



29 January 2010

## Portfolio update at 31 December 2009

The Future Fund Board of Guardians today released its portfolio update for the quarter ending 31 December 2009.

### Future Fund

The Future Fund's return for the quarter (excluding the Fund's Telstra holding) was 2.9% and for the first six months of the financial year it was 8.7%.

Since the effective start of the Future Fund's investment program on 1 July 2007 the return (ex Telstra) was 2.3% per annum. Since the first contribution to the Future Fund in May 2006, the return was 3.5% per annum.

The Future Fund's Telstra portfolio returned 4.8% for the quarter and 5.6% for the financial year to date.

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

The asset allocation of the Future Fund at 31 December 2009 is shown below:

Asset class	A\$ million	Percentage of Fund (ex Telstra)
<b>Australian equities</b>	7,852	12.7
<b>Global equities</b>		
Developed markets	14,803	24.0
Developing markets	2,222	3.6
<b>Private equity</b>	1,391	2.3
<b>Property</b>	1,789	2.9
<b>Infrastructure</b>	1,456	2.4
<b>Debt securities</b>	15,676	25.4
<b>Alternative assets</b>	7,018	11.4
<b>Cash</b>	9,579	15.5
<b>Total (ex Telstra)</b>	61,785	100
<b>Telstra holding</b>	4,412	-
<b>Total Future Fund assets</b>	66,197	-

*Data may not sum due to rounding*

Mr David Murray, Chair of the Future Fund Board of Guardians, said significant progress had been made on transitioning the portfolio towards the long-term asset allocation.

"Over the quarter the level of cash in the portfolio fell from 32% of the Fund to 15.5% as we further built the program to meet our long-term objective. This has been primarily allocated to a diverse range of strategies in the Alternatives program, where skilled managers are able to take advantage of opportunities arising from capital scarcity and market inefficiencies, as

well as to strongly performing listed equity markets. We have also taken up attractive opportunities in debt, property and infrastructure markets as we build towards target exposures."

### **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 31 December 2009 the value of the Education Investment Fund was A\$5,998 million, the Building Australia Fund stood at A\$10,136 million and the Health and Hospitals Fund stood at A\$4,902 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 both the Education Investment Fund and the Building Australia Fund was 1.1%, and for the Health and Hospitals Fund it was 1.2%. Since inception the Education Investment Fund and Building Australia Fund have returned 3.9% while the Health and Hospitals Fund has returned 3.3%.

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