Australian Government
Future Fund

futurefund

Australia's Sovereign Wealth Fund

ANNUAL REPORT 2023–24

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Acknowledgement of Country

The Future Fund acknowledges the Traditional Custodians of the lands and waters on which we live and work. We pay respect to Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples as we work to create meaningful change for reconciliation.

© Future Fund Board of Guardians

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The document must be attributed as the *Future Fund Annual Report 2023–24.*

Guide to reading this report

This report describes the governance, operations and performance of the Future Fund Board of Guardians and the Future Fund Management Agency over the 2023–24 financial year. Additional information, including periodic investment and operational updates, policies and plans, is available at www.futurefund.gov.au

An electronic version of this report is available at www.futurefund.gov.au/about-us/publications

Data in this report may not sum due to rounding. Investment performance data in the main sections of this report may not correspond directly with data in the financial statements due to differences in classification.

Investment performance data presented in the main sections of the report includes the investments and notional values of derivatives held by both the Future Fund and Future Fund Investment Companies.

The Statement of Financial Position in the financial statements presents the investments and net market value of derivatives held directly by the Future Fund and the Future Fund Investment Companies as one aggregated number.

As an aid to readers, this report includes a glossary of abbreviations, and an alphabetical index.

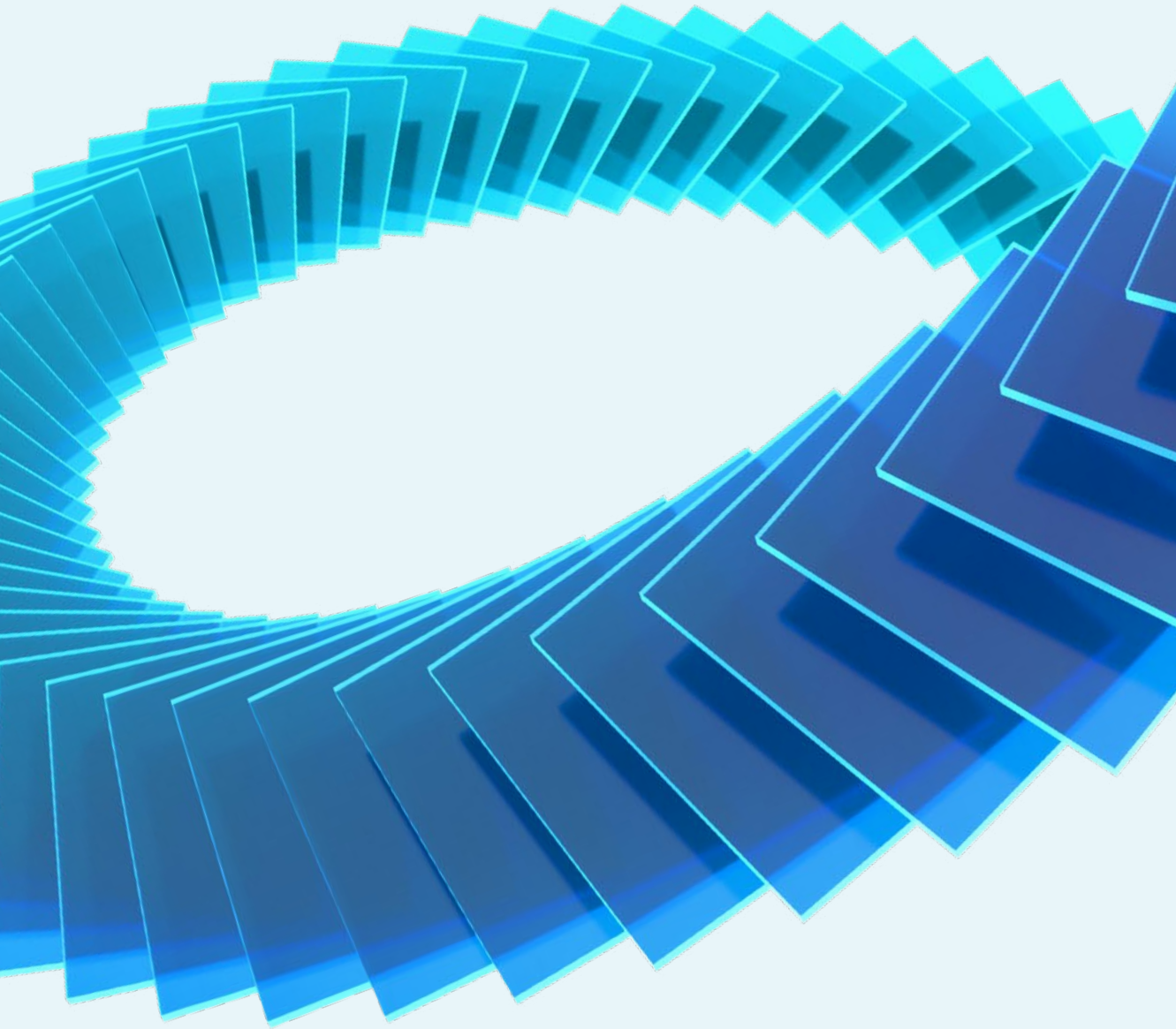
Material as supplied

Provided you have not modified or transformed the material in any way (including, for example, by changing the text; calculating percentage changes; graphing or charting data; or deriving new statistics from published statistics), the Future Fund prefers the following attribution: Source: the Future Fund.

Feedback

If you have questions about any aspect of this report, please contact the Future Fund on (03) 8656 6400.

In FY24, we continued to strengthen the role the Future Fund holds within Australia; a sophisticated financial institution built over 18 years and backed by strong long-term performance.



LETTER OF TRANSMITTAL

24 September 2024

Dear Minister

I am pleased to present the Annual Report of the Future Fund Board of Guardians (Board) and the Future Fund Management Agency (Agency) for the 2023–24 financial year.

The Report was prepared in accordance with section 46 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and section 81 of the *Future Fund Act 2006* and includes the required disclosures in relation to the Future Fund, the Medical Research Future Fund, the Aboriginal and Torres Strait Islander Land and Sea Future Fund, the Future Drought Fund, the Disaster Ready Fund, the Housing Australia Future Fund, and the DisabilityCare Australia Fund.

The Report includes the Board and Agency's audited financial statements as required by section 34(i) of the Public Governance, Performance and Accountability (Financial Reporting) Rule 2015.

As Accountable Authority of the Agency, I certify that:

- Fraud and corruption risk assessments and control plans have been prepared by the Agency
- Appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud and corruption that meet the specific needs of the Agency are in place
- All reasonable measures have been taken to deal appropriately with fraud and corruption relating to the Agency.

Yours sincerely

The Hon Greg Combet AO

Chair of the Future Fund Board of Guardians
Accountable Authority of the Future Fund Management Agency

REPORT FROM THE CHAIR

The Future Fund is an important national asset with a clear purpose – to invest for the benefit of future generations of Australians.

The Hon Greg Combet AO

As Australia's sovereign wealth fund, the Future Fund is held in high standing within local and international financial markets.

It has a proven track record of success. Following a return of 9.1% this financial year, the Fund has delivered a 10-year return of 8.3% per annum, exceeding its benchmark over the decade of 6.9% per annum.

I was honoured this year to be appointed Chair. In the brief time I have been in the role I have been impressed by the culture of the organisation, the capability of the team, and the unwavering focus on delivering the Investment Mandate of CPI plus 4–5% per annum on behalf of Australian people. As Chair I am committed to continuing this focus.

For an eighteen-year-old institution the Future Fund has already had a significant bearing on Australia's economic landscape, growing from $60.5 billion at inception to $225 billion at 30 June, without additional contributions from Government.

Investment returns added almost $19 billion to the Fund in the past financial year alone.

The growth of the Future Fund has given different governments over the years the confidence to allocate six additional funds to the Board to manage, including most recently the Housing Australia Future Fund. These six funds have different liquidity requirements and therefore lower return mandates, and now total $64 billion.

Each fund is designed to provide funding for specific policy objectives – helping to fund medical research, drought and disaster resilience, social and affordable housing, Australia's National Disability Insurance Scheme, and the work of the Indigenous Land and Sea Corporation.

Together, these six funds have generated earnings of $12 billion to be distributed or re-invested. The Medical Research Future Fund for example, has provided nearly $3 billion in funding for medical research grants since 2015.

The Future Fund's investment program also contributes to a more robust, efficient and globally-connected Australia. This is particularly so in infrastructure. Around $12 billion is currently invested in Australian infrastructure assets, including one of the country's biggest renewable energy players, Tilt Renewables. This year we acquired our first direct toll road investment via Melbourne's EastLink.

Funds are also invested in the Perth, Sydney and Melbourne airports, the Port of Melbourne, OneFortyOne Plantations, a national network of telecommunications towers in Amplitel, and CDC, which is the largest data centre operator across Australia and New Zealand.

These are important investments in Australia's future, and building on these investments is one of my objectives as Chair. The Australian economy faces an important challenge to reduce greenhouse gas emissions, and sourcing opportunities for investment in the energy transition will be a feature of our strategy.

More broadly, the organisation has long recognised the importance of environmental, social and governance (ESG) issues. Further developing our ESG capabilities, in particular in relation to climate risks and opportunities, is also a focus for the Board.

The Future Fund is a well-respected investment institution which places a priority on fostering a collaborative culture, diversity of thought, and a depth of analysis. This is evidenced in the external position papers recently published.

The joined-up, whole portfolio approach to investment is distinctive and successful. It has been developed with strong engagement with peers, partners and networks around the world – each of which provide broad market insights and information.

These strengths have been valuable in the challenging economic and market conditions experienced in recent years. Paradigm shifts such as climate change, geopolitical risk, demographic change, technology, the end of a long period of low interest rates, and a breakdown in long-established correlations between assets have presented risks and opportunities.

Amidst this backdrop the organisation has delivered strong long-term risk-adjusted returns and is well placed to navigate the economic and market conditions facing it and all investors around the world.

At 30 June 2024, the Board of Guardians had invested over $289 billion across the seven public asset funds for which it is responsible on behalf of the Australian Government.

I would like to acknowledge the work of the previous Chair, the Hon Peter Costello AC, who was a Guardian for 14 years and ably led as Chair for 10 years. I also acknowledge his leadership in establishing the organisation in 2006.

I also thank Mary Reemst for her contribution as Acting Chair this year from February until I joined in June. During her time in the role, Mary's leadership provided continuity and enabled ongoing organisational momentum. This year Rosemary Vilgan and Nicola Wakefield Evans AM were also appointed to the Board.

I look forward to working with my fellow Guardians both new and ongoing who have steered the organisation through a period of significant change.

I acknowledge the contributions of John Poynton AO and John Fraser, who completed their terms on the Board this year.

I thank Raphael Arndt and the Senior Leadership Team who have assisted with my transition into the role.

Those I have met at the Future Fund have impressed me with their knowledge, expertise and commitment. Each has cited the purpose of the Fund as their motivation to work with the organisation. I look forward to working alongside them with as much conviction.

The Hon Greg Combet AO

Chair
Future Fund Board of Guardians

The Future Fund is a well-respected investment institution which places a priority on fostering a collaborative culture, diversity of thought, and a depth of analysis.

REPORT FROM THE CHIEF EXECUTIVE OFFICER

We have been saying for some time now that the world has fundamentally changed, and the global landscape we have been living, working and investing into for past decades is no longer.

Dr Raphael Arndt

This past year we saw geopolitical tensions heighten and superpowers jostle, populist polices gain traction, elections cause turmoil, societal norms and expectations continue to shift, and economic activity accelerate across the globe.

There were very few weeks throughout the year where there wasn't a major event occurring somewhere in the world and while the ongoing change could have been fatiguing, we remained optimistic about the opportunities available for long-term investors.

One of the unique privileges of working at the Future Fund is being able to think long term.

We observe the world, financial markets, major events, leaders and information and then work to collectively process and understand them and develop our own perspectives. We then take those perspectives and make decisions around what we believe to be the most effective measures to protect and grow our funds, develop our organisation, and meet our mandates.

This year we made over $50 billion of changes across the portfolio with repositioning occurring in almost every asset class to ensure that the portfolio is resilient to the types of disruptions we expect as part of the 'New Investment Order'.

In order to build resilience, the exposure to equities in the Future Fund is much less than most typical portfolios, and we take investment risk in many different ways.

Given this, and the strong outperformance of equities this year compared with almost every other asset class, it was pleasing to produce a strong annual result of 9.1% and to add almost $19 billion to the Fund for the year. The 10-year return was 8.3% per annum, and we have added almost $165 billion in value to the Fund since its inception in 2006.

The other six funds under management also performed well and are now standing at $64.5 billion collectively.

The Government entrusted us with a new fund in November – the Housing Australia Future Fund. It was fully invested by the close of the financial year and has begun generating strong returns that will be used to enhance the Commonwealth's ability to make grants in relation to acute housing needs and social and affordable housing.

This year we closed out our three-year strategy with over 20 initiatives implemented across the organisation for FY24. This program of work began during a period of great turmoil marked by Covid pandemic conditions, city lockdowns and border closures. The strategy has been very successful, and I am grateful to our staff for delivering it during a time of difficulty and great change.

The strategy was focused on preparing the organisation for a phase of growth and maturation and to be best-positioned to invest in the new world we saw coming four years ago.

We began pivoting the organisation to support our investment mission in a variety of ways, including refreshing our investment model and repositioning our portfolio. We also matured our organisation and the systems that enable our investment function. Our technology and data capabilities were enhanced and provide our people with what they need for efficient and effective decision-making.

This year we also expanded our voice through greater industry engagement and our thought leadership work. We published a position paper: *Geopolitics: The Bedrock of the New Investment Order*, and our people spoke at over 60 industry events both locally and abroad.

Throughout the year we built out the Future Fund Academy, our inhouse training and staff development function, to incorporate leadership and investment management programs. The Academy also plays a critical role in cultivating and driving the collaborative culture that we have been so intentional about building and fostering.

In June we added to our infrastructure portfolio with the acquisition of an interest in the EastLink toll road network and welcomed 12 interns into the dynamic environment of our Investment Team for four weeks.

We also had 42 new staff members join us and promoted another 32 of our people internally – my congratulations to each of them.

This year saw our organisation experience significant change as we farewelled three Guardians including the outgoing Chair, the Hon Peter Costello AC, in February following a 14-year tenure on the Board. I thank him for his leadership – first in establishing the Future Fund, then as a Guardian and then Chair.

Peter's passion for this organisation, its purpose and its important role as Australia's sovereign wealth fund is unsurpassable. He was instrumental in the evolution of the Future Fund over 18 years as it has grown to become a successful and highly respected global investment institution.

I would also like to thank outgoing Board Members, John Poynton AO and John Fraser for their contribution to the Board during their tenures.

We welcomed four highly credentialled and experienced new Board Members this year, including our new Chair – the Hon Greg Combet AO – who was appointed on 1 June. He brings a depth of expertise and thoughtful leadership that will benefit our organisation, culture and long-term plans.

Mary Reemst joined the Board in October 2023 and was appointed as Acting Chair in February. During her time in the role, Mary's leadership provided continuity and enabled ongoing organisational momentum, for which I thank her.

We also welcomed Rosemary Vilgan and Nicola Wakefield Evans AM to the Board. The Board supported the Agency to continue to evolve and we completed the design and launch of a new 2025–27 three-year strategy. The new strategy has four focus areas and builds on the foundations and work we have achieved over the past three years.

Finally, my thanks to each one of our staff for their efforts this year. They are a dedicated and impressive team who are greatly valued for their efforts, ideas and commitment to the organisation.

Going into the new financial year I am grateful to lead this organisation and confident in our people and the work we have done to put us in good stead to achieve our long-term mandates and generate funds that create positive and lasting impacts for all Australians.

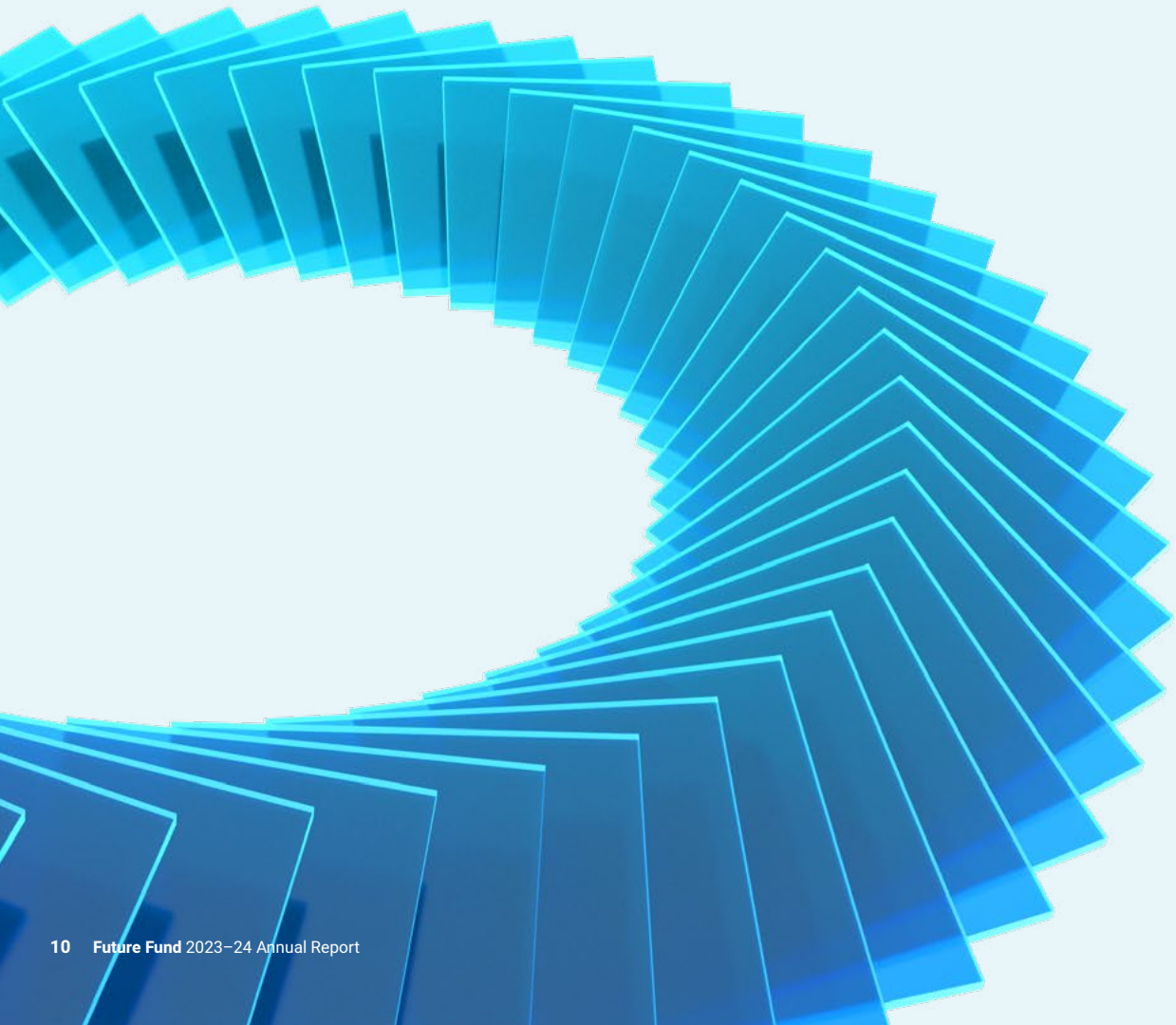
Dr Raphael Arndt

Chief Executive Officer
Future Fund Management Agency

1 ORGANISATION OVERVIEW

The Future Fund is Australia's sovereign wealth fund. We invest for the benefit of future generations of Australians. Every dollar that we make is a dollar that adds to Australia's wealth and contributes to its future.

Established in 2006, the Future Fund is the Commonwealth Government's largest financial asset, helping to strengthen the Federal Government's balance sheet and bolster Australia's long-term financial position.



We are responsible for investing the assets of seven special purpose public asset funds: the Future Fund, the Medical Research Future Fund, the Aboriginal and Torres Strait Islander Land and Sea Future Fund, the Future Drought Fund, the Disaster Ready Fund, the Housing Australia Future Fund, and the DisabilityCare Australia Fund.

The Future Fund Board of Guardians is responsible for investing the assets of the funds, supported by the Future Fund Management Agency.

We invest independently from the Australian Government and balance the risk-and-return aspects of each fund's Investment Mandate to maximise returns over the long term.

Our structure

Our organisation consists of two main entities – the Future Fund Board of Guardians (Board) and the Future Fund Management Agency (Agency). The Agency's Senior Leadership Team (SLT) and staff support the Board.

The Board

The Board operates independently from the Australian Government and is comprised of individuals selected for their expertise in investing in financial assets, managing investments and corporate governance.

The Board's Members are appointed by the Government.

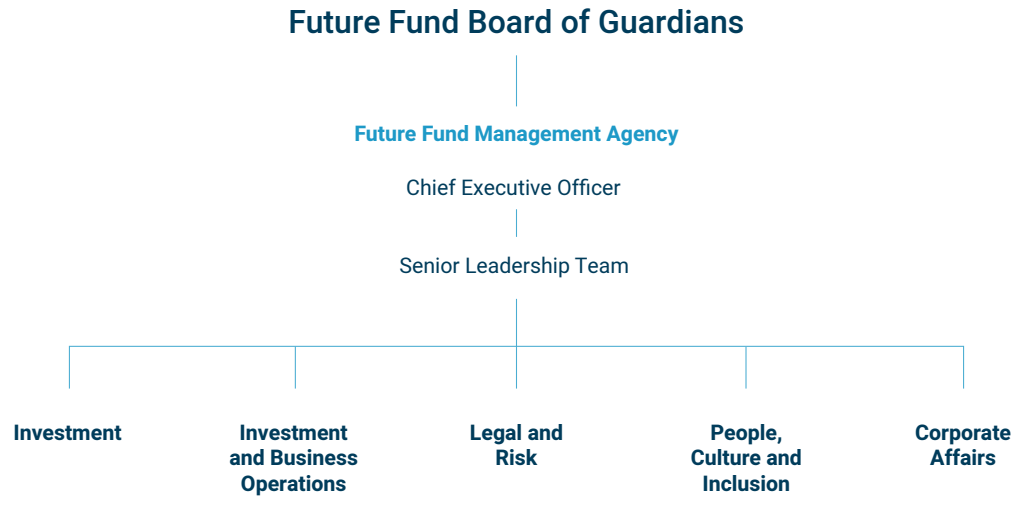
The Board is responsible for deciding how to invest the assets of each fund, in line with the legislation and the Investment Mandates issued by the Government. It receives recommendations and advice from the Agency and reviews, approves and oversees the investment strategy.

The Agency

The Agency is comprised of investment professionals who are responsible for making recommendations to the Board on the most appropriate investment strategy for each fund, and for the implementation of these strategies. They are supported by a team of business professionals with diverse skills including in finance, data and technology, investment operations, legal, and corporate services.

The Agency manages all administrative and operational functions associated with the management of the funds.

The Agency is structured into five business units under the leadership of the Chief Executive Officer (CEO). The five business units are: Investment, Investment and Business Operations, Legal and Risk, People, Culture and Inclusion, and Corporate Affairs.



For further information on our structure please refer to the 'Governance and accountability' section of this report.

Our funds

Each fund we manage has an Investment Mandate that is determined by the Australian Government under legislation.

Our responsibility is to invest the funds in accordance with their Investment Mandates. We have no role in determining the projects and initiatives that are supported by drawdowns out of the various funds. That is a matter for the Government.

- **Future Fund**
- **Medical Research Future Fund**
- **Aboriginal and Torres Strait Islander Land and Sea Future Fund**
- **Future Drought Fund**
- **Disaster Ready Fund**
- **Housing Australia Future Fund**
- **DisabilityCare Australia Fund**

Future Fund

The Future Fund was established in 2006 to strengthen the long-term financial position of the Commonwealth of Australia, with contributions of $60.5 billion from a combination of budget surpluses, proceeds from the sale of the Government's holding of Telstra, and the transfer of remaining Telstra shares.

The Investment Mandate for the Future Fund is to achieve an average annual return of at least the Consumer Price Index (CPI) + 4.0% to 5.0% per annum over the long term, with an acceptable but not excessive level of risk.

The organisation has added almost $165 billion to the value of the Future Fund since inception, more than tripling the original contribution from the Government, and reaching $224.9 billion in value at 30 June 2024. This was achieved without further contributions from the Government.

Withdrawals from the Future Fund, when they are made, will help the Australian Government meet its obligations through consolidated revenue (including defined benefit pensions), and thereby ease the pressure on government finances.

Medical Research Future Fund

The Medical Research Future Fund (MRFF) is an ongoing funding source established in 2015 to improve the health and wellbeing of Australians by providing grants of financial assistance to support medical research and medical innovation.

It was established with the transfer in 2015 of $1.0 billion from the Health and Hospitals Fund, which was then closed, and a further $19.0 billion in capital contributions from the Government between 2015 and 2020.

The Fund's Investment Mandate is to achieve at least the Reserve Bank of Australia cash rate target of + 1.5% to 2.0% per annum, net of investment fees, over a rolling 10-year term.

Payments from the Medical Research Future Fund for projects and initiatives are determined by the Australian Government in accordance with the *Medical Research Future Fund Act 2015.*

At 30 June 2024, the Medical Research Future Fund was valued at $23.1 billion.

Aboriginal and Torres Strait Islander Land and Sea Future Fund

The Aboriginal and Torres Strait Islander Land and Sea Future Fund (ATSILS Fund) was established in February 2019 to enhance the Commonwealth's ability to make payments to the Indigenous Land and Sea Corporation (ILSC).

The ILSC's purpose is to assist Aboriginal and Torres Strait Islander peoples to acquire and manage land, water and water-related rights to attain economic, environmental, social or cultural benefits.

The ATSILS Fund was established with a capital contribution of $2.0 billion, transferred from the Aboriginal and Torres Strait Islander Land Account.

The Fund's Investment Mandate requires the Board to target an average return, net of costs, of at least the CPI + 2.0% to 3.0% per annum over the long term, while taking an acceptable but not excessive level of risk.

Payments from the ATSILS Fund are determined by the Australian Government and managed in line with the *Aboriginal and Torres Strait Islander Land and Sea Future Fund Act 2018* (the ATSILS Fund Act).

At 30 June 2024, the ATSILS Fund was valued at $2.3 billion.

Future Drought Fund

The Future Drought Fund (FDF) was established in September 2019 to provide secure, continuous funding to support initiatives that enhance the drought resilience of Australian farms and communities.

The Future Drought Fund was established with a capital contribution of $4.0 billion, transferred from the Building Australia Fund, which was closed on 1 September 2019.

The Fund's Investment Mandate requires the Board to target an average return, net of costs, of at least the CPI + 2.0% to 3.0% per annum over the long term, while taking an acceptable but not excessive level of risk.

The Commonwealth Government makes $100 million available each year from the Fund to support Australian farmers and communities to prepare for and become more resilient to the effects of future drought.

This assists in making agriculture more productive and profitable, enhances the wellbeing of Australia's farming communities, and improves the sustainability and resilience of the natural resources on which agriculture depends.

Payments from the Future Drought Fund are determined by the Australian Government and managed in line with the *Future Drought Fund Act 2019.*

At 30 June 2024, the Future Drought Fund was valued at $4.9 billion.

Disaster Ready Fund

The Disaster Ready Fund (DRF) was initially established as the Emergency Response Fund (ERF) upon commencement of the *Emergency Response Fund Act 2019* (ERF Act) on 12 December 2019.

On 1 March 2023, the ERF was renamed the DRF upon commencement of the *Emergency Response Fund Amendment (Disaster Ready Fund) Act 2022* (DRF Amendment Act).

The DRF Amendment Act renamed the ERF Act the *Disaster Ready Fund Act 2019* and allows up to $200 million per annum to be drawn from the DRF to fund natural disaster resilience and risk reduction from 2023–24 onwards.

The Fund's Investment Mandate requires the Board to target an average return, net of costs, of at least the CPI + 2.0% to 3.0% per annum over the long term, while taking an acceptable but not excessive level of risk.

At 30 June 2024, the Disaster Ready Fund was valued at $4.7 billion.

Housing Australia Future Fund

The Housing Australia Future Fund (HAFF) was established on 1 November 2023 with the purpose of enhancing the Commonwealth's ability to make grants in relation to acute housing needs, social housing or affordable housing.

The HAFF was established with a capital contribution of $10.0 billion.

The Fund's Investment Mandate requires the Board to target an average return, net of costs, of at least the CPI + 2.0% to 3.0% per annum over the long term while taking an acceptable but not excessive level of risk.

Funding generated by the HAFF will support the building of affordable social homes with a focus on women and children fleeing domestic violence, older women on low incomes at risk of homelessness, and frontline workers.

It will also support the repair, maintenance and improvement of housing in remote Indigenous communities; transitional housing options for victims of domestic violence; and housing for veterans experiencing or at risk of homelessness.

Payments from the HAFF will be managed in line with the *Housing Australia Future Fund Act 2023*.

At 30 June 2024, the Housing Australia Future Fund was valued at $10.4 billion.

DisabilityCare Australia Fund

The DisabilityCare Australia Fund (DCAF) was established in July 2014 to help fund the National Disability Insurance Scheme (NDIS), which supports a better life for Australians with a significant and permanent disability, as well as their families and carers.

The Fund supports the reimbursement to states, territories and the Commonwealth Government for expenditure incurred in relation to the NDIS.

The Fund's Investment Mandate sets a benchmark return of the Australian three-month bank bill swap rate + 0.3% per annum, calculated on a rolling 12-month basis. The Board must invest to minimise the probability of capital loss over a 12-month horizon.

Payments from the DCAF are determined by the Australian Government and managed in accordance with the *DisabilityCare Australia Fund Act 2013*.

At 30 June 2024, the DisabilityCare Australia Fund was valued at $19.1 billion.

Our purpose

Our purpose is clear: to invest for the benefit of future generations of Australians.

Everything we do is aligned with our purpose. It provides a focus for our people, their efforts, and our strategic and operational resourcing and priorities.

Our values

Our values are embedded in the way we behave and interact with others:

- We **focus on what matters**; everything we do is focused on achieving our purpose and we don't get side-tracked by distractions.
- We always **do the right thing** by our country, our organisation and our team.
- We **work together** to achieve the best outcome, every time, and ultimately achieve our purpose.

Our culture

Part of what makes us successful at the Future Fund is our unique joined-up culture. We believe that in order to continue being successful we need to further enhance our culture as we continue to grow and evolve while being mindful of maintaining our core ideology.

We have a set of expectations and language that encapsulates our culture and ways of working. It is called the Future Fund Way.

The Future Fund Way is underpinned by two foundational principles:

1. One team, One purpose
2. Investment performance is our focus

There are also five keys to our culture that collectively define and describe how we unlock our full potential:

1. **Collaborate**
2. **Facilitate**
3. **Innovate**
4. **Deliberate**
5. **Inclusion**

These keys are known well by our people and are brought to life through how we work and interact with each other.

Our business strategy

This year closed out the three-year strategy implemented from FY21. This strategy centred on maturing the organisation and strengthening its foundations, building our capability and refreshing our investment approach to better position the organisation and strengthen its ability to achieve our long-term Investment Mandate.

As we anticipated in that strategy, the investment environment in which we operate continued to increase in complexity and uncertainty, creating an extremely challenging scenario for investors.

War, deglobalisation, inflation and rising interest rates have coalesced in ways never seen before. These structural forces are challenging many of the assumptions underpinning the way investors have generated returns over the last three decades, making portfolio construction far more complex – and are why we think the fundamentals of investing are shifting, perhaps permanently.

We believe that how investors have invested in the past will need to change. For the Future Fund's part, we have long taken a whole-of-portfolio approach with a strong emphasis on genuine diversification. More recently, we have started to manipulate newer levers across the portfolio to help make it more resilient in the face of these converging structural forces. We will need to continue to monitor the external outlook and work harder in future years in seeking to meet our Investment Mandates.

Four focus areas

The business strategy has encompassed activity grouped into four focus areas:

1. **Refresh the investment model**
2. **Mature the organisation**
3. **Preserve our legacy**
4. **Expand our voice**

1

Refresh the investment model

Enhance the Agency's investment model to ensure robust performance over the long run.

2

Mature the organisation

Evolve the Agency's organisation, resolving pain points and the legacy of design choices which emerged organically.

3

Preserve our legacy

Articulate and codify the specific features of the Agency's strong culture.

Institutionalise the culture in a sustainable set of processes.

4

Expand our voice

Adopt a more active and deliberate approach to engaging the Agency's various stakeholders.

Some of the major activities achieved under these four focus areas for the 2023–24 year were:

- Developing the new FY27 Agency strategy
- Inducting four new Board Members including a new Chair
- Completing 22 key business initiatives
- Appointing a new CIO and a new Deputy CIO
- The Future Fund Academy conducted 39 leadership and training courses
- Delivering a new Enterprise Resource Planning system
- Building out the Investment Team to 110 members and the organisation to 305 staff
- Publishing a new position paper – *Geopolitics: The Bedrock of the New Investment Order*
- Launching our organisational employee value proposition
- Implementing initiatives from our Risk Governance Review
- Implementing a new Workforce Sourcing Model
- Delivering critical investment technology platform and data enhancements
- Designing the future state of our Knowledge Management function
- Evolving our investment governance processes.

The new three-year business strategy designed to steer the organisation to FY27, was finalised this year. It has been developed to build on the previous three years of work to strengthen the organisation and leverage our new enhanced capabilities.

There are four focus areas under the new FY27 strategy:

1. **Invest our way**
2. **Innovate and evolve**
3. **Supercharge our culture**
4. **Contribute our insights**

The new strategy is detailed in full in our 2024–25 Corporate Plan.

2021–24 BUSINESS STRATEGY OVERVIEW

Purpose

Investing for the benefit of future generations of Australians

Values

- Focus on what matters
- Do the right thing
- Work together

The Future Fund Way

Investment performance is our focus

One team, One purpose

- Collaborate
- Facilitate
- Innovate
- Deliberate

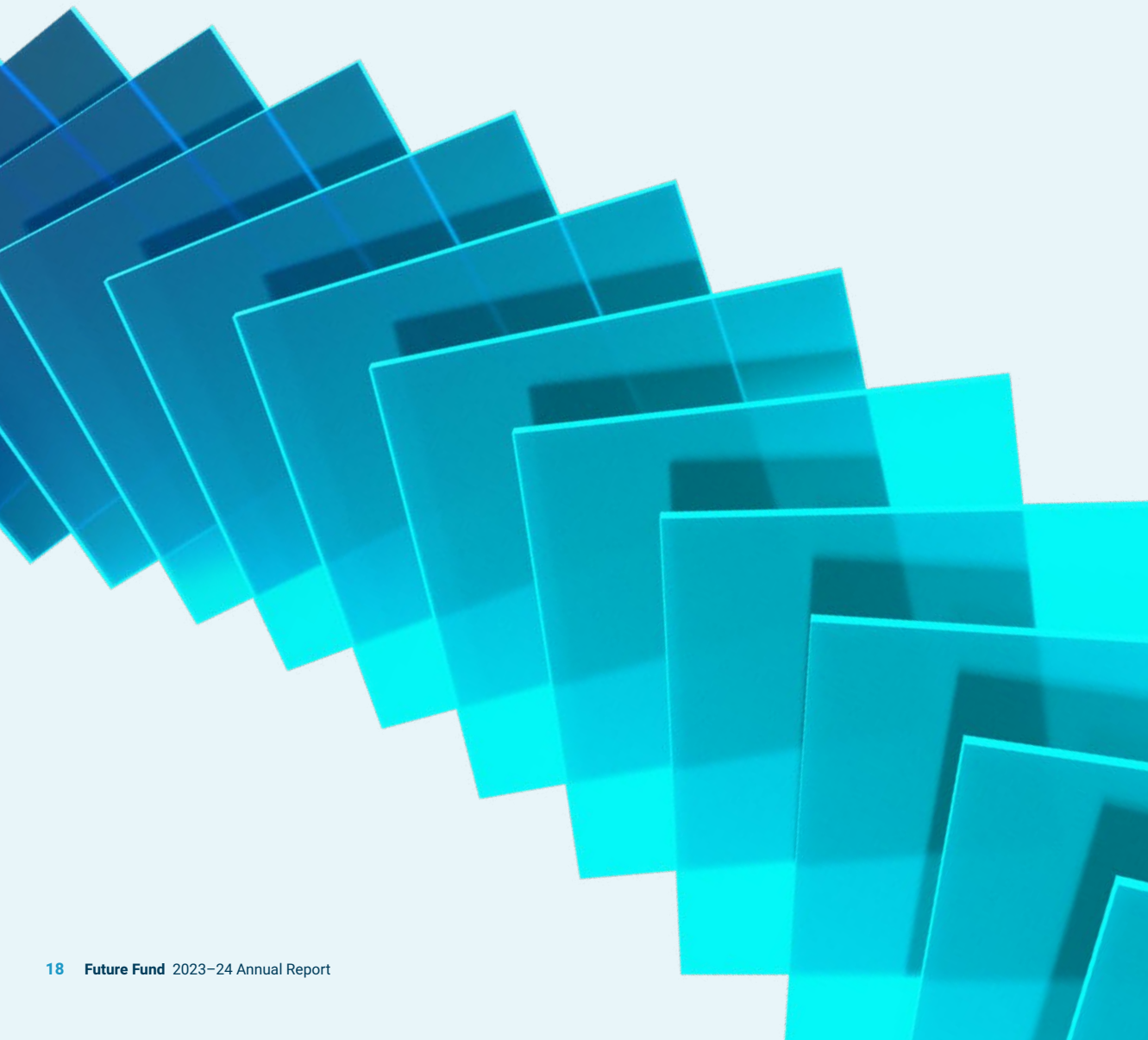
Inclusion

Our Focus Areas

1. Refresh the investment model
2. Mature the organisation
3. Preserve our legacy
4. Expand our voice

2 GOVERNANCE AND ACCOUNTABILITY

The statutory governance arrangements for the funds we manage are set out primarily in the *Future Fund Act 2006*, the *Medical Research Future Fund Act 2015*, the *Aboriginal and Torres Strait Islander Land and Sea Future Fund Act 2018*, the *Future Drought Fund Act 2019*, the *Disaster Ready Fund Act 2019*, the *Housing Australia Future Fund Act 2019* and the *DisabilityCare Australia Fund Act 2013*.



This core legislation sets out the roles and responsibilities of the Australian Government, the Board and the Agency. In addition, the *Public Governance, Performance and Accountability Act 2013* applies to the Agency and (to a limited extent) the Board and, together with Commonwealth Rules, instruments and guidelines, establishes arrangements for delegations and authorities; spending, and the accounting treatment of costs, liabilities, income and expenses.

The core legislation provides the Australian Government, through the responsible Ministers (the Treasurer and the Minister for Finance) with oversight of the funds, subject to the arrangements that establish the independence of the Board.

The Government's role includes the appointment of Board Members and the Board Chair, and the issuing of Investment Mandate Directions to the Board for each of the funds. The legal framework retains beneficial ownership of the assets of each fund in the Commonwealth. It also states the purpose of each fund and sets out the arrangements for contributions to, and withdrawals from, the various funds.

The Board is responsible for investing the assets of the funds in accordance with the legislation and Investment Mandates. To assist it in this role, the Board receives recommendations and advice from the Agency, which is also responsible for implementing the Board's investment decisions.

Underpinned by legislation, the Board invests independently from the Government. This independence is emphasised in a number of ways, including:

- The expenses of the Agency and the funds are met from the assets of the funds themselves, rather than from annual appropriations through Parliament.
- The Board must be consulted on draft Investment Mandate Directions (new or amended) for a fund, which must be consistent with the requirements of the relevant fund legislation. Any submissions the Board makes on a draft Investment Mandate must be tabled in Parliament.
- The Investment Mandates for each of the funds outline the risk and return requirements and timeframe for investment activity, while the legislation imposes very few limitations on the Board around asset allocation, selection of markets and portfolio design.
- Board Members must be drawn from outside the Government and must meet the requirements of having substantial expertise and professional credibility in investing or managing financial assets, and/or in corporate governance.

The Board is not involved in advising the Government on macroeconomic management, or policy formation and implementation, and is focused solely on the pursuit of its investment objectives in a commercial manner.

The Future Fund is a founding member of the International Forum of Sovereign Wealth Funds (IFSWF) and fully implements the Santiago Principles. The Santiago Principles promote transparency, good governance, accountability and prudent investment practices, while encouraging a more open dialogue and deeper understanding of sovereign wealth fund activities.

Accountability

The legislation provides accountability arrangements for the organisation, including the tabling in Parliament of an annual report and audited financial statements. We publish quarterly portfolio updates to provide details of the asset allocation and performance of our funds. Twice a year we also publish detailed reports on the Board's investment holdings on our website.

Other public updates are provided in the form of published speeches and comments to the media, podcasts, position papers, an annual Corporate Plan, and a Year in Review. We are required to keep the Responsible Ministers informed of the operations of the organisation and provide data to the Department of Finance for the purpose of producing its financial statements and other reports.

The Minister for Finance may also, by written notice, require us to prepare reports or provide information on specified matters relating to the performance of our functions.

Statements of Expectations and Statements of Intent have also been exchanged between the (then) Minister for Finance and Deregulation and our organisation. These documents further delineate the responsibilities and communication arrangements between the parties and are available on our website.

We routinely appear before public estimates hearings of the Senate Committee on Finance and Public Administration to provide the Committee with updates on our operations and the performance of the funds.

In 2023–24, we appeared at hearings in October 2023, February 2024 and May 2024. These public hearings are based upon the outcome and output structure detailed in the Portfolio Budget Statements.

Future Fund Board of Guardians

At 30 June 2024, the Future Fund Board was comprised of a Chair and six other Members.

Members and the Chair are appointed by the Treasurer and the Minister for Finance and are selected for their expertise in investing in financial assets, managing investments, and/or corporate governance.

Board Members are appointed on a part-time basis for a term of up to five years and are eligible to be reappointed.

Throughout 2023–24, three Board Members' terms concluded, and four new Board Members were appointed.

The Chair of the Board and the Accountable Authority for the Agency was the Hon Peter Costello AC until 3 February 2024. Ms Mary Reemst was appointed Acting Chair and Accountable Authority from 4 February until 31 May 2024. The Hon Greg Combet AO was appointed as Chair and Accountable Authority from 1 June 2024.

The Hon Greg Combet AO (Chair)

Mr Combet was appointed from 1 June 2024 for a five-year term.

Mr Combet has extensive expertise across the Australian economy, Parliament and government, superannuation, investment, the defence industry, climate and emissions reduction policy, and industrial relations.

Mr Combet has chaired IFM Investors, a global funds management business, served as deputy chair of AustralianSuper, a director of ME Bank, and was formerly a Cabinet Minister in a range of Australian Government portfolios including Climate Change, Industry and Innovation, and Defence Personnel, Science and Materiel.

Prior to joining the Future Fund Mr Combet served as Chair of the Australian Net Zero Economy Agency, planning the economic transformation from fossil fuels to renewable energy and net zero emissions. In 2020 Mr Combet also served as a member of the National COVID-19 Coordination Commission assisting the national response to the pandemic.

Prior to entering Parliament Mr Combet was the leader of the Australian Council of Trade Unions. His qualifications include a Bachelor of Engineering (Mining), Bachelor of Economics, Diploma in Labour Relations and the Law, and he was awarded honorary doctorates from the University of New South Wales, University of South Australia, and the University of Newcastle. In 2024 Mr Combet was made an Officer of the Order of Australia.

Mrs Patricia Cross AM

Mrs Cross was appointed with effect from 11 May 2021 for a five-year term.

Mrs Cross has extensive international experience across a wide range of financial services and other industries. She has lived and worked in seven different countries holding a number of senior leadership positions with Chase, BNP and National Australia Bank where she also served on the NAB's Executive Committee.

She began her career in the US public service and is an honours graduate of Georgetown University's School of Foreign Service. She has expertise in capital markets, risk management, corporate governance, treasury and international affairs.

Mrs Cross was Chair of the Commonwealth Superannuation Corporation until 30 June 2021, and is currently Chair of OFX Group Ltd, a Non-Executive Director of Transurban Ltd, a Director of the Australian Golf Foundation, a Director of National Golf Holdings and is an Ambassador for the Australian Indigenous Education Foundation.

She has served as a Non-Executive Director with Macquarie Group, the National Australia Bank, Qantas, Wesfarmers and Aviva plc. Mrs Cross has held honorary government positions including as a founding member of the Financial Sector Advisory Council and as a member of the Panel of Experts to the Australian Financial Centre Forum.

Mrs Cross was the founding Chair of the 30% Club in Australia, a founding Director of the Grattan Institute, and a long-serving Director of the Murdoch Children's Research Institute. She was awarded a Centenary Medal for services to the financial services industry, and a lifetime fellowship of the Australian Institute of Company Directors for the advancement of women in corporate Australia. In 2023, Mrs Cross was awarded with an Order of Australia for services to business and corporate governance.

Dr Deborah Ralston

Dr Ralston was appointed with effect from 15 September 2021 for a five-year term.

Dr Ralston has broad-ranging experience as a Non-Executive Director on private and public sector boards. Current appointments include membership of the Reserve Bank of Australia's Payments System Board and Non-Executive Director roles with the SMSF Association and SuperEd, an innovative digital advice company. She chairs the Household Capital Advisory Board and is a member of the Conexus Institute.

She was previously a Non-Executive Director of Mortgage Choice, Heritage Building Society, and Kaplan Business School and Kaplan Higher Education.

Dr Ralston's expertise in public policy, innovation and retirement issues was reflected in appointments to the Federal Government's Retirement Income Review Panel, the Comprehensive Income Products for Retirement Framework Advisory Committee, and as inaugural Chair of ASIC's Digital Finance Advisory Board. In an executive capacity she has held senior roles in Australian universities, most recently as Executive Director of the Australian Centre for Financial Studies, and as Pro Vice-Chancellor of Business, Law and Information Sciences at the University of Canberra.

Her academic engagement continues as a Professorial Fellow with the Monash University Business School, where she is a member of the Advisory Board of Mercer CFA Institute Global Pension Index.

Dr Ralston holds bachelor's and master's degrees in economics, and a PhD in finance.

Ms Mary Reemst

Ms Reemst was appointed from 6 October 2023 for a five-year term. She served as Acting Chair between 4 February and 31 May 2024.

Ms Reemst has over 30 years' experience in the banking and finance industry and a range of experience as an Executive Director on a number of boards. She worked for the Macquarie Group for more than two decades, including seven years as CEO of Macquarie Bank from 2014 to 2021. During this time, she was also a member of Macquarie Group's Executive Committee and the Macquarie Bank Limited Board. She was Global Head of Credit for Macquarie Group for 11 years from 2003.

Prior to this she had an established investment banking career and was particularly focused on energy and health. Ms Reemst held a range of senior roles with Bankers Trust Australia before she joined Macquarie upon the Group's acquisition of Bankers Trust in 1999.

She was previously a board member of the Australian Banking Association, the Australian Financial Markets Association, Integral Energy, and the Financial Markets Foundation for Children.

Ms Reemst is currently a Director at the Asylum Seekers Centre, Deputy Chair of the Sisters of Charity Foundation, and Chair of The Hunger Project Australia. She is also a member of the Clean Energy Finance Corporation's (CEFC) Rewiring the Nation Investment Advisory Committee.

Ms Rosemary Vilgan

Ms Vilgan was appointed from 4 February 2024 for a five-year term.

Ms Vilgan has a strong background in investment and a broad range of experience in executive and non-executive roles both domestically and internationally.

She is currently the Chair of Commonwealth Bank Officers Superannuation Corporation and the Vincent Fairfax Family Foundation, and a member of the Queensland Treasury Corporation Capital Markets Board.

She has previously been a board member across a diverse range of organisations including New Zealand's sovereign wealth fund, the Australian Council of Superannuation Investors, and the Rotman International Centre for Pension Management, University of Toronto. Ms Vilgan was also previously the CEO of QSuper Group – one of the world's largest pension funds; Chair of the Association of Superannuation Funds of Australia (ASFA), a member of the Financial Sector Advisory Council – an Advisory Board to Australian Federal Treasurer, and Chair of the Safety, Rehabilitation and Compensation Commission.

She was awarded an honorary doctorate for her services as a Council Member and Deputy Chancellor of Queensland University of Technology, and in 2013 she was named Telstra Australian Businesswoman of the Year. She was also the Queensland and Australian winner of Telstra's Community and Government awards and the Queensland winner of Telstra's Award for Innovation.

Mr Michael Wachtel

Mr Wachtel was appointed with effect from 3 April 2016 for a five-year term. He was reappointed for a four-year term with effect from 3 April 2021.

Mr Wachtel's primary business experience is global in nature and predominantly in the area of large complex international business, including structuring investments, mergers and acquisitions.

Through various leadership roles in the professional services industry, he has extensive experience in organisational leadership, finance, risk management and governance, including as a former Chair (Asia Pacific and Oceania) of Ernst & Young (EY) and a member of the EY Global Governance Council and Global Risk Executive Committee.

He is a Non-Executive Director of SEEK, Pact Group Holdings Limited and the St Vincent's Medical Research Institute, and a past President of the International Fiscal Association (IFA Australia).

Mr Wachtel holds a Bachelor of Commerce and a Bachelor of Laws from the University of Cape Town and a Master of Laws from The London School of Economics.

Ms Nicola Wakefield Evans AM

Ms Wakefield Evans was appointed from 1 March 2024 for a five-year term.

Ms Wakefield Evans is an experienced Non-Executive Director and corporate finance lawyer.

She was a partner at King & Wood Mallesons (and its predecessor, Mallesons Stephen Jaques) for more than 20 years. She held several key management positions at the firm including Managing Partner International in Hong Kong and Managing Partner, Practice, in Sydney.

Ms Wakefield Evans is a current Non-Executive Director of Viva Energy Group Limited, Lendlease Corporation Limited and Clean Energy Finance Corporation. She is also Chair of MetLife Australia and the 30% Club Australia, and a member of the Takeovers Panel, the GO Foundation Board and The University of New South Wales Foundation Limited Board.

Ms Wakefield Evans recently concluded 10 years as a Non-Executive Director on the Macquarie Group Board. Other previous appointments as a Non-Executive Director have included the boards of Toll Holdings, BUPA Australia, AsiaLink and the Australian Institute of Company Directors.

Guardians who concluded their terms in 2023–24

The Hon Peter Costello AC

Mr Costello was first appointed to the Board with effect from 18 December 2009. Mr Costello was appointed Acting Chair on 11 January 2014 and Chair with effect from 4 February 2014 for a five-year term. He was reappointed as Chair for another five-year term with effect from 4 February 2019. He concluded his term on the Board on 3 February 2024.

Mr Costello served as a member of the House of Representatives from 1990 to 2009 and was Treasurer of the Commonwealth of Australia from March 1996 to December 2007.

He was Chair of the G20 Central Bank Governors and Finance Ministers, the OECD Ministerial Council, the APEC Finance Ministers, and a Governor of the IMF, World Bank and Asian Development Bank.

He has served as Chairman of the Independent Advisory Board to the World Bank and as Chairman of Nine Entertainment Co. He was appointed a Companion of the Order of Australia in 2011 for eminent service to the Parliament of Australia through the development of landmark economic policy reforms.

Mr Costello concluded his term as Chair of the Board in February 2024, ending an extensive and very successful tenure with the Future Fund after being responsible for its establishment in 2006.

Mr John Fraser

Mr Fraser was appointed with effect from 12 November 2018 for a five-year term. Mr Fraser concluded his term on the Board on 11 November 2023.

Mr Fraser has more than 40 years' experience in leadership roles in economics, public policy, capital markets and asset management in Australia and overseas. He was Secretary to the Australian Treasury from 2015 to July 2018, serving as a member of the Board of the Reserve Bank of Australia, a member of the Australian Council of Financial Regulators and Chair of the G20 Global Infrastructure Hub.

Prior to this, Mr Fraser was Chairman and CEO of UBS Global Asset Management based in London, a member of the UBS Group Executive Board, and Chairman of UBS Saudi Arabia. He has also served as a Director of AMP Limited and the Australian Stock Exchange and as Chairman of Victorian Funds Management Corporation. Prior to 1993, Mr Fraser held several senior positions with the Treasury over 20 years, including postings at the International Monetary Fund and the Australian Embassy in the United States.

Mr Fraser is a member of the Advisory Board of Accountability in New York and a Non-Executive Director and Chairman of the Risk Committee of Judo Bank.

In 2001 he received a Centenary Medal for service to Australian society through business and economics. In 2021, he was appointed to represent Australia as one of three observers (the others being Korea and India) to the G7 Panel on Economic Resilience.

Mr John Poynton AO

Mr Poynton was first appointed with effect from 4 February 2014 for a five-year term. He was reappointed for another five-year term with effect from 4 February 2019. Mr Poynton concluded his term on the Board on 3 February 2024.

Mr Poynton is Chair of Poynton Stavrianou, Non-Executive Chair of Strike Energy Limited, and Deputy Chair of Sapien Cyber Limited. He is also a Board member of Perth Airport.

He has previously served on the boards of a number of ASX-listed companies, federal government boards, education institutions and not-for-profit enterprises.

Appointed an Officer of the Order of Australia for services to the community and business, Mr Poynton is also a past recipient of a Western Australian Citizen of the Year award in the Industry and Commerce category.

He holds a Bachelor of Commerce and an honorary Doctor of Commerce from the University of Western Australia.

Board and Board Committee membership 2023–24

Board/Committee	Members
Future Fund Board of Guardians Responsible for the investment of the public asset funds in accordance with the relevant legislation and Directions.	The Hon Greg Combet AO[1] (Chair from 1 June 2024) The Hon Peter Costello AC[2] (Chair from 1 July 2023 to 3 February 2024) Mrs Patricia Cross AM Mr John Fraser[3] Mr John Poynton AO[4] Dr Deborah Ralston Ms Mary Reemst[5] (Acting Chair from 4 February 2024 to 31 May 2024) Ms Rosemary Vilgan[6] Mr Michael Wachtel Ms Nicola Wakefield Evans AM[7]
Audit and Risk Committee[8] Focuses on the control framework, external accountability, legislative compliance, internal and external audit, and the appropriate identification and management of non-investment risks. The Audit and Risk Committee Charter is available at www.futurefund.gov.au/en/About-us/access-to-information/audit-and-risk-committee-charter	Mr Michael Wachtel (Chair) Mrs Patricia Cross AM Mr John Fraser[3] Mr John Poynton AO[4] Ms Mary Reemst[5] Dr Deborah Ralston Ms Rosemary Vilgan Ms Nicola Wakefield Evans AM
Remuneration and Nominations Committee Focuses on remuneration and appointment matters for staff and appointments to boards of investee companies.	The Hon Greg Combet AO (Chair from 1 June 2024) The Hon Peter Costello AC[2] (Chair from 1 July 2023 to 3 February 2024) Ms Mary Reemst[5] Mrs Patricia Cross AM[9] (Acting Chair from 27 February 2024 to 31 May 2024) Mr Michael Wachtel Mr John Fraser[3]
Conflicts Committee Advises the Board and/or the Board Chair in relation to, any questions of possible conflicts of interest arising for the Board, the Board Chair and/or Board Committee members.	Dr Deborah Ralston (Chair from 4 February 2024) Mr John Poynton AO[4] (Chair from 1 July 2023 to 3 February 2024) Ms Rosemary Vilgan Ms Nicola Wakefield Evans AM
Transaction Committee Provides support and assistance to the Board in respect of any transaction, matter or issue as referred to the Committee by the Board from time to time.	The Hon Peter Costello AC[2] (Chair from 1 July 2023 to 3 February 2024) Dr Deborah Ralston[10] Ms Mary Reemst (Chair from 3 February 2024)[5] Mr Michael Wachtel Ms Nicola Wakefield Evans AM

Note(s):

1. The Hon Greg Combet AO was appointed as Chair of the Board and Chair of the Remuneration and Nominations Committee on 1 June 2024.
2. The Hon Peter Costello concluded his term on the Board and committees on 3 February 2024.
3. Mr John Fraser concluded his term on the Board and committees on 11 November 2023.
4. Mr John Poynton AO concluded his term on the Board and committees on 3 February 2024.
5. Ms Mary Reemst was appointed to the Board on 6 October 2023 and served as Acting Chair from 4 February 2024 to 31 May 2024. She was appointed to the Audit and Risk Committee, Transactions Committee, and the Remuneration and Nominations Committee from 31 October 2023. For the period she was Acting Future Fund Chair, she was not a member of the Audit and Risk Committee per the Charter requirements. She attended meetings as an observer.
6. Ms Rosemary Vilgan was appointed to the Board on 4 February 2024. She was appointed to the Audit and Risk Committee, and the Conflicts Committee on 4 February 2024.
7. Ms Nicola Wakefield Evans AM was appointed to the Board on 1 March 2024. She was also appointed on this date to the Audit and Risk Committee, the Transactions Committee, and the Conflicts Committee.
8. The Hon Peter Costello AC attended meetings as an observer.
9. Mrs Patricia Cross AM served as Acting Chair of the Remuneration and Nominations Committee from 27 February 2024 to 31 May 2024.
10. Dr Deborah Ralston retired from the Transaction Committee on 27 February 2024.

Information on Board remuneration can be found under the 'Remuneration of key management personnel' section of this report.

Board Members receive no additional fees for membership of the Audit and Risk Committee or other Board committees.

Board and Board Committee attendance 2023–24

Member	Future Fund Board of Guardians		Audit and Risk Committee		Remuneration and Nominations Committee	
	Meetings held and eligible to attend as a member	Attended	Meetings held and eligible to attend as a member	Attended	Meetings held and eligible to attend as a member	Attended
The Hon Greg Combet AO	0	0	0	0	0	0
The Hon Peter Costello AC	5	5	0	3	2	2
Mrs Patricia Cross AM	8	8	5	5	2	4
Mr John Fraser	4	3	3	3	1	1
Mr John Poynton AO	5	5	4	4	0	2
Dr Deborah Ralston	8	8	5	5	0	4
Ms Mary Reemst	5	5	1	2	3	3
Ms Rosemary Vilgan	3	3	0	1	0	2
Mr Michael Wachtel	8	8	5	5	4	4
Ms Wakefield Evans AM	2	2	0	0	0	2

Note(s):

The Conflicts Committee and the Transaction Committee are ad-hoc committees and meet on an as-needed basis. They did not convene during the 2023–24 financial year.

Board Members can attend meetings of committees of which they are not a member.

Future Fund Management Agency

Employed under the *Public Service Act 1999*, the Agency comprises professionals from a range of sectors including finance, investment, legal and corporate services, who are responsible for making recommendations to the Board on the most appropriate investment strategy for each fund and for the implementation of these strategies as well as providing administrative and organisational support.

The Chair of the Board is the Accountable Authority for the Agency, although operational management has been delegated to the CEO.

Agency organisational structure

The Agency is structured into five business units under the leadership of the CEO.

The five business units are:

1. **Investment**, led by Chief Investment Officer, Ben Samild
2. **Investment and Business Operations**, led by Chief Operating Officer, Gordon McKellar
3. **Legal and Risk**, led by General Counsel and Chief Risk Officer, Cameron Price
4. **People, Culture and Inclusion**, led by Chief People, Culture and Inclusion Officer, Kimberley Reid
5. **Corporate Affairs**, led by Head of Corporate Affairs, Will Hetherton.

Future Fund organisational structure at 30 June 2024

Note(s):

1. Also Accountable Authority of the Future Fund Management Agency.

Senior Leadership Team

The Senior Leadership Team (SLT) is collectively responsible for leading the Agency. This includes setting strategy, prioritising activities to deliver on the Agency's purpose and acting as custodians and role models of the Agency's culture.

Senior Leadership Team at 30 June 2024

Name	Title
Dr Raphael Arndt	Chief Executive Officer
Mr Will Hetherton	Head of Corporate Affairs
Mr Gordon McKellar	Chief Operating Officer
Ms Genevieve Murray[1]	Head of Listed Equities
Mr Hugh Murray	Deputy Chief Investment Officer
Mr Cameron Price	General Counsel and Chief Risk Officer
Ms Kimberley Reid	Chief People, Culture and Inclusion Officer
Mr Ben Samild	Chief Investment Officer

Note(s):

1. Ms Genevieve Murray joined the SLT on 24 April 2024.

Ms Alicia Gregory ceased as an SLT member on 24 April 2024.

Dr Raphael Arndt
Chief Executive Officer

Dr Raphael Arndt commenced as the CEO of the Future Fund on 1 July 2020.

He served as the CIO of the Future Fund from 2014 to 2020 and was previously the Future Fund's Head of Infrastructure and Timberland, where he was responsible for establishing both the Infrastructure and Timberland investment programs.

Dr Arndt is also a Board Member of the Melbourne Lord Mayor's Charitable Foundation, Australia's largest community foundation and from 1 July 2024 a Board member of FCLT Global.

He started his career as an engineer with Ove Arup & Partners in Melbourne and London and holds engineering and commerce degrees and a PhD from the University of Melbourne, which focused on risk allocation in public private partnerships.

Mr Gordon McKellar
Chief Operating Officer

Mr McKellar joined the Future Fund in 2007 to establish the operational capabilities required to enable the investment program.

He was appointed Chief Operating Officer in 2012. In March 2021, his role was expanded to also include Technology, Finance and Organisational Enablement to create the Agency's new Investment and Business Operations group.

Mr McKellar has over 30 years of experience in funds management and asset servicing. He was previously Head of Operations at BNP Paribas in Sydney and prior to this held several operational and client management roles with Deutsche Bank and Bankers Trust in New York, Sydney and the United Kingdom.

Mr Will Hetherton
Head of Corporate Affairs

Mr Hetherton joined the Future Fund in 2007 as Head of Public Affairs.

Before joining the Future Fund, Mr Hetherton spent five years in the corporate affairs team at National Australia Bank, including in roles in Australia and the United Kingdom. Previously he worked in corporate affairs consulting.

He is a member of the Advisory Committee of the IFSWF and serves on the Board of the Investor Leadership Network.

Mr Hetherton holds a degree in philosophy, politics and economics from New College, Oxford, and a postgraduate certificate in applied finance from Kaplan Professional.

Ms Genevieve Murray
Head of Listed Equities and Head of Sydney office

Ms Murray joined the Future Fund in November 2020 and was appointed to the SLT in April 2024.

She is the Head of the Sydney office and is also responsible for the strategy of the Future Fund's Listed Equities portfolio. Prior to joining the Agency, Genevieve was the Head of Australian Equities at AMP Capital. Preceding this, she spent two decades at Macquarie Group within the investment management and wealth management divisions.

Genevieve has a Bachelor of Commerce from Bond University and is a CFA charter holder.

Mr Hugh Murray
Deputy Chief Investment Officer

Mr Murray joined the team at Future Fund in 2011 and was made Deputy Chief Investment Officer in 2023 with a primary focus on Portfolio Design.

Previously, he was employed as the Head of Asia-Pacific Equity Derivative Trading at Nomura. Prior to that, Mr Murray worked with both Lehman Brothers and Goldman Sachs.

He holds a Bachelor of Engineering and a Master of Business Administration from the University of Melbourne.

Ms Kimberley Reid
Chief People, Culture and Inclusion Officer

Ms Reid joined the Future Fund in May 2021.

Prior to this role, she was Executive General Manager, Organisation Effectiveness at the Commercial Bank of Qatar and Board Member of Alternatif Bank in Türkiye. Ms Reid spent 10 years at ANZ in various roles based in India and Hong Kong as well as in Melbourne.

She started her career as an employment lawyer at Allens Arthur Robinson and worked at the Federal Court of Australia and the Commonwealth Human Rights Commission.

She holds a Bachelor of Arts (Hons) and a Bachelor of Laws (Hons) from the University of Melbourne and a Master of Public Administration from the Harvard Kennedy School in Cambridge, Massachusetts.

Mr Ben Samild
Chief Investment Officer

Mr Samild was appointed CIO of the Future Fund in August 2023, having previously served as DCIO, Portfolio Construction.

As CIO, Ben leads the Future Fund's Investment Team investing over $289 billion across all asset classes and geographies, with a particular focus on stewarding the Fund's joined-up whole-of-portfolio approach.

He joined the Future Fund in October 2013, as Director, Alternatives, following a 10-year career in the hedge fund industry, and four years as Head of Investment Strategy at LUCRF Super.

Ben is also a member of the Board of Trustees of the Standards Board for Alternative Investments.

Ben completed a six-year undergraduate degree at the University of Melbourne majoring in behavioural finance, psychology and history, and has a Master of Applied Finance.

Mr Cameron Price
General Counsel and Chief Risk Officer

Mr Price joined the Future Fund in March 2014 as General Counsel. He took up the additional position of Chief Risk Officer in March 2018 and is a member of the Commonwealth Risk Committee.

Previously, he was a Partner and Board Member at law firm Allens Linklaters, where he had 25 years of experience in corporate law, with particular expertise in mergers and acquisitions, private equity, equity capital markets and corporate governance.

Mr Price holds a Bachelor of Economics and a Bachelor of Laws (Hons) from Monash University.

Staff who concluded their time on the SLT in 2023–24

Ms Alicia Gregory
Deputy CIO, Private Markets

Ms Gregory joined the Future Fund in 2019 as the Head of Private Equity. She was appointed Deputy CIO, Private Markets in June 2022 and was responsible for managing the strategy for the Private Markets portfolio which includes Private Equity, Property, Credit, and Infrastructure and Timberland.

Investment Committee

The Agency's Investment Committee, which meets at least twice per month, provides decision-making and review in respect of the Future Fund's total portfolio construction, and brings forward investment recommendations to the Board for review and approval. The Committee also oversees the management of the portfolio within the delegations agreed upon by the Board.

Investment Committee at 30 June 2024

Mr Ben Samild
CIO (Committee Chair)

Mr Raphael Arndt,
CEO

Mr Paul Banks
Head of Overlays and Treasury Management

Mr David Bluff
Head of Private Equity

Ms Tammi Fisher
Head of Alternatives

Mr Sam Killmier
Head of Dynamic Asset Allocation

Ms Carol Lee
Head of Portfolio Risk

Ms Genevieve Murray
Head of Listed Equities

Mr Hugh Murray
Deputy CIO

Mr Andrew Pearse
Head of Economics and Capital Markets

Mr James Waldron
Head of Credit

Mr James White
Head of Unlisted Infrastructure and Timberland

Note(s):
Ms Alicia Gregory ceased as an Investment Committee member on 24 April 2024.

Risk management

The Agency has a strong focus on the sound management of risk, recognising that good risk management underpins its objectives and forms an integral part of an effective governance framework and organisational culture.

The organisation, along with many financial institutions, has adopted the 'Three Lines of Defence' model for risk management. This model is built around three elements which we have adapted to suit our organisation.

1. **First line of defence is the business.** The business 'owns' each risk and must ensure that there are controls in place to appropriately manage the risk within the Board's risk appetite. The business is responsible for identifying, analysing, managing, monitoring and reporting risks.

   A dedicated Portfolio Risk function, focused on risks associated with the exercise of investment judgement and portfolio exposures, exists within the Investment Team and reports to the CIO.

2. **Second line of defence is the Enterprise Risk Team, led by the Chief Risk Officer.** This team develops the organisation's risk management framework to promote effective and consistent risk management across the organisation; assists and supports the business in developing its risk management policies, systems and controls; and provides independent review and challenge of the first line of defence.

   The Enterprise Risk Team reports regularly to the Board's Audit and Risk Committee and Agency committees. The Enterprise Risk Team considers organisational risk management from a strategic perspective as well as at the individual key risk level.

3. **Third line of defence is an independent internal audit function, which is outsourced.** The function provides independent assurance that the risk management framework is appropriate and is operating effectively (including through independent control testing).

The Board has overall responsibility for risk management for the organisation. This includes setting the risk appetite and acceptance of the residual risk rating for each key risk identified in the organisation's Risk Register.

The Board sets the investment risk appetite (via control ranges, limits and other directions) within which the Agency's relevant investment team should operate.

The Board's Audit and Risk Committee was established to provide assurance to the Board that the risks as detailed in the organisation's Risk Register are appropriately identified and managed, and to provide assistance to the Board on the organisation's risk, control and compliance frameworks.

The Agency operates two committees which are directly involved in the oversight of risk management as documented in their respective charters. They are:

- The Investment Committee
- The Operational Risk and Compliance Committee.

Each Agency committee considers risks within the scope of its oversight role. For example, the Investment Committee has oversight of investment risks in the portfolios.

Risk management model

The Agency updated and enhanced its risk management model, following endorsement by the Board in December 2022.

A new Portfolio Risk function, reporting to the CIO was established during the year. This function supports the CIO and the wider investment team to manage risks associated with the exercise of investment judgement and portfolio exposures.

During the year existing second line operational risk and compliance resources were merged with first-line risk resources from the Investment and Business Operations business unit to form the Enterprise Risk Team, reporting to the Chief Risk Officer.

These teams are working on enhancements to our approach to risk management and are focused on supporting the business in managing our most impactful risks.

The Agency continues to manage risk under our existing framework, while detailed design and implementation of the enhanced risk management model progress.

Risk culture

Risk culture is a key component of the broader organisational culture. The Agency's risk management functions assist in promoting a positive risk culture by:

- Championing quality risk conversations at key Agency and Board committees
- Steering the organisation towards appropriate responses to incidents, including any appropriate training or adjustments to controls
- Developing and implementing a framework that facilitates clarity of individual roles, responsibilities and accountabilities.

Internal audit

Deloitte Touche Tohmatsu provides internal audit services, reporting to the Audit and Risk Committee and has full access to staff and information when conducting its reviews.

The Audit and Risk Committee receives internal audit reports and monitors management action in respect of these reports.

During the year, the Committee met separately with the internal auditors in the absence of management.

External audit

The Australian National Audit Office undertakes the external audit of the organisation, engaging a professional accounting firm (EY) to assist in this process.

The Audit and Risk Committee receives external audit reports and monitors management action in respect of these reports.

During the year, the Committee met separately with the external auditors in the absence of management.

Fraud and corruption control

The organisation takes all reasonable measures to prevent, detect and respond to fraud and corruption relating to the organisation.

The Agency is committed to maintaining a strong fraud and corruption control framework which is designed to protect the assets, integrity and reputation of the organisation and the Commonwealth Government.

Fraud and corruption controls are embedded into the Agency's internal control framework, with key controls such as segregation of duties, approval hierarchies, dual signatories and third-party due diligence forming part of the mitigation strategies.

The Agency implements staff training programs aimed at enabling staff to understand what constitutes fraudulent and corrupt activity; what their obligations and duties are in identifying and reporting on possible fraud and corruption; and how to access the Agency's multi-channel internal and external fraud and corruption reporting mechanisms.

The Agency has also implemented mechanisms to enable members of the public, officials, contractors, consultants and third-party service providers to confidentially, and where appropriate, anonymously report suspected fraud and corruption.

Cyber security

The organisation is committed to providing a secure technology environment to safeguard the assets of the Commonwealth. We are vigilant in the management of cyber risk and any threat that could potentially impact our internal systems and processes.

As part of the Agency's internal control framework, an industry-aligned IT risk management framework was established to provide assurance that IT-related risks, including cyber security risks, are identified, managed and monitored.

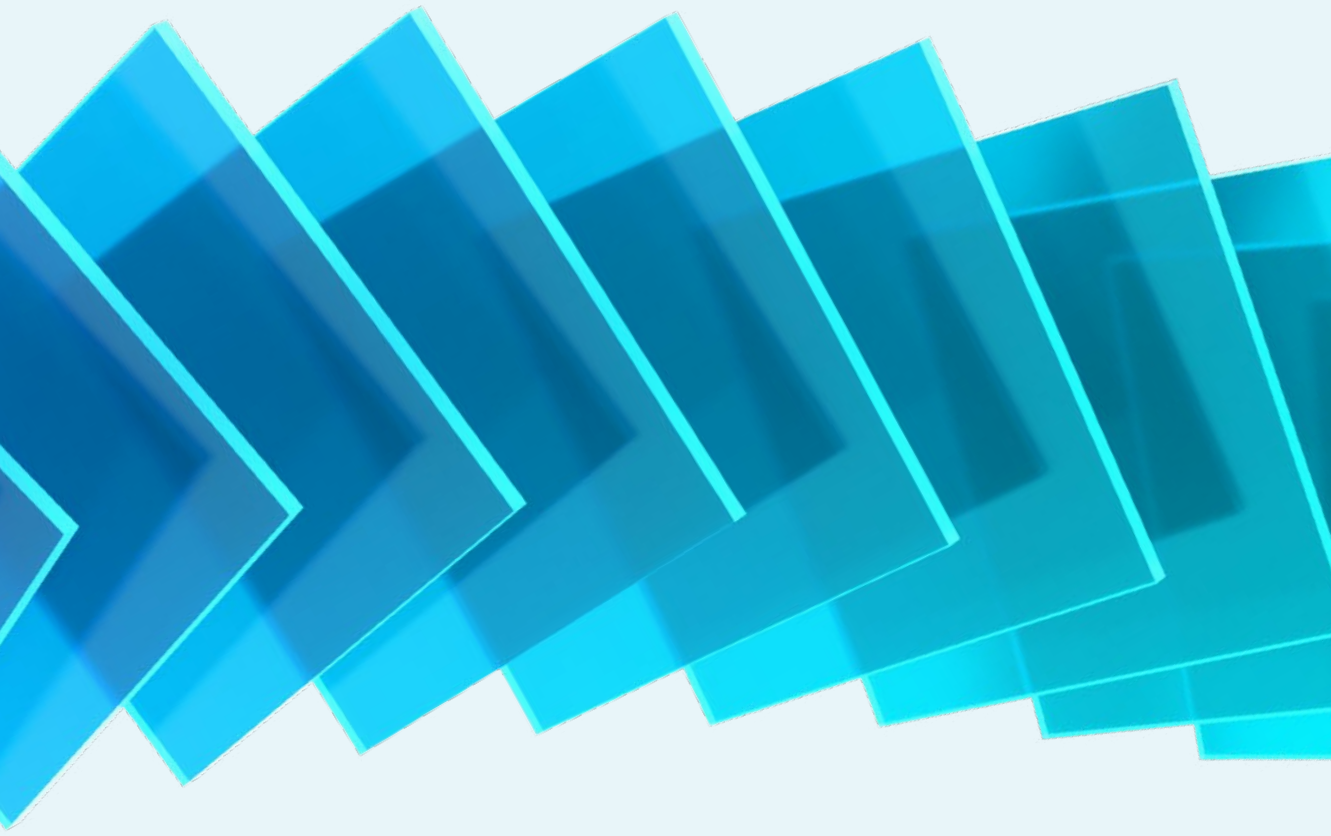
A defence-in-depth cyber security strategy was implemented to help identify, manage and monitor cyber security threats, technologies and controls. As part of this, we implement the Australian Cyber Security Centre's (ACSC's) Essential Eight mitigation strategies to prevent a cyber intrusion, and we regularly engage with the ACSC.

We also apply the Australian Government's Protective Security Policy Framework to achieve our protective security outcomes, one of which is information security.

The cyber security strategy is implemented via the technology security program of work, which is reviewed and updated quarterly, with progress regularly reported to our internal risk governance committees.

3 HOW WE INVEST

Our investment approach is based on one team working together for the benefit of the portfolio as a whole. Working together with our world-class external investment managers, our team collectively channels their best ideas, irrespective of asset class, across the total portfolio to achieve the long-term investment objective of each fund.



We invest across public and private markets in the categories shown in the table below, developing an investment strategy for each of our seven funds that is consistent with their respective investment objectives and our whole-of-portfolio approach to portfolio construction.

We construct highly diversified portfolios that are as resilient as possible to a range of plausible scenarios, given our long-term secular outlook.

The DisabilityCare Australia Fund has a shorter-term investment horizon than the other six funds. It is invested in a combination of short and medium-term debt instruments.

Investment categories

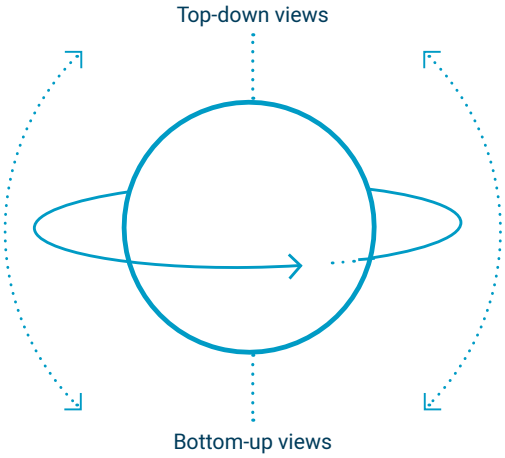
Category	Sectors covered
Alternatives	Skill-based absolute return strategies and other risk premia, providing diversity of return streams
Cash	Treasury bills, bank bills and deposits
Credit	Primarily through non-government fixed-interest securities extending to mortgages, high-yield credit and corporate loans
Overlays	Exposures to developed and emerging market currency, domestic and global interest rates, portfolio protection strategies, and other return-enhancing and/or risk mitigation strategies
Listed equities	Australian equities, global developed market equities, and global emerging market equities
Private equities	Venture capital, growth capital and buyout
Tangible assets	Real estate, infrastructure and timberlands gained through public and private markets

Joined-up investment approach

When constructing the portfolio, we bring together top-down and bottom-up views. We call this being 'joined-up'.

Our top-down experts look at the global economy, financial markets, and policy and geopolitical developments, and think about how this will affect the total portfolio. Their thinking is also influenced by the insights and perspectives from our bottom-up specialists.

Joined-up investing



Our bottom-up specialists look across the world for the best assets and investment opportunities, thinking about whether these opportunities offer sufficient reward for the risk involved, and having regard to the big picture context set out by our top-down experts.

This joined-up, integrated approach means we do not set a fixed strategic asset allocation from the top and then require those allocations to be filled across each of the investment sectors.

Rather, our investment professionals come together to share insights and perspectives and take a whole-of-portfolio approach to making investment decisions. This is the cornerstone of our investment philosophy, and we consider it a key comparative advantage that significantly improves the prospect of meeting our long-term investment objectives.

Thinking about the portfolio as a whole and considering every investment opportunity within that context challenges our people to test and question their views, alongside those of our global external partners, and to compare the merits of any one investment opportunity over another – regardless of asset class, sector or industry, or investment period or amount.

Dynamic investment process

Given that prospective risks and returns for different types of investment opportunities are always changing, we manage the portfolios dynamically. In doing so, we seek to extract the best possible return, adjusted for the level of risk we are taking.

We look to increase risk levels when the expected reward for taking risk is high, and to reduce risk levels when the expected reward for taking risk is low.

The key elements of our investment process are:

1. Establishing foundations

Our core investment beliefs inform our interpretation of each fund's Investment Mandate and its objectives and help us determine our appetite for the types and levels of risk we are prepared to take for each of them.

Given a competitive and challenging investment landscape, we also identify our comparative advantages, which further inform our approach to investing.

2. Analysis of the investment environment

We develop a deep understanding of the investment environment we are operating in at any time, with a focus on understanding long-term economic, social, demographic, geopolitical, technological, and financial themes and trends.

We regularly analyse a range of plausible future scenarios over multiple time horizons to better understand how the portfolio might behave as conditions change and identify ways to improve the resilience of the portfolio to ensure it is robust to a range of conditions and scenarios.

3. Risk management

Our investment policy framework enables us to manage the risk of our funds at what we consider to be acceptable, but not excessive levels.

Given our assessment of the environment, and consistent with our investment policy framework, we choose appropriate risk settings for each fund, in alignment with their respective Investment Mandates.

Risk is considered across multiple dimensions, including market risk and short-term liquidity risk, and how readily we can adjust the portfolio as needed. We refer to this as its flexibility.

These risks are managed dynamically across the whole portfolio.

4. Portfolio planning and investment selection

Once we have decided on appropriate portfolio-level risk settings for a given fund, we plan how we expect to allocate that risk and then, through underlying investment activity, we implement this plan.

Our approach to both portfolio planning and identifying opportunities is necessarily dynamic, as our assessment of the investment environment, market pricing, and the expected relationships between different investments all vary through time.

Disruptive innovation

We consider a wide range of disruption trends that could materially impact our investment portfolio. These trends are not typically limited to a specific industry or asset class, and pose both opportunities and risks for investors. In addition to technological innovation, disruption to the adoption of goods and services can also be driven by changing demographics, consumer expectations and trends, and regulation and public policy.

We invest in all segments of the global economy, many of which are likely to be impacted by disruption trends. Given our long-term total portfolio approach, we are well placed to identify and capitalise on opportunities to invest in disruption and manage disruption risk.

Disruption assessment is integrated into our investment decision frameworks, prompting the Investment Team to consider thematic risks and opportunities in their investment strategies and during innovative idea generation.

By identifying materially impactful disruptive trends at an early stage, we can work with investment managers to accurately price risks and evaluate opportunities that can both protect and enhance the value of our portfolio over the long term.

Investment Committee

The Agency's Investment Committee, which meets at least twice every month, provides decision-making and review in respect of our whole-of-portfolio investment approach, as well as overseeing the management of the portfolio within the delegation agreed upon by the Board. The Investment Committee also presents recommendations to the Board for review and approval.

The Investment Committee is supported by the Manager Review Committee and the Asset Review Committee. Both committees are comprised of senior representatives from across the Agency and have delegated authority from the Investment Committee to assess manager and asset due diligence, including performance and alignment with our investment objectives.

The committees consider recommendations in relation to investment manager appointments and investment in specific assets and mandates, with a focus on detailed due diligence as well as consideration of fees, terms, tax, legal and transaction structures.

For a list of members of the Investment Committee please see the 'Governance and accountability' section.

Investment beliefs

Our investment beliefs are central to how we invest. They shape the way we interpret each fund's Investment Mandate and objectives, and how we reach investment decisions.

Our comparative advantages describe who we are and how we operate. They give us a competitive edge and help us achieve our Investment Mandates.

We believe that:

- Strong governance is essential to our success.
- Our 'One team, One purpose' culture leads to better decisions and investment outcomes.
- A whole-of-portfolio approach improves our long-term performance.
- Inefficiencies in markets create opportunities for us to add value through active management.
- Risk is multi-faceted, and robust risk management enhances our ability to achieve our Mandates.
- Our primary focus should be on the value we add, net of all costs, but we seek to use our scale and market standing to reduce costs.
- We have a number of comparative advantages that, if effectively utilised, will help us achieve our Mandates.

Our principal comparative advantages are:

- **We are a long-term investor.** Our long investment horizon allows us to look through short-term volatility and be patient, taking positions we expect will pay off over the long term. We can also buy and hold private or otherwise illiquid investments offering additional returns.
- **Our reputation.** Our reputation is one of our most valuable assets, resting on our sovereign status and enhanced through time by our conduct and results. It facilitates access to other sovereign institutions and the most highly regarded peers and investment organisations globally, as well as attracting highly qualified and experienced staff.
- **Our access to high-calibre external partners.** Our scale, sovereign status and reputation help us access and leverage the skill and expertise of best-in-class external partners and fund managers around the world.
- **We focus on total portfolio outcomes**. We embrace a total portfolio approach that allows us to remain focused on what matters at the whole-of-portfolio level, while collaborating to effectively integrate top-down and bottom-up investment ideas.
- **We have a single client and a single purpose.** Our single purpose is to invest for the benefit of future generations of Australians. They are represented by our single client – the Australian Government. This clarity of purpose enhances our focus on our investment objectives and unites us in our quest to achieve them.

Partnering with investment managers

We partner with best-in-class investment managers around the world who execute investment strategies on our behalf. Our internal Investment Team works closely with these managers to seek out the best investment opportunities, in alignment with our investment objectives.

A list of our external managers at 30 June 2024 is available at Appendix A.

Our preference is for fewer and more meaningful relationships with quality external managers. We select managers for their ability to generate robust and repeatable superior returns, their willingness to genuinely collaborate and share knowledge, and for the breadth of their collective coverage.

Our focus on cultural and strategic alignment and building quality relationships has significantly improved the quality of investment opportunities available to us and has helped make our dynamic investment process more efficient and effective.

Using investment managers also aligns with our intention to enable our own investment professionals to stay focused on key investment decisions, rather than being drawn into day-to-day asset management.

Our investment manager selection process is designed to deliver high-quality partnerships, and to ensure that portfolio construction does not lead to excessive concentration of manager risk in any one investment manager.

Experienced Agency investment professionals are responsible for undertaking rigorous investment manager and asset due diligence. They apply a structured framework to assess each manager or asset and bring forward a recommendation to the Manager Review Committee or Asset Review Committee as appropriate. We also undertake regular reviews of external managers throughout the life of their relationship with us.

Due diligence incorporates assessment against agreed evaluation criteria and includes desk research, third-party research, onsite visits where possible, and interviews with key investment decision-makers.

We also undertake detailed operational due diligence and use external advisers to undertake specialist due diligence to supplement our internal due diligence work as required.

Managing currency

As Australia's sovereign wealth fund, we are always actively seeking out quality domestic investment opportunities that align with our investment strategy and Investment Mandates. Our base currency is the Australian dollar and the return objective for the Future Fund and our other long-term funds are tied to Australian inflation.

In managing currency risk, we conceptually consider offshore investments on a fully hedged basis and then separately evaluate to what extent we wish to hold an exposure to foreign currencies, with our diversified, whole-of-portfolio approach in mind.

We explicitly manage the size and nature of our foreign currency exposures, rather than allowing them to be shaped by the underlying investments.

We hold foreign currency exposure for a variety of reasons. For example, we believe it can enhance portfolio diversification through access to defensive currencies that provide returns and liquidity in times of market stress and protect purchasing power when the Australian dollar is weaker.

Currency exposure for our long-term funds in 2023–24 is discussed in the 'Investment performance' section of this report.

In the case of the DisabilityCare Australia Fund, given its higher domestic weighting and the conservative nature of its investment programs, we fully hedge all foreign currency exposures back to the Australian dollar.

Managing tax arrangements

When implementing our investment strategies, we invest through various jurisdictions and investment vehicles for a variety of commercial, legal and tax reasons.

In Australia, the Board and the Board's wholly-owned Australian incorporated subsidiaries are exempt from paying income tax. This is because our funds – and so our earnings – are owned by the Australian Government. Internationally, we also benefit from sovereign immunity for tax purposes, on many of our investments.

Nonetheless, properly structuring our investments can be essential to maintaining our rights and entitlements, including the benefit of sovereign immunity for tax purposes in certain jurisdictions. Failure to manage these matters can have a material impact on performance and would be inconsistent with our mandated objective to maximise risk-adjusted returns while not causing any diminution of the Australian Government's reputation in financial markets.

We will only invest through arrangements and structures that are commonplace and well tested by other public investment institutions and funds, in terms of compliance with applicable laws and regulations.

We do not invest in schemes that contravene the OECD's key principles of transparency and information exchange for tax purposes.

In making investments, we assess whether the jurisdictions through which we invest are regarded by the OECD as having substantially implemented the internationally agreed tax transparency standard.

Environmental, social and governance integration, investment stewardship and collaboration

Our approach

As a large global asset owner with a long-term perspective, we understand that the integration of environmental, social and governance (ESG) factors into our investment decision-making, along with investment stewardship practices, enhances risk-adjusted returns and helps protect our reputation.

Our approach prioritises the impact of ESG factors on investment risk, value and quality, and our capital allocation decisions are guided by strategic trends that shape markets and investor outcomes over the long term, many of which are deeply intertwined with ESG issues and themes.

ESG factors differ across companies, industries, geographies, and asset classes, and may include considerations such as:

ESG factors

Governance

- Culture and conduct
- Board independence and composition
- Remuneration
- Lobbying practices
- Disclosure and transparency
- Cyber resilience

Climate change

- Transition risks and opportunities
- Physical risk
- Adaptation, mitigation and resilience
- Just transition

Nature

- Environmental protection
- Biodiversity
- Ecosystems
- Water
- Circular economy and waste

Human rights

- Labour rights and modern slavery
- Indigenous and cultural heritage
- Responsible AI
- Privacy protection

Human capital

- Talent attraction and retention
- Physical and psychological safety
- Diversity and inclusion
- Equity and equality

ESG governance

Our ESG Policy articulates the framework that we use to manage investment-related ESG issues. The Board is responsible for the oversight of our ESG Policy. Our Investment Team is tasked with implementing the Policy with the support of our specialist in-house Investment Stewardship and ESG Team, and in conjunction with our external investment managers.

Our ESG Policy is published within our Statement of Investment Policies on our website and is consistent with our obligations under the *Future Fund Act 2006*, our Investment Mandates, our beliefs, and our investment strategy.

ESG integration

We have systematically integrated the consideration of ESG risks and opportunities into each stage of our investment process. This includes incorporating systemic ESG issues into: the macroeconomic scenarios that shape our view of the world and whole-of-portfolio investment strategy; our risk-monitoring practices; the selection and approval of external investment managers; asset-related due diligence; and our ongoing monitoring activities.

Our investment model relies on external managers to execute the strategy set by the Board, and as such our managers play a crucial role in helping us to implement our ESG objectives. This requires coordination and active monitoring to ensure effective management of ESG-related risks and opportunities. For direct investments, such as large infrastructure assets, assessment of ESG risks and opportunities is integrated into our due diligence processes. Additionally, we collaborate with third-party consultants when ESG factors are particularly complex or material.

ESG integration model

Top-down investment strategy

- ESG thematics are integrated into our views of the external environment, secular scenarios and our capital market assumptions.
- Cross-team thematic research is undertaken on investment-related ESG risks and opportunities, policy developments and the regulatory environment.
- Portfolio exclusions limit direct investment exposure to controversial weapons including cluster munitions, anti-personnel mines, chemical and biological weapons, select nuclear weapons and tobacco.

Bottom-up asset team implementation

- New investment opportunities are subject to an ESG review during due diligence and material considerations are included in investment papers and investment decision-making.
- Investment managers are subject to ongoing monitoring of their ESG approach and alignment with our expectations.
- Capacity building and training is delivered to ensure that the Investment Team understands current and emerging ESG issues.

Portfolio monitoring

- Data and technology platforms are used to monitor the portfolio's exposure to ESG risks and opportunities and to inform stewardship activities.

Climate risk

The United Nations Framework Convention on Climate Change (UNFCCC) has identified that human activities, particularly the burning of fossil fuels, deforestation, and various industrial processes, have significantly increased the concentration of greenhouse gases in the atmosphere. These activities are the primary driver of the changes we are observing in the climate, leading to global warming and associated impacts on weather patterns, sea levels, ecosystems and society.

If the climate continues to change in alignment with the current trajectory modelled by the Intergovernmental Panel on Climate Change (IPCC), profound and far-reaching impacts on global financial markets and individual assets are anticipated.

Climate risk arises from the physical effects of climate change, the transition to a low-carbon economy, and liability considerations. For long-term investors like the Future Fund, every sector and asset we invest in will be impacted in some way by a changing climate.

Climate change can, however, also present new and potentially valuable opportunities where market participants position themselves to strategically leverage associated disruptions – especially those linked to the low-carbon economic transition.

We have identified the following changes to the operating environment of the investment industry:

- **Economic risks:** The broader economic impacts of climate change, such as changes in agricultural productivity, increased health costs, and infrastructure damage, can slow economic growth and reduce overall market performance. Central banks and financial regulators are increasingly recognising climate change as a systemic risk to financial stability, prompting them to incorporate climate risk assessments into their oversight functions. This heightened regulatory scrutiny can lead to changes in monetary policy, affecting interest rates and investment returns.
- **Market risks and opportunities:** Changes in consumer preferences towards more sustainable products and services can impact market demand, influencing company revenues and investor returns. Additionally, climate change can disrupt global supply chains, leading to increased costs and reduced efficiency for businesses. For example, extreme weather events can damage transportation networks and manufacturing facilities, causing delays and production losses. These disruptions can ripple through financial markets, affecting the performance of a wide range of investments.

These changes in the external environment translate into the following risks and opportunities relevant to investors' assets and portfolios:

- **Transition risks and opportunities:** The transition to a low-carbon economy necessitates major changes in policy, regulation, technology and markets. Many governments are enacting stricter climate policies to curb greenhouse gas emissions, which can increase operational costs and require significant capital investment, especially for carbon-intensive industries. Companies and markets that fail to adapt to these regulations or technological advancements risk losing competitiveness and profitability and may face credit rating downgrades. They may end up being what is called 'stranded' assets for investors. Changes in the makeup of economies and climate-related innovation also present opportunities for investors. This can occur through the creation of new industries and innovative business models, or through value accretive adaptation and resilience.
- **Physical risks:** Climate change exacerbates extreme weather events like cyclones, floods, droughts and bushfires, leading to potentially extensive damage to physical assets, infrastructure and productivity. This can result in higher insurance claims and premiums, potential un-insurability of assets, increased repair costs, loss of market opportunities, and potential asset devaluation. Additionally, chronic impacts such as sea level rise and ocean acidification cause long-term changes to ecosystems and where and how it is viable for humans to live. This, in turn, may lead to migration movements, conflicts and downward demographic and GDP trends.
- **Liability risks:** As awareness of climate change grows, companies, governments and investors may face increased litigation and reputational risks related to their climate-related impacts. Investors may be exposed to investee company financial losses stemming from legal settlements, fines, and damage to brand reputation.

We address climate change through an integrated and investment-led approach. Climate is a consideration in how we build our portfolios and is integrated dynamically into our process alongside other drivers of risks and opportunities. Decarbonisation and the energy transition was identified as one of the global paradigm shifts in our New Investment Order research. Our total portfolio approach gives us a comparative advantage to invest in the opportunities associated with the net zero transition that is occurring across many of the world's economies.

We conduct thematic climate change research on markets and industries, and we monitor the evolving external environment. This research enhances our understanding of climate risks and opportunities across our portfolio under different economic and climate scenarios. Our secular scenarios and capital market assumptions, which inform our investment strategy, also incorporate climate change considerations.

Additionally, we assess physical and transition risks and opportunities related to climate change during due diligence for new investment opportunities. We also assess how our investment managers incorporate climate change considerations into their strategies, engage with the assets and companies we invest in, and integrate climate-related factors into our proxy voting activities.

We source climate research from independent market providers, leading investment managers, and benchmarking platforms like GRESB. This information helps us deepen our understanding of climate governance, risk management practices, and the performance of our investment portfolio.

We track the carbon intensity of our listed markets portfolio, which remains lower than the benchmark. However, our focus is on understanding climate change risks, opportunities and engagement, rather than achieving a specific level of portfolio carbon performance.

As part of our diversified investment portfolio, we allocate capital to markets anticipated to generate attractive risk-adjusted returns as economies move towards decarbonisation. This includes investments in renewable energy, energy efficiency technologies, and carbon credit markets.

With over $1.0 billion invested in Australian wind and solar assets, we rank among the largest investors in renewables in Australia.

Mandatory climate disclosures

In recognition that markets need accurate and comparable information to make informed decisions on climate change risk, disclosure standards have evolved rapidly over the past decade. Application of these standards is moving from voluntary towards mandatory regulation in many parts of the world, including Australia.

At a global level, the International Sustainability Standards Board (ISSB) has led the work in developing international climate disclosure standards. We are supportive of the ISSB's work and play an active role though our position on their Investor Advisory Group (see the 'Collaboration' section below for more detail).

Local translation of these standards into mandatory climate disclosure regulation will be implemented across the Australian economy in the coming years. The Australian Treasury has been actively working on climate-related financial risks and disclosure regulation. The Australian Accounting Standards Board (AASB) is developing standards to ensure consistency and comparability in climate reporting across the economy. Additionally, the Department of Finance is integrating climate risk management and disclosure requirements across the public sector.

As investors we will benefit from these mandatory disclosures being applied to the companies that we invest in. Establishing a global baseline of comparable climate data will help us understand and monitor climate risks and opportunities across our investment portfolio.

Modern slavery

The Future Fund has obligations under the *Modern Slavery Act 2018*, which require us to identify and report actual and potential modern slavery risks. The primary aim of the Modern Slavery Act is to highlight this issue and drive positive change across economies, both domestically and internationally.

We have integrated modern slavery considerations into our ESG Policy and our Statement of Investment Policies. Our investment frameworks and approach guide the identification and management of ESG risks, including modern slavery, across the investment portfolio. This involves due diligence activities, monitoring external investment managers, engaging with investee companies, and ongoing portfolio monitoring and oversight.

Throughout the year, several portfolio actions were undertaken by the Investment Team, including:

- Modern slavery risk assessments were undertaken across the investment cycle including: pre-investment due diligence, investment manager reviews, portfolio monitoring, and direct engagement activities. Over the past year, modern slavery risks were discussed with investment managers across several asset classes, including infrastructure, listed equities, property, credit, and private equity.
- Strategic engagement was undertaken with Australian-listed equities investment managers to better understand their modern slavery risk management and engagement practices. Meetings were held with each manager to discuss their approach, implementation activities, and the nature and quality of modern slavery disclosures. These engagement discussions also provided the opportunity to share observations and knowledge on emerging modern slavery governance practices in the Australian Stock Exchange (ASX).
- Strategic engagement was undertaken with ASX-listed companies through its established investment stewardship program. Discussions on modern slavery are also commonly undertaken during corporate governance meetings with ASX company boards or discussions with the company's sustainability specialists. During the year, modern slavery engagements were undertaken with 25 different ASX companies across several industry sectors, including materials and mining, financials, healthcare, consumer staples, consumer discretionary, and industrials.
- We are invested in eight large Australian infrastructure assets that are subject to the Modern Slavery Act. These assets are diversified across industries including ports, airports, renewable energy, Timberland, data centres, telecommunications, and, most recently, toll roads. Our Investment Team monitors how each asset is performing on a regular basis through a review of their modern slavery statements and engagement with management teams on their policy and approach.

More detailed information on our approach is integrated into the Commonwealth Government's Modern Slavery Statement, which covers all Commonwealth Government procurement and investment activities. The Commonwealth Statement is published at the end of each calendar year.

Portfolio exclusions

The Board's exclusions approach aligns with activities banned by the treaties and conventions that the Australian Government has ratified. Our treaty and convention-based exclusions approach was first implemented in 2009 and is regularly reviewed.

Our exclusion philosophy and guidelines are summarised as follows:

- **Policy approach:** Our exclusions are focused on the economic activity categories, not on how an investee company conducts its business.
- **Definitions:** Exclusion categories are defined by the economic activities that are banned by the treaties and conventions that have been ratified by the Australian Government. The basis for tobacco exclusions was defined through a separate Board decision.
- **Supply chain**: To be excluded, the investee company's products, services or activities must play a critical role in the banned economic activity.
- **Asset classes:** The exclusions policy formally applies to directly held equity and debt investments but can be applied elsewhere in the portfolio on a case-by-case basis to manage risk.
- **Involvement:** Clear evidence, from two expert data providers, is required of an investee company's involvement in the banned economic activity for it to be excluded.

Separately, where serious breaches of ESG standards are identified, the Board prefers engagement over exclusion, working with the company either directly or indirectly through our investment managers, to improve performance. The Board reserves the option to exclude an investment for the most egregious sustained activities, where the investee company is unwilling or unable to change its practices.

The list of companies excluded from our portfolio under our ESG Policy is available on our website. The current coverage and scope of our investment exclusions is presented in the table below.

Economic activity	Basis for exclusion	Criteria
Controversial weapons		
Cluster Munitions	2008 Convention on Cluster Munitions	Develop or produce
Anti-Personnel Mines	1997 Convention on the Prohibition of Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction	Develop or produce
Nuclear Weapons	1968 Treaty on the Non-Proliferation of Nuclear Weapons 1985 South Pacific Nuclear Free Zone Treaty	Develop or produce weapons or supporting technology in non-nuclear states. Operate peaceful nuclear technologies in states not party to the NPT* or IAEA** safeguards
Chemical Weapons	1993 Convention on the Prohibition of the Development, Stockpiling and Use of Chemical Weapons and on their Destruction and Annexes	Develop or produce
Biological Weapons	1972 Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their Destruction	Develop or produce
Tobacco		
Primary Tobacco Production	Undisputed health consequences, including serious illness and increased risk of death, and that the consumption of tobacco is not safe in any quantity	Produce

Note(s):

* 1968 Treaty on the Non-Proliferation of Nuclear Weapons
** International Atomic Energy Agency

Investment stewardship

Best practice stewardship plays a critical role in delivering value by ensuring that investments are managed responsibly and sustainably. By actively engaging with companies and encouraging them to uphold high standards of governance and ethical practices, investors can work to enhance the long-term performance and resilience of their investments. This approach not only mitigates risks but also capitalises on opportunities, ultimately contributing to more stable and sustainable financial markets.

We believe that good governance protects and creates long-term investment value. We have an established set of Corporate Governance Principles, which are disclosed in our ESG Policy on our website. These Principles align with our Investment Mandate and are applied throughout our investment stewardship activities.

Our investment stewardship program has two key pillars: proxy voting and company engagement.

Proxy voting

We exercise our voting rights in publicly listed companies because we believe that exercising our ownership rights encourages and supports good governance practices. We do not engage in share lending, as it may reduce our voting rights and create misalignment with our corporate governance priorities.

As part of our ESG integration approach, we oversee the quality of our investment managers' insights into corporate governance and proxy voting. We regularly evaluate their proxy voting policies and proxy voting recommendations.

Our Australian proxy voting decisions are guided by our Corporate Governance Principles. We receive voting recommendations from our investment managers and proxy advisers for shareholder meetings. If a company resolution conflicts with our principles or does not align with our investment interests, we may vote against the company board.

Throughout the 2023–24 year, we directly exercised our voting rights in publicly listed Australian companies, participating in 232 Australian shareholder meetings and voting against board recommendations in 8.5% of all resolutions. A report detailing our votes at each Australian shareholder meeting during 2023–24 can be found on our website.

Given the complexity of corporate governance and proxy voting regimes in multiple international markets, our external investment managers advise us in exercising these voting rights. These managers, responsible for managing investments on our behalf, are well placed to evaluate good corporate governance in overseas-domiciled investee companies. However, we retain the ability to override our managers' recommendations when necessary.

In aggregate, during 2023–24, we participated in 3,177 international shareholder meetings and voted against company boards' recommendations in 10.7% of all international resolutions.

We may also have the right to vote in relation to direct shareholdings in companies or pooled vehicles. In these situations, voting decisions are managed by our private markets teams. In addition, we participate wherever practical on the advisory boards of pooled vehicles that give investors a voice on certain key decisions.

Where eligible, we also typically exercise the right to appoint a director to the board of an unlisted entity in which we invest directly. In some cases, such as our investments in Melbourne and Perth airports and the Port of Melbourne, senior members of our Investment and Management Teams sit as Directors. In other cases, we have appointed high-quality Directors to act on our behalf who are either employees of the relevant external manager or suitably qualified third-party professionals selected in consultation with the manager.

Company engagement

Active engagement with the boards and management of the companies in which we invest is a key component of our investment stewardship program. Engagement is a valuable tool that helps protect and enhance long-term investment value. By interacting with investee companies, we can influence positive changes in corporate governance practices and the effective management of ESG risks and opportunities. Additionally, engagement provides us with a deeper understanding of the strategic risks and opportunities to which these organisations are exposed.

Engagement is crucial as it fosters a dialogue between investors and companies, ensuring that the interests of shareholders are aligned with those of management. This proactive approach allows us to address potential issues before they escalate, thereby mitigating risks and enhancing the sustainability and performance of our investments.

Our engagement activities are primarily focused on Australian companies, and we tailor our meetings to the specific context of each organisation. Internationally, engagement is delegated to our investment managers, and we review the processes and engagement outcomes through our regular manager monitoring processes.

Each year we engage with board and management representatives from a broad range of Australian-listed companies. During 2023–24 we directly engaged with 32 ASX companies across 51 separate meetings. Issues discussed during these meetings varied depending on what is material to each company but often included topics such as culture and conduct, board composition, management quality, remuneration, regulatory compliance, workplace culture, diversity and inclusion, pay equity, modern slavery, Indigenous engagement and culture heritage, biodiversity, and climate change.

While it is difficult to attribute direct progress or outcomes to any single engagement, especially given that investee companies engage with a wide variety of stakeholders, our strategic engagement program aims to ensure that the companies in our portfolio are well governed and prepared to address the ESG challenges and opportunities they face. Our commitment to active engagement not only helps protect our investments but also contributes improvements across the system as a whole.

Collaboration

We are committed to supporting financial markets that are stable, transparent and effective in the long term. Collaborating with like-minded investors is a powerful and efficient way to build knowledge, generate new perspectives and promote best practices. The interconnected nature of many ESG risks and opportunities faced by long-term investors makes such collaboration invaluable.

We are involved in a wide range of collaborative networks and working groups that aim to improve system integrity, build new markets, advance best practice institutional investment, and improve ESG practices. Representatives from our team participate in working groups, advisory committees and through leadership roles on the boards of a number of these organisations.

These structured multi-stakeholder initiatives are complemented by ongoing informal engagement with leading domestic and international asset owners and fund managers to identify and promote best practice in ESG integration.

We currently actively participate in and collaborate with a number of organisations including:

- 20–20 Investment Association
- Australian Investment Council
- Australian Securities and Investments Commission's Corporate Governance Council
- FCLT Global
- IFSWF
- International Corporate Governance Network (ICGN)
- International Sustainability Standards Board (ISSB)
- Investor Leadership Network (ILN)
- Pacific Pension and Investment Institute
- Standards Board for Alternative Investments
- The 30% Club
- Thinking Ahead Institute
- Wellington Climate Leadership Coalition (WCLC)

A snapshot of a selection of the collaborative activity undertaken during the year is provided below:

ILN

The ILN is an international collaborative platform that was established in 2018 at the G7 Summit to facilitate and accelerate cooperation among leading institutional investors representing more than USD $10 trillion in assets under management. Its primary mission is to drive the transition to a sustainable and inclusive global economy by addressing key issues related to sustainability and long-term growth. It does this by exploring investor challenges and developing tools and capacity-building resources for our industry.

We have taken a leadership position on the ILN Board, and members of our team participate in working groups on climate change, and diversity, equity and inclusion. Through this collaboration we also had the opportunity to attend the UNFCCC's annual climate conference, COP28 where we engaged with finance industry stakeholders, climate academics, technology experts, and NGOs, amongst others.

ICGN

We are a long-standing member of the ICGN which is a global investor-led organisation promoting effective standards of corporate governance and investor stewardship worldwide. By promoting high standards of governance and stewardship, the ICGN aims to enhance the long-term value of companies, protect shareholder rights, and contribute to sustainable economic growth.

A Future Fund representative holds the position of Co-Chair of the ICGN's Human Capital Committee which focuses on human capital management, human rights, supply chain due diligence, stakeholder engagement, workers' rights, and diversity, equity and inclusion. Through this committee, we were involved in work with the SHIFT project which is a centre of expertise on the UN Guiding Principles, and we delivered capacity building around how to effectively engage corporate boards on social risks.

ISSB

To enhance the ability of financial markets to accurately identify and price carbon risk, we support the work of the ISSB through our role on the ISSB Investor Advisory Group. These standards are in the process of being translated into mandatory disclosure regulations across the globe, including here in Australia.

As a member of the ISSB Investor Advisory Group we engage with our investment managers, investee companies, standard setters, government and other market participants to advocate for establishing a global baseline and the adoption of the ISSB standards.

WCLC

We are a long-standing member of the Wellington Climate Leadership Coalition (WCLC) which is led by our investment manager, Wellington Management. Wellington has convened leading academics and peers to build a shared understanding of how climate change impacts the investment environment over the short, medium and long term.

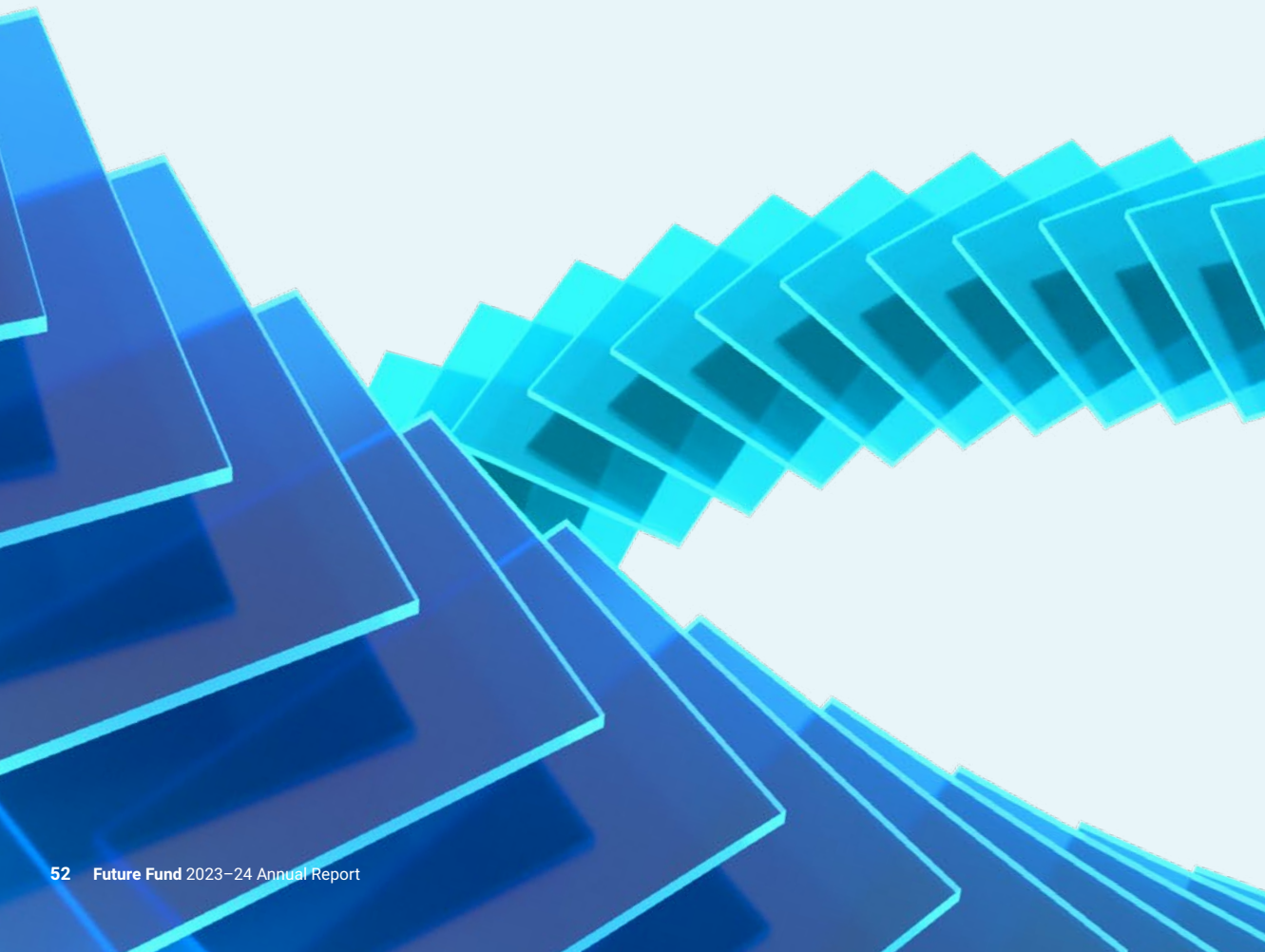
Through the collaboration we have participated in multi-stakeholder discussions and have leveraged leading scientific and academic research from the Woodwell Climate Research Centre and the MIT Centre for Sustainability Science and Strategy. This, combined with tools and insights from Wellington's dedicated Climate Research and Sustainable Investment teams, has helped us understand the implications of climate-related physical and transition risks and opportunities for our investment portfolio.

4 INVESTMENT PERFORMANCE

Investment environment in 2023–24

Over the past year the world has witnessed a further meaningful shift in geopolitical dynamics.

Escalating tensions, particularly war in the Middle East as well as the ongoing Russia–Ukraine war, have underscored the fragility of global peace. US–China relations continue to evolve and are a testament to the growing emphasis on national security and protectionist policies.



Meanwhile, what we describe as the 'New Investment Order' thematics demonstrated further momentum, with disruptions to global trade and commerce, increased friendshoring or reshoring of capital, and increased defence spending. Elections across the globe further catalysed these dynamics, with populist leaders gaining ground.

All that said, there were some positive developments, such as improved dialogues between China, Australia and the US, and the lifting of some restrictions on the export of Australian primary products.

Nonetheless, the geopolitical landscape remains fraught with uncertainties. In our recently published position paper titled *Geopolitics: The Bedrock of the New Investment Order* we set out how we define and conceptualise geopolitics, why we think it is so important, and how we incorporate such uncertainties into our investment process.

The cyclical investment backdrop was generally positive over the course of the year.

The global economy was broadly resilient as swift disinflation and tight labour markets provided a tailwind to real incomes which supported consumption along with excess savings.

Inflation continues to moderate towards target across the developed markets complex although the pace of disinflation has slowed meaningfully during this calendar year to date. Goods deflation from supply side normalisation is no longer providing a tailwind and services inflation is proving to be sticky, driven by tight labour markets.

Regional divergences persisted into 2024, with the US economy at or above-trend growth for most of the year and Australia proving resilient overall but somewhat weak on a per capita basis.

Most other developed economies languished, with low growth in the UK, Europe and Canada. While the domestic policy mix and structural economic challenges led to a relatively weak Chinese economy.

More recently, economic conditions in the US have showed signs of easing, although remaining broadly around trend, with inflation also printing more softly. Economic data in the rest of the world may have reached a local minimum, with conditions in China, Europe and the UK improving.

Since July 2023 developed market central banks largely held monetary policy steady at decade-high levels as they assessed the lagged impacts of a rapid policy-tightening cycle.

The steadiness in policy rates masks significant market volatility over the period as expectations for future policy easing swung meaningfully, reverberating through asset prices. Swift US disinflation into December 2023 saw significant policy easing priced for 2024, only to see most of that easing priced out by the end of April as inflation re-accelerated over the first quarter.

The People's Bank of China refrained from stimulating the economy despite weak activity, due to fear of further currency debasement. Fiscal measures have been piecemeal and somewhat underwhelming in aggregate.

The Bank of Japan hiked its policy rate for the first time in 16 years in April, with officials satisfied that cost–push inflation from higher input prices and a weak yen would catalyse a 'virtuous cycle' between wages and prices, lifting the Japanese economy out of the 'lost decades' of stagnation.

As inflation continued to drift lower into the end of the financial year, several central banks have slowly shifted to easing monetary policy, with the Canadian, European, Swedish and Swiss central banks all lowering interest rates.

In the US, disinflation resumed in April and May as activity data moderated from the very strong levels seen over the prior six months. Services inflation remains uncomfortably high, however, and has only modestly reduced which is likely to limit monetary policy easing in the absence of any meaningful softening in the labour market.

Equity markets, and risk assets more broadly, rallied strongly over the year with the S&P 500 marking several new highs as rapid disinflation and robust US growth buoyed margin estimates and risk sentiment. The expected future productivity benefits of AI provided an additional tailwind to returns as did fiscally supported CapEx initiatives in the US as the re-industrialisation agenda continues.

Commodity markets also reflected the robust growth environment with oil and metals moving meaningfully higher, although relative softness in iron ore prices is likely owing to lacklustre demand from China.

With US elections on the horizon, shifting geopolitical dynamics, monetary policy in flux and an ever-expanding fiscal policy agenda, the economic environment remains uncertain and volatile. The investment environment, however, continues to present ample opportunity for investors.

Portfolio activity in 2023–24

As we have been saying over recent years, the world is changing.

A 'New Investment Order' has been evolving. Underpinning this is a range of paradigm shifts impacting the world order, macroeconomic drivers, policy decisions and financial markets.

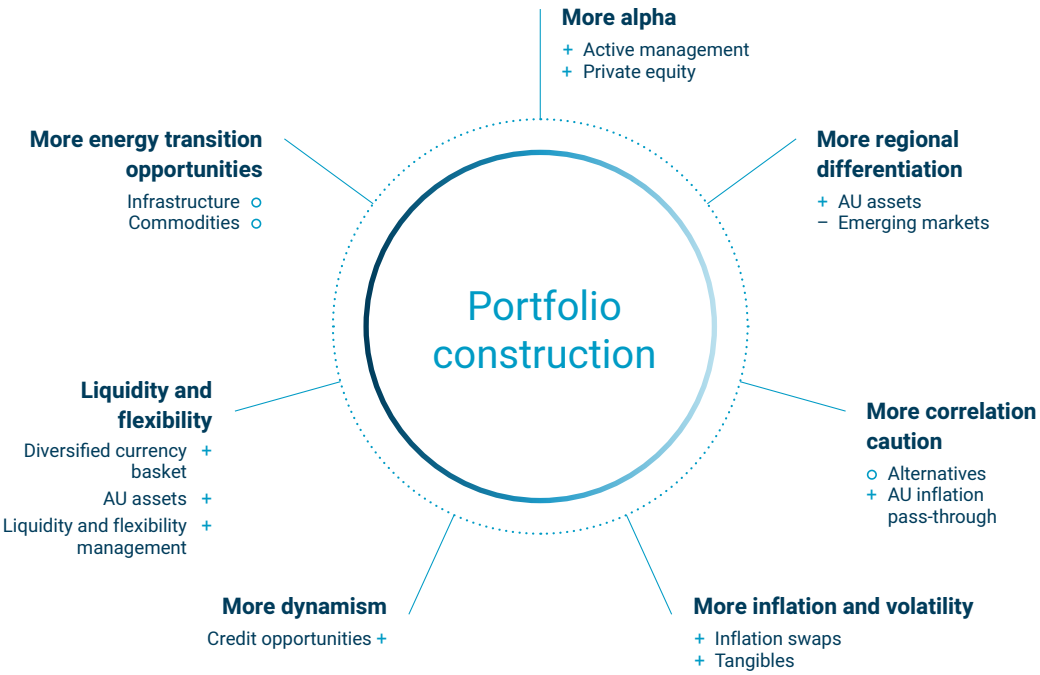
These shifts – including inflation regimes, climate and decarbonisation, deglobalisation, technology disruption and changing asset correlations – are coalescing to have a profound impact on the longer-term investment environment. This is, in our view, significantly increasing economic and market complexity and volatility, and making forward-looking returns more difficult to earn.

This view is giving us cause to reappraise how we invest in order to continue to achieve our investment purpose, with a significant focus on making the portfolio more resilient to multiple possible scenarios presented under the New Investment Order.

> We have discussed the New Investment Order and a number of changes we've made to our investment portfolio in response – totalling some $190 billion over a three-year period to date – through our thought leadership papers, including in our third and most recent paper, released in June 2024 – *Geopolitics: The Bedrock of the New Investment Order.*

The following diagram outlines our investment process and portfolio evolution since 2020.

The Future Fund's evolved portfolio construction process



In continuing to evolve our portfolio we have made over $50 billion of changes for the 2023–24 financial year alone, with repositioning occurring across almost all asset classes.

Portfolio activity has been balanced across two focal points:

1. The pursuit and execution of investment opportunities that will generate long-term risk-adjusted returns
2. Building resilience to the risks and possible scenarios presented by the New Investment Order.

Focusing on some of the highlighted zones in the diagram above:

– We positioned the portfolio at the middle of our structural risk range across the financial year, and continued to make changes towards investments that rely on investor skill rather than market risk – **more alpha** – reflecting our belief that this approach will be better rewarded in an environment where higher inflation, interest rates and geopolitical risk make market/beta returns less certain. An example of this change was our further shift back to active management in listed equities, with a focus in 2023–24 on Japanese equities due to healthy corporate balance sheets, positive changes to corporate practices and reasonable valuations.

While private equity activity was again slow across the year, we sustained our private equity co-investment strategy and continued our investment in early-stage venture opportunities through our high-quality private equity managers. We also provided capital to high-quality property managers during the year to position ourselves for opportunities ahead given the recent re-rating of property valuations.

- We also continued our preference for domestic infrastructure assets – **more regional differentiation** – given their ability to hold value in a higher-inflation environment and to provide predictable cash flows.

  An example is the Future Fund's investment in the Eastlink toll road, in June 2024. Under regional differentiation we also further reduced our exposure to China, reflecting ongoing challenges to the country's existing economic growth model, and rising geopolitical risk.
- With the focus from our Treasury Management function, we were able to create **liquidity and flexibility** across the portfolio to allow us to harvest investment opportunities when they arose throughout FY24. This allowed us to respond nimbly and at scale – **more dynamism** – to attractive pricing available in investment-grade credit, utilising existing managers to help us capture strong nominal returns from simple capital provision to low-risk, high-quality opportunities.

  Beyond investment-grade credit we also leaned into credit opportunities presented in other strategies such as special situations, direct lending and private credit. Our total level of activity across the Credit asset class exceeded A$7 billion for the year, funded through cash and reducing complexity elsewhere in the portfolio. Previous work under more dynamism in uplifting our portfolio governance arrangements and investment process was also instrumental in this capital shift.

  Under **liquidity and flexibility** we also further increased the amount of developed market currency we hold, reducing our foreign exchange hedging requirement that can be a drain on our liquidity.
- Consistent with the structurally higher and more volatile inflationary scenario – **more inflation** – we made a number of changes in rates and currency markets throughout the year and built a meaningful exposure to inflation. These changes totalled more than A$30 billion. There was a reduction in our global interest rates exposure across the year, reflecting our view that government interest rate exposure is less diversifying and less well rewarded than over previous decades. We instead hold our duration through assets like infrastructure that also help us capture **more inflation**, while obtaining additional diversification through currency, commodities and alternatives.
- With this in mind we continued to refine our alternatives portfolio, reducing hedge fund exposures that we believe are being challenged by the New Investment Order and replacing them with new ones that are truly diversifying in this longer-term investment environment – therein generating liquidity for the total portfolio. As outlined in our recent position paper on geopolitics, given our view on the need for more **correlation caution**, and in our quest for portfolio resilience, we view our alternatives exposure as a key source of diversification.
- Finally, we are continuing to work on an exciting pipeline of **energy transition opportunities**. Transition goals and the need to finance them are creating significant strategic competition for capital that hasn't been seen for years, and in an environment where sources of capital are being more heavily scrutinised, there is a potential comparative advantage for the Future Fund.

Similar portfolio activity occurred for the Medical Research Future Fund, the ATSILS Fund, the Future Drought Fund, the Disaster Ready Fund and the Housing Australia Future Fund. We continue to diversify those five funds and build exposures to high-conviction and capacity-constrained managers

FUTURE FUND

Interpreting the Investment Mandate

The Future Fund's initial Investment Mandate was issued to the Board by the Responsible Ministers in May 2006.

Until 30 June 2017, the Fund's Investment Mandate was to achieve an average annual return of at least the CPI + 4.5% to 5.5% per annum over the long term, with an acceptable but not excessive level of risk.

A new Investment Mandate came into effect from 1 July 2017, which reduced the long-term benchmark return target to the CPI + 4.0% to 5.0% per annum, reflecting the changed investment environment.

The return objective must continue to be pursued with acceptable but not excessive levels of risk.

The Fund's Investment Mandate is available on our website.

As the Board pursues the Investment Mandate, it is also required to conduct itself in a manner that:

- Is consistent with international best practice for institutional investment
- Minimises the impact on Australian financial markets
- Is unlikely to cause a diminution of the Australian Government's reputation in financial markets.

In balancing the risk and return aspects of the Fund's Investment Mandate, our primary objectives are to:

- Maximise the value of the Fund over the long term, which we define as rolling 10-year periods
- Minimise the risk of significant capital losses along the way, with a particular focus on expected downside outcomes over rolling three-year periods.

There is a natural tension between these two objectives, and we have established investment frameworks that guide how we resolve trade-offs such as these.

While we publicly report and discuss the performance of the Future Fund at a high level each quarter, outcomes over these short periods of time are not appropriate indicators of the likelihood of achieving the outcomes set out in the Investment Mandate over the long term.

We explicitly reject the concept of 'peer risk' (the risk of underperforming other institutional investors over the short term) as being inconsistent with the mission and long-term mandate of the Fund. However, we appreciate that comparisons between the Fund's return and the returns of other funds with similar objectives, both locally and globally, are valid over the longer term.

Risk positioning

Based on its interpretation of the Investment Mandate, the Board has an appetite for material levels of risk in the Future Fund. Nonetheless, in accordance with our investment process, we aim to build a portfolio with some degree of resilience to the investment environment.

We seek genuine diversification that achieves greater balance in portfolio construction, while allocating risk in a flexible and dynamic manner. Our view remains that the mix of growth and inflation is likely to be worse going forward (more inflation for each unit of growth) and key economic variables are likely to be more varied across regions, and more volatile. We expect risk premia to be higher and expected real returns to be lower, relative to history. Albeit we continue to see attractive opportunities to deploy capital.

Our outlook on the global economy and markets is explored in more detail in our investment environment report at the start of this chapter.

During the 2023–24 financial year we have added equity risk to be slightly above the structural level of portfolio risk while changing the mix of that risk-taking to align with our view of the changed investment environment.

Measuring risk

One of the primary metrics we use to understand and manage the broad market risk exposure of the Future Fund is Equivalent Equity Exposure (EEE).

EEE estimates the amount of market exposure we have when looking through the whole portfolio.

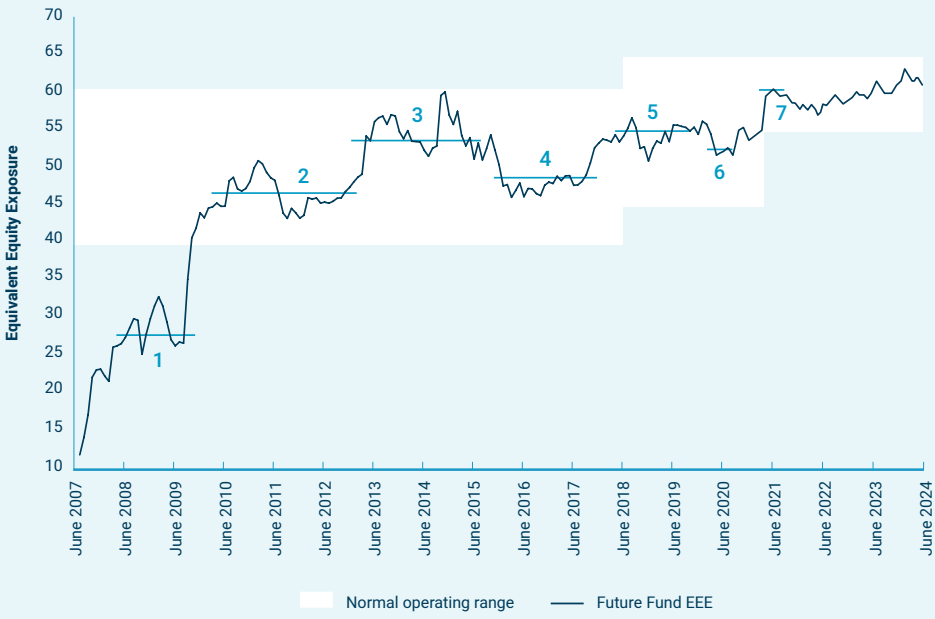
The EEE range within which we are expected to operate most of the time was reviewed and uplifted to 55–65 for the Future Fund as part of the deep review of our investment strategy.

Throughout 2023–24, the portfolio risk setting has averaged close to the middle of the range and at 30 June 2024 the EEE stood at 61.

The chart below demonstrates how the EEE of the Future Fund has changed over time. We are currently in the seventh distinct risk-taking regime for the portfolio since establishment.

1. The build of the Future Fund portfolio was suspended in late 2007 due to concerns over financial stability and the sustainability of high asset prices, and a very low-risk profile was maintained into the global financial crisis.
2. Portfolio risk exposure was increased as extraordinary and globally coordinated economic policies were implemented to fight the crisis.
3. Risk levels were raised further as the European crisis subsided and the President of the European Central Bank committed to 'do whatever it takes' to underwrite the integrity of the euro.
4. As expected returns declined (given strong market performance supported by low interest rates), portfolio risk was gradually reduced to moderately below normal levels.
5. Risk levels were increased towards more normal levels, reflecting the emergence of strong economic growth and corporate earnings, and central banks signalling an extension of accommodative monetary policies, together with the decision to increase the Fund's structural risk appetite.
6. Risk levels were reduced to moderately below neutral, reflecting the elevated risk environment resulting from the COVID-19 pandemic and subsequent policy response.
7. The structural risk level was adjusted during the 2020–21 financial year and we narrowed the range around which we expect to manage the portfolio. Subsequently, EEE was managed reasonably close to neutral structural levels.

Future Fund Equivalent Equity Exposure since inception



Currency

We explicitly manage the size and composition of the foreign currency exposures in the portfolio, rather than allowing them to be shaped by our underlying investments.

At 30 June 2024, we held an exposure to foreign developed market currencies equivalent to 33% of the total Future Fund. We expect our basket of developed market currencies to diversify the portfolio against broad market risk and generate liquidity in adverse conditions. We also held an exposure of 5% of the Future Fund to emerging market currencies at 30 June 2024.

We expect a diversified exposure to emerging market currencies to deliver a modest excess return through some combination of gradual real effective exchange rate appreciation and/or positive real interest rate differentials, relative to the Australian dollar.

Given that we expect its performance to be uncorrelated with broad market risk over the long term, we consider our basket of emerging market currencies to be an attractive risk-adjusted exposure at portfolio level.

Performance

At 30 June 2024, the Future Fund achieved an annual return of 9.1% and a 10-year return of 8.3% per annum, exceeding its target of 6.9% per annum.

The Fund stood at $224.9 billion at 30 June 2024, with investment returns adding almost $165 billion to the original seed capital from the Australian Government.

Investment returns to 30 June 2024 are shown in the table below, together with the target benchmark returns set by the Investment Mandate.

Given that the Future Fund's Investment Mandate requires us to take acceptable but not excessive risk, when assessing our overall performance, we look closely at the level of risk taken in the portfolio. Capturing risk in a single number is problematic, but the following table shows the level of realised volatility in the portfolio. While imperfect, this measure of risk is the standard and perhaps best understood industry measure.

Alongside the level of realised volatility, we also report the Sharpe ratio, a measure of the risk-adjusted return.

On a 10-year basis, the Future Fund's return of 8.3% per annum measures well when compared to the portfolio's realised volatility across this time and through a Sharpe ratio of 1.4, meaning the Future Fund is providing a good excess return relative to risk.

All returns are reported net of costs.

Future Fund returns, target benchmarks and levels of risk at 30 June 2024

Period to 30 June 2024	Return (% pa)	Target return[1] (% pa)	Volatility[2] (%)	Sharpe ratio[3]
Since inception (May 2006)	7.7	7.0	4.7	1.0
10 years	8.3	6.9	4.8	1.4
Seven years	7.8	7.3	5.1	1.2
Five years	6.7	7.9	5.5	0.9
Three years	4.5	9.3	4.9	0.4
2023–24 financial year	9.1	7.8	4.3	1.1

Note(s):

1. The Investment Mandate set a benchmark target return of at least the CPI + 4.5% to 5.5% per annum to 30 June 2017 and then the CPI + 4.0% to 5.0% per annum thereafter.
2. Volatility is an industry measure showing the level of realised volatility in the portfolio.
3. Sharpe ratio is a measure of the risk-adjusted return.

Portfolio exposures

Asset allocation at 30 June 2024

Asset class	$m	% of Fund
Australian equities	23,116	10.3
Global equities		
Developed markets	46,829	20.8
Emerging markets	13,841	6.2
Private equity	32,668	14.5
Property	12,042	5.4
Infrastructure and Timberland	22,352	9.9
Credit	24,825	11.0
Alternatives	34,092	15.2
Cash	15,147	6.7
Total	**224,912**	**100.0**

Asset class exposures at 30 June 2024

Listed equities

Sector	Exposure (%)
Energy	4
Materials	9
Industrials	10
Consumer discretionary	9
Consumer staples	6
Healthcare	10
Real estate	1
Financials	21
Information technology	21
Communication services	7
Utilities	2

Private equity

Strategy	Exposure (%)
Buyout	39
Distressed	0
Venture and growth	61

Property

Sector	Exposure (%)
Retail	20
Office	8
Industrial	23
Residential	18
Diversified	20
Seniors living	3
Healthcare	3
Hospitality	5

Infrastructure and Timberland

Sector	Exposure (%)
Airports	29
Communications	18
Electricity, oil and gas	30
Timberland	8
Transport	13
Water	3

Credit

Strategy	Exposure (%)
Private debt	30
Investment-grade corporate	9
Sub-investment-grade corporate	27
Mortgage-backed securities	8
Other securitised	11
Emerging markets debt	9
Cash and other	6

Alternatives

Strategy	Exposure (%)
Diversifying	21
High beta	2
Low beta – directional	7
Low beta – relative value	64
Reinsurance	7

Asset class exposures by geography at 30 June 2024

Region	Listed equities (%)	Private equity (%)	Property (%)	Infrastructure and Timberland (%)	Credit (%)	Alternatives (%)
Australia	27	3	6	58	6	2
United States of America	43	66	59	23	48	55
Europe (ex-UK)	7	9	18	8	21	16
United Kingdom	2	5	9	7	10	3
Japan	6	0	3	0	0	5
Developed (other)	2	3	3	3	3	8
Emerging	12	13	3	0	13	12

Physical investments by geography at 30 June 2024

Region	Total exposure (%)
Australia	21
United States of America	43
Europe (ex-UK)	11
United Kingdom	4
Japan	6
Developed (other)	4
Emerging	10

Future Fund Costs

Cost management

Our use of external investment managers, together with our commitment to a broadly diversified portfolio and breadth of investment classes, means that over time our costs will generally be higher than those investors with less complex portfolios.

The commitment to genuine diversification is an important facet of our investment strategy and was beneficial to the Future Fund's overall performance, delivering strong returns net of costs while reducing volatility.

We are therefore more willing to pay higher fees where significant value is added over broad market exposure (such as private equity), or for exposures that are truly diversifying (such as hedge funds).

We continue to closely monitor costs in the asset classes in which we invest, reviewing the expected returns and costs of implementing the investment strategy on an ongoing basis.

In negotiating terms, we focus on securing arrangements that offer value-for-money for the skills and resources that are applied, that are competitive relative to other managers in the sector, and that provide for strong alignment between managers and our organisation.

Every decision we make in relation to the portfolio is considered having regard to the returns and risks, net of all costs. Equally, all returns we report are always net of all costs.

Direct costs

Direct costs reflect all directly incurred costs associated with the management of the Future Fund as reported in the audited financial statements.

The Fund's direct costs over the last three years are in the table on the next page. This includes the direct cost ratio (direct costs divided by the average net assets for the financial year).

Changes in costs over the years reflect changes in the size of the Future Fund, investment activity undertaken during the year, and the accrual and payment of performance fees.

Look-through costs

In addition to direct costs, investment management and performance fee costs incurred indirectly through investment vehicles, or where the fund is part of a co-mingled group of funds, are reported as look-through costs.

The look-through costs are identified by making additional enquiries of managers of non-consolidated investment vehicles to estimate the underlying management and performance fees of these entities.

In providing this additional information, we seek to provide a full and complete indication of investment management and performance fee costs.

We note that these additional cost disclosures are based on unaudited estimates and derived using a variety of methodologies, particularly regarding performance fees that may become payable.

We employ a range of performance fee arrangements, which incorporate the use of high-water marks and claw-back provisions, to ensure as far as possible that performance fees reflect genuine outperformance over time.

It is important to note that most accrued performance fees are only paid on realisation of an investment, and therefore it is possible not all accrued fees will ultimately be paid.

The additional look-through costs over the last three years are shown below.

Summary of direct costs and direct cost ratio

	2021–22	2022–23	2023–24
Direct costs	$447.99 million	$545.04 million	$715.98 million
Direct cost ratio	0.224%	0.273%	0.335%

Summary of look-through costs

	2021–22	2022–23	2023–24
Look-through costs	1.01%	0.74%	1.03%

Increased direct costs for the Future Fund in 2023–24 reflect the Fund's stronger annual performance for the period (9.1% per annum versus 6.0% per annum in 2022–23) and growth in the size of the Fund of $18.8 billion, resulting in increased management, transaction and operational costs. Increased indirect costs, or look-through costs, also reflect the growth and stronger performance of the Fund for the year, resulting in an increase in performance fees.

Cost disclosures under section 81 of the *Future Fund Act 2006*

Under its statutory arrangements, the Board also reports costs in accordance with section 81 of the *Future Fund Act 2006*.

Purpose	Amount debited 2021–22	Amount debited 2022–23	Amount debited 2023–24
Contracts with investment managers	$301,737,000	$289,556,000	$361,688,000
Board remuneration and allowances	$978,000	$1,019,000	$944,000
Agency remuneration and allowances	$65,365,000	$71,459,000	$88,049,000
Consultants and advisers to the Board and Agency	$23,779,897	$25,579,229	$20,955,896
Agency and portfolio operations	$104,525,103	$124,682,771	$145,378,104

Note(s):

All costs reported under section 81 of the *Future Fund Act 2006* are reported on a cash basis, whereas the direct costs in the above table include accruals.

MEDICAL RESEARCH FUTURE FUND

Interpreting the Investment Mandate

The Medical Research Future Fund's Investment Mandate was issued to the Board by the responsible Ministers in November 2015 and is available on our website.

The Mandate asks the Board to generate a return of 1.5% to 2.0% per annum above the Reserve Bank of Australia's official cash rate over the long term, while taking acceptable but not excessive risk.

The Board must also determine a maximum annual distribution amount, taking account of:

- The principle that the nominal value of the credits to the Fund be preserved over the long term
- The principle of moderating the volatility of the maximum annual distribution.

The Board is required to conduct itself in a manner that:

- Is consistent with international best practice for institutional investment
- Minimises the impact on the Australian financial markets
- Is unlikely to cause a diminution of the Australian Government's reputation in financial markets.

In managing the Fund's risk and return requirements and our role in declaring maximum annual distribution amounts, we try to:

- Ensure a high probability of achieving the minimum benchmark return over rolling 10-year periods
- Control the risk of losses, with a particular focus on expected downside outcomes over rolling three-year periods, so as to help preserve the nominal value of contributions over the long term
- Determine a combined level of investment risk and an approach to distributions that facilitates relative predictability in distributions.

At times, there may be a conflict between these competing objectives because of the so-called 'endowment trilemma', whereby:

- Higher expected returns and distributions tend to increase the risk of losses
- For a given distribution policy, increased investment risk increases the volatility of distributions
- Adjusting the distribution policy for a given investment strategy can either decrease the volatility of distributions or the risk that capital is impaired over time, but not at the same time.

We have established investment frameworks that guide how we resolve these trade-offs.

Risk positioning

Based on its interpretation of the Mandate, the Board has on average, a moderate appetite for risk in the Medical Research Future Fund.

In accordance with our investment process, we also aim to build a portfolio with a relatively high degree of resilience to the investment environment. We seek genuine diversification that achieves balance in portfolio construction while allocating risk in a flexible and dynamic manner.

One of the primary metrics we use to understand and manage the broad market risk exposure of the Medical Research Future Fund is EEE.

EEE estimates the 'look-through' sensitivity of the portfolio to price movements in global equity markets.

Our expected EEE range for the Medical Research Future Fund is 27 to 34.

At 30 June 2024, the EEE stood at 32, which is close to the middle of the range.

Currency

We explicitly manage the size and composition of the foreign currency exposures in the portfolio rather than allowing them to be shaped by our underlying investments.

At 30 June 2024, we held an exposure to foreign developed market currencies equivalent to 13% of the total Medical Research Future Fund.

We expect our basket of developed market currencies to diversify the portfolio against broad market risk and generate liquidity in adverse conditions.

We also held an exposure of 3% of the Fund to emerging market currencies at 30 June 2024.

We expect a diversified exposure to emerging market currencies to deliver a modest excess return through some combination of gradual (but incremental) real effective exchange rate appreciation, and/or positive real interest rate differentials relative to the Australian dollar.

Performance

Investment returns at 30 June 2024 are shown below, together with the target benchmark returns set by the Investment Mandate.

At 30 June 2024, the Medical Research Future Fund was valued at $23.1 billion.

Medical Research Future Fund returns, target benchmarks and levels of risk at 30 June 2024

Period to 30 June 2024	Return (% pa)	Target return[1] (% pa)	Volatility[2] (%)	Sharpe ratio[3]
Since inception (22 September 2015)	4.7	3.1	2.9	1.0
Seven years	4.8	3.1	3.2	1.0
Five years	4.7	3.1	3.5	0.9
Three years	4.2	4.0	3.0	0.6
2023–24 financial year	8.4	5.8	3.0	1.4

Note(s):

1. RBA cash rate + 1.5% to 2.0% per annum over the long term, with an acceptable but not excessive level of risk.
2. Volatility is an industry measure showing the level of realised volatility in the portfolio.
3. Sharpe ratio is a measure of the risk-adjusted return.

Portfolio exposures

Asset allocation as at 30 June 2024

Asset class	$m	% of Fund
Australian equities	1,069	4.6
Global equities		
Developed markets	2,213	9.6
Emerging markets	690	3.0
Private equity	1,003	4.3
Property	825	3.6
Infrastructure and Timberland	1,145	5.0
Credit	3,313	14.3
Alternatives	2,814	12.2
Cash	10,107	43.4
Total	**23,087**	**100.0**

Asset class exposures at 30 June 2024

Listed equities

Sector	Exposure (%)
Energy	5
Materials	9
Industrials	9
Consumer discretionary	10
Consumer staples	5
Healthcare	9
Real estate	2
Financials	22
Information technology	21
Communication services	7
Utilities	2

Private equity

Strategy	Exposure (%)
Buyout	70
Distressed	1
Venture and growth	29

Property

Sector	Exposure (%)
Retail	6
Office	8
Industrial	43
Residential	18
Seniors living	1
Diversified	17
Healthcare	3
Hospitality	3

Infrastructure and Timberland

Sector	Exposure (%)
Airports	9
Communications	59
Electricity, oil and gas	21
Transport	8
Water	3

Credit

Strategy	Exposure (%)
Private debt	22
Investment-grade corporate	19
Sub-investment-grade corporate	21
Mortgage-backed securities	9
Other securitised	13
Emerging markets debt	8
Cash and other	8

Alternatives

Strategy	Exposure (%)
Diversifying	16
High beta	2
Low beta – directional	9
Low beta – relative value	66
Reinsurance	7

Asset class exposures by geography at 30 June 2024

Region	Listed equities (%)	Private equity (%)	Property (%)	Infrastructure and Timberland (%)	Credit (%)	Alternatives (%)
Australia	27	7	4	55	9	2
United States of America	41	65	51	25	50	56
Europe (ex-UK)	8	12	25	12	24	14
United Kingdom	2	7	10	3	3	3
Japan	3	1	3	1	0	5
Developed (other)	2	2	2	3	3	7
Emerging	17	6	5	1	11	13

Physical investments by geography at 30 June 2024

Region	Total exposure (%)
Australia	44
United States of America	30
Europe (ex-UK)	9
United Kingdom	2
Japan	4
Developed (other)	4
Emerging	7

MRFF Costs

Cost management

Our use of external investment managers, together with our commitment to a broadly diversified portfolio and breadth of investment classes, means that over time, our costs will generally be higher than those investors with less complex portfolios.

The commitment to genuine diversification is an important facet of our investment strategy and was beneficial to the Fund's overall performance in delivering strong returns, net of costs, while reducing volatility.

We are therefore more willing to pay higher fees where significant value is added over broad market exposure (such as private equity), or for exposures that are truly diversifying (such as hedge funds).

We continue to closely monitor costs in the asset classes in which we invest, reviewing the expected returns and costs of implementing the investment strategy on an ongoing basis.

In negotiating terms, we focus on securing arrangements that offer value-for-money for the skills and resources that are applied, that are competitive relative to other managers in the sector, and that provide for strong alignment between managers and our organisation.

Every decision we make in relation to the portfolio is considered having regard to the returns and risks, net of all costs. Equally, all returns we report are always net of all costs.

Direct costs

Direct costs reflect all directly incurred costs associated with the management of the MRFF.

The Fund's direct costs over the last three years are shown in the table on the next page. This includes the direct cost ratio (direct costs divided by the average net assets for the financial year).

Changes in costs over the years reflect changes in the size of the MRFF, investment activity undertaken during the year, and the accrual and payment of performance fees.

Changes in costs over the years reflect changes in the size of the Medical Research Future Fund, investment activity undertaken during the year, and the accrual and payment of performance fees.

Look-through costs

In addition to direct costs, investment management and performance fee costs incurred indirectly through investment vehicles or where the fund is part of a co-mingled group of funds, are reported as look-through costs.

The look-through costs are identified by making additional enquiries of managers of non-consolidated investment vehicles to estimate the underlying management and performance fees of these entities.

In providing this additional information, we seek to provide a full and complete indication of investment management and performance fee costs.

We note that these additional cost disclosures are based on unaudited estimates and derived using a variety of methodologies, particularly regarding performance fees that may become payable.

We employ a range of performance fee arrangements, which incorporate the use of high-water marks and claw-back provisions, to ensure as far as possible that performance fees reflect genuine outperformance over time.

It is important to note that most accrued performance fees are only paid on realisation of an investment, and therefore it is possible not all accrued fees will ultimately be paid.

The additional look-through costs over the last three years are shown in the following tables.

Summary of direct costs and direct cost ratio

	2021–22	2022–23	2023–24
Direct costs	$41.7 million	$48.0 million	$67.4 million
Direct cost ratio	0.189%	0.222%	0.301%

Summary of look-through costs

	2021–22	2022–23	2023–24
Look-through costs	1.77%	1.19%	1.46%

Increased direct costs for the MRFF in 2023–24 reflect the Fund's stronger annual performance for the period (8.4% per annum versus 4.4% per annum in 2022–23) and growth in the size of the Fund of $1.2 billion, resulting in increased management, transaction and operational costs. Increased indirect costs, or look-through costs, also reflect the growth and stronger performance of the Fund for the year, resulting in an increase in performance fees.

Cost disclosures under section 81 of the *Future Fund Act 2006*

Under its statutory arrangements, the Board also reports costs in accordance with section 81 of the *Future Fund Act 2006*.

Purpose	Amount debited 2021–22	Amount debited 2022–23	Amount debited 2023–24
Contracts with investment managers	$34,912,595	$48,306,168	$54,054,443
Board remuneration and allowances	–	–	–
Agency remuneration and allowances	–	–	–
Consultants and advisers to the Board and Agency	–	–	–
Agency and portfolio operations	$7,282,465	$7,154,263	$7,308,508

Note(s):

All costs reported under section 81 of the *Future Fund Act 2006* are reported on a cash basis, whereas the direct costs in the above table include accruals.

ABORIGINAL AND TORRES STRAIT ISLANDER LAND AND SEA FUTURE FUND

Interpreting the Investment Mandate

The ATSILS Fund's Investment Mandate was issued to the Board by the responsible Ministers in March 2019 and is available on our website.

Following its establishment, the ATSILS Fund was in an initial transition phase while the Board developed a long-term investment strategy which was achieved through a co-mingled arrangement with the MRFF. Measurement of performance against the Investment Mandate commenced on 1 October 2019.

The Investment Mandate requires the Board to target an average return, net of costs, of at least the CPI + 2.0% to 3.0% per annum over the long term, while taking an acceptable but not excessive level of risk.

In determining an acceptable but not excessive level of risk for the ATSILS Fund, the Board notes that in the Mandate the Government acknowledges that targeting the long-term benchmark return implies accepting the risk of capital losses in adverse markets, which may be 15% to 20% of the portfolio over a three-year period.

The Board has interpreted this statement as including the effect of the annual payments.

The Mandate also notes that the Board must have regard to its obligations under section 17 of the Act to take all reasonable steps to ensure that the balance of the ATSILS Fund Special Account is sufficient to cover debits of amounts as set up under the ATSILS Fund Act.

The Board is also required to conduct itself in a manner that:

- Is consistent with international best practice for institutional investment
- Minimises the impact on Australian financial markets
- Is unlikely to cause a diminution of the Australian Government's reputation in financial markets.

Risk positioning

Our expected EEE range for the ATSILS Fund is 36 to 45.

At 30 June 2024, the EEE stood at 41, which is towards the middle of the range.

In accordance with our investment process, we aim to build a portfolio with a relatively high degree of resilience to the investment environment.

We seek genuine diversification that achieves balance in portfolio construction while allocating risk in a flexible and dynamic manner.

Currency

We explicitly manage the size and composition of the foreign currency exposures in the portfolio rather than allowing them to be shaped by our underlying investments.

At 30 June 2024, we held an exposure to foreign developed market currencies equivalent to 17% of the total ATSILS Fund. We expect our basket of developed market currencies to diversify the portfolio against broad market risk and generate liquidity in adverse conditions.

We also held an exposure of 4% of the ATSILS Fund to emerging market currencies at 30 June 2024.

We expect a diversified exposure to emerging market currencies to deliver a modest excess return through some combination of gradual real effective exchange rate appreciation and/or positive real interest rate differentials, relative to the Australian dollar.

Given that we expect its performance to be uncorrelated with broad market risk over the long term, we consider our basket of emerging market currencies to be an attractive risk-adjusted exposure at the portfolio level.

Performance

Measurement of performance against the Investment Mandate commenced on 1 October 2019.

At 30 June 2024, the ATSILS Fund was valued at $2.3 billion.

ATSILS Fund returns, target benchmarks and levels of risk at 30 June 2024

Period to 30 June 2024	Return (% pa)	Target return[1] (% pa)	Volatility[2] (%)	Sharpe ratio[3]
From inception[4] (1 October 2019)	5.4	5.9	4.6	0.8
Three years	4.5	7.3	3.8	0.5
2023–24 financial year	9.4	5.8	3.8	1.3

Note(s):

1. CPI + 2.0% to 3.0% per annum over the long term, with acceptable but not excessive level of risk. It should be noted that, given the Fund's recent establishment, a long-term assessment of performance cannot yet be made.
2. Volatility is an industry measure showing the level of realised volatility in the portfolio.
3. Sharpe ratio is a measure of the risk-adjusted return.
4. Prior to inception the ATSILS Fund was in an initial transition period from 1 February to 30 September 2019 with a return of 1.3% against a target return of 1.1%.

Portfolio exposures

Asset allocation at 30 June 2024[1]

Asset class	$m	% of Fund
Australian equities	135	6.0
Global equities		
Developed markets	280	12.3
Emerging markets	87	3.8
Private equity	127	5.6
Property	104	4.6
Infrastructure and Timberland	145	6.4
Credit	400	17.6
Alternatives	356	15.7
Cash	637	28.1
Total	**2,271**	**100.0**

Note(s):

1. Exposures on a look-through basis.

Asset class exposures at 30 June 2024[1]

Listed equities

Sector	Exposure (%)
Energy	5
Materials	9
Industrials	9
Consumer discretionary	10
Consumer staples	5
Healthcare	9
Real estate	2
Financials	22
Information technology	21
Communication services	7
Utilities	2

Private equity

Strategy	Exposure (%)
Buyout	70
Distressed	1
Venture and growth	29

Property

Sector	Exposure (%)
Retail	6
Office	8
Industrial	43
Residential	18
Seniors living	1
Diversified	17
Healthcare	3
Hospitality	3

Infrastructure and Timberland

Sector	Exposure (%)
Airports	9
Communications	59
Electricity, oil and gas	21
Transport	8
Water	3

Credit

Strategy	Exposure (%)
Private debt	22
Investment-grade corporate	19
Sub-investment-grade corporate	21
Mortgage-backed securities	9
Other securitised	13
Emerging markets debt	8
Cash and other	8

Alternatives

Strategy	Exposure (%)
Diversifying	16
High beta	2
Low beta – directional	9
Low beta – relative value	66
Reinsurance	7

Note(s)

1. Exposures on a look-through basis.

Asset class exposures by geography at 30 June 2024

Region	Listed equities (%)	Private equity (%)	Property (%)	Infrastructure and Timberland (%)	Credit (%)	Alternatives (%)
Australia	27	7	4	55	9	2
United States of America	41	65	51	25	50	56
Europe (ex-UK)	8	12	25	12	24	14
United Kingdom	2	7	10	3	3	3
Japan	3	1	3	1	0	5
Developed (other)	2	2	2	3	3	7
Emerging	17	6	5	1	11	13

Physical investments by geography at 30 June 2024

Region	Total exposure (%)
Australia	29
United States of America	39
Europe (ex-UK)	12
United Kingdom	3
Japan	5
Developed (other)	4
Emerging	9

ATSILS Fund costs

Cost management

We closely monitor costs in the asset classes in which we invest and review the expected returns and costs of implementing the investment strategy on an ongoing basis.

In negotiating fee arrangements, we focus on securing arrangements that offer value-for-money for the skills and resources that are applied, that are competitive relative to other managers in the sector, and that provide for strong alignment between managers and our organisation.

All returns reported are net of costs.

Direct costs

Direct costs reflect all directly incurred costs associated with the management of the ATSILS Fund.

The Fund's direct costs over the last three years are shown in the table below. This includes the direct cost ratio (direct costs divided by the average net assets for the financial year).

Summary of direct costs and direct cost ratio

	2021–22	2022–23	2023–24
Direct costs	$4.6 million	$0.8 million	$0.8 million
Direct cost ratio	0.212%	0.037%	0.037%

Cost disclosures under section 81 of the *Future Fund Act 2006*

Under its statutory arrangements, the Board also reports costs in accordance with section 81 of the *Future Fund Act 2006*.

Purpose	Amount debited 2021–22	Amount debited 2022–23	Amount debited 2023–24
Contracts with investment managers	$3,664,528	$4,012,965	$204,141
Board remuneration and allowances	–	–	–
Agency remuneration and allowances	–	–	–
Consultants and advisers to the Board and Agency	–	–	–
Agency and portfolio operations	$651,030	$635,010	$649,721

Note(s):

All costs reported under section 81 of the *Future Fund Act 2006* are reported on a cash basis, whereas the direct costs in the above table include accruals.

FUTURE DROUGHT FUND

Interpreting the Investment Mandate

The Future Drought Fund's Investment Mandate was issued to the Board by the responsible Ministers in December 2019 and is available on our website.

The Fund was established with a capital contribution of $4.0 billion, transferred from the Building Australia Fund.

Following its establishment, the Future Drought Fund was in an initial transition phase while the Board developed a long-term investment strategy, which was achieved through a co-mingled arrangement with the MRFF. Measurement of the performance against the Investment Mandate commenced on 1 April 2020.

The Mandate requires the Board to target an average return, net of costs, of at least the CPI + 2.0% to 3.0% per annum over the long term, while taking an acceptable but not excessive level of risk.

In constructing the portfolio, the Mandate notes that the Board must have regard to its obligations under section 18 of the Act to take all reasonable steps to ensure that the balance of the Future Drought Fund Special Account is sufficient to cover debits of amounts for the purposes specified in the Act.

The Board is also required to conduct itself in a manner that:

- Is consistent with international best practice for institutional investment
- Minimises the impact on Australian financial markets
- Is unlikely to cause a diminution of the Australian Government's reputation in financial markets.

Risk positioning

The Board manages the structural risk exposure of the Future Drought Fund such that there is a relatively high probability of exceeding the benchmark return on a prospective basis over the long term (noting the high level of uncertainty associated with any return forecast).

Our expected EEE range for the Future Drought Fund is 36 to 45.

At 30 June 2024, the EEE stood at 41, which is towards the middle of the range.

In accordance with our investment process, we aim to build a portfolio with a relatively high degree of resilience to the investment environment.

We seek genuine diversification that achieves balance in portfolio construction, while allocating risk in a flexible and dynamic manner.

Currency

We explicitly manage the size and composition of the foreign currency exposures in the portfolio, rather than allowing them to be shaped by our underlying investments.

At 30 June 2024, we held an exposure to foreign developed market currencies equivalent to 17% of the total Future Drought Fund. We expect our basket of developed market currencies to diversify the portfolio against broad market risk and generate liquidity in adverse conditions.

We also held an exposure of 4% of the Future Drought Fund to emerging market currencies at 30 June 2024.

We expect a diversified exposure to emerging market currencies to deliver a modest excess return through some combination of gradual real effective exchange rate appreciation and/or positive real interest rate differentials relative to the Australian dollar.

Given that we expect its performance to be uncorrelated with broad market risk over the long term, we consider our basket of emerging market currencies to be an attractive risk-adjusted exposure at portfolio level.

Performance

Measurement of performance against the Investment Mandate commenced on 1 April 2020.

At 30 June 2024, the Fund was valued at $4.9 billion.

Future Drought Fund returns, target benchmarks and levels of risk at 30 June 2024

Period to 30 June 2024	Return (% pa)	Target return[1] (% pa)	Volatility[2] (%)	Sharpe ratio[3]
From inception[4] (1 April 2020)	7.3	6.2	3.6	1.6
Three years	4.5	7.3	3.8	0.6
2023–24 financial year	9.4	5.8	3.8	1.4

Note(s):

1. CPI + 2.0% to 3.0% per annum over the long term, with acceptable but not excessive level of risk. It should be noted that, given the Fund's recent establishment, a long-term assessment of performance cannot yet be made.
2. Volatility is an industry measure showing the level of realised volatility in the portfolio.
3. Sharpe ratio is a measure of the risk-adjusted return.
4. Prior to inception the Future Drought Fund was in an initial transition period from 1 September 2019 to 31 March 2020 with a return of 0.7% against a target return of 0.6%.

Portfolio exposures

Asset allocation at 30 June 2024[1]

Asset class	$m	% of Fund
Australian equities	294	6.0
Global equities		
Developed markets	608	12.4
Emerging markets	190	3.9
Private equity	276	5.6
Property	227	4.6
Infrastructure and Timberland	315	6.4
Credit	871	17.7
Alternatives	774	15.7
Cash	1,370	27.8
Total	**4,924**	**100.0**

Note(s):

1. Exposures on a look-through basis.

Asset class exposures at 30 June 2024[1]

Listed equities

Sector	Exposure (%)
Energy	5
Materials	9
Industrials	9
Consumer discretionary	10
Consumer staples	5
Healthcare	9
Real estate	2
Financials	22
Information technology	21
Communication services	7
Utilities	2

Private equity

Strategy	Exposure (%)
Buyout	70
Distressed	1
Venture and growth	29

Property

Sector	Exposure (%)
Retail	6
Office	8
Industrial	43
Residential	18
Seniors living	1
Diversified	17
Healthcare	3
Hospitality	3

Infrastructure and Timberland

Sector	Exposure (%)
Airports	9
Communications	59
Electricity, oil and gas	21
Transport	8
Water	3

Credit

Strategy	Exposure (%)
Private debt	22
Investment-grade corporate	19
Sub-investment-grade corporate	21
Mortgage-backed securities	9
Other securitised	13
Emerging markets debt	8
Cash and other	8

Alternatives

Strategy	Exposure (%)
Diversifying	16
High beta	2
Low beta – directional	9
Low beta – relative value	66
Reinsurance	7

Note(s)

1. Exposures on a look-through basis.

Asset class exposures by geography at 30 June 2024

Region	Listed equities (%)	Private equity (%)	Property (%)	Infrastructure and Timberland (%)	Credit (%)	Alternatives (%)
Australia	27	7	4	55	9	2
United States of America	41	65	51	25	50	56
Europe (ex-UK)	8	12	25	12	24	14
United Kingdom	2	7	10	3	3	3
Japan	3	1	3	1	0	5
Developed (other)	2	2	2	3	3	7
Emerging	17	6	5	1	11	13

Physical investments by geography at 30 June 2024

Region	Total exposure (%)
Australia	29
United States of America	39
Europe (ex-UK)	12
United Kingdom	3
Japan	5
Developed (other)	4
Emerging	9

Future Drought Fund costs

Cost management

We closely monitor costs in the asset classes in which we invest and review the expected returns and costs of implementing the investment strategy on an ongoing basis.

In negotiating fee arrangements, we focus on securing arrangements that offer value-for-money for skill and resources that are applied, that are competitive relative to other managers in the sector, and that provide for strong alignment between managers and our organisation.

All returns reported are net of costs.

Direct costs

Direct costs reflect all directly incurred costs associated with the management of the Future Drought Fund.

The Fund's direct costs over the last three years are shown in the table below. This includes the direct cost ratio (direct costs divided by the average net assets for the financial year).

Summary of direct costs and direct cost ratio

	2021–22	2022–23	2023–24
Direct costs	$9.7 million	$1.5 million	$1.7 million
Direct cost ratio	0.211%	0.034%	0.036%

Cost disclosures under section 81 of the *Future Fund Act 2006*

Under its statutory arrangements, the Board also reports costs in accordance with section 81 of the *Future Fund Act 2006*.

Purpose	Amount debited 2021–22	Amount debited 2022–23	Amount debited 2023–24
Contracts with investment managers	$7,693,842	$8,459,906	$334,006
Board remuneration and allowances	–	–	–
Agency remuneration and allowances	–	–	–
Consultants and advisers to the Board and Agency	–	–	–
Agency and portfolio operations	$1,398,723	$1,376,377	$1,412,293

Note(s):

All costs reported under section 81 of the *Future Fund Act 2006* are reported on a cash basis, whereas the direct costs in the above table include accruals.

DISASTER READY FUND

Interpreting the Investment Mandate

The Disaster Ready Fund was previously called the Emergency Response Fund. Its Investment Mandate was issued to the Board by the responsible Ministers in February 2020 and is available on our website.

The Fund was established with a capital contribution of $4.0 billion, transferred from the Education Investment Fund (EIF). The EIF was a successor to the Higher Education Endowment Fund.

Following its establishment, the Disaster Ready Fund was in an initial transition phase while the Board developed a long-term investment strategy, which was achieved through a co-mingled arrangement with the MRFF. Measurement of performance against the Investment Mandate commenced on 1 April 2020.

The Mandate requires the Board to target an average return, net of costs, of at least the CPI + 2.0% to 3.0% per annum over the long term, while taking an acceptable but not excessive level of risk.

In constructing the portfolio, the Mandate notes that the Board must have regard to its obligations under section 17 of the Act to take all reasonable steps to ensure that the balance of the Disaster Ready Fund Special Account is sufficient to cover debits of amounts for the purposes specified in the Act.

The Board is also required to conduct itself in a manner that:

- Is consistent with international best practice for institutional investment
- Minimises the impact on Australian financial markets
- Is unlikely to cause a diminution of the Australian Government's reputation in financial markets.

Risk positioning

The Board manages the structural risk exposure of the Disaster Ready Fund such that there is a relatively high probability of exceeding the benchmark return on a prospective basis over the long term (noting the high level of uncertainty associated with any return forecast).

Our expected EEE range for the Disaster Ready Fund is 36 to 45.

At 30 June 2024, the EEE stood at 41, which is towards the middle of the range.

In accordance with our investment process, we aim to build a portfolio with a relatively high degree of resilience to the investment environment.

We seek genuine diversification that achieves greater balance in portfolio construction, while allocating risk in a flexible and dynamic manner.

Currency

We explicitly manage the size and composition of the foreign currency exposures in the portfolio rather than allowing them to be shaped by our underlying investments.

At 30 June 2024, we held an exposure to foreign developed market currencies equivalent to 17% of the total Disaster Ready Fund. We expect our basket of developed market currencies to diversify the portfolio against broad market risk and generate liquidity in adverse conditions.

We also held an exposure of 4% of the Fund to emerging market currencies at 30 June 2024.

Performance

Measurement of performance against the Investment Mandate commenced on 1 April 2020.

At 30 June 2024, the Fund was valued at $4.7 billion.

Disaster Ready Fund returns, target benchmarks and levels of risk at 30 June 2024

Period to 30 June 2024	Return (% pa)	Target return[1] (% pa)	Volatility[2] (%)	Sharpe ratio[3]
From inception[4] (1 April 2020)	7.3	6.2	3.6	1.6
Three years	4.6	7.3	3.8	0.6
2023–24 financial year	9.4	5.8	3.8	1.4

Note(s):
1. CPI + 2.0% to 3.0% per annum over the long term, with acceptable but not excessive level of risk. It should be noted that, given the Fund's recent establishment, a long-term assessment of performance cannot yet be made.
2. Volatility is an industry measure showing the level of realised volatility in the portfolio.
3. Sharpe ratio is a measure of the risk-adjusted return.
4. Prior to inception the Disaster Ready Fund was in an initial transition period from 12 December 2019 to 31 March 2020 with a return of 0.4% against a target return of 0.3%.

Portfolio exposures

Asset allocation at 30 June 2024[1]

Asset class	$m	% of Fund
Australian equities	277	5.9
Global equities		
Developed markets	572	12.3
Emerging markets	178	3.8
Private equity	259	5.6
Property	213	4.6
Infrastructure and Timberland	296	6.4
Credit	820	17.6
Alternatives	728	15.6
Cash	1,310	28.1
Total	**4,653**	**100.0**

Note(s):
1. Exposures on a look-through basis.

Asset class exposures at 30 June 2024[1]

Listed equities

Sector	Exposure (%)
Energy	5
Materials	9
Industrials	9
Consumer discretionary	10
Consumer staples	5
Healthcare	9
Real estate	2
Financials	22
Information technology	21
Communication services	7
Utilities	2

Private equity

Strategy	Exposure (%)
Buyout	70
Distressed	1
Venture and growth	29

Property

Sector	Exposure (%)
Retail	6
Office	8
Industrial	43
Residential	18
Seniors living	1
Diversified	17
Healthcare	3
Hospitality	3

Infrastructure and Timberland

Sector	Exposure (%)
Airports	9
Communications	59
Electricity, oil and gas	21
Transport	8
Water	3

Credit

Strategy	Exposure (%)
Private debt	22
Investment-grade corporate	19
Sub-investment-grade corporate	21
Mortgage-backed securities	9
Other securitised	13
Emerging markets debt	8
Cash and other	8

Alternatives

Strategy	Exposure (%)
Diversifying	16
High beta	2
Low beta – directional	9
Low beta – relative value	66
Reinsurance	7

Note(s)

1. Exposures on a look-through basis.

Asset class exposures by geography at 30 June 2024

Region	Listed equities (%)	Private equity (%)	Property (%)	Infrastructure and Timberland (%)	Credit (%)	Alternatives (%)
Australia	27	7	4	55	9	2
United States of America	41	65	51	25	50	56
Europe (ex-UK)	8	12	25	12	24	14
United Kingdom	2	7	10	3	3	3
Japan	3	1	3	1	0	5
Developed (other)	2	2	2	3	3	7
Emerging	17	6	5	1	11	13

Physical investments by geography at 30 June 2024

Region	Total exposure (%)
Australia	29
United States of America	39
Europe (ex-UK)	12
United Kingdom	3
Japan	5
Developed (other)	4
Emerging	9

Disaster Ready Fund costs

Cost management

We closely monitor costs in the asset classes in which we invest and review the expected returns and costs of implementing the investment strategy on an ongoing basis.

In negotiating fee arrangements, we focus on securing arrangements that offer value-for-money for the skills and resources that are applied, that are competitive relative to other managers in the sector, and that provide for strong alignment between managers and our organisation.

All returns reported are net of costs.

Direct costs

Direct costs reflect all directly incurred costs associated with the management of the Disaster Ready Fund.

The Fund's direct costs over the last three years are shown in the table below. This includes the direct cost ratio (direct costs divided by the average net assets for the financial year).

Summary of direct costs and direct cost ratio

	2021–22	2022–23	2023–24
Direct costs	$9.9 million	$1.6 million	$1.7 million
Direct cost ratio	0.212%	0.035%	0.039%

Cost disclosures under section 81 of the *Future Fund Act 2006*

Under its statutory arrangements, the Board also reports costs in accordance with section 81 of the *Future Fund Act 2006*.

Purpose	Amount debited 2021–22	Amount debited 2022–23	Amount debited 2023–24
Contracts with investment managers	$7,698,020	$8,667,699	$713,996
Board remuneration and allowances	–	–	–
Agency remuneration and allowances	–	–	–
Consultants and advisers to the Board and Agency	–	–	–
Agency and portfolio operations	$1,424,913	$1,359,573	$1,348,727

Note(s):

All costs reported under section 81 of the *Future Fund Act 2006* are reported on a cash basis, whereas the direct costs in the above table include accruals.

HOUSING AUSTRALIA FUTURE FUND

Interpreting the Investment Mandate

The Housing Australia Future Fund's Investment Mandate was issued to the Board by the responsible Ministers in November 2023 and is available on our website.

The Fund was established with a capital contribution of $10 billion in November 2023.

Following its establishment, the HAFF was in an initial transition phase while the Board developed a long-term investment strategy, which has been achieved through a co-mingled arrangement with the MRFF.

The Investment Mandate requires the Board to target an average return, net of costs, of at least the CPI + 2.0% to 3.0% per annum over the long term.

In targeting this benchmark return, the Board must determine an acceptable but not excessive level of risk for the fund, including having regard to the plausible capital loss from investment returns over the forward three-year period.

The Board is also required to conduct itself in a manner that:

- Is consistent with international best practice for institutional investment
- Minimises the impact on Australian financial markets
- Is unlikely to cause a diminution of the Australian Government's reputation in financial markets.

Risk positioning

The Board manages the structural risk exposure of the HAFF such that there is a relatively high probability of exceeding the benchmark return on a prospective basis over the long term (noting the high level of uncertainty associated with any return forecast).

The risk exposure of the HAFF increased through the year as the Board's investment strategy was implemented.

Our expected EEE range for the HAFF is 36 to 45.

At 30 June 2024, the HAFF held a risk exposure at an EEE of 28. The final increase in risk exposure to an EEE of 41 occurred on 1 July 2024 after the financial year closed.

In accordance with our investment process, we aim to build a portfolio with a relatively high degree of resilience to the investment environment.

We seek genuine diversification that achieves greater balance in portfolio construction, while allocating risk in a flexible and dynamic manner.

Currency

We explicitly manage the size and composition of the foreign currency exposures in the portfolio rather than allowing them to be shaped by our underlying investments.

At 30 June 2024, we held an exposure to foreign developed market currencies equivalent to 11% of the total HAFF. We expect our basket of developed market currencies to diversify the portfolio against broad market risk and generate liquidity in adverse conditions.

We also held an exposure of 3% of the Fund to emerging market currencies at 30 June 2024.

We expect a diversified exposure to emerging market currencies to deliver a modest excess return through some combination of gradual real effective exchange rate appreciation and/or positive real interest rate differentials relative to the Australian dollar.

Given that we expect its performance to be uncorrelated with broad market risk over the long term, we consider our basket of emerging market currencies to be an attractive risk-adjusted exposure at portfolio level.

Performance

The HAFF was seeded with an initial capital contribution of $10 billion and was in a transition phase between 1 November 2023 and 30 June 2024 as the Board worked towards full investment of the funds.

From the conclusion of the transition phase the Investment Mandate requires the Board to target an average return, net of costs at least the CPI + 2.0% to 3.0% per annum over the long term while taking acceptable but not excessive amount of risk.

As of 30 June 2024, the HAFF was valued at $10.4 billion.

The Fund was fully invested from 1 July 2024 and reporting against the target benchmark return will commence from this date.

Housing Australia Future Fund return at 30 June 2024

Period to 30 June 2024	Return (%)
From inception (1 November 2023)	4.0

Portfolio exposures

Asset allocation at 30 June 2024[1]

Asset class	$m	% of Fund
Australian equities	407	3.9
Global equities		
Developed markets	842	8.1
Emerging markets	262	2.5
Private equity	382	3.7
Property	314	3.0
Infrastructure and Timberland	436	4.2
Credit	1,206	11.6
Alternatives	1,071	10.3
Cash	5,477	52.7
Total	**10,396**	**100.0**

Note(s)

1. Exposures on a look-through basis.

Asset class exposures at 30 June 2024[1]

Listed equities

Sector	Exposure (%)
Energy	5
Materials	9
Industrials	9
Consumer discretionary	10
Consumer staples	5
Healthcare	9
Real estate	2
Financials	22
Information technology	21
Communication services	7
Utilities	2

Private equity

Strategy	Exposure (%)
Buyout	70
Distressed	1
Venture and growth	29

Property

Sector	Exposure (%)
Retail	6
Office	8
Industrial	43
Residential	18
Seniors living	1
Diversified	17
Healthcare	3
Hospitality	3

Infrastructure and Timberland

Sector	Exposure (%)
Airports	9
Communications	59
Electricity, oil and gas	21
Transport	8
Water	3

Credit

Strategy	Exposure (%)
Private debt	22
Investment-grade corporate	19
Sub-investment-grade corporate	21
Mortgage-backed securities	9
Other securitised	13
Emerging markets debt	8
Cash and other	8

Alternatives

Strategy	Exposure (%)
Diversifying	16
High beta	2
Low beta – directional	9
Low beta – relative value	66
Reinsurance	7

Note(s)

1. Exposures on a look-through basis.

Asset class exposures by geography at 30 June 2024

Region	Listed equities (%)	Private equity (%)	Property (%)	Infrastructure and Timberland (%)	Credit (%)	Alternatives (%)
Australia	26	7	4	55	9	2
United States of America	42	65	51	25	50	56
Europe (ex-UK)	8	12	25	12	24	14
United Kingdom	2	7	10	3	3	3
Japan	5	1	3	1	0	5
Developed (other)	2	2	2	3	3	7
Emerging	16	6	5	1	11	13

Physical investments by geography at 30 June 2024

Region	Total exposure (%)
Australia	53
United States of America	26
Europe (ex-UK)	8
United Kingdom	2
Japan	3
Developed (other)	3
Emerging	6

Housing Australia Future Fund costs

Cost management

We closely monitor costs in the asset classes in which we invest and review the expected returns and costs of implementing the investment strategy on an ongoing basis.

In negotiating fee arrangements, we focus on securing arrangements that offer value-for-money for the skills and resources that are applied, that are competitive relative to other managers in the sector, and that provide for strong alignment between managers and our organisation.

All returns reported are net of costs.

Direct costs

Direct costs reflect all directly incurred costs associated with the management of the HAFF. The Fund's direct costs since inception in 2023 are shown below. This includes the direct cost ratio (direct costs divided by the average net assets for the financial year).

Summary of direct costs and direct cost ratio

	2023–24
Direct costs	$2.1 million
Direct cost ratio	0.031%

Cost disclosures under section 81 of the *Future Fund Act 2006*

Under its statutory arrangements, the Board also reports costs in accordance with section 81 of the *Future Fund Act 2006*.

Purpose	Amount debited 2023–24
Contracts with investment managers	$978,450
Board remuneration and allowances	–
Agency remuneration and allowances	–
Consultants and advisers to the Board and Agency	–
Agency operations	$518,526

Note(s):

All costs reported under section 81 of the *Future Fund Act 2006* are reported on a cash basis, whereas the direct costs in the above table include accruals.

DISABILITYCARE AUSTRALIA FUND

Interpreting the Investment Mandate

The DisabilityCare Australia Fund's (DCAF) Investment Mandate was issued to the Board by the responsible Ministers in July 2014 and is available on our website.

In summary, the Mandate:

- Benchmarks returns against the Australian three-month bank bill swap rate + 0.3% per annum, calculated on a rolling 12-month net-of-fee basis
- Requires us to invest in such a way as to minimise the probability of capital losses over a 12-month horizon
- Requires us to act in a way that:
  - is consistent with international best practice for institutional investment
  - minimises the impact on the Australian financial markets
  - is unlikely to cause a diminution of the Australian Government's reputation in financial markets
- Allows for a review of the Mandate, including the benchmark return, by the responsible Ministers in consultation with the Board.

Risk positioning

We are required to invest the assets of the Fund in such a way as to pursue the benchmark return, while minimising the probability of capital losses over a 12-month horizon.

The Government has indicated that it expects to make additional capital contributions to the DCAF, as well as withdrawals to reimburse states, territories and the Commonwealth for expenditure incurred in relation to the NDIS.

We continue to focus on maintaining additional liquidity to help manage transaction costs and the timing of cash flows as they are confirmed.

Performance

In 2023–24, the DCAF generated an investment return of 5.2%, against its benchmark target return of 4.7%.

The value of the Fund was $19.1 billion at 30 June 2024.

The DCAF has a low-risk Mandate and is invested in cash, bank deposits and high-rated corporate and securitised credit.

Looking forward, we remain confident the Fund's strategy is prudent and appropriate for the Mandate. Over time we expect the current positioning of the DCAF will deliver higher returns and be well placed to meet its Mandate, despite modestly higher volatility and lower liquidity.

Portfolio exposures

Asset class exposures at 30 June 2024

Credit

Strategy	Exposure (%)
Investment-grade corporate	18
Mortgage-backed securities	20
Other securitised	4
Cash and other	58

Physical investments by geography at 30 June 2024

Region	Total exposure (%)
Australia	77
United States of America	11
Europe (ex-UK)	5
United Kingdom	2
Japan	2
Developed (other)	3

DisabilityCare Australia Fund costs

Cost management

We continue to closely monitor costs in the asset classes in which we invest, reviewing the expected returns and costs of implementing the investment strategy on an ongoing basis.

In negotiating fee arrangements, we focus on securing arrangements that offer value-for-money for the skills and resources that are applied, that are competitive relative to other managers in the sector, and that provide for strong alignment between managers and our organisation.

All returns reported are net of costs.

Direct costs

Direct costs reflect all directly incurred costs associated with the management of the DCAF.

The DCAF's direct costs over the last three years are shown below. This includes the direct cost ratio (direct costs divided by the average net assets for the financial year).

Changes in costs over the years reflect changes in the size of the Fund and the investment activity undertaken during the year.

Summary of direct costs and direct cost ratio

	2021–22	2022–23	2023–24
Direct costs	$13.7 million	$14.5 million	$18.7 million
Direct cost ratio	0.092%	0.095%	0.110%

Cost disclosures under section 81 of the *Future Fund Act 2006*

Under its statutory arrangements, the Board also reports costs in accordance with section 81 of the *Future Fund Act 2006*.

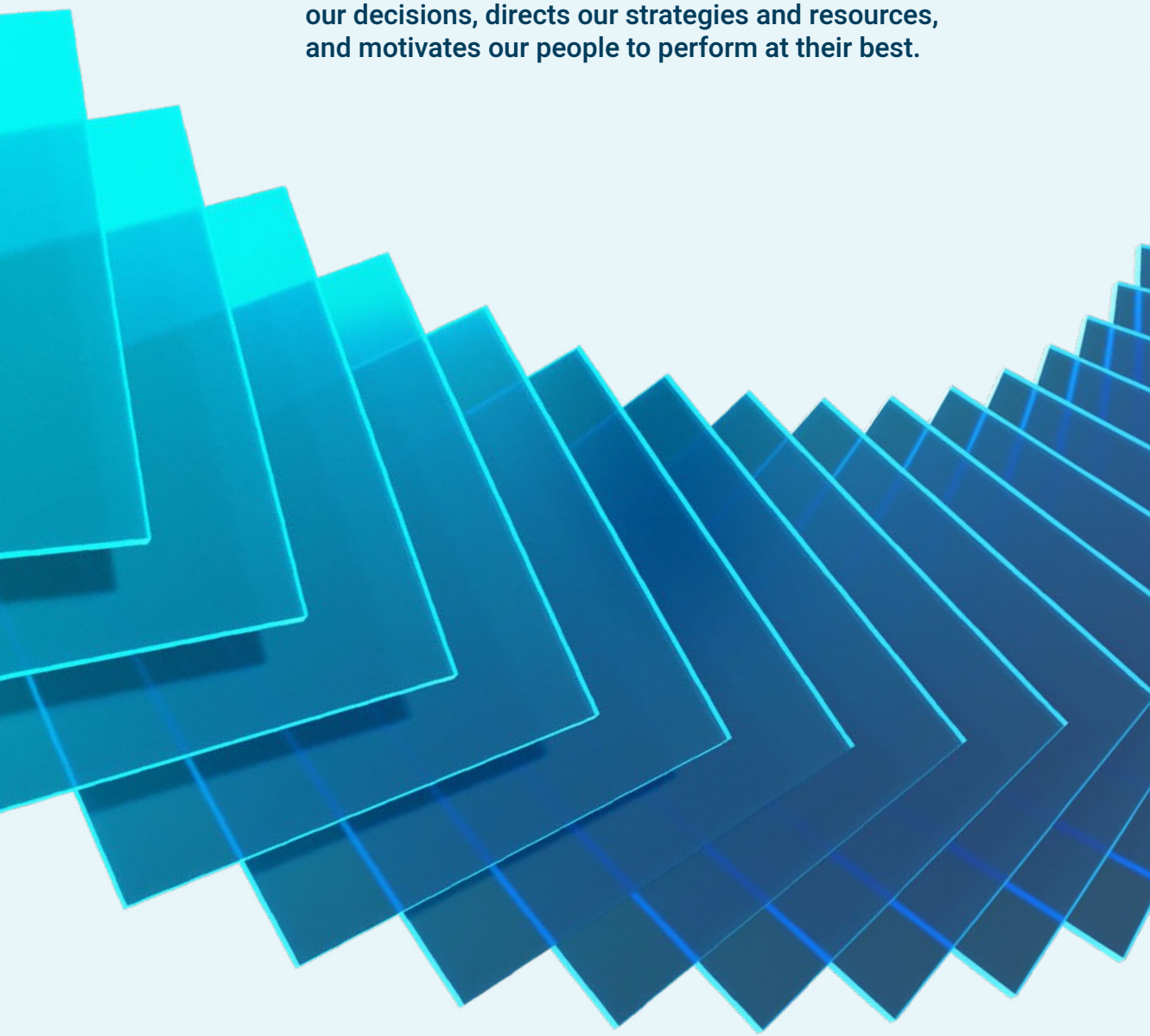
Purpose	Amount debited 2021–22	Amount debited 2022–23	Amount debited 2023–24
Contracts with investment managers	$12,235,196	$17,168,564	$17,462,362
Board remuneration and allowances	–	–	–
Agency remuneration and allowances	–	–	–
Consultants and advisers to the Board and Agency	–	–	–
Agency operations	$1,226,094	$1,153,156	$1,274,157

Note(s):

All costs reported under section 81 of the *Future Fund Act 2006* are reported on a cash basis, whereas the direct costs in the above table include accruals.

5 OUR PEOPLE AND CULTURE

The Future Fund is a purpose-driven organisation. Our purpose has been clear since our inception 18 years ago: we invest for the benefit of future generations of Australians. This purpose guides our decisions, directs our strategies and resources, and motivates our people to perform at their best.



Working at the Future Fund

The value our work adds to the funds we manage continues to strengthen the Australian Government's long-term financial position, support medical research, assist Indigenous Australians, support drought resilience and communities impacted by natural disaster, provide funding for social and affordable housing, and help fund Australia's NDIS.

Our people are high-performing, motivated and committed. They are driven to do their best work, support their colleagues, and contribute to the future success of both our organisation and the country.

Our organisation is committed to:

- An inclusive workplace that embraces individual differences
- A workplace free from discriminatory behaviours and business practices
- Equitable frameworks and policies, processes and practices that protect against potential unconscious bias
- Building a sense of psychological safety within our teams
- Responsiveness to the needs identified by our people as we engage on matters of diversity and inclusion
- Equal employment and promotion opportunities based on capability and performance
- Awareness of the different needs of employees
- Provision of flexible work practices and policies to support employees
- Attracting and retaining a diverse range of talented people.

Our values

Our values define our ways of working – the character and behaviour we embed into the way we interact and perform.

They are:

- We **focus on what matters**; everything we do is focused on achieving our purpose and we don't get side-tracked by distractions
- We always **do the right thing** by our country, our organisation and our team
- We **work together** to achieve the best outcome every time and ultimately to achieve our purpose.

The Future Fund Way

The Future Fund Way is both our shared language and a set of expectations that encapsulates our culture. Since our inception, a collection of simple, fundamentally important notions has underpinned our culture, and has formed the basis of the Future Fund Way: we engage with one another respectfully; each role in the organisation is equally as important as all others; the investment performance of the Future Fund is a common and singular goal for the whole organisation; and everyone works together collaboratively to achieve that goal.

The Future Fund Way builds on this cultural ideology and is underpinned by two foundational principles, which help ensure that we are all heading in the same direction.

The first principle is **One team, One purpose**.

This phrase pervades everything we do. It helps hone our resources and concentrates our activity on what is most valuable overall. It means our goals are aligned across teams, we work hard to avoid silos, and we never pull in different directions or work against one another.

The second principle is **Investment performance is our focus**.

This simple phrase is our north star. It is the lens through which we make our strategic, investment and operational deliberations and decisions, and it directs our collective focus and attention towards achieving our legislated mandates and our purpose.

One team,
One purpose

Investment
performance
is our focus

The Future Fund Way

There are also five keys to our culture, that collectively define and describe how we unlock our full potential. Four actions all supported by a fifth key that underpins how we behave and interact with one another:

1. Collaborate

We work together, across teams, to get things done. We share our knowledge and skills. We cannot operate to our full potential – individually or collectively – without the perspective and input from our colleagues.

2. Facilitate

We help our colleagues achieve success; their success is our success. We are encouraged to offer help proactively and to be open to receiving help.

3. Innovate

We try new things, take risks where appropriate and question when necessary. We are never satisfied with the status quo. We are prepared to do things differently. We are comfortable with failure and celebrate it as a learning opportunity.

4. Deliberate

We invest on behalf of all Australians. We welcome scrutiny and conduct ourselves in a manner that is befitting of the responsibility bestowed on us. We make decisions with this responsibility in mind so we can present them with confidence.

To deliberate means that once we've made a decision, we pause to consider whether we have factored in every reasonable angle, consequence, risk and option.

These actions are all supported by a fifth key:

5. Inclusion

We know that being truly inclusive as an organisation can give us a competitive edge. Our people are part of a culture where everyone feels welcome to speak up and to contribute – a culture that values and benefits from a diverse range of perspectives and insights that will help shape our organisation and drive superior performance over the long term.

Inclusion creates a sense of belonging and purpose, and it enhances innovation and productivity.

Investing in our people and culture

As a sophisticated global investment institution, financial returns are an important measure of our success. Equally as important is the strength and quality of our organisation and the calibre of our people.

We are intentional about cultivating a positive, constructive and engaging culture, exemplified by colleagues and leaders who respect and care about each other. One where our people challenge and support one another and where people are acknowledged and rewarded for their efforts.

The Future Fund Academy is the heart of our learning and development. It enables us to codify and teach our culture, history and values; provides a consistent, modernised onboarding platform for new starters; and delivers an array of leadership and technical skills training for our people.

The Academy helps to ensure we focus on our people's professional, personal and leadership development journeys throughout their careers with us, regardless of their backgrounds, experiences or roles.

Throughout 2023–24, the Academy has delivered a comprehensive offering across all areas of our people's development. It runs leadership development courses catering to the varied needs of emerging leaders through to experienced leaders. A focus is placed on practical skills and training to enable our leaders to guide the organisation through a changing investment landscape.

In addition, the Academy has developed bespoke investment management courses focused on our joined-up, whole-of-portfolio approach to investing. The Academy also incorporates training in our investment framework, fund manager selection, and driving decision quality. This supports our objective of keeping our people at the edge of their performance abilities to ensure we can continue to deliver on our Investment Mandates.

Meanwhile, the Academy's orientation program for new starters has become part of the organisation's fabric. This year, all people starting at the Agency, including new Members of our Board of Guardians, have undergone the same in-person induction program, which provides insights into our culture, the way we invest, and our focus on inclusion in everything we do.

There is also an emphasis on ensuring our people feel empowered to control their own development, and that they are strongly supported in that journey by their direct manager and the Academy. This includes detailed professional development planning, coaching, and access to best-in-class external learning content. Through its leadership training the Academy also offers courses to support managers in developing their direct reports.

The Academy conducted 39 professional development and learning programs during the year, including 21 new-starter orientation days, four leadership programs, three investment management programs, and 11 essential skills programs.

Talent acquisition

The labour market remains highly competitive, with many other organisations in the financial services sector competing for a limited pool of highly talented investment professionals and non-investment staff. This dynamic is heightened by current global economic and market conditions, and the uncertainty these create for organisations and people around the world.

The Agency is continuing to prudently scale up resources over a multi-year period in a way that best serves our business strategy and our Investment Mandates.

Throughout the year the ongoing employee headcount rose from 272 to 305.

Ensuring we have a well-understood point of difference has become even more important as we continue to grow and evolve. This year our People, Culture and Inclusion Team defined our organisational employee value proposition (EVP), which is summarised as: *'We are Futureminded.'*

This statement sums up who we are and how we work and think, and represents our values and the experience of working at the Future Fund.

It consists of:

- The **material offerings** of working with us, including financial remuneration, workplace flexibility, physical office space and technological support.
- The **development opportunities** we provide and encourage through speaking engagements, external professional development courses, internal promotions, Board and committee opportunities, and learning via our unique Future Fund Academy.
- The **connection and community** we provide at the organisation which includes various internal groups and external partner organisations to join and encourage a deeper sense of organisational and industry engagement and belonging.
- The **purpose** of our organisation which was set upon establishment in 2006 and has remained unchanged ever since – investing for the benefit of future generations of Australians. This purpose is often why our people join us and why they choose to stay.

Inaugural Future Investors Internship Program

To support our efforts to ensure we have a strong and diverse pipeline of exceptional talent, the Agency facilitated its inaugural Future Investors Internship Program this year.

The Program is a four-week winter internship initiative tailored for penultimate and final year undergraduate students, helping bridge the gap between academic learning and real-world practice.

The Program saw 12 outstanding interns immersed in the dynamic environment of our Investment Team. They worked closely alongside our Investment Team and other team members, learning about our culture and way of investing, and visiting one of our key infrastructure assets – the Port of Melbourne.

The interns also participated in our annual investment competition where they worked in cross-functional teams to devise an answer to the question: 'What is EEE and what would we do differently?'

EEE, or Equity Equivalent Exposure, is one of the risk measurement tools we use to help measure how much investment risk exposure is taken at the Fund level, which corresponds to how much risk the Board of Guardians thinks the Fund should take on average.

In the final week of the Future Investors Intern Program, each Future Investor presented on an individual project that they had been working on throughout their time at the Future Fund.

Flexible working

Recognising that flexibility is now one of the highest priorities for workers in Australia, the Agency operates a hybrid work policy that is based on our staff working from the office a minimum of three days per week. This enables teams to structure and plan their working weeks in ways that best suit the needs of the organisation, while still allowing room for individuals to achieve a flexibility balance where possible.

This policy also facilitates formal flexible work arrangements for staff, including leave arrangements for primary and secondary carers, and the ability for staff to purchase additional leave.

We continue to focus on learning from our experiences of enabling hybrid working to validate and shape our model to optimise flexible working going forward. This includes coaching and training for our people managers to support them in managing teams that work flexibly and understanding the workplace health and safety implications in remote working situations.

APS Census

The Employee Census is the Australian Public Service's (APS)'s annual workforce survey covering areas including general impressions, productivity and ways of working, capability and wellbeing, innovation, as well as recruitment and retention. It provides our people with the opportunity to share their views on a range of topics that impact our organisation and the way we work.

Our highlights report from the 2023 Census showed a score of 83% on the Employee Engagement Index, placing the Agency fourth out of 100 organisations across the APS on the Engagement Score.

With participation at 71%, there were positive shifts across key categories compared to 2022, particularly around wellbeing policies and support. Standout improvements this year were around supporting and promoting an inclusive culture and leadership. Inclusion, leadership and culture were areas of particular focus for the Agency over the last 12 months.

The Census provides valuable insights into work-related issues and themes at the Future Fund. These results have helped us to formulate our action plan to ensure we continually focus on creating an enriched and enabled workplace for our people.

Diversity and inclusion (D&I)

The Future Fund has a strong commitment to D&I, which has only strengthened as we continue to grow and evolve as an organisation.

Our high-performing and collaborative culture is supported and continually improved by intentional actions including:

- Recognising the value and importance of cognitive diversity and curiosity by inviting and embracing a broad range of views and encouraging greater creativity and innovation
- Facilitating healthy deliberation and more thoughtful decision-making
- Ensuring we provide our people with a work environment that inspires and challenges them to do their best work and to be themselves, and to support others in the same way
- Championing inclusive leadership practices and providing opportunities for our leaders to better understand how important and influential they are in improving the inclusiveness of our workplace
- Establishing relationships with organisations that are centred around an aspect of D&I. These organisations include Diversity Council Australia, Women in Banking and Finance, Pride in Diversity and Out Investors LGBT+ network.

Affinity Networks

The Agency has a number of Affinity Networks, many of which focus on gender diversity and the LGBT+ community. Affinity Networks are voluntary forums comprised of members from right across the organisation who collaborate on matters that align with a shared identity, purpose, or common interest. The Networks provide opportunities for our people to expand their connections, contribute and gain valuable insights, and help foster a more inclusive workplace.

The purpose of our Affinity Networks is to:

- Provide opportunities for staff to collaborate and contribute to the Agency's D&I evolution
- Facilitate the organisation's D&I-related networking events
- Provide input into the broader D&I Strategy and Action Plan
- Provide a voice for staff from under-represented groups
- Provide a platform for staff to share their individual lived experiences as they relate to our collective D&I journey.

Workplace, health and safety

The Future Fund is committed to providing a safe and healthy workplace for all staff and visitors to our offices.

We recognise that physical and mental health and safety is the shared responsibility of all employees, contractors, visitors, members and other persons involved with the organisation.

Physical safety and wellbeing

This includes guidance on reporting hazards or incidents, being familiar with emergency management protocols, and encouraging prevention techniques such as good workstation ergonomics, to provide a comfortable and injury-free work environment at the office.

Staff working remotely are provided with the technology and equipment required to enable and support them, whether at home or travelling on behalf of the organisation. Staff are required to complete a work from home self-assessment which helps ensure their at-home ergonomics are as optimal as possible.

Mental wellbeing

The Agency is committed to supporting all employees' mental health. This includes offering resources and programs to help them develop practical skills in coping with stress, including a dedicated Employee Assistance Program.

We also have a new wellbeing portal which provides access to a wide range of resources to support mental, physical and social wellbeing.

Additionally, we strive to create an environment of psychological safety where everyone feels comfortable speaking up, sharing ideas and expressing themselves without fear of judgement or reprisal. By promoting psychological safety, we encourage curiosity and innovation, accountability, learning from our mistakes, and healthy deliberation.

Upon joining our workforce, staff receive both online and in-person health, safety and wellbeing training, and annual refresher courses thereafter.

Our workforce

Our workforce at 30 June 2024 was comprised of **305** staff.

We welcomed **42** new permanent staff during 2023–24: **14** replacements for existing roles and **28** new roles.

We made **32** internal promotions and **8** internal secondments.

Headcount by business area at 30 June 2024

Investment	110
Investment and Business Operations	123
Other	72
Total	**305**

Note(s):

Other includes CEO's Office; People, Culture and Inclusion; Legal and Risk; Board Secretariat; and Corporate Affairs.

Absenteeism rate (%) over time

2021–22	1.9
2022–23	2.1
2023–24	2.1

Turnover rate (%) over time

2021–22	17.4
2022–23	11.8
2023–24	11.8

Management of human resources: reporting under the *Public Governance Performance and Accountability Act 2013* (PGPA Act)

All ongoing employees – current report period (2023–24)

	Man/Male			Woman/Female			Non-binary			Prefers not to answer			Uses a different term			Total
	Full time	Part time	**Total**	Full time	Part time	**Total**	Full time	Part time	**Total**	Full time	Part time	**Total**	Full time	Part time	**Total**	
NSW	7	0	7	11	1	12	0	0	0	0	0	0	0	0	0	19
QLD	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TAS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
VIC	128	1	129	125	3	128	0	0	0	2	0	2	0	0	0	259
WA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ACT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
NT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
External Territories	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Overseas	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	**135**	**1**	**136**	**136**	**4**	**140**	**0**	**0**	**0**	**2**	**0**	**2**	**0**	**0**	**0**	**278**

All non-ongoing employees – current report period (2023–24)

	Man/Male			Woman/Female			Non-binary			Prefers not to answer			Uses a different term			Total
	Full time	Part time	**Total**	Full time	Part time	**Total**	Full time	Part time	**Total**	Full time	Part time	**Total**	Full time	Part time	**Total**	
NSW	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
QLD	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TAS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
VIC	6	0	6	20	1	21	0	0	0	0	0	0	0	0	0	27
WA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ACT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
NT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
External Territories	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Overseas	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	**6**	**0**	**6**	**20**	**1**	**21**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**27**

All ongoing employees – previous report period (2022–23)

	Man/Male			Woman/Female			Non-binary			Prefers not to answer			Uses a different term			Total
	Full time	Part time	**Total**	Full time	Part time	**Total**	Full time	Part time	**Total**	Full time	Part time	**Total**	Full time	Part time	**Total**	
NSW	4	0	4	11	2	13	0	0	0	0	0	0	0	0	0	17
QLD	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TAS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
VIC	125	1	126	102	16	118	0	0	0	0	0	0	0	0	0	244
WA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ACT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
NT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
External Territories	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Overseas	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	**129**	**1**	**130**	**113**	**18**	**131**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**261**

All non-ongoing employees – previous report period (2022–23)

	Man/Male			Woman/Female			Non-binary			Prefers not to answer			Uses a different term			Total
	Full time	Part time	**Total**	Full time	Part time	**Total**	Full time	Part time	**Total**	Full time	Part time	**Total**	Full time	Part time	**Total**	
NSW	0	0	0	1	0	1	0	0	0	0	0	0	0	0	0	1
QLD	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TAS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
VIC	1	0	1	8	1	9	0	0	0	0	0	0	0	0	0	10
WA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ACT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
NT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
External Territories	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Overseas	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	**1**	**0**	**1**	**9**	**1**	**10**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**11**

Australian Public Service Act ongoing employees – current report period (2023–24)

	Man/Male			Woman/Female			Non-binary			Prefers not to answer			Uses a different term			Total
	Full time	Part time	Total	Full time	Part time	Total	Full time	Part time	Total	Full time	Part time	Total	Full time	Part time	Total	
SES 3	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	1
SES 2	2	0	2	0	0	0	0	0	0	0	0	0	0	0	0	2
SES 1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EL 2	28	1	29	14	0	14	0	0	0	0	0	0	0	0	0	43
EL 1	24	0	24	24	1	25	0	0	0	0	0	0	0	0	0	49
APS 6	40	0	40	40	2	42	0	0	0	1	0	1	0	0	0	83
APS 5	28	0	28	32	0	32	0	0	0	1	0	1	0	0	0	61
APS 4	12	0	12	25	1	26	0	0	0	0	0	0	0	0	0	38
APS 3	0	0	0	1	0	1	0	0	0	0	0	0	0	0	0	1
APS 2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
APS 1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	**135**	**1**	**136**	**136**	**4**	**140**	**0**	**0**	**0**	**2**	**0**	**2**	**0**	**0**	**0**	**278**

Australian Public Service Act non-ongoing employees – current report period (2023–24)

	Man/Male			Woman/Female			Non-binary			Prefers not to answer			Uses a different term			Total
	Full time	Part time	Total	Full time	Part time	Total	Full time	Part time	Total	Full time	Part time	Total	Full time	Part time	Total	
SES 3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SES 2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SES 1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EL 2	0	0	0	0	1	1	0	0	0	0	0	0	0	0	0	1
EL 1	1	0	1	1	0	1	0	0	0	0	0	0	0	0	0	2
APS 6	0	0	0	4	0	4	0	0	0	0	0	0	0	0	0	4
APS 5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
APS 4	0	0	0	8	0	8	0	0	0	0	0	0	0	0	0	8
APS 3	5	0	5	7	0	7	0	0	0	0	0	0	0	0	0	12
APS 2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
APS 1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	**6**	**0**	**6**	**20**	**1**	**21**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**27**

Australian Public Service Act ongoing employees – previous report period (2022–23)

	Man/Male			Woman/Female			Non-binary			Prefers not to answer			Uses a different term			Total
	Full time	Part time	Total	Full time	Part time	Total	Full time	Part time	Total	Full time	Part time	Total	Full time	Part time	Total	
SES 3	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	1
SES 2	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	1
SES 1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EL 2	28	0	28	14	2	16	0	0	0	0	0	0	0	0	0	44
EL 1	22	1	23	21	3	24	0	0	0	0	0	0	0	0	0	47
APS 6	38	0	38	27	5	32	0	0	0	0	0	0	0	0	0	70
APS 5	24	0	24	29	2	31	0	0	0	0	0	0	0	0	0	55
APS 4	15	0	15	20	5	25	0	0	0	0	0	0	0	0	0	40
APS 3	0	0	0	2	1	3	0	0	0	0	0	0	0	0	0	3
APS 2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
APS 1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	**129**	**1**	**130**	**113**	**18**	**131**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**261**

Australian Public Service Act non-ongoing employees – previous report period (2022–23)

	Man/Male			Woman/Female			Non-binary			Prefers not to answer			Uses a different term			Total
	Full time	Part time	Total	Full time	Part time	Total	Full time	Part time	Total	Full time	Part time	Total	Full time	Part time	Total	
SES 3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SES 2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SES 1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EL 2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EL 1	0	0	0	1	0	1	0	0	0	0	0	0	0	0	0	1
APS 6	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
APS 5	0	0	0	1	0	1	0	0	0	0	0	0	0	0	0	1
APS 4	0	0	0	6	0	6	0	0	0	0	0	0	0	0	0	6
APS 3	1	0	1	1	1	2	0	0	0	0	0	0	0	0	0	3
APS 2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
APS 1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	**1**	**0**	**1**	**9**	**1**	**10**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**11**

Australian Public Service Act employees by full-time and part-time status – current report period (2023–24)

	Ongoing			Non-ongoing			Total
	Full time	Part time	**Total**	Full time	Part time	**Total**	
SES 3	1	0	1	0	0	0	1
SES 2	2	0	2	0	0	0	2
SES 1	0	0	0	0	0	0	0
EL 2	42	1	43	0	1	1	44
EL 1	48	1	49	2	0	2	51
APS 6	81	2	83	4	0	4	87
APS 5	61	0	61	0	0	0	61
APS 4	37	1	38	8	0	8	46
APS 3	1	0	1	12	0	12	13
APS 2	0	0	0	0	0	0	0
APS 1	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
Total	**273**	**5**	**278**	**26**	**1**	**27**	**305**

Australian Public Service Act employees by full-time and part-time status – previous report period (2022–23)

	Ongoing			Non-ongoing			Total
	Full time	Part time	**Total**	Full time	Part time	**Total**	
SES 3	1	0	1	0	0	0	1
SES 2	1	0	1	0	0	0	1
SES 1	0	0	0	0	0	0	0
EL 2	42	2	44	0	0	0	44
EL 1	43	4	47	1	0	1	48
APS 6	65	5	70	0	0	0	70
APS 5	53	2	55	1	0	1	56
APS 4	35	5	40	6	0	6	46
APS 3	2	1	3	2	1	3	6
APS 2	0	0	0	0	0	0	0
APS 1	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
Total	**242**	**19**	**261**	**10**	**1**	**11**	**272**

Australian Public Service Act employment type by location – current report period (2023–24)

	Ongoing	Non-ongoing	Total
NSW	19	0	19
QLD	0	0	0
SA	0	0	0
TAS	0	0	0
VIC	259	27	286
WA	0	0	0
ACT	0	0	0
NT	0	0	0
External Territories	0	0	0
Overseas	0	0	0
Total	**278**	**27**	**305**

Australian Public Service Act employment type by location – previous report period (2022–23)

	Ongoing	Non-ongoing	Total
NSW	17	1	18
QLD	0	0	0
SA	0	0	0
TAS	0	0	0
VIC	244	10	254
WA	0	0	0
ACT	0	0	0
NT	0	0	0
External Territories	0	0	0
Overseas	0	0	0
Total	**261**	**11**	**272**

Australian Public Service Act Indigenous employment – current report period (2023–24)

	Total
Ongoing	0
Non-ongoing	0
Total	**0**

Australian Public Service Act Indigenous employment – previous report period (2022–23)

	Total
Ongoing	0
Non-ongoing	0
Total	**0**

Australian Public Service Act employment arrangements – current report period (2023–24)

	SES	Non-SES	Total
Individual employment contract	3	302	305
Total	**3**	**302**	**305**

Remuneration report

Remuneration strategy

Remuneration for all Agency staff, including members of the Agency's SLT, is consistent with the Public Sector Workplace Relations Policy 2023 (the Workplace Relations Policy) and relevant determinations of the APS Commissioner.

All employees, including SES and non-SES, operate on individual employment contracts.

While Agency remuneration arrangements are determined by the Chair, as Head and Accountable Authority of the Agency, consultation with the Board on Agency staff remuneration and reward is facilitated through the Board's Remuneration and Nominations Committee.

Fixed pay

All Agency staff members are paid fixed pay, inclusive of superannuation, commensurate with their role, classification, skills and experience. Fixed pay is set with reference to the talent markets from which the Agency sources skilled employees.

Fixed pay for non-SES staff is referenced to salary scales that were agreed upon with the Australian Public Service Commission in 2020.

In 2023–24, fixed pay salary scales were increased by 3% in July 2023 in accordance with the Agency's staff agreements and the Workplace Relations Policy, as well as to take account of the Superannuation Guarantee increase. A 4% increase was applied in March 2024 as a result of sector-wide bargaining agreements within the APS as required under the Workplace Relations Policy.

The CEO's fixed pay was increased in 2023–24 in line with increases applied to all other Agency staff.

Annual variable pay

In addition to fixed pay, ongoing staff can earn a variable pay component, which is based on both personal performance (individual performance component) and investment performance (fund performance component).

The mix of variable pay based on individual performance and variable pay based on investment performance depends on the individual's role, with investment performance a higher component of variable pay for investment staff.

All staff have some exposure to investment performance in their variable pay arrangements, which serves to focus and align all employees on the singular pursuit of the Board's mandated investment objectives.

Each element of annual variable pay is explained in the table below:

Individual performance component
Variable pay based on individual performance reflects achievement of key performance indicators (goals) set for each employee, and the extent to which each employees meets the Agency's values. Each individual's goals align to the organisation's business plan priorities.
Fund performance component
Variable pay based on fund performance reflects the performance of the Future Fund over rolling three-year periods and is determined once performance results are audited and confirmed. Fund performance over the rolling three-year period is calculated as an average of the fund performance across the three years, relative to the CPI.

Long-term variable pay

The Agency applies a long-term variable pay component for a small number of senior investment leaders as the cohort most able to influence the performance of the Future Fund and whose roles require them to take the longest view of the Fund's investment strategies and performance.

The purpose of the long-term variable pay component is to:

- Align a portion of senior investment leader pay with the long-term outperformance of the Future Fund
- Ensure that there are appropriate mechanisms in the Agency's remuneration framework to apply remuneration adjustments (including to zero), in the event of misconduct
- Defer a portion of senior investment leader remuneration over the longer term, in line with other similar financial services organisations.

The long-term variable pay component is in addition to the annual variable pay component and is measured over rolling five-year performance periods. The award is provided in cash, which is only payable at the conclusion of each performance period subject to the following performance conditions being met:

Gateway conditions before performance conditions are assessed

1. Future Fund positive absolute return (adjusted for any contributions by or distributions to the Commonwealth) over the five-year performance period.
2. An individual performance rating equivalent to 'exceeding' in the year prior to vesting.

Performance conditions to determine vesting of long-term variable pay

1. Outperformance against a reference portfolio to measure the impact of the diversity of our investment strategy.
2. Outperformance against an appropriate and externally validated Australian superannuation performance index, currently the SuperRatings 25 Conservative Balanced Index.

Each of the hurdles above is weighted at 50% of the total performance assessment.

Subject to the gateway and performance conditions being met, 50% of the award is paid after results are audited and approved and 50% is deferred and paid one year later at the conclusion of the sixth year from grant.

This allows further opportunity for any remuneration adjustments to be applied in the event of misconduct.

Awards for long-term variable pay have a notional target value of between $200,000 and $300,000 depending on the role. This can scale up on vest depending on performance condition achievement (and subject to gateway conditions being met), and is capped at an appropriate level, deferring any balance to future years when the cap is not exceeded.

Variable pay outcomes in 2023–24

It was another challenging year dominated by sustained higher inflation and interest rates, ongoing geopolitical tensions and volatility.

Notwithstanding this, the cyclical investment backdrop was generally positive over the course of the year and the Future Fund achieved a strong annual return of 9.1% per annum, adding $18.8 billion to the value of the Fund.

Over three years the Future Fund's return of 4.5% per annum has added $28.1 billion to its value.

Over the longer term, the Future Fund has achieved a strong 10-year return of 8.3% per annum against a target of 6.9% per annum, and almost $165 billion has been added to the value of the Fund since its inception.

The Fund now stands at a record $224.9 billion.

Individual performance component

The individual performance component of our variable pay structure is designed to recognise and reward achievements of goals set for each employee, as well as the extent to which they meet the Agency's values.

The Agency successfully delivered against the full-year business plan and continued repositioning the portfolio for this new higher inflation, lower returns world.

This work was recognised by the Board in its overall assessment of the Agency's performance and individual performance ratings for the year. As a result the average variable pay outcome linked to individual performance across the Agency was slightly higher than that of 2022–23.

Fund performance component

While the Future Fund performed very well in 2023–24, the construct of the fund performance component of the Agency's annual variable pay is based on a three-year rolling average of the Future Fund's performance relative to the CPI.

The 2023–24 fund performance outcome therefore incorporates this year's return of 9.1% and the previous two years of 6.0% in 2022–23 and -1.2% in 2021–22.

This means that, given higher levels of the CPI over the period and despite the strong one-year performance of the Future Fund, the three-year rolling average fund performance did not meet the minimum performance bar and as a result no fund performance component will be paid out for any staff this year. This compares with the 80.8% that was paid in 2022–23.

Total variable pay outcomes

While growth in our workforce resulting in the number of staff eligible for variable pay rose from 239 in 2022–23 to 254 in 2023–24, given the fund performance component for the 2023–24 year was zero the aggregate total variable pay paid to staff has decreased from $18.3 million in 2022–23 to $14.9 million in 2023–24.

The per capita (based on eligible staff) average variable pay has decreased by 23.0%.

No payments are eligible to be made under the long-term variable plan until 2027–28 at the earliest, and all payments are subject to assessment against performance hurdles.

Remuneration of key management personnel in 2023–24

Key management personnel (KMP) are those who have authority and responsibility for planning, directing and controlling the activities of the Board and Agency directly and indirectly throughout the year. This represents Members of the Board and certain members of the Agency's SLT.

The Board and the Agency are established by the *Future Fund Act 2006*. In accordance with the Act, responsible Ministers appoint Members of the Board.

The Act prescribes that fees payable to Board Members are determined by the Commonwealth Remuneration Tribunal (the Tribunal).

The Tribunal's Determination 2023, taking effect from 1 July 2023, sets the annual fee payable to the Chair at $229,410 and the fee for other members at $114,720. Board Members receive no additional fees for membership of the Audit and Risk Committee or other Board committees.

The official travel entitlement for Board Members was set at Tier 1. Board Members are not eligible for performance-related payments.

Remuneration mix for Agency Executive KMP

As is the case for all staff, remuneration for Agency KMP as defined in the previous section, includes both fixed and variable pay. Variable pay includes elements tied to investment performance (Fund Plan) and personal performance (Individual Plan).

Executives with greater influence over the investment portfolio have a larger proportion of their variable pay linked to investment performance. Those in non-investment roles have variable pay more closely tied to the delivery of initiatives and objectives that support the implementation of the Agency's business strategy.

The following table summarises the composition of variable-related pay for each member of the Executive KMP group.

Annual variable pay composition for Agency Executive KMP

Name	Maximum variable pay as a % of fixed remuneration	% of variable pay tied to investment performance (Fund Plan)	% of variable pay tied to personal performance (Individual Plan)
Dr Raphael Arndt	120	50	50
Mr Gordon McKellar	75	25	75
Mr Hugh Murray	120	50	50
Mr Cameron Price	75	25	75
Ms Kimberley Reid	75	25	75
Mr Ben Samild	120	50	50

Note(s)

Ms Alicia Gregory left the organisation on 28 June 2024 and was not eligible to receive a variable pay outcome for the year ended 30 June 2024.

Remuneration outcomes for KMP in 2023–24

Remuneration for Members of the Board is set by the Determination of the Remuneration Tribunal.

Remuneration outcomes for Agency KMP reflect the combination of fixed pay and variable pay as outlined on the previous page, and includes any increases determined through APS or Agency processes.

Remuneration outcomes for KMP in 2023–24

		Short-term benefits			Post-employment benefits	Other long-term benefits		Termination benefits	Total remuneration
Name	Position title	Base salary $	Variable pay $	Other benefits and allowances $	Superannuation contributions $	Long service leave $	Other long-term benefits $		
Raphael Arndt[1]	Chief Executive Officer	740,954	408,610	0	27,500	39,210	46,419	0	1,262,693
Alicia Gregory[2]	Deputy Chief Investment Officer, Private Markets	545,476	0	0	22,621	−48,151	−42,467	0	477,479
Gordon McKellar	Chief Operating Officer	630,103	336,149	0	38,358	30,602	0	0	1,035,212
Hugh Murray[3]	Deputy Chief Investment Officer	615,625	234,710	0	35,313	35,618	106,725	0	1,027,991
Cameron Price	General Counsel and Chief Risk Officer	607,360	316,923	0	38,358	26,310	0	0	988,951
Kimberley Reid	Chief People, Culture and Inclusion Officer	471,875	9,833	0	74,724	13,914	200,000	0	770,346
Ben Samild	Chief Investment Officer	704,901	342,213	0	27,500	38,200	47,370	0	1,160,184

Name	Position title	Short-term benefits			Post-employment benefits	Other long-term benefits		Termination benefits	Total remuneration
		Base salary $	Variable pay $	Other benefits and allowances $	Superannuation contributions $	Long service leave $	Other long-term benefits $		
Greg Combet[4]	Chair	17,591	0	0	1,935	0	0	0	19,526
Peter Costello[5]	Chair	136,327	0	119	20,994	0	0	0	157,440
Patricia Cross	Board Member	114,720	0	31	17,667	0	0	0	132,418
John Fraser[6]	Board Member	41,783	0	783	4,596	0	0	0	47,162
John Poynton[7]	Board Member	68,172	0	1,252	10,498	0	0	0	79,922
Deborah Ralston	Board Member	114,720	0	1,121	17,667	0	0	0	133,508
Mary Reemst[8]	Board Member	121,381	0	132	13,352	0	0	0	134,865
Rosemary Vilgan[9]	Board Member	46,181	0	0	7,112	0	0	0	53,293
Michael Wachtel	Board Member	114,720	0	31	17,667	0	0	0	132,418
Nicola Wakefield Evans[10]	Board Member	37,825	0	33	4,161	0	0	0	42,019

Note(s):

1. Dr Raphael Arndt was also Acting Chief Investment Officer for the period 21 June to the end of the financial year and received an Additional Duties Allowance as part of his fixed remuneration during this time.
2. Ms Alicia Gregory ceased to be KMP on 24 April 2024 on her resignation from the Agency, and remuneration is commensurate with this period.
3. Mr Hugh Murray was appointed as Acting Deputy CIO, Portfolio Construction on 2 August 2023 and Deputy CIO, Portfolio Construction on 11 October 2023.
4. The Hon Greg Combet was appointed to the Board on 1 June 2024.
5. The Hon Peter Costello concluded his term on the Board and committees on 3 February 2024.
6. Mr John Fraser concluded his term on the Board and committees on 11 November 2023.
7. Mr John Poynton concluded his term on the Board and committees on 3 February 2024.
8. Ms Mary Reemst was appointed to the Board on 6 October 2023 and served as Acting Chair from 4 February 2024 to 31 May 2024.
9. Ms Rosemary Vilgan was appointed to the Board on 4 February 2024.
10. Ms Nicola Wakefield Evans was appointed to the Board on 1 March 2024.

Remuneration outcomes for other highly paid staff in 2023–24

				Short-term benefits	Post-employment benefits	Other long-term benefits		Termination benefits	Total remuneration
Total remuneration bands	Number of other highly paid staff	Average base salary $	Average variable pay $	Average other benefits and allowances $	Average superannuation contributions $	Average long service leave $	Average other long-term benefits $	Average termination benefits $	Average total remuneration $
$250,000–$270,000	15	207,169	16,436	0	24,058	8,056	3,038	0	258,757
$270,001–$295,000	23	215,269	26,884	712	26,133	8,631	3,381	0	281,009
$295,001–$320,000	12	235,783	38,169	0	28,592	8,379	1,846	0	309,589
$320,001–$345,000	15	245,586	39,452	1,278	26,982	9,716	10,483	0	333,496
$345,001–$370,000	16	265,446	36,678	1,593	28,673	6,919	12,782	5,355	357,445
$370,001–$395,000	6	277,353	68,394	3,993	25,588	7,772	0	0	383,099
$395,001–$420,000	4	288,466	52,411	4,169	27,500	10,809	27,836	0	411,190
$420,001–$445,000	2	271,868	119,609	0	27,500	5,353	0	0	424,329
$445,001–$470,000	5	325,337	59,514	3,740	27,461	9,124	30,203	0	455,379
$470,001–$495,000	4	319,851	94,699	0	27,500	12,513	31,298	0	485,860
$495,001–$520,000	1	316,775	162,366	0	27,500	9,192	0	0	515,833
$520,001–$545,000	8	330,654	116,753	3,398	26,652	17,171	4,386	38,191	537,205
$545,001–$570,000	2	349,737	78,216	0	27,500	15,409	87,902	0	558,764
$570,001–$595,000	4	384,263	149,262	1,100	27,500	14,950	0	0	577,075
$595,001–$620,000	5	423,996	105,535	5,781	29,672	23,527	24,657	0	613,168
$620,001–$645,000	2	417,554	106,818	13,399	38,358	15,946	45,764	0	637,839
$645,001–$670,000	3	409,856	189,499	0	41,457	17,103	0	0	657,914
$670,001–$695,000	0	0	0	0	0	0	0	0	0
$695,001–$720,000	1	461,356	196,146	0	27,500	14,068	0	0	699,070
$720,001–$745,000	0	0	0	0	0	0	0	0	0
$745,001-$770,000	1	459,725	243,503	0	27,500	27,957	0	0	758,685
$770,001–$795,000	1	442,812	303,543	0	27,500	13,090	0	0	786,945

				Short-term benefits	Post-employment benefits	Other long-term benefits		Termination benefits	Total remuneration
Total remuneration bands	Number of other highly paid staff	Average base salary $	Average variable pay $	Average other benefits and allowances $	Average superannuation contributions $	Average long service leave $	Average other long-term benefits $	Average termination benefits $	Average total remuneration $
$795,001–$820,000	3	496,422	197,296	1,913	27,500	18,971	60,943	0	803,046
$820,001–$845,000	2	535,191	112,326	0	27,500	44,378	111,836	0	831,232
$845,001–$870,000	0	0	0	0	0	0	0	0	0
$870,001–$895,000	1	556,124	269,324	0	27,500	31,284	0	0	884,232
$895,001–$920,000	0	0	0	0	0	0	0	0	0
$920,001–$945,000	0	0	0	0	0	0	0	0	0
$945,001–$970,000	1	538,531	350,152	0	27,500	12,608	34,747	0	963,538
$970,001–$995,000	0	0	0	0	0	0	0	0	0
$995,001–$1,020,000	1	596,083	319,164	0	38,358	17,374	30,945	0	1,001,924

Note(s):

Under the Agency's Deferred Earnings Plan, staff can defer receipt of a proportion of their variable pay payable to them in a given financial year and have this treated as a notional investment in the Future Fund.

Remuneration of all staff in 2023–24

While the Agency operates on individual employment contracts rather than an enterprise agreement, it adjusts its practices to meet the requirements of the Workplace Relations Policy and associated Directions for fixed pay, which includes superannuation. The Workplace Relations Policy was introduced in 2023 and remains in force.

Other non-salary benefits include annual flu vaccinations, ergonomic assessments and furniture, contributions to relevant professional memberships, and salary sacrifice arrangements.

Salary ranges by classification level 2023–24

	Minimum salary $	Maximum salary $
SES 3	783,648	783,648
SES 2	687,659	741,726
SES 1	0	0
EL 2	322,103	859,511
EL 1	252,596	544,689
APS 6	181,351	331,960
APS 5	131,280	255,908
APS 4	98,936	162,407
APS 3	72,637	108,243
APS 2	0	0
APS 1	0	0
Other	0	0
Minimum/Maximum range	**72,637**	**859,511**

Note(s):

The Future Fund Management Agency operates a classification system that ranges from FFMA1 to FFMA7. In line with reporting requirements under the PGPA Act, remuneration information is now reported in accordance with the Australian Public Service classification system.

Actual salaries fall within the available ranges shown above. Salaries are inclusive of superannuation. Where a staff member sits in a range is influenced by market data. How and when a staff member moves through a range is influenced by market data, and organisational and personal performance.

Variable pay

As previously noted, in addition to fixed pay, ongoing staff have the opportunity to earn a variable pay component, which is based on both individual performance and fund performance.

The use of rolling three-year periods for the calculation of absolute investment performance aligns to the organisation's long-term investment objective.

The payments detailed in the table below include pro rata variable pay for staff who were not employed for the full 12-month cycle but were eligible for payment.

Variable pay by classification level in 2023–24

	Number of employees receiving performance pay	Aggregated (sum total) of all payments made $	Average of all payments made $	Minimum payment made to employees $	Maximum payment made to employees $
SES 3	1	408,610	408,610	408,610	408,610
SES 2	2	678,362	339,181	336,149	342,213
SES 1	0	0	0	0	0
EL 2	42	6,968,186	165,909	38,928	350,152
EL 1	50	3,483,397	69,668	9,341	186,391
APS 6	74	2,224,397	30,059	5,600	84,023
APS 5	51	936,563	18,364	1,624	43,588
APS 4	33	258,299	7,827	2,239	17,622
APS 3	1	1,896	1,896	1,896	1,896
APS 2	0	0	0	0	0
APS 1	0	0	0	0	0
Other	0	0	0	0	0
Total	**254**	**14,959,709**	**58,896**	**1,624**	**408,610**

6 FINANCIAL STATEMENTS

For the financial year ended 30 June 2024

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These financial statements consist of the Future Fund Management Agency and the Board of Guardians.

Auditor-General for Australia

Australian National Audit Office

INDEPENDENT AUDITOR'S REPORT

To the Minister for Finance

Opinion

In my opinion, the financial statements of the Future Fund Management Agency and Board of Guardians (together, the Entity) for the year ended 30 June 2024:

(a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and

(b) present fairly the financial position of the Entity as at 30 June 2024 and its financial performance and cash flows for the year then ended.

The financial statements of the Entity, which I have audited, comprise the following as at 30 June 2024 and for the year then ended:

- Statement by the Chair of the Future Fund Board of Guardians and Head of Finance of the Future Fund Management Agency;
- Statement of comprehensive income;
- Statement of financial position;
- Statement of cash flows;
- Statement of changes in equity;
- Schedule of commitments; and
- Notes to and forming part of the financial statements, comprising a Summary of significant accounting policies and other explanatory information.

Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Entity in accordance with the relevant ethical requirements for financial statement audits conducted by me. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

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Key audit matter	How the audit addressed the matter
Valuation of collective investment vehicles held at fair value through profit or loss *Refer to Note 16.7 'Fair Value Hierarchy (Collective Investment Vehicles)'* As at 30 June 2024, collective investment vehicles (as defined in Note 7.3 'Collective investment vehicles') totalled $105.3 billion. Collective investment vehicles comprise holdings of a diverse range of asset categories including private equity funds, hedge funds, debt funds, infrastructure funds, property funds and timberland assets. Valuation techniques are varied depending on the particular asset category and holding. All investments are held in custody by the Entity's appointed custodian. I consider the valuation of collective investment vehicles to be a key audit matter due to the size of the investments and the inherent subjectivity, significant judgements and estimates required where market data is not available to determine the fair value of these investments. In addition, disclosures that support the users' understanding of the valuation of collective investment vehicles are complex.	To assess the controls over the valuation of all collective investment vehicles, I: • inspected the custodian's independent auditor's assurance report in respect of the design, implementation and operating effectiveness of relevant controls over the valuation of investments by the custodian; • assessed the qualifications, competence and objectivity of the custodian's independent auditor; and • tested the design, implementation and operating effectiveness of a selection of the controls in place at the Entity to assess the valuation of collective investment vehicles whether they be performed by the custodian, the collective investment vehicle manager, a valuation expert or management. I assessed, on a sample basis, the valuation of indirectly held single infrastructure and timberland investments as at 30 June 2024. To do so I: • evaluated the qualifications, competence and objectivity of the valuation expert used by management; and • tested the valuation models used including the reasonableness of key assumptions regarding growth rates, discount rates and multiples applied to earnings within the models by performing a cross-check between management's valuation and the valuation applied by comparable companies, including considering the underlying assumptions. To assess the valuation of all other collective investment vehicles as at 30 June 2024, on a sample basis, I: • agreed the fair value to the capital account statements received from the underlying investment manager; • obtained audited financial statements of each underlying collective investment vehicle as at 30 June 2024, where available, and agreed the audited net asset value to the capital account statement; • performed an assessment of the audited financial statements of the collective investment vehicles which included: ○ considering the regulatory framework under which the financial statements were prepared and the accounting policies

adopted;

- evaluating the qualifications, competence and objectivity of the audit firm performing the audit and the opinion provided; and

- where 30 June 2024 audited financial statements were unavailable, investigated significant movements from the date of the most recent audited financial statements and obtained additional evidence to support these movements; and
- I assessed the accuracy and completeness of the related disclosures in Note 16.7 'Fair value hierarchy' to the financial statements to support the users' understanding of collective investment vehicles.

Other information

The Accountable Authority is responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2024 but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information, and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Accountable Authority's responsibility for the financial statements

As the Accountable Authority of the Entity, the Chair of the Future Fund Board of Guardians is responsible under the *Public Governance, Performance and Accountability Act 2013* (the Act) for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under the Act. The Chair of the Future Fund Board of Guardians is also responsible for such internal control as the Chair of the Future Fund Board of Guardians determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chair of the Future Fund Board of Guardians is responsible for assessing the ability of the Entity to continue as a going concern, taking into account whether the Entity's operations will cease as a result of an administrative restructure or for any other reason. The Chair of the Future Fund Board of Guardians is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the assessment indicates that it is not appropriate.

Auditor's responsibilities for the audit of the financial statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accountable Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

From the matters communicated with the Accountable Authority, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Australian National Audit Office

Rona Mellor PSM
Acting Auditor-General for Australia

Canberra

25 September 2024

Statement by the Chair of the Future Fund Board of Guardians and Head of Finance of the Future Fund Management Agency

In our opinion, the attached financial statements of the Future Fund Management Agency and the Board of Guardians in respect of the Future Fund (together the "**Fund**") for the year ended 30 June 2024 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* ("**PGPA Act**"), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they fall due.

In preparing the financial statements, the Fund has applied an exemption from sections 6, 8 and 9 of the Financial Reporting Rules which has been provided by the Minister for Finance allowing the Fund to present a financial report in a format that complies with the 'investment entity' requirements under Australian Accounting Standards. The effect of this exemption is that the Fund will present its financial report as a single entity.

Hon G Combet AO

Chair of the Board of Guardians
24 September 2024

K Yong

Head of Finance
24 September 2024

Statement of comprehensive income
for the financial year ended 30 June 2024

	Notes	Year ended 30 June 2024 $'000	Year ended 30 June 2023 $'000
Income			
Dividends and franking credits	**3**	**2,786,170**	5,255,537
Distributions	**3**	**855,346**	740,450
Interest income from financial assets not at fair value through profit or loss		**355,825**	137,271
Net gains on financial instruments at fair value through profit or loss	**3**	**15,591,526**	6,337,980
Net foreign currency losses	**3**	**(114,841)**	(226,978)
Other income		**12,355**	11,263
Total income		**19,486,381**	12,255,523
Expenses			
Investment management fees and advisory fees		**156,859**	129,892
Investment manager performance fees		**56,448**	19,793
Custody fees		**23,019**	20,580
Brokerage, duties and other statutory charges		**30,405**	24,013
Other investment portfolio expenses		**7,307**	3,245
Agency employees' remuneration	**4**	**89,199**	79,750
Other expenses	**4,5**	**163,909**	140,967
Total expenses		**527,146**	418,240
Operating result for the year before tax		**18,959,235**	11,837,283
Income tax expense	**6**	**188,836**	126,795
Operating result for the year		**18,770,399**	11,710,488
Other comprehensive income for the year		**–**	–
Total comprehensive income for the year		**18,770,399**	11,710,488

Note(s):
The above statement should be read in conjunction with the accompanying notes.

Statement of financial position
as at 30 June 2024

	Notes	As at 30 June 2024 $'000	As at 30 June 2023 $'000
Assets			
Financial assets			
Cash and cash equivalents	13	**10,768,488**	2,410,770
Receivables	8	**3,352,162**	1,757,971
Investments	7	**214,971,424**	206,203,331
Other financial assets		**22,892**	16,736
Total financial assets		**229,114,966**	210,388,808
Non-financial assets			
Right of use assets		**26,448**	30,770
Plant and equipment		**15,996**	18,304
Total non-financial assets		**42,444**	49,074
Total assets		**229,157,410**	210,437,882
Liabilities			
Financial liabilities			
Investments	7	**1,648,266**	3,299,068
Payables	9	**2,501,438**	976,718
Lease liability		**40,611**	46,273
Total financial liabilities		**4,190,315**	4,322,059
Non-financial liabilities			
Employee provisions	10	**46,291**	44,564
Total non-financial liabilities		**46,291**	44,564
Tax liabilities			
Deferred tax liabilities		**127,196**	48,050
Total tax liabilities		**127,196**	48,050
Total liabilities		**4,363,802**	4,414,673
Net assets		**224,793,608**	206,023,209
Equity and amount attributable to the Government			
Contributions by Government	11	**60,536,831**	60,536,831
Retained earnings		**164,256,777**	145,486,378
Total equity and amount attributable to the Government		**224,793,608**	206,023,209

Note(s):
The above statement should be read in conjunction with the accompanying notes.

Statement of cash flows
for the financial year ended 30 June 2024

	Notes	Year ended 30 June 2024 $'000	Year ended 30 June 2023 $'000
Cash flows from operating activities			
Proceeds from sale of financial instruments at fair value through profit or loss		**176,288,203**	136,187,829
Purchase of financial instruments at fair value through profit or loss		**(172,032,226)**	(141,982,008)
Interest received		**351,094**	126,411
Dividends received		**2,385,798**	4,025,048
Distributions received		**900,934**	727,408
Franking credit refunds received		**1,193,387**	1,859,211
Net settlement of foreign exchange contracts		**(59,667)**	(170,202)
GST refund received		**7,756**	7,088
Other income received		**11,494**	11,099
Investment management fees and advisory fees paid		**(143,689)**	(135,545)
Investment manager performance fees paid		**(37,910)**	(4,287)
Custody fees paid		**(22,008)**	(23,992)
Brokerage, duties and other statutory charges paid		**(38,721)**	(18,560)
Taxes paid		**(109,696)**	(99,351)
Interest paid on right of use asset leases		**(215)**	(244)
Other expenses paid		**(265,229)**	(231,107)
Net cash provided by operating activities	**13**	**8,429,305**	278,798
Cash flows from investing activities			
Sublease asset principal repayments received		**560**	536
Purchase of plant and equipment		**(2,048)**	(1,330)
Lease liability principal payments		**(5,661)**	(5,420)
Net cash used in investing activities		**(7,149)**	(6,214)
Net increase in cash held		**8,422,156**	272,584
Cash at the beginning of the reporting period		**2,410,770**	2,171,796
Effects of exchange rate changes on the balance of cash held in foreign currencies		**(64,438)**	(33,610)
Cash at the end of the reporting period	**13**	**10,768,488**	2,410,770

Note(s):

The above statement should be read in conjunction with the accompanying notes.

Statement of changes in equity
for the financial year ended 30 June 2024

	Year ended 30 June 2024		
	Contributed equity $'000	Retained earnings $'000	Total equity $'000
Opening balance	**60,536,831**	**145,486,378**	**206,023,209**
Net operating result	**–**	**18,770,399**	**18,770,399**
Other comprehensive income	**–**	**–**	**–**
Total comprehensive income	**–**	**18,770,399**	**18,770,399**
Contributions made by Government	**–**	**–**	**–**
Closing balance	**60,536,831**	**164,256,777**	**224,793,608**

	Year ended 30 June 2023		
	Contributed equity $'000	Retained earnings $'000	Total equity $'000
Opening balance	60,536,831	133,775,890	194,312,721
Net operating result	–	11,710,488	11,710,488
Other comprehensive income	–	–	–
Total comprehensive income	–	11,710,488	11,710,488
Contributions made by Government	–	–	–
Closing balance	60,536,831	145,486,378	206,023,209

Note(s):

The above statement should be read in conjunction with the accompanying notes.

Schedule of commitments
as at 30 June 2024

	Notes	30 June 2024 $'000	30 June 2023 $'000
By type			
Capital commitments			
Collective investment vehicles	**7.3**	**23,048,483**	22,799,421
Total capital commitments		**23,048,483**	22,799,421
Other commitments			
Other commitments[1]		**62,084**	55,005
Total other commitments		**62,084**	55,005
By maturity			
Capital commitments			
One year or less		**23,048,483**	22,799,421
Total capital commitments by maturity		**23,048,483**	22,799,421
Other commitments			
One year or less		**40,755**	34,061
From two to five years		**21,329**	20,944
Total other commitments by maturity		**62,084**	55,005

Note(s):

1. Other commitments relate to contractual obligations for the provision of services for the Fund.

Commitments are GST inclusive.

The above statement should be read in conjunction with the accompanying notes.

Notes to and forming part of the financial statements
for the financial year ended 30 June 2024

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Note 1: Objectives of the Future Fund and the responsibilities of the Agency and the Board

The *Future Fund Act 2006* (as amended) (**"Act"**) commenced on 3 April 2006 and established the Future Fund Special Account (the Fund Account), the Future Fund Board of Guardians (**"Board"**) and the Future Fund Management Agency (**"Agency"**), collectively referred to as the Future Fund (**"Fund"**). The main object of this Act is to strengthen the Commonwealth's long-term financial position by establishing the Future Fund.

The Future Fund will provide an asset to cover Commonwealth liabilities including unfunded superannuation liabilities that will become payable during a period when an ageing population is likely to place significant pressure on the Commonwealth's finances.

Future Fund Management Agency

The Agency is a statutory agency for the purposes of the *Public Service Act 1999* (**"Public Service Act"**) and is prescribed for the purposes of the *Public Governance, Performance and Accountability Act 2013* (**"PGPA Act"**). The Agency is responsible for implementing the investment decisions made by the Board.

The Agency is responsible for the operational activities associated with the investment of funds in the Fund Account. This includes the provision of advice to the Board on the investment of the portfolio and managing the Board's contracts with investment managers, advisers and other service providers.

The Agency also supports the Board in the investment of the assets of the DisabilityCare Australia Fund (**"DCAF"**) as set out in the *DisabilityCare Australia Fund Act 2013*, the Medical Research Future Fund (**"MRFF"**) as set out in the *Medical Research Future Fund Act 2015*, the Aboriginal and Torres Strait Islander Land and Sea Future Fund (**"ATSILSFF"**) as set out in the *Aboriginal and Torres Strait Islander Land and Sea Future Fund Act 2018*, the Future Drought Fund (**"FDF"**) as set out in the *Future Drought Fund Act 2019*, the Disaster Ready Fund (**"DRF"**) as set out in the *Disaster Ready Fund Act 2019* and the Housing Australia Future Fund (**"HAFF"**) as set out in the *Housing Australia Future Fund Act 2023*.

Future Fund Board of Guardians

The Board is a body corporate with perpetual succession and has a separate legal identity to the Commonwealth.

The roles and responsibilities of the Board are set out in the Act. The Board is collectively responsible for the investment decisions of the Fund and for the safekeeping and performance of the assets of the Fund. As such, the Board's primary role is to provide strategic direction to the investment activities of the Fund including the development and implementation of an investment strategy that adheres to the Investment Mandate.

The Board is also responsible for the investment of the assets of the DCAF, MRFF, ATSILSFF, FDF, DRF and HAFF. The assets and financial results of these funds do not form part of these financial statements.

Note 2: Material accounting policies

2.1 Basis of preparation of the financial statements

These financial statements comprise the Agency and the Board in respect of the Future Fund, collectively referred to as the Future Fund, prepared in accordance with Section 80 of the Act.

The financial statements are required by section 42 of the PGPA Act, and are general purpose financial statements prepared on a going concern basis.

The financial statements have been prepared in accordance with:

- Financial Reporting Rules ("**FRR**") (being the *Public Governance, Performance and Accountability Rule 2015*) for reporting periods ending on or after 1 July 2023; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("**AASB**") that apply for the reporting period.

In preparing the financial statements, the Fund has applied an exemption from sections 6, 8 and 9 of the Financial Reporting Rules which has been provided by the Minister for Finance allowing the Fund to present a financial report in a format that complies with the investment entity requirements under Australian Accounting Standards. The effect of this exemption is that the Fund will present its financial report as a single entity.

These financial statements have been prepared on an accrual basis and are in accordance with the historic cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through the profit or loss account. Cost is based on the fair values of the consideration given in exchange for assets or the fair value of consideration or services received in exchange for the creation of a liability.

The Statement of financial position is presented on a liquidity basis as is common practice within the investment industry. Assets and liabilities are presented in decreasing order of liquidity and with no distinction between current and non-current. All balances are expected to be recovered or settled within 12 months except for:

- Investments in financial assets and liabilities. These investments are held for the longer term consistent with the Fund's investment mandate;
- right-of-use assets which are depreciated over the shorter of the lease term and the estimated useful lives of the assets;
- plant and equipment which are depreciated over their useful lives; and
- certain employee liabilities such as leave entitlements.

Unless alternative treatment is specifically required by an accounting standard, assets and liabilities are recognised in the Statement of financial position when and only when it is probable that future economic benefits or losses will flow, and the amounts of the assets or liabilities can be reliably measured.

Commitments, which are not liabilities or assets under Australian Accounting Standards are not recognised in the Statement of financial position. They are reported as appropriate in the Schedule of commitments.

Unless alternative treatment is specifically required by an accounting standard, revenues and expenses are recognised in the Statement of comprehensive income when and only when the flow, consumption, gain or loss of economic benefits has occurred and can be reliably measured.

Significant Accounting Judgements and Estimates

In relation to collective investment vehicles, significant judgement is required in making assumptions and estimates which are inputs to the fair value of such investments. The Fund ensures that valuation principles applied are materially compliant with industry guidelines and are consistently applied and there has been no change in the application of these principles to 30 June 2024 valuations. Further details surrounding the judgements and estimates used to value these investments are disclosed in Note 16.6 and 16.7.

Consolidation exemption for investment entities

The Fund meets the definition of an "investment entity" under AASB 10 Consolidated Financial Statements and does not consolidate its subsidiaries as listed in Note 12. Instead, those subsidiaries are recognised as investments and are measured at fair value through profit or loss. The Fund's assessment of the investment entity definition is as follows:

An investment entity is defined as an entity that:

- obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
- commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- measures and evaluates the performance of substantially all of its investments on a fair value basis.

Regarding the first and second requirements of the definition, the Fund is a sovereign wealth fund that invests for the benefit of future generations of Australians which is generated through both capital appreciation and investment income. Furthermore, the performance of the investments made through subsidiaries are measured and evaluated on a fair value basis.

2.2 Statement of compliance

The financial report complies with Australian Accounting Standards as applicable to the Future Fund in accordance with the Financial Reporting Rules for the year ended 30 June 2024 made under the *Public Governance, Performance and Accountability Act 2013*.

Australian Accounting Standards require the Fund to disclose Australian Accounting Standards that have not yet been applied by the Fund, for standards that have been issued by the AASB but are not yet effective at the reporting date. The Fund must also disclose new standards and interpretations affecting amounts reported in the current period and those standards adopted with no effect on the financial statements in the current period.

Adoption of new accounting standards in the current reporting period

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2023 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

Standards and amendments that will become effective in future reporting periods

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2024 reporting period and have not been early adopted by the Fund. None of these are expected to have a material effect on the financial statements of the Fund.

2.3 Financial assets and liabilities

All investments of the Fund are in financial assets or financial liabilities for the purposes of the Government Finance Statistics system in Australia as is required under section 16 of the Act. Should the Fund acquire non-financial assets, section 32 of the Act requires the Board to realise such assets as soon as practicable.

Further details on how the fair values of financial instruments are determined are disclosed in Notes 16.6 and 16.7.

2.3.1 Cash and cash equivalents

Cash and cash equivalents includes cash on hand and deposits held at bank with maturities less than three months. Deposits held with a bank that are not at call are classified as financial assets at fair value through profit and loss.

Cash does not include any amounts held in escrow accounts or margin accounts where its use is restricted. These are treated as investments.

2.3.2 Receivables

Receivables for goods and services, which have 30-day terms, are recognised at the nominal amounts due less any provision for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collectability of the debt is no longer probable.

2.3.3 Investments

All Investments are designated at fair value through profit or loss. Subsequent to initial recognition, all investments are measured at fair value with changes in their fair value recognised in the Statement of comprehensive income at each reporting date.

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned. Investments are initially measured at fair value.

Investments in collective investment vehicles are initially recorded at fair value on the date which consideration is provided to the contractual counterparty under the terms of the relevant subscription agreement. Any associated due diligence costs in relation to these investments are expensed when incurred.

The following methods are adopted by the Fund in determining the fair value of investments:

- Listed securities, exchange traded futures and options, and investments in listed managed investment schemes are recorded at the quoted market prices on relevant stock exchanges.
- Unlisted managed investment schemes and collective investment vehicles are re-measured by the Fund based on the estimated fair value of the net assets of each scheme or vehicle at the reporting date. Collective investment vehicles are entities that enable investors to pool their money and invest the pooled funds, rather than buying securities directly. Collective investment vehicles are used to invest in private equity funds, hedge funds, credit funds, infrastructure funds, timberland funds and property funds and are usually structured as interests in limited partnerships and limited liability companies.

  In determining the fair value of the net assets of unitised unlisted managed investment schemes and collective investment vehicles, reference is made to the underlying unit price provided by the Manager (where available), associated Manager or independent expert valuation reports and capital account statements and the most recent audited financial statements of each scheme or vehicle.

  Manager valuation reports are reviewed to ensure the underlying valuation principles are materially compliant with Australian Accounting Standards and applicable industry standards including International Private Equity and Venture Capital Valuation Guidelines as endorsed by the Australian Investment Council.

- Derivative instruments are used by the Fund in accordance with the Act to manage its exposure to foreign exchange risk, interest rate risk, equity market risk and credit risk and to gain indirect exposure to market risks. The Fund uses forward foreign exchange contracts, swaps, futures, forward contracts on mortgage backed securities and exchange traded and over the counter options which are recorded at their fair value on the date the contract is entered into and are subsequently re-measured to their fair values at each reporting date. Further disclosure regarding the use of derivatives by the Fund is presented in Note 16.
- Asset backed securities, bank bills, negotiable certificates of deposit and corporate debt securities which are traded in active markets are valued at the quoted market prices. Securities for which no active market is observable are valued at current market rates using broker sourced market quotations and/or independent pricing services as at the reporting date.

The fair value of financial assets and financial liabilities that are not traded in an active market are determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arm's-length transactions, reference to other instruments that are substantially the same including those on traded markets, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of observable market inputs and relying as little as possible on entity-specific inputs. Note 16.6 has further information surrounding the determination of fair values for investments.

2.3.4 Future Fund Investment Companies

Some of the investments of the Future Fund Board of Guardians are held through wholly owned investment holding companies, Future Fund Investment Companies ("**FFICs**").

The FFICs are funded primarily via loan arrangements between the Future Fund Board of Guardians and each respective FFIC. These loans are designated as financial assets and measured at fair value with changes in their fair value recognised in the Statement of comprehensive income each reporting date.

The outstanding balance of the loan assets is unsecured and is repayable in cash on demand. On 1 July 2023, the loans were restructured into an interest-free revolving credit facility between the FFICs and the Future Fund Board of Guardians. Prior year figures reflect loan balances including interest receivable, with the interest rates set on the loans having regard to the 10 year government bond rate in the market in which the underlying investment is made. As the FFICs hold a substantial portion of the investments of the Fund, disclosures in the financial instruments and financial risk management notes (Note 16) include the underlying investments of the FFICs on a look-through basis as this provides users of the financial statements with more relevant information in relation to the investment portfolio. Note 16 clearly states where this look-through has been applied. Additional disclosures regarding collective investment vehicles held in the FFICs have been included in Note 7.

2.4 Revenue

Dividends, franking credits and distribution income are recognised when the right to receive payment is established. Dividend income is recognised gross of foreign withholding tax with any related foreign withholding tax recorded as income tax expense.

Franking credits on investments in equity securities are recognised as income when the right to receive the refund of franking credits from the Australian Taxation Office has been established.

Interest revenue is recognised in the Statement of comprehensive income for all financial instruments that are not at fair value through profit or loss using the effective interest method as set out in *AASB 9 Financial Instruments*. Interest income on assets at fair value through profit or loss is included in the net gains/(losses) on financial instruments at fair value through profit or loss in the Statement of comprehensive income.

2.5 Other income

Services and resources received free of charge

Services and resources received free of charge are recognised as revenue when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Other income

Other income is measured at the fair value of consideration received or receivable.

2.6 Transactions with the Government as owner

2.6.1 Credits to the Fund Account

From time to time the responsible Ministers may determine that additional amounts are to be credited to the Fund Account. In addition, the responsible Ministers may transfer Commonwealth-owned financial assets to the Fund Account. As shown in Note 11 there were no contributions received during the year. No contributions were received in the previous financial year.

2.6.2 Debits to the Fund Account

Amounts may be debited from the Fund Account in accordance with the purposes of the Fund Account as set out in the Act. Under the Act debits can be made to the extent of unfunded superannuation liabilities from whichever is the earlier of:

1. the time when the balance of the Fund is greater than or equal to the target asset level; or
2. 1 July 2020. However, in May 2017 the Government announced there would be no draw down from the Fund until at least 2026–27.

2.7 Employee entitlements

Liabilities for services rendered by employees are recognised at the end of the financial year to the extent that they have not been settled. The amount is calculated with regard to the rates expected to be paid on settlement of the liability.

2.7.1 Leave

The liability for employee entitlements includes provisions for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting.

The leave liabilities are calculated on the basis of employees' remuneration at the end of the financial year, adjusted for expected increases in remuneration effective from 1 July 2024. Liabilities for short-term employee benefits (i.e. wages and salaries, annual leave, performance payments, expected to be settled within 12 months from the reporting date) are measured at their nominal amounts.

All other employee benefits are measured at the present value of the estimated future cash flows to be made in respect of all employees at the end of the financial year. The employee based shorthand model developed by the Australian Government Actuary has been used in determining the present value of the long service leave liability.

2.7.2 Superannuation

Staff of the Fund are variously eligible to contribute to the Commonwealth Superannuation Scheme ("**CSS**"), Public Sector Superannuation Scheme ("**PSS**") or the Public Sector Superannuation Scheme ("**Accumulation Plan**"). Staff may join any other complying employee nominated schemes.

For any staff who are members of CSS (Defined Benefit) or PSS (Defined Benefit), the Fund makes employer contributions to the Australian Government at rates determined by the Government actuary. The liability for superannuation benefits payable to an employee upon termination is recognised in the financial statements of the Australian Government.

As CSS and PSS are multi-employer plans within the meaning of *AASB 119 Employee Benefits*, all contributions are recognised as expenses on the same basis as contributions made to defined contribution plans. A liability has been recognised at the end of the financial year for outstanding superannuation co-contributions payable in relation to the final payroll run of the financial year.

2.7.3 Performance Related Payments

All permanently employed staff at the Agency at the reporting date are eligible to receive an entitlement to a performance related payment as approved by the Board. Employees who receive an entitlement may elect to have the entitlement converted to cash and paid to them. Alternatively, they may defer part or all of the payment for an initial two-year period and receive a commitment from the Agency to pay them a future amount which will be dependent on the performance of the Fund over this two-year period.

A liability has been recognised at the end of the financial year for outstanding performance related payments payable in relation to previous and current financial years. For employees who have elected to receive part or all of the entitlement as cash, the cash component of the entitlement is recognised as a liability at its nominal value. For employees who have elected to defer part or all of their entitlement, the deferred portion of their entitlement is measured at the present value of the expected future entitlement at the conclusion of the initial two-year deferral period. For the purpose of this calculation the Fund has assumed that the portfolio will return the minimum mandated return in making the estimate of the future value of the entitlement. This future value has then been discounted at an appropriate Australian Government bond rate to arrive at the present value of the liability. Actual returns are used to determine the present value of the entitlement for participation years where actual results are available.

2.8 Leases

Under *AASB 16 Leases* the Fund recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying asset for all leases except short-term and low-value leases.

The Fund recognises right-of-use assets at the commencement date of the lease (i.e. The date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

The Fund measures lease liabilities at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any incentives receivable and variable lease payments that depend on an index or a rate. In calculating the present value of lease payments, the Fund uses its incremental borrowing rate (Australian Government Bond rate) at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the lease payments.

2.9 Financial Risk Management

Disclosures regarding the Fund's financial risks are presented in Note 16.

2.10 Taxation

The Fund has sovereign immunity from taxation in Australia and certain foreign jurisdictions. In some limited cases and in some limited countries, foreign taxes can be payable on certain classes of income and capital gains. Mostly these foreign taxes are withheld at source (income net of taxes is received by the Fund) under the withholding regimes of the relevant jurisdiction. These withholding taxes are generally a final tax and no further amounts are payable. To the extent the Fund is entitled to a lower withholding amount than that deducted at source, the Fund makes a claim to the respective foreign revenue authority for the difference and these amounts are recorded as receivables on the Statement of financial position and in the Statement of comprehensive income as revenue.

Current Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. As the fund is tax exempt in Australia, there is no current Australian tax amount recognised in the financial statements.

The Fund does incur foreign withholding taxes and capital gains taxes in some jurisdictions which are recorded as current taxes.

While foreign corporate taxes are incurred on certain foreign investments of the Fund held via holding entities or within collective investment vehicles, the Fund applies the investment entity exemption and does not consolidate these investments. Those tax expenses are therefore not recorded in the financial statements. Corporate tax paid or payable on foreign investments results in a lower mark to market fair valuation of these investments and is included in the net gain or loss on financial instruments at fair value in the Statement of comprehensive income.

Deferred Tax

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the Statement of financial position. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority and the Fund intends to settle its current tax assets and liabilities on a net basis.

While foreign deferred corporate taxes are recognised on certain foreign investments of the Fund as per above, as the Fund applies the investment entity exemption and does not consolidate these investments, those deferred tax expenses are not recorded in the financial statements. Deferred taxes on foreign investments result in an adjusted mark to market fair valuation of these investments and are included in the net gain or loss on financial instruments at fair value in the Statement of comprehensive income

Fringe Benefits Tax and Goods and Services Tax

The Fund is exempt from all forms of federal Australian taxation except for Fringe Benefits Tax ("**FBT**") and the Goods and Services Tax ("**GST**").

Revenues, expenses, assets and liabilities are recognised net of GST, except:

- where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- for receivables and payables (where GST is applicable).

Receipts and payments in the Statement of cash flows are recorded in gross terms (at their GST inclusive amounts).

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

2.11 Foreign currency

Functional and presentation currency

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates (the functional currency). The functional currency of the Fund is Australian dollars. It is also the presentation currency.

Transactions and balances

All foreign currency transactions during the period are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency items at reporting date are translated at the exchange rate existing at reporting date. Exchange differences are recognised in the Statement of comprehensive income in the period in which they arise. Translation differences on assets and liabilities at fair value are reported in the Statement of comprehensive income on a net basis within net gains/(losses) on financial instruments at fair value through profit and loss.

2.12 Rounding of amounts

Amounts have been rounded to the nearest thousand dollars unless stated otherwise in accordance with the FRRs.

Note 3: Dividends, distributions and net gains/(losses)

	2024 $'000	2023 $'000
Dividend income and franking credits		
Dividend income – domestic equities and listed managed investment scheme distributions	**819,872**	792,139
Franking credits refunded or refundable under Section 30 of the *Future Fund Act 2006*	**436,610**	1,199,613
Dividend income – related entities (FFICs)[1]	**371,070**	2,101,040
Dividend income – international equities	**1,158,618**	1,162,745
Total dividend and franking credit income	**2,786,170**	5,255,537
Distribution income		
Distributions – collective investment vehicles	**855,346**	740,450
Total distribution income	**855,346**	740,450

Note(s):

1. There are no dividends receivable from FFIC related entities.

	2024 $'000	2023 $'000
Net gains on financial instruments at fair value through profit or loss		
Net gains on financial assets at fair value through profit or loss	**15,012,392**	4,114,119
Net gains on financial liabilities at fair value through profit or loss	**579,134**	2,223,861
Total net gains on financial instruments[1]	**15,591,526**	6,337,980
Total net losses arising on foreign currency	**(114,841)**	(226,978)

Note(s):

1. This total includes the foreign currency impact from translating financial assets and liabilities from their local currency amounts into Australian dollars.

Note 4: Expenses

	2024 $'000	2023 $'000
Agency employees' remuneration		
Wages and salaries	**79,433**	72,574
Superannuation	**6,073**	5,102
Leave and other entitlements payable	**3,693**	2,074
Total Agency employees' remuneration	**89,199**	79,750
Other expenses		
Board remuneration		
Wages and salaries	**812**	864
Superannuation	**115**	127
Total board remuneration	**927**	991
Depreciation & amortisation		
Depreciation of right of use assets, plant and equipment	**8,677**	8,953
Total depreciation & amortisation	**8,677**	8,953
Other operating expenses (including audit fees)	**154,305**	131,023
Total other expenses	**163,909**	140,967

Note 5: Remuneration of Auditors

Included in other operating expenses is the financial statement audit services provided to the Fund which totalled $169,000 (2023: $169,000) by the Australian National Audit Office ("**ANAO**") at no cost to the Fund. The fair value of all audit services provided by the ANAO, including the services provided free of charge and for the audits of the FFICs was:

	2024 $'000	2023 $'000
Auditing the financial statements – Future Fund and FFICs	**239,000**	239,000

Note(s):

No other services were provided by the ANAO.

The Fund's auditor is the ANAO who has contracted EY (2023: EY) to assist with the assignment.

Note 6: Income tax expense

As per Note 2.10, the Fund is exempt from federal Australian income taxation. Tax expense reflects foreign withholding tax on income and other capital gains or corporate taxes where imposed by certain countries. Accordingly, the Australian income tax rate for the Fund is 0% (2023: 0%).

	2024 $'000	2023 $'000
Income tax expense		
Current tax	**109,690**	99,557
Deferred tax	**79,146**	27,238
Total income tax expense	**188,836**	126,795
Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax	**18,959,235**	11,837,283
Tax at the applicable Australian tax rate of 0% (2023: 0%)	**–**	–
Tax effect of items which are not deductible/(taxable) in calculating taxable income:		
Franking credits earned from Australian subsidiaries	**159,030**	1,058,720
Difference in tax rates on Australian subsidiaries[1]	**(159,030)**	(1,058,720)
Withholding tax	**75,330**	91,950
Other foreign corporate tax expense	**113,506**	34,845
Total income tax expense	**188,836**	126,795

Note(s):

1. The FFICs, being wholly owned Australian corporate investment holding companies, were subject to Australian income tax for income years ended up to 30 June 2023 and such tax was recoverable via franking credit refunds to which the Fund was entitled. The FFICs became exempt from Australian income tax for income years commencing on or after 1 July 2023.

Note 7: Investments

	2024 $'000	2023 $'000
Investment Summary		
Financial assets		
At fair value:		
Future Fund Investment Companies (FFICs)	**68,748,820**	68,736,132
Interest bearing securities	**24,098,258**	31,261,475
Listed equities and listed managed investment schemes	**72,133,837**	58,624,554
Collective investment vehicles	**44,891,683**	43,234,598
Derivatives	**4,132,315**	2,610,343
Restricted cash	**966,511**	1,736,229
Total financial asset investments	**214,971,424**	206,203,331
Financial liabilities		
At fair value:		
Derivatives	**(1,648,266)**	(3,299,068)
Total financial liability investments	**(1,648,266)**	(3,299,068)

The tables below provide more detailed information of the investments held at balance date.

The table below shows the FFICs balance split between loans and equity.

	2024 $'000	2023 $'000
FFICs		
At fair value:		
Loans provided to FFICs	**40,218,856**	39,024,782
Residual equity in FFICs[1]	**28,529,964**	29,711,350
Total FFICs[2]	**68,748,820**	68,736,132

Note(s):

1. The residual equity in the FFICs would be classified as Level 3 in accordance with Note 16.7. Movement in residual equity for FFIC's is due to changes in retained earnings and the current year surplus.
2. Refer to Note 2.3.4 for more information regarding the FFICs and loan arrangements.

The table below shows the reconciliation of loans provided to FFICs.

	2024 $'000	2023 $'000
FFICs		
Beginning of the year	**39,024,782**	39,994,229
Loans advanced[1]	**45,931,966**	6,990,260
Loan repayments received[1]	**(45,728,963)**	(8,547,260)
Interest charged[2]	**–**	875,491
Interest repayments received	**(2,372,272)**	(450,246)
Fair value gain	**3,363,343**	162,308
End of year	**40,218,856**	39,024,782

Note(s):

1. All loans were restructured into an interest-free revolving credit facility on 1 July 2023 and fully repaid and re issued under the new agreement – refer to note 2.3.4 for further details.
2. For the financial year end 30 June 2023, interest on the FFIC loans is included in the net gain/(loss) on financial instruments at fair value through profit or loss – refer to Note 2.3.4 for further details.

	2024 $'000	2023 $'000
Interest bearing securities		
At fair value:		
Negotiable certificates of deposit – domestic	**3,515,297**	13,903,072
Negotiable certificates of deposit – international	**362,918**	1,336,628
Corporate debt securities – domestic	**566,204**	502,181
Corporate debt securities – international	**4,326,354**	1,872,949
Mortgage backed securities – international	**1,941,750**	37,469
Asset backed securities – international	**2,747,628**	1,128,772
Corporate credit (bank loans) – domestic	**–**	12
Corporate credit (bank loans) – international	**1,655,295**	1,247,693
Government debt securities – domestic	**–**	199,529
Government debt securities – international	**8,590,999**	10,662,215
Other interest-bearing securities – domestic	**43,572**	–
Other interest-bearing securities – international	**348,241**	370,955
Total interest bearing securities	**24,098,258**	31,261,475
Listed equities and listed managed investment schemes		
At fair value:		
Domestic listed equities and listed managed investment schemes	**22,741,689**	17,353,467
International listed equities and listed managed investment schemes	**49,392,148**	41,271,087
Total listed equities and listed managed investment schemes	**72,133,837**	58,624,554
Collective investment vehicles		
At fair value:		
Unlisted investments	**40,672,131**	39,533,506
Unlisted shares	**4,219,552**	3,701,092
Total collective investment vehicles[1]	**44,891,683**	43,234,598

Note(s):

1. Excludes collective investment vehicles held via the FFICs.

Note 7: Investments (continued)

	2024 $'000	2023 $'000
Derivatives		
At fair value: – financial assets		
Total derivative financial assets	**4,132,315**	2,610,343

	2024 $'000	2023 $'000
Derivatives		
At fair value: – financial liabilities		
Total derivative financial liabilities	(1,648,266)	(3,299,068)
Total derivatives	**2,484,049**	**(688,725)**

The Fund enters into certain derivative transactions under International Swaps and Derivatives Association (ISDA) agreements with various counterparties, which include provisions for netting arrangements. The derivative financial asset and financial liability balances above are stated gross of any netting arrangements.

The gross and net positions of financial assets and liabilities that have been offset in the Statement of financial position are disclosed in the first three columns of the following table where a netting arrangement is in place. Under the terms of the ISDA agreements, only where certain credit events occur (such as default), the net position owing/receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. The fourth column in the tables below show the amounts which could be offset at the counterparty level. As the Fund does not presently have a legally enforceable right of set-off, these amounts have not been offset in the Statement of financial position.

	Effects of offsetting on the Statement of financial position			Related amounts not offset	
Financial assets	**Gross amounts of financial assets** $'000	**Gross amounts set off in the Statement of financial position** $'000	**Net amount of financial assets presented in the Statement of financial position** $'000	**Amounts subject to master netting arrangements** $'000	**Net amount** $'000
2024					
Derivative financial instruments	**3,476,769**	**–**	**3,476,769**	**(647,817)**	**2,828,952**
Total	**3,476,769**	**–**	**3,476,769**	**(647,817)**	**2,828,952**
2023					
Derivative financial instruments	2,472,923	–	2,472,923	(1,471,710)	1,001,213
Total	2,472,923	–	2,472,923	(1,471,710)	1,001,213

Financial liabilities	Effects of offsetting on the Statement of financial position			Related amounts not offset	
	Gross amounts of financial liabilities	Gross amounts set off in the Statement of financial position	Net amount of financial liabilities presented in the Statement of financial position	Amounts subject to master netting arrangements	Net amount
	$'000	$'000	$'000	$'000	$'000
2024					
Derivative financial instruments	**647,817**	**–**	**647,817**	**(647,817)**	**–**
Total	**647,817**	**–**	**647,817**	**(647,817)**	**–**
2023					
Derivative financial instruments	1,471,710	–	1,471,710	(1,471,710)	–
Total	1,471,710	–	1,471,710	(1,471,710)	–

7.1 Restrictions on investments – cash

Cash provided and received as collateral

The Fund has entered into various derivative contracts which require the Fund to post or receive collateral with counterparties under certain circumstances based on minimum transfer limits. The Fund provides cash as collateral when legally required and counterparties also post collateral when legally required. Any cash provided as collateral remains a financial asset of the Fund, however, any alternate use of this cash is restricted as it is held by the counterparty. Any cash received by the Fund from counterparties is included in the net assets of the Fund. As at 30 June 2024, the Fund has $186,195,104 in cash which has been posted as collateral with counterparties, (2023: $29,062,412) and has received $2,421,385,642 cash (2023: $1,497,379,115).

Cash provided as margin on futures accounts

The Fund has posted cash with a futures broker to cover exchange traded futures positions as required under clearing house rules. As at 30 June 2024, the Fund had posted $1,442,878,273 (2023: $1,088,100,460) in futures margins to cover open positions. This cash also remains a financial asset of the Fund, however, any alternate use of this cash is also restricted.

Cash provided as margin on swap accounts

The Fund has posted cash with a central counterparty to cover exchange traded swap positions as required under clearing house rules. As at 30 June 2024, the Fund had posted $1,616,548,655 (2023: $1,393,004,519) in swap margins to cover open positions. This cash also remains a financial asset of the Fund, however any alternate use of this cash is also restricted.

Cash prepayments for investments

The Fund prepays cash for applications into some Alternative investments in advance of the effective date for allocation of units as set out in the legal documents. Therefore, the cash remains a financial asset of the Fund, however, any alternate use of this cash is restricted. As at 30 June 2024, the Fund had prepaid $1,825,002,416 (2023: $24,064,518).

7.2 Restrictions on investments – listed equities

The Fund has in place an automatic contractual lien over the Fund's listed equities with a counterparty when the Fund's exposure to that counterparty exceeds the base unsecured threshold. At 30 June 2024, no assets are subject to the lien (2023: no assets subject to the lien).

This agreement is instead of posting cash collateral and provides the Fund with greater efficiency in managing its liquidity.

7.3 Collective investment vehicles

Commitments made to collective investment vehicles as at 30 June 2024

As disclosed in the Schedule of commitments and in the following tables, the Fund, directly and via the FFICs has committed to provide capital to various collective investment vehicles. The total of these commitments at balance date is $23,048 million (2023: $22,799 million). The Fund's commitment obligations, being capital calls, are set out in the various underlying subscription documents. While the actual timing of the capital calls to be made by the managers of these vehicles is uncertain, as it is dependent on the managers sourcing suitable investment opportunities, the Fund has included the commitments in the Schedule of commitments with a maturity of one year or less in accordance with the underlying legal documents. The Fund has appropriate liquidity planning in place to ensure a suitable allocation of resources will be available to cover these future commitments of capital.

Investment funds of the types the Fund invests in usually allow the fund's manager, general partner or other controlling entity to require repayment of distribution payments previously made to investors in order to cover certain fund liabilities (such as obligations to indemnify or to meet warranty claims on sold assets). The Fund negotiates where possible, for these 'giveback' obligations to be limited in both total amount (e.g. to between 10–25% of total distributions received) and liability period (e.g. for no longer than two years after the distributions are received). The Fund is not aware of any giveback obligations at 30 June 2024 (or 30 June 2023).

30 June 2024 – directly held by the Fund

As at 30 June 2024, the Fund had made commitments to a number of collective investment vehicles. Capital commitments (local currency), the net cost of the current investments net of returns of capital (Australian dollars), the outstanding commitment (Australian dollars) and the fair value (Australian dollars) of the investments as at 30 June 2024 are shown in the table below.

Description of underlying strategy	Contractual capital committed as at 30 June 2024 Local Currency '000	Outstanding commitment as at 30 June 2024 AUD equivalent $'000	Net capital cost[1] as at 30 June 2024 AUD equivalent $'000	Fair value as at 30 June 2024 AUD equivalent $'000
Alternative strategies	**AUD $13,277,259**	**–**	**12,733,950**	**14,865,804**
Alternative strategies	**USD $1,733,905**	**–**	**1,716,961**	**4,162,516**
Credit	**AUD $5,772,009**	**971,777**	**4,584,032**	**4,797,563**
Credit	**EUR €1,661,000**	**2,033,827**	**720,804**	**811,409**
Credit	**USD $4,497,034**	**3,627,784**	**5,694,429**	**4,849,463**
Global Infrastructure	**AUD $2,045,166**	**700,000**	**1,302,873**	**4,210,870**
Global Infrastructure	**EUR €381,930**	**409,138**	**215,635**	**297,715**
Global Infrastructure	**USD $2,589,438**	**1,124,654**	**2,206,492**	**2,881,764**
Private Equity	**EUR €44,109**	**–**	**175,393**	**76,779**
Private Equity	**USD $1,044,850**	**413,733**	**942,054**	**1,404,842**
Property	**AUD $405,500**	**–**	**12,665**	**24,695**
Property	**EUR €922,124**	**650,290**	**741,085**	**772,868**
Property	**GBP £217,753**	**145,164**	**138,995**	**111,553**
Property	**USD $7,212,289**	**2,800,953**	**5,512,389**	**5,290,743**
Timberlands	**USD $303,818**	**–**	**221,205**	**333,099**
Total		**12,877,320**	**36,918,962**	**44,891,683**

Note(s):

1. Net capital cost includes all capital contributed less capital returned at 30 June 2024.

30 June 2024 – indirectly held via the FFICs

As at 30 June 2024, the Fund had made commitments to a number of collective investment vehicles via its FFICs. Capital commitments (local currency), the net cost of the current investments net of returns of capital (Australian dollars), the outstanding commitment (Australian dollars) and the fair value (Australian dollars) of the investments as at 30 June 2024 are shown in the table below.

Description of underlying strategy	Contractual capital committed as at 30 June 2024 Local Currency '000	Outstanding commitment as at 30 June 2024 AUD equivalent $'000	Net capital cost[1] as at 30 June 2024 AUD equivalent $'000	Fair value as at 30 June 2024 AUD equivalent $'000
Alternative strategies	**AUD $14,272,899**	**20,253**	**9,228,913**	**12,580,443**
Alternative strategies	**USD $2,293,768**	**–**	**1,434,105**	**2,461,856**
Credit	**USD $6,201,407**	**2,220,736**	**1,415,500**	**1,996,445**
Global Infrastructure	**AUD $5,221,600**	**204,246**	**4,687,556**	**7,009,330**
Global Infrastructure	**GBP £106,563**	**–**	**102,143**	**544,528**
Global Infrastructure	**USD $978,048**	**157,846**	**472,170**	**537,840**
Listed Equities	**JPY ¥250,533,500**	**1,028,885**	**1,470,148**	**1,599,856**
Private Equity	**AUD $1,734,902**	**295,545**	**1,022,158**	**1,149,776**
Private Equity	**EUR €2,008,746**	**962,436**	**1,694,166**	**2,250,576**
Private Equity	**GBP £308,848**	**438**	**444,602**	**384,633**
Private Equity	**USD $19,281,928**	**4,546,685**	**15,846,349**	**27,345,755**
Property	**AUD $271,150**	**–**	**293,376**	**320,863**
Property	**EUR €906,745**	**176,872**	**593,172**	**739,241**
Property	**USD $941,574**	**557,221**	**346,878**	**281,842**
Timberlands	**AUD $386,827**	**–**	**386,827**	**1,179,946**
Total		**10,171,163**	**39,438,063**	**60,382,930**

Note(s):

1. Net capital cost includes all capital contributed less capital returned at 30 June 2024.

30 June 2023 – directly held by the Fund

As at 30 June 2023, the Fund had made commitments to a number of collective investment vehicles. Capital commitments (local currency), the net cost of the current investments net of returns of capital (Australian dollars), the outstanding commitment (Australian dollars) and the fair value (Australian dollars) of the investments as at 30 June 2023 are shown in the table below.

Description of underlying strategy	Contractual capital committed as at 30 June 2023 Local Currency '000	Outstanding commitment as at 30 June 2023 AUD equivalent $'000	Net capital cost[1] as at 30 June 2023 AUD equivalent $'000	Fair value as at 30 June 2023 AUD equivalent $'000
Alternative strategies	AUD $14,762,912	–	14,184,720	15,330,265
Alternative strategies	USD $1,581,905	–	1,670,076	3,831,674
Credit	AUD $5,295,897	822,617	5,312,574	4,164,525
Credit	EUR €1,511,771	1,729,240	672,306	1,004,248
Credit	USD $3,793,639	2,201,066	3,037,518	4,410,908
Global Infrastructure	AUD $1,343,753	–	1,292,443	3,700,311
Global Infrastructure	EUR €381,930	518,918	117,060	193,413
Global Infrastructure	USD $3,382,396	2,502,014	1,951,981	2,488,741
Private Equity	EUR €107,087	–	182,158	69,973
Private Equity	USD $1,038,850	543,889	599,855	1,153,682
Property	AUD $405,500	–	53,197	87,119
Property	EUR €922,124	952,671	459,252	425,511
Property	GBP £287,277	201,914	108,712	82,170
Property	USD $6,882,628	2,815,590	5,221,825	5,979,852
Timberlands	USD $167,561	–	221,205	312,206
Total		12,287,919	35,084,882	43,234,598

Note(s):

1. Net capital cost includes all capital contributed less capital returned at 30 June 2023.

30 June 2023 – indirectly held via the FFICs

As at 30 June 2023, the Fund had made commitments to a number of collective investment vehicles via its FFICs. Capital commitments (local currency), the net cost of the current investments net of returns of capital (Australian dollars), the outstanding commitment (Australian dollars) and the fair value (Australian dollars) of the investments as at 30 June 2023 are shown in the table below.

Description of underlying strategy	Contractual capital committed as at 30 June 2023 Local Currency '000	Outstanding commitment as at 30 June 2023 AUD equivalent $'000	Net capital cost[1] as at 30 June 2023 AUD equivalent $'000	Fair value as at 30 June 2023 AUD equivalent $'000
Alternative strategies	AUD $14,752,786	15,995	10,288,973	12,761,749
Alternative strategies	USD $3,307,229	262,901	2,446,363	3,182,716
Credit	EUR €1,033,309	823,512	12,985	7,467
Credit	USD $6,040,403	1,733,412	1,466,207	2,215,207
Global Infrastructure	AUD $4,695,866	229,646	4,140,427	6,179,635
Global Infrastructure	GBP £106,563	–	101,967	470,459
Global Infrastructure	USD $978,704	158,567	481,857	518,908
Private Equity	AUD $1,460,209	352,333	764,891	795,100
Private Equity	EUR €1,945,768	1,153,874	1,518,409	2,236,504
Private Equity	GBP £308,848	442	458,368	263,544
Private Equity	USD $18,843,452	4,892,875	15,125,603	29,170,999
Property	AUD $271,150	–	293,376	343,091
Property	EUR €889,850	249,137	528,595	666,743
Property	USD $1,006,448	638,808	267,737	233,260
Timberlands	AUD $386,827	–	258,148	1,121,286
Total		10,511,502	38,153,906	60,166,668

Note(s):

1 Net capital cost includes all capital contributed less capital returned at 30 June 2023.

Note 8: Receivables

	2024 $'000	2023 $'000
Receivables		
Franking credits refundable	**462,021**	1,377,072
Interest receivable	**17,504**	11,454
Dividends and distributions receivable	**273,435**	314,104
Unsettled sales[1]	**2,599,202**	55,341
Total Receivables	**3,352,162**	1,757,971

Note(s):

1. Represents amounts receivable under normal market settlement terms for the sale of investment securities.

No amounts presented in the table above are considered to be past due or impaired.

Note 9: Payables

	2024 $'000	2023 $'000
Payables		
Unsettled purchases[1]	**2,360,850**	875,848
Other accrued expenses including management and performance fees payable	**140,588**	100,870
Total Payables	**2,501,438**	976,718

Note(s):

1. Represents amounts owing under normal market settlement terms for the purchase of investment securities.

Note 10: Provisions

	2024 $'000	2023 $'000
Employee provisions		
Annual leave	**6,127**	5,160
Long service leave	**8,612**	7,009
Other employee liabilities	**31,552**	32,395
Total Employee provisions	**46,291**	44,564

Note 11: Contributions by Government

	2024 $'000	2023 $'000
Opening balance	**60,536,831**	60,536,831
Contribution from Government – cash	**–**	–
Closing balance	**60,536,831**	60,536,831

Note(s):

Contributions are made under Schedule 1 of the Act.

Note 12: Unconsolidated subsidiaries and interests in unconsolidated structured entities

As an investment entity, the Fund does not consolidate any of the subsidiaries listed below.

The Fund also invests via non-controlled structured entities. As these are investments of the Fund they are at their fair value and any undrawn capital is shown as an outstanding commitment which equates to the Fund's maximum exposure to loss from its investment in these entities.

All entities (controlled or non-controlled) have some or all of the following characteristics:

- the requirement for the Fund (or a FFIC entity) to fund future commitments to the entity as called by the investment manager or general partner. These amounts are limited in terms of total value and callable only in accordance with the underlying legal arrangements. These amounts are disclosed in Note 7.3;
- the lack of control over the payment of dividends, distributions or the return of capital from the entity. These are controlled by the general partner or the investment manager in accordance with the legal arrangements entered into upon initial investment;
- limitations on transfer or redemption of the interest in the entity. The Fund ensures that these are normal commercial arrangements for investments of this type, typically existing to protect and treat all investors in an equitable manner; and
- limited recourse to the Fund (ordinarily capped at the commitment or invested capital value) for any claims or liabilities incurred by these entities.

Name of entity	Country of incorporation/ domicile	Equity holding	
		30 June 2024 %	30 June 2023 %
Future Fund Investment Company No.1 Pty Ltd^[^1]	**Australia**	**100**	100
Future Fund Investment Company No.2 Pty Ltd^[^1]	**Australia**	**100**	100
Future Fund Investment Company No.3 Pty Ltd^[^1]	**Australia**	**100**	100
Co-Investment Fund (Parallel) LP[2]	United States	100	100
Future Fund Investment Company No.4 Pty Ltd^[^1]	**Australia**	**100**	100
Future Fund Investment Company No.5 Pty Ltd^[^1]	**Australia**	**100**	100
Elementum Tranquillus Fund Ltd[2]	Bermuda	100	100
Clocktower FF LP[2]	Cayman Islands	100	100
Future Fund Investment Company No.6 Pty Ltd (Dormant)[1]	**Australia**	**100**	100
FFH No.3 Trust[1]	**Australia**	**100**	100
The Freycinet Fund Discretionary Portfolio, Ltd[1]	**Cayman Islands**	**100**	100
Bain Capital Distressed and Special Situations 2016 (F) LP[1]	**United States**	**100**	100
Bain Capital Distressed and Special Situations 2016 (F-EU), LP[1]	**England**	**100**	100
OHA Highlands, L.P.[1]	**Scotland**	**100**	100
Queenscliff Trust[1]	**Australia**	**100**	100

Note(s):

^ Audited by the ANAO.

1. Held directly by the Future Fund.
2. Held indirectly by a FFIC.

Note 13: Cash flow reconciliation

	2024 $'000	2023 $'000
Reconciliation of operating result to net cash from operating activities:		
Operating result	**18,770,399**	11,710,488
Depreciation and amortisation	**8,677**	8,953
Purchase of investments	**(172,032,226)**	(141,982,008)
Proceeds from sale of investments	**176,288,203**	136,187,829
Net gain on revaluation of investments	**(13,352,800)**	(6,464,491)
Unrealised loss on foreign currency	**55,251**	56,776
(Increase)/decrease in accrued income	**(1,422,074)**	725,716
Increase in other assets	**(6,716)**	(6,237)
Increase in employee provisions	**1,727**	8,383
Increase in other payables	**39,718**	6,151
Increase in deferred tax liability	**79,146**	27,238
Net cash provided by operating activities	**8,429,305**	278,798

Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash includes cash on hand and in banks net of any outstanding operating overdrafts. Cash at the end of the financial year is reconciled to the Statement of financial position as follows:

	2024 $'000	2023 $'000
Cash and cash equivalents	**10,768,488**	2,410,770

Note 14: Contingent liabilities and assets

The Fund is not aware of any significant quantifiable or unquantifiable contingency as of the signing date that requires disclosure in the financial statements.

Note 15: Related party transactions

15.1 Parent entity

The ultimate controlling entity of the Fund is the Commonwealth of Australia.

15.2 Subsidiaries

Interests in subsidiaries are set out in Note 12.

15.3 Key management personnel

Key management personnel are defined as the Board, members of the Agency's Senior Leadership Team which includes the Chief Executive Officer, Chief Operating Officer, Chief People, Culture and Inclusion Officer, General Counsel & Chief Risk Officer, Deputy Chief Investment Officer Assets (until 24 April 2024), Deputy Chief Investment Officer Portfolio Design and the Commonwealth of Australia's Finance Minister and Treasurer. These persons are the only persons considered to have the capacity and responsibility for decision making that can have a material impact on the strategic direction and financial performance of the Fund.

Remuneration of the Finance Minister, Treasurer and Board members is independently determined by the Australian Government Remuneration Tribunal. No member of the Board nor the statutory Accountable Authority receive any entitlement to performance related payments in undertaking their roles. The remuneration of the Finance Minister and Treasurer is not paid by the Fund and is therefore excluded from the compensation disclosed in Note 15.4.

15.4 Key management personnel compensation

	2024 $'000	2023 $'000
Short-term employee benefits	**6,781,654**	7,506,681
Post-employment benefits	**380,023**	379,316
Other long-term benefits	**493,750**	648,865
Total Compensation	**7,655,427**	8,534,862

Note(s):

The total number of key management personnel that are included in the above table are 17 (2023: 14).

15.5 Transactions with related parties

	2024 $'000	2023 $'000
Subscriptions for capital and expenses[1]		
Subsidiaries	**393,841**	182,531
Dividend and distribution revenue[1]		
Subsidiaries	**203,551**	206,323

Note(s):

1. FFBG subsidiaries excluding FFIC entities. FFIC transactions reflected in FFIC loans (Note 7) and FFIC dividend income (Note 3).

15.6 Terms and conditions

Transactions relating to dividends, distributions and funding of capital and expenses with related parties were made in accordance with the individual legal agreements.

15.7 Transactions with government-related entities

Transactions with other Australian government-controlled entities for normal day-to-day business operations were provided under normal terms and conditions. This includes the payment of workers compensation and insurance premiums and superannuation. They are not considered significant individually to warrant separate disclosure as related party transactions. See Note 3 for details regarding the franking credits refundable from the Australian Taxation Office.

Note 16: Financial instruments and financial risk management

16.1 Risk management framework

The Board is collectively responsible for the investment decisions of the Fund and is accountable to the Government for the performance of the Fund. The Board's primary role is to set the strategic direction of the investment activities of the Fund consistent with its approved Investment Mandate. This is accomplished through setting the return targets, risk appetite and risk tolerance levels to manage investment risk. The Agency has the task and responsibility of providing considered research and accurate information and reporting to the Board to assist it in undertaking this role. The Agency monitors compliance daily. Reporting to the Board includes compliance with the Board approved investment guidelines and with the Board approved strategic asset allocation.

16.2 Financial risk management objectives

The Investment Mandate set by the Government specifies a benchmark return for the Fund and requires that it take an acceptable but not excessive level of risk. The Board sets and reviews an asset allocation designed to achieve this outcome. It encapsulates a level of risk that is expected to deliver the key return objectives while taking acceptable downside risk. Particular attention is paid to the worst 5% of possible outcomes under portfolio modelling over a three-year period (the 'Conditional Value at Risk' or "**CVaR**" of the Fund), as well as a measure of the amount of broad equity exposure in the portfolio (`Equivalent Equity Exposure') to ensure that medium-term risk in the portfolio is deemed acceptable whilst pursuing long-term returns.

The portfolio construction process involves considering a range of factors and ensuring that there is adequate diversity so that a negative outcome in any one area does not unduly impact the overall Fund return. The factors considered include the outlook for: global economic growth; inflation; global real interest rates; changes in risk premia attached to various asset classes; movements in the value of currencies held; and changes in liquidity and credit conditions.

16.3 Market risk

Market risk is the risk of loss arising from movements in the prices of various assets flowing from changes in interest rates, exchange rates, equity prices and other prices and derivative contracts tied to these asset prices.

16.3.1 Interest rate risk

Interest rate exposure tables

The exposure to interest rates as at 30 June 2024 of the Fund and the FFICs are set out below.

Financial asset	Floating Interest Rate 2024 $'000	Fixed Interest Rate 2024 $'000	Non-interest Bearing 2024 $'000	Total[1] 2024 $'000
Cash and cash equivalents	**11,032,889**	**–**	**–**	**11,032,889**
Negotiable certificates of deposit	**–**	**3,878,215**	**–**	**3,878,215**
Corporate debt securities	**934,273**	**4,112,998**	**–**	**5,047,271**
Mortgage backed securities	**376,716**	**372,327**	**–**	**749,043**
Asset backed securities	**2,516,779**	**230,849**	**–**	**2,747,628**
Corporate credit (bank loans)	**1,943,227**	**–**	**–**	**1,943,227**
Government debt securities	**42,129**	**9,741,578**	**–**	**9,783,707**
Other interest-bearing securities	**401,718**	**123,933**	**–**	**525,651**
Other financial assets	**–**	**–**	**193,498,616**	**193,498,616**
Total financial assets	**17,247,731**	**18,459,900**	**193,498,616**	**229,206,247**
Notional value of derivative positions				
Swaps (notional amount) – pay	**(106,195,626)**	**(33,414,164)**		
Swaps (notional amount) – receive	**116,964,095**	**22,617,677**		

Note(s):

1. Total balances will not agree with the investment balances reported in Note 7 as this disclosure includes additional interest rate securities and cash and cash equivalents held by the FFICs.

As at 30 June 2024 the Fund's debt portfolio had an effective interest rate duration of 1.18 (30 June 2023: 0.75).

The exposure to interest rates as at 30 June 2023 of the Fund and the FFICs are set out below.

Financial asset	Floating Interest Rate 2023 $'000	Fixed Interest Rate 2023 $'000	Non-interest Bearing 2023 $'000	Total[1] 2023 $'000
Cash and cash equivalents	2,684,059	–	–	2,684,059
Negotiable certificates of deposit	–	15,239,699	–	15,239,699
Corporate debt securities	523,199	1,878,273	–	2,401,472
Mortgage backed securities	24,142	13,327	–	37,469
Asset backed securities	1,101,318	27,454	–	1,128,772
Corporate credit (bank loans)	1,645,807	–	–	1,645,807
Government debt securities	841	10,860,902	–	10,861,743
Other interest-bearing securities	378,437	459,797	–	838,234
Other financial assets	–	–	175,825,980	175,825,980
Total financial assets	6,357,803	28,479,452	175,825,980	210,663,235
Notional value of derivative positions				
Swaps (notional amount) – pay	(97,615,487)	(15,340,421)		
Swaps (notional amount) – receive	86,109,437	26,081,793		

Note(s):

1. Total balances will not agree with the investment balances reported in Note 7 as this disclosure includes additional interest rate securities and cash and cash equivalents held by the FFICs.

Interest rate derivative contracts

The Fund had open positions in exchange traded interest rate futures contracts and interest rate swap agreements as at 30 June 2024. The Act governs the use of financial derivatives as detailed in Note 2.3.3.

Interest rate derivatives are used by the Fund's investment managers to manage the exposure to interest rates and to ensure it remains within approved limits.

The Fund transacts in interest rate derivatives in the following forms:

- bi-lateral over-the-counter contracts;
- centrally cleared over-the-counter contracts; and
- exchange traded derivatives.

The Fund's bi-lateral counterparties for interest rate swaps include major banking firms and their affiliates. The Fund diversifies its exposure by utilising multiple counterparties, by considering each counterparty's credit rating, and by executing such contracts pursuant to master netting agreements. All bi-lateral swap transactions which are not subject to mandatory central clearing are undertaken using ISDAs. Centrally cleared transactions are cash margined at least daily. The Fund's interest rate futures contracts are cash margined daily with the relevant futures clearing exchange. The notional value of the open positions and their fair value are set out below:

	Notional Value 2024 $'000	Fair Market Value 2024 $'000	Notional Value 2023 $'000	Fair Market Value 2023 $'000
Total interest rate derivatives	**82,083,917**	**114,632**	49,996,773	(756,018)

Note(s):

No interest rate derivatives are held by the FFICs.

Interest rate sensitivity analysis

The following table demonstrates the impact on the operating result of the Fund and the FFICs for a 136 basis point (2023: 104 basis point) change in bond yields with all other variables held constant. It is assumed that the basis point change occurs as at the reporting date (30 June 2024 and 30 June 2023) and there are concurrent movements in interest rates and parallel shifts in the yield curves. A 136 basis point (2023: 104 basis point) movement would result in the following impact on the debt portfolios (including interest rate derivatives) contribution to the Fund and FFICs' operating result. The impact on the operating result and equity includes the increase/(decrease) in interest income on floating rate securities from the basis point change.

	30 June 2024 Impact on operating result $'000
+ 136 basis points	**(3,165,892)**
− 136 basis points	**3,564,217**

	30 June 2023 Impact on operating result $'000
+ 104 basis points	(1,452,372)
− 104 basis points	1,620,852

16.3.2 Foreign currency risk management

The Fund and the FFICs undertake certain transactions denominated in foreign currencies and accordingly are exposed to the effects of exchange rate fluctuations. The Board sets a target exposure to foreign currency risk and this is managed utilising forward foreign exchange contracts and other derivatives including commodity futures.

Foreign exchange contracts are used by the Fund's investment managers to manage the exposure to foreign exchange and to ensure it remains within Board approved limits. The Act governs the use of financial derivatives as detailed in Note 2.3.3. The Fund's counterparties for foreign exchange contracts include major banking firms and their affiliates. The Fund diversifies its exposure by utilising major banking firms, by considering each counterparty's credit rating, and by executing such contracts pursuant to master netting agreements. All transactions (other than spot trades) are undertaken using ISDAs.

The Fund and FFICs' exposure in Australian equivalents to foreign currency risk at the reporting date was as follows:

30 June 2024	USD AUD $'000	EUR AUD $'000	GBP AUD $'000	JPY AUD $'000	Other[1] AUD $'000	Total AUD $'000
Cash and cash equivalents	**4,231,294**	**854,731**	**108,888**	**138,521**	**121,513**	**5,454,947**
Listed equities and listed managed investment schemes	**32,645,873**	**4,367,702**	**2,226,032**	**2,088,431**	**13,497,909**	**54,825,947**
Interest bearing securities	**8,890,823**	**1,423,099**	**395,689**	**7,058,560**	**2,652,818**	**20,420,989**
Collective investment vehicles	**51,539,896**	**4,953,246**	**1,040,714**	**1,599,856**	**–**	**59,133,712**
Other investments	**1,763,782**	**79,752**	**27,496**	**1,081,554**	**73,049**	**3,025,633**
Receivables	**1,530,356**	**45,852**	**28,242**	**1,037,628**	**113,925**	**2,756,003**
Payables	**(1,663,927)**	**(65,469)**	**(7,951)**	**(638,897)**	**(443)**	**(2,376,687)**
Total physical exposure	**98,938,097**	**11,658,913**	**3,819,110**	**12,365,653**	**16,458,771**	**143,240,544**
Derivatives						
– buy foreign currency derivatives	**28,759,397**	**3,903,995**	**314,812**	**415,924**	**27,781,879**	**61,176,007**
– sell foreign currency derivatives	**(69,247,152)**	**(5,122,637)**	**(2,215,624)**	**(3,055,464)**	**(25,596,655)**	**(105,237,532)**
Total derivative exposure	**(40,487,755)**	**(1,218,642)**	**(1,900,812)**	**(2,639,540)**	**2,185,224**	**(44,061,525)**
Total net exposure	**58,450,342**	**10,440,271**	**1,918,298**	**9,726,113**	**18,643,995**	**99,179,019**

Note(s):

1. Other includes AUD equivalent exposures to other currencies which, when considered individually, are immaterial and an exposure to gold included in the Commodity futures derivative exposure balance.

Note 16: Financial instruments and financial risk management (continued)

The Fund and FFICs' exposure in Australian equivalents to foreign currency risk at 30 June 2023 was as follows:

30 June 2023	USD AUD $'000	EUR AUD $'000	GBP AUD $'000	JPY AUD $'000	Other[1] AUD $'000	Total AUD $'000
Cash and cash equivalents	1,313,932	118,293	45,920	124,940	54,705	1,657,790
Listed equities and listed managed investment schemes	24,710,756	4,097,448	1,669,030	5,215,022	12,816,957	48,509,213
Interest bearing securities	4,639,060	211,996	184,842	7,951,512	3,997,888	16,985,298
Collective investment vehicles	53,399,749	4,603,860	826,120	–	–	58,829,729
Other investments	1,909,638	7,843	471	4,154	55,224	1,977,330
Receivables	84,166	46,562	20,196	6,747	97,848	255,519
Payables	(108,954)	(6,385)	–	(769,466)	(52)	(884,857)
Total physical exposure	85,948,347	9,079,617	2,746,579	12,532,909	17,022,570	127,330,022
Derivatives						
– buy foreign currency derivatives	30,593,762	1,777,377	55,586	1,043,215	24,532,944	58,002,884
– sell foreign currency derivatives	(62,644,481)	(4,304,916)	(1,749,109)	(1,602,141)	(19,373,403)	(89,674,050)
Total derivative exposure	(32,050,719)	(2,527,539)	(1,693,523)	(558,926)	5,159,541	(31,671,166)
Total net exposure	53,897,628	6,552,078	1,053,056	11,973,983	22,182,111	95,658,856

Note(s):

1. Other includes AUD equivalent exposures to other currencies which, when considered individually, are immaterial and an exposure to gold included in the Commodity futures derivative exposure balance.

Foreign currency sensitivity analysis

The following table demonstrates the impact on the Fund and the FFICs' operating result and equity of 8.28% (2023: 8.48%) movement in exchange rates relative to the Australian dollar at 30 June 2024, with all other variables held constant. If the foreign currency rises against the Australian dollar there will be a positive impact on the operating result (excluding derivatives). It is assumed that the relevant change occurs as at the reporting date and the results presented are shown after taking into account the implementation of the Board's foreign currency exposure policy (that is, the sensitivity is calculated on the net exposure presented on the two previous tables).

	30 June 2024 Impact on operating result $'000
+ 8.28% movement	**10,823,430**
− 8.28% movement	**(9,115,315)**

	30 June 2023 Impact on operating result $'000
+ 8.48% movement	10,067,076
− 8.48% movement	(8,347,966)

16.3.3 Equity price risk

Public markets equity price risk

The Fund and the FFICs are exposed to equity price risks arising from public market equity investments. The equity price risk is the risk that the value of our equity portfolio will decrease as a result of changes in the levels of equity indices and the price of individual stocks. The Fund and FFICs hold all of its equities at fair value through profit or loss.

The Fund and FFICs' exposure to public market equity price risk at the reporting date was as follows:

	2024 $'000	2023 $'000
Domestic listed equities and listed managed investment schemes	**22,741,689**	17,640,788
International listed equities and listed managed investment schemes	**49,392,148**	48,509,219
Total equity price risk exposure[1]	**72,133,837**	66,150,007

Note(s):

1. Total balances will not agree with the investment balances reported in Note 7 as this disclosure includes additional public market equities held by the FFICs.

Equity derivative contracts

The Fund had open positions in exchange traded equity futures contracts, exchange traded and over the counter warrants, and over the counter equity option contracts and equity swap contracts as at 30 June 2024. The Act governs the use of financial derivatives as detailed in Note 2.3.3. Equity futures, options and warrants are used to manage market exposures to equity price risk and to ensure that asset allocations remain within approved limits. The Fund's counterparties for over the counter equity options include major banking firms and their affiliates. The Fund diversifies its exposure by utilising multiple counterparties, by considering each counterparty's credit rating, and by executing such contracts pursuant to master netting agreements. All over the counter transactions are undertaken using ISDAs. The Fund's equity futures contracts are cash margined daily with the relevant futures clearing exchange. The notional value of the open contracts and their fair value are set out below:

	Notional Value 2024 $'000	Fair Market Value 2024 $'000	Notional Value 2023 $'000	Fair Market Value 2023 $'000
Total equity derivatives	**27,545,208**	**1,002,003**	11,985,813	635,290[1]

Note(s):

1. Total balances will not agree with the investment balances reported in Note 7 as this disclosure includes additional equity derivatives held by the FFICs.

Equity price sensitivity analysis

The analysis below demonstrates the impact on the Fund and FFICs' operating result of the following movements:

- +/− 20% on Australian equities
- +/− 15% on International equities

The sensitivity analysis has been performed to assess the direct risk of holding equity instruments and associated derivatives. The analysis is undertaken on the base currency values of the underlying exposures. Currency risk sensitivity is considered separately in the currency sensitivity table presented in Note 16.3.2. The percentage change for each sub-class noted in the table below is measured with reference to each underlying security's forward looking beta, which is a measure of how the underlying security price would change relative to an absolute increase or decrease in the market portfolio which has a beta of 1 and the impact of equity.

	2024 Impact on operating result $'000	2023 Impact on operating result $'000
20% increase in Australian equities	**6,076,737**	4,946,065
15% increase in International equities	**14,497,852**	13,570,552
Total	**20,574,589**	18,516,617
20% decrease in Australian equities	**(6,017,205)**	(4,820,501)
15% decrease in International equities	**(14,107,432)**	(13,463,860)
Total	**(20,124,637)**	(18,284,361)

16.3.4 Other price risk (collective investment vehicles)

The Fund and FFICs are exposed to other price risks arising from its investments in collective investment vehicles. The Fund and FFICs mitigate this risk through diversification of its investments.

As noted in Note 16.6, in the absence of active markets for a particular investment, judgement is required in determining fair value which introduces an increased element of uncertainty in the determination of that fair value. Collective investment vehicle pricing requires this judgement to be exercised in determining appropriate market reference transactions, pricing or earnings multiples, cash flow estimates and market discount rates.

Similarly, when estimating the potential sensitivity of the inputs into the fair values, there is judgement required as to how to determine what a reasonable change in underlying inputs might be in the next financial period. The use of proxy information to assist in determining these sensitivities is detailed below.

Private real estate proxy

A proxy index of publicly traded real estate investment trusts ("**REITs**") has been created that is appropriate for the geographical exposure of the portfolio.

Private equity proxy

A proxy after consideration of the investment strategy and geographical exposure of each private equity investment has been created. For example, a venture capital strategy is proxied using micro cap equities in the appropriate geography.

Infrastructure proxy

Utilisation of an appropriate index of publicly traded infrastructure companies in the appropriate geography and sector is used as a proxy.

Alternative strategy funds

An appropriate market index of public traded assets or similar alternative strategy funds is used as a proxy.

Other price risk sensitivity analysis

The sensitivity analysis for other price risk using the proxies noted above is incorporated within the interest rate sensitivity analysis and equity risk sensitivity analysis presented earlier in Notes 16.3.1 and 16.3.3.

16.4 Liquidity risk management

Liquidity risk is the vulnerability of portfolio cash-flow management to compromise or failure. In particular, it is the risk that insufficient at-call liquidity is available to meet the Fund's liabilities and obligations as they fall due.

The Fund devotes considerable resources to liquidity risk management and the Liquidity Risk Management Policy is one of the main investment policies that support the investment process and help to ensure that the Fund and the FFICs takes 'acceptable but not excessive' risk.

The implementation of the Liquidity Risk Management Policy relies upon the following primary inputs:

- A daily stress test that is designed to ensure that the Fund and the FFICs hold enough at-call liquidity to meet short-term obligations at all times. If the level of at-call liquidity in the Fund and the FFICs is insufficient to pass this test, it must be replenished;
- A portfolio projection model that forecasts the prospective build of the Fund and the FFICs, based on cash flow projections in a range of different market conditions;
- A contingency plan that is designed to expedite access to alternative forms of at-call liquidity should access to traditional sources be constrained.

The following tables summarise the maturity profile of the Fund and FFICs' financial liabilities, net and gross settled derivative financial liability instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The tables have been drawn up based on the contractual discounted cash flows. As the majority of payments occur within one year, the difference between discounted and undiscounted cashflows is immaterial.

As at 30 June 2024:

	Less than 1 year $'000	1 to 5 Years $'000	> 5 Years $'000	Total contractual cashflows $'000	Carrying amount (assets)/ liabilities $'000
2024					
Non-derivatives					
Unsettled purchases	**2,380,725**	**–**	**–**	**2,380,725**	**2,380,725**
Other payables	**194,674**	**26,361**	**8,338**	**229,373**	**229,373**
Total non-derivatives	**2,575,399**	**26,361**	**8,338**	**2,610,098**	**2,610,098**[1]
Derivatives					
Net settled	**1,036,185**	**–**	**–**	**1,036,185**	**1,036,185**
Gross settled					
– (inflow)	**(44,026,441)**	**–**	**–**	**(44,026,441)**	**(44,026,441)**
– outflow	**44,638,592**	**–**	**–**	**44,638,592**	**44,638,592**
Total derivatives	**1,648,336**	**–**	**–**	**1,648,336**	**1,648,336**[1]

Note(s):

1. Total balances do not agree with the investment balance reported in Note 7 and the payables balances reported in Note 9 as the FFICs are included in this disclosure.

The Fund may be required to provide cash as collateral to counterparties under legal agreements when derivatives are in a net liability position. Refer to Note 7 for details on cash provided as collateral.

As at 30 June 2023:

	Less than 1 year $'000	1 to 5 Years $'000	> 5 Years $'000	Total contractual cashflows $'000	Carrying amount (assets)/ liabilities $'000
2023					
Non-derivatives					
Unsettled purchases	901,096	–	–	901,096	901,096
Other payables	182,726	25,256	15,355	223,337	223,337
Total non-derivatives	1,083,822	25,256	15,355	1,124,433	1,124,433[1]
Derivatives					
Net settled	(28,648,927)	–	–	(28,648,927)	(28,648,927)
Gross settled					
– (inflow)	(21,829,242)	–	–	(21,829,242)	(21,829,242)
– outflow	53,777,246	–	–	53,777,246	53,777,246[1]
Total derivatives	3,299,077	–	–	3,299,077	3,299,077[1]

Note(s):

1. Total balances do not agree with the investment balance reported in Note 7 and the payables balances reported in Note 9 as the FFICs are included in this disclosure.

16.5 Credit risk

Credit risk is the risk of loss that arises from a counterparty failing to meet their contractual commitments in full and on time, or from losses arising from the change in value of a traded financial instrument as a result of changes in credit risk on that instrument.

The Board sets limits on the credit ratings of debt investments. These limits are reflected in the underlying investment mandates and are monitored by the Agency with compliance reported to the Board.

The Fund's maximum exposures to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of financial position.

The Fund had, at 30 June 2024, an exposure of 1.52% (2023: 6.75%) of its net assets to interest bearing securities issued by domestic banks. Exposures to individual counterparties are separately identified in the table below.

Domestic interest bearing securities issued by:	2024 $'000	2023 $'000
Westpac Banking Corporation	**1,307,829**	3,501,231
Australia and New Zealand Banking Group Limited	**306,281**	3,846,328
National Australia Bank Limited	**1,724,062**	3,401,201
Commonwealth Bank of Australia	**177,125**	3,154,312
Total	**3,515,297**	13,903,072

The exposures presented above reconcile to Note 7 of the financial statements as follows:

Domestic interest bearing securities issued by:	2024 $'000	2023 $'000
Negotiable certificates of deposit – domestic	**3,515,297**	13,903,072
Total	**3,515,297**	13,903,072

Exposures are measured at the fair value of the underlying securities which is equivalent to their carrying value in the Statement of financial position. Any associated income which is outstanding has been included within the numbers presented. None of these accrued income amounts are past due.

Credit risk derivatives

The Funds' managers utilise credit default swaps to modify exposure to credit risk. The Act governs the use of financial derivatives as detailed in Note 2.3.3.

The Fund transacts in credit default swaps in the following forms:

- bi-lateral over-the-counter contracts; and
- centrally cleared over-the-counter contracts.

The Fund's bi-lateral counterparties for credit default swaps include major banking firms and their affiliates. The Fund diversifies its exposure by utilising multiple counterparties, by considering each counterparty's credit rating, and, where contracts are not subject to mandatory clearing arrangements, by executing such contracts pursuant to master netting agreements. All transactions which are not centrally cleared are undertaken using ISDAs approved by the Fund. Centrally cleared transactions are cash margined at least daily. Managers are required to fully cash back all sold credit protection positions. Outstanding positions are marked to market and collateralisation of out of the money positions is required by each counterparty or the central clearing exchange.

The notional value of the open credit default swap positions, the impact on increasing or reducing credit exposures and their fair value are set out below:

	Notional Value 2024 $'000	Fair Market Value 2024 $'000	Notional Value 2023 $'000	Fair Market Value 2023 $'000
Buy Credit Protection	**217,211**	**(9,711)**	91,069	(2,749)
Sell Credit Protection	**–**	**–**	1,004,270	26,593
Total		**(9,711)**		23,844

Note(s):

No credit risk derivative contracts are held by the FFICs.

Credit exposure by credit rating

The following table provides information regarding the credit risk exposures of the debt instruments held by the Fund and the FFICs according to the credit ratings of the underlying debt instruments.

	2024 $'000	2023 $'000
Long term rated securities		
AAA	**1,139,074**	191,142
AA	**371,358**	42,028
A	**1,130,419**	2,739,418
BBB	**1,639,402**	923,917
Below Investment grade/not rated[1]	**6,749,948**	4,834,300
Short term rated securities		
A-1+/A-1/A-2	**24,274,263**	26,049,027
Other		
US Government Guaranteed	**403,168**	57,426
Total debt securities and cash	**35,707,632**	34,837,258
Other non-debt financial assets	**193,498,615**	175,825,977
Total financial assets[2]	**229,206,247**	210,663,235

Note(s):

1. The Fund and FFICs have a number of mandates with managers specialising in managing distressed debt and corporate loans portfolios.
2. Total balances will not agree with the investment balances reported in Note 7 as this disclosure includes cash and financial assets held by the FFICs.

Credit risk associated with receivables is considered minimal. The main receivables balance is in relation to franking credits which are claimable from the Australian Taxation Office annually in July each year.

There are no overdue contractual receipts due from counterparties as at 30 June 2024 (2023: nil).

16.6 Fair values of financial assets and liabilities

The carrying amounts of the Fund's assets and liabilities at the end of each reporting period approximate their fair values.

Financial assets and liabilities at fair value through profit or loss are measured initially at fair value. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statement of comprehensive income.

16.6.1 Fair value in an active market

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

The Fund values its investments in accordance with the accounting policies set out in Note 2. For the majority of its public market investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis.

16.6.2 Fair value in an inactive or unquoted market

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques employed by the managers the Board has engaged or by the Fund directly. These include the use of recent transactions to the extent these are available and are not distressed transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models, the use of independent valuation experts or any other valuation technique that provides an estimate of prices that could be obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on best estimates and the discount rate used is a market rate at the balance date applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at balance date. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Fund would receive or pay to terminate the contract at the balance date taking into account current market conditions (for example, volatility and appropriate yield curves).

The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date. The fair value of an option contract is determined by applying industry standard option pricing models.

16.7 Fair value hierarchy

The Fund classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The following tables provide an analysis of financial instruments held at year end that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Investments whose values are based on quoted market prices in active markets, and therefore classified within Level 1, include active listed equities and exchange traded derivatives.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable market data are classified within Level 2. These include both investment grade and non-investment grade interest bearing securities and over the counter derivatives.

The Fund must appoint investment managers to invest the assets of the Fund under the Act. A significant proportion of these investments are made via pooled investment vehicles which in turn invest in a variety of underlying investments. Such pooled investments are classified as Level 3 investments in these financial statements. The diverse nature of the investments they make on the Fund's behalf means it is not possible to provide additional information in these financial statements regarding how inputs into the valuation of Level 3 investments might change nor the resultant impact on the Statement of comprehensive income that such changes to valuation inputs might trigger.

The Fund ensures that valuation techniques used by managers are consistent with the Fund's accounting policy.

As noted in Note 16.3.4 for collective investments, the Fund has used proxy investment exposures to provide sensitivity information surrounding the possible impact on the income of the Fund should equity or interest rate markets move up or down by a specified amount.

The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the beginning of the reporting period. The Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole).

Note 16: Financial instruments and financial risk management (continued)

The tables below provide information on the fair value hierarchy for the Fund and FFICs as at 30 June 2024.

Recurring fair value measurements	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total[1] $'000
Financial assets at fair value through profit or loss:				
Interest bearing securities	**39,631**	**23,698,135**	**936,977**	**24,674,743**
Listed equities and listed managed investment schemes	**77,546,202**	**1,934**	**188,610**	**77,736,746**
Collective investment vehicles	**–**	**–**	**105,274,613**	**105,274,613**
Derivatives	**41**	**4,132,279**	**–**	**4,132,320**
Restricted Cash	**2,823,337**	**–**	**–**	**2,823,337**
Total	**80,409,211**	**27,832,348**	**106,400,200**	**214,641,759**
Financial liabilities at fair value through profit or loss:				
Derivatives	**2,501**	**1,645,835**	**–**	**1,648,336**
Total	**2,501**	**1,645,835**	**–**	**1,648,336**

Note(s):

1. Total balances will not agree with the investment balances reported in Note 7 as this disclosure includes the investment related assets and liabilities held by the FFICs. The difference between the table above and Note 7 is financial asset investments of $329,665,000 and financial liability investments of $70,000.

The following table presents the transfers between levels for the year ended 30 June 2024:

	Level 1 $'000	Level 2 $'000	Level 3 $'000
Transfers between Levels 1 and 2	**(1,905)**	**1,905**	**–**
Transfers between Levels 1 and 3	**(35,131)**	**–**	**35,131**
Transfers between Levels 2 and 3	**–**	**134**	**(134)**

The following table presents the movement in Level 3 instruments for the year ended 30 June 2024 by class of financial instrument:

	Interest bearing securities $'000	Equities and listed managed investment schemes $'000	Collective investment vehicles $'000	Total $'000
Financial assets at fair value through profit or loss:				
Opening balance	**1,207,745**	**148,199**	**103,401,267**	**104,757,211**
Purchases	**221,316**	**18,371**	**11,883,860**	**12,123,547**
Sales	**(486,472)**	**(51,075)**	**(12,220,344)**	**(12,757,891)**
Transfers into Level 3	**4,076**	**42,390**	**–**	**46,466**
Gains and (losses) recognised in the Statement of comprehensive income	**(5,478)**	**37,984**	**2,209,830**	**2,242,336**
Transfers out of Level 3	**(4,210)**	**(7,259)**	**–**	**(11,469)**
Closing balance	**936,977**	**188,610**	**105,274,613**	**106,400,200**

Note(s):

There were no Level 3 financial liabilities.

The Fund must invest all the assets of the Fund via investment managers. Listed below are the valuation techniques and significant unobservable inputs for the investments classified in Level 2 and Level 3. Due to the diverse nature of the Fund's investments it is not possible to list the ranges of the inputs.

As at 30 June 2024:

Recurring fair value measurements	Fair value $'000	Valuation technique	Unobservable inputs
Financial assets at fair value through profit:			
Interest bearing securities	**24,635,112**	Discounted cash flow Market Approach Broker Quotations Independent Pricing Services Recovery Rate	Discount Rate Earnings Multiple N/A N/A Illiquidity Discount
Equities and listed managed investment schemes	**190,544**	Discounted cash flow Independent Pricing Services Recent Transaction Recovery Value	Discount Rate N/A N/A Recovery Rate
Collective investment vehicles	**105,268,689** **5,924**	Market Approach Discounted cash flow	Earnings Multiple Net Asset Value Discount Rate
Derivatives	**4,132,279**	Independent Pricing Services Broker Quotations	N/A N/A
Total	**134,232,548**		
Financial liabilities at fair value through profit or loss:			
Derivatives	**1,645,835**	Independent Pricing Services Broker Quotations	N/A N/A
Total	**132,586,713**		

Note 16: Financial instruments and financial risk management (continued)

The tables below provide information on the fair value hierarchy for the Fund and FFICs as at 30 June 2023.

Recurring fair value measurements	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total[1] $'000
Financial assets at fair value through profit or loss:				
Interest bearing securities	31,942	30,913,512	1,207,745	32,153,199
Listed equities and listed managed investment schemes	66,001,779	29	148,199	66,150,007
Collective investment vehicles	–	–	103,401,267	103,401,267
Derivatives	–	2,610,348	–	2,610,348
Restricted Cash	1,736,229	–	–	1,736,229
Total	67,769,950	33,523,889	104,757,211	206,051,050
Financial liabilities at fair value through profit or loss:				
Derivatives	–	3,299,077	–	3,299,077
Total	–	3,299,077	–	3,299,077

Note(s):

1. Total balances will not agree with the investment balances reported in Note 7 as this disclosure includes the investment related assets and liabilities held by the FFICs. The difference between the table above and Note 7 is financial asset investments of $152,281,000 and financial liability investments of $9,000.

The following table presents the transfers between levels for the year ended 30 June 2023:

	Level 1 $'000	Level 2 $'000	Level 3 $'000
Transfers between Levels 1 and 2	322	(322)	–
Transfers between Levels 1 and 3	121,782	–	(121,782)
Transfers between Levels 2 and 3	–	7,655	(7,655)

The following table presents the movement in Level 3 instruments for the year ended 30 June 2023 by class of financial instrument.

	Interest bearing securities $'000	Equities and listed managed investment schemes $'000	Collective investment vehicles $'000	Total $'000
Financial assets at fair value through profit or loss:				
Opening balance	1,162,079	287,159	96,720,195	98,169,433
Purchases	116,357	16,901	13,407,680	13,540,938
Sales	(86,364)	(10,163)	(7,860,509)	(7,957,036)
Transfers into Level 3	124	982	–	1,106
Gains and (losses) recognised in the Statement of comprehensive income	23,328	(23,916)	1,133,901	1,133,313
Transfers out of Level 3	(7,779)	(122,764)	–	(130,543)
Closing balance	1,207,745	148,199	103,401,267	104,757,211

Note(s):

There were no Level 3 financial liabilities.

The Fund must invest all the assets of the Fund via investment managers. Listed below are the valuation techniques and significant unobservable inputs for the investments classified in Level 2 and Level 3. Due to the diverse nature of the Fund's investments it is not possible to list the ranges of the inputs.

As at 30 June 2023:

Recurring fair value measurements	Fair value $'000	Valuation technique	Unobservable inputs
Financial assets at fair value through profit:			
Interest bearing securities	32,121,257	Discounted cash flow Market Approach Broker Quotations Independent Pricing Services Recovery Rate	Discount Rate Earnings Multiple N/A N/A Illiquidity Discount
Equities and listed managed investment schemes	148,228	Discounted cash flow Independent Pricing Services Recent Transaction Recovery Value	Discount Rate N/A N/A Recovery Rate
Collective investment vehicles	102,918,480 482,787	Market Approach Discounted cash flow	Earnings Multiple Net Asset Value Discount Rate
Derivatives	2,610,348	Independent Pricing Services Broker Quotations	N/A N/A
Total	138,281,100		
Financial liabilities at fair value through profit or loss:			
Derivatives	(3,299,077)	Independent Pricing Services Broker Quotations	N/A N/A
Total	134,982,023		

Note 17: Events occurring after reporting date

There have been no significant events occurring after reporting date that would materially affect these financial statements.

Note 18: Special Accounts

18.1 Special Accounts: Future Fund Special Account

Legal Authority — *Future Fund Act 2006*, section 12.

Appropriation authority – section 80 of the PGPA Act.

Purpose — establishment and ongoing operation of the Fund.

Disclosures below are on a cash basis and consolidate departmental and administered items.

Future Fund Special Account	Period from 1 July 2023 to 30 June 2024 $'000	Period from 1 July 2022 to 30 June 2023 $'000
Balance carried from previous period	**–**	–
Bank interest amounts credited	**–**	–
Appropriations for reporting period	**–**	–
Other Receipts:		
GST credits	**7,756**	7,088
Amounts transferred from investment account[1]	**616,968**	512,250
Amounts credited to the special account	**–**	–
Total credits	**624,724**	519,338
Available for payments	**624,724**	519,338
Payments made:		
Investments debited from the Special Account (FFA s17)		
Payments made		
– Remuneration of Agency staff	**88,049**	71,459
– Remuneration of Board members	**944**	1,019
– Suppliers	**175,783**	158,131
– Investment expenses	**352,024**	281,735
– Purchase of capital equipment	**2,048**	1,330
– Lease liability principal and interest payments	**5,876**	5,664
Total debits	**624,724**	519,338
Balance carried forward to next year[2]	**–**	–

Note(s):

1. The operations of the Fund are funded via the investment revenue generated.
2. Excluding investments balances, see Note 18.2.

18.2 Special Accounts: Investment of Public Money

Disclosures below are on a cash basis.

Future Fund Special Account: Investment of Public Money under section 17 of the Future Fund Act 2006 (as amended)	Period from 1 July 2023 to 30 June 2024 $'000	Period from 1 July 2022 to 30 June 2023 $'000
Opening balance	**157,381,934**	153,040,352
Investments made on transfer of funds from the Special Account		
Realised investments reinvested	**180,036,149**	135,441,294
Interest earned reinvested	**4,569,817**	788,128
Dividends received reinvested	**3,286,732**	4,752,456
Franking credits received reinvested	**1,193,387**	1,859,211
Foreign currency realised reinvested	**(59,667)**	(170,202)
Amounts transferred to operations[1]	**(616,968)**	(512,250)
Investments realised	**(176,637,324)**	(137,817,055)
Closing balance	**169,154,060**	157,381,934

Note(s):

1. The operations of the Fund are funded via the investment revenue generated.

Note 19: Reporting of outcomes

19.1 Net cost of outcome delivery

Outcome 1: Strengthen the Commonwealth's financial position for the benefit of the Australian people, by managing the investment activities of the Future Fund and certain other Australian Government investment funds in line with their Investment Mandates.

The Fund's net contribution to outcome 1 is disclosed in the Statement of comprehensive income.

19.2 Net cost of outcome delivery – Programs

The Agency has two programs: the management of the investment of the Future Fund and the management of the investment of the Australian Government Investment Funds. These investments are held for and on behalf of the Commonwealth of Australia.

Program 1.1 Management of the investment of the Future Fund.

The Agency supports the Board in investing to accumulate assets for the purpose of offsetting the unfunded superannuation liabilities of the Commonwealth which will fall due on future generations. The net cost of this output delivery is presented in the Statement of comprehensive income.

Program 1.2 Management of the investment of the Australian Government Investment Funds.

The role of the Agency was extended to include supporting the Board in the investment of the assets by the *DisabilityCare Australia Fund Act 2013*, the *Medical Research Future Fund Act 2015*, the *Aboriginal and Torres Strait Islander Land and Sea Future Fund Act 2018*, the *Future Drought Fund Act 2019*, the *Disaster Ready Fund Act 2019* and the *Housing Australia Future Fund Act 2023* to support the Board in the investment of the assets of the DCAF, MRFF, ATSILSFF, FDF, DRF and HAFF. The Agency charges a monthly fee to each fund to reimburse the Agency for shared costs paid by the Agency, as agreed with the Department of Finance. During the year the Agency charged the funds a combined amount of $12,066,668 (2023: $10,612,264) which is included in other income in the Statement of comprehensive income and the amount owing to the Agency at 30 June 2024 was $3,437,438 (2023: $2,745,254). Direct costs to the DCAF, MRFF, ATSILSFF, FDF, DRF and HAFF, such as investment management and custody fees, were charged directly to each fund's Special Account and are not reported as part of these financial statements.

Note 20: Current and non-current assets and liabilities disclosure

AASB 101 requires that for each asset and liability line item, the amount expected to be recovered or settled beyond 12 months is disclosed as set out in the table below:

	As at 30 June 2024 <12 months $'000	As at 30 June 2024 >12 months $'000	As at 30 June 2023 <12 months $'000	As at 30 June 2023 >12 months $'000
Assets				
Financial assets				
Cash and cash equivalents	**10,768,488**	**–**	2,410,770	–
Receivables	**3,352,162**	**–**	1,757,971	–
Investments	**36,259,768**	**178,711,656**	47,060,892	159,142,439
Other financial assets	**19,383**	**3,509**	12,577	4,159
Non-financial assets				
Right of use assets	**–**	**26,448**	–	30,770
Plant and equipment	**–**	**15,996**	–	18,304
Total assets	**50,399,801**	**178,757,609**	51,242,210	159,195,672
Liabilities				
Financial liabilities				
Investments	**1,648,266**	**–**	3,299,068	–
Payables	**2,501,438**	**–**	976,718	–
Lease liability	**5,912**	**34,699**	5,661	40,612
Non-financial liabilities				
Employee provisions	**36,075**	**10,216**	35,443	9,121
Tax liabilities				
Deferred tax liabilities	**–**	**127,196**	–	48,050
Total liabilities	**4,191,691**	**172,111**	4,316,890	97,783

Note 21: Budgetary reports

The following tables provide a comparison of the original budget as presented in the 2023–24 Portfolio Budget Statements ("**PBS**") to the 2023–24 final outcome as presented in accordance with Australian Accounting Standards for the entity. The budget is not audited.

The 2023–24 budget was based on the assumption that the mandated return is achieved for each forward estimates year. CPI is estimated in these budget numbers. In that context, the budget construct, including related investment costs, was based on the estimated mandated return therefore the actual results will always deviate from these assumed returns.

Due to the volatile nature of investment markets, it is difficult to accurately predict the financial outcomes of the Fund. Further, as PBS financial information is presented in a concise format which differs to the level of information presented in this financial report, the tables below compare actual and budgeted information for the Statement of comprehensive income and Statement of financial position.

Statement of comprehensive income	Year ended 30 June 2024 $'000	PBS – administered 30 June 2024 $'000	PBS – departmental 30 June 2024 $'000	Variance 30 June 2024 $'000
Total income	**19,486,381**	**14,289,292**	**177,821**	**5,019,268**
Total expenses including income tax	**715,985**	**545,076**	**177,821**	**(6,912)**[1]
Operating result for the year	**18,770,396**	**13,744,216**	**–**	**5,026,180**

Note(s):

1. Total expenses were lower than budgeted mainly due to the total budgeted expense estimate based on the consolidation of subsidiaries under accounting standards which is required for budget preparation. As the Fund applies the investment entity standard, expenses incurred in subsidiaries are not included in the financial statements as separate expenses but are included in the change in fair value of the investment entities in which the expenses are incurred.

Statement of financial position	As at 30 June 2024 $'000	PBS – administered 30 June 2024 $'000	PBS – departmental 30 June 2024 $'000	Variance 30 June 2024 $'000
Total assets	**229,157,410**	**219,257,900**	**99,758**	**9,799,752**
Total liabilities	**4,363,802**	**1,903,925**	**99,758**	**2,360,119**
Total equity and amount attributable to the Government	**224,793,608**	**217,353,975**	**–**	**7,439,633**

Note 22: Lease Maturity Analysis

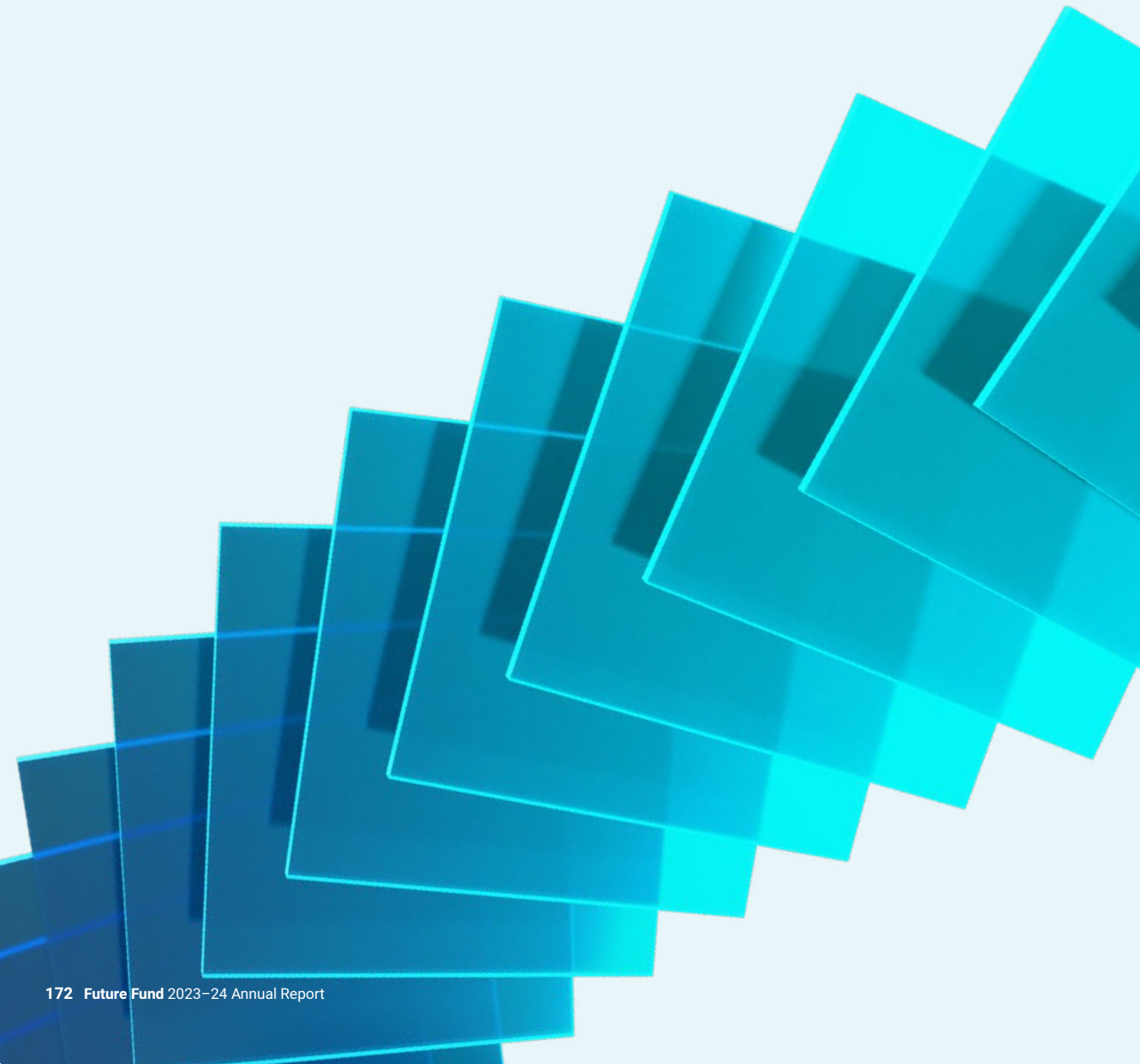
The undiscounted maturity analysis of lease liabilities at 30 June 2024 is as follows:

	2024 $'000	2023 $'000
Less than one year	**6,098**	5,877
One to five years	**26,791**	25,814
More than five years	**8,361**	15,435
Total undiscounted cash flows	**41,250**	47,126

The maturity analysis of lease receivables, including the undiscounted lease payments to be received are as follows:

	2024 $'000	2023 $'000
Less than one year	**603**	581
One to two years	**626**	603
Two to three years	**649**	626
Three to four years	**674**	649
Four to five years	**699**	674
More than five years	**908**	1,607
Total undiscounted lease payments receivable	**4,159**	4,740

7 OTHER MANDATORY REPORTING



Resource statement

All costs for investment activity and the operations of the Board and Agency are met from the assets of the funds rather than from the annual appropriations through Parliament.

The Board monitors the annual operating budget of the Agency to ensure the use of resources is appropriate and consistent with the organisation's objectives.

Nonetheless, the Agency is required to publish information in line with the outcome and output statement used by government departments and agencies.

The Future Fund was established in 2006 to strengthen the Australian Government's long-term financial position.

The outcome for the Agency is: strengthen the Commonwealth's financial position for the benefit of the Australian people, by managing the investment activities of the Future Fund and certain other Australian Government investment funds in line with their Investment Mandates.

Future Fund Management Agency resource statement

	Actual available appropriation – current year (a) $'000	Payments made (b) $'000	Balance remaining (a)-(b) $'000
Administered			
Special accounts	624,724	624,724	–
Total special accounts receipts	624,724	624,724	–
Total resourcing and payments for Future Fund Management Agency	624,724	624,724	–

Expenses for outcome 1, 2023–24

Outcome 1: Strengthen the Commonwealth's financial position for the benefit of the Australian people, by managing the investment activities of the Future Fund and certain other Australian Government investment funds in line with their Investment Mandates.	Budget* 2023–24 (a) $'000	Actual Expenses 2023–24 (b) $'000	Variation 2023–24 (a)-(b) $'000
Program 1.1: Management of the Investment of the Future Fund			
Departmental expenses			
Special accounts			
Future Fund Special Account	166,364	166,851	(487)
Total for program 1.1	**166,364**	**166,851**	**(487)**
Program 1.2: Management of the Investment of the Australian Government Investment Funds			
Departmental expenses			
Special accounts			
Future Fund Special Account	11,027	12,067	(1,040)
Total for program 1.2	**11,027**	**12,067**	**(1,040)**
Outcome 1 Totals by appropriation type			
Departmental expenses			
Special accounts	177,391	178,918	(1,527)
Total expenses for Outcome 1	**177,391**	**178,918**	**(1,527)**

	2023–24	2023–24	
Average staffing level (number)	278	273	

Note(s):

* Full-year budget, including any subsequent adjustments made in the 2023-24 Portfolio Additional Estimates.

Procurement

The procurement of goods and services by the Agency is consistent with the Commonwealth Procurement Rules and is based on the principles of value-for-money; open and effective competition; ethics and fair dealing; accountability and reporting; national competitiveness; industry development; and support for other Australian Government policies.

These principles have been incorporated into the appropriate internal policies, and internal audit conducts probity reviews to help ensure compliance.

The purchase of investment management, investment advisory, master custody, and safekeeping services for the purposes of managing and investing the assets of public asset funds are excluded from the mandatory provisions of the Commonwealth Procurement Rules.

The Agency engages consultancy services in a variety of areas where specialist expertise is not available within the Agency, or where an independent assessment is desirable.

This is consistent with the Agency's outsourced business model. Consultancy services selection processes may include open tender, selective tender, direct sourcing, or the use of a panel, in alignment with Commonwealth Procurement Rules.

Expenditure on reportable consultancy contracts 2023–24

During 2023–24, four new consultancy contracts were entered into, involving a total actual expenditure of $1,655,022. In addition, two ongoing consultancy contracts were active during 2023–24, involving a total actual expenditure of $200,632.

Annual reports contain information about actual expenditure on reportable consultancy contracts. Information on the value of reportable consultancy contracts is available on the AusTender website.

Expenditure on reportable consultancy contracts 2023–24

	Number	Expenditure GST included $
New contracts entered into during the reporting period	4	1,655,022
Ongoing contracts entered into during a previous reporting period	2	200,632
Total	**6**	**1,855,654**

Organisations receiving a share of reportable consultancy contract expenditure in 2023–24

Organisation	ABN	Expenditure GST included $	Proportion of 2023–24 total spend %
Accenture Australia Pty Ltd	49096776895	816,200	44
Deloitte Touche Tohmatsu	74490121060	698,572	38
Nous Group	66086210344	197,684	11
McGrathNicol Advisory Partnership	34824776937	140,250	7
Challis & Company Ltd	48161244613	2,948	0
Total		**1,855,654**	**100**

Expenditure on reportable non-consultancy contracts

During 2023–24, 190 new non-consultancy contracts were entered into, involving a total actual expenditure of $17,326,912. In addition, there were 237 ongoing non-consultancy contracts that were entered into during a previous reporting period, involving a total actual expenditure of $67,470,334.

Annual reports contain information about actual expenditure on reportable non-consultancy contracts. Information on the value of reportable non-consultancy contracts is available on the AusTender website.

Expenditure on reportable non-consultancy contracts 2023–24

	Number	Expenditure GST included $
New contracts entered into during the reporting period	190	17,326,912
Ongoing contracts entered into during a previous reporting period	237	67,470,334
Total	**427**	**84,797,246**

Organisations receiving a share of reportable non-consultancy contract expenditure 2023–24

Organisation	ABN	Expenditure GST included $	Proportion of 2023–24 total spend %
Leaders IT Services Pty Ltd	92162113546	11,604,987	14
Data#3 Limited	31010545267	7,230,505	9
Accenture Australia Pty Ltd	49096776895	4,247,548	5
NTT Australia Pty Ltd	65003371239	4,129,355	5
ValueFlow Pty Ltd	15157821880	4,014,691	5
Total		**31,227,085**	**37**

The Agency supports small business participation in the Commonwealth Government procurement market. Small and medium enterprises (SMEs) and small enterprise participation statistics are available on the Department of Finance's website.

The Agency recognises the importance of ensuring that small businesses are paid on time. The results of the survey of Australian Government payments to small businesses are available on the Treasury's website.

The Agency's support for small businesses includes using the Commonwealth Contracting Suite for procurements under $200,000 in accordance with applicable Department of Finance resource management guidance.

Freedom of information

Agencies subject to the *Freedom of Information Act 1982* (FOI Act) are required to publish information to the public as part of the Information Publication Scheme (IPS). This requirement is in Part II of the FOI Act and has replaced the former requirement to publish a section 8 Statement in an annual report.

Each agency must display on its website a plan showing what information it publishes in accordance with the IPS requirements. Information regarding the Future Fund's IPS Plan is available at www.futurefund.gov.au/en/About-us/access-to-information/information-publication-scheme

Advertising and market research

During 2023–24, the Agency undertook recruitment advertising. The total cost of this was $6,384.

No campaign advertising was undertaken.

Grant programs

The organisation does not administer any grant programs.

Ecologically sustainable development and environmental performance

The *Environment Protection and Biodiversity Conservation Act 1999* requires the Agency to report on how our activities accord with ecologically sustainable development, and on our environmental performance.

The 'How we invest' section of this report refers to how ESG matters are incorporated into investment decision-making, which is our central purpose.

The Agency's Melbourne office at 447 Collins Street was designed to achieve a 5.5 Star NABERS Energy Base Building rating and a 6.0 Green Star rating and was Melbourne's first WELL Platinum-rated office building when it was completed in 2020.

Our building incorporates the latest technology including energy-efficient facades, high-efficiency air conditioning and capacity for residential electric vehicle charging.

Air quality monitoring, expansive natural lighting, superior ventilation and an emphasis on bicycle access are just a few of the other sustainability features at 447 Collins Street.

Our Sydney office at 100 Market Street has a 5.5 Star NABERS Energy Base Building rating. The building features energy-efficient air conditioning and lighting systems, as well as a co-generation plant that uses waste heat from the building's electricity generation to supply hot water, and cooling energy from absorption chillers to provide chilled water.

The air conditioning system provides greater control over the ambient temperature and uses more fresh air and less recycled air than conventional methods, ensuring a healthier working environment.

This year, we have made changes to the way we dispose of waste within the tenancy with the addition of organic waste bins in each kitchen area, larger recycling bins and the introduction of coffee cup and lid recycling schemes in our Melbourne office.

In an effort to reduce paper usage/wastage, the Agency introduced digital business cards this year, providing an option for our people to no longer require printed, paper cards. This initiative not only reduces paper usage but also reduces delivery effort and associated carbon emissions from transport and printing manufacturing equipment.

APS net zero emissions 2030

APS Net Zero 2030 is the Government's policy for the APS to reduce its greenhouse gas emissions to net zero by 2030, and transparently report on its emissions.

As part of the Net Zero in Government Operations Strategy, non-corporate Commonwealth entities, corporate Commonwealth entities and Commonwealth companies are required to report on their operational greenhouse gas emissions. The greenhouse gas emissions inventory presents greenhouse gas emissions over the 2023–24 period. Results are presented on the basis of carbon dioxide equivalent (CO_2-e) emissions. Greenhouse gas emissions have been calculated in line with the Australian Public Service Emissions Reporting Framework, consistent with the whole-of-Australian Government approach as part of the APS Net Zero 2030 policy. Not all data sources were available at the time of the report and amendments to data may be required in future reports.

The Agency's emissions reduction plan is available on our website.

The Future Fund's greenhouse gas emissions from operations in 2023–24 are listed below.

Greenhouse gas emissions inventory – location-based method 2023–24

Emission source	Scope 1 tCO_2-e	Scope 2 tCO_2-e	Scope 3 tCO_2-e	Total tCO_2-e
Electricity (location-based approach)	N/A	358.139	29.156	387.294
Natural gas	0.000	N/A	0.000	0.000
Solid waste*	N/A	N/A	10.737	10.737
Refrigerants**	0.000	N/A	N/A	0.000
Fleet and other vehicles	0.000	N/A	0.000	0.000
Domestic commercial flights	N/A	N/A	167.897	167.897
Domestic hire car*	N/A	N/A	0.418	0.418
Domestic travel accommodation*	N/A	N/A	51.871	51.871
Other energy	0.000	N/A	0.000	0.000
Total tCO_2-e	**0.000**	**358.139**	**260.079**	**618.218**

Note(s):

The table above presents emissions related to electricity usage using the location-based accounting method. CO_2-e = carbon dioxide equivalent.

* Indicates emission sources collected for the first time in 2023–24. The quality of data is expected to improve over time as emissions reporting matures.

** Indicates optional emission source for the 2023–24 emissions reporting.

Electricity greenhouse gas emissions 2023–24

Emission source	Scope 2 tCO_2-e	Scope 3 tCO_2-e	Total tCO_2-e	Percentage of electricity use %
Electricity (location-based approach)	358.139	29.156	387.294	100
Market-based electricity emissions	307.926	38.016	345.941	81.28
Total renewable electricity	–	–	–	18.72
Mandatory renewables[1]	–	–	–	18.72
Voluntary renewables[2]	–	–	–	0.00

Note(s):

The table above presents emissions related to electricity usage using both the location-based and the market-based accounting methods. CO_2-e = carbon dioxide equivalent.

1. Mandatory renewables are the portion of electricity consumed from the grid that is generated by renewable sources. This includes the renewable power percentage.
2. Voluntary renewables reflect the eligible carbon credit units surrendered by the entity. This may include purchased large-scale generation certificates, power purchasing agreements, GreenPower and the jurisdictional renewable power percentage (ACT only).

Disability reporting mechanisms

Australia's Disability Strategy 2021–2031 (the Strategy) is the overarching framework for inclusive policies, programs and infrastructure that will support people with disability to participate in all areas of Australian life. The Strategy sets out where practical changes will be made to improve the lives of people with disability in Australia.

It acts to ensure the principles underpinning the United Nations Convention on the Rights of Persons with Disabilities are incorporated into Australia's policies and programs that affect people with disability, their families and carers. All levels of the Australian Government have committed to deliver more comprehensive and visible reporting under the Strategy. A range of reports on progress of the Strategy's actions and outcome areas will be published and available at www.disabilitygateway.gov.au/ads

Disability reporting is included in the Australian Public Service Commission's State of the Service reports and the APS Statistical Bulletin. These reports are available at www.apsc.gov.au

2023–24 annual performance statement

Introductory statement

As required by the *Future Fund Act 2006* (the Act) and the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), this annual performance statement relates to the Future Fund Management Agency (Agency) and the Future Fund Board of Guardians (Board) as if they were a single Commonwealth entity (collectively referred to as the 'organisation').

As the Accountable Authority of the organisation for this purpose, I present the annual performance statement of the organisation, as required under paragraph 39(1)(a) of the PGPA Act.

In my opinion, this annual performance statement is based on properly maintained records, accurately reflects the performance of the organisation, and complies with subsection 39(2) of the PGPA Act.

The Hon Greg Combet AO
Accountable Authority,
Future Fund Management Agency

Chair, Future Fund Board of Guardians

24 September 2024

Purpose

The Agency is responsible for investing for the benefit of future generations of Australians. Established in 2006 as Australia's sovereign wealth fund, its main objective is to strengthen the Commonwealth's long-term financial position.

The Board has responsibility for investing the assets of seven special purpose public asset funds including: the Future Fund; the Medical Research Future Fund, the Aboriginal and Torres Strait Islander Land and Sea Future Fund (ATSILS Fund); the Future Drought Fund; the Disaster Ready Fund; the Housing Australia Future Fund and the DisabilityCare Australia Fund.

Each fund is established by legislation, and the risk and return objectives for each of the funds are set by Investment Mandate Directions issued by the Treasurer and Minister for Finance to the Board.

The Agency supports the Board with investing funds for which the Board is responsible, in line with the Investment Mandate Directions for each fund.

The Portfolio Budget Statements identify the Outcome as: strengthen the Commonwealth's financial position for the benefit of the Australian people, by managing the investment activities of the Future Fund and certain other Australian Government investment funds in line with their Investment Mandates (Outcome 1).

Results

As an investment institution, the achievement of the risk and return objectives set by the Government for each special purpose public fund is the key measure of performance.

These expectations are set out in the Investment Mandate Directions issued by the responsible Ministers.

Analysis of performance against purpose

Performance criterion one – management of the investment of the Future Fund

Provide assistance and advice to the Board in pursuit of achieving the Investment Mandate target return over the long term (interpreted as rolling 10-year periods), with acceptable but not excessive risk.

The target return set out in the Investment Mandate is an average of at least the CPI + 4.0% to 5.0% per annum over the long term.

Criterion source

The 2023–24 performance criteria outlined in the 2023–24 Portfolio Budget Statements (Outcome 1, Program 1.1) and the 2023–24 Corporate Plan (Section 4, Performance).

Results against performance criterion

Performance against the Future Fund Investment Mandate Direction is set out in the table below.

Period to 30 June 2024	Return (% pa)	Target return[1] (% pa)
From inception (May 2006)	7.7	7.0
10 years	8.3	6.9
Seven years	7.8	7.3
Five years	6.7	7.9
Three years	4.5	9.3
2023–24 financial year	9.1	7.8

Note(s):

1. The Investment Mandate sets a benchmark target return of at least the CPI + 4.5% to 5.5% per annum to 30 June 2017 and the CPI + 4.0% to 5.0% per annum thereafter.

Performance criterion two – management of the investment of the Australian Government investment funds

Provide assistance and advice to the Board in pursuit of achieving the Investment Mandate Direction target returns as follows:

- For the Medical Research Future Fund, an average return of at least the Reserve Bank of Australia cash rate target + 1.5% to 2.0% per annum, net of investment fees, over a rolling 10-year term, with acceptable but not excessive risk.
- For the Aboriginal and Torres Strait Islander Land and Sea Future Fund, an average return over the long term of at least the CPI + 2.0% to 3.0% per annum, net of costs, with an acceptable but not excessive level of risk, including having regard to the plausible capital loss from investment returns over the forward three-year period.
- For the Future Drought Fund, the Disaster Ready Fund and the Housing Australia Future Fund, an average return over the long term of at least the CPI + 2.0% to 3.0% per annum, net of costs, with an acceptable but not excessive level of risk.
- For the DisabilityCare Australia Fund, the Australian three-month bank bill swap rate + 0.3% per annum calculated on a rolling 12-month basis. The Investment Mandate requires that investments minimise the probability of capital loss over a 12-month horizon.

Criterion source

The 2023–24 performance criteria is outlined in the 2023–24 Portfolio Budget Statements (Outcome 1, Program 1.2) and in the 2023–24 Corporate Plan (Section 4, Performance).

Results against performance criterion

Medical Research Future Fund

Performance against the Medical Research Future Fund Investment Mandate Direction is set out in the table below.

Period to 30 June 2024	Return (% pa)	Target return[1] (% pa)
From inception (22 September 2015)	4.7	3.1
Seven years	4.8	3.1
Five years	4.7	3.1
Three years	4.2	4.0
2023–24 financial year	8.4	5.8

Note(s):

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

Aboriginal and Torres Strait Islander Land and Sea Future Fund (ATSILS Fund)

Performance against the ATSILS Fund Investment Mandate Direction is set out in the table below.

Period to 30 June 2024	Return (% pa)	Target return[1] (% pa)
From inception (1 October 2019)	5.4	5.9
Three years	4.5	7.3
2023–24 financial year	9.4	5.8

Note(s):

1. CPI + 2.0% to 3.0% per annum over the long term, with acceptable but not excessive level of risk.

Future Drought Fund

Performance against the Future Drought Fund Investment Mandate Direction is set out in the table below.

Period to 30 June 2024	Return (% pa)	Target return[1] (% pa)
From inception (1 April 2020)	7.3	6.2
Three years	4.5	7.3
2023–24 financial year	9.4	5.8

Note(s):

1. CPI + 2.0% to 3.0% per annum over the long term, with acceptable but not excessive level of risk.

Disaster Ready Fund

Performance against the Disaster Ready Fund Investment Mandate Direction is set out in the table below.

Period to 30 June 2024	Return (% pa)	Target return[1] (% pa)
From inception (1 April 2020)	7.3	6.2
Three years	4.6	7.3
2023–24 financial year	9.4	5.8

Note(s):

1. CPI + 2.0% to 3.0% per annum over the long term, with acceptable but not excessive level of risk.

Housing Australia Future Fund

The Housing Australia Future Fund was seeded with an initial capital contribution of $10 billion and was in a transition phase from 1 November 2023 and 30 June 2024 as the Board worked towards full investment of the funds.

From the conclusion of the transition phase the Investment Mandate requires the Board to target an average return, net of costs at least the CPI + 2.0% to 3.0% per annum over the long term while taking acceptable but not excessive amount of risk.

As of 30 June 2024, the Fund generated a return of 4.0% and is valued at $10.4 billion. The Fund was fully invested from 1 July 2024 and reporting against the target benchmark return will commence from this date.

Period to 30 June 2024	Return (%)
From inception (1 November 2023)	4.0

DisabilityCare Australia Fund

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

For the 2023–24 financial year the Fund delivered a return of 5.2% per annum against a benchmark target of 4.7% per annum.

Analysis of performance against purpose

The Future Fund is a long-term investor and continues to perform well against the organisation's stated purpose.

The Agency has delivered strong results for the 2023–24 period that reflect the work we have done over the past few years to understand and navigate significant and lasting changes in the world and reposition the portfolio for a more volatile, higher inflation world.

The 2023–24 year saw equity markets rally sharply, thanks in large part to the strength of the US economy and expectations that US interest rates had peaked and would soon begin to fall. Private credit and alternatives also delivered strong returns, in alignment with our views that inflation and rates would remain higher and risk markets volatile.

The changes in the investment environment and the resurgence of geopolitical risks – of which we have been warning for several years – continued to play out, with the world observing a consequential shift in geopolitical dynamics throughout the year.

Escalating tensions, particularly war in the Middle East and the ongoing Russia–Ukraine war, continued to underscore the fragility of global peace.

As we have explained, our portfolio is now more robust to these events with relatively low exposure to fully priced equities, low exposure to interest rates and a range of inflation hedges in place. In a year where equities were the only strongly performing traditional asset class, many of our positions, and particularly our hedge fund portfolio, delivered very well.

Over the past four years the equivalent of the full value of the portfolio has been turned over to align the portfolio with what we call the New Investment Order, and we continue to assess the investment environment and adjust accordingly.

The annual return for the Future Fund in 2023–24 was 9.1% per annum against a target of 7.8% per annum. The 10-year return was 8.3% per annum against a mandate target of 6.9% per annum.

Investment returns added $18.8 billion to the Future Fund in the past financial year, growing it to almost $225 billion.

Since its establishment in 2006 investment returns have added almost $165 billion in value.

The other six public asset funds invested by the Board are also performing well.

The Investment Mandate Directions for the Medical Research Future Fund, ATSILS Fund, Future Drought Fund, Disaster Ready Fund and Housing Australia Future Fund set risk and return objectives over the long term and performance should be considered against these long-term objectives.

The Medical Research Future Fund delivered an 8.4% per annum return against a target return of 5.8% per annum. Since inception in 2015, it has returned 4.7% per annum against a target return of 3.1% per annum. It is now valued at $23.1 billion.

The ATSILS Fund delivered 9.4% per annum against its target return of 5.8% per annum. Since inception in 2019 it has returned 5.4% against a target return of 5.9% per annum. It is now valued at $2.3 billion.

The Future Drought Fund delivered a return of 9.4% per annum against a target return of 5.8% per annum. Since inception in 2020 it has returned 7.3% per annum against a target return of 6.2% per annum. It is now valued at $4.9 billion.

The Disaster Ready Fund delivered a return of 9.4% per annum against a target return of 5.8% per annum. Since inception in 2020 it has returned 7.3% per annum against a target return of 6.2% per annum. It is now valued at $4.7 billion.

The Housing Australia Future Fund was in a transition phase between 1 November 2023 and 30 June 2024. During that time, it delivered a return of 4.0%. The Investment Mandate for the Fund is the CPI plus 2.0% to 3.0% per annum. Reporting against its mandated target return benchmark commences from 1 July 2024.

The DisabilityCare Australia Fund delivered a return of 5.2% per annum against the target return of 4.7% per annum and is now valued at $19.1 billion.

Total funds managed across all seven funds now stands at $289.4 billion.

The economic outlook remains challenging, as does the geopolitical landscape with all eyes on the upcoming November 2024 US elections.

We have made over $50 billion in changes to the portfolio this year to shore up its resiliency to a range of scenarios, noting that with ongoing higher inflation we expect real returns to investors will remain below those of the past 10 years.

The Agency is well positioned and will continue to respond to market conditions as we remain focused on our purpose of investing for the benefit of future generations of Australians.

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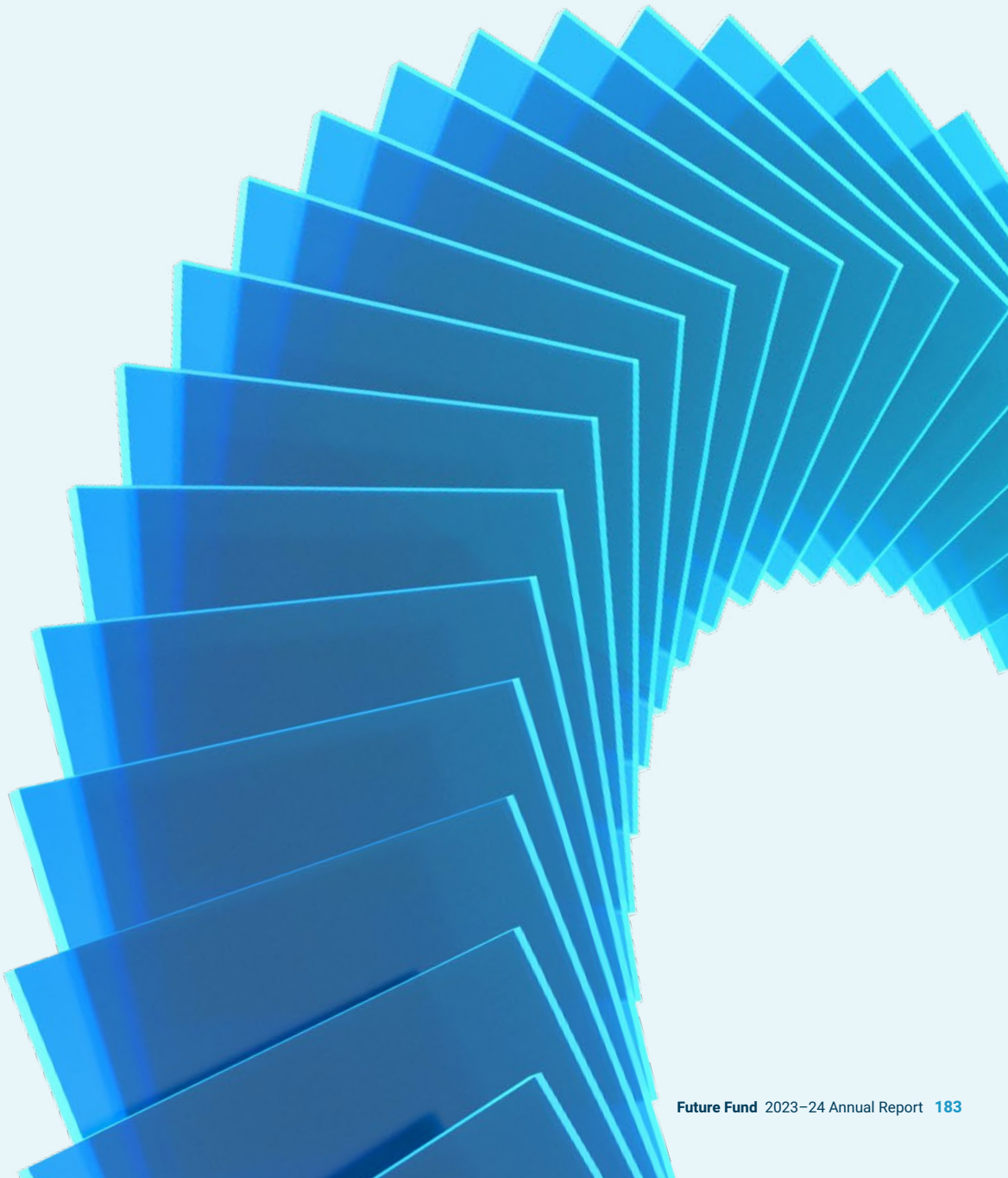

APPENDIX A

Investment managers as at 30 June 2024

Asset class	Manager
Equities	
Australian equities	– Macquarie Investment Management – Maple-Brown Abbott Limited – UBS Securities Australia
Developed market equities	– Insight Investment Management – Legal & General Investment Management Limited – State Street Global Advisors – UBS Securities Australia – Wellington Investment Management
Emerging market equities	– Insight Investment Management – Robeco Institutional Asset Management – State Street Global Advisors – UBS Securities Australia
Private equity	
Buyout	– Advent International Corporation – American Industrial Partners – Apax Partners – Archer Capital – Bain Capital – Charterhouse Capital Partners – GI Partners – Hellman & Friedman – Motive Partners – Parthenon Capital – Quadrant Private Equity – RCP Advisors – Seidler Equity Partners – Siris Capital – Trustar Capital (previously Citic Capital) – The Growth Fund – Vitruvian Investment Partners
Venture and growth	– Adams Street Partners – Bessemer Venture Partners – Blackbird Ventures – CDH Investments – Clocktower Technology Ventures – Columbia Capital – FountainVest Partners – Hillhouse Capital – HongShan – Horsley Bridge Partners – Lightspeed Venture Partners – New Enterprise Associates – Playground Global – Quilvest – Sequoia Capital – Stepstone Group (previously Greenspring Associates) – Xiang He Capital
Special opportunities	– Adams Street Partners – Oaktree Capital Management – TowerBrook Capital Partners

Asset class	Manager
Property	
Unlisted	– Altarea Cogedim – Berkshire Property Advisors – Blackstone Real Estate – Brookfield Asset Management – Columbia Pacific Advisors – Greystar Equity Partners – Harbert Management Corporation – Hillwood Investment Properties – ICAMAP Advisory – Lendlease Investment Management – Logistics Property Company – Macquarie Asset Management Real Estate – Morgan Stanley Real Estate Investing – PEET Limited – Starlight Investments
Listed	– State Street Global Advisors – Legal & General Investment Management Limited – Massachusetts Financial Services
Infrastructure and Timberland	
Unlisted	– Campbell Global – Corsair Infrastructure Management – Dexus (formerly AMP Capital Investors) – EQT Partners – Global Infrastructure Partners – Morrison Global – Lotus Infrastructure Partners – Morgan Stanley Infrastructure Partners – Oaktree Capital Management – QIC Global Infrastructure
Listed	– Atlas Infrastructure – DWS – Legal & General Investment Management Limited – State Street Global Advisors
Credit	
High-grade debt	– First Sentier Investors – Goldman Sachs Asset Management – Macquarie Investment Management – M&G Investment Management Limited – PIMCO Australia
High-yield debt	– Ares Management – Bain Capital Credit – Oak Hill Advisors – Oaktree Capital Management
Private debt	– Ares Management – Bain Capital Credit – BlackRock Alternative Advisors – Blackstone Credit and Insurance – Hayfin Asset Management – M&G Investment Management Limited – PAG Holdings Limited – Westbourne Credit Management Limited

Asset class	Manager
Credit continued	
Emerging markets debt	– BlackRock Investment Management – Lazard Asset Management – Oaktree Capital Management
Distressed and event driven	– Bain Capital Credit – BlackRock Alternative Advisors – Centerbridge Partners L.P – FitzWalter Capital Partners – Oak Hill Advisors – Oaktree Capital Management
Alternatives	
Low beta – relative value	– Atom Investors L.P. – BlackRock Alternative Advisors – Blackstone Multi-Asset Investing – Citadel Advisors – D.E. Shaw & Co., L.P. – Dymon Asia Capital – MAN FRM – Qube Research and Technologies – Schonfeld Strategic Advisors – Squarepoint Capital – Wellington Investment Management
Low beta – directional	– Athanor Capital L.P. – Bridgewater Associates, Inc – Citadel Advisors – Clocktower Group L.P. – MAN AHL Partners LLP
Insurance-linked securities	– Blackstone Multi-Asset Investing – Elementum Advisors – Hiscox Re Insurance Linked Strategies Ltd
Diversifying	– Ionic Capital Management – MAN AHL Partners LLP – Qube Research and Technologies
High beta	– GMO Australia
Overlays	
Overlay strategies	– Ashmore Investment Management Limited – Insight Investment Management (Global) – Legal & General Investment Management Limited – Macquarie Investment Management – PIMCO Australia – State Street Global Advisors Limited – UBS Securities Australia Limited
Cash	
Cash	– First Sentier Investors – Macquarie Investment Management – PIMCO Australia

APPENDIX B

List of requirements

Below is the table set out in Schedule 2 of the PGPA Rule. Section 17AJ(d) requires this table be included in entities' annual reports as an aid of access.

PGPA Rule reference	Part of report	Description	Requirement
17AD(g)	**Letter of transmittal**		
17AI	P4	A copy of the letter of transmittal signed and dated by Accountable Authority on date final text approved, with statement that the report has been prepared in accordance with section 46 of the Act and any enabling legislation that specifies additional requirements in relation to the annual report.	Mandatory
17AD(h)	**Aids to access**		
17AJ(a)	P2	Table of contents.	Mandatory
17AJ(b)	P193–198	Alphabetical index.	Mandatory
17AJ(c)	P192	Glossary of abbreviations and acronyms.	Mandatory
17AJ(d)	P187–191	List of requirements.	Mandatory
17AJ(e)	P4	Details of contact officer.	Mandatory
17AJ(f)	P4	Entity's website address.	Mandatory
17AJ(g)	P4	Electronic address of report.	Mandatory
17AD(a)	**Review by Accountable Authority**		
17AD(a)	P5–6	A review by the Accountable Authority of the entity.	Mandatory
17AD(b)	**Overview of the entity**		
17AE(1)(a)(i)	P10–17	A description of the role and functions of the entity.	Mandatory
17AE(1)(a)(ii)	P11, P18–19	A description of the organisational structure of the entity.	Mandatory
17AE(1)(a)(iii)	P10–17, P179–182	A description of the outcomes and programs administered by the entity.	Mandatory
17AE(1)(a)(iv)	P10–17, P53–85, P179–182	A description of the purposes of the entity as included in corporate plan.	Mandatory
17AE(1)(aa)(i)	P20	Name of the Accountable Authority or each member of the Accountable Authority.	Mandatory
17AE(1)(aa)(ii)	P20	Position title of the Accountable Authority or each member of the Accountable Authority.	Mandatory
17AE(1)(aa)(iii)	P20	Period as the Accountable Authority or member of the Accountable Authority within the reporting period.	Mandatory
17AE(1)(b)	Not applicable	An outline of the structure of the portfolio of the entity.	Portfolio departments, mandatory
17AE(2)	Not applicable	Where the outcomes and programs administered by the entity differ from any Portfolio Budget Statement, Portfolio Additional Estimates Statement or other portfolio estimates statement that was prepared for the entity for the period, include details of variation and reasons for change.	If applicable, mandatory

PGPA Rule reference	Part of report	Description	Requirement
17AD(c)	**Report on the performance of the entity**		
	Annual performance statements		
17AD(c)(i); 16F	P178	Annual performance statement in accordance with paragraph 39(1)(b) of the Act and section 16F of the Rule.	Mandatory
17AD(c)(ii)	**Report on financial performance**		
17AF(1)(a)	P110–171	A discussion and analysis of the entity's financial performance.	Mandatory
17AF(1)(b)	P173	A table summarising the total resources and total payments of the entity.	Mandatory
17AF(2)	Not applicable	If there may be significant changes in the financial results during or after the previous or current reporting period, information on those changes, including: the cause of any operating loss of the entity; how the entity has responded to the loss and the actions that have been taken in relation to the loss; and any matter or circumstances that it can reasonably be anticipated will have a significant impact on the entity's future operation or financial results.	If applicable, mandatory
17AD(d)	**Management and accountability**		
	Corporate governance		
17AG(2)(a)	P35	Information on compliance with section 10 (fraud systems).	Mandatory
17AG(2)(b)(i)	P4	A certification by Accountable Authority that fraud risk assessments and fraud control plans have been prepared.	Mandatory
17AG(2)(b)(ii)	P4	A certification by Accountable Authority that appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud that meet the specific needs of the entity are in place.	Mandatory
17AG(2)(b)(iii)	P4	A certification by Accountable Authority that all reasonable measures have been taken to deal appropriately with fraud relating to the entity.	Mandatory
17AG(2)(c)	P18–35	An outline of structures and processes in place for the entity to implement principles and objectives of corporate governance.	Mandatory
17AG(2)(d)–(e)	Not applicable	A statement of significant issues reported to Minister under paragraph 19(1)(e) of the Act that relates to non-compliance with finance law and action taken to remedy non-compliance.	If applicable, mandatory
	Audit Committee		
17AG(2A)(a)	P26	A direct electronic address of the charter determining the functions of the entity's audit committee.	Mandatory
17AG(2A)(b)	P26	The name of each member of the entity's audit committee.	Mandatory
17AG(2A)(c)	P20–25	The qualifications, knowledge, skills or experience of each member of the entity's audit committee.	Mandatory
17AG(2A)(d)	P27	Information about the attendance of each member of the entity's audit committee at committee meetings.	Mandatory
17AG(2A)(e)	P105	The remuneration of each member of the entity's audit committee.	Mandatory

PGPA Rule reference	Part of report	Description	Requirement
	External scrutiny		
17AG(3)	P18–19	Information on the most significant developments in external scrutiny and the entity's response to the scrutiny.	Mandatory
17AG(3)(a)	Not applicable	Information on judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner that may have a significant effect on the operations of the entity.	If applicable, mandatory
17AG(3)(b)	Not applicable	Information on any reports on operations of the entity by the Auditor-General (other than report under section 43 of the Act), a Parliamentary Committee, or the Commonwealth Ombudsman.	If applicable, mandatory
17AG(3)(c)	Not applicable	Information on any capability reviews on the entity that were released during the period.	If applicable, mandatory
	Management of human resources		
17AG(4)(a)	P86–93	An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives.	Mandatory
17AG(4)(aa)	P94–99	Statistics on the entity's employees on an ongoing and non-ongoing basis, including the following: (a) statistics on full-time employees; (b) statistics on part-time employees; (c) statistics on gender; (d) statistics on staff location.	Mandatory
17AG(4)(b)	P94–99	Statistics on the entity's APS employees on an ongoing and non-ongoing basis; including the following: – Statistics on staffing classification level; – Statistics on full-time employees; – Statistics on part-time employees; – Statistics on gender; – Statistics on staff location; – Statistics on employees who identify as Indigenous.	Mandatory
17AG(4)(c)	P91	Information on any enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations under subsection 24(1) of the *Public Service Act 1999*.	Mandatory
17AG(4)(c)(i)	P99	Information on the number of SES and non-SES employees covered by agreements etc identified in paragraph 17AG(4)(c).	Mandatory
17AG(4)(c)(ii)	P108	The salary ranges available for APS employees by classification level.	Mandatory
17AG(4)(c)(iii)	P108	A description of non-salary benefits provided to employees.	Mandatory
17AG(4)(d)(i)	P109	Information on the number of employees at each classification level who received performance pay.	If applicable, mandatory
17AG(4)(d)(ii)	P109	Information on aggregate amounts of performance pay at each classification level.	If applicable, mandatory
17AG(4)(d)(iii)	P109	Information on the average amount of performance payment, and range of such payments, at each classification level.	If applicable, mandatory
17AG(4)(d)(iv)	P109	Information on aggregate amount of performance payments.	If applicable, mandatory

PGPA Rule reference	Part of report	Description	Requirement
	Assets management		
17AG(5)	Not applicable	An assessment of effectiveness of assets management where asset management is a significant part of the entity's activities.	If applicable, mandatory
	Purchasing		
17AG(6)	P173	An assessment of entity performance against the *Commonwealth Procurement Rules*.	Mandatory
	Reportable consultancy contracts		
17AG(7)(a)	P174	A summary statement detailing the number of new reportable consultancy contracts entered into during the period; the total actual expenditure on all such contracts (inclusive of GST); the number of ongoing reportable consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting period on those ongoing contracts (inclusive of GST).	Mandatory
17AG(7)(b)	P174	A statement that *'During [reporting period], [specified number] new reportable consultancy contracts were entered into involving total actual expenditure of $[specified million]. In addition, [specified number] ongoing reportable consultancy contracts were active during the period, involving total actual expenditure of $[specified million].'*	Mandatory
17AG(7)(c)	P174	A summary of the policies and procedures for selecting and engaging consultants and the main categories of purposes for which consultants were selected and engaged.	Mandatory
17AG(7)(d)	P174	A statement that *'Annual reports contain information about actual expenditure on reportable consultancy contracts. Information on the value of reportable consultancy contracts is available on the AusTender website.'*	Mandatory
	Reportable non-consultancy contracts		
17AG(7A)(a)	P175	A summary statement detailing the number of new reportable non-consultancy contracts entered into during the period; the total actual expenditure on such contracts (inclusive of GST); the number of ongoing reportable non-consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting period on those ongoing contracts (inclusive of GST).	Mandatory
17AG(7A)(b)	P175	A statement that *'Annual reports contain information about actual expenditure on reportable non-consultancy contracts. Information on the value of reportable non-consultancy contracts is available on the AusTender website.'*	Mandatory
17AD(daa)	**Additional information about organisations receiving amounts under reportable consultancy contracts or reportable non-consultancy contracts**		
17AGA	P174–175	Additional information, in accordance with section 17AGA, about organisations receiving amounts under reportable consultancy contracts or reportable non-consultancy contracts.	Mandatory
	Australian National Audit Office access clauses		
17AG(8)	Not applicable	If an entity entered into a contract with a value of more than $100,000 (inclusive of GST) and the contract did not provide the Auditor-General with access to the contractor's premises, the report must include the name of the contractor, purpose and value of the contract, and the reason why a clause allowing access was not included in the contract.	If applicable, mandatory

PGPA Rule reference	Part of report	Description	Requirement
	Exempt contracts		
17AG(9)	Not applicable	If an entity entered into a contract or there is a standing offer with a value greater than $10,000 (inclusive of GST) which has been exempted from being published in AusTender because it would disclose exempt matters under the FOI Act, the annual report must include a statement that the contract or standing offer has been exempted, and the value of the contract or standing offer, to the extent that doing so does not disclose the exempt matters.	If applicable, mandatory
	Small business		
17AG(10)(a)	P175	A statement that *'[Name of entity] supports small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the Department of Finance's website.'*	Mandatory
17AG(10)(b)	P175	An outline of the ways in which the procurement practices of the entity support small and medium enterprises.	Mandatory
17AG(10)(c)	P175	If the entity is considered by the Department administered by the Finance Minister as material in nature — a statement that *'[Name of entity] recognises the importance of ensuring that small businesses are paid on time. The results of the Survey of Australian Government Payments to Small Business are available on the Treasury's website.'*	If applicable, mandatory
	Financial statements		
17AD(e)	P110–171	Inclusion of the annual financial statements in accordance with subsection 43(4) of the Act.	Mandatory
	Executive remuneration		
17AD(da)	P100–109	Information about Executive remuneration in accordance with Subdivision C of Division 3A of Part 2–3 of the Rule.	Mandatory
17AD(f)	**Other mandatory information**		
17AH(1)(a)(i)	Not applicable	If the entity conducted advertising campaigns, a statement that *'During [reporting period], the [name of entity] conducted the following advertising campaigns: [name of advertising campaigns undertaken]. Further information on those advertising campaigns is available at [address of entity's website] and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available on the Department of Finance's website.'*	If applicable, mandatory
17AH(1)(a)(ii)	P176	If the entity did not conduct advertising campaigns, a statement to that effect.	If applicable, mandatory
17AH(1)(b)	Not applicable	A statement that *'Information on grants awarded by [name of entity] during [reporting period] is available at [address of entity's website].'*	If applicable, mandatory
17AH(1)(c)	P178	Outline of mechanisms of disability reporting, including reference to website for further information.	Mandatory
17AH(1)(d)	P176	Website reference to where the entity's Information Publication Scheme statement pursuant to Part II of FOI Act can be found.	Mandatory
17AH(1)(e)	Not applicable	Correction of material errors in previous annual report.	If applicable, mandatory
17AH(2)	P52–85	Information required by other legislation.	Mandatory

APPENDIX C

Glossary of abbreviations and acronyms

AASB	Australian Accounting Standards Board
AC	Companion of the Order of Australia
ACSC	Australian Cyber Security Centre
AIC	Australian Investment Council
AM	Member of the Order of Australia
ANAO	Australian National Audit Office
AO	Officer of the Order of Australia
APEC	Asia-Pacific Economic Cooperation
APS	Australian Public Service
ASX	Australian Stock Exchange
ATO	Australian Taxation Office
ATSILS	Aboriginal and Torres Strait Islander Land and Sea Future Fund
CEO	Chief Executive Officer
CIO	Chief Investment Officer
CPI	Consumer Price Index
DCAF	DisabilityCare Australia Fund
DCIO	Deputy Chief Investment Officer
D&I	Diversity and Inclusion
DRF	Disaster Ready Fund
EEE	Equivalent Equity Exposure
ERF	Emergency Response Fund
ESG	Environmental, social and governance
FDF	Future Drought Fund
FFIC	Future Fund Investment Company
FFMA	Future Fund Management Agency
FOI Act	*Freedom of Information Act 1982*
HAFF	Housing Australia Future Fund
GST	Goods and services tax
ICGN	International Corporate Governance Network
IFSWF	International Forum of Sovereign Wealth Funds
ILN	Investor Leadership Network
IMF	International Monetary Fund
IPS	Information Publication Scheme
ISSB	International Sustainability Standards Board
KMP	Key management personnel
LGBT+	Lesbian, gay, bisexual, transgender
MRFFIC	Medical Research Future Fund Investment Company
MRFF	Medical Research Future Fund
NABERS	National Australian Built Environment Rating System
NDIS	National Disability Insurance Scheme
OECD	Organisation for Economic Co-operation and Development
PA	Per annum
PGPA Act	*Public Governance, Performance and Accountability Act 2013*
RBA	Reserve Bank of Australia
SASB	Sustainable Accounting Standards Board
SBAI	Standards Board for Alternative Investments
SLT	Senior Leadership Team
TAI	Thinking Ahead Institute
WCLC	Wellington Climate Leadership Coalition

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