



29 October 2010

Portfolio update at 30 September 2010

The Future Fund Board of Guardians today released its portfolio update for the quarter ending 30 September 2010.

Future Fund

The Future Fund's return for the quarter (excluding the Fund's Telstra holding) was 4.0%. Since the first contribution to the Future Fund on 5 May 2006, the return was 4.2% per annum.

The Future Fund's Telstra portfolio returned minus 13% for the quarter.

Reflecting the long-term investment mandate for the Future Fund, the Board will continue to focus on performance over rolling ten year periods using rolling five year periods to gauge progress.

The asset allocation of the Future Fund at 30 September 2010 is shown below:

Asset class	A\$ million	Percentage of Fund (ex Telstra)
Australian equities	7,594	11.5
Global equities		
Developed markets	13,640	20.7
Developing markets	2,060	3.1
Private equity	2,001	3.0
Property	3,431	5.2
Infrastructure & Timberland	2,702	4.1
Debt securities	12,740	19.3
Alternative assets	9,553	14.5
Cash	12,174	18.5
Total (ex Telstra)	65,896	100
Telstra holding	3,415	-
Total Future Fund assets	69,311	-

Data may not sum due to rounding

The Telstra holding includes shares sold on 29 and 30 September but not yet settled at quarter end.

The portfolio (ex Telstra) increased in value by \$2.8 billion over the quarter with gains across all sectors.

As a result of the Fund's policy of substantially hedging its foreign currency exposures so that 80% of the portfolio is held in AUD, there were large inflows as a result of the Australian dollar's appreciation. This lifted the cash holding over the quarter from 13.1% to 18.5% of the Fund.

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 30 September 2010 the value of the Education Investment Fund was A\$5,522 million, the Building Australia Fund stood at A\$9,475 million and the Health and Hospitals Fund stood at A\$4,715 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 and the funds are tracking to outperform the benchmark return.

The quarterly return for each of the Nation-building Funds was 1.4%. Over the last 12 months the Education Investment Fund and Health and Hospitals Fund each returned 5% per annum while the Building Australia Fund returned 4.9% per annum. The mandated benchmark for the period was 4.6% per annum.

ENDS

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