

Opening statement

Statement by Dr Raphael Arndt, Chief Executive Officer of the Future Fund Management Agency, to the Senate Finance and Public Administration Committee

Budget Estimates, 26 May 2021, Parliament House, Canberra

Thank you for the opportunity to make some brief opening comments.

The Future Fund has continued to perform well, growing strongly and adding more than \$16bn over the last 12 months. The total managed across all six funds now stands at \$226bn.

At 31 March 2021 the Future Fund reached a peak of \$179bn, adding over \$118bn to the original capital contributions from Government and returning 9.1% pa over the last 10 years against a target return for the period of 6.1% pa.

The five other public asset funds we manage, valued at \$47bn, also continue to perform well. I am pleased to report that all six funds managed by the Future Fund have exceeded their target returns across all timeframes.

However, we remain in the midst of a global pandemic which continues to fundamentally change the world as we know it, creating new and challenging situations for investors.

Within this context, economies and markets have continued their recovery, driven by the deployment of vaccines, quantitative easing and fiscal stimulus around the world.

Markets have improved considerably since the COVID-related falls in the March quarter of last year. The unprecedented turbulence has moderated and investor confidence is returning.

As I have said previously, the pandemic has accelerated a number of changes that were already starting to fundamentally reshape markets and economies.

While the outlook overall is greatly improved there remain a number of uncertainties and risks, including the potential for setbacks to the global recovery.

Policy settings continue to support markets for the time being - but this is priced into assets and unwinding these measures will be a complicated exercise. Equally, a failure to reduce the stimulus at the appropriate time could fuel a significant increase in inflation, a risk markets are already starting to focus on. The ability to generate strong returns into the future is more complex and challenging than ever before given the low level of interest rates around the world.

The Future Fund's mandate is to target long-term returns while taking acceptable, but not excessive risk.

We remain focused on carefully managing risk, recognising that the pandemic has catalysed deep and lasting changes to economies and investment markets which investors need to

understand and assess. We have continued to target neutral risk levels across the portfolio and position it to be robust to a range of different scenarios.

The world is changing. How we respond to the changes now will have lasting impacts for the years ahead.

As our portfolio continues to grow in size and complexity we are also focused on ensuring we have the right business strategy and structure to support our commitment to delivering strong risk-adjusted returns that strengthen the Commonwealth's long-term financial position.

Over the coming months we will continue to implement the new three-year business strategy we launched at the start of this year, with a focus on refreshing our investment model, maturing the organisation, preserving our legacy, and expanding our voice.

With this, we will be looking to prudently build out our resources and enhance our capabilities to ensure we are well-positioned to successfully deliver on our long-term mandate.

We must ensure that the organisation remains a mature, resilient and successful investor for the decades ahead.

I welcome your questions.