



3 February 2014

## Portfolio update at 31 December 2013

The Future Fund today released its portfolio update as at 31 December 2013<sup>1</sup> and conducted its latest six-monthly media briefing. A copy of the briefing pack is available at [http://www.futurefund.gov.au/news\\_room/media\\_releases](http://www.futurefund.gov.au/news_room/media_releases)

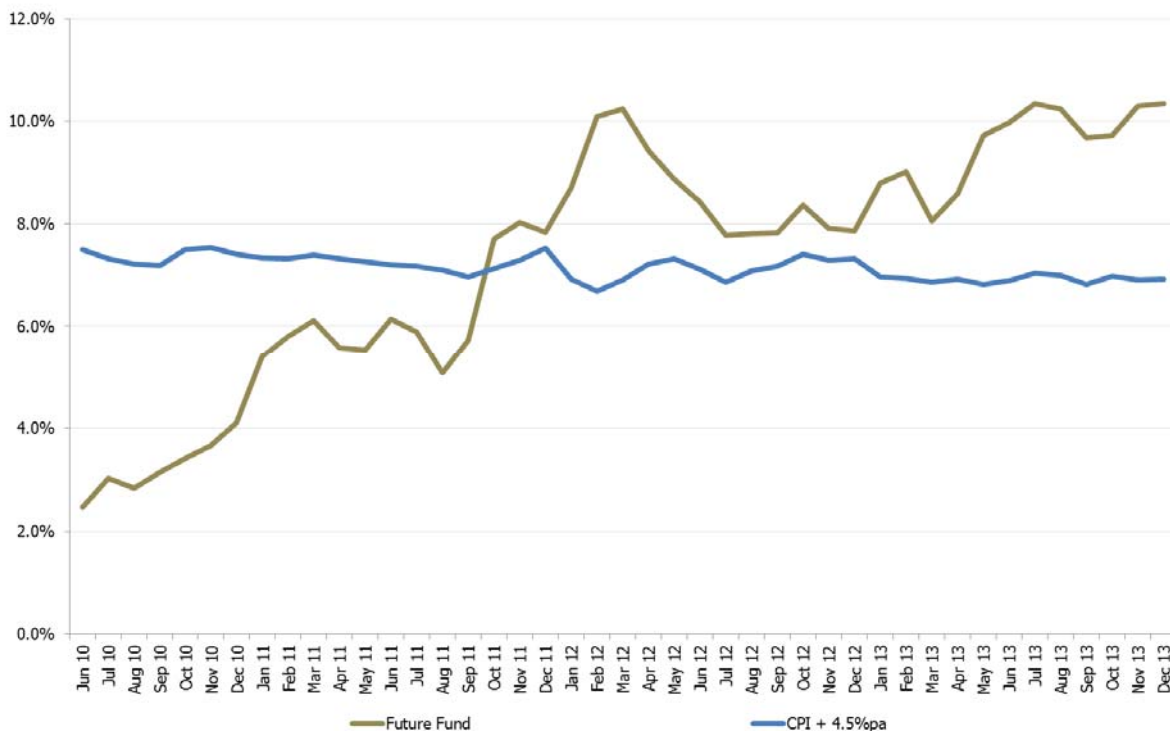
### Future Fund performance

To 31 December 2013, the Future Fund returned 10.6% per annum over five years and 10.3% per annum over three years, exceeding the baseline long-term target return<sup>2</sup> of 7.0% per annum and 6.9% per annum for each period respectively.

Since May 2006, when the Fund was established, the Future Fund has grown to \$96.56 billion, having received contributions from government totalling \$60.5 billion. This equates to a return of 6.9% per annum. The baseline long term target since May 2006 is 7.2% per annum.

The Fund's return for the 12 months to 31 December 2013 was 17.2% against the benchmark target of 6.8%. The return for the quarter to 31 December 2013 was 5.3%.

**Future Fund and CPI+4.5%pa Rolling 3 Year Returns**



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<sup>1</sup> All data is unaudited

<sup>2</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 levels of risk.

## Future Fund asset allocation

The asset allocation of the Future Fund at 31 December 2013 is shown below.

Asset class	A\$ million	Percentage of Fund
<b>Australian equities</b>	9,737	10.1
<b>Global equities</b>		
Developed markets	23,694	24.5
Emerging markets	8,258	8.6
<b>Private equity</b>	7,471	7.7
<b>Property</b>	5,119	5.3
<b>Infrastructure &amp; Timberland</b>	7,770	8.0
<b>Debt securities</b>	11,776	12.2
<b>Alternative assets</b>	14,057	14.6
<b>Cash</b>	8,674	9.0
<b>Total</b>	96,556	100

*Data may not sum due to rounding*

Mr Mark Burgess, Managing Director of the Future Fund, said that the portfolio had generated strong returns since the Fund was created in 2006.

"Over the last year we have positioned the Fund to benefit from the market strength that has flowed from global policy efforts to lift economic activity. The portfolio has continued to perform well generating strong returns.

"We seek to position the portfolio over the medium term so as to capture returns when markets are positive, while avoiding excessive levels of risk. In line with this we aim to ensure we have genuine diversification in the portfolio and a sound perspective on the potential scenarios for economies and markets over the years ahead.

"In the current environment we remain confident, albeit conscious that recent rates of return for investors have been heavily driven by a declining cost of capital and that future returns will increasingly need to be driven by improved global growth. We continue to assess the various pathways that may eventuate for policy settings and economic growth over the years ahead" said Mr Burgess.

## 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 31 December 2013 the value of the Education Investment Fund was A\$3,906 million, the Building Australia Fund stood at A\$4,281 million and the Health and Hospitals Fund stood at A\$2,613 million.

Over the last 12 months the Building Australia Fund and the Education Investment Fund generated a return of 3.5%, while the Health and Hospitals Fund generated a return of 3.4%. The target benchmark return for the three Nation-building Funds during that period was 3.2%.

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