



25 October 2012

Media briefing and portfolio update at 30 September 2012

The Future Fund Board of Guardians today released its portfolio update and performance report as at 30 September 2012 and conducted a media briefing on the activities of the Future Fund.

A copy of the briefing pack is available at www.futurefund.gov.au

Mr Mark Burgess, Managing Director of the Future Fund, said that Future Fund continued to evolve and had largely completed its initial build phase.

"The organisation has grown from a start-up organisation to a respected investment institution and protected and grown the capital in the Future Fund through the Global Financial Crisis. The Fund today is valued at around \$80 billion based on contributions of \$60.5 billion.

"Our task is to build on these strong foundations and one part of that is to engage more with our stakeholders to explain how the Fund works and how it performs. We think it's important to maintain those relationships and help enhance understanding about our investment program," he said.

Turning to the investment environment, Mr Burgess noted that financial markets had recovered during the September quarter responding to an unprecedented round of policy action by global central banks.

"The increase in central bank balance sheets, as they look to stimulate economic activity through the control of interest rates, is unprecedented and is indicative of both the importance that policy makers place on preventing a deterioration in economic activity and the degree of stimulus required in economies which are endeavouring to delever.

"Debt and deficit challenges across most developed economies, acute economic imbalances in the Eurozone and slowing emerging markets have been the backdrop to this round of policy stimulus.

"We continue to believe that growth rates will be moderate, particularly as outstanding issues, such as the US fiscal position, remain unresolved.

"A sustained period of deleveraging in the developed economies remains the investment backdrop. Against that, other likely stimulus programs, such as a policy response in China, will set a floor under global growth."

Future Fund

The Future Fund returned 3.9% for the first quarter of the financial year. Over three year and five year periods the Fund has generated annualised returns of 7.8% per annum and 4.8% per annum respectively. Since the Fund was created in May 2006, the annualised return is 5.2% per annum.

The asset allocation of the Future Fund at 30 September 2012 is shown below.

Asset class	A\$ million	Percentage of Fund
Australian equities	8,551	10.7
Global equities		
Developed markets	14,133	17.7
Emerging markets	4,088	5.1
Private equity	5,053	6.3
Property	5,151	6.4
Infrastructure & Timberland	4,747	5.9
Debt securities	14,932	18.7
Alternative assets	14,196	17.7
Cash	9,126	11.4
Total	79,979	100

Data may not sum due to rounding

Nation-building Funds

Since 1 January 2009 the Board of Guardians has also had responsibility for the investment of the assets of the Education Investment Fund, the Building Australia Fund and the Health and Hospitals Fund.

At 30 September 2012 the value of the Education Investment Fund was A\$4,263 million, the Building Australia Fund stood at A\$5,908 million and the Health and Hospitals Fund stood at A\$3,284 million.

The investment mandates for the Nation-building Funds set a benchmark return of the Australian three month bank bill swap rate +0.3% per annum calculated on a rolling 12 month basis. The mandates require that investments minimise the probability of capital loss over a 12 month horizon. Consistent with the mandates, the assets of the three funds are invested in combinations of short and medium term debt instruments.

Over the last 12 months the Education Investment Fund and Building Australia Fund each generated a return of 5.6% while the Health and Hospitals Fund returned 5.5% against a target benchmark return of 4.7%.

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