



22 April 2016

## Portfolio update at 31 March 2016

- Future Fund stands at A\$117.4bn.
- Return since inception stands at 7.4% pa.

The Future Fund, Australia's Sovereign Wealth Fund, today released its portfolio update<sup>1</sup> as at 31 March 2016.

### Future Fund performance

The Future Fund generated investment returns of 0.2% for the first nine months of the financial year, bringing the value of the Future Fund at 31 March 2016 to A\$117.378bn.

Since 2006 when the Future Fund was established investment returns have added A\$57bn to the original contributions received from Government which were valued at A\$60.5bn at the time of transfer.

The Future Fund's investment returns to 31 March 2016 are shown below, together with the target benchmark return set by the Investment Mandate:

Returns		
Period to 31 March 2016	Return pa (%)	Target return (%) (CPI+4.5%) <sup>2</sup>
From May 2006	7.4	7.0
Seven years	10.7	6.8
Five years	9.5	6.5
Three years	11.3	6.4
One year	0.4	6.1
Financial year to date	0.2	4.3
Quarter	-0.9	1.2

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

"The Future Fund invests to generate strong returns over the long-term while avoiding excessive risk.

"We see prospective returns on risk at a lower level than in the immediate past years. We are also conscious that monetary authorities, having stimulated so much, have less flexibility now to respond to future weakness. Given this, we have less risk in the Future Fund than we would under more normal circumstances. We keep our objective front of mind and are focussed on both growing and protecting our capital in the long-term."

<sup>1</sup> 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% pa over the long term with acceptable but not excessive risk.

Mr David Neal, Managing Director, said:

"During 2015 we gradually reduced the overall level of risk in the Future Fund portfolio and we have continued to do so. We are comfortable our current positioning is appropriate given the uncertain environment and our belief that we should only take on risk where the potential rewards justify it.

"The Future Fund retains ample liquidity which we feel is appropriate in the current environment. Should expected risk adjusted returns move to more attractive levels, we are well positioned to increase our exposure to risk assets.

"We will continue to work closely with our external managers to identify attractive investment opportunities and construct a diverse portfolio that is, as far as possible, robust to an uncertain future.

"Looking at the recently established Medical Research Future Fund, we have increased portfolio diversification, initiating a private equity exposure."

### Future Fund asset allocation

The asset allocation of the Future Fund at 31 March 2016 is shown below:

Future Fund asset allocation at 31 March 2016		
Asset class	A\$ m	% of Fund
<b>Australian equities</b>	7,629	6.5
<b>Global equities</b>		
Developed markets	17,899	15.2
Emerging markets	8,594	7.3
<b>Private equity</b>	11,474	9.8
<b>Property</b>	8,316	7.1
<b>Infrastructure &amp; Timberland</b>	8,330	7.1
<b>Debt securities</b>	13,314	11.3
<b>Alternative assets</b>	14,938	12.7
<b>Cash</b>	26,885	22.9
<b>TOTAL</b>	<b>117,378</b>	<b>100.0</b>

Notes: Data may not sum due to rounding

### Medical Research Future Fund

The first contribution to the Medical Research Future Fund was made on 22 September 2015 in the form of a transfer of A\$1.010bn from the Health and Hospitals Fund with a further transfer from government of A\$2.139bn on 1 December 2015.

Initially the Medical Research Future Fund was invested in accordance with the mandate for the Health and Hospitals Fund being the Australian three month bank bill swap rate +0.3%pa calculated on a rolling 12 month basis.

An investment mandate for the Medical Research Future Fund was signed by the responsible Ministers on 8 November 2015 and applied by the board from 1 December 2015. The Investment Mandate sets a target return of at least the Reserve Bank of Australia Cash Rate

target + 1.5% to 2.0% pa, net of investment fees, over a rolling 10 year term as the benchmark return on the Fund.

The Medical Research Future Fund returned minus 0.5% since the first contribution to the Fund, principally as a result of the initial build out of an equities allocation. At 31 March 2016 the Medical Research Future Fund was valued at A\$3.126bn.

<b>Medical Research Future Fund asset allocation at 31 March 2016</b>		
<b>Asset class</b>	<b>A\$ m</b>	<b>% of Fund</b>
<b>Australian equities</b>	184	5.9
<b>Global equities</b>		
Developed markets	211	6.7
Emerging markets	49	1.6
<b>Private equity</b>	244	7.8
<b>Debt securities</b>	1,792	57.3
<b>Cash</b>	645	20.6
<b>TOTAL</b>	<b>3,126</b>	<b>100.0</b>

### **Nation-building Funds**

The investment mandates for the Nation-building Funds (the Education Investment Fund, the Building Australia Fund) set a benchmark return of the Australian three month bank bill swap rate +0.3% pa 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 Nation-building Funds are invested in combinations of short and medium term debt instruments.

At 31 March 2016 the value of the Education Investment Fund was A\$3.701bn and the Building Australia Fund stood at A\$3.672bn.

Over the last 12 months the Building Australia Fund and Education Investment Fund generated returns of 2.5% and 2.4% respectively. The 12 month benchmark target return for both funds was 2.5%.

### **DisabilityCare Australia Fund**

The investment mandate for the DisabilityCare Australia Fund (DCAF) sets a benchmark return of the Australian three month bank bill swap rate +0.3% pa 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 mandate, the assets of the DCAF are invested in a combination of short- and medium-term debt instruments.

At 31 March 2016 the value of the DCAF was A\$5.183bn having generated a return of 2.4% over the last 12 months, against a benchmark target of 2.5%.

ENDS

#### **For more information contact:**

Will Hetherton  
 Head of Public Affairs  
 +61 (0)3 8656 6400  
 +61 (0)439 016 678

Jennifer Dearn  
 Public Affairs Adviser  
 +61 (0)3 8656 6400  
 +61 (0)439 181 153