



4 May 2009

## Portfolio update at 31 March 2009

The Future Fund Board of Guardians today released its portfolio update for the quarter ending 31 March 2009.

The Future Fund's return for the quarter (ex Telstra) was minus 1.32% and for the financial year to date it was minus 8.78%.

Since the effective start of the Future Fund's investment program on 1 July 2007 the annualised return (ex Telstra) was minus 4.28%.

Reflecting the Future Fund's long term investment mandate the Board will continue to focus on assessing performance over rolling five year periods.

The Future Fund's holding of two billion Telstra shares, which were released from escrow on 20 November 2008, generated returns of minus 10.57% for the quarter and minus 15.53% for the financial year to date.

The asset allocation of the Future Fund at 31 March 2009 was as follows:

Asset class	A\$ million	Percentage of Fund (ex Telstra)
<b>Australian equities</b>	4,751	9.3
<b>Global equities</b>		
Developed markets	7,940	15.5
Developing markets	1,461	2.9
<b>Private equity</b>	1,055	2.1
<b>Property</b>	529	1.0
<b>Infrastructure</b>	1,267	2.5
<b>Debt securities</b>	11,231	21.9
<b>Alternative assets</b>	1,984	3.9
<b>Cash</b>	21,029	41.0
<b>Total (ex Telstra)</b>	51,247	100
<b>Telstra holding</b>	6,844	-
<b>Total Future Fund assets</b>	58,092	-

Mr David Murray AO, Chair of the Future Fund Board of Guardians, said the recovery in equity markets in particular during March had helped to offset losses in previous months.

"The overall return was influenced by the rebound in equities which was largely driven by improving global market sentiment. While April has seen equity markets continue on this path, OECD and World Bank forecasts highlight that the economic outlook remains challenging.

.../2

“We have begun to introduce active management into our Australian equities program and continue to explore opportunities in the property and infrastructure sectors. We have also taken up attractive opportunities in debt markets and will continue to adjust the portfolio around our long term asset allocation to reflect market conditions.”

In relation to the performance of the Telstra holding, Mr Murray said, “We are disappointed and concerned by the loss of value in recent months and the Board of Guardians has raised its concerns with the company.”

### **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 31 March 2009 the value of the Education Investment Fund was A\$6,546 million, the Building Australia Fund stood at A\$2,491 million and the Health and Hospitals Fund stood at A\$1,003 million.

Contributions have been invested in line with the interim investment mandates which restrict investments to securities with negligible chance of capital loss. Currently the annualised rate of return for each fund is slightly under 4%.

The Higher Education Endowment Fund was discontinued on 31 December 2008 and its assets of \$6.48 billion were transferred to the Education Investment Fund. Between receiving its first contribution in October 2007 and its discontinuation the HEEF generated an annualised return of 7.52%.

ENDS

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