



5 February 2015

Portfolio update at 31 December 2014

- Future Fund returns 13.2% for calendar year
- Future Fund value tops A\$109bn

The Future Fund, Australia's Sovereign Wealth Fund, today released its portfolio update¹ as at 31 December 2014 and conducted its regular media briefing. A copy of the briefing pack is available at http://www.futurefund.gov.au/news_room/media_releases

Future Fund performance

The Future Fund generated a return of 13.2% for the 12 months ending 31 December 2014.

The Fund grew to over A\$109bn. Since 2006 investment returns of A\$48.7bn have been generated on the original contributions from government which were valued at \$60.5bn at the time of transfer.

Returns		
Period to 31 December 2014	Return pa	Target return (CPI+4.5%) ²
From May 2006	7.6% pa	7.2% pa
Seven years	8.0% pa	7.1% pa
Five years	10.7% pa	7.0% pa
Three years	14.3% pa	6.8% pa
One year	13.2% pa	6.5% pa
Six months	7.5%	3.2%
Quarter	4.5%	1.6%

Mr David Neal, Managing Director of the Future Fund, said:

"Our emphasis on diversification has delivered strongly over the year. The private equity, property and infrastructure programs in particular performed extremely well, significantly outperforming listed markets. The decision to increase our US dollar exposure also contributed to the strong calendar year return.

"We have a long-term mandate and are delighted that the Fund's one, three, five and seven year returns have exceeded our benchmark. The portfolio has operated as intended generating good returns when markets are stronger and having some protection in weaker times. This has resulted in a less volatile return profile.

"A number of economic, political and geopolitical issues continue to present challenges to investors. In recent times we have seen significant movements in the prices of oil, iron ore and commodities and across equity, debt and currency markets. Continued volatility is likely.

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¹ Data is unaudited

² The Future Fund's mandate is to target a return of at least CPI+4.5 to 5.5%pa over the long term with acceptable but not excessive risk. CPI for the most recent quarter is estimated.

“While we continue to have significant exposure to risk assets, in this environment we have, at the margin, taken some risk out of the portfolio. This reflects the considerable uncertainty in global markets together with our view that prospective returns will be lower than investors have experienced in recent years. We will remain disciplined in ensuring that the portfolio is rewarded appropriately for the risk taken,” said Mr Neal.

Future Fund asset allocation

Asset class	31 December 2014	
	A\$ million	Percentage of Fund
Australian equities	9,608	8.8
Global equities		
Developed markets	22,841	20.9
Emerging markets	10,274	9.4
Private equity	10,403	9.5
Property	6,928	6.3
Infrastructure & Timberland	8,076	7.4
Debt securities	11,771	10.8
Alternative assets	15,320	14.0
Cash	13,993	12.8
TOTAL	109,214	100

Data may not sum due to rounding

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%pa 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 31 December 2014 the value of the Education Investment Fund was A\$3,765m, the Building Australia Fund stood at \$3,706 million and the Health and Hospitals Fund stood at \$1,950 million.

Over the last 12 months the Building Australia Fund returned 3.0% while the Education Investment Fund and Health and Hospitals Fund generated a return of 2.9%. The target benchmark return for the three Nation-building Funds during that period was 3.0%. Over five years the Nation-building Funds have generated returns of 4.4%pa against a target of 4.1%pa.

DisabilityCare Australia Fund

The DisabilityCare Australia Fund received its first contribution of A\$828.75m on 26 November 2014. The investment mandate sets a benchmark return of the Australian three month bank bill swap rate +0.3%pa 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 mandate, the assets of the DisabilityCare Australia Fund are invested in a combination of short- and medium-term debt instruments.

At 31 December 2014 the value of the DisabilityCare Australia Fund was A\$830.25m having generated a return of 0.1% for the month of December.

ENDS

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