



5 February 2013

Media briefing and portfolio update at 31 December 2012

The Future Fund today released its portfolio update and performance report as at 31 December 2012 and conducted a media briefing on the activities of the Future Fund. A copy of the briefing pack is available at www.futurefund.gov.au

Mr Mark Burgess, Managing Director of the Future Fund, said that 2012 had ended on a positive note and that sentiment had continued in 2013.

“Policy action by central banks globally has served to pump liquidity into the system in an effort to stimulate economic activity. This action, together with political efforts in the United States to navigate the fiscal cliff and improving economic conditions in China, has seen markets move higher.

“In this environment investors have been able to generate pleasing returns,” said Mr Burgess.

“A key question for long term investors is the extent to which the strong returns being experienced by markets are sustainable in the face of long term fiscal challenges in the US and other developed markets and upon an eventual normalisation of monetary policy.

“On balance we believe that, in general, markets offer reasonable prospective long term returns, albeit that considerable uncertainty remains. In such an environment we believe it is important for us to maintain a disciplined, medium to long term view and a focus on diversification.”

Future Fund

The Future Fund returned 7% for the first six months of the financial year including 3% over the quarter to 31 December 2012. The return for the calendar year to 31 December 2012 was 12.8%.

Over three year and five year periods the Fund has generated annualised returns of 7.9% per annum and 5.3% per annum respectively. Since the Fund was created in May 2006, the annualised return is 5.4% per annum.

The asset allocation of the Future Fund at 31 December 2012 is shown below.

Asset class	A\$ million	Percentage of Fund
Australian equities	9,156	11.1
Global equities		
Developed markets	14,907	18.1
Emerging markets	4,356	5.3
Private equity	5,609	6.8
Property	5,419	6.6
Infrastructure & Timberland	5,293	6.4
Debt securities	15,732	19.1
Alternative assets	13,399	16.3
Cash	8,519	10.3
Total	82,390	100

Data may not sum due to rounding

Nation-building Funds

Since 1 January 2009 the Board of Guardians has also had responsibility for the investment of the assets of the Education Investment Fund, the Building Australia Fund and the Health and Hospitals Fund.

At 31 December 2012 the value of the Education Investment Fund was A\$4,066 million, the Building Australia Fund stood at A\$5,258 million and the Health and Hospitals Fund stood at A\$3,238 million.

The investment mandates for the Nation-building Funds 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.

Over the last 12 months the Education Investment Fund and Building Australia Fund each generated a return of 5.4% while the Health and Hospitals Fund returned 5.3%. The target benchmark return for each of the Nation-building Funds during that period was 4.3%.

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