



28 April 2015

## Portfolio update at 31 March 2015

- Future Fund stands at A\$117bn
- Future Fund returns 15.1% in the 2014/15 financial year to date
- Return since inception stands at 8.2% per annum

The Future Fund, Australia's Sovereign Wealth Fund, today released its portfolio update<sup>1</sup> as at 31 March 2015.

### Future Fund performance

The Future Fund generated a return of 15.1% for the first nine months of the financial year.

The Fund grew to A\$117bn. Since 2006 investment returns of A\$56.5bn have been generated on the original contributions from government which were valued at \$60.5bn at the time of transfer.

Returns		
Period to 31 March 2015	Return pa	Target return (CPI+4.5%) <sup>2</sup>
From May 2006	8.2% pa	7.1% pa
Seven years	9.4% pa	7.0% pa
Five years	11.6% pa	6.9% pa
Three years	14.9% pa	6.8% pa
One year	19.9% pa	6.1% pa
Financial year to date	15.1%	4.5%
Quarter	7.1%	1.5%

Hon Peter Costello, AC, Chair of the Future Fund said:

"The Fund was set up to invest Commonwealth Budget surpluses for the benefit of future generations by easing the pressures on the Budget of an ageing population. Nine years on, a patient and disciplined approach to investing for the long-term has delivered well.

"Given the enormous monetary stimulus around the world, asset prices are generally fully priced and in some cases overpriced.

"We remain focused on achieving the return target while avoiding excessive risk and this is particularly important as policy makers globally adjust settings with a view to delivering sustainable growth."

Mr David Neal, Managing Director of the Future Fund, said:

"Strong returns from all asset classes have contributed to the total portfolio outcome.

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<sup>1</sup> Data is unaudited

<sup>2</sup> The Future Fund's mandate is to target a return of at least CPI+4.5 to 5.5%pa over the long term with acceptable but not excessive risk. CPI for the most recent quarter is estimated.

"Looking forward however we are conscious that prospective returns cannot be expected to match the returns generated over recent years and we will continue our practice of only taking risk when we believe it will be appropriately rewarded.

"We are closely monitoring the economic, policy and political drivers at play globally and will continue to adjust the portfolio with the aim of generating good returns in stronger markets while providing some risk mitigation in weaker periods."

### Future Fund asset allocation

Asset class	31 March 2015	
	A\$ million	Percentage of Fund
<b>Australian equities</b>	9,618	8.2
<b>Global equities</b>		
Developed markets	24,345	20.8
Emerging markets	11,077	9.5
<b>Private equity</b>	11,274	9.6
<b>Property</b>	7,227	6.2
<b>Infrastructure &amp; Timberland</b>	7,942	6.8
<b>Debt securities</b>	11,576	9.9
<b>Alternative assets</b>	16,069	13.7
<b>Cash</b>	17,834	15.2
<b>TOTAL</b>	<b>116,964</b>	<b>100</b>

*Data may not sum due to rounding*

### Nation-building Funds

The investment mandates for the Nation-building Funds (the Education Investment Fund, the Building Australia Fund and the Health and Hospitals Fund) set a benchmark return of the Australian three month bank bill swap rate +0.3%pa 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.

At 31 March 2015 the value of the Education Investment Fund was A\$3.73bn, the Building Australia Fund stood at \$3.59bn and the Health and Hospitals Fund stood at \$1.78bn.

Over the last 12 months the Building Australia Fund and Health and Hospitals Fund returned 3.0% while the Education Investment Fund a return of 2.9%. The target benchmark return for the three Nation-building Funds during that period was 3.0%. Since inception the Nation-building Funds have generated returns of 4.3%pa against a target of 4.0%pa.

## **DisabilityCare Australia Fund**

The DisabilityCare Australia Fund (DCAF) received its first contribution on 26 November 2014. By 31 March 2015 the DCAF had received contributions of A\$1.65bn.

The investment mandate sets a benchmark return of the Australian three month bank bill swap rate +0.3%pa 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 mandate, the assets of the DisabilityCare Australia Fund are invested in a combination of short- and medium-term debt instruments.

At 31 March 2015 the value of the DisabilityCare Australia Fund was A\$1.67bn having generated a return of 0.9% for the quarter against a benchmark target for the quarter of 0.7%.

ENDS

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