futurefund

Statement by Mark Burgess, Managing Director of the Future Fund to the Senate Finance and Public Administration Committee
Supplementary Budget Estimates, 19 November 2013, Parliament House, Canberra

I am very pleased to be here to respond to questions from the Committee. Again I am joined by the Fund's Chief Investment Officer, David Neal.

I would like to provide a short update on the Fund and its progress and particularly in light of the fact that in recent months we have reported on our performance through to the end of the financial years and also released our annual report.

The portfolio is in good shape having grown to over $91 billion at the end of September 2013 reflecting investment earnings totalling over $30 billion in the seven years since the Fund's creation in 2006.

An important aspect of the Fund is its focus on both growing the Fund and on protecting its capital. This reflects the investment mandate which requires us to both maximise returns but take acceptable but not excessive risk.

As we have discussed before, we take this responsibility very seriously and the Fund is governed and organised to reflect this.

Since its inception the Fund has put a great deal of effort into developing its investment model, strategy and processes to optimise the ability to generate the required long term risk adjusted returns.

In October we conducted a media briefing in which we explained the approach and highlighted that the portfolio's diversification and mix of asset classes has contributed to both increasing returns over the past five years and to reducing the level of risk in the portfolio.

There are of course many ways to invest and different organisations take different approaches that correspond to their particular priorities and contexts.

The Future Fund's portfolio is undoubtedly different to that of many other investors and it is important to recognise that the portfolio will behave accordingly. Its asset allocation, performance and cost profiles and the way it behaves under a range of market environments and over various time periods will differ from many other portfolios.

As we have seen, in periods of market stress when equity markets are weak we would expect the Future Fund portfolio to perform better than many others. At the same time given the portfolio's generally lower level of exposure to listed equities, performance is likely to lag that of other investors when equity markets rally strongly.

What is important to us is to look through this shorter term volatility and ensure that the portfolio is appropriately positioned as you look through the coming years. That is a critical facet of the model that we have adopted.

As Senators may be aware, in September I announced my intention to leave the Future Fund and return to the private sector. I will remain with the Future Fund while the recruitment process is conducted. It has been a privilege to contribute to the development of the Fund and I am enormously confident in the quality of the organisation to sustain its strong performance in to the years ahead.