



2 September 2015

## Portfolio update at 30 June 2015

- **Future Fund generates \$15.6 billion over full year**
- **Future Fund returns 15.4% for 2014/15**
- **Total value of Future Fund rises to \$117.2 billion**

The Future Fund Board of Guardians today released an update on the performance and asset allocation of the Future Fund and other public asset funds for which it is responsible as at 30 June 2015.

The Board also conducted a media briefing. A copy of the briefing pack is available at [http://www.futurefund.gov.au/news\\_room/presentation\\_and\\_speeches](http://www.futurefund.gov.au/news_room/presentation_and_speeches)

### Future Fund performance

The Future Fund generated investment returns of \$15.6 billion for the 2014/15 financial year, taking the value of the Future Fund at 30 June 2015 to \$117.22 billion.

Since 2006 when the Future Fund was established investment returns have added \$56.7 billion to the original contributions received from Government which were valued at \$60.5 billion at the time of transfer.

The Future Fund's investment returns to 30 June 2015 are shown below, together with the target benchmark return set by the Investment Mandate:

Returns		
Period to 30 June 2015	Return	Target return (CPI+4.5%) <sup>1</sup>
From May 2006	8.0% pa	7.1% pa
Seven years	9.3% pa	6.8% pa
Five years	11.9% pa	6.8% pa
Three years	15.0% pa	6.8% pa
One year	15.4% pa	6.0% pa
June quarter	0.2%	1.8%

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

"The Future Fund has delivered another strong performance this year, with investment returns adding more than \$15.6 billion to the portfolio.

"Prudent, patient investing has been key to navigating markets since the Fund was created in 2006. Enormous stimulatory policy measures pursued by central banks in recent years have helped to drive strong rises in asset prices and the portfolio has been structured and actively managed to capture these gains. However, stimulatory policy settings cannot be sustained indefinitely and it seems likely that generally returns in the future will be lower than in recent years.

<sup>1</sup> The Future Fund's mandate is to target a return of at least CPI+4.5 to 5.5% per annum over the long term with acceptable but not excessive risk.

"There are also risks as policy makers move towards more normal monetary settings and the size and nature of the adjustment will require careful calibration.

"In this environment, the Board continues to dynamically adjust the portfolio to balance its risk and return objectives.

"Combining the various other public asset funds for which the Board is responsible, (Education Investment Fund, Building Australia Fund, Health and Hospitals Fund, DisabilityCare Australia Fund), the Board invests over \$128 billion for the benefit of future generations of Australians. We are delighted to be entrusted this year with the additional responsibility of investing the assets of the Medical Research Future Fund. This is great recognition for the organisation's competence and the bi-partisan support it enjoys."

Mr David Neal, Managing Director, said:

"We are naturally pleased with the 2014/15 result. We are however conscious that prospective returns will likely be harder to achieve given the run up in asset prices and a somewhat mixed global economic and market outlook.

"This year we have taken advantage of strong markets to reduce our listed equities exposure as well as to sell out of a number of private market positions that had delivered well. While continuing to work hard alongside our partners to find and implement attractive new investments, overall we have been moderately reducing the total portfolio risk."

### Future Fund asset allocation

The asset allocation of the Future Fund at 30 June 2015 is shown below:

Future Fund asset allocation		
	30 June 2015	
Asset class	A\$ million	Percentage of Fund
<b>Australian equities</b>	7,957	6.8
<b>Global equities</b>		
Developed markets	20,629	17.6
Emerging markets	11,034	9.4
<b>Private equity</b>	12,609	10.8
<b>Property</b>	6,980	6.0
<b>Infrastructure &amp; Timberland</b>	8,751	7.5
<b>Debt securities</b>	11,467	9.8
<b>Alternative assets</b>	14,904	12.7
<b>Cash</b>	22,890	19.5
<b>Total</b>	117,222	100

*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% 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.

At 30 June 2015 the value of the Education Investment Fund was \$3.69 billion, the Building Australia Fund stood at \$3.61 billion and the Health and Hospitals Fund stood at \$1.51 billion.

Over the last 12 months each of the Nation-building Funds generated a return of 2.9%, meeting their benchmark for the period.

## **DisabilityCare Australia Fund**

The DisabilityCare Australia Fund (DCAF) received its first contribution on 26 November 2014. By 30 June 2015 the DCAF had received contributions of \$2.49 billion.

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 DCAF are invested in a combination of short- and medium-term debt instruments.

At 30 June 2015 the value of the DCAF was \$2.52 billion having generated a return of 1.6% for the period since the first contribution was received, against a benchmark target of 1.7%.

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