



23 October 2013

Portfolio update at 30 September 2013

The Future Fund today released its portfolio update as at 30 September 2013¹ and conducted its latest six-monthly media briefing. A copy of the briefing pack is available at http://www.futurefund.gov.au/news_room/media_releases

Mr Mark Burgess, Managing Director of the Future Fund, said that the portfolio had generated strong returns since the Fund was created in 2006.

"Across economies, policy efforts to lift economic activity have been maintained and markets broadly have continued to responded positively. We have adjusted the portfolio to take advantage of this strength, repositioning over the 12 months to attractively valued assets while also selectively selling assets we deem as becoming fully priced. Of note has been our shift toward listed equity, infrastructure and private equity.

"Although financial markets may, from time to time, become volatile as policy settings are altered, as a disciplined long-term investor we will continue to build and actively manage a diversified portfolio designed to capture returns when markets are buoyant while avoiding excessive levels of risk," he said.

Future Fund

To 30 September 2013, the Future Fund returned 8.2% per annum over five years and 9.7% per annum over three years, exceeding the baseline long term target return² of 6.8% per annum and 7.0% per annum for each period.

Since May 2006, when the Fund was established, it has grown to \$91.7 billion, having received contributions from government totalling \$60.5 billion. This equates to a return of 6.4% per annum. The Fund's return for the quarter to 30 September 2013 was 3.2%.

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

Asset class	A\$ million	Percentage of Fund
Australian equities	9,478	10.3
Global equities		
Developed markets	21,936	23.9
Emerging markets	7,330	8.0
Private equity	6,562	7.2
Property	5,175	5.6
Infrastructure & Timberland	7,334	8.0
Debt securities	11,161	12.2
Alternative assets	13,910	15.2
Cash	8,819	9.6
Total	91,706	100

Data may not sum due to rounding

¹ All data is unaudited

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.

Nation-building Funds

The investment mandates for the Nation-building Funds (the Education Investment Fund, the Building Australia Fund and the Health and Hospitals Fund) 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.

At 30 September 2013 the value of the Education Investment Fund was A\$3,945 million, the Building Australia Fund stood at A\$4,796 million and the Health and Hospitals Fund stood at A\$2,693 million.

Over the last 12 months the Building Australia Fund generated a return of 3.7%, while the Education Investment Fund and Health and Hospitals Fund generated returns of 3.6%. The target benchmark return for the three Funds during that period was 3.4%.

ENDS

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