



Gníomhaireacht Bainistíochta an Chisteáin Náisiúnta National Treasury Management Agency

Infrastructure, Climate and Nature Fund – Interim Investment Strategy

Background

Under Section 16(1) of the Future Ireland Fund and Infrastructure, Climate and Nature Fund Act 2024 (the **Act**), the NTMA is required to determine, monitor and keep under review an investment strategy for the assets of the Infrastructure, Climate and Nature Fund (**ICNF**) and to act in accordance with that strategy.

The NTMA is preparing for the establishment of the ICNF upon commencement of the Act, including preparatory work to identify a possible long-term investment strategy for the fund (subject to Agency approval), and the launching of procurement competitions to put in place a number of required structures so as to facilitate the execution of that long-term strategy. These structures include the procurement of a Custodian to hold and safeguard the assets of the ICNF and the proposed procurement of a panel of Investment Managers to implement aspects of the long-term investment strategy. Pending the completion of this work, and until such time as a suitable long-term investment strategy is determined by the Agency (following consultation with the Minister for Finance and the Minister for Public Expenditure, National Development Plan Delivery and Reform), an interim investment strategy is required to enable the NTMA to perform its function of holding and investing the ICNF assets during that interim period, which is expected to be in place for less than twelve months.

Interim Investment Strategy

It is considered prudent, pending the approval and implementation of the long-term investment strategy, that the interim investment strategy should reflect a low risk appetite, permitting only highly-rated liquid securities that have a low degree of inherent risk. The interim investment strategy, as set out below, addresses the requirements of the Act in relation to the investment strategy of the ICNF, and sets the risk appetite and the investment parameters for the ICNF for the duration of the interim period.

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| Purpose | To support State expenditure – (i) from 2026, where there has been, or is likely to be in the subsequent year, a significant deterioration in the economic or fiscal position of the State, and (ii) in the period 2026-2030, to designated environment projects. |
| Objective | Seek to secure the optimal total financial return, having regard to the level of risk to the assets of the ICNF that the Agency considers appropriate to the purpose of the fund, including any risks posed by environmental, social and governance (ESG) matters of relevance, and the likely timing of payments from the Infrastructure, Climate and Nature Fund. |
| Permitted Assets | Euro denominated assets, limited to: (i) Sovereign debt, limited to debt issued or guaranteed by a central government in the Euro-Area (ii) Quasi-sovereign debt limited to: <ul style="list-style-type: none"> • Debt issued by a region, province, state or city • Debt issued by an international government organisation • Debt issued by a government agency, or supranational (iii) Cash Assets must have a credit rating ¹ of A- (or equivalent) or higher, and a maximum maturity ² of 3 years. |
| Benchmark | The reference benchmark against which the investment returns will be assessed is the ICE BofA 0-3 year AAA-AA All Euro Government Index (EG6Y) |
| ESG Matters and Exclusions | The NTMA shall have regard to the risks posed by relevant ESG matters. It will seek to align investments of the ICNF with the ISIF Sustainable & Responsible Investment Strategy (SRIS), adapted to reflect the ICNF’s more limited investment universe. This means that in the design and implementation of this strategy the NTMA takes into consideration risks posed by ESG matters: (i) through the selection of the Permitted Asset universe – the NTMA is seeking to allocate capital in a responsible manner by selecting asset categories that are considered low risk from an ESG perspective for the reasons set out below, and (ii) by the use of exclusions through the application of a negative screening framework. |

¹ The minimum credit rating of a security is at the time of purchase. All sovereign and quasi-sovereign debt must be rated by at least one of S&P, Moody’s & Fitch rating agencies. Where debt issued by a sovereign is not rated, the sovereign issuer rating can be used once the security is a direct obligation of the sovereign or is explicitly guaranteed by the sovereign.

² For newly issued securities only the maximum maturity range can be extended by 31 days.

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| | <p>The Permitted Assets are restricted to highly-rated liquid sovereign and quasi-sovereign securities and the permitted universe does not allow for any exposure to corporates (fixed income or equities). Thus, the Permitted Asset universe is considered low risk from an ESG perspective – primarily as corporate exposure is not permitted.</p> <p>The NTMA shall determine categories of investments in which the ICNF assets will not be invested on the basis of a negative screening framework under the SRIS. Based on the current SRIS, the following categories of investment have been identified as being categories of investments in which the assets of the ICNF shall not be invested:</p> <ul style="list-style-type: none"> (i) Companies involved in the manufacture and testing of nuclear weapons or critical component parts thereof (ii) High carbon companies (coal producers and processors and oil sands) (iii) Tobacco manufacturing. <p>In addition, the assets of the ICNF shall not be invested in any asset contrary to the obligations that will apply to the NTMA pursuant to section 31 of the Act (Investment in fossil fuel undertakings), or Part 4 of the Cluster Munitions and Anti-Personnel Mines Act 2008.</p> <p>In practice, as the Permitted Assets will not include any corporate exposure, these excluded categories of investment are unlikely to be relevant to the ICNF portfolio for the duration of this interim investment strategy, but the application of such statutory and other exclusions to the ICNF from the outset of the fund’s establishment is noted for completeness.</p> <p>The permitted assets are restricted to those with a credit rating of A- or higher which may also help to limit risks associated with ESG matters, since some credit rating agencies take such ESG matters into account when assessing the relevant sovereign / quasi-sovereign entity’s creditworthiness.</p> <p>The NTMA will keep risks posed by ESG matters of relevance under consideration as it holds and invests the assets of the ICNF.</p> |
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