



## **Statement by Mark Burgess, Managing Director of the Future Fund to the Senate Finance and Public Administration Committee**

Additional Budget Estimates, 25 February 2014, Parliament House, Canberra

Good evening. I am very pleased to have the opportunity to provide the Committee with an update on the Future Fund and its performance. I am also pleased to be joined by Mr David Neal, the Fund's Chief Investment Officer.

Earlier this month we released an update on the performance and positioning of the Future Fund. In doing so we conducted a media briefing as part of our continued focus on explaining the Fund's approach to investing in pursuit of its mandate.

As a reminder, the Fund's mandate requires us to target a return of at least CPI+4.5% to 5.5% per annum over the long term with acceptable but not excessive risk.

Over the last five years and the last three years, the Fund has generated a return of 10.6% per annum and 10.3% per annum respectively. This comfortably exceeds the target return range.

As a result the Fund has grown to \$96.6 billion.

We are, of course, pleased with these strong returns. However, it is important that we continue to highlight that our focus is on ensuring that in growing the Fund we also protect its capital over the long-term.

We design the portfolio accordingly and our approach will tend to mean that the Fund's asset allocation and performance will differ from that of many other investors who operate to different mandates and objectives.

Our expectation is that the portfolio will typically generate a smoother pathway of returns, avoiding the worst of the downturns, while still able to secure good returns when markets are stronger.

Turning to the investment environment, we remain confident albeit conscious that recent rates of return for investors have been heavily driven by a declining cost of capital and that future returns will increasingly need to be driven by improved global growth. This is a point that we discussed during our media briefing earlier in February and I know that David Neal would be very happy to provide some additional commentary on this matter.

We continue to assess the various pathways that may eventuate for policy settings and economic growth over the years ahead and work hard to monitor the various scenarios for economies and markets that may eventuate over the medium term.

Before closing I would also like to update the Committee on the search for a new Managing Director following my announcement that I intended to return to the private sector.

I am pleased to report that the Board of Guardians has appointed the Future Fund's Chief Financial Officer, Mr Paul Mann to the position of acting Managing Director. Paul will fill this role while the global search process, which is currently underway, is completed.

The Agency has a very strong executive team and Paul is an outstanding leader within that team. He has been Chief Financial Officer for the Future Fund since 2007, is a member of the Executive Management Committee and a participant in the Investment Committee.

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With Paul already in place and ready to take on this responsibility I will be progressing my plans and will be finishing up with the Fund at the end of this month.

We would be delighted to take questions on the matters I've outlined and, of course, to assist with any other areas of interest.