



29 April 2014

Portfolio update at 31 March 2014

The Future Fund today released its portfolio update as at 31 March 2014¹.

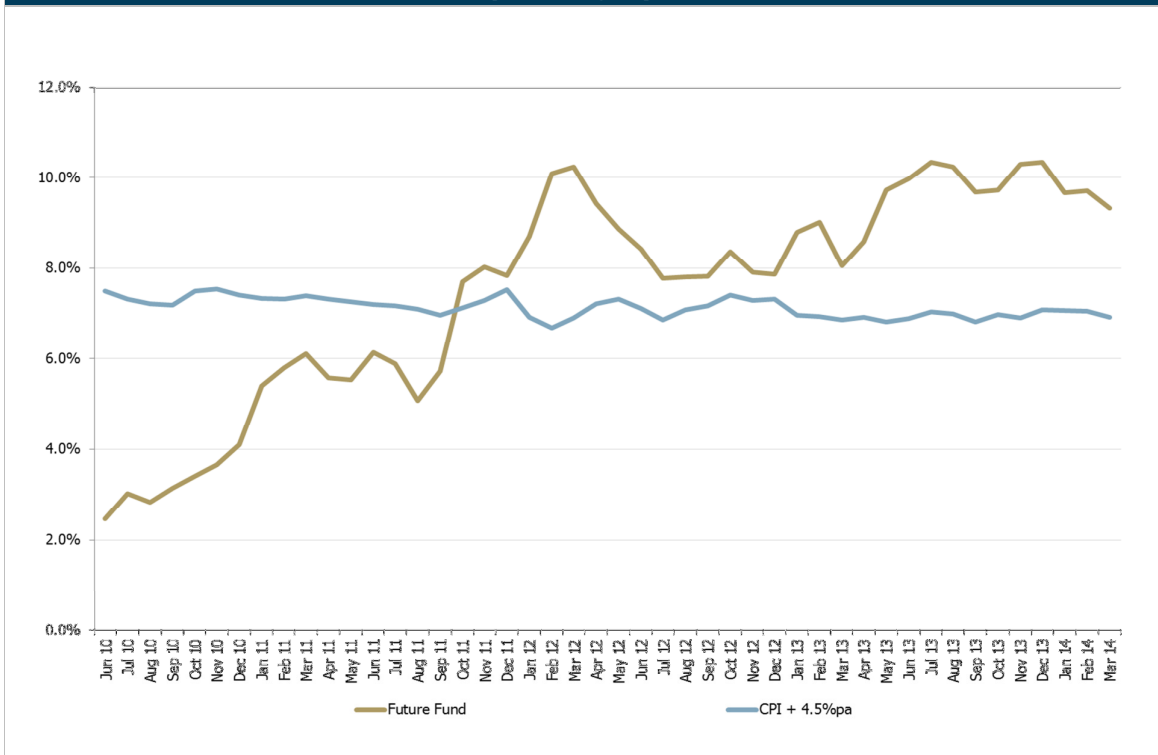
Future Fund performance

To 31 March 2014, the Future Fund returned 11.2% per annum over five years and 9.3% per annum over three years, exceeding the baseline long-term target return² of 7.1% 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 \$97.57 billion, having received contributions from government totalling \$60.5 billion. This equates to a return of 6.8% per annum. The baseline long-term target since May 2006 is 7.2% per annum.

The Fund's return for the financial year to 31 March 2014 was 9.8% and the return for the quarter to 31 March 2014 was 1.1%.

Chart 1: Future Fund and CPI+ 4.5% pa rolling 3 year returns



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¹ All data is unaudited

² 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. The baseline target return is calculated using actual rate of inflation for the period in question and the lower end of the mandated target range, ie 4.5%.

Future Fund asset allocation

The asset allocation of the Future Fund at 31 March 2014 is shown below.

Asset class	A\$ million	Percentage of Fund¹
Australian equities	9,972	10.2
Global equities		
<i>Developed markets</i>	23,111	23.7
<i>Emerging markets</i>	8,463	8.7
Private equity	7,777	8.0
Property	5,140	5.3
Infrastructure & Timberland	7,692	7.9
Debt securities	11,532	11.8
Alternative assets	13,295	13.6
Cash	10,592	10.9
Total	97,573	100

¹Data may not sum due to rounding

Mr David Neal, Chief Investment Officer of the Future Fund, said that the portfolio remained well diversified, striking an appropriate balance between the long-term return and risk requirements of the mandate.

"The portfolio has benefited as markets have continued to respond to policy efforts to lift economic activity. Markets are relatively buoyant and valuations across most sectors are now looking fairly full.

"We continue to assess a range of scenarios as policy settings in economies around the world evolve. Overall we feel that the current settings of the portfolio are suitable, providing the potential for strong returns should the market environment remain healthy, while balancing this with some protection against the potential for weaker markets. At the same time we are focused on continuously reviewing our portfolio against the best available opportunities and adjusting the portfolio as appropriate.

"We are conscious that while recent rates of return have been strong, sustainable future returns need to be underpinned by improved economic growth," 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 31 March 2014 the value of the Education Investment Fund was A\$3,870 million, the Building Australia Fund stood at A\$4,086 million and the Health and Hospitals Fund stood at A\$2,470 million.

Over the last 12 months the Building Australia Fund generated a return of 3.3%, while the Education Investment Fund and Health and Hospitals Fund each generated a return of 3.2%. The target benchmark return for each of the three Nation-building Funds during that period was 3.1%.

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