



29 April 2011

## Portfolio update at 31 March 2011

The Future Fund Board of Guardians (Board of Guardians) today released its portfolio update for the quarter ending 31 March 2011.

### Future Fund

The Future Fund's return for the quarter ending 31 March 2011 (excluding the Fund's Telstra holding) was 3.9%, giving a return for the first nine months of the financial year of 11.7%. Since the first contribution to the Future Fund on 5 May 2006, the return stands at 5.3% per annum.

The Future Fund's Telstra portfolio returned 8.2% for the quarter and 0.2% for the first nine months of the financial year.

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

The asset allocation of the Future Fund at 31 March 2011 is shown below:

Asset class	A\$ million	Percentage of Fund (ex Telstra)
<b>Australian equities</b>	8,478	11.6
<b>Global equities</b>		
Developed markets	16,538	22.7
Emerging markets	3,367	4.6
<b>Private equity</b>	2,487	3.4
<b>Property</b>	4,451	6.1
<b>Infrastructure &amp; Timberland</b>	3,508	4.8
<b>Debt securities</b>	14,269	19.5
<b>Alternative assets</b>	11,868	16.3
<b>Cash</b>	8,025	11.0
<b>Total (ex Telstra)</b>	72,990	100
<b>Telstra holding</b>	1,629	-
<b>Total Future Fund assets</b>	74,619	-

*Data may not sum due to rounding*

The Board of Guardians believes the level of diversity across the portfolio positions it well to accrue strong returns in positive market environments whilst offering some protection should markets weaken. Over time it will continue to build towards its target asset allocation, with further investments into private equity, property and infrastructure in particular.

## **Nation-building Funds**

Since 1 January 2009 the Board of Guardians has also had responsibility for the investment of the assets of the Education Investment Fund, the Building Australia Fund and the Health and Hospitals Fund.

At 31 March 2011 the value of the Education Investment Fund was A\$5,246 million, the Building Australia Fund stood at A\$8,608 million and the Health and Hospitals Fund stood at A\$4,674 million.

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

The quarterly return for the Building Australia Fund was 1.4% while the Education investment Fund and Health and Hospitals Fund each returned 1.5%. Over the last 12 months each of the Nation-building Funds returned 5.4% exceeding the mandated benchmark return of 5.2%.

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