



26 August 2021

## Portfolio update at 30 June 2021

- Future Fund earns \$35.7bn for the year, growing to \$196.8bn at 30 June 2021
- Annual return of 22.2% is the strongest in the Fund's history
- 10-year return of 10.1% pa against a target of 6.1% pa
- \$136.3bn in investment earnings on \$60.5bn of capital contributed by the Government
- Total managed across all six funds at \$245.8bn at 30 June 2021

The Board of Guardians today released its portfolio update<sup>1</sup> to 30 June 2021.

### **Hon Peter Costello AC, Chair of the Future Fund Board of Guardians, said:**

"The return of 22.2% for the year to 30 June 2021 is an exceptional result. This has delivered \$35.7bn to the people of Australia, growing the Fund to \$196.8bn. The Fund has now earned \$136.3bn on the capital of \$60.5bn contributed by the Government back in 2006/7, meaning it has tripled the money.

"The Future Fund is the Commonwealth Government's largest financial asset. This financial asset strengthens the Commonwealth's long-term financial position.

"This year has encompassed both the health and economic disruption of the COVID pandemic. The financial recovery has been driven by the deployment of vaccines, recovering confidence, and supportive monetary and fiscal policy.

"COVID-19 has accelerated many significant changes in the nature of work and in household use of technology. It has heightened pre-existing tensions between global powers. It has led to more extreme forms of monetary policy and even more expansive fiscal policy. It has accelerated the rise of bigger government.

"While the near-term economic outlook is brighter than it was a year ago, much of Australia is still in lockdown and longer-term there remains uncertainty on the unwinding of stimulus, changes to the Global order and how policy makers will respond. This creates a challenging environment for investors.

"The Board remains focused on its mandate and obligation to maximise risk-adjusted returns over the long-term while taking acceptable but not excessive levels of risk.

"With strong performance across the other five public asset funds for which it is responsible, the Future Fund Board of Guardians now invests over \$245bn (approximately one quarter of a trillion dollars) for the Commonwealth Government."

**Dr Raphael Arndt, Chief Executive Officer, said:**

“Our objective is to invest for the long term. The Future Fund was well-positioned as we managed through the dislocation associated with COVID-19 and entered the economic recovery that has followed.

“Our commitment to diversification continues to deliver strong returns while helping us manage risk to acceptable levels.

“Listed equity markets performed strongly while our significant exposure to private equity has delivered excellent returns. During the year we committed to additional opportunities in Australian infrastructure, notably through a further investment into Powering Australian Renewables (PowAR), and a new partnership with Telstra InfraCo Towers.

“The strong returns of this year are the highest in the history of the Fund. Over the medium-term returns are going to be harder to produce, particularly given the shifts in the investment environment created by the pandemic.

“Given this, we believe that reducing some flexibility to move to a modestly higher level of risk is appropriate. We have adjusted the portfolio accordingly, initially through an increase in listed equity exposure. Over time we will increase our focus on skill-based and less liquid opportunities where we and our investment managers can create value.

“We aim to make the most of our long-term perspective and ability to dynamically manage the portfolio as a whole to help us target our return objective, while prudently managing risk.”

**Future Fund**

**Performance**

<b>Table 1: Future Fund investment returns and volatility</b>			
	<b>Return (% pa)</b>	<b>Target return<sup>1</sup> (% pa)</b>	<b>Volatility<sup>2</sup> (%)</b>
From inception (May 2006)	8.4	6.6	4.5
10 years	10.1	6.1	4.3
7 years	9.9	5.9	4.6
5 years	9.9	5.9	4.8
3 years	10.5	5.7	5.7
1 year	22.2	7.8	5.6

Note: The Future Fund returned 9.7% over the quarter to 30 June 2021.

1. From 1 July 2017 the Fund’s Investment Mandate target return was reduced from CPI + 4.5% to 5.5% pa to CPI + 4% to 5% pa over the long term, with an acceptable but not excessive level of risk.
2. Industry measure showing the level of realised volatility in the portfolio.

## *Asset allocation*

<b>Asset class</b>	<b>\$m</b>	<b>% of Fund</b>
<b>Australian equities</b>	16,805	8.5
<b>Global equities</b>		
Developed markets	35,806	18.2
Emerging markets	18,002	9.1
<b>Private equity</b>	34,485	17.5
<b>Property</b>	11,707	5.9
<b>Infrastructure &amp; Timberland</b>	14,548	7.4
<b>Debt securities</b>	12,982	6.6
<b>Alternatives</b>	26,547	13.5
<b>Cash</b>	25,942	13.2
<b>TOTAL</b>	<b>196,825</b>	<b>100.0</b>

## Medical Research Future Fund

### Performance

	<b>Return (% pa)</b>	<b>Target return<sup>1</sup> (% pa)</b>
From inception (22 September 2015)	4.8	2.6
5 years	5.1	2.5
3 years	5.4	2.2
1 year	10.9	1.6

Note: The Medical Research Future Fund returned 4.6% over the quarter

1. RBA cash rate plus 1.5% to 2.0% pa over the long term, with an acceptable but not excessive level of risk.

### Asset allocation

<b>Asset class</b>	<b>\$m</b>	<b>% of Fund</b>
<b>Australian equities</b>	1,036	4.7
<b>Global equities</b>		
Developed markets	2,238	10.2
Emerging markets	1,123	5.1
<b>Private equity</b>	1,050	4.8
<b>Property</b>	847	3.8
<b>Infrastructure</b>	903	4.1
<b>Debt securities</b>	2,549	11.6
<b>Alternatives</b>	3,420	15.5
<b>Cash</b>	8,862	40.2
<b>TOTAL</b>	<b>22,028</b>	<b>100.0</b>

## ATSILS Fund

### Performance

	<b>Return (% pa)</b>	<b>Target return<sup>1</sup> (% pa)</b>
Initial transition period (1 February to 30 September 2019)	1.3	1.1
From inception (1 October 2019)	6.9	3.7
1 year	13.9	5.8

Note: The ATSILS Fund returned 5.7% over the quarter

1. CPI + 2.0% to 3% pa over the long term, with acceptable but not excessive level of risk.

### Asset allocation

<b>Asset class</b>	<b>\$m</b>	<b>% of Fund</b>
<b>Australian equities</b>	132	6.1
<b>Global equities</b>		
Developed markets	288	13.3
Emerging markets	144	6.7
<b>Private equity</b>	128	5.9
<b>Property</b>	104	4.8
<b>Infrastructure</b>	111	5.1
<b>Debt securities</b>	312	14.4
<b>Alternatives</b>	418	19.3
<b>Cash</b>	525	24.3
<b>TOTAL</b>	<b>2,163</b>	<b>100.0</b>

1. Exposures on a look-through basis.

## Future Drought Fund

### Performance

<b>Table 7: Future Drought Fund returns</b>		
	<b>Return (% pa)</b>	<b>Target return<sup>1</sup> (% pa)</b>
Initial transition period (1 September 2019 to 31 March 2020)	0.7	0.6
From inception (1 April 2020)	14.1	3.5
1 year	14.0	5.8

Note: The Future Drought Fund returned 5.7% over the quarter.

1. The Investment Mandate for the Future Drought Fund is CPI + 2.0% to 3.0% pa over the long term, with an acceptable but not excessive level of risk.

### Asset allocation

<b>Table 8: Future Drought Fund asset allocation<sup>1</sup></b>		
<b>Asset class</b>	<b>\$m</b>	<b>% of Fund</b>
<b>Australian equities</b>	284	6.2
<b>Global equities</b>		
Developed markets	616	13.4
Emerging markets	308	6.7
<b>Private equity</b>	276	6.0
<b>Property</b>	222	4.8
<b>Infrastructure</b>	237	5.2
<b>Debt securities</b>	670	14.6
<b>Alternatives</b>	898	19.5
<b>Cash</b>	1,089	23.7
<b>TOTAL</b>	<b>4,601</b>	<b>100.0</b>

1. Exposures on a look-through basis.

## Emergency Response Fund

### Performance

<b>Table 9: Emergency Response Fund returns</b>		
	<b>Return (% pa)</b>	<b>Target return<sup>1</sup> (% pa)</b>
Initial transition period (12 December 2019 to 31 March 2020)	0.4	0.3
From inception (1 April 2020)	14.0	3.5
1 year	13.9	5.8

Note: The Emergency Response Fund returned 5.7% over the quarter.

- The Investment Mandate for the Emergency Response Fund is CPI + 2.0% to 3.0% pa over the long term, with an acceptable but not excessive level of risk.

### Asset allocation

<b>Table 10: Emergency Response Fund asset allocation<sup>1</sup></b>		
<b>Asset class</b>	<b>\$m</b>	<b>% of Fund</b>
<b>Australian equities</b>	288	6.2
<b>Global equities</b>		
Developed markets	625	13.4
Emerging markets	313	6.7
<b>Private equity</b>	280	6.0
<b>Property</b>	225	4.8
<b>Infrastructure</b>	241	5.2
<b>Debt securities</b>	679	14.6
<b>Alternatives</b>	911	19.6
<b>Cash</b>	1,093	23.5
<b>TOTAL</b>	<b>4,654</b>	<b>100.0</b>

- Exposures on a look-through basis.

## DisabilityCare Australia Fund

The Investment Mandate for the DisabilityCare Australia Fund sets a benchmark return of the Australian three-month bank bill swap rate + 0.3% pa calculated on a rolling 12-month basis.

The Mandate requires that investments minimise the probability of capital loss over a 12-month horizon.

In line with its Investment Mandate, the DisabilityCare Australia Fund is invested in long-term deposits and cash.

The Fund is valued at \$15.5bn, delivering a return of 0.4% over the last 12 months against a benchmark target of 0.4%

## Total funds under management

<b>Table 11: Funds under management at 30 June 2021</b>	
	<b>Value \$bn</b>
Future Fund	196.8
Medical Research Future Fund	22.0
Aboriginal and Torres Strait Islander Land and Sea Future Fund	2.2
Future Drought Fund	4.6
Emergency Response Fund	4.7
DisabilityCare Australia Fund	15.5
<b>TOTAL</b>	<b>245.8</b>

### For more information contact:

Will Hetherton  
Head of Corporate Affairs  
will.hetherton@futurefund.gov.au  
+61 (0)439 016 678

Arriarne Kemp-Bishop  
Manager, Public Affairs & Strategic Relations  
arriarne.kemp-bishop@futurefund.gov.au  
+61 (0)414 311 331

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#### Notes:

1. All data in this update is unaudited and may not sum due to rounding.
2. The ATSIILS Fund, Future Drought Fund and Emergency Response Fund gain exposure to a diversified portfolio through a co-mingled arrangement alongside the Medical Research Future Fund and exposures are provided on a look-through basis.