



15 October 2014

Portfolio update at 30 September 2014

Following the completion of its usual end of year process the Future Fund today reported on its final outcome for the portfolio as at 30 June 2014¹. The Fund also provided an update on the portfolio as at 30 September 2014².

The Future Fund also conducted a regular media briefing. A copy of the briefing pack is available at http://www.futurefund.gov.au/news_room/media_releases

Future Fund performance

The Future Fund generated a return of 14.3% for the 2013/14 financial year having initially reported a provisional return of 13.9%. This put the value of the Future Fund at 30 June 2014 at \$101.59 billion.

In the first quarter of the 2014/15 year the Future Fund has continued to grow reaching a value of \$104.48 billion at 30 September 2014. This represents \$43.9 billion in investment returns generated on 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 September 2014 are shown below:

Returns		
Period to 30 September 2014	Return	Target return (CPI+4.5%) ³
From 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%

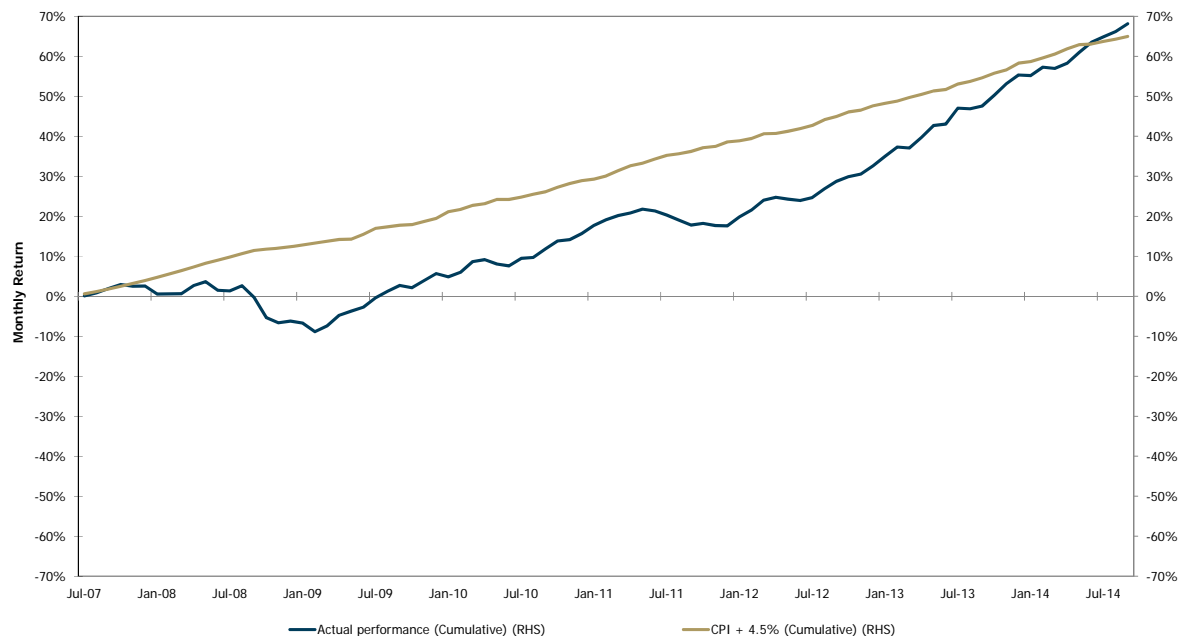
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¹ The Future Fund reported a provisional outcome for the portfolio on 4 August 2014.

² Performance data at 30 June 2014 has been finalised following sign off of the audited financial statements. Performance and asset allocation data at 30 September 2014 is based on unaudited data.

³ 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. CPI for the most recent quarter is estimated.

Monthly cumulative total fund return



Future Fund asset allocation

The asset allocation of the Future Fund at 30 September 2014 is shown below:

Future Fund asset allocation		
	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

Data may not sum due to rounding

Mr David Neal, Managing Director of the Future Fund, said that the Fund was meeting or exceeding its return target over all periods since its inception.

"The portfolio has been designed to deliver good risk adjusted returns over the medium to long-term. We prioritise diversification and careful consideration of the various scenarios that may play out across economies and markets. As such our objective is for the portfolio to achieve good returns when markets are strong while benefiting from some protection during weaker periods.

"Globally, policy makers are seeking to balance the challenge of moving towards more normal policy settings while maintaining efforts to encourage economic growth. This continues to present both risks and opportunities for investors," said Mr Neal.

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 September 2014 the value of the Education Investment Fund was A\$3,797 million, the Building Australia Fund stood at A\$3,721 million and the Health and Hospitals Fund stood at A\$2,063 million.

Over the last 12 months the Building Australia Fund and the Education Investment Fund generated a return of 3.1%, while the Health and Hospitals Fund generated a return of 3.0%. The target benchmark return for the three Nation-building Funds during that period was 2.9%.

ENDS

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