



28 October 2011

Portfolio update at 30 September 2011

The Future Fund Board of Guardians (Board of Guardians) today released its portfolio update for the quarter ending 30 September 2011.

Future Fund

The asset allocation of the Future Fund at 30 September 2011 is shown below:

Asset class	A\$ million	Percentage of Fund (ex Telstra)
Australian equities	7,769	10.6
Global equities		
Developed markets	11,772	16.1
Emerging markets	3,501	4.8
Private equity	3,653	5.0
Property	4,611	6.3
Infrastructure & Timberland	4,127	5.6
Debt securities	14,023	19.2
Alternative assets	15,805	21.6
Cash	7,921	10.8
Total Future Fund assets	73,182	100

Data may not sum due to rounding

The Future Fund's return for the quarter was minus 2.9%. Since the first contribution to the Future Fund on 5 May 2006, the Fund has generated a return of 4.4% per annum.

David Murray, Chair of the Future Fund Board of Guardians said that Australian and global equity markets had fallen in the order of 13% or 14% over the quarter on the back of continued economic concerns particularly in Europe and the United States.

"The portfolio's recent positioning, together with a decision to further reduce exposures to listed equity markets and increase the cash position, helped to reduce the impact of market falls on the portfolio," said Mr Murray.

"In line with its long term mandate the Board continues to focus on building a diverse portfolio comprising assets capable of generating strong returns. While this inevitably exposes the Fund to periods of market volatility the Board has carefully thought through its risk appetite and positioned the Fund to avoid excessive risk.

"The Board is mindful that the uncertainty in financial markets can be expected to endure as the global economy continues to undergo significant structural adjustments over years to come," he said.

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Data is unaudited

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 2011 the value of the Building Australia Fund was A\$7,941 million, the Education Investment Fund stood at A\$4,897 million and the Health and Hospitals Fund stood at A\$4,305 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 three funds was 1.1%. This took the return over the last 12 months for the Building Australia Fund and the Education Investment Fund to 5.4% and for the Health and Hospitals Fund to 5.3% against a benchmark return of 5.3%.

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