



19 October 2009

Portfolio update at 30 September 2009

The Future Fund Board of Guardians today released its portfolio update for the first quarter of the 2009-10 financial year.

Future Fund

The Future Fund's return for the quarter ending 30 September 2009 (excluding the Fund's Telstra holding) was 5.6%.

Since the effective start of the Future Fund's investment program on 1 July 2007 the annualised return (ex Telstra) was 1.2%.

The Future Fund's Telstra portfolio returned 0.8% for the quarter.

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

The asset allocation of the Future Fund at 30 September 2009 is shown below:

Asset class	A\$ million	Percentage of Fund (ex Telstra)
Australian equities	6,543	10.9
Global equities		
Developed markets	11,687	19.5
Developing markets	1,999	3.3
Private equity	1,202	2.0
Property	1,296	2.2
Infrastructure	1,067	1.8
Debt securities	14,462	24.1
Alternative assets	2,776	4.6
Cash	18,920	31.6
Total (ex Telstra)	59,952	100
Telstra holding	4,300	-
Total Future Fund assets	64,252	-

Mr David Murray AO, Chair of the Future Fund Board of Guardians, welcomed the more confident environment and the positive investment return for the quarter, but noted that the larger developed market economies were still grappling with risks to longer-term growth.

"Coordinated efforts to stabilise the global financial system appear to be gaining traction. However, in light of the Fund's mandate, the quality of its investment returns remains dependent on stable longer-term global economic growth.

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"We continue to build towards our long-term asset allocation. During the quarter we made allocations to listed equity markets, added to our debt program and took up an attractive property opportunity in the UK. Consistent with our long-stated intention, we reduced our holding in Telstra by approximately one third as part of building a portfolio more suited to our mandate and strategy," said Mr Murray.

Nation-building Funds

From 1 January 2009 the Board of Guardians has also had responsibility for the investment of the assets of the Education Investment Fund (EIF), the Building Australia Fund (BAF) and the Health and Hospitals Fund (HHF).

At 30 September 2009 the value of the Education Investment Fund was A\$6,530 million, the Building Australia Fund stood at A\$10,022 million and the Health and Hospitals Fund stood at A\$4,878 million.

New investment mandates for each of the Nation-building Funds came into effect on 29 July 2009 (i.e. after the start of the quarter). These mandates 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.

Prior to the new mandates coming into effect, the assets of the Nation-building Funds were invested in line with the mandate for the former Higher Education Endowment Fund.

Consistent with the new mandates, the assets of the three funds are invested in combinations of short and medium term debt instruments. The quarterly return for both the Education Investment Fund and the Building Australia Fund was 1%, and for the Health and Hospitals Fund it was 1.1%.

ENDS

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