



29 April 2021

Portfolio update at 31 March 2021

- Future Fund grows to a peak of \$179bn
- 10-year return of 9.1% pa against a target of 6.1% pa
- Total funds managed across all six funds stands at \$226bn

The Board of Guardians today released its portfolio update to 31 March 2021.

Hon Peter Costello AC, Chair of the Future Fund Board of Guardians, said:

"The Future Fund has continued to perform well, growing by over \$16bn over the last 12 months. All funds have beaten their target returns across all timeframes.

"Markets have continued their recovery, driven by the deployment of vaccines, quantitative easing and fiscal stimulus around the world.

"Economies and markets have improved considerably since the COVID-related falls in the March quarter of last year. While the outlook overall is greatly improved there remain uncertainties and a number of risks, including the potential for setbacks and a variety of different scenarios in the global recovery.

"With interest rates at historically low levels, markets are very sensitive to any prospect of inflation and rising rates as a consequence.

"The Board recognises that the investment challenge ahead is significant and is continuing to assess and position the portfolio to generate mandated long-term returns while managing risk.

"It remains our mission to continue to generate strong risk-adjusted returns over the long-term, which strengthens Australia's long-term financial position."

Dr Raphael Arndt, Chief Executive Officer, said:

"The Future Fund has grown strongly in the recovery, after a good comparative performance during the downturn. This means the recovery is from a higher base. The Fund is designed to show resilience through the cycle.

"We performed very strongly within this landscape, balancing risk levels to generate a solid 10-year return of 9.1% pa against a target of 6.1% pa.

"Listed equities, particularly developed and emerging markets equities, performed exceptionally strongly, bolstered by COVID vaccine developments and substantial fiscal stimulus measures. Private equity was also a strong performer.

"Collectively the funds sit at \$226bn, supporting our purpose of strengthening the Australian Government's long-term financial position and enabling its support in areas such as medical research, indigenous, drought relief and disaster recovery-related projects, and funding the NDIS.

“While many economies globally have bounced back, others remain under pressure and susceptible to further shocks. Policy settings continue to support markets but this is priced into assets and unwinding these measures will be a delicate exercise.

“We remain focused on carefully managing risk, recognising that the pandemic has had deep and lasting impacts on economies and investment markets which investors need to understand and assess. On balance we are continuing to target neutral risk levels across the portfolio as we position it to be robust to a range of different scenarios.

“We remain well-positioned to navigate the ongoing uncertainty and to continue to generate strong risk-adjusted returns over the long-term.”

Future Fund

Performance

	Return pa	Target return ¹ (% pa)	Volatility ²
From inception (May 2006)	7.8	6.6	4.3
From July 2007	8.0	6.5	4.5
10 years	9.1	6.1	4.0
7 years	9.0	5.8	4.2
5 years	8.8	5.9	4.3
3 years	8.3	5.5	4.9
1 year	10.1	5.1	4.4
Financial year to date	10.9	6.0	n/a

Notes:

1. From 1 July 2017 the Fund's Investment Mandate target return was reduced from CPI + 4.5% to 5.5% pa to CPI + 4% to 5% pa over the long term, with an acceptable but not excessive level of risk.
2. Industry measure showing the level of realised volatility in the portfolio.
3. The Future Fund returned 4.5% over the quarter.

Asset allocation

Asset class	\$m	% of Fund
Australian equities	12,585	7.0
Global equities		
Developed markets	29,939	16.8
Emerging markets	14,876	8.3
Private equity	26,056	14.6
Property	10,729	6.0
Infrastructure & Timberland	12,980	7.3
Debt securities	12,531	7.0
Alternatives	25,711	14.4
Cash	33,197	18.6
TOTAL	178,604	100.0

Medical Research Future Fund

Performance

	Return (% pa)	Target return¹ (% pa)
From inception (22 September 2015)	4.2	2.7
5 years	4.7	2.6
3 years	4.2	2.4
1 year	9.1	1.6
Financial year to date	6.0	1.2

Notes:

1. RBA cash rate plus 1.5% to 2.0% pa over the long term, with an acceptable but not excessive level of risk.
2. The Medical Research Future Fund returned 1.9% over the quarter.

Asset allocation

Asset class	\$m	% of Fund
Australian equities	865	4.0
Global equities		
Developed markets	1,955	9.1
Emerging markets	968	4.5
Private equity	800	3.7
Property	727	3.4
Infrastructure	777	3.6
Debt securities	2,369	11.1
Alternatives	3,220	15.1
Cash	9,708	45.4
TOTAL	21,389	100.0

ATSILS Fund

Performance

	Return (%)	Target return¹ (%)
Initial transition period (1 February to 30 September 2019)	1.3	1.1
From inception (1 October 2019)	4.2	3.4
1 year	11.7	3.1
Financial year to date	7.8	4.5

Notes:

1. CPI + 2.0% to 3% pa over the long term, with acceptable but not excessive level of risk.
2. The ATSILS Fund returned 2.3% over the quarter

Asset allocation

Asset class	\$m	% of Fund
Australian equities	106	5.2
Global equities		
Developed markets	242	11.8
Emerging markets	120	5.8
Private equity	98	4.8
Property	89	4.3
Infrastructure	95	4.7
Debt securities	290	14.2
Alternatives	394	19.3
Cash	613	29.9
TOTAL	2,046	100.0

Future Drought Fund

Performance

Table 7: Future Drought Fund returns

	Return (%)	Target return ¹ (%)
Initial transition period (1 September 2019 to 31 March 2020)	0.7	0.6
From inception ¹ (1 April 2020)	11.5	3.1
1 year	11.5	3.1
Financial year to date	7.8	4.5

Notes:

1. The Investment Mandate for the Future Drought Fund is CPI + 2.0% to 3.0% pa over the long term, with an acceptable but not excessive level of risk.
2. The Future Drought Fund returned 2.4% over the quarter.

Asset allocation

Table 8: Future Drought Fund asset allocation

Asset class	\$m	% of Fund
Australian equities	228	5.2
Global equities		
Developed markets	516	11.8
Emerging markets	255	5.9
Private equity	210	4.8
Property	191	4.4
Infrastructure	204	4.7
Debt securities	623	14.3
Alternatives	846	19.4
Cash	1,292	29.6
TOTAL	4,366	100.0

Emergency Response Fund

Performance

Table 9: Emergency Response Fund returns		
	Return (%)	Target return ¹ (%)
Initial transition period (12 December 2019 to 31 March 2020)	0.4	0.3
From inception ¹ (1 April 2020)	11.5	3.1
1 year	11.5	3.1
Financial year to date	7.8	4.5

Notes:

1. The Investment Mandate for the Emergency Response Fund is CPI + 2.0% to 3.0% pa over the long term, with an acceptable but not excessive level of risk.
2. The Emergency Response Fund returned 2.3% over the quarter.

Asset allocation

Table 10: Emergency Response Fund asset allocation		
Asset class	\$m	% of Fund
Australian equities	232	5.2
Global equities		
Developed markets	523	11.8
Emerging markets	259	5.8
Private equity	213	4.8
Property	194	4.4
Infrastructure	207	4.7
Debt securities	631	14.2
Alternatives	858	19.3
Cash	1,334	30.0
TOTAL	4,451	100.0

DisabilityCare Australia Fund

The Investment Mandate for the DisabilityCare Australia Fund sets a benchmark return of the Australian three-month bank bill swap rate + 0.3% pa calculated on a rolling 12-month basis. The Mandate requires that investments minimise the probability of capital loss over a 12-month horizon.

In line with its Investment Mandate, the DisabilityCare Australia Fund is invested in long-term deposits and cash.

The Fund is valued at \$15.3bn, delivering a return of 0.8% over the last 12 months against a benchmark target of 0.4%

Total funds under management

	Value \$bn
Future Fund	178.6
Medical Research Future Fund	21.4
Aboriginal and Torres Strait Islander Land and Sea Future Fund	2.0
Future Drought Fund	4.4
Emergency Response Fund	4.5
DisabilityCare Australia Fund	15.3
TOTAL	226.2

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