



2 September 2013

Portfolio update at 30 June 2013

The Future Fund today released its portfolio update as at 30 June 2013¹.

Future Fund performance

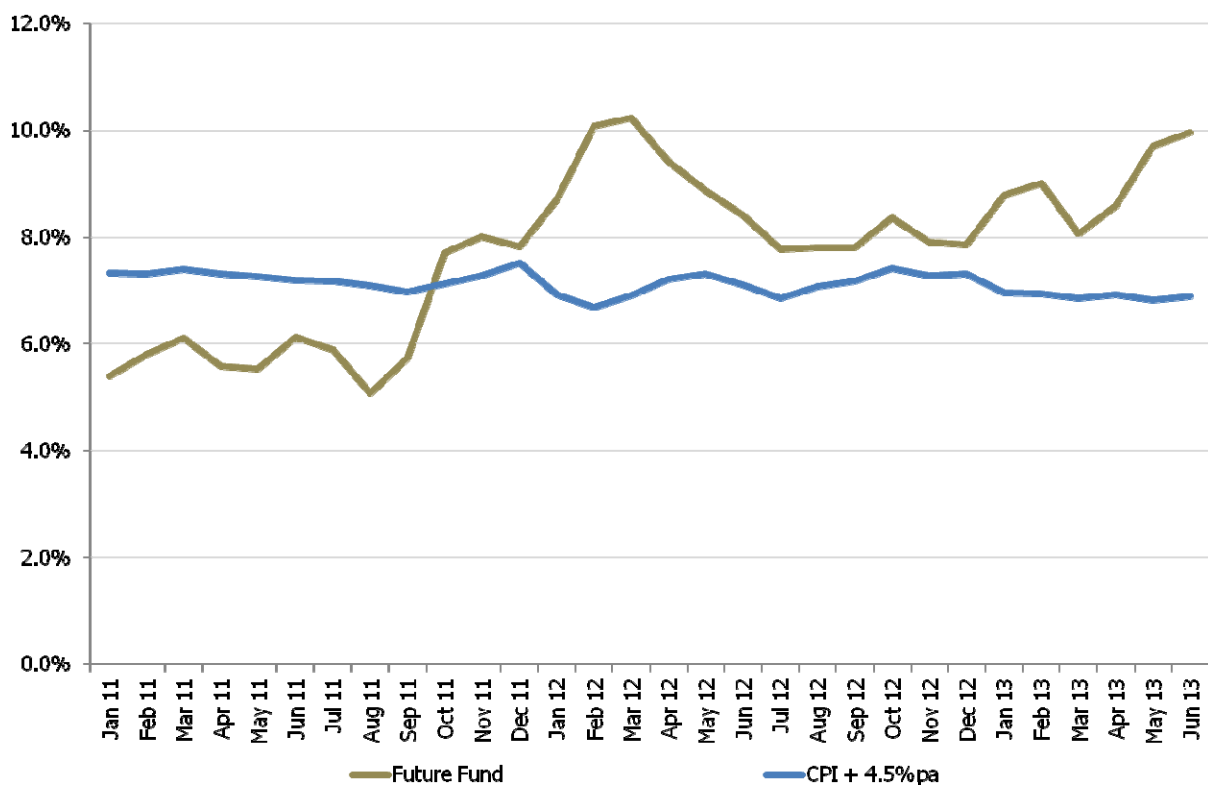
Over the five years and three years to 30 June 2013 the Future Fund has generated returns of 7.1% per annum and 10% per annum respectively. These returns exceed the baseline long-term target return of 6.8% per annum for both periods².

The Future Fund has achieved a return of 6.2% per annum since it was established in May 2006 growing to \$88.9 billion at 30 June 2013. The Fund was established with total contributions from government valued at \$60.5 billion.

The 2012-13 financial year saw the Future Fund generate a return of 15.4%, including a return of 4.4% during the last quarter. As a result of this performance the Future Fund grew by \$11.9 billion over the financial year.

The Future Fund has generated rolling three year returns above the mandated target of CPI+4.5% per annum since September 2011.

Future Fund and CPI+4.5%pa Rolling 3 Year Returns



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

² The Future Fund's mandate is to target a return of at least CPI+4.5 to 5.5% per annum over the long term with acceptable but not excessive levels of risk.

Future Fund asset allocation

The asset allocation of the Future Fund at 30 June 2013 is shown below.

Asset class	A\$ million	Percentage of Fund
Australian equities	8,596	9.7
Global equities		
Developed markets	21,144	23.8
Emerging markets	6,329	7.1
Private equity	6,450	7.3
Property	5,354	6.0
Infrastructure & Timberland	7,231	8.1
Debt securities	13,869	15.6
Alternative assets	14,764	16.6
Cash	5,152	5.8
Total	88,889	100

Data may not sum due to rounding

Mr Mark Burgess, Managing Director of the Future Fund, said that the Fund had enjoyed strong returns over the medium term as well as during the financial year.

"We are a long-term investor with a focus on growing the assets of the Future Fund while protecting its capital. As such we position the portfolio to reflect the environment and our assessment of the scenarios that may play out across markets over time.

"The Future Fund has seen strong returns over the last year as a result of improved conditions and confidence and the significant degree of policy stimulus being applied across many global markets.

"During 2012-13 we adjusted the portfolio to benefit from greater exposure to equity markets while reducing the scale of our debt program. The Fund continues to hold approximately 70% offshore of which 28% is unhedged. We have also been able to refresh the portfolio by realising a number of investments while continuing to find new opportunities.

"With cash yields near record low levels, we remain of the view that investors should assess their desired risk profiles at this time in preparation for the investment environment over the next three to four years. The Fund, with its particular mandate to both capture return while protecting capital, remains focused on balancing these two drivers.

"We remain optimistic that global growth will continue to recover while also recognising that the asset prices have become more expensive," said Mr Burgess.

Nation-building Funds performance

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.

Over the last 12 months each of the Nation-building Funds generated a return of 4.2%. The target benchmark return for the three funds during that period was 3.6%.

Nation-building Funds asset allocation

Consistent with their mandates, the assets of the three funds are invested in combinations of short and medium-term debt instruments.

At 30 June 2013 the value of the Education Investment Fund was A\$3,920 million, the Building Australia Fund stood at A\$4,755 million and the Health and Hospitals Fund stood at A\$2,717 million.

ENDS

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