



25 October 2021

Portfolio update at 30 September 2021

- Future Fund grows to \$199 billion
- 10-year return of 10.5% pa against a target of 6.1% pa
- Total funds under management stands at \$248 billion

The Board of Guardians today released its portfolio updateⁱ to 30 September 2021.

Hon Peter Costello AC, Chair of the Future Fund Board of Guardians, said:

"After the exceptional 22% return in 2020-21, the Future Fund continued to grow in the September 2021 quarter. Delivering a 10-year return of 10.5% pa, the Future Fund now stands just shy of the \$200 billion mark.

"Investment returns have added over \$138 billion to the \$60.5 billion originally contributed by Government after the Fund was set up in 2006.

"The global economic recovery has continued although the dividend from re-opening is beginning to fade. While supply chain disruptions are a headwind, global economic activity is supported by strong consumer demand and the continuation of supportive fiscal and monetary policy settings.

"In Australia the lockdown in New South Wales and Victoria during the September quarter is likely to have detracted from growth and Australia is lagging other developed economies in Covid recovery.

"Globally uncertainties around inflation, the adjustment of fiscal and monetary policy, and geopolitical tensions remain, and despite some weakening in markets during September, asset prices remain elevated.

"Given this environment the Board has taken a prudent approach to positioning the portfolio with risk levels at a neutral setting around the middle of the range we would normally expect."

Dr Raphael Arndt, Chief Executive Officer, said:

"Listed equity markets fell during September, while our exposure to infrastructure increased with the financial close of our investments in Telstra's network of mobile tower sites and Tilt Renewables' Australian portfolio via the Powering Australian Renewables partnership.

"More broadly we continue our work to position the investment program and our organisation for the long-term. COVID-19 has accelerated and catalysed changes in the investment environment including in the way households, businesses and markets operate and how countries and economies interact. We are working hard to incorporate our assessment of these paradigm shifts into our decision-making over the long-term."

Future Fund

Performance

	Return (% pa)	Target return¹ (% pa)	Volatility² (%)
From inception (May 2006)	8.3	6.6	4.4
10 years	10.5	6.1	4.3
Seven years	9.7	5.9	4.7
Five years	9.8	5.9	4.8
Three years	10.2	5.8	5.7
One year	22.3	7.1	5.8

Note: The Future Fund returned 1.2% over the quarter to 30 September 2021.

1. From 1 July 2017 the Fund's Investment Mandate target return was reduced from CPI + 4.5% to 5.5% pa to CPI + 4% to 5% pa over the long term, with an acceptable but not excessive level of risk.
2. Industry measure showing the level of realised volatility in the portfolio.

Asset allocation

Asset class	\$m	% of Fund
Australian equities	16,049	8.1
Global equities		
Developed markets	33,109	16.6
Emerging markets	16,586	8.3
Private equity	34,508	17.3
Property	11,908	6.0
Infrastructure & Timberland	16,201	8.1
Debt securities	14,380	7.2
Alternatives	26,600	13.4
Cash	29,807	15.0
TOTAL	199,148	100.0

Medical Research Future Fund

Performance

Table 3: Medical Research Future Fund returns and target benchmarks		
	Return (% pa)	Target return ¹ (% pa)
From inception (22 September 2015)	4.7	2.6
Five years	4.9	2.5
Three years	5.2	2.1
One year	9.7	1.5

Note: The Medical Research Future Fund returned 0.5% over the quarter to 30 September 2021.

1. RBA cash rate plus 1.5% to 2.0% pa over the long term, with an acceptable but not excessive level of risk.

Asset allocation

Table 4: Medical Research Future Fund asset allocation		
Asset class	\$m	% of Fund
Australian equities	933	4.2
Global equities		
Developed markets	1,742	7.9
Emerging markets	970	4.4
Private equity	1,067	4.8
Property	908	4.1
Infrastructure & Timberland	1,039	4.7
Debt securities	2,670	12.1
Alternatives	3,452	15.7
Cash	9,270	42.0
TOTAL	22,050	100.0

ATSILS Fund

Performance

Table 5: ATSILS Fund returns and target benchmarks

	Return (% pa)	Target return¹ (% pa)
From inception (1 October 2019)	6.3	3.9
One year	12.1	5.1

Note: The ATSILS Fund returned 0.5% over the quarter to 30 September 2021.

1. CPI + 2.0% to 3% pa over the long term, with acceptable but not excessive level of risk.

Asset allocation

Table 6: ATSILS Fund asset allocation¹

Asset class	\$m	% of Fund
Australian equities	118	5.6
Global equities		
Developed markets	222	10.5
Emerging markets	123	5.8
Private equity	134	6.3
Property	114	5.4
Infrastructure & Timberland	131	6.2
Debt securities	336	15.9
Alternatives	434	20.5
Cash	506	23.9
TOTAL	2,119	100.0

1. Exposures on a look-through basis.

Future Drought Fund

Performance

Table 7: Future Drought Fund returns and target benchmarks

	Return (% pa)	Target return¹ (% pa)
From inception (1 April 2020)	12.0	3.8
One year	12.2	5.1

Note: The Future Drought Fund returned 0.5% over the quarter to 30 September 2021.

1. The Investment Mandate for the Future Drought Fund is CPI + 2.0% to 3.0% pa over the long term, with an acceptable but not excessive level of risk.

Asset allocation

Table 8: Future Drought Fund asset allocation¹

Asset class	\$m	% of Fund
Australian equities	254	5.6
Global equities		
Developed markets	475	10.4
Emerging markets	264	5.8
Private equity	289	6.3
Property	246	5.4
Infrastructure & Timberland	281	6.1
Debt securities	723	15.8
Alternatives	935	20.4
Cash	1,108	24.2
TOTAL	4,575	100.0

1. Exposures on a look-through basis.

Emergency Response Fund

Performance

Table 9: Emergency Response Fund returns and target benchmarks

	Return (% pa)	Target return ¹ (% pa)
From inception (1 April 2020)	12.0	3.8
One year	12.1	5.1

Note: The Emergency Response Fund returned 0.5% over the quarter to 30 September 2021.

1. The Investment Mandate for the Emergency Response Fund is CPI + 2.0% to 3.0% pa over the long term, with an acceptable but not excessive level of risk.

Asset allocation

Table 10: Emergency Response Fund asset allocation¹

Asset class	\$m	% of Fund
Australian equities	259	5.5
Global equities		
Developed markets	483	10.3
Emerging markets	269	5.7
Private equity	294	6.3
Property	250	5.3
Infrastructure & Timberland	286	6.1
Debt securities	736	15.7
Alternatives	952	20.3
Cash	1,150	24.6
TOTAL	4,679	100.0

1. Exposures on a look-through basis.

DisabilityCare Australia Fund

The Investment Mandate for the DisabilityCare Australia Fund sets a benchmark return of the Australian three-month bank bill swap rate + 0.3% pa, calculated on a rolling 12-month basis.

The Mandate requires that investments minimise the probability of capital loss over a 12-month horizon.

In line with its Investment Mandate, the DisabilityCare Australia Fund is invested in long-term deposits and cash.

The Fund is valued at \$15.2bn as at 30 September 2021, delivering a return of 0.3% over the last 12 months against a benchmark target of 0.3%.

Total funds under management

Table 11: Funds under management at 30 September 2021	
	Value \$bn
Future Fund	199.1
Medical Research Future Fund	22.1
Aboriginal and Torres Strait Islander Land and Sea Future Fund	2.1
Future Drought Fund	4.6
Emergency Response Fund	4.7
DisabilityCare Australia Fund	15.2
TOTAL	247.8

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Notes:

1. All data in this update is unaudited and may not sum due to rounding.
2. The ATSIILS Fund, Future Drought Fund and Emergency Response Fund gain exposure to a diversified portfolio through a co-mingled arrangement alongside the Medical Research Future Fund and exposures are provided on a look-through basis.