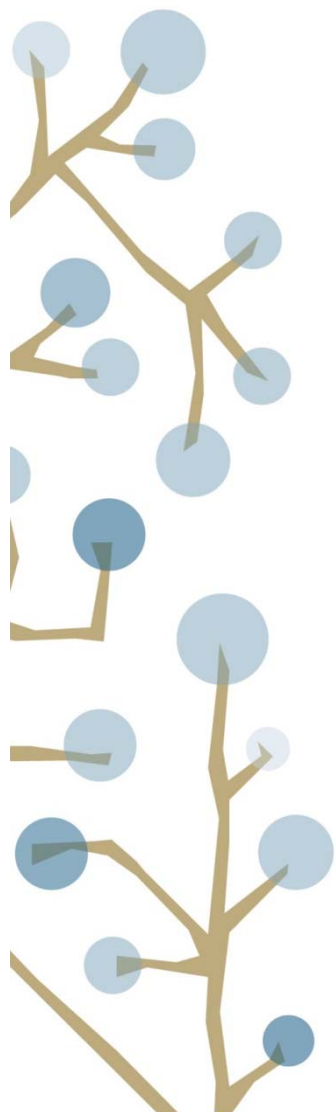


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Australia's Sovereign Wealth Fund



Future Fund

Investing for the benefit of future generations of Australians

Briefing

15 October 2014

Agenda

1. Performance and asset allocation
2. Current priorities
3. Refreshed strategy
4. Proven investment strategy
5. Outlook
6. Q & A
7. Appendix – Final outcome 2013-14

Performance and asset allocation at 30 September 2014

Returns at 30 September 2014		
Period to 30 September 2014	Finalised return	Target (CPI +4.5%)
Since May 2006	7.3% pa	7.2% pa
Seven years	7.4% pa	7.1% pa
Five years	10.4% pa	7.0% pa
Three years	12.6% pa	6.5% pa
One year	14.0% pa	6.7% pa
Quarter	2.9%	1.2%*

* Based on an estimated CPI number

Asset allocation at 30 September 2014		
	30 September 2014	
Asset class	A\$ million	Percentage of Fund
Australian equities	9,452	9.0
Global equities		
Developed markets	25,527	24.4
Emerging markets	10,133	9.7
Private equity	9,168	8.8
Property	6,084	5.8
Infrastructure & Timberland	7,691	7.4
Debt securities	11,794	11.3
Alternative assets	14,427	13.8
Cash	10,208	9.8
TOTAL	104,483	100

Current priorities

- The Fund is functioning and performing well. The emphasis is on evolution, not revolution.
- Appointment of a new Chief Investment Officer and revised structure with the Chief Investment Officer and Head of Investment Strategy and Risk both reporting to the Managing Director.
 - Provides the Chief Investment Officer with greater ability to focus on implementation, operational efficiency and alignment across the sector teams
 - Recognises the contribution and importance of Investment Strategy and Risk
 - Allows the Managing Director to focus on positioning and adapting the organisation to a rapidly changing environment for institutional investors.
- The Future Fund is committed to playing a role in contributing to best practice and building a system that is better aligned to the needs of end investors.

Refreshed strategy

Investing for the benefit of **future generations** of Australians

One team, one portfolio

Combining a breadth of experience and skills into a collaborative whole creates a meaningful competitive advantage.

For this reason we keep our team all in one place and modest in size.

Leveraging the best in the world

We focus our internal skills and resources where they add the most value or where it is impractical or inefficient to outsource.

Otherwise we put considerable effort and focus into strategically and proactively working with the best external capabilities we can find, in many cases building strong and enduring partnerships.

Flexible, nimble and opportunity-driven

We are broad and creative in our search for opportunities to improve the portfolio, the organisation and ourselves.

Without compromising good governance, we respond to these opportunities as flexibly and nimbly as possible, aiming to avoid the constraints and barriers to this that institutions often construct.

We excel by

- Achieving high risk adjusted returns in accordance with our Investment Mandates through investment excellence.
- Achieving world class implementation through operational excellence.
- Attracting and retaining a high performing team that is engaged, motivated, supported and effectively managed.
- Acquiring and maintaining information assets and tools that empower our people and add value to our processes while being secure, resilient and trusted.
- Building and maintaining active and constructive relationships with our key stakeholders in Australia and globally.

It's up to you

- Be the best you can be. We will help you.
- Be a professional. Look after the Fund's success with integrity and your success will follow.
- Be collaborative. Share ideas with others, join up your skills, learn, give feedback.
- Be creative. Be bold in your ideas and broad in your thinking. We protect those who fail thoughtfully.
- Challenge others respectfully; welcome and embrace others challenging you.
- We are one team - diverse, different and in some ways the same.
- We have one portfolio and every one of us contributes.

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Proven investment strategy

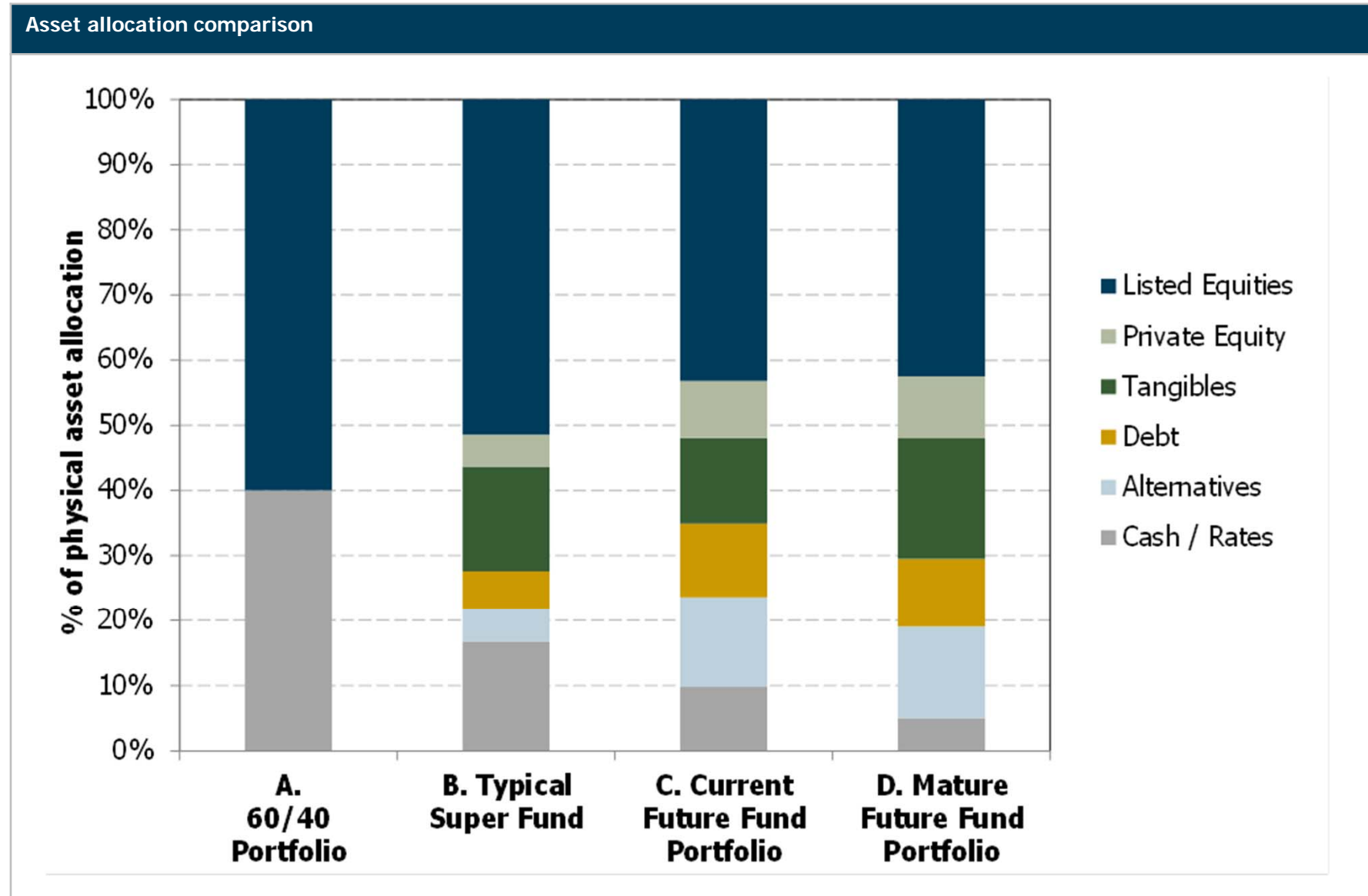
Key principles

1. Our portfolio management is focused on the specific objectives of the Fund:
 - Maximise return, subject to acceptable but not excessive risk;
 - Investment Mandate benchmarks the Fund against at least CPI +4.5 - 5.5% per annum; and
 - Assessed over the long term, which we define as 10 years.
2. We construct a diversified portfolio that is, as far as possible, robust to an uncertain future
3. We believe prospective returns and risks change through time, and therefore manage the portfolio dynamically
4. We act as a single team, running an integrated process, managing a single, total portfolio
5. We seek a relatively small number of relatively large relationships
6. We manage for a net of costs return

Implications

- Robust and disciplined investment process
- Combine long-term views of critical themes with more granular focus and the flexibility to make portfolio adjustments where needed
- Asset allocation, risk levels, performance, liquidity and investment manager relationships likely to differ to those of others

Asset allocation comparison



Outlook

- Recent strong returns cannot be sustained in the absence of growth and prospective returns are low
- Policy makers are balancing a move to more normal policy settings with the need to stimulate growth
- Portfolio is positioned to be as robust as possible to a range of scenarios

Q & A

Appendix

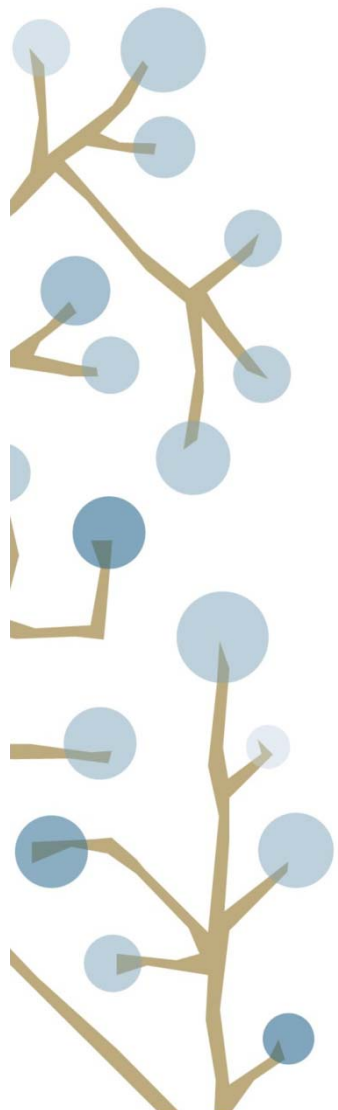
Final outcome 2013-14

In August 2014, the Future Fund reported a provisional outcome for the year ending 30 June 2014. The final outcome, following completion of the usual end of year processes, is shown below.

2013-14 Returns			
Period	Provisional return	Finalised return	Target (CPI +4.5%)
Since May 2006	7.1% pa	7.1% pa	7.2% pa
Seven years	7.2% pa	7.3% pa	7.2% pa
Five years	10.9% pa	10.9% pa	7.1% pa
Three years	10.3% pa	10.5% pa	6.7% pa
Financial year	13.9% pa	14.3% pa	7.5% pa

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