	0.01%	1,192,933	Stora Enso	13,647,154	0.09%
225,239	OMV	11,149,331	0.07%	119,493	Tietoerator	3,686,359	0.02%
70,386	Raiffeisen International Bank	3,909,942	0.02%	1,152,496	UPM-Kymmene	19,085,334	0.12%
851,015	Telekom Austria	16,169,285	0.11%			207,973,750	1.35%
20,600	Voestalpine	1,754,090	0.01%				
112,589	Wienerberger	3,805,508	0.02%				
		64,873,170	0.42%				
Belgium				France			
146,575	Agfa Gevaert	2,258,721	0.01%	401,857	Accor	18,670,276	0.12%
16,977	Almancora	1,570,372	0.01%	204,404	Air France KLM	3,697,668	0.02%
271,670	Belgacom	7,484,508	0.05%	162,662	Air Liquide	26,432,575	0.17%
6,105	CMB	170,024	0.00%	2,530,752	Alcatel	26,496,973	0.17%
21,416	Colruyt	2,497,106	0.02%	281,408	Alstom	13,682,057	0.09%
142,688	Delhaize Group	7,876,378	0.05%	86,160	Assurances Generales de France	7,211,592	0.05%
1,231,345	Dexia	23,986,601	0.16%	143,597	Atos Origin	7,991,173	0.05%
14,364	Euronav	352,062	0.00%	51,405	Autoroutes Paris	3,104,862	0.02%
2,579,251	Fortis Group	69,414,329	0.45%	105,161	Autoroutes Du Sud de la France	5,258,050	0.03%
125,342	Groupe Bruxelles	10,384,585	0.07%	3,497,844	AXA	95,351,227	0.62%
886,424	InBev	32,593,810	0.21%	126,138	Axalto	2,936,493	0.02%
404,142	KBC	31,785,768	0.21%	2,950	Beneteau	168,740	0.00%
136,599	Mobistar	9,152,133	0.06%	58,258	BIC	2,927,465	0.02%
9,198	Nationale A Portefeuille	2,228,675	0.01%	1,767,474	BNP Paribas	120,806,848	0.78%
137,230	Solvay	12,776,113	0.08%	483,254	Bouygues	19,958,390	0.13%
252,376	Suez (Strip)	2,524	0.00%	20,355	Bull	199,479	0.00%
231,469	UCB	9,184,690	0.06%	110,168	Business Objects	3,766,644	0.02%
134,740	Umicore	13,420,104	0.09%	199,066	Cap Gemini	6,750,328	0.04%
		237,138,503	1.54%	1,167,415	Carrefour	46,206,286	0.30%
Denmark				114,443	Casino G. Perrachon	6,437,419	0.04%
38,000	Auriga Industries 'B'	970,310	0.01%	242,016	Christian Dior	18,175,402	0.12%
142,432	Danske Bank	4,238,309	0.03%	629,124	Cie de St-Gobain	31,613,481	0.21%
8,500	DSV	886,402	0.01%	22,317	Ciments Francais	2,450,407	0.02%
158,600	GN Store Nord	1,753,837	0.01%	62,784	CNP Assurances	4,181,414	0.03%
16,100	Jyske Bank	667,911	0.00%	1,206,426	Credit Agricole	32,102,996	0.21%
55,588	Novo-Nordisk	2,641,371	0.02%	147,580	Dassault Systemes	7,038,090	0.05%
490	Ringjobing Landbobank	197,038	0.00%	385,304	EDF	12,322,022	0.08%
1,430	Sjaelso Gruppen	324,124	0.00%	77,514	Eiffage	7,077,028	0.05%
25,470	Sydbank	515,511	0.00%	3,300	Eramet	267,300	0.00%
107,190	TDC	5,423,796	0.04%	154,270	Essilor International	10,521,214	0.07%
3,250	Topdanmark	238,288	0.00%	39,030	Eurazeonce	3,440,495	0.02%
47,190	Torm	1,929,221	0.01%	1,700	Fonciere Financiere	302,600	0.00%
		19,786,118	0.13%	3,693,336	France Telecom	77,523,123	0.50%
Finland				46,657	Gameloft	254,747	0.00%
1,077,511	Fortum	17,067,774	0.11%	296,807	Gaz de France	7,348,941	0.05%
122,784	Kone Corporation	4,116,947	0.03%	18,055	Gecina	1,751,335	0.01%
213,010	Metso	4,924,791	0.03%	8,742	Generale de Sante	254,392	0.00%
194,529	Neste Oil	4,645,353	0.03%	11,691	Groupe Bourbon	864,549	0.01
7,549,711	Nokia	116,643,035	0.76%	430,259	Groupe Danone	37,970,357	0.25%
70,600	Okobank	837,316	0.01%	1,900	Guyenne & Gascogne	157,130	0.00%
				42,057	Hermes	8,886,644	0.06%
				48,384	Imerys	2,956,262	0.02%
				161,287	JC Decaux	3,177,354	0.02%
				31,001	Klepierre	2,458,379	0.02%
				303,515	Lafarge	23,067,140	0.15%
				213,638	Lagardere	13,886,470	0.09%
				557,753	L'Oreal	35,026,888	0.23%

National Pensions Reserve Fund

Portfolio of Investments 31 December 2005

Quoted Securities - Equities				Quoted Securities - Equities			
Holding	Security Description	Market Value €	% of Total Investments	Holding	Security Description	Market Value €	% of Total Investments
France (continued)				Germany (continued)			
548,825	LVMH Moët Hennessy	41,189,316	0.27%	159,037	Deutsche Boerse	13,766,243	0.09%
32,884	Maurel & Prom	520,883	0.00%	347,459	Deutsche Lufthansa	4,346,712	0.03%
194,103	Michelin	9,216,010	0.06%	1,338,249	Deutsche Post	27,407,340	0.18%
14,580	Natexis Banque Populaire	2,051,406	0.01%	99,551	Deutsche Postbank	4,877,999	0.03%
12,507	Neopost	1,059,343	0.01%	4,698,397	Deutsche Telekom	66,153,430	0.43%
27,300	Nexans	1,095,549	0.01%	19,169	Douglas Holdings	622,993	0.00%
11,830	Nexity	508,690	0.00%	1,205,455	E.On	105,344,712	0.68%
211,356	Pagesjaunes Groupe	4,647,718	0.03%	76,138	EM.TV	330,439	0.00%
136,899	Pernod-Ricard	20,178,913	0.13%	47,349	Fraport	2,125,970	0.01%
269,651	Peugeot	13,132,004	0.09%	6,458	Freenet.De	136,135	0.00%
205,775	PPR	19,579,491	0.13%	85,686	Fresenius (Preferred Stock)	9,823,900	0.06%
223,217	Publicis Groupe	6,562,580	0.04%	17,455	Fresenius	1,850,230	0.01%
420,788	Renault	28,992,293	0.19%	39,762	Fresenius Medical Care (Preferred Stock)	3,135,234	0.02%
346,541	Safran	7,000,128	0.05%	53,109	Fresenius Medical Care	4,726,701	0.03%
41,351	Sanef	2,365,277	0.02%	5,869	Funkwerk	156,115	0.00%
2,068,395	Sanofi-Aventis	153,061,230	0.99%	236,000	GEA Group	2,470,920	0.02%
426,822	Schneider Electric	32,161,038	0.21%	116,562	Hannover Re	3,488,701	0.02%
689,000	Societe Generale	71,587,100	0.46%	34,607	HeidelbergCement	2,604,523	0.02%
180,980	Sodexo Alliance	6,298,104	0.04%	231,084	Heidelberger Druckmaschinen	7,468,635	0.05%
1,600	Spir Communication	198,240	0.00%	181,697	Henkel KGaA (Preferred Stock)	15,444,245	0.10%
2,729,212	Suez	71,773,228	0.47%	101,550	Henkel KGaA	7,975,737	0.05%
146,173	Technip	7,425,588	0.05%	532,021	Hypo Real Estate	23,398,284	0.15%
416,309	TF1-TV Francaise	9,758,283	0.06%	16,474	IKB Deutsche Industriebank	411,026	0.00%
104,309	Thales	3,995,035	0.03%	2,166,833	Infineon Technologies	16,749,619	0.11%
410,460	Thomson	7,265,142	0.05%	404,121	KarstadtQuelle	5,184,872	0.03%
1,134,723	Total	240,788,221	1.56%	148,189	Lanxess	3,995,175	0.03%
61,900	Ubisoft Entertainment	2,485,904	0.02%	5,255	Leoni	140,834	0.00%
68,118	Unibail	7,656,463	0.05%	134,298	Linde	8,832,779	0.06%
116,365	Valeo	3,655,025	0.02%	211,686	M.A.N.	9,542,805	0.06%
5,812	Vallourec	2,702,580	0.02%	53,849	Merck KGaA	3,766,738	0.02%
989,936	Veolia Environment	37,855,153	0.25%	414,790	Metro	16,923,432	0.11%
406,497	Vinci	29,532,007	0.19%	86,859	MLP	1,521,770	0.01%
2,815,667	Vivendi Universal	74,502,549	0.48%	67,684	Mobil	1,258,922	0.01%
40,925	Wendel Investissem	3,472,486	0.02%	27,555	MPC Munchmeyer Petersen	1,821,385	0.01%
38,218	Zodiac	2,073,327	0.01%	388,942	Munich Re	44,487,186	0.29%
		1,689,477,009	10.98%	13,139	Porsche	7,974,979	0.05%
				58,800	Premiere	870,240	0.01%
				20,536	Puma	5,062,124	0.03%
Germany				589,156	RWE	36,851,708	0.24%
75,779	Adidas-Salomon	12,124,640	0.08%	119,613	Salzgitter	5,454,353	0.04%
816,365	Allianz	104,445,738	0.68%	482,571	SAP	73,910,574	0.48%
297,762	Altana	13,697,052	0.09%	447,218	Schering	25,312,539	0.16%
16,241	AMB Generali Holding	1,367,492	0.01%	87,755	Schwarz Pharma	4,733,505	0.03%
42,012	AWD Holdings	966,276	0.01%	1,905,318	Siemens	137,945,023	0.90%
80,318	Balda	875,466	0.01%	27,712	Solarworld	3,103,744	0.02%
1,000,880	BASF	64,766,945	0.42%	86,847	Suedzucker	1,722,176	0.01%
1,685,821	Bayer	59,492,623	0.39%	35,972	Techem	1,357,583	0.01%
76,457	Bayerische Hypo-Und Vereinsbank	1,958,064	0.01%	579,449	Thyssenkrupp	10,209,891	0.07%
478,039	Bayerische Motoren Werke	17,711,345	0.12%	222,828	T-Online International	1,804,907	0.01%
34,900	Bayerische Motoren Werke (Preferred Stock)	1,137,391	0.01%	378,246	TUI	6,543,656	0.04%
25,502	Beiersdorf	2,652,208	0.02%	5,885	United Internet	190,792	0.00%
51,655	Celesio	3,753,252	0.02%	159,605	Volkswagen (Preferred Stock)	5,187,162	0.03%
987,556	Commerzbank	25,696,207	0.17%	567,776	Volkswagen	25,328,487	0.17%
319,773	Continental	23,976,580	0.16%			1,282,221,973	8.33%
1,793,590	Daimlerchrysler	77,375,473	0.50%				
24,957	Degussa	1,069,407	0.01%				
535,680	Depfa Bank	6,690,643	0.04%				
1,057,509	Deutsche Bank	86,609,987	0.56%				

National Pensions Reserve Fund

Portfolio of Investments 31 December 2005

Quoted Securities - Equities				Quoted Securities - Equities			
Holding	Security Description	Market Value €	% of Total Investments	Holding	Security Description	Market Value €	% of Total Investments
Switzerland (continued)				United Kingdom (continued)			
10,924	Alcon	1,200,094	0.01%	65,100	Daily Mail & General Trust	748,560	0.00%
59,690	Baloise	2,945,926	0.02%	136,919	Dairy Crest Group	1,092,875	0.01%
28,576	Compagnie Financiere Richemont	1,051,089	0.01%	121,880	Dana Petroleum	1,595,307	0.01%
42,393	Converium	395,279	0.00%	142,050	Diageo (ADR)	7,020,018	0.05%
602,732	Credit Suisse Group	25,968,143	0.17%	40,100	Domino Printing Sciences	150,382	0.00%
2,840	Fischer(Georg)	819,986	0.01%	142,000	EMI Group	502,481	0.00%
2,670	Geberit	1,785,609	0.01%	384,339	Enterprise Inns	5,260,616	0.03%
167,648	Julius Baer	10,036,676	0.06%	26,800	Enterprise	153,495	0.00%
34,186	Nestle	8,639,382	0.05%	223,665	First Choice	815,938	0.01%
37,750	Nobel Biocare	7,015,468	0.04%	204,925	Firstgroup	1,201,352	0.01%
1,056,868	Novartis	46,927,376	0.30%	183,099	Friends Provident	506,308	0.00%
322,950	Novartis (ADR)	14,366,717	0.09%	162,500	Galliford Try	211,632	0.00%
14,649	Phonak	533,171	0.00%	892,757	Glaxosmithkline	19,137,022	0.12%
271,831	Roche	34,487,992	0.22%	219,700	Glaxosmithkline (ADR)	9,401,082	0.06%
16,900	Saurer	950,904	0.01%	193,100	Halfords Group	1,000,299	0.01%
11,206	Sulzer	5,015,355	0.03%	23,000	HBOS	333,270	0.00%
19,095	Swatch Group	2,394,397	0.02%	261,165	Hiscox	880,332	0.01%
9,903	Swiss Life	1,513,693	0.01%	661,100	HSBC	8,998,916	0.06%
202,859	Swiss Re	12,549,060	0.08%	154,527	Hunting	686,611	0.01%
10,600	Swisscom	2,827,054	0.02%	2,637,447	Imperial Chemical Industries	12,777,360	0.08%
14,380	Synthes	1,364,857	0.01%	191,109	Imperial Tobacco	4,843,957	0.03%
164,484	UBS	13,231,918	0.09%	88,400	Inchcape	2,942,367	0.02%
140	Zehnder Group	139,541	0.00%	586,656	Intercontinental Hotels	7,186,601	0.05%
109,598	Zurich Financial Services	19,733,426	0.13%	597,900	International Power	2,089,553	0.01%
		219,534,897	1.42%	120,300	Intertek Group	1,223,539	0.01%
United Kingdom				1,028,625	Invensys	277,682	0.00%
135,611	Admiral Group	900,379	0.01%	1,190,323	ITV	1,954,054	0.01%
296,249	Amlin	1,074,243	0.01%	948,432	Jazztel	806,167	0.01%
94,261	Amlin (New Rights Issue Shares)	323,236	0.00%	75,000	JKX Oil & Gas	270,867	0.00%
37,036	Antofagasta	1,010,073	0.01%	328,176	Kelda Group	3,706,526	0.02%
266,700	Arm Holdings	470,899	0.00%	328,730	Kesa Electricals	1,247,188	0.01%
326,200	Arriva	2,772,676	0.02%	41,100	Kier Group	713,687	0.00%
1,019,393	Ashtead Group	2,707,275	0.02%	1,438,196	Kingfisher	4,979,017	0.03%
429,216	Astrazeneca	17,719,124	0.12%	385,152	Land Securities	9,346,386	0.06%
65,000	Astrazeneca (ADR)	2,677,799	0.02%	1,639,682	Lloyds TSB	11,688,089	0.08%
74,500	Atkins	805,009	0.01%	281,700	Logicacmg	728,605	0.00%
69,900	Aviva	719,094	0.01%	108,500	London Scottish Bank	144,076	0.00%
827,680	BAA	572,675	0.05%	103,357	London Stock Exchange	935,085	0.01%
134,300	Babcock International	454,656	0.00%	74,000	Luminar	523,712	0.00%
1,043,454	BAE Systems	5,812,616	0.04%	126,000	Marks & Spencer	928,499	0.01%
750,145	Barclays	6,688,146	0.04%	332,600	McBride	776,536	0.01%
355,794	Barratt Developments	5,119,114	0.03%	75,100	McCarthy & Stone	711,220	0.00%
216,730	Berkeley	3,513,600	0.02%	185,688	Michael Page	731,589	0.00%
543,581	BG Group	4,556,943	0.03%	25,240	Morgan Sindall	342,340	0.00%
317,589	BHP Billiton	4,400,274	0.03%	2,609,135	Morrison (Wm)	7,367,104	0.05%
50,512	Bodycote International	163,631	0.00%	796,094	National Grid	6,604,107	0.04%
356,300	Bradford & Bingley	2,134,265	0.01%	160,971	Neteller	1,726,451	0.01%
420,500	Brambles Industries (UK)	2,558,712	0.02%	110,659	Northgate	1,571,962	0.01%
347,784	British Energy	2,628,807	0.02%	383,222	Northumbrian Water	1,361,660	0.01%
238,233	Burren Energy	3,170,415	0.02%	1,142,233	O2	3,296,025	0.02%
1,042,970	Cable & Wireless	1,814,887	0.01%	166,070	Pennon Group	2,876,479	0.02%
17,857	Capital & Regional Properties	226,176	0.00%	429,072	Persimmon	7,876,443	0.05%
106,500	Carillion	475,544	0.00%	1,053,353	Prudential	8,453,877	0.05%
127,650	Carnival	6,146,870	0.04%	606,716	Punch Taverns	7,516,444	0.05%
200,360	Charter	1,637,263	0.01%	523,296	Reckitt Benckiser	14,661,147	0.10%
37,000	Chemring Group	396,294	0.00%	117,500	Redrow	917,299	0.01%
55,600	Clarkson (Horace)	704,229	0.00%	105,600	Restaurant Group	234,222	0.00%
				105,000	Reuters	659,602	0.00%
				333,257	Rio Tinto	12,911,096	0.08%

National Pensions Reserve Fund

Portfolio of Investments 31 December 2005

Quoted Securities - Equities				Quoted Securities - Equities			
Holding	Security Description	Market Value €	% of Total Investments	Holding	Security Description	Market Value €	% of Total Investments
United States (continued)				United States (continued)			
47,362	Affiliated Computer Services	2,375,929	0.02%	15,410	Assurant	568,094	0.00%
193,779	Aflac	7,625,007	0.05%	12,257	Astoria Financial	305,452	0.00%
21,299	Agere Systems	232,904	0.00%	1,134,457	AT & T	23,550,777	0.15%
173,407	Agilent Technologies	4,893,379	0.03%	108,608	Autodesk	3,954,152	0.03%
26,853	Air Products & Chemicals	1,347,316	0.01%	10,273	Autoliv	395,524	0.00%
123,900	Airgas	3,455,379	0.02%	451,238	Automatic Data Processing	17,553,032	0.12%
8,028	Alberto Culver	311,334	0.00%	53,363	Autonation	982,943	0.01%
43,289	Albertsons	783,437	0.01%	6,862	Autozone	533,685	0.00%
102,113	Alcoa	2,559,533	0.02%	12,400	Avalonbay Communities	938,120	0.01%
139,100	Alkermes	2,254,465	0.01%	346,612	Avaya	3,134,992	0.02%
59,428	Allergan	5,438,541	0.04%	13,041	Avery Dennison	610,983	0.00%
7,308	Alliance Data Systems	220,535	0.00%	17,100	Avnet	347,015	0.00%
13,794	Alliant Energy	327,866	0.00%	142,163	Avon Products	3,440,496	0.02%
4,372	Alliant Techsystems	282,288	0.00%	16,852	Axis Capital	446,834	0.00%
15,920	Allied Capital	396,347	0.00%	140,362	Baker Hughes	7,231,671	0.05%
228,463	Allstate	10,471,302	0.07%	12,300	Ball	414,136	0.00%
45,180	Alltel	2,416,596	0.02%	416,786	Bank New York	11,252,551	0.07%
133,982	Altera	2,104,507	0.01%	1,121,981	Bank of America	43,892,026	0.29%
402,907	Altria Group	25,519,379	0.17%	12,402	Bard C R	693,007	0.01%
36,023	Amazon.Com	1,439,760	0.01%	9,528	Barr Pharmaceuticals	503,093	0.00%
10,018	AMB Properties	417,551	0.00%	6,243	Bausch & Lomb	359,328	0.00%
12,438	Ambac Financial Group	812,471	0.01%	373,209	Baxter International	11,910,926	0.08%
23,790	Amdocs	554,569	0.00%	64,437	BB&T	2,289,188	0.01%
8,146	Amerada Hess	875,711	0.01%	109,134	BEA Systems	869,594	0.01%
111,109	Ameren	4,825,994	0.03%	13,332	Bear Stearns	1,305,625	0.01%
114,900	American Axle & Manufacturing	1,785,299	0.01%	192,200	Bearingpoint	1,280,573	0.01%
13,570	American Eagle Outfitters	264,337	0.00%	7,364	Beckman Coulter	355,185	0.00%
59,558	American Electric Power	1,872,515	0.01%	130,423	Becton Dickinson & Co	6,642,209	0.04%
341,148	American Express Co	14,881,306	0.10%	34,853	Bed Bath & Beyond	1,068,014	0.01%
558,856	American International Group	32,322,408	0.21%	533,221	Bellsouth	12,249,122	0.08%
22,981	American Power Conversion	428,568	0.00%	12,434	Bemis	293,749	0.00%
77,246	American Standard	2,615,900	0.02%	14,991	Berkley W R	605,130	0.00%
303,873	American Tower	6,980,553	0.05%	1,760	Berkshire Hathaway 'B'	4,379,486	0.03%
105,800	American Woodmark	2,223,262	0.01%	112	Berkshire Hathaway 'A'	8,413,529	0.05%
16,094	AmeriCredit	349,656	0.00%	64,204	Best Buy	2,366,356	0.02%
29,227	Ameriprise Financial	1,015,773	0.01%	127,729	Biogen Idec	4,907,990	0.03%
24,674	Amerisourcebergen	865,901	0.01%	29,828	Biomet	924,650	0.01%
71,624	Ameritrade	1,457,130	0.01%	38,000	BJ Services Co	1,181,199	0.01%
81,300	Amerus Group Co	3,905,460	0.03%	9,211	Black & Decker	678,977	0.01%
482,754	Amgen	32,270,900	0.21%	39,000	Black Box	1,566,347	0.01%
10,443	Amphenol	391,801	0.00%	38,360	Block H & R	798,286	0.01%
258,000	AMR	4,861,694	0.03%	366,922	BMC Software	6,373,003	0.04%
41,044	AmSouth Bancorporation	911,896	0.01%	218,824	Boeing Co	13,028,904	0.08%
27,770	Anadarko Petroleum	2,230,404	0.01%	173,300	Boston Private Financial	4,468,751	0.03%
43,965	Analog Devices	1,336,801	0.01%	13,280	Boston Properties	834,489	0.01%
146,560	Anheuser Busch	5,337,135	0.04%	110,697	Boston Scientific	2,298,016	0.01%
37,578	Aon	1,145,146	0.01%	10,151	Brinker International	332,659	0.00%
38,783	Apache	2,252,616	0.01%	229,335	Bristol Myers Squibb Co	4,467,338	0.03%
11,198	Apartment Investment & Management	359,471	0.00%	120,002	Broadcom	4,796,215	0.03%
21,426	Apollo Group	1,098,089	0.01%	16,342	Brown & Brown	423,061	0.00%
350,300	Apollo Investment	5,324,132	0.04%	800	Brown Forman 'A'	48,107	0.00%
399,234	Apple Computer	24,329,009	0.16%	7,616	Brown Forman 'B'	447,522	0.00%
168,254	Applera Corp-Applied Biosystem	3,788,104	0.03%	11,307	Brunswick	389,711	0.00%
715,603	Applied Materials	10,882,358	0.07%	13,100	Bunge Limited	628,627	0.00%
424,901	Archer Daniels Midland Co	8,881,969	0.06%	158,892	Burlington North Santa Fe	9,538,638	0.06%
133,765	Archstone Smith	4,749,865	0.03%	206,816	Burlington Resources	15,111,926	0.10%
14,109	Arrow Electronics	383,073	0.00%	7,177	C D W	350,241	0.00%
8,773	Ashland	430,581	0.00%	20,194	C H Robinson Worldwide	633,876	0.00%
16,148	Associated Banc-Corp	445,552	0.00%	39,469	Cablevision	785,231	0.01%

National Pensions Reserve Fund

Portfolio of Investments 31 December 2005

Quoted Securities - Equities				Quoted Securities - Equities			
Holding	Security Description	Market Value €	% of Total Investments	Holding	Security Description	Market Value €	% of Total Investments
United States (continued)				United States (continued)			
7,417	Cabot	225,081	0.00%	130,236	Computer Sciences	5,590,532	0.04%
53,392	Cadence Design Systems	765,782	0.01%	45,800	Compuware	348,246	0.00%
422,850	Campbell Soup Co	10,670,717	0.07%	23,320	Comverse Technology	525,624	0.00%
304,000	Candela	3,721,082	0.02%	61,161	Conagra Foods	1,051,407	0.01%
61,408	Capital One Financial	4,497,458	0.03%	193,000	Connetics Com	2,364,033	0.02%
221,900	Caraustar Industries	1,634,577	0.01%	269,412	Conocophillips	13,286,759	0.09%
83,341	Cardinal Health	4,856,907	0.03%	10,908	Consol Energy	602,682	0.00%
11,610	Career Education Corp	331,855	0.00%	28,931	Consolidated Edison	1,136,198	0.01%
439,782	Caremark Rx	19,306,866	0.13%	23,122	Constellation Brands	514,105	0.00%
370,454	Carnival	16,790,858	0.11%	21,085	Constellation Energy	1,029,496	0.01%
160,618	Caterpillar	7,865,476	0.05%	18,000	Convergys	241,841	0.00%
43,432	CCE Spincor	482,291	0.00%	141,700	Cooper	6,161,914	0.04%
20,018	Celgene	1,099,573	0.01%	13,426	Cooper Cameron	471,168	0.00%
609,475	Cendant	8,911,964	0.06%	37,448	Cooper Industries	2,317,287	0.02%
194,006	Centerpoint Energy	2,113,230	0.01%	346,842	Corning	5,780,210	0.04%
15,100	Centex	915,062	0.01%	56,371	Costco Wholesale	2,363,884	0.02%
55,546	Centurytel	1,561,334	0.01%	121,907	Countrywide Financial	3,533,102	0.02%
6,826	Cephalon	374,600	0.00%	19,009	Coventry Health Care	917,820	0.01%
17,195	Ceridian	362,207	0.00%	46,000	Credence Systems	271,391	0.00%
7,290	Certegy	250,642	0.00%	591,090	Crown Castle International	13,483,285	0.09%
80,100	Chattem	2,470,831	0.02%	25,606	CSX	1,101,989	0.01%
22,830	Checkpoint Software Technologies	388,983	0.00%	63,500	Cullen Frost Bankers	2,889,446	0.02%
40,681	Chesapeake Energy	1,094,183	0.01%	57,559	Cummins	4,378,036	0.03%
494,774	Chevron Corporation	23,809,714	0.15%	235,550	CVS	5,275,266	0.03%
1,245	Chicago Mercantile Exchange	387,832	0.00%	36,621	D R Horton	1,109,154	0.01%
123,260	Chico's FAS	4,589,991	0.03%	27,006	Danaher	1,276,930	0.01%
16,530	Chiron	622,975	0.00%	101,848	Darden Restaurants	3,356,659	0.02%
10,666	Choicepoint	402,427	0.00%	12,003	Davita	515,243	0.00%
53,637	Chubb	4,439,818	0.03%	16,935	Dean Foods Co	540,622	0.00%
98,925	Cigna	9,366,722	0.06%	113,782	Deere & Co	6,569,206	0.04%
102,200	Cimarex Energy Co	3,726,051	0.02%	24,850	Del Monte Foods Co	219,705	0.00%
20,660	Cincinnati Financial	782,478	0.01%	718,670	Dell	18,269,826	0.12%
34,616	Cinergy	1,245,906	0.01%	5,700	Deluxe	145,629	0.00%
15,263	Cintas	532,788	0.00%	9,377	Dentsply International	426,762	0.00%
186,523	Circuit City Group	3,571,717	0.02%	12,779	Developers Diversified Realty	509,340	0.00%
1,787,652	Cisco Systems	25,942,699	0.17%	147,650	Devon Energy	7,827,440	0.05%
305,852	CIT Group	13,424,614	0.09%	13,302	Dex Media	305,460	0.00%
1,503,372	Citigroup	61,845,082	0.40%	13,400	Diagnostic Products	551,471	0.00%
39,400	Citizens Communications Co	408,461	0.00%	7,614	Diamond Offshore Drilling	448,953	0.00%
20,807	Citrix Systems	507,608	0.00%	8,200	Diebold	264,135	0.00%
5,803	City National	356,336	0.00%	48,200	Digene	1,191,823	0.01%
598,022	Clear Channel Communications	15,942,860	0.10%	27,900	Dionex	1,160,746	0.01%
144,589	Clorox Co	6,972,678	0.05%	294,037	DirectTV Group	3,519,371	0.02%
2,719	CNA Financial	75,437	0.00%	31,580	Discovery	405,558	0.00%
44,544	Coach	1,258,877	0.01%	539,833	Disney Walt Co	10,968,718	0.07%
620,350	Coca Cola Co	21,197,176	0.14%	25,800	DNP Select Income Fund	227,229	0.00%
41,588	Coca Cola Enterprises	675,801	0.01%	29,158	Dollar General	471,343	0.00%
16,311	Cognizant Tech Solutions	696,159	0.01%	12,405	Dollar Tree Stores	251,738	0.00%
312,200	Coinstar	6,041,812	0.04%	41,006	Dominion Resources	2,683,448	0.02%
81,494	Colgate Palmolive Co	3,789,053	0.02%	25,410	Donnelley R R & Sons Co	736,862	0.01%
240,929	Colonial Bancgroup	4,864,736	0.03%	92,400	Dov Pharmaceutical	1,149,811	0.01%
159,943	Comcast'A'	3,519,641	0.02%	23,979	Dover	823,014	0.01%
360,464	Comcast'A' Special	7,849,725	0.05%	264,261	Dow Chem Co	9,815,985	0.06%
95,764	Comerica	4,607,582	0.03%	5,556	Dow Jones & Co	167,146	0.00%
20,484	Commerce Bancorp N J	597,486	0.00%	9,844	DST Systems	499,919	0.00%
7,891	Commerce Bancshares	348,630	0.00%	20,939	DTE Energy Co	766,598	0.01%
10,574	Community Health Systems	343,653	0.00%	117,153	Du Pont E I de Nemours & Co	4,220,567	0.03%
13,014	Compass Bancshares	532,717	0.00%	188,919	Duke Energy	4,395,886	0.03%
63,008	Computer Associates International	1,505,633	0.01%	16,229	Duke Realty	459,480	0.00%

National Pensions Reserve Fund

Portfolio of Investments 31 December 2005

Quoted Securities - Equities				Quoted Securities - Equities			
Holding	Security Description	Market Value €	% of Total Investments	Holding	Security Description	Market Value €	% of Total Investments
United States (continued)				United States (continued)			
7,807	Dun & Bradstreet	443,127	0.00%	22,363	Franklin Resources	1,782,102	0.01%
48,279	E Trade Financial	853,692	0.01%	687,045	Freddie Mac	38,059,160	0.25%
9,568	Eastman Chem Co	418,423	0.00%	21,700	Freeport McMoran Copper	989,624	0.01%
34,149	Eastman Kodak Co	677,364	0.01%	149,645	Freescale Semiconductor 'B'	3,192,816	0.02%
56,019	Eaton	3,185,822	0.02%	16,572	Freescale Semiconductor 'A'	353,860	0.00%
137,140	Ebay	5,027,808	0.03%	18,775	Friedman Billings Ramsey Group	157,559	0.00%
25,429	Echostar Communications	585,662	0.00%	18,526	Fulton Financial	276,390	0.00%
30,361	Ecolab	933,452	0.01%	66,000	Furniture Brands International	1,249,284	0.01%
38,452	Edison International	1,421,456	0.01%	11,166	Gallagher Arthur J & Co	292,283	0.00%
9,040	Edwards A G	359,087	0.00%	28,285	Gannett	1,452,253	0.01%
323,248	El Paso	3,331,945	0.02%	159,414	Gap	2,383,710	0.02%
257,292	Electronic Arts	11,408,786	0.07%	112,500	Gardner Denver	4,701,407	0.03%
381,574	Electronic Data Systems	7,775,739	0.05%	9,552	Garmin	537,234	0.00%
1,232,211	EMC	14,226,256	0.09%	74,935	Genentech	5,875,636	0.04%
34,455	Emdeon	247,088	0.00%	108,920	General Dynamics	10,530,072	0.07%
237,222	Emerson Electric Co	15,021,178	0.10%	2,459,490	General Electric Co	73,073,768	0.47%
8,390	Energizer	354,105	0.00%	28,032	General Growth Properties	1,116,575	0.01%
17,244	Energy East	333,274	0.00%	124,352	General Mills	5,198,814	0.03%
14,232	Engelhard	363,732	0.00%	146,357	General Motors	2,409,301	0.02%
18,126	EnSCO International	681,434	0.01%	134,300	General Motors Convertible (6.25% 15/7/33)	1,793,019	0.01%
24,520	Entergy	1,426,887	0.01%	27,300	Genesee & Wyoming	868,962	0.01%
28,262	EOG Resources	1,757,721	0.01%	18,432	GenTex	304,674	0.00%
70,211	Equifax	2,262,798	0.01%	20,686	Genuine Parts Co	770,136	0.01%
182,210	Equitable Resources	5,666,936	0.04%	40,566	Genworth Financial	1,189,092	0.01%
48,069	Equity Office Properties	1,235,850	0.01%	30,327	Genzyme	1,819,569	0.01%
33,800	Equity Residential	1,120,841	0.01%	5,540	Getty Images	419,222	0.00%
2,966	Erie Indemnity Co	133,755	0.00%	126,381	Gilead Sciences	5,638,240	0.04%
11,457	Estee Lauder Cos	325,151	0.00%	28,665	Globalsantafe Corporation	1,169,975	0.01%
152,400	Esterline Technologies	4,804,405	0.03%	164,685	Golden West Financial	9,213,537	0.06%
7,266	Everest Re Group	618,075	0.00%	143,771	Goldman Sachs Group	15,564,122	0.10%
119,708	Exelon	5,392,289	0.04%	14,497	Goodrich	505,066	0.00%
129,638	Expedia	2,632,980	0.02%	265,900	Goodyear Tire & Rubber Co	3,917,387	0.03%
12,580	Expeditors International Washington	719,908	0.01%	78,108	Google	27,467,903	0.18%
84,372	Express Scripts	5,993,366	0.04%	10,518	Grainger W W	633,915	0.00%
1,800,198	Exxon Mobil	85,714,268	0.56%	14,763	GTech Holdings	397,201	0.00%
7,500	Fair Isaac	280,813	0.00%	58,805	Guidant	3,227,620	0.02%
19,874	Family Dollar Stores	417,629	0.00%	72,500	Hain Celestial	1,300,415	0.01%
401,897	Fannie Mae	16,628,459	0.11%	60,568	Halliburton	3,181,142	0.02%
17,896	Fastenal Co	594,511	0.00%	32,422	Harley Davidson	1,415,113	0.01%
46,801	Federated Department Stores	2,631,440	0.02%	7,773	Harman International	644,730	0.01%
9,495	Federated Investors	298,122	0.00%	143,420	Harrahs Entertainment	8,666,959	0.06%
35,793	Fedex	3,136,932	0.02%	297,432	Harris	10,843,901	0.07%
20,308	Fidelity National Financial	633,323	0.00%	186,102	Hartford Financial Services Group	13,549,462	0.09%
3,238	Fidelity National Title Group	66,835	0.00%	37,270	Hasbro	637,542	0.00%
93,975	Fifth Third Bancorp	3,004,778	0.02%	145,000	Hawaiian Electric Industries	3,183,436	0.02%
11,361	First American	436,258	0.00%	100,204	HCA	4,289,482	0.03%
629,796	First Data	22,961,368	0.15%	16,068	Health Care Property Investments	348,138	0.00%
14,899	First Horizon National	485,477	0.00%	29,067	Health Management Associates	541,079	0.00%
3,828	First Marblehead	106,627	0.00%	13,557	Health Net	592,408	0.00%
38,966	Firstenergy	1,618,161	0.01%	199,192	Heinz H J	5,693,612	0.04%
22,202	Fiserv	814,343	0.01%	29,376	Hershey	1,375,794	0.01%
180,433	Fisher Scientific	9,461,376	0.06%	1,079,248	Hewlett Packard Co	26,192,142	0.17%
113,943	Fluor	7,462,267	0.05%	7,322	Hillenbrand	306,671	0.00%
18,329	Foot Locker	366,518	0.00%	45,257	Hilton Hotels	924,935	0.01%
436,680	Ford Motor Co	2,857,650	0.02%	578,984	Home Depot	19,867,146	0.13%
8,724	Forest City Enterprises	280,496	0.00%	445,228	Honeywell International	14,058,441	0.09%
240,875	Forest Labs	8,306,175	0.05%	12,243	Hormel Foods	339,155	0.00%
123,600	Fortune Brands	8,174,343	0.05%	19,029	Hospira	690,057	0.01%
46,256	FPL Group	1,629,566	0.01%				

National Pensions Reserve Fund

Portfolio of Investments 31 December 2005

Quoted Securities - Equities				Quoted Securities - Equities			
Holding	Security Description	Market Value €	% of Total Investments	Holding	Security Description	Market Value €	% of Total Investments
United States (continued)				United States (continued)			
8,486	Hospitality Properties	288,454	0.00%	535,039	Kraft Foods	12,762,565	0.08%
41,626	Host Marriott	668,655	0.01%	786,653	Kroger Co	12,589,649	0.08%
70,337	Hudson City Bancorp	722,628	0.01%	13,173	L-3 Communications Holdings	830,222	0.01%
82,883	Humana	3,817,100	0.02%	15,654	Laboratory Corporation of America	714,561	0.01%
13,690	Hunt J B Trans Services	262,729	0.00%	4,201	Lafarge North America	195,930	0.00%
59,097	Huntington Bancshares	1,189,755	0.01%	16,050	Lam Resh	485,432	0.00%
189,500	Huntsman	2,766,119	0.02%	149,745	Lamar Advertising Co	5,856,772	0.04%
146,402	Iac/Interactivecorp	3,513,301	0.02%	80,400	Landstar Systems	2,844,703	0.02%
402,428	IBM	28,040,673	0.18%	5,900	Las Vegas Sands	197,400	0.00%
102,600	Ikon Office Solutions	905,371	0.01%	99,900	Lasalle Hotel Properties	3,109,543	0.02%
69,550	Illinois Tool Works	5,187,509	0.03%	96,200	Lazard	2,601,322	0.02%
7,403	Imclone Systems	214,867	0.00%	7,939	Lear	191,527	0.00%
27,370	IMS Health	578,164	0.00%	14,007	Legg Mason	1,421,122	0.01%
9,706	Independence Community Bank	326,879	0.00%	21,756	Leggett & Platt	423,428	0.00%
93,000	Indymac Bancorp	3,076,087	0.02%	124,644	Lehman Bros Holdings	13,542,105	0.09%
39,092	Ingersoll-Rand	1,337,750	0.01%	14,766	Lennar	763,772	0.01%
267,400	Inphonic	1,969,743	0.01%	193,800	Lenox Group	2,175,055	0.01%
1,302,564	Intel	27,559,547	0.18%	9,500	Leucadia National	382,190	0.00%
11,000	International Flavors & Fragrances	312,368	0.00%	81,900	Level 3 Communications	199,248	0.00%
40,690	International Game Technology	1,061,658	0.01%	13,680	Lexmark International	519,856	0.00%
515,585	International Paper	14,689,168	0.10%	26,949	Liberty Global Inc ' A '	513,989	0.00%
272,684	Interpublic Group Cos	2,230,568	0.01%	26,949	Liberty Global Inc Series 'C'	484,292	0.00%
21,873	Intuit	988,244	0.01%	316,306	Liberty Media	2,110,137	0.01%
7,669	Investors Financial Services	239,425	0.00%	10,461	Liberty Property Trust	379,973	0.00%
6,046	Invitrogen	341,532	0.00%	101,000	Lifepoint Hospitals	3,210,562	0.02%
15,421	Iron Mountain	551,898	0.00%	268,714	Lilly Eli & Co	12,890,163	0.08%
113,500	iShares Russell 2000 Index Fund	6,419,191	0.04%	47,936	Limited Brands	908,171	0.01%
10,001	Istar Financial	302,226	0.00%	39,245	Linare Holdings	1,394,217	0.01%
10,911	ITT	950,978	0.01%	30,801	Lincoln National	1,384,570	0.01%
47,932	IVAX	1,272,959	0.01%	369,433	Linear Technology	11,295,625	0.07%
188,500	IVillage	1,281,487	0.01%	12,690	Liz Claiborne	385,315	0.00%
52,207	Jabil Circuit	1,641,398	0.01%	199,614	Lockheed Martin	10,766,668	0.07%
188,500	Jackson Hewitt Tax Services	4,427,681	0.03%	47,673	Loews	3,832,995	0.02%
6,750	Jacobs Engineering Group	388,338	0.00%	28,104	Louisiana Pacific	654,418	0.01%
25,522	Janus Capital Group	403,047	0.00%	400,184	Lowes Cos	22,612,754	0.15%
310,872	JC Penney Co	14,651,592	0.10%	823,045	LSI Logic	5,581,385	0.04%
187,634	JDS Uniphase	375,363	0.00%	66,200	Lubrizol	2,437,116	0.02%
24,005	Jefferson Pilot	1,158,434	0.01%	518,865	Lucent Technologies	1,169,942	0.01%
836,206	Johnson & Johnson	42,600,645	0.28%	28,978	Lyondell Chemical	585,111	0.00%
33,917	Johnson Controls	2,096,201	0.01%	13,257	M & T Bank	1,225,461	0.01%
13,400	Jones Apparel Group	348,943	0.00%	7,028	Macerich Co	399,983	0.00%
842,491	JPMorgan Chase	28,344,891	0.18%	9,300	Manor Care	313,521	0.00%
66,189	Juniper Networks	1,251,178	0.01%	10,300	Manpower	405,993	0.00%
62,400	K V Pharmaceutical	1,089,633	0.01%	43,284	Marathon Oil	2,237,031	0.01%
11,438	KB Home	704,489	0.01%	1,160	Markel Holdings	311,756	0.00%
44,273	Kellogg Co	1,622,005	0.01%	280,027	Marriott International	15,896,760	0.10%
13,677	Kerr McGee	1,053,397	0.01%	64,288	Marsh & McLennan Cos	1,730,768	0.01%
4,500	Keryx Biopharmaceuticals	55,845	0.00%	116,497	Marshall & Ilsley	4,250,259	0.03%
155,556	Keycorp	4,342,171	0.03%	24,747	Marvell Technology Group	1,176,621	0.01%
20,604	Keyspan	623,342	0.00%	50,018	Masco	1,280,023	0.01%
63,800	Kilroy Realty	3,347,648	0.02%	47,598	Mattel	638,298	0.00%
323,510	Kimberly Clark	16,357,863	0.11%	38,443	Maxim Integrated Products	1,180,956	0.01%
46,440	Kimco Realty	1,262,859	0.01%	15,992	MBIA	815,528	0.01%
18,009	Kinder Morgan	1,403,685	0.01%	226,172	MBNA	5,205,196	0.03%
6,150	Kinetic Concepts	207,276	0.00%	78,025	McAfee	1,794,370	0.01%
363,862	King Pharmaceuticals	5,218,738	0.03%	14,057	McCormick & Co	368,435	0.00%
98,315	KLA Tencor	4,111,112	0.03%	411,792	McDonalds	11,770,472	0.08%
8,280	Knight Ridder	444,286	0.00%	238,400	McGrath Rent	5,617,971	0.04%
40,492	Kohls	1,668,145	0.01%	500,770	McGraw Hill Cos	21,916,381	0.14%

National Pensions Reserve Fund

Portfolio of Investments 31 December 2005

Quoted Securities - Equities				Quoted Securities - Equities			
Holding	Security Description	Market Value €	% of Total Investments	Holding	Security Description	Market Value €	% of Total Investments
United States (continued)				United States (continued)			
38,335	MCI	641,137	0.01%	92,527	News Corporation 'B'	1,302,766	0.01%
99,906	McKesson	4,369,035	0.03%	16,470	Nextel Partners	390,075	0.00%
14,147	MDU Resources Group	392,619	0.00%	231,700	NGP Capital Resources Co	2,578,809	0.02%
21,542	MeadWestvaco	511,844	0.00%	17,782	NII	658,403	0.01%
248,834	Medco Health Solutions	11,769,888	0.08%	17,376	Nike	1,278,345	0.01%
198,537	Medimmune	5,893,673	0.04%	31,937	NiSource	564,725	0.00%
503,412	Medtronic	24,566,779	0.16%	16,000	Noble	956,718	0.01%
49,313	Mellon Financial	1,431,695	0.01%	20,516	Noble Energy	700,852	0.01%
9,656	Mercantile Bankshares	461,969	0.00%	46,640	Nordstrom	1,478,627	0.01%
642,329	Merck & Co	17,320,069	0.11%	47,675	Norfolk Southern	1,811,707	0.01%
3,024	Mercury General	149,239	0.00%	15,328	Northeast Utilities	255,835	0.00%
10,223	Mercury Interactive	239,088	0.00%	25,936	Northern Trust	1,139,276	0.01%
233,449	Merrill Lynch & Co	13,402,984	0.09%	56,404	Northfork Bancorporation	1,308,141	0.01%
185,600	Methode Electronics	1,568,562	0.01%	125,596	Northrop Grumman	6,399,572	0.04%
162,648	Metlife	6,755,745	0.04%	48,962	Novellus Systems	1,001,071	0.01%
31,066	MGIC Investment	1,733,292	0.01%	12,500	Nstar	304,103	0.00%
16,804	MGM Mirage	522,338	0.00%	10,027	NTL	578,654	0.00%
16,000	Michaels Stores	479,715	0.00%	210,700	Nu Skin Enterprises	3,139,871	0.02%
24,597	Microchip Technology	670,334	0.01%	98,388	Nucor	5,564,506	0.04%
72,396	Micron Technology	816,810	0.01%	130,500	Nvidia	4,044,316	0.03%
3,144,753	Microsoft	69,708,647	0.45%	8,271	NVR	4,921,795	0.03%
4,140,000	Midland Holdings	1,810,351	0.01%	96,348	Occidental Petroleum	6,523,928	0.04%
36,353	Millennium Pharmaceuticals	298,910	0.00%	161,800	Oceaneering International	6,827,502	0.04%
6,113	Millipore	342,208	0.00%	545,400	Ocwen Financial	4,022,192	0.03%
6,589	Mills	234,248	0.00%	202,600	Odyssey Healthcare	3,201,207	0.02%
7,862	Mohawk Industries	579,670	0.00%	36,452	Office Depot	970,241	0.01%
8,923	Molex	196,280	0.00%	8,982	Officemax	193,086	0.00%
7,283	Molex'A'	151,809	0.00%	113,900	Offshore Logistics	2,819,259	0.02%
159,500	Molina Healthcare	3,601,831	0.02%	21,605	Old Republic International	480,925	0.00%
9,615	Molson Coors Brewing	546,337	0.00%	52,488	Omni Group	3,787,661	0.02%
10,030	Moneygram	221,736	0.00%	12,612	Omnicare	611,731	0.00%
174,051	Monsanto	11,438,649	0.07%	48,600	Option Care	550,391	0.00%
44,505	Monster Worldwide	1,539,963	0.01%	606,821	Oracle Corporation	6,280,651	0.04%
201,224	Moody's	10,476,543	0.07%	8,859	Orback Steakhouse	312,472	0.00%
147,613	Morgan Stanley	7,099,739	0.05%	20,236	Paccar	1,187,538	0.01%
1,173,152	Motorola	22,464,613	0.15%	16,919	Pactiv	315,519	0.00%
178,000	Movado Group	2,761,210	0.02%	159,787	Pall	3,638,110	0.02%
111,300	Movie Gallery	529,281	0.00%	152,200	Park Electrochemical	3,351,832	0.02%
21,924	Murphy Oil	1,003,371	0.01%	167,581	Parker Hannifin	9,369,876	0.06%
25,449	Mylan Labs	430,586	0.00%	46,600	Parkway Properties	1,585,593	0.01%
18,651	Nabors Industries	1,197,604	0.01%	38,069	Partnerre Holdings	2,119,175	0.01%
191,488	National City	5,449,057	0.04%	16,270	Patterson	460,641	0.00%
163,200	National Financial Partners	7,269,780	0.05%	41,328	Patterson UTI Energy	1,154,325	0.01%
20,571	National Oilwell Varco	1,093,330	0.01%	44,430	Paychex	1,435,680	0.01%
40,568	National Semiconductor	893,411	0.01%	15,433	Peabody Energy	1,078,230	0.01%
99,200	Navistar	2,406,632	0.02%	11,968	Pentair	350,204	0.00%
10,768	Navteq	400,434	0.00%	8,296	People's Bank	218,423	0.00%
134,496	NCR	3,869,453	0.03%	22,286	Pepco	422,597	0.00%
44,288	Network Appliance	1,013,627	0.01%	21,315	Pepsi Bottling Group	516,930	0.00%
64,300	Neustar	1,661,869	0.01%	11,500	PepsiAmericas	226,744	0.00%
31,166	New York Community Bancorp	436,435	0.00%	791,420	Pepsico	39,634,732	0.26%
17,053	New York Times Co	382,345	0.00%	41,100	Perkinelmer	820,815	0.01%
32,313	Newell Rubbermaid	651,355	0.01%	191,800	Petco Animal Supplies	3,568,712	0.02%
14,918	Newfield Exploration Co	633,165	0.00%	17,008	Petsmart	369,946	0.00%
316,043	Newmont Mining	14,305,922	0.09%	2,117,647	Pfizer	41,861,090	0.27%
290,400	Newport	3,333,064	0.02%	129,023	PG&E	4,059,790	0.03%
160,782	News Corp CDI 'A'	2,143,894	0.01%	85,945	Phelps Dodge	10,481,400	0.07%
71,889	News Corp CDI 'B'	1,017,487	0.01%	322,200	Pinnacle Airlines	1,821,712	0.01%
196,049	News Corporation 'A'	2,584,184	0.02%	11,585	Pinnacle West Cap	406,069	0.00%

National Pensions Reserve Fund

Portfolio of Investments 31 December 2005

Quoted Securities - Equities				Quoted Securities - Equities			
Holding	Security Description	Market Value €	% of Total Investments	Holding	Security Description	Market Value €	% of Total Investments
United States (continued)				United States (continued)			
15,471	Pioneer Natural Resources	672,373	0.01%	89,619	Sara Lee	1,435,788	0.01%
26,901	Pitney Bowes	963,438	0.01%	13,486	Scana	450,181	0.00%
5,554	Pixar	248,205	0.00%	10,276	Schein Henry	380,134	0.00%
198,600	Plantronics	4,764,245	0.03%	408,016	Schering Plough	7,211,269	0.05%
21,596	Plum Creek Timber Co	659,944	0.01%	578,581	Schlumberger	47,646,982	0.31%
10,261	PMI Group	357,226	0.00%	1,133,289	Schwab Charles	14,092,862	0.09%
95,472	PNC Financial Services	5,003,843	0.03%	27,450	Scientific Atlanta	1,002,180	0.01%
7,001	Pogo Producing Co	295,600	0.00%	11,134	Scripps Co	453,213	0.00%
31,287	Popular	560,922	0.00%	143,926	Seagate Technology	2,438,824	0.02%
19,762	PPG	969,924	0.01%	9,629	Sealed Air	458,473	0.00%
44,588	PPL	1,111,204	0.01%	13,154	Sears	1,288,193	0.01%
176,335	Praxair	7,916,166	0.05%	302,600	Seattle Genetics	1,210,708	0.01%
15,595	Precision Castparts	684,900	0.01%	8,800	SEI Investment	276,002	0.00%
15,392	Price T Rowe Group	939,803	0.01%	30,324	Sempra Energy	1,152,605	0.01%
18,687	Pride International	487,094	0.00%	12,401	Sepracor	542,419	0.00%
33,010	Principal Financial Group	1,327,172	0.01%	34,266	Service Master	347,104	0.00%
1,155,132	Procter & Gamble Co	56,674,612	0.37%	25,556	Sherwin Williams	983,940	0.01%
29,633	Progress Energy	1,103,231	0.01%	61,660	Siebel Systems	552,990	0.00%
25,998	Progressive Corp	2,573,575	0.02%	7,952	Sigma Aldrich	426,619	0.00%
28,528	Prologis	1,129,803	0.01%	73,851	Simon Property Group	4,797,154	0.03%
8,192	Protective Life	303,945	0.00%	354,700	Sinclair Broadcast	2,766,161	0.02%
170,101	Prudential Financial	10,553,270	0.07%	156,238	Sirius Satellite Radio	887,340	0.01%
43,729	Public Service Enterprise Group	2,408,301	0.02%	49,300	SLM	2,302,227	0.01%
75,827	Public Storage	4,352,805	0.03%	25,100	Smith International	789,574	0.01%
13,610	Puget Energy	235,582	0.00%	13,095	Smithfield Foods	339,669	0.00%
30,400	Pulte Homes	1,014,278	0.01%	22,309	Smurfit-Stone Container	267,965	0.00%
10,700	QLogic	294,869	0.00%	66,600	Snap On	2,120,451	0.01%
726,794	Qualcomm	26,540,888	0.17%	107,795	Solectron	334,432	0.00%
18,438	Quest Diagnostics	804,601	0.01%	154,000	South Financial Group	3,595,117	0.02%
10,108	Questar	648,619	0.01%	199,441	Southern Co	5,837,669	0.04%
870,764	QWest Communications International	4,170,396	0.03%	404,264	Southwest Airlines	5,630,294	0.04%
47,782	Radian Group	2,373,101	0.02%	64,102	Sovereign Bancorp	1,174,778	0.01%
245,500	Radio One	2,153,874	0.01%	100,800	Sports Authority	2,659,917	0.02%
125,652	Radio Shack	2,239,944	0.01%	590,874	Sprint Nextel	11,700,277	0.08%
216,851	Raytheon Co	7,380,324	0.05%	8,626	SPX	334,672	0.00%
234,500	Regal Beloit	7,036,789	0.05%	8,916	St Joe Company	508,039	0.00%
8,023	Regency Ctrs	400,912	0.00%	43,282	St Jude Medical	1,841,787	0.01%
54,439	Regions Financial	1,576,364	0.01%	81,744	St Paul Travelers Companies	3,095,282	0.02%
64,100	Rehabcare Group	1,097,584	0.01%	48,234	Stanley Works	1,964,195	0.01%
6,087	Reliant Energy	53,249	0.00%	87,683	Staples	1,687,955	0.01%
8,414	Renaissancere Holdings	314,607	0.00%	91,988	Starbucks	2,340,052	0.02%
82,635	Republic Services	2,630,282	0.02%	25,516	Starwood Hotels & Resorts	1,381,242	0.01%
121,800	Reynolds & Reynolds	2,898,132	0.02%	54,138	State Street	2,544,215	0.02%
13,031	Reynolds American	1,053,018	0.01%	6,102	Station Casinos	350,696	0.00%
20,000	Robert Half International	642,367	0.01%	213,011	Stryker	8,022,445	0.05%
40,771	Rockwell Automation	2,044,598	0.01%	512	Student Loan	90,808	0.00%
20,343	Rockwell Collins	801,339	0.01%	2,000,351	Sun Microsystems	7,104,748	0.05%
29,601	Rohm & Haas Co	1,214,953	0.01%	85,260	Sunoco	5,664,727	0.04%
17,424	Ross Stores	426,849	0.00%	42,593	Suntrust Banks	2,626,996	0.02%
12,909	Rowan Cos	389,995	0.00%	15,979	Supervalu	439,941	0.00%
18,574	Royal Caribbean Cruises	709,455	0.01%	140,490	Symantec	2,084,068	0.01%
7,581	Ryder Systems	263,603	0.00%	29,620	Symbol Technologies	321,886	0.00%
61,600	Ryland Group	3,766,388	0.02%	51,152	Synopsis	869,805	0.01%
15,000	Sabre Group	306,561	0.00%	36,876	Synovus Financial	844,300	0.01%
22,040	Safeco	1,055,573	0.01%	114,147	Sysco	3,004,378	0.02%
52,659	Safeway	1,056,126	0.01%	229,504	Target	10,694,104	0.07%
185,700	Saga Communications	1,711,078	0.01%	15,882	TCF Financial	365,379	0.00%
201,930	Sandisk	10,752,939	0.07%	10,250	TD Banknorth	252,405	0.00%
194,765	Sanmina-SCI	703,313	0.01%	24,446	Teco Energy	356,008	0.00%

National Pensions Reserve Fund

Portfolio of Investments 31 December 2005

Quoted Securities - Equities				Quoted Securities - Equities			
Holding	Security Description	Market Value €	% of Total Investments	Holding	Security Description	Market Value €	% of Total Investments
Japan (continued)				Japan (continued)			
160,000	Asahi Glass	1,754,356	0.01%	106,000	Jfe Shoji Holdings	509,777	0.00%
262,000	Asahi Organic Industry	980,850	0.01%	71,000	Juki	292,383	0.00%
61,000	Asahi Soft Drinks	627,127	0.00%	1,800	K K Davinci Advisors	11,520,518	0.07%
89,000	Askul	2,345,140	0.02%	1,250,000	Kajima	6,101,512	0.04%
89,000	Askul (Deferred Shares)	2,306,695	0.01%	210,000	Kandenko	1,331,965	0.01%
1,500	Asset Managers	8,855,292	0.06%	87,800	Kansai Electric Power	1,602,397	0.01%
90,000	Astellas Pharma	2,980,562	0.02%	77,000	Kao	1,751,764	0.01%
1,105,000	Bank of Yokohama	7,676,926	0.05%	47,100	Kato Sangyo	776,523	0.01%
171,000	Bosch	701,728	0.01%	667,000	Kawasaki Kisen Kaisha	3,553,492	0.02%
200,000	Bridgestone	3,534,917	0.02%	1,192	KDDI	5,835,565	0.04%
275,000	Canon	13,660,907	0.09%	184,100	Keihin	4,002,750	0.03%
18,000	Canon Electronics	594,816	0.00%	388,000	Kenwood	670,410	0.01%
8,300	Canon Finetech	154,766	0.00%	25,000	Keyence	6,038,517	0.04%
53,000	Canon Sales	961,555	0.01%	250,000	Komatsu	3,511,519	0.02%
2,200	Cawachi	79,352	0.00%	115,000	Kurabo Industries	365,947	0.00%
5,100	Central Leasing	215,162	0.00%	456,000	Kyoei Tanker	1,355,853	0.01%
12,800	Century Leasing System	190,756	0.00%	270,000	Kyushu Electric Power	4,976,242	0.03%
1,485,000	Chiba Bank	10,573,542	0.07%	6,000	Mabuchi Motor	282,937	0.00%
973,000	Chori	2,220,598	0.01%	630,000	Maeda	3,533,261	0.02%
30,000	Chubu Electric Power	606,911	0.00%	65,600	Makita	1,369,618	0.01%
15,700	Chubu Steel Plate	226,062	0.00%	14,200	Mars Engineering	314,874	0.00%
137,200	Daibiru	1,412,498	0.01%	3,000,000	Marubeni	13,671,706	0.09%
428,000	Daiichi Chuo Kisen Kaisha	838,128	0.01%	710,000	Matsui Securities	8,367,675	0.05%
324,000	Daiwa House Industry	4,301,339	0.03%	510,000	Matsushita Electric Industrial	8,353,132	0.05%
60,000	Denso Corporation	1,758,099	0.01%	900,000	Mazda Motor	3,498,920	0.02%
107,000	Doutor Coffee	1,891,181	0.01%	125,000	Melco	3,410,727	0.02%
900	E*Trade Securities	5,902,808	0.04%	20,000	Micronics Japan	665,227	0.01%
1,300	East Japan Railway	7,590,353	0.05%	190	Millea Holdings	2,776,818	0.02%
235,500	Edion	4,340,389	0.03%	200,000	Mitsubishi	3,758,099	0.02%
128,000	Eisai	4,561,555	0.03%	111,000	Mitsubishi Heavy Industries	415,551	0.00%
37,700	Eizo Nanao	1,232,239	0.01%	1,815	Mitsubishi Ufj Financial Group	20,907,127	0.14%
16,100	Electric Power Development Co	469,438	0.00%	274,109	Mitsubishi Ufj Financial Group (ADR)	3,180,938	0.02%
1,303	En-Japan	7,148,207	0.05%	56,000	Mitsui & Co	610,799	0.00%
146,400	Enplas	3,457,106	0.02%	1,889,000	Mitsui Fudosan	32,571,310	0.21%
16,200	Excel	384,881	0.00%	1,170,000	Mitsui Mining & Smelt	6,241,685	0.04%
12,800	Exedy Corporation	304,104	0.00%	569,000	Mitsui Sumitomo Insurance	5,911,209	0.04%
9,300	F.C.C.	395,702	0.00%	710,000	Mitsui Trust Holdings	7,238,013	0.05%
35,300	Fanuc	2,543,938	0.02%	185,700	Miura Kogyo	3,850,367	0.03%
39,000	Foster Electric	468,056	0.00%	5,493	Mizuho Financial	37,015,464	0.24%
104,000	Fujikura	715,796	0.01%	3,600	Monex Beans Holdings	4,095,032	0.03%
38,200	Fujitsu Frontech	356,148	0.00%	5,200	Moshi Moshi Hotline	524,118	0.00%
119,000	Fujitsu General	335,839	0.00%	68,000	Murata Manufacturing	3,701,080	0.02%
975,000	Fukuoka Bank of	7,082,613	0.05%	51,000	NEC	269,503	0.00%
102,300	Glory Kogyo	1,470,793	0.01%	134,000	Neomax	3,743,125	0.02%
129,000	Godou Steel	629,676	0.00%	64,000	Nichiha	967,603	0.01%
865,000	Haseko	2,833,513	0.02%	425,000	Nichimo	663,967	0.01%
36,000	Hirose Electronics	4,076,890	0.03%	55,000	Nidec	3,971,562	0.03%
259,700	Hitachi Capital	4,393,772	0.03%	36,000	Nikken Chemicals	210,194	0.00%
171,700	Hitachi High Technologies	3,646,616	0.02%	32,500	Nikko Cordial	437,077	0.00%
255,000	Honda Motor Co	12,355,291	0.08%	107,000	Nikon	1,433,600	0.01%
131,061	Honda Motor Co (ADR)	3,218,477	0.02%	116,000	Nippon Chemical Industrial Co	283,945	0.00%
429,600	Hoya	13,113,780	0.09%	308,000	Nippon Express	1,594,327	0.01%
21,000	Ichiyoshi Securities	319,006	0.00%	45,000	Nippon Kayaku	326,242	0.00%
55,000	Iino Kaiun Kaisha	393,197	0.00%	44,000	Nippon Konpo Unyu Soko	510,641	0.00%
249	Intelligence	487,603	0.00%	600	Nippon Paper	2,038,877	0.01%
243,000	Isuzu Motors	787,257	0.01%	316,000	Nippon Steel	955,508	0.01%
56,000	Japan Electronic Materials	985,745	0.01%	56,800	Nippon System Developments	1,574,370	0.01%
670	Japan Tobacco	8,296,616	0.05%	2,544	Nippon Telegraph & Telephone	9,817,019	0.06%
60,000	Jfe Holdings	1,710,583	0.01%	780,000	Nippon Yusen	4,537,365	0.03%

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Quoted Securities - Equities				Quoted Securities - Equities			
Holding	Security Description	Market Value €	% of Total Investments	Holding	Security Description	Market Value €	% of Total Investments
Australia (continued)				Hong Kong (continued)			
271,250	Lend Lease	2,438,204	0.02%	217,000	Vtech Holdings	628,649	0.00%
492,590	Lion Nathan	2,336,203	0.01%	1,527,000	Wharf Holdings	4,573,956	0.03%
101,900	MacArthur Coal	325,772	0.00%	429,000	Wing Hang Bank	2,616,940	0.02%
182,800	MacQuarie Prologis	132,768	0.00%			110,645,021	0.72%
134,559	Multiplex Group	263,121	0.00%	New Zealand			
449,156	National Australia Bank	9,033,871	0.06%	1,158,430	Telecom Corp of New Zealand	4,031,363	0.03%
168,900	Newcrest Mining	2,547,813	0.02%	Singapore			
309,310	Oil Search	708,520	0.01%	948,000	City Developments	4,201,956	0.03%
150,277	Orica Limited	1,903,068	0.01%	393,000	DBS	3,303,698	0.02%
494,500	Paperlinx	1,178,770	0.01%	552,000	Fibrechem Technologies	206,705	0.00%
839,751	Promina Group	2,523,060	0.02%	219,409	Flextronics International	1,941,705	0.01%
690,852	Qantas Airways	1,732,599	0.01%	4,431,000	Fortune Real Estate Investment	2,761,080	0.02%
1,095,780	QBE Insurance Group	13,332,486	0.09%	615,000	Jardine Cycle & Carriage	3,477,939	0.02%
497,653	Rinker Group	5,081,878	0.03%	451,000	Jurong Technologies Industrial Corp	415,891	0.00%
175,369	Rio Tinto Limited	7,511,620	0.05%	443,658	MCL Land	388,777	0.00%
29,179	Santos Limited	221,890	0.00%	854,000	MFS Technology	313,267	0.00%
431,724	TAB Corp Hldgs Limited	4,172,790	0.03%	3,499,100	Mobileone	3,779,341	0.03%
514,367	TAP Oil	817,419	0.01%	3,330,000	Singapore Exchange	4,920,012	0.03%
654,260	Telstra	1,596,153	0.01%	2,552,000	Singapore Technologies	3,718,524	0.03%
658,769	Transurban Group	2,699,037	0.02%	3,615,430	Singapore Telecommunications	4,807,556	0.03%
103,350	Wesfarmers	2,371,874	0.01%	240,000	Starhub	250,662	0.00%
813,552	Westpac Banking	11,489,428	0.07%	1,036,000	United Overseas Bank	7,706,133	0.05%
304,335	Woodside Petroleum	7,403,871	0.05%	348,000	Venture Corp	2,446,709	0.02%
735,110	Woolworths Limited	7,689,249	0.05%			44,639,955	0.29%
1,099,330	Zinifex	4,695,136	0.03%	Total Asia Pacific Equities			
		194,431,668	1.26%			353,748,007	2.30%
Hong Kong							
1,315,000	ASM Pacific Technology	6,289,356	0.04%				
140,000	Cafe de Coral	140,805	0.00%				
976,000	Champion Technology	128,036	0.00%				
181,097	Champion Technology (Warrants)	356	0.00%				
2,404,200	China Mobile (HK)	9,645,817	0.06%				
1,622,000	China Resources Logic	138,308	0.00%				
2,852,000	Clear Media	1,964,230	0.01%				
4,002,000	Cosco Pacific	6,212,520	0.04%				
504,000	Dah Sing Financial	2,969,762	0.02%				
4,362,000	Datang International Power	2,718,084	0.02%				
2,704,000	Hang Lung Group	4,862,671	0.03%				
38,200	Hang Seng Bank	422,616	0.00%				
972,000	Hong Kong & China Gas	1,758,598	0.01%				
1,300,000	Hong Kong Electric	5,457,289	0.04%				
2,004,000	Hong Kong Exchanges & Clearing	7,043,379	0.05%				
570,000	I-Cable Communications	118,394	0.00%				
501,222	Jardine Matheson Holdings	7,307,806	0.05%				
2,177,500	Kerry Properties	4,891,841	0.03%				
2,760,000	Li & Fung	4,510,790	0.03%				
538,000	Luen Thai Holdings	122,040	0.00%				
42,100	Nam Tai Electronics	802,958	0.01%				
412,100	Orient Overseas	1,184,843	0.01%				
2,301,000	Pacific Basin Ship	905,569	0.01%				
1,398,000	Ping An Insurance	2,185,473	0.01%				
3,142,000	Shangri-La Asia	4,448,138	0.03%				
7,092,000	Solomon Systech	2,500,350	0.02%				
757,000	Sun Hung Kai Properties	6,248,060	0.04%				
2,221,500	Swire Pacific A	16,902,771	0.11%				
636,000	Tai Cheung Holdings	304,185	0.00%				
55,000	Television Broadcast	247,721	0.00%				
1,182,000	Top Form International	250,681	0.00%				
232,000	Varitronix International	142,029	0.00%				
				Emerging Markets			
				6,593,351	ACM Global Investments - Emerging Markets Growth Portfolio Class 'S'	162,304,749	1.05%
				18,194,051	EMM Emerging Markets Global Fund Class 'A'	155,151,440	1.01%
				Total Emerging Markets Equities			
						317,456,189	2.06%
				TOTAL EQUITIES		11,971,325,242	77.77%

National Pensions Reserve Fund

Portfolio of Investments 31 December 2005

Quoted Securities - Bonds				Quoted Securities - Bonds			
Holding	Security Description	Market Value €	% of Total Investments	Holding	Security Description	Market Value €	% of Total Investments
Austria				Germany (continued)			
31,395,000	Republic of Austria 5.00% 15/07/2012	34,772,442	0.23%	9,806,000	Federal Republic of Germany 5.63% 04/01/2028	12,840,967	0.08%
3,485,000	Republic of Austria 3.50% 15/07/2015	3,546,409	0.02%	19,385,000	Federal Republic of Germany 4.75% 04/07/2028	22,854,779	0.15%
21,954,000	Republic of Austria 6.25% 15/07/2027	30,709,849	0.20%	92,453,000	Federal Republic of Germany 5.50% 04/01/2031	121,595,107	0.79%
		69,028,700	0.45%	20,000,000	Federal Republic of Germany 4.00% 04/01/2037	21,615,199	0.14%
						397,332,699	2.58%
Belgium				Greece			
15,000,000	Kingdom of Belgium 5.75% 28/09/2010	16,755,825	0.11%	14,078,000	Republic of Greece 5.25% 18/05/2012	15,651,709	0.11%
13,365,000	Kingdom of Belgium 5.00% 28/09/2012	14,839,573	0.10%	11,385,000	Republic of Greece 6.50% 11/01/2014	13,834,141	0.09%
43,900,000	Kingdom of Belgium 4.25% 28/09/2013	46,951,357	0.30%	17,933,000	Republic of Greece 6.50% 22/10/2019	23,401,131	0.15%
27,593,000	Kingdom of Belgium 5.50% 28/03/2028	35,641,217	0.23%	2,590,000	Republic of Greece 5.90% 22/10/2022	3,282,268	0.02%
		114,187,972	0.74%	3,130,000	Republic of Greece 4.50% 20/09/2037	3,453,304	0.02%
						59,622,553	0.39%
Finland				Italy			
5,338,000	Republic of Finland 5.75% 23/02/2011	6,010,668	0.04%	74,198,000	Republic of Italy 5.00% 01/02/2012	81,584,559	0.53%
2,137,000	Republic of Finland 5.38% 04/07/2013	2,445,256	0.02%	86,638,000	Republic of Italy 5.25% 01/08/2017	100,693,977	0.65%
5,105,000	Republic of Finland 4.25% 04/07/2015	5,526,708	0.03%	8,136,000	Republic of Italy 9.00% 01/11/2023	13,715,278	0.09%
		13,982,632	0.09%	13,089,000	Republic of Italy 7.25% 01/11/2026	19,619,286	0.13%
France				Netherlands			
29,000,000	Government of France 4.50% 12/07/2006	29,280,517	0.19%	29,815,000	Dutch Government 5.00% 15/07/2011	32,668,653	0.21%
73,468,000	Government of France 5.00% 25/10/2011	80,825,086	0.53%	10,370,000	Dutch Government 4.25% 15/07/2013	11,097,891	0.07%
60,207,000	Government of France 4.00% 25/10/2013	63,430,480	0.41%	10,000,000	Dutch Government 7.50% 15/01/2023	15,097,730	0.10%
48,257,000	Government of France 4.25% 25/04/2019	52,526,297	0.34%	15,958,000	Dutch Government 5.50% 15/01/2028	20,616,267	0.13%
16,500,000	Government of France 3.75% 25/04/2021	17,022,060	0.11%	4,738,000	Dutch Government 4.00% 15/01/2037	5,108,199	0.04%
10,435,000	Government of France 5.50% 25/04/2029	13,581,883	0.09%			84,588,740	0.55%
53,105,000	Government of France 5.75% 25/10/2032	72,660,388	0.47%				
13,500,000	Government of France 4.75% 25/04/2035	16,292,340	0.11%				
13,355,000	Government of France 4.00% 25/04/2055	14,608,634	0.09%				
		360,227,685	2.34%				
Germany							
58,525,000	Federal Republic of Germany 5.00% 04/07/2011	64,067,376	0.42%				
113,681,000	Federal Republic of Germany 4.50% 04/01/2013	123,067,072	0.80%				
21,770,000	Federal Republic of Germany 6.50% 04/07/2027	31,292,199	0.20%				

National Pensions Reserve Fund

Portfolio of Investments 31 December 2005

Quoted Securities - Bonds				Unquoted Investments - Commodity Investments			
Holding	Security Description	Market Value €	% of Total Investments	Invested €	Security Description	Market Value €	% of Total Investments
Portugal				Commodity Investments			
8,745,000	Republic of Portugal 5.15% 15/06/2011	9,602,482	0.06%	120,000,000	Lehman Brothers Treasury B V - Commodity Note	150,828,252	0.98%
10,320,000	Republic of Portugal 5.45% 23/09/2013	11,862,448	0.08%	50,000,000	Morgan Stanley - Commodity Note	49,621,100	0.32%
16,620,000	Republic of Portugal 3.85% 15/04/2021	17,141,269	0.11%				
		<u>38,606,199</u>	<u>0.25%</u>		Total Commodity Investments	<u>200,449,352</u>	<u>1.30%</u>
Spain							
10,210,000	Government of Spain 5.35% 31/10/2011	11,404,355	0.07%				
6,000,000	Government of Spain 4.20% 30/07/2013	6,399,721	0.04%				
67,085,000	Government of Spain 4.75% 30/07/2014	74,755,969	0.48%				
4,340,000	Government of Spain 3.15% 31/01/2016	4,281,718	0.03%				
24,000,000	Government of Spain 5.50% 30/07/2017	28,881,744	0.19%				
28,782,000	Government of Spain 6.00% 31/01/2029	39,756,402	0.26%				
12,000,000	Government of Spain 4.20% 31/01/2037	13,355,244	0.09%				
		<u>178,835,153</u>	<u>1.16%</u>				
Total Quoted Government Bonds		<u>1,761,948,396</u>	<u>11.44%</u>				

National Pensions Reserve Fund

Portfolio of Investments 31 December 2005

Unquoted Investments - Property and Private Equity Investments				
Invested €	Security Description	Commitment €m	Market Value €	% of Total Investments
Property Investments				
Europe				
43,362,896	Airport Industrial Property Unit Trust	43.3	45,621,527	0.29%
11,740,792	Barclays Bank Plc Property Index Certificates	11.8	13,208,815	0.09%
5,146,206	CBRE Strategic Partners UK Fund II	36.5	4,178,432	0.03%
4,942,453	FDV Redic II & FDV-Venture	30	4,783,200	0.03%
11,075,366	German Residential Investment Holdings	14.9	14,252,482	0.09%
		<u>136.5</u>	<u>82,044,456</u>	<u>0.53%</u>
Global & Asia				
-	Asia Retail Mall II Limited	21.2	-	0.00%
7,301,343	Lehman Brothers Offshore Real Estate Fund II	42.1	9,728,360	0.06%
7,860,863	Morgan Stanley Real Estate Fund V	42.2	8,791,274	0.06%
		<u>105.5</u>	<u>18,519,634</u>	<u>0.12%</u>
North America				
2,194,973	Berkshire Multifamily Value	33.9	1,897,776	0.01%
15,823,894	Broadway Partners Value-Added Fund I	33.4	15,929,769	0.10%
837,396	CBRE Strategic Partners US IV	50.9	764,601	0.00%
13,117,796	Tishman Speyer Real Estate Venture VI	43.2	11,859,504	0.08%
		<u>161.4</u>	<u>30,451,650</u>	<u>0.20%</u>
	Total Property Investments	<u>403.4</u>	<u>131,015,740</u>	<u>0.85%</u>
Private Equity Investments				
Europe				
7,809,572	CVC European Equity Partners	75	7,224,088	0.05%
North America				
54,883	Vestar Capital Partners V LP	29.7	-	0.00%
13,532,262	Clayton Dublier & Rice Fund VII	76.2	12,317,082	0.08%
		<u>106.9</u>	<u>12,317,082</u>	<u>0.08%</u>
	Total Private Equity Investments	<u>180.9</u>	<u>19,541,170</u>	<u>0.13%</u>
Cash Deposits & Other Investments				
	Euro		1,239,047,827	8.05%
	US Dollar		64,481,041	0.42%
	Japanese Yen		12,397,203	0.08%
	Sterling		2,661,109	0.02%
	Other Currencies		328,047	0.00%
			<u>1,318,915,227</u>	<u>8.57%</u>
	Unrealised Gain / (Loss) foreign exchange contracts		(9,686,353)	(0.06%)
	Unrealised Gain / Loss on futures contracts (Note 1)		161,725	0.00%
	TOTAL INVESTMENTS		<u>15,393,670,499</u>	<u>100.00%</u>

Note 1 - Open Futures 31 December 2005

		Commitment €	Unrealised Gain/(Loss) €
981	DJ Euro Stoxx Contracts (Expiring March 2006)	34,641,090	557,190
428	S&P 500 Mini Contracts (Expiring March 2006)	23,157,793	(395,465)
		<u>57,798,883</u>	<u>161,725</u>

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.

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.

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 Treasury Management Agency – Corporate Information

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, Private Equity
Nick Ashmore

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

