



28 January 2011

Portfolio update at 31 December 2010

The Future Fund Board of Guardians (Board of Guardians) today released its portfolio update for the quarter ending 31 December 2010.

Future Fund

The Future Fund's return for the quarter ending 31 December 2010 (excluding the Fund's Telstra holding) was 3.4%, giving a return for the financial year to the end of December of 7.5% and a calendar year return of 9.5%. Since the first contribution to the Future Fund on 5 May 2006, the return stands at 4.7% per annum.

The Future Fund's Telstra portfolio returned 6.4% for the quarter and minus 7.4% for the first six months of the financial year.

Reflecting the long-term investment mandate for the Future Fund, the Board of Guardians 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 31 December 2010 is shown below:

Asset class	A\$ million	Percentage of Fund (ex Telstra)
Australian equities	7,954	11.5
Global equities		
Developed markets	15,577	22.5
Developing markets	2,286	3.3
Private equity	2,158	3.1
Property	3,819	5.5
Infrastructure & Timberland	2,946	4.3
Debt securities	12,977	18.8
Alternative assets	10,541	15.2
Cash	10,900	15.8
Total (ex Telstra)	69,159	100
Telstra holding	2,603	-
Total Future Fund assets	71,762	-

Data may not sum due to rounding

During the quarter the Board of Guardians continued to build towards its target asset allocation, adding to its investments in the Equities, Tangible Assets (property and infrastructure and timberlands) and Alternative Assets categories while refining and modestly reducing its Debt program. Further reductions in the cash holdings will occur as existing unfunded commitments are drawn down and additional opportunities are identified.

Proceeds from the Board of Guardians's on-market sales of Telstra shares were integrated into the broader portfolio in line with the Board's objective of rebalancing the portfolio and reducing the Telstra holding in an orderly manner over the medium term.

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 2010 the value of the Education Investment Fund was A\$5,346 million, the Building Australia Fund stood at A\$8,758 million and the Health and Hospitals Fund stood at A\$4,635 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.

The quarterly return for each of the Nation-building Funds was 1.4%. Over the last 12 months each of the Nation-building Funds returned 5.2% beating the mandated benchmark return of 5%.

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