



9 August 2011

## Portfolio update at 30 June 2011

The Future Fund Board of Guardians (Board of Guardians) today released its preliminary unaudited portfolio update and performance report as at 30 June 2011.<sup>1</sup>

### Future Fund

The Future Fund's return for the financial year ending 30 June 2011 (excluding the Fund's Telstra holding) was 12.4%. Over the three years ending 30 June 2011 the return was 6.0% per annum. Since the first contribution to the Future Fund, a little over five years ago on 5 May 2006, the Fund has generated a return of 5.2% per annum. The return for the last quarter of the financial year was 0.6%.

The Future Fund's Telstra portfolio returned 2.9% over the year and 2.7% for the quarter.

Reflecting the long-term investment mandate for the Future Fund, the Board of Guardians will continue to focus on performance over rolling ten year periods using rolling five year periods to gauge progress.

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

Asset class	A\$ million	Percentage of Fund (ex Telstra)
<b>Australian equities</b>	8,278	11.2
<b>Global equities</b>		
Developed markets	15,812	21.3
Emerging markets	3,792	5.1
<b>Private equity</b>	2,896	3.9
<b>Property</b>	4,801	6.5
<b>Infrastructure &amp; Timberland</b>	3,911	5.3
<b>Debt securities</b>	14,403	19.4
<b>Alternative assets</b>	13,768	18.6
<b>Cash</b>	6,552	8.8
<b>Total (ex Telstra)</b>	74,213	100
<b>Telstra holding</b>	939	-
<b>Total Future Fund assets</b>	75,152	-

*Data may not sum due to rounding*

Mr David Murray, Chair of the Board of Guardians, said that the positive returns of 2010/11 reflected the careful construction of the portfolio since the Fund's inception in May 2006.

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<sup>1</sup> All data in this statement is preliminary and unaudited. Final data will be released in the annual report following the conclusion of the usual end of year audit process.

"We have witnessed an extremely difficult global economic environment over the last few years and this is continuing to present challenges," said Mr Murray.

"The Board remains focussed on prudently building a diverse portfolio that is capable of generating good returns in positive environments but provides some protection in weaker markets."

"The portfolio's positioning, and our dynamic approach to building and adjusting the portfolio, has helped generate solid performance for the Fund since inception and positions it appropriately for its long term mandate."

"The reduction in the holding of Telstra shares has continued in line with the Board's long-stated strategy to reduce the holding in an orderly way over the medium term and without untoward market impact."

### **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 June 2011 the value of the Education Investment Fund was A\$4,904 million, the Building Australia Fund stood at A\$8,200 million and the Health and Hospitals Fund stood at A\$4,350 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.

Over the last 12 months each of the Nation-building Funds returned 5.6% exceeding the mandated benchmark return of 5.3%. The quarterly return for both the Building Australia Fund and the Education Investment Fund was 1.4% while the Health and Hospitals Fund returned 1.3%.

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Note:

The Board's annual report, due for release by the end of October, will provide further detail on its operations and the investment strategies for Future Fund and Nation-building Funds.

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