



Ireland Strategic Investment Fund
Quarterly Performance and Portfolio Update
At 31 December 2015

1. Fund Overview

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

On 6 November 2015, the ISIF received €335m from the Minister for Finance for the purpose of developing a Connectivity fund that will become a sub-portfolio of the ISIF. The fund will be dedicated to enhancing connectivity both within and for the State. A working definition for the initial stage of deployment is that connectivity assets are those that "enhance, develop or sustain the physical and virtual connectivity of Ireland as an island nation".

The Discretionary Portfolio was valued at €7.9 billion as at 31 December 2015.¹

The Directed Portfolio (public policy investments in Allied Irish Banks, Bank of Ireland and the Strategic Banking Corporation of Ireland made at the direction of the Minister for Finance) was valued at €13.5 billion at 31 December 2015.

The Total Fund size at 31 December 2015 was €21.4 billion.

Fund at 31 December 2015	€bn	% Fund
Discretionary Portfolio	7.9	36.8%
Directed Portfolio	13.5	63.2%
Total Fund	21.4	100.0%

¹ Figures in this statement are preliminary and unaudited.

2. Fund Performance

The Discretionary Portfolio earned a preliminary return of +0.7 per cent in the fourth quarter of 2015 and has generated a return of +1.5% since inception on 22 December 2014.

Performance	30 September 2015 to 31 December 2015	22 December 2014 to 31 December 2015
Discretionary Portfolio	+0.7%	+1.5%
Directed Portfolio	+13.7%	+15.3%
Total Fund	+9.0%	+10.8%

3. Asset Allocation

(a) Discretionary Portfolio

The Discretionary Portfolio Asset Allocation as at 31 December 2015 is set out below:

31/12/2015		
Asset Allocation	Value €m	Fund Weight
Large Cap Equity	679	8.7%
Small Cap Equity	171	2.2%
Emerging Markets Equity	168	2.1%
Total Quoted Equity	1,018	13.0%
Eurozone government bonds	-	0.0%
Eurozone inflation linked bonds	162	2.1%
Eurozone corporate bonds	1,411	18.1%
Cash & Cash Equivalents	3,562	45.5%
Options	12	0.1%
Total Financial Assets	5,146	65.7%
Private Equity	461	5.9%
Property	271	3.3%
Commodities	292	3.7%
Infrastructure	367	4.6%
Absolute Return Funds	302	3.8%
Total Alternative Assets	1,693	21.2%
TOTAL DISCRETIONARY PORTFOLIO	7,858	100.0%

The ISIF and 3rd party commitments as at 31 December 2015 to investments aligned with the ISIF mandate are set out below:

31/12/2015	Total ISIF Commitment (€m)	3rd Party Committed Capital in Ireland (€m)	Total Project Size in Ireland (€m)	Multiple of Total Project Size in Ireland to Total ISIF Commitment
Water	450	896	1,346	3.0x
Infrastructure	304	258	562	1.8x
Energy	44	456	500	11.4x
SMEs	325	417	742	2.3x
Food & Agriculture	30	187	217	7.2x
Real Estate Based Businesses	450	420	870	1.9x
Venture	414	541	669	1.6x
Direct Private Equity	56	291	347	6.2x
Other	92	138	184	2.0x
Committed to Date	2,165	3,605	5,438	2.5x

(b) Directed Portfolio

The Directed Portfolio consists of public policy investments in Allied Irish Banks and Bank of Ireland that were undertaken on foot of directions from the Minister for Finance. It also includes a commitment of €240m to the Strategic Banking Corporation of Ireland.

At 31 December 2015 the Directed Portfolio comprised;

- (i) ordinary shares in Allied Irish Banks valued at €4.33 per share (2014: 1.3 cents per share, equivalent to €3.43 per share post the share consolidation that took place in December 2015),
- (ii) ordinary shares in Bank of Ireland valued at the market price of €0.34 per share (2014: €0.31 per share) and
- (iii) €240m in cash.

The AIB share valuation is based on a preliminary valuation as of 31 December 2015.

In December 2015, Allied Irish Banks redeemed and converted the Fund's Preference shares, resulting in the receipt of €1.9bn in cash and 155bn ordinary shares. The cash was remitted to the Exchequer under Direction from the Minister of Finance.

Since 2009 the Fund has invested €20.7 billion in preference shares and ordinary shares in Bank of Ireland (€4.7 billion where the Fund's shareholding is 13.9 per cent) and Allied Irish Banks (€16.0 billion where the Fund's shareholding is 99.9 per cent).

The Fund to date has received a total of €6.4 billion in cash from its directed investments – comprising in respect of Bank of Ireland preference share dividends, redemption of preference shares and repurchase of warrants by the Bank and the sale of ordinary and preference shares to private investors, totalling €4.2 billion and in respect of Allied Irish Banks preference share dividends and redemption of preference shares totalling €2.2 billion.

At 31 December 2015 the Directed Portfolio was valued at €13.5 billion. This consisted of an investment value in Allied Irish Banks of €11.7 billion and in Bank of Ireland of €1.5 billion, together with cash €0.2 billion.

Category	Investment value at 31 December 2015 (€bn)
Allied Irish Banks	11.7
Bank of Ireland	1.5
Cash and Equivalent	0.2
Total	13.5