



2 May 2022

Portfolio update at 31 March 2022

- Future Fund stands at \$201bn
- 10-year return of 10.0% pa against a target of 6.4% pa
- Portfolio is positioned for a challenging and volatile environment
- Total funds under management stands at \$249bn

The Board of Guardians today released its portfolio updateⁱ to 31 March 2022.

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

“Over the March quarter, Global equity markets turned down sharply, and the Australian market was flat. A large part of this was due to rising inflation which will lead to higher interest rates around the world and in Australia.

“In addition, the Russian invasion of Ukraine has added to risk for international investors. Following Russia’s invasion of Ukraine, the Fund moved to sell down all holdings in companies listed on the Russian stock exchange. Sanctions on Russia and the closure of the Moscow stock exchange to foreigners have hampered efforts to sell. We will wind down the holdings as market conditions allow.

“The Future Fund has performed well in a very challenging environment, delivering a 10-year return of 10.0% pa against a target of 6.4% pa. We have delivered positive returns despite market volatility over the last year and the Fund has exceeded its target returns across all long-term time horizons.

“As central banks tighten monetary policy to rein in inflation and geopolitical tensions continue to create shocks in investment markets, we have been positioning for what will be a challenging and volatile future. As we have been saying for some time, investors should expect lower returns than in the past over the long term.

“Our dynamic and disciplined approach to investing is designed to help us balance the return and risk objectives of our mandate.”

Dr Raphael Arndt, Chief Executive Officer, said:

“We have been carefully positioning the portfolio to navigate the challenging investment environment. Our Alternatives strategies are designed to perform in all market environments and we have added to those.

“Looking ahead we expect returns will be harder to achieve, with ongoing fragility and disruption to global markets and economies combined with rising inflation continuing as key themes for some time to come.

“The portfolio is positioned moderately below a neutral risk setting. We are maintaining our discipline to only take on risk where the potential rewards justify it.

“We continue our work to identify opportunities to access value from less liquid and more skill-based investments, and working our relationships with our partners to identify more focused opportunities both to secure returns and to manage risk.”

Future Fund

Performance

Table 1: Future Fund returns, target benchmarks and volatility			
	Return (% pa)	Target return¹ (% pa)	Volatility² (%)
From inception (May 2006)	8.1	6.7	4.4
10 years	10.0	6.4	4.3
Seven years	8.0	6.3	4.7
Five years	9.1	6.3	4.9
Three years	9.1	6.8	5.8
One year	11.8	9.1	6.0

Note: The Future Fund returned -1.5% over the quarter to 31 March 2022 and 1.9% for the financial year to date.

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.

Asset allocation

Table 2: Future Fund asset allocation		
Asset class	\$m	% of Fund
Australian equities	17,028	8.5
Global equities		
Developed markets	32,776	16.3
Emerging markets	12,237	6.1
Private equity	33,769	16.8
Property	12,689	6.3
Infrastructure & Timberland	16,451	8.2
Debt securities	14,941	7.4
Alternatives	30,510	15.2
Cash	30,260	15.1
TOTAL	200,660	100.0

Medical Research Future Fund

Performance

	Return (% pa)	Target return¹ (% pa)
From inception (22 September 2015)	4.5	2.5
Five years	4.7	2.3
Three years	5.0	1.9
One year	6.2	1.5

Note: The Medical Research Future Fund returned -0.4% over the quarter to 31 March 2022 and 1.5% for the financial year to date.

1. RBA cash rate plus 1.5% to 2.0% pa over the long term, with an acceptable but not excessive level of risk.

Asset allocation

Asset class	\$m	% of Fund
Australian equities	867	3.9
Global equities		
Developed markets	1,494	6.8
Emerging markets	697	3.2
Private equity	1,116	5.1
Property	1,021	4.6
Infrastructure & Timberland	1,120	5.1
Debt securities	2,568	11.6
Alternatives	3,867	17.5
Cash	9,329	42.3
TOTAL	22,079	100.0

Aboriginal and Torres Strait Islander Land and Sea Future Fund (ATSILS Fund)

Performance

Table 5: ATSILS Fund returns and target benchmarks		
	Return (% pa)	Target return ¹ (% pa)
From inception (1 October 2019)	5.5	4.9
One year	7.6	7.1

Note: The ATSILS Fund returned -0.6% over the quarter to 31 March 2022 and 1.8% for the financial year to date.

1. CPI + 2.0% to 3% pa over the long term, with acceptable but not excessive level of risk.

Asset allocation

Table 6: ATSILS Fund asset allocation ¹		
Asset class	\$m	% of Fund
Australian equities	109	5.1
Global equities		
Developed markets	190	8.9
Emerging markets	89	4.1
Private equity	140	6.5
Property	128	6.0
Infrastructure & Timberland	141	6.6
Debt securities	323	15.0
Alternatives	486	22.7
Cash	539	25.1
TOTAL	2,145	100.0

1. Exposures on a look-through basis.

Future Drought Fund

Performance

Table 7: Future Drought Fund returns and target benchmarks

	Return (% pa)	Target return¹ (% pa)
From inception (1 April 2020)	9.6	5.1
One year	7.6	7.1

Note: The Future Drought Fund returned -0.6% over the quarter to 31 March 2022 and 1.8% for the financial year to date.

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.

Asset allocation

Table 8: Future Drought Fund asset allocation¹

Asset class	\$m	% of Fund
Australian equities	236	5.1
Global equities		
Developed markets	407	8.8
Emerging markets	189	4.1
Private equity	302	6.6
Property	276	6.0
Infrastructure & Timberland	303	6.6
Debt securities	695	15.1
Alternatives	1,046	22.7
Cash	1,154	25.0
TOTAL	4,608	100.0

1. Exposures on a look-through basis.

Emergency Response Fund

Performance

	Return (% pa)	Target return¹ (% pa)
From inception (1 April 2020)	9.5	5.1
One year	7.6	7.1

Note: The Emergency Response Fund returned -0.6% over the quarter to 31 March 2022 and 1.8% for the financial year to date.

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.

Asset allocation

Asset class	\$m	% of Fund
Australian equities	227	5.0
Global equities		
Developed markets	386	8.4
Emerging markets	184	4.0
Private equity	307	6.7
Property	281	6.1
Infrastructure & Timberland	308	6.7
Debt securities	707	15.4
Alternatives	1,065	23.2
Cash	1,121	24.4
TOTAL	4,587	100.0

1. Exposures on a look-through basis.

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 \$14.5bn as at 31 March 2022, delivering a return of -0.1% over the last 12 months against a benchmark target of 0.3%.

Total funds under management

	Value \$bn
Future Fund	201.0
Medical Research Future Fund	22.1
ATSILS Fund	2.1
Future Drought Fund	4.6
Emergency Response Fund	4.6
DisabilityCare Australia Fund	14.5
TOTAL	248.9

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Notes:

1. All data in this update is unaudited and may not sum due to rounding.
2. The ATSILS Fund, Future Drought Fund and Emergency Response Fund gain exposure to a diversified portfolio through a co-mingled arrangement alongside the Medical Research Future Fund and exposures are provided on a look-through basis.