



Australian Government **Future Fund**

Media release

19 October 2007

Future Fund releases 2006-07 annual report

The Future Fund today published its annual report which provides details of its progress and performance in its first full year of operation.

The Fund met its objective of starting its investment program by year end. At 30 June 2007 the Fund held \$1.85 billion in Australian equities (excluding its holding of 2.1 billion shares in Telstra) and \$2 billion in international equities all under passive management. The balance of the Fund's assets (\$38.73 billion) remained invested with the Reserve Bank of Australia. (See graphic on the next page).

Total assets at 30 June 2007 were \$52.32 billion which included \$9.74 billion in Telstra shares (which were transferred to the Fund in February 2007 as part of the T3 sale). Since year end, the Fund has received a further transfer of \$7 billion from the 2006-07 budget surplus and total assets now stand at just over \$60 billion.

During the year the Fund's cash and equity investments, excluding its Telstra shareholding, generated a net return of 6.24%. With the inclusion of the Fund's Telstra holding, which was held from the end of February 2007, the Fund generated an overall return of 7.36%.

The Future Fund's investment mandate sets an objective of returning between 4.5% and 5.5% above the Consumer Price Index (CPI) over the long term. CPI for the year was 2.1%. The mandate notes that during the initial transition period, as the Fund develops its long term strategic asset allocation, a return lower than the benchmark is expected.

In addition to starting the investment program, other milestones during the year included:

- appointment of Paul Costello as General Manager and David Neal as Chief Investment Officer;
- establishment of the Future Fund's operational capability; and
- development and implementation of initial investment policies

Chair of the Future Fund Board of Guardians, Mr David Murray AO, said good progress had been made in establishing the operations of the Fund.

"This year we have established our operations and the governance frameworks for the long term success of the Future Fund.

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"The returns in the first year are in line with our investment mandate while reflecting the transitional period we are in. We are investing for the long term and will measure performance over rolling five year periods.

"We are well positioned to build on the work so far and to take on the additional task of managing the investment of the Higher Education Endowment Fund," said Mr Murray.

Paul Costello, General Manager of the Future Fund, said the key priorities during the year were building the operational and management capability of the Fund.

"We've been very focused on building the core team and our operational capability.

"We are now developing our investment team and are confident that we are bringing together the people, processes and expertise to establish a globally respected investment program.

"While it made sense for us to start our program by building market exposure to international and Australian equities, during 2007/08 we will focus on diversifying our program. This will include extending our portfolio of market exposures, introducing active management and exploiting opportunities in private markets," said Mr Costello.

The annual report is available on line at www.futurefund.gov.au

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Portfolio at 30 June 2007

