

Future Fund

Investing for the benefit of future generations of Australians

Briefing

5 February 2015

Agenda

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2. Performance and asset allocation
3. Environment and outlook
4. Asset class priorities
5. Q & A
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 - Investment strategy principles

Overview

- Emphasis on diversification is reflected in annual and longer-term performance.
- Investment returns have added A\$48.7bn to the original contributions of A\$60.5bn.
- We manage the portfolio dynamically to reflect our belief that prospective returns and risks change through time.
 - We have recently reduced risk levels.
 - We continue to evaluate the macro environment and identify opportunities at the asset class level and to position the Fund to be as robust as possible to a range of scenarios.
- Refined structure with a Chief Investment Officer and Head of Investment Strategy and Risk working well.

Performance and asset allocation as at 31 December 2014

Returns		
Period to 31 December 2014	Finalised return % per annum	CPI (+4.5%) % per annum
Since May 2006	7.6	7.2
Seven years	8.0	7.1
Five years	10.7	7.0
Three years	14.3	6.8
One year	13.2	6.5
Six months	7.5	3.2
Quarter	4.5	1.2*

* Based on an estimated CPI number

Asset allocation				
Asset class	31 December 2013		31 December 2014	
	A\$ million	% of Fund	A\$ million	% of Fund
Australian equities	9,737	10.1	9,608	8.8
Global equities				
Developed markets	23,694	24.5	22,841	20.9
Emerging markets	8,258	8.6	10,274	9.4
Private equity	7,471	7.7	10,403	9.5
Property	5,119	5.3	6,928	6.3
Infrastructure & Timberland	7,770	8.0	8,076	7.4
Debt securities	11,776	12.2	11,771	10.8
Alternative assets	14,057	14.6	15,320	14.0
Cash	8,674	9.0	13,993	12.8
TOTAL	96,556	100.0	109,214	100.0

Environment and outlook

- Prolonged period of good market returns driven by exceptional policy actions that cannot be sustained indefinitely.
- Policy makers continue to juggle monetary settings against a backdrop of significant economic, political and geopolitical issues.
- Oil, iron ore, commodity and currency markets have experienced significant movements.
- Continued volatility is likely.
- Overall, prospective risks have risen but are not matched by prospective returns.
- We have reduced risk levels although the portfolio continues to be materially invested in risk assets.

Asset class priorities

- Prices for risk taken are increasingly challenging and attractive opportunities harder to identify
- Deepening relationships with external investment managers to access 'bottom-up' opportunities
- Further strengthening internal collaboration and the 'one-team' approach to support a cross-portfolio view.

Q & A

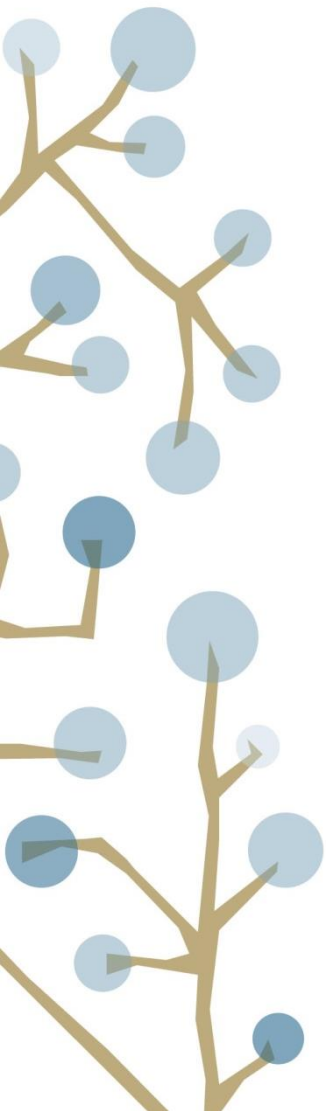
Proven investment strategy

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%pa; 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



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