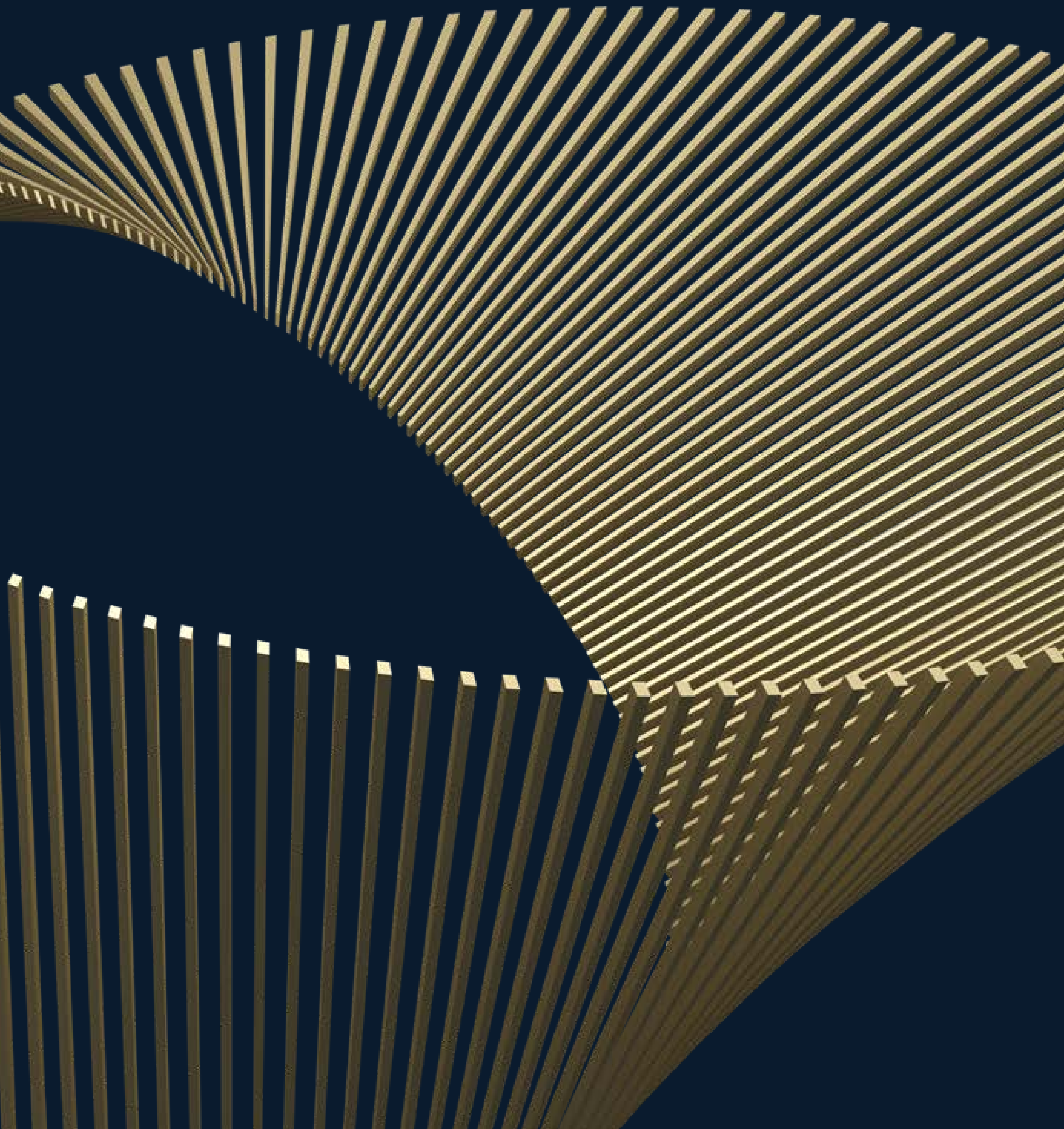
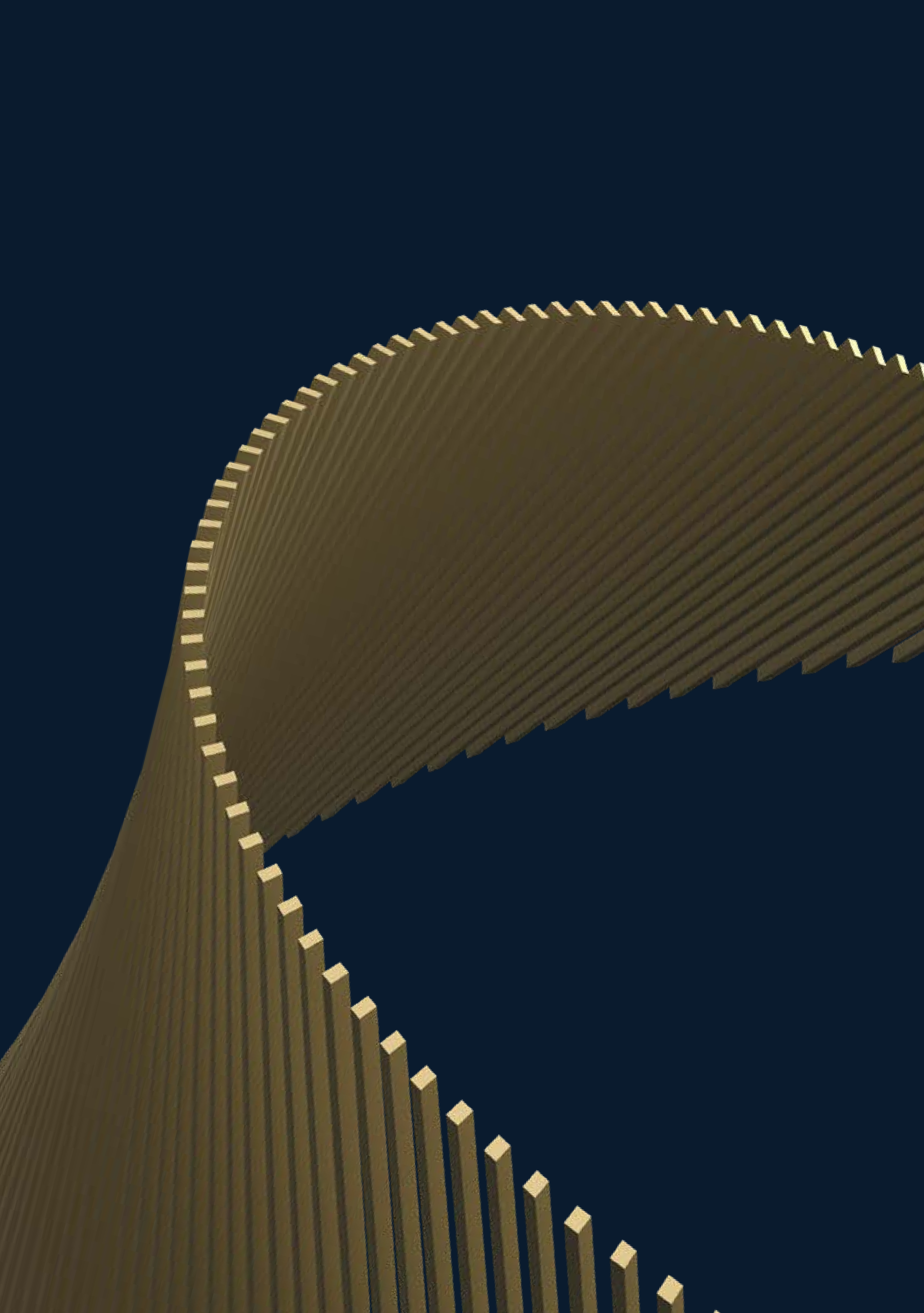
Australian Government
Future Fund

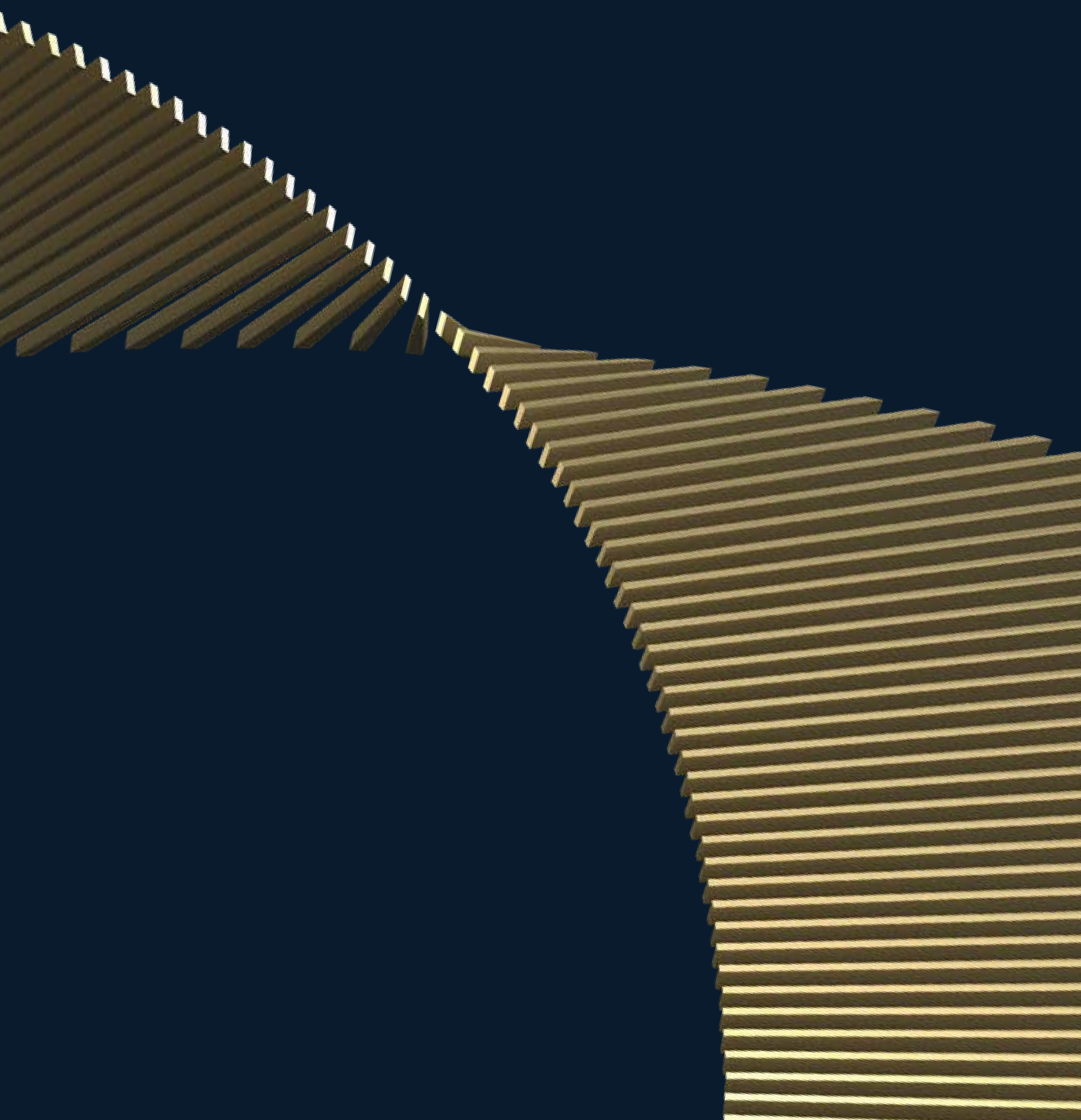
futurefund
Australia's Sovereign Wealth Fund

2022–23 Annual Report





Amidst ongoing change and volatility throughout 2022–23, we focused on building greater resilience into the portfolio in preparation for a more uncertain future.



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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 2022–23 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 include 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 used ‘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’s Head of Corporate Affairs on (03) 8656 6400.

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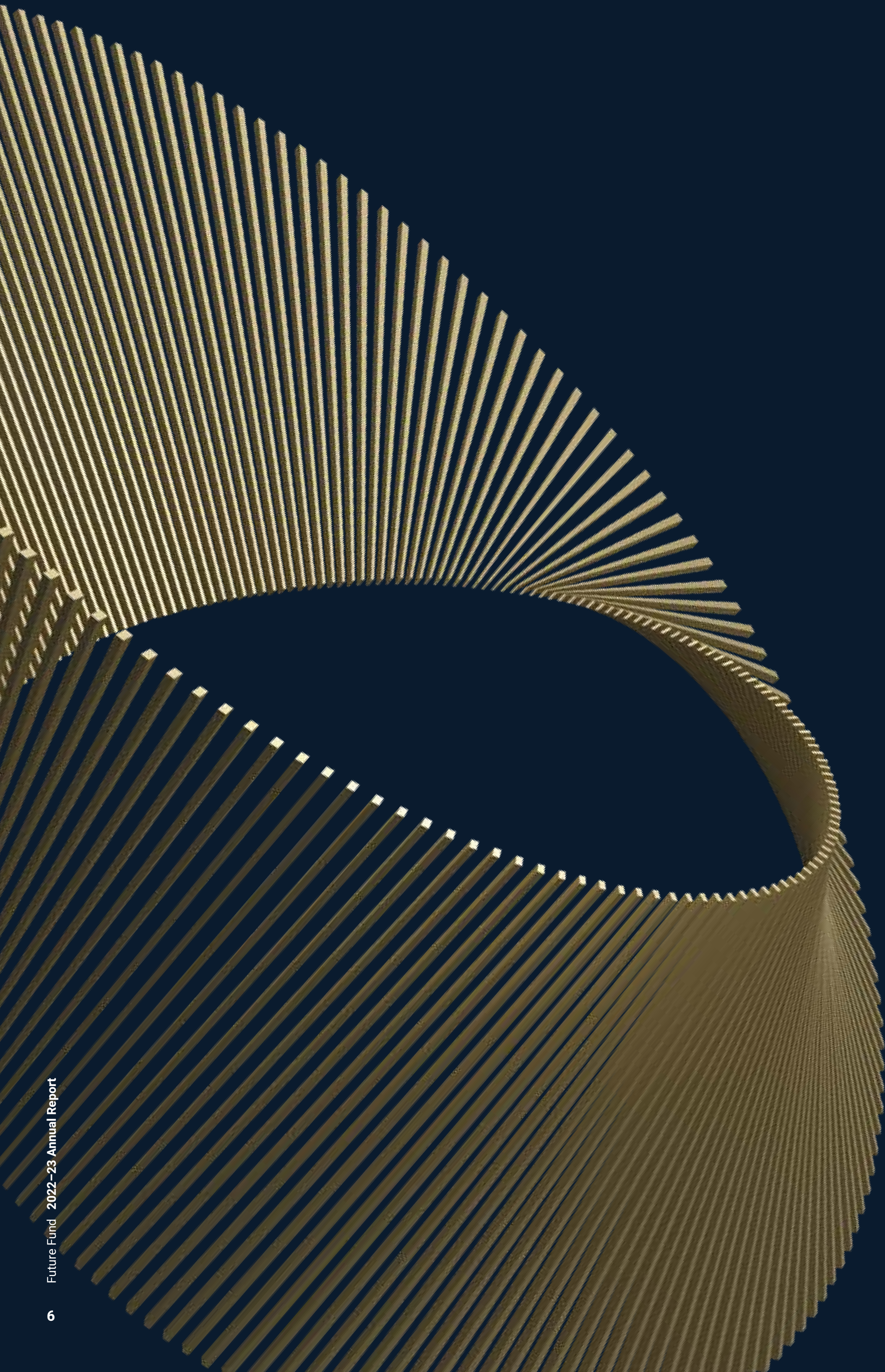


Letter of transmittal

26 September 2023

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 2022–23 financial year.

The report has been 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, 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 risk assessments and fraud 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 that meet the specific needs of the Agency are in place
- All reasonable measures have been taken to deal appropriately with fraud relating to the Agency.

Yours sincerely

P Costello

Hon Peter Costello AC

Chairman
Future Fund Board of Guardians

Report from the Chairman

The vision for the Future Fund when it was established in 2006 was to strengthen the Commonwealth Government's balance sheet and prepare for the ageing of the population.

Over 17 years, without any new government contributions, the Future Fund has grown into a sophisticated, internationally respected investment institution. With a balance of $206 billion, it is the Australian Government's largest financial asset – strengthening the Government's balance sheet and underpinning its credit rating.

The Future Fund's journey so far has been book-ended by two significant global events that rocked financial markets – the financial crisis of 2008 and the COVID-19 pandemic of 2020. Each of these events caused major falls in the value of investments. The Future Fund navigated through both these events and has grown into a sophisticated, globally respected investment institution with a balance of $206 billion, and managing another $50 billion in Federal Government funds.

The Future Fund is investing for the benefit of future generations of Australians. Other Funds are invested to support medical research, drought resilience, natural disaster resilience, Indigenous land and sea acquisitions, and the National Disability Insurance Scheme.

The solid long-term performance across all six of the mandates managed by the Future Fund Board of Guardians, and the professional and disciplined approach of the Agency has earned bipartisan trust and respect.

The Future Fund is an intergenerational fund, designed to make a contribution to an ageing society where there will be more call on government spending, lower economic growth and lower productivity growth. It was set up with a long-term target. It was important when it was set up, but as decades have gone by the need has become even greater.

The Commonwealth now has very significant sovereign debt and unfunded superannuation and disablement liabilities. The only significant asset it has to set off against these liabilities is the Future Fund.

The Future Fund is a once-in-a-century asset. It strengthens Australia's balance sheet and bolsters the country's credit rating.

2022–23

The 2022–23 year was a difficult investment environment, with heightened geopolitical risks, and interest rates rising sharply in response to decades-high inflation. As rate increases started to take effect, global and Australian economies started to slow and new challenges emerged for long-term drivers of growth.

Inflation persisted throughout the financial year, and it remains elevated and well above the 2–3% range targeted by the Reserve Bank of Australia.

Wage and price pressures that contribute to inflation remain strong, leaving open the possibility that higher inflation will persist and the path to lower interest rates remains a way off.

We are yet to see the full impact of higher interest rates work their way through developed economies, and we continue to see the risk of recessions in those economies as central banks remain vigilant in bringing inflation down.

Share markets were surprisingly strong through the second half of the financial year as they appeared to be pricing in a 'Goldilocks' scenario. Whilst this would be a welcome outcome, we see risks on the downside.

More recently, we have seen signs of weakness emerge in China, Australia's largest trading partner. Geopolitical tensions are also producing impediments to the free flow of capital markets. The globalised world which is so important to allowing free-flowing investment has narrowed and become more restrictive. We continue to see this as an ongoing risk.

Performance

We have made significant changes to the portfolio over the past two years and as a result our holdings and returns will look increasingly different from those of other asset owners.

These portfolio changes were in response to the paradigm shifts we see occurring in the world. The changes are designed to make the portfolio more resilient and better prepared for the changing investment landscape as we seek wider diversification including across international markets and private assets.

We closed the year with a solid performance, returning 6.0% per annum for the Future Fund and adding nearly $12 billion to its value. Over the longer term, the Future Fund has achieved a 10-year return of 8.8% per annum against a target of 6.9% per annum and over $145 billion has been added to the Fund since its inception. It now stands at a record $206.1 billion.

The five other public asset funds invested by the Board now collectively total over $50 billion. These other funds have different liquidity requirements and therefore lower return mandates.

The Medical Research Future Fund delivered a return of 4.4% per annum in 2022–23 and was valued at $21.9 billion as at 30 June 2023. The Aboriginal and Torres Strait Islander Land and Sea Future Fund returned 4.5% for the year, taking its value to $2.1 billion.

The Future Drought Fund and Disaster Ready Fund delivered returns of 4.7% per annum and 4.6% per annum respectively and are now valued at $4.6 billion and $4.4 billion. The DisabilityCare Australia Fund delivered an annual return of 3.6% and is now valued at $16.9 billion.

At 30 June 2023, the Board of Guardians invested over $256.2 billion across the six public asset funds for which it is responsible on behalf of the Commonwealth Government.

Acknowledgements

Many people have contributed to the long-term growth and success of the Future Fund. Their contributions have helped create a highly respected international investment institution that is very important to Australia's economic health and long-term prosperity.

This year Carolyn Kay completed her eight-year term as a Guardian, and I thank her for her contribution. I thank all the other serving Guardians for their continued dedication and commitment to overseeing the protection and growth of the assets for which the Board is responsible.

On behalf of the Board, I thank the Treasurer, the Hon Jim Chalmers, and the Minister for Finance, the Hon Katy Gallagher, for their support throughout the year.

Also, on behalf of the Board, I thank the staff of the Future Fund Management Agency for their unwavering commitment and efforts through the year. The staff can take pride in working for such an important purpose.

Moving forward

As I complete my second term as Chairman, I am proud of the Future Fund and all it has achieved for our country. It contributes enormously to the strength of Australia's public finances. It is a successful vehicle for intergenerational transfer.

I know that the Board of Guardians remains committed to maintaining the organisation as a high performing, respected and independent investment institution, a vital part of Australia's public finances, and a globally respected Sovereign Wealth Fund.

P Costello

Hon Peter Costello AC

Chairman
Future Fund Board of Guardians

Many people have contributed to the long-term growth and success of the Future Fund. Their contributions have helped create a highly respected international investment institution that is very important to Australia's economic health and long-term prosperity.

Report from the Chief Executive Officer

A lot can happen in a year.

Our view that the world is changing solidified this year as we continued to see many of the global paradigm shifts we forecast in 2021 play out concurrently and faster than expected.

Amidst this landscape we challenged our long-held views and remained disciplined in the pursuit of our long-term investment mandate as we faced into the new investment order.

Over the course of 2022–23 there were a number of significant challenges in the world.

Inflation has been a prominent concern and is likely to remain so for some time. In response, in the first part of the year central banks raised interest rates rapidly and this weighed on asset prices. In the second half of the year there was much debate about the inflationary outlook and speculation about the end of the rate-rising cycle.

The war in Ukraine continued, with ongoing supply chain impacts hitting energy and food prices, and inflation pressures later transitioning to wages and labour markets. Inflation rose to the highest levels in decades, and we're now seeing a focus on 'cost of living' pressures in many nations around the world.

Equity markets started pricing in rate cuts early on, but real economies have remained largely resilient to higher interest rates, with unemployment at decades lows and consumers still spending.

Mid-way through 2022 China emerged from long-running Covid lockdowns, while the rest of the world learned to live with the virus. The US began deglobalising strategically important supply chains, and geopolitical tensions continued to rise.

These unstable conditions were reflected in the volatility of market returns over the past three years.

The Future Fund's 2022–23 performance was solid, returning 6.0% and adding nearly $12 billion to the Fund for the year, and over $145 billion since its inception.

The world is changing. This is a very different landscape to the one the Future Fund was born into in 2006, and given the intensity of change that's occurring, we recognised some time ago that we needed an evolved investment approach and organisation in response.

For over two years we have been repositioning our portfolio to build in greater resilience to a range of scenarios. This year alone we made over $60 billion of changes to the portfolio to position it for a higher-inflation, lower-returns world.

We have also made strong progress against our business plan.

We grew the team with 78 new staff members – the greatest number of people we have ever hired in one year.

We made great progress developing and delivering on our technology and data strategy, which will support our investment performance into the future.

We continued to build out our customised learning and development function – the Future Fund Academy. The Academy is designed to help embed our unique culture and will help our people develop personally and professionally throughout their careers with us.

We published a position paper at the end of 2022 – *The Death of Traditional Portfolio Construction?* – which explained how and where we are investing in this more complex world, including adding new levers such as investing into gold and pivoting towards more active strategies in the search for more alpha.

We also advanced our commitment to improve cognitive diversity across our team, including by ensuring we have a more diverse workforce and that we are focusing on inclusion initiatives so those with ideas and opinions feel comfortable to speak up.

Pleasingly these efforts were reflected in recent high engagement scores in the 2023 Australian Public Service Employee Census, showing an engaged and committed workforce.

Acknowledgements

This coming year will see our Chairman, the Hon Peter Costello AC, conclude his 14-year Board tenure. I thank him for his dedication, leadership and foresight over the years. Future generations of Australians will see the benefit of his commitment and dedication to our purpose for many years to come.

I extend my thanks to all Members of the Board of Guardians for their ongoing support and guidance throughout the year.

I also want to thank former Deputy CIO, Change and Innovation, Wendy Norris who departed the organisation in 2023, for her admirable contribution and leadership during her time with us.

Shortly after the conclusion of the financial year, we appointed Ben Samild as our Chief Investment Officer. Ben has been with the Future Fund for over 10 years and has a deep understanding and passion for our culture, our purpose and our people. I look forward to working with him to continue to drive the organisation's ongoing evolution and success over the coming years.

We know the world is uncertain, but this creates really interesting challenges for all investors. We are well-positioned, with a diversified portfolio that is more resilient to high inflation and other factors, and we've started work on the next evolution of our business strategy which will see us lean in even harder to the changes we see occurring in the world.

Our joined-up, whole-of-portfolio approach remains central to our strategy and our culture and is the focus of my mission as CEO.

In an era of disruption, we remain focused on our purpose of investing for the benefit of future generations of Australians. As Australia's sovereign wealth fund, we have a large responsibility to invest wisely and well. I am confident in our ability to do this, and I thank every one of our team members who show up every day to achieve this mission with integrity and dedication.

Dr Raphael Arndt

Chief Executive Officer
Future Fund Management Agency

01 Organisation overview

The Future Fund is Australia's sovereign wealth fund. We invest for the benefit of future generations of Australians.

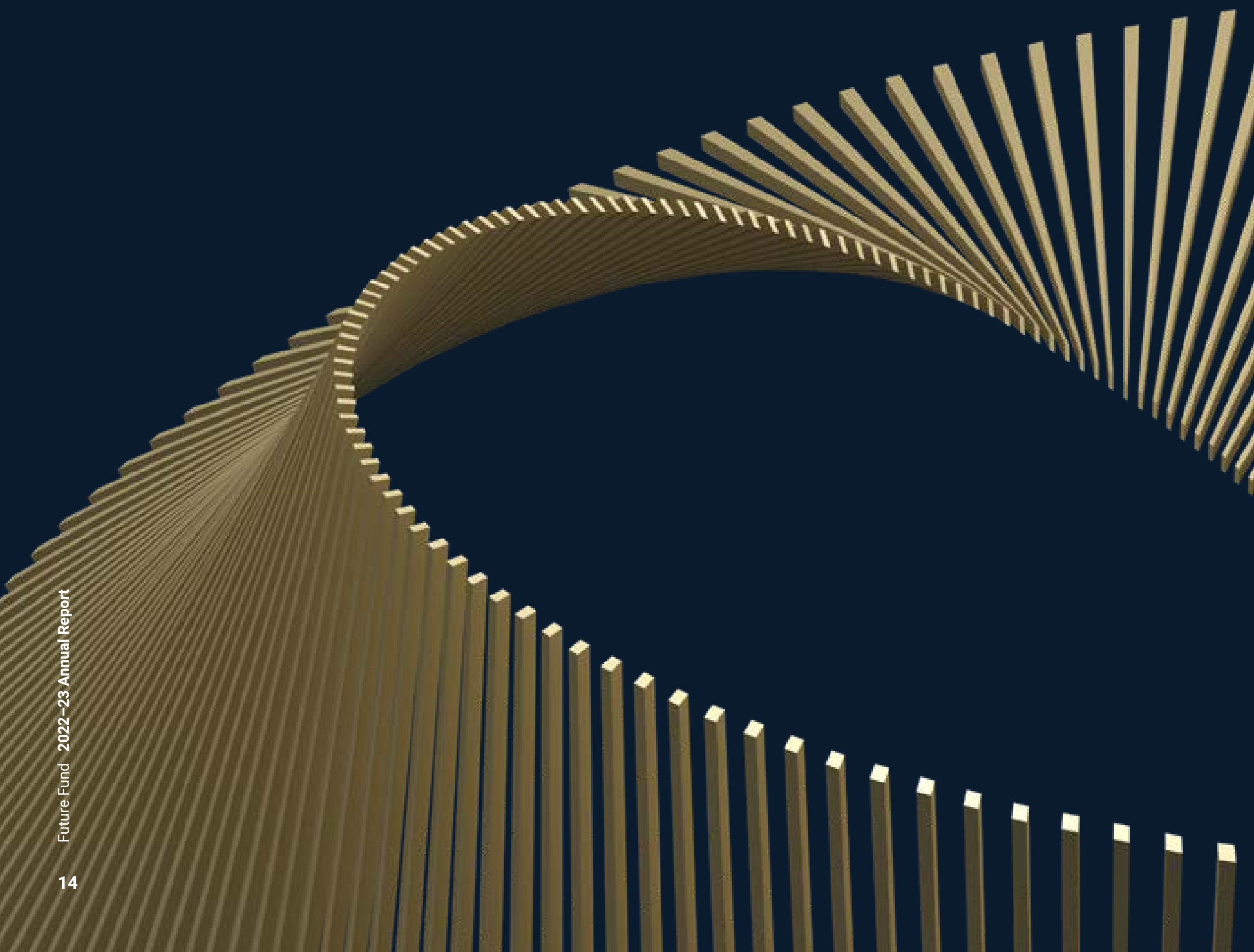
Every dollar that we make is a dollar that adds to Australia's wealth and contributes to its future.

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

We are responsible for investing the assets of six 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, 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 operate 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 Board is supported by the Agency's Senior Leadership Team (SLT) and staff.

The Board

The Board operates independently from Government and comprises individuals selected for their expertise in investing in financial assets, managing investments and corporate governance. The Board's Members are called 'Guardians' because part of their function is to safeguard the independence of the Future Fund.

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 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 an enablement team with diverse skills.

All administrative and operational functions associated with the management of the funds are undertaken by the Agency.

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

Future Fund Board of Guardians

Future Fund Management Agency

Chief Executive Officer

Senior Leadership Team

Investment	Investment and Business Operations	Legal and Risk	People, Culture and Inclusion	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 Government.

Future Fund

Medical Research Future Fund

Aboriginal and Torres Strait Islander Land and Sea Future Fund

Future Drought Fund

Disaster Ready Fund

DisabilityCare Australia Fund

The 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 Agency has added over $145 billion to the value of the Future Fund since inception, more than tripling the original contribution from Government, and reaching a record $206.1 billion in value at 30 June 2023.

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

Medical Research Future Fund

The Medical Research Future Fund 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 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.

At 30 June 2023, the Medical Research Future Fund was valued at $21.9 billion. 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*.

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.

At 30 June 2023, the ATSILS Fund was valued at $2.1 billion.

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).

Future Drought Fund

The Future Drought Fund 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.

At 30 June 2023, the Future Drought Fund was valued at $4.6 billion.

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 will help make agriculture more productive and profitable, enhance the wellbeing of Australia's farming communities, and improve 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*.

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.

The ERF was established with a capital contribution of $4.0 billion, transferred from the Education Investment Fund (EIF), which was closed in December 2019. The EIF was a successor to the Higher Education Endowment Fund.

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 2023, the Disaster Ready Fund was valued at $4.4 billion.

DisabilityCare Australia Fund

The DisabilityCare Australia Fund 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 reimburses states, territories and the Commonwealth 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.

At 30 June 2023, the DisabilityCare Australia Fund was valued at $16.9 billion.

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

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

To be successful into the future as we continue to grow and evolve, we are continuing to enhance our unique and definitive culture. In doing so, our core ideology should never change. It is who we are and what makes us unique and successful.

We have defined 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

Our business strategy

The investment environment we operate in has continued to increase in complexity and uncertainty, creating an extremely challenging scenario for investors.

War, deglobalisation, inflation and rising interest rates have quickly 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.

What seems likely is that how investors have invested in the past will need to change. For the Future Fund's part, we have long taken a total portfolio approach with a strong emphasis on genuine diversification. More recently, we have started to make strategic changes across the portfolio to help make it more resilient in the face of these converging structural forces. We will continue to monitor the external outlook and work the portfolio harder in future years to meet our mandates.

We are now entering our final year of a three-year business strategy that commenced in FY21. The strategy centred on maturing the organisation and revising our investment approach to better position the organisation and strengthen its ability to achieve our long-term investment mandate in a fundamentally changed investment environment.

Four focus areas

The business strategy encompasses activity that is grouped into four focus areas:

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

01
Refresh the investment model

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

02
Mature the organisation

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

03
Preserve our legacy

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

Institutionalise the culture in a sustainable set of processes.

04
Expand our voice

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

1. Refresh the investment model

The ultimate priority for the Agency is to generate strong, long-term investment performance.

Recognising the challenge of the pandemic as an opportunity, we conducted a deep review of our investment foundations and strategy to better understand the paradigm shifts around the world and their impacts on the portfolio.

The review determined that an innovative approach that tested long-held assumptions and questioned the conventional wisdom that has guided institutional investors over recent decades was required.

Since the review was undertaken, many of the paradigm shifts we identified occurred concurrently and more quickly than expected. In response we have revised our investment beliefs, reviewed our competitive advantages, and made a range of significant changes across the portfolio to better position it for a volatile and uncertain future characterised by higher inflation and lower returns.

Some of the achievements for this year under this focus area include:

A new Investment Strategy

- The completion and approval of the Agency's annual Investment Strategy, designed to increase portfolio resilience

Key appointments

- Appointed a Head of Alternatives
- Appointed a Head of Credit

Dynamic Asset Allocation function

- Expanded the Dynamic Asset Allocation function

Enhanced Investment Team bench strength

- Continued building out the Investment Team and fostering curiosity and ingenuity.

2. Mature the organisation

The Agency has entered a new period of growth and development. This requires a deliberate focus on prudently maturing the organisation to ensure we are best positioned to achieve our strategy and purpose going forward.

Over the past 17 years, the Future Fund has grown from one fund under management in 2006 seeded with $60.5 billion, to six funds under management and a total portfolio of over $256 billion.

With this growth and evolution comes the need to consolidate and improve processes, systems, and ways of working together to ensure the business continues to be strong and resilient and well-positioned to deliver on our purpose.

Some of the achievements for this year under this focus area include:

Technology enhancements

- Established a new investment technology model, supporting our investment focus and our ability to innovate

Uplift of our data and analytics capabilities

- Enhanced our data analytics to support our investment decision-making
- Bolstered our technology cyber risk and security capabilities

Uplift of our finance and accounting systems

- Commenced work on the transition to a new Enterprise Resource Planning system

3. Preserve our legacy

The Agency has been very intentional about building and fostering a high-performing and unique team culture over the last 17 years. Retaining and building on the strong existing culture is pivotal to our success as we continue to evolve and enter a new period of growth and maturity.

Throughout the year we institutionalised our approach to onboarding new starters, and to consolidate our culture, skills acquisition and leadership training.

This is particularly important as we continue to prudently build out our headcount over the coming years.

Some of the achievements for this year under this focus area include:

Establishment of the Future Fund Academy

- Commencement of the Future Fund Academy, including the delivery of over 60 programs throughout the year

Key appointments

- Appointed a Head of Academy

Improved diversity and inclusion activity

- Completed several key diversity and inclusion initiatives.

4. Expand our voice

This area of focus prioritises the expansion and deepening of our business and stakeholder connections and networks. We aim to achieve this by contributing to insightful and valuable discussions about relevant investment matters with our stakeholders.

We believe there is value in our team contributing to and learning from investment industry insights, perspectives and expertise.

Some of the achievements for this year under this focus area include:

Key appointments

- Appointed a Director of Media Relations

Enhanced communication with key stakeholders

- Published a position paper titled *The Death of Traditional Portfolio Construction?*
- Implemented an expanded program of industry engagement through onsite hosted events
- Launched an upgraded internal intranet.

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

One team, One purpose

Investment performance is our focus

Collaborate

Facilitate

Innovate

Deliberate

Inclusion

Four Focus Areas

01
Refresh the investment model

02
Mature the organisation

03
Preserve our legacy

04
Expand our voice

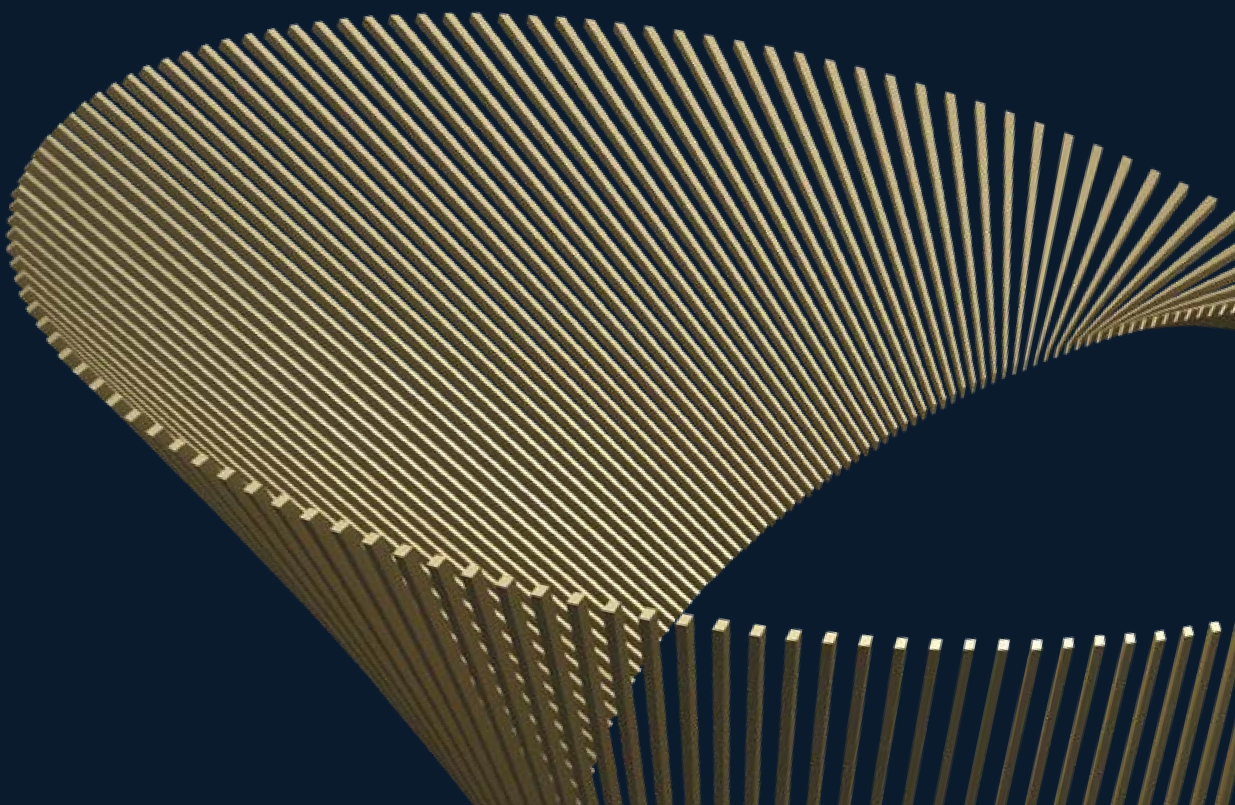
02 Governance and accountability

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* 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 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. The Board operates 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 Government and must meet the requirements of having substantial expertise and professional credibility in investing or managing financial assets, 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 also publish quarterly portfolio updates to provide details of the investment activity and performance of our funds.

Other public updates are provided in the form of published speeches and comments to the media, 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 2022–23, we appeared at hearings in October 2022, February 2023, and May 2023. 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 2023, the Future Fund Board was comprised of a Chair and five other Members.

As noted in the previous section, Members 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.

Hon Peter Costello AC, Chairman

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

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

He has served as Chairman of the Independent Advisory Board to the World Bank. Mr Costello is the 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 will conclude his term as Chairman of the Board in 2024, ending an extensive and very successful tenure with the Fund after being responsible for its establishment in 2006.

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 U.S. 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 significant service to business, to the finance industry, and to corporate governance.

Mr John Fraser

Mr Fraser was appointed with effect from 12 November 2018 for a five-year term.

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 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 Airports (nominee for Future Fund Board of Guardians).

Mr Poynton 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.

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 has been 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.

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 large complex international business. 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 & Oceania) of Ernst & Young (EY) and a member of the EY Global Governance Council & 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 Carolyn Kay

Ms Kay was appointed with effect from 14 April 2015 for a five-year term. She was reappointed for a further three-year term with effect from 14 April 2020.

Her service on the Board concluded on 13 April 2023.

Ms Kay has more than 35 years' experience in the finance sector both in Executive and Non-Executive roles. As an Executive Ms Kay worked as a banker and as a lawyer at Morgan Stanley, JP Morgan and Linklaters in London, New York and Australia.

She has served as a Non-Executive Director of enterprises across a broad range of industries. Ms Kay is currently a Director of Scentre Group, Myer Family Investments, the Foreign Investment Review Board, and Rothschild & Co (Australia) and in the not-for-profit sector, the General Sir John Monash Scholarship Foundation and Sydney Grammar School. Most recently Ms Kay served on the Panel of the Commonwealth Government's Retirement Income Review.

She was awarded a Centenary Medal for services to business. Ms Kay holds bachelor degrees in Laws and Arts (University of Melbourne) and a Graduate Diploma in Management (AGSM).

Board and Board Committee membership 2022–23

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.	Hon Peter Costello AC (Chair) Mrs Patricia Cross AM Mr John Fraser Ms Carolyn Kay[1] Mr John Poynton AO Dr Deborah Ralston Mr Michael Wachtel
Audit and Risk Committee[2] 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 Ms Carolyn Kay[1] Mr John Poynton AO Dr Deborah Ralston
Remuneration and Nominations Committee Focuses on remuneration and appointment matters for staff and appointments to boards of investment companies.	Hon Peter Costello AC (Chair) Mr John Fraser Ms Carolyn Kay[1] Mr Michael Wachtel
Conflicts Committee Provides oversight of, and advises the Board and/or the Board Chair in relation to, any questions of possible conflicts of interest arising for Board, the Board Chair and/or Board Committee members.	Mr John Poynton AO (Chair) Mr John Fraser Dr Deborah Ralston
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.	Hon Peter Costello AC (Chair) Mr John Fraser Ms Carolyn Kay[1]

Note(s):

1. Carolyn Kay concluded her term on the Board on 13 April 2023.
2. Hon Peter Costello AC attends meetings as an observer.

Information on Board remuneration can be found under Remuneration of key management personnel.

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

Board and Board Committee attendance 2022–23

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
Hon Peter Costello AC	8	8	0	5	5	5
Mrs Patricia Cross AM	8	8	5	5	0	5
Mr John Fraser	8	7	5	5	5	5
Ms Carolyn Kay	7	7	5	5	4	4
Mr John Poynton AO	8	8	5	5	0	5
Dr Deborah Ralston	8	8	5	5	0	5
Mr Michael Wachtel	8	8	5	5	5	5

Note(s):

The Conflicts Committee and the Transaction Committee are ad-hoc committees and meet on an as-needed basis. They did not formally convene during the 2022–23 financial year.

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

Future Fund Management Agency

The Board is supported by the 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.

The Chair of the Board is the Accountable Authority for the Agency, although operational management has been delegated to the Chief Executive Officer (CEO). In 2022–23 the Chair of the Board and the Accountable Authority for the Agency was the Hon Peter Costello AC.

Agency organisational structure

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

The five business units are:

- Investment, which at 30 June 2023 was led by the CEO, Raphael Arndt in an Acting Chief Investment Officer (CIO) capacity, with two Deputy CIO's reporting directly to him
- Investment and Business Operations, led by Chief Operating Officer, Gordon McKellar
- Legal and Risk, led by General Counsel and Chief Risk Officer, Cameron Price
- People, Culture and Inclusion, led by Chief People, Culture and Inclusion Officer, Kimberley Reid
- Corporate Affairs, led by Head of Corporate Affairs, Will Hetherton.

Future Fund organisational structure at 30 June 2023

Future Fund Board of Guardians

Hon Peter Costello AC (Chairman)[1]
Mrs Patricia Cross AM
Mr John Fraser
Mr John Poynton AO
Dr Deborah Ralston
Mr Michael Wachtel

Future Fund Management Agency

Chief Executive Officer and Acting Chief Investment Officer
Raphael Arndt

- **Chief Operating Officer** Gordon McKellar
- **General Counsel and Chief Risk Officer** Cameron Price
- **Chief People, Culture and Inclusion Officer** Kimberley Reid
- **Head of Corporate Affairs** Will Hetherton
- **Deputy CIO, Portfolio Construction** Ben Samild[2]
- **Deputy CIO, Private Markets** Alicia Gregory

Note(s):

1. Also Accountable Authority of the Future Fund Management Agency.
2. Ben Samild was promoted to Chief Investment Officer and Hugh Murray was appointed as Acting Deputy CIO, Portfolio Construction on 2 August 2023.

Senior Leadership Team

The Senior Leadership Team (SLT) is collectively responsible for leading the Agency. This includes setting strategy and 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 2023

Name	Title
Dr Raphael Arndt[1]	Chief Executive Officer Acting Chief Investment Officer
Ms Alicia Gregory	Deputy Chief Investment Officer, Private Markets
Mr Will Hetherton	Head of Corporate Affairs
Mr Gordon McKellar	Chief Operating Officer
Mr Cameron Price	General Counsel and Chief Risk Officer
Ms Kimberley Reid	Chief People, Culture and Inclusion Officer
Mr Ben Samild[2]	Deputy Chief Investment Officer, Portfolio Construction

Note(s):

1. Raphael Arndt was also Acting CIO from 21 June 2022 to 2 August 2023.
2. Ben Samild was promoted to CIO and Hugh Murray appointed as Acting Deputy CIO, Portfolio Construction on 2 August 2023.

   Wendy Norris concluded her term as Deputy CIO, Change and Innovation and on the SLT on 19 May 2023.

Dr Raphael Arndt

Chief Executive Officer

Acting Chief Investment Officer
21 June 2022–2 August 2023

Dr Raphael Arndt commenced as the Chief Executive Officer of the Future Fund on 1 July 2020.

He served as the Chief Investment Officer 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.

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.

Ms Alicia Gregory

Deputy Chief Investment Officer, Private Markets

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

She has over 23 years' experience in the financial services sector including 17 years at MLC. She is also Chair of the Australian Investment Council Board and a Non-Executive Director on the Tilt Group Board.

Ms Gregory holds a Bachelor of Business from the University of Technology Sydney, is a CFA charter holder, and has completed the General Management Programme at INSEAD.

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 International Forum of Sovereign Wealth Funds.

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

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.

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.

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 Turkey. 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

Deputy Chief Investment Officer, Portfolio Construction

Chief Investment Officer from 2 August 2023

Mr Samild joined the Future Fund in October 2013 as Director, Debt and Alternatives before becoming Head of Alternatives. He then moved into the role of DCIO, Public Markets, Portfolio Strategy and then became DCIO, Portfolio Construction.

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

Mr Samild has a bachelor's degree from the University of Melbourne with majors in behavioural finance, psychology and history, and a Master of Applied Finance.

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 2023

Dr Raphael Arndt
CEO and Acting CIO

Ms Alicia Gregory
DCIO, Private Markets

Ms Genevieve Murray
Head of Listed Equities

Mr Hugh Murray
Head of Overlays

Mr Ben Samild
DCIO, Portfolio Construction

Note(s):
Wendy Norris ceased as Chair of the Investment Committee from May 2023 with her last meeting on 9 May as a member only.
Raphael Arndt took over as Chair of the Investment Committee from 9 May 2023.
Sarah Carne ceased as an Investment Committee member on 13 December 2022.
Ben Samild was promoted to CIO on 02 August 2023.
Hugh Murray was appointed as Acting DCIO, Portfolio Construction on 2 August 2023 following Ben Samild's promotion to CIO.

Risk management

The Agency has a strong focus on the sound management of risk, recognising that good risk management underpins a successful organisation in the pursuit of its objectives and forms an integral part of the 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.

2. **Second line of defence is the independent 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. The Risk Team reports periodically to the Board's Audit and Risk Committee and Agency committees. The 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 Investment Team should operate.

The Board's Audit and Risk Committee has been 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 assurance and 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 which are managed.

Risk Governance Review

The Agency commenced a Risk Governance Review (RGR) in 2022, led by the Chief Risk Officer.

The purpose of the review was to enhance our approach to risk management and implement this enhanced approach into the organisation.

In December 2022 the Board endorsed the design of our future state risk management model. Key in this approach is reframing our model and creating two distinct functions – Enterprise Risk and Portfolio Risk.

Risk culture

Risk culture is a key component of the broader organisational culture. The Risk Team assists 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
- Ensuring the Agency's risk culture is understood by every staff member.

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 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 control

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

The aim is to reduce the risk of fraudulent activity by increasing the emphasis on strong controls, ethics and judgement. This complements the various legislative requirements, which provide the necessary codification and compliance.

Fraud control initiatives 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 also implements staff training programs aimed at enabling staff to understand what constitutes fraudulent 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 Audit and Risk Committee reviewed and approved the organisation's Fraud and Corruption Control Plan in December 2022.

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 systems and processes.

A defence-in-depth cyber security strategy is in place 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.

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.

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

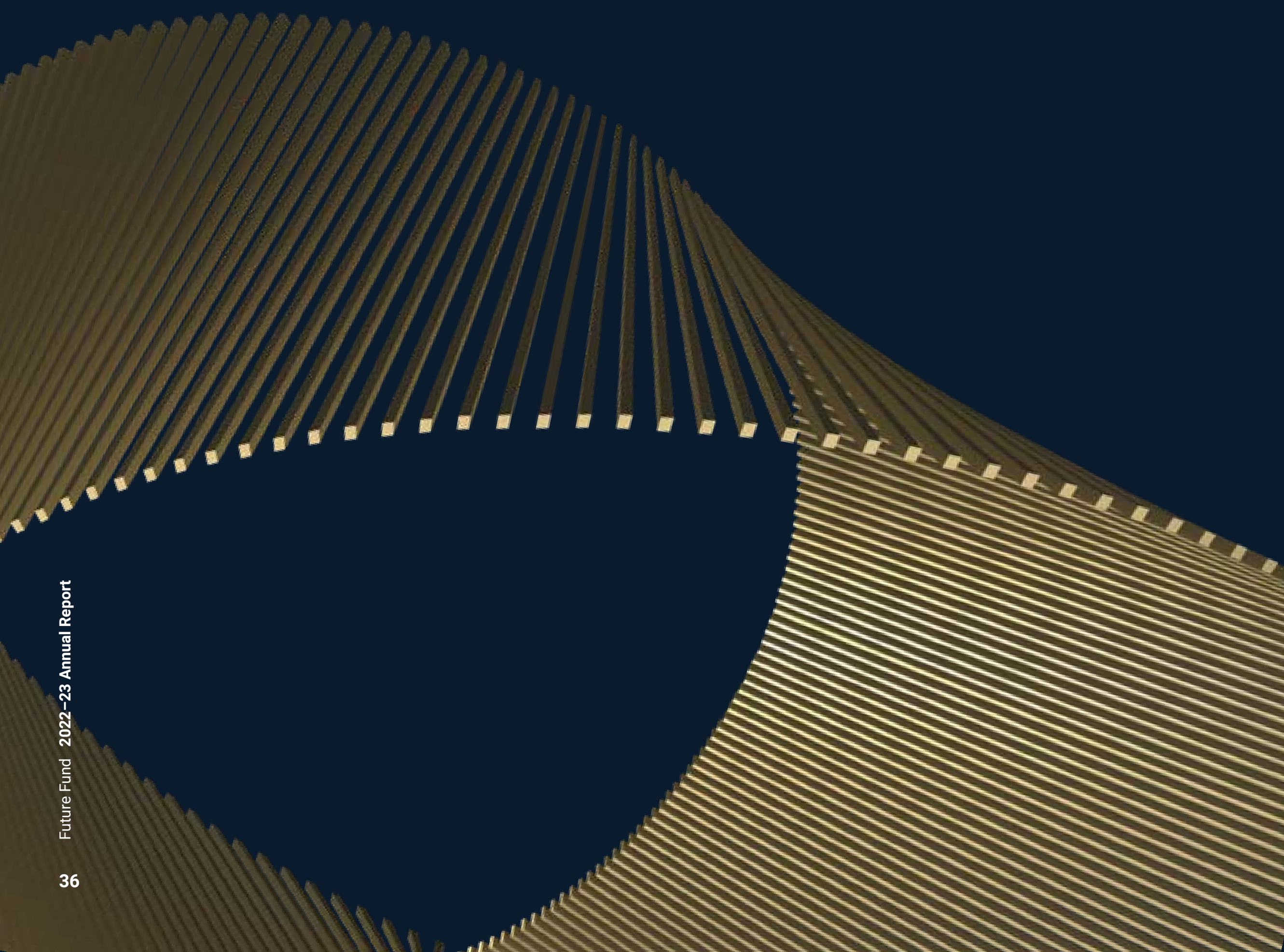
03 How we invest

Our investment approach is based on one team working together for the benefit of the portfolio as a whole. Working together with 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 following table. Across each category we develop an investment strategy for each fund that is consistent with its investment objectives and our approach to portfolio construction.

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

The DisabilityCare Australia Fund has a shorter-term investment horizon. The assets of this fund are invested in a combination of short and medium-term debt instruments.



Investment categories

Category	Sectors covered
Alternative assets	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, buyout
Tangible assets	Real estate, infrastructure and timberland assets 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 impact the total portfolio. Their thinking is also influenced by the level and nature of the insights coming from our bottom-up specialists.

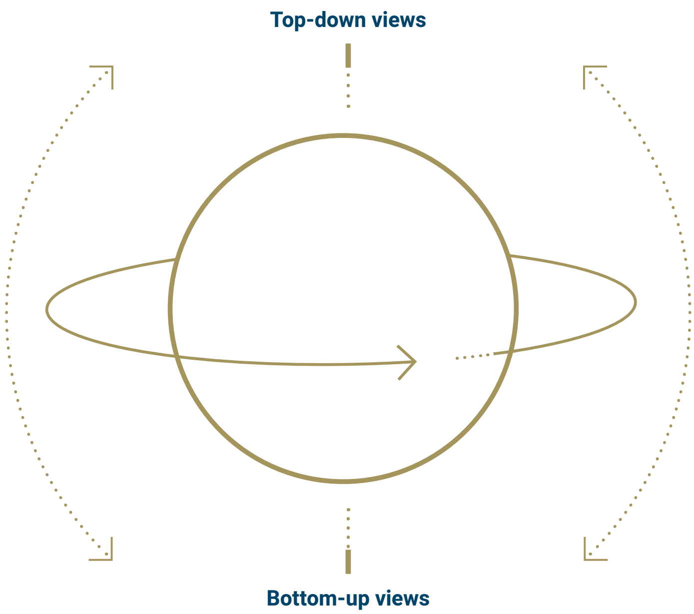
Our bottom-up specialists look across the world for the best assets and investment opportunities, thinking about whether these opportunities offer sufficient reward for the risk involved, and having regard to the big picture context evaluated by our top-down experts.

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.

Instead, our investment professionals come together to innovate and share insights and perspectives and take a whole-of-portfolio approach to making investment decisions. It 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.

It challenges our people to test and question their views with those of our external partners and to compare the merits of any one investment opportunity over another.

Diagram 1: Joined-up investing



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 expect 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 the funds.

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 long-term economic, social, demographic, geopolitical, technological and financial trends.

We regularly analyse a range of plausible future scenarios over multiple time horizons to better understand how the portfolio might behave if 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 helps us clearly and effectively 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 of our portfolios.

Risk is considered across multiple dimensions, including market risk and short-term liquidity risk, and how readily we can change the portfolio if needed. We refer to this as its flexibility. These risks are dynamically managed across the total 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 to investors. In addition to technological innovation, disruption to the adoption of goods and services can also be driven by consumer expectations and trends, 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 into 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.

The Investment Committee

The Agency's Investment Committee, which meets at least twice every month, provides decision-making and review in respect of total portfolio construction, 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, 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 its objectives, and how we reach investment decisions.

Our comparative advantages describe who we are and how we operate, 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 total portfolio approach will improve 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 properly used, 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, 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 experience of best-in-class external partners and fund managers.
- **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 mission 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 global external investment managers who execute investment strategies on our behalf, in alignment with our investment objectives. Our internal Investment Team works closely with these managers to seek out the best investment opportunities around the world.

A list of our external managers at 30 June 2023 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 deeply 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 Future Fund 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.

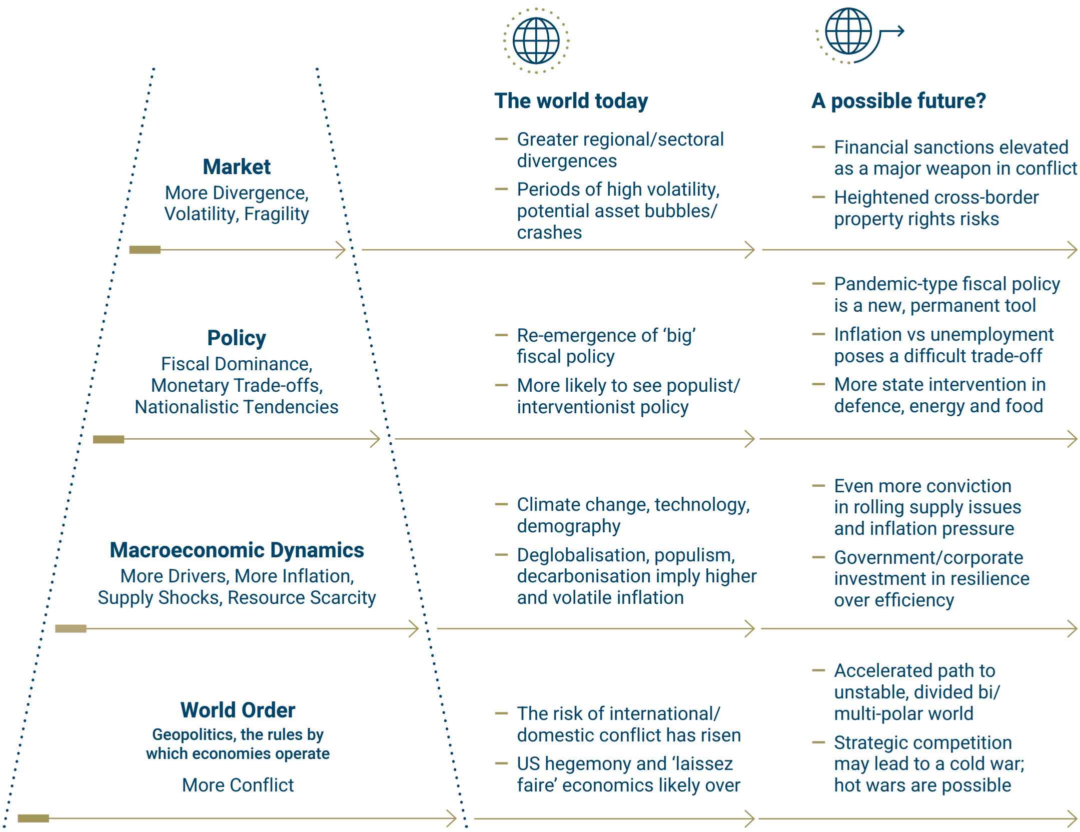
We also undertake detailed operational due diligence and use external advisers to undertake specialist due diligence to supplement the internal due diligence work as required.

Portfolio construction in the new investment order

In December 2022 we published a position paper titled *The Death of Traditional Portfolio Construction?* It keyed off our 2021 paper, *A New Investment Order*, which detailed our perspective on how the world was changing through a number of paradigm shifts occurring globally, many catalysed or accelerated by the COVID-19 pandemic.

Our second paper posed the central question: Are we witnessing the death of traditional portfolio construction? and asserted that the paradigm shifts identified in the earlier paper had unfolded concurrently and much more quickly than expected. It explored how these structural forces were challenging many of the long-held assumptions underpinning the way investors have generated returns over previous years.

Diagram 2: The evolving investment environment



The fundamentals of investing are shifting, rendering portfolio construction far more complex and challenging than it has been in the past. Therefore, what has worked in terms of portfolio construction over the last three decades is far less likely to work going forward.

What this may mean for investment portfolios

The structural tailwinds driving market returns are fading and headwinds are challenging investors' abilities to achieve their return objectives, while levels of risk and volatility are higher.

Key issues investors may need to assess as they seek to manage the new environment for long-term risk and return are as follows:

- **Alpha is more important than ever**
  Taking more traditional market risk will only have a limited impact on achieving higher real returns. In fact, it could increase the risk of large negative returns in the short to medium term, with history suggesting such periods can extend across a decade. Generating excess returns through alpha becomes ever more important but this presents challenges in the ability to identify and access those opportunities.
- **More regional differentiation**
  Higher geopolitical risks mean investors may have a greater preference for domestic exposures and a higher hurdle for investing in emerging markets. There is a greater chance of occasional, large asset and currency depreciations causing potentially heavy losses for unwary investors.

  Superficial regional diversification may introduce unintended, poorly rewarded risks. For example, capital controls and confiscation may be more likely in certain countries.
- **More correlation caution**
  Structurally higher inflation levels and volatility may weigh on rates' defensiveness in a supply recession. Investors will need to search for alternative forms of defensiveness, perhaps through differentiated hedging and alternatives and seek assets with a higher pass-through of domestic inflation.
- **Higher inflation levels and volatility**
  In a scenario of intermittent supply constraints, commodities could play a greater role in institutional portfolios. This exposure may be useful for portfolio resilience, even if they generate low returns.
- **A more dynamic approach**
  Large investors must now make more portfolio decisions that collectively 'move the dial'. This may require investors to resource differently and to put in place more robust and nimble governance arrangements, systems and processes. Refreshed portfolio planning and dynamic positioning are likely to supplant set-and-forget approaches.
- **Foreign currency may be less defensive going forward**
  Australian investors need to look at the world through a currency lens. The demand for Australia's commodities in a stagflationary world, where the need for global investment is profound (particularly to tackle climate change), will provide a tailwind to the Australian current account. This could benefit the Australian dollar but could also reduce confidence in the traditional defensive nature of holding foreign currency exposure.
- **Decarbonisation/energy transition**
  The world's transition to clean energy is accelerating, but the challenge remains enormous – and is similar in scale to the industrial revolution. This is happening simultaneously with a world increasingly in conflict, with resources locked in different regions. This makes the transition challenge more urgent, less coordinated and more expensive.

We believe that the world we anticipated over the medium term in our *A New Investment Order* paper is the world we are now in. It is one that is radically changed, testing investors' preconceptions and posing an opportunity for investors to carefully assess how their particular context and constraints will be impacted by a range of possible future scenarios.

Managing currency

As Australia's sovereign wealth fund, we are always actively seeking out quality domestic investment opportunities that align with our 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, total portfolio approach in mind.

We explicitly manage the size and nature of our foreign currency exposures, rather than simply accepting the currency exposure that comes with 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 2022–23 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 Australian dollars.

Managing tax arrangements

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

In Australia, the *Future Fund Act 2006* exempts the Board from paying income tax. In June 2023, Parliament passed legislation to extend this tax exemption to the Board's wholly owned Australian incorporated subsidiaries with effect from 1 July 2023. This reflects the fact that our earnings are owned by the Australian Government. Internationally, we also benefit from sovereign immunity for tax purposes, on the bulk 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.

Management of environmental, social and governance issues

Our approach

Consideration of environmental, social and governance (ESG) factors enables investors and companies to better understand the full spectrum of risks and opportunities to which assets are exposed. Sound management of ESG factors also contributes more broadly to the development of more efficient, resilient and sustainable capital markets.

We believe that effective management of material ESG risks and opportunities supports our requirement to maximise long-term returns. As a large asset owner with a long-term investment approach, we steer our focus towards the impact of ESG factors on long-term investment risk, value and quality. Top-down views on the strategic trends that will influence markets and outcomes for investors over extended investment horizons are a vital element in our capital allocation process. Many of these macroeconomic and societal trends have strong links to ESG issues and thematics.

We believe that ESG issues have the potential to materially impact the performance of our investment portfolio and our reputation. Relevant ESG factors do vary by company, industry, geography and across asset classes. These issues may include any of the following: corporate governance, climate change, environmental performance, biodiversity, human and labour rights, occupational health and safety, diversity and inclusion, workplace culture, supply chain risks, cyber security, bribery, and corruption.

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 and our Investment Team is tasked with implementing the Policy with the support of our specialist in-house Investment Stewardship and ESG Team.

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 investment beliefs and our investment strategy.

Integrating ESG into the investment process

We have formally integrated the consideration of ESG issues into each stage of our investment process. This includes integration of systemic ESG issues into the macroeconomic scenarios that inform our investment strategy, how we monitor risk, the process for selecting and approving external investment managers, asset-related due diligence, and ongoing monitoring activities.

Partnering with our managers

Our investment model relies heavily on external investment managers to make investment decisions based on the investment strategy that is determined by the Board. As such, these investment managers play an important role in implementing our ESG objectives.

This model requires thoughtful coordination and alignment between our investment managers, as well as ongoing active monitoring on our part. We assess and monitor the extent to which our managers are effectively managing ESG-related investment and reputation risks and opportunities on our behalf.

Asset due diligence

Where we make direct investments with our external investment managers, such as tangible asset investments, the evaluation of ESG risks and opportunities is integrated into the process. In partnership with our investment managers, we may also engage third-party consultants for investments where ESG factors are especially complex or material.

Climate risk

For long-term investors like the Future Fund, every sector and asset we invest in will be impacted in some way by the low carbon transition. This will occur either directly or indirectly through their supply chains or changing consumer preferences.

As increasing physical risks emerge over time, this will add another layer of complexity that will disrupt economic and social systems even further. In alignment with our views on the new investment order, these large-scale shifts will make the future world into which we invest increasingly more complex to navigate.

We take an integrated and investment-led approach towards the low carbon transition. It is a key consideration in how we build our portfolios and is integrated dynamically into our process alongside other risks and opportunities.

In terms of risk management and budgeting we consider transition risk from both a total portfolio risk management and disruption perspective. We also think regional and industry lenses are more important given climate risk varies greatly across, and within, regions and industries.

The material risks we consider in our investment process include:

- **Carbon price risk:**
  The risk that markets in which we invest will introduce a price on carbon emissions.
- **Transition risk:**
  The risk of potential changes in regulatory standards, public policy, technology and customer preferences in response to climate change.
- **Physical risk:**
  The risk of damage or disruption to assets, supply chains and economies more broadly from changes in weather patterns, both acute and chronic.

Each year we undertake thematic market and industry research which is used to enhance our understanding of the impact of climate risk at a whole-of-portfolio level under a range of economic and climate scenarios.

We also review climate risk during due diligence for specific investments, monitor how our investment managers are addressing climate risk where appropriate to their strategies, engage with the assets and companies we invest in, and integrate climate-related considerations into our proxy voting activities.

We monitor the carbon intensity of our listed markets portfolio, which remains below that of the benchmark. However, our approach aims to maximise 'climate-aware' risk-adjusted returns rather than target a specific level of portfolio carbon performance. We source climate research from independent market providers to support these activities.

We also use benchmarking platforms such as GRESB for private market tangible assets, which include detailed questions on the management of climate risk by fund managers and specific operating assets. This information helps us further build our understanding of climate governance, risk management practices and performance of the tangible assets in which we invest.

To enhance the ability of financial markets to accurately identify and price carbon risk, we support the work of the International Sustainability Standards Board (ISSB) through our role on the ISSB Investor Advisory Group. We also engage with our investment managers, investee companies, standard-setters, governments, and other market participants to advocate for the adoption of the ISSB standards where appropriate.

In addition, we partner with other global institutional investors through multi-stakeholder initiatives such as the Thinking Ahead Institute (TAI) and Focusing Capital on the Long Term (FCLTGlobal), to access best practice insights and research.

As part of our diversified investment portfolio, we also allocate capital in markets expected to generate attractive risk-adjusted returns as economies decarbonise, such as renewable energy, energy efficiency technologies and carbon credit markets. With investments of over $1 billion in Australian wind and solar assets, we are one of the largest investors in renewables in Australia.

Climate risk disclosure

We have been engaging with both the Department of Finance and the Treasury in terms of the application of the upcoming climate risk disclosure requirements. We are looking at the best way to structure our work and processes to ensure we are prepared and ready to report in the year and format that will be required.

Modern slavery

The Future Fund has obligations under the *Modern Slavery Act 2018*, which require us to undertake work to identify and report on potential modern slavery risks. The overall aim of the Modern Slavery Act is to shine a light on the issue and influence positive change across economies both here and overseas.

We have integrated modern slavery into our ESG Policy and our Statement of Investment Policies. Our underpinning investment frameworks and approach guide how ESG risks, including modern slavery, are identified and managed across the investment portfolio. This includes during due diligence activities, external investment manager monitoring, engagement activities with investee entities, and portfolio-monitoring activities.

During the year several actions were undertaken across the investment portfolio, including:

- Work was undertaken to further enhance the Future Fund's internal modern slavery processes. This included the integration of industry-based modern slavery risk levels. Monitoring of controversies, media coverage and Non-Government Organisation (NGO) activity is also undertaken across the course of the year.
- Modern slavery risk assessments were undertaken for new investment opportunities, during certain due diligence activities, and through monitoring of selected investment managers. Over the past year, modern slavery engagements were undertaken with investment managers across a number of asset classes, including infrastructure, listed equities, listed tangibles, credit and private equity.
- The Future Fund undertakes strategic engagement with Australian Stock Exchange (ASX) listed companies through its established investment stewardship program. Discussions on modern slavery are also commonly undertaken during the Future Fund's corporate governance meetings with ASX company boards. During the year, modern slavery engagements were undertaken across a number of ASX industry sectors, including materials and mining, financials, healthcare, consumer staples, consumer discretionary and industrials.

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

Portfolio exclusions

Our ESG Policy provides a framework which helps us determine which entities and sectors are excluded from the investment portfolio for non-financial reasons.

Our exclusions are based on military weapons-related Conventions or Treaties ratified by Australia as well as manufacturers of complete tobacco products.

Outside of these exclusions, where serious breaches of ESG standards are identified, the Board prefers engagement over exclusion, working with the entity to improve performance. The Board reserves the option to exclude an investment for the most egregious sustained activities, where the entity 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.

Our investment stewardship activities

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 three key pillars: exercising our ownership rights; engagement with investee entities; and contributing to a stronger investment system.

Exercising our ownership rights

Public markets

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

We oversee the quality of our investment managers' insights into corporate governance and proxy voting as part of our ESG Manager Review Framework, and we regularly evaluate their ownership policies and proxy voting recommendations.

We prioritise the application of our Corporate Governance Principles in our proxy voting decisions. We also receive voting recommendations from our investment managers and proxy advisers for all shareholder meetings. Where a company resolution is found to conflict with our Corporate Governance Principles, or does not align with our investment interests, we will consider voting against a company board.

During the year we directly exercised our voting rights in publicly listed Australian companies. We participated in 221 Australian shareholder meetings and voted against Australian company board recommendations in 9.28% of all resolutions.

A report outlining how we voted at each Australian shareholder meeting during 2022–23 can be found on our website.

Given the scope and 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 sound corporate governance in overseas-domiciled investee entities. We do, however, retain the ability in all cases to override our managers' recommendations.

In aggregate in 2022–23, we participated in 3,520 international shareholder meetings and voted against company boards' recommendations in 11.87% of all international resolutions.

Private markets

Where eligible, we 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 team or members of the Board 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.

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.

Engagement with investee entities

Active engagement with the boards and management of the entities in which we invest is key to our investment stewardship program. Engagement is a valuable tool that helps protect long-term value. Interaction with investee entities also works to influence positive change in corporate governance practices and the appropriate management of ESG risks and opportunities. It also helps us build our understanding of the strategic risks and opportunities to which these organisations are exposed.

Our engagement activities are primarily focused on Australian companies, and we tailor engagement meetings to each organisation. Over recent years we have engaged with board representatives from a broad range of Australian-listed companies, including a majority of the ASX 50.

Issues discussed during these meetings vary depending on what is material to each company, but often include board composition; management quality; remuneration; regulatory compliance; workplace culture; diversity and inclusion; pay equity; modern slavery; Indigenous heritage; biodiversity; and climate change.

Contributing to a stronger investment system

We have a direct interest in supporting financial markets that are stable, transparent and efficient over the long term. Collaboration with like-minded investors is an efficient and effective way of building knowledge, creating new perspective, and promoting best practice.

The interconnected nature of many of the ESG risks and opportunities faced by long-term investors makes collaboration between like-minded investors valuable.

Participating in collaborations and industry networks, including the ISSB, the International Corporate Governance Network (ICGN), and FCLTGlobal helps us address these complex challenges.

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.

More broadly, we are involved in industry networks that aim to improve system integrity, build new markets and advance best-practice institutional investment. These include: the Standards Board for Alternative Investments (SBAI); the IFSWF; the Pacific Pension & Investment Institute; the Australian Investment Council (AIC); the 20-20 Investment Association; and the TAI.

04 Investment performance

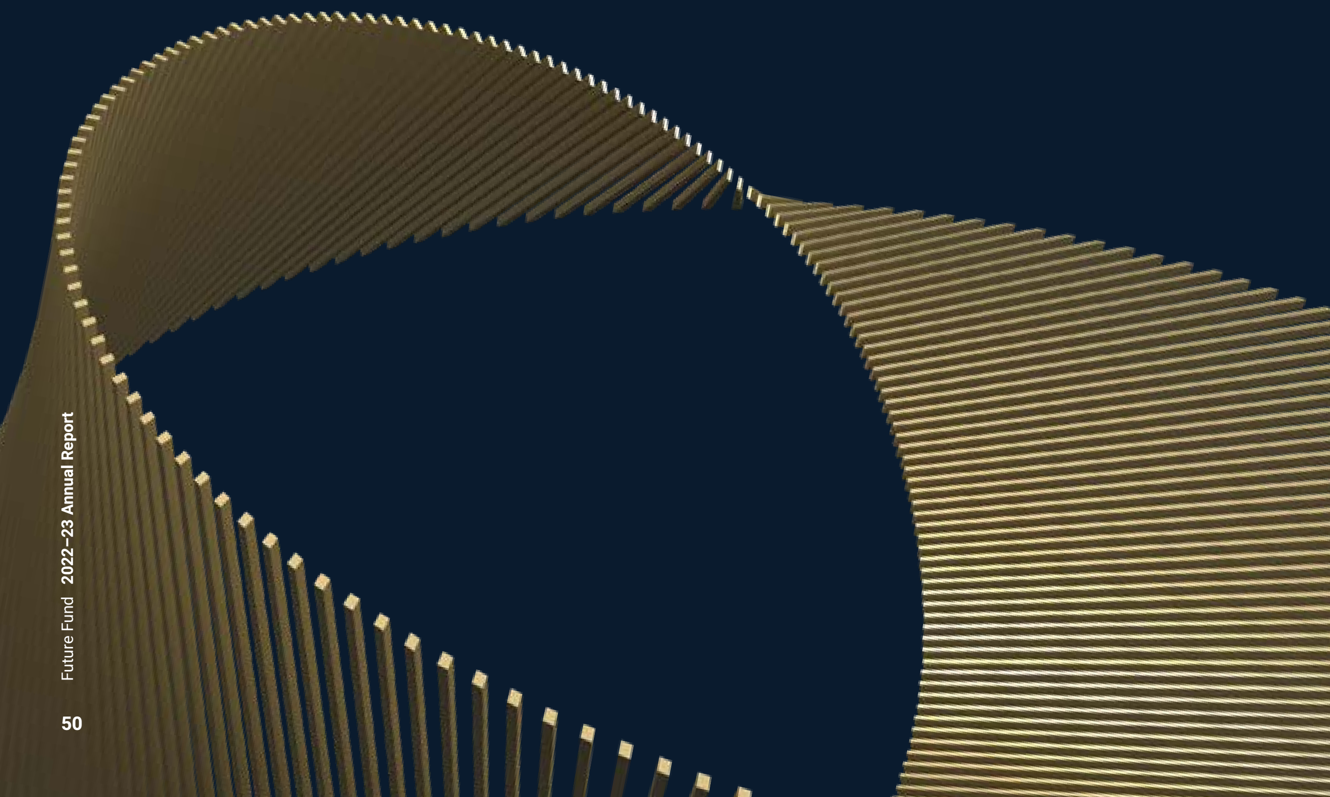
Investment environment report

In 2021 we issued a call to attention by publishing *A New Investment Order*, which predicted a return of inflation and rising interest rates, more conflict and deglobalisation. We then explained how we are investing in this more challenging world with a second paper – *The Death of Traditional Portfolio Construction?* The investing environment continues to be shaped by the themes in the papers, with the Future Fund well positioned to navigate this complex new environment.

Much of the 2022–23 financial year was about adjusting to life after the COVID-19 pandemic and to the ongoing war in Ukraine, with these shocks having long-lasting impacts on economies, geopolitics and the way we invest. Firms, households, governments and investors have all had to adjust to changed conditions and more complex circumstances.

Forward-looking returns for traditional portfolios are challenged, and we are adapting how we invest.

After central banks increased interest rates sharply, there is still some concern that inflation may not permanently return to a comfortable level without significant cost. Services inflation, for example, is proving hard to beat in some countries as labour markets remain resilient. Financial markets are still confident that central banks can anchor inflation expectations, and the chances of a worst-case wage price spiral appear low – but not zero.



Higher inflation on a more permanent basis would have implications for investors like the Future Fund, who target real returns. We have spent significant time planning for a range of inflation scenarios and preparing the portfolio for a more complex, challenging and volatile investment environment in the future.

Over the last year there were significant impediments introduced that restricted the free flow of investment and trade. Economies are diverging. Tariffs and trade barriers have been re-emerging; critical supply chains are pivoting to geopolitical allies or were brought onshore. A more assertive China, an emphasis on national security by the Biden Administration, increased tensions around Taiwan, investment bans, and export restrictions on critical minerals added to the challenging backdrop.

Adjusting to a rapid increase in interest rates in 2022–23 was not easy. Some of the investment and economic assumptions made through the years following the global financial crisis of 2008 failed to hold, prompting financial instability. There were flare-ups in market volatility as the UK pension system grappled with a sudden sell-off in UK bonds. In the United States, tightened credit conditions led to a small number of regional banks failing. Despite the tighter credit conditions, the US economy, in particular, remained resilient.

Looking ahead, how responsive underlying inflation proves to be to interest rate increases so far will determine whether a 'soft landing' can be achieved or whether a deeper economic slowdown will be required to get inflation back within target bands.

In some countries, extraordinary fiscal support at a time of record low levels of unemployment is complicating central banks' ability to bring down underlying inflation.

In the United States, the *Inflation Reduction Act of 2022* and the *CHIPS and Science Act of 2022* (CHIPS Act) highlight an increasing role of government in economies and markets. The Inflation Reduction Act will lead to significant spending on climate change initiatives. The CHIPS Act highlights the inflationary impacts of building resiliency into economies, of insuring against potential conflicts and of pursuing a more interventionist approach to industrial policy.

Developments in generative artificial intelligence (AI) sparked the promise of a potential boost to productivity. This could enable economies to grow at higher rates in the longer-term and help counterbalance higher inflationary trends elsewhere. Nevertheless, the shorter-term implications of AI on inflation and labour markets are less clear.

Despite the more challenging global environment, equity markets had a strong year, particularly in the second half. Sentiment was buoyed by hopes for a 'soft landing', an end to the interest rate hiking cycle, growth prospects around AI, and spending on climate change initiatives.

The near-term outlook will depend on how these factors unfold. The investment environment that lies ahead, however, is likely to remain challenging.

Portfolio activity in 2022–23

In response to our assessment of the secular investment environment, we have evolved our portfolio to make it more resilient in the face of structural forces discussed in Section 3. This has involved making over $60 billion worth of changes across the portfolio over the last year, with repositioning occurring across all asset classes.

Over the course of the year, the bulk of portfolio activity centred on continuing to build portfolio resilience to the risks presented by the new investment environment, as we seek wider diversification including across international markets and private assets.

With the risk of higher inflation realising during the year, our focus remained on protecting the portfolio from a range of scenarios, including sticky inflation leading to prolonged higher rates, higher geopolitical risks and the risk of a global recession, while seeking opportunities to generate long-term risk-adjusted returns.

We continued to position the portfolio close to the middle of the risk range and made changes towards investments that rely on investor skill rather than market risk, reflecting our belief that this approach will be better rewarded in an environment where higher inflation and rates, and more geopolitical risk make market returns less certain.

We have had significant focus on creating liquidity and flexibility across the portfolio to ensure we are able to direct capital to opportunities that appear likely to develop in the context of a quickly changing macro environment.

We maintained our preference for domestic assets with ability to hold value in a higher inflation environment, and those that are well-positioned to assist in the energy transition thematic.

Consistent with the structurally higher and more volatile inflationary scenario, we made several changes to our investment portfolio within rates, commodity and foreign exchange markets.

Our listed equities portfolio performed well and benefited from both manager skill and portfolio construction decisions made to reflect our secular view.

Investment activity in Alternatives focused the portfolio towards positions which are diversifying and otherwise generating liquidity for the total portfolio.

We continue to use technology to better understand the drivers of returns being delivered by investment managers to better identify skill.

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

We have made significant changes to the portfolio over the past two years and as a result our holdings and returns will look increasingly different from those of other asset owners.

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 short periods of time are not appropriate indicators of the likelihood of achieving the outcomes set out in the 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 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 is 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 lower, relative to history.

Our outlook on the global economy and markets is explored in more detail in our 'investment environment' report.

During the 2022–23 financial year we maintained 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.

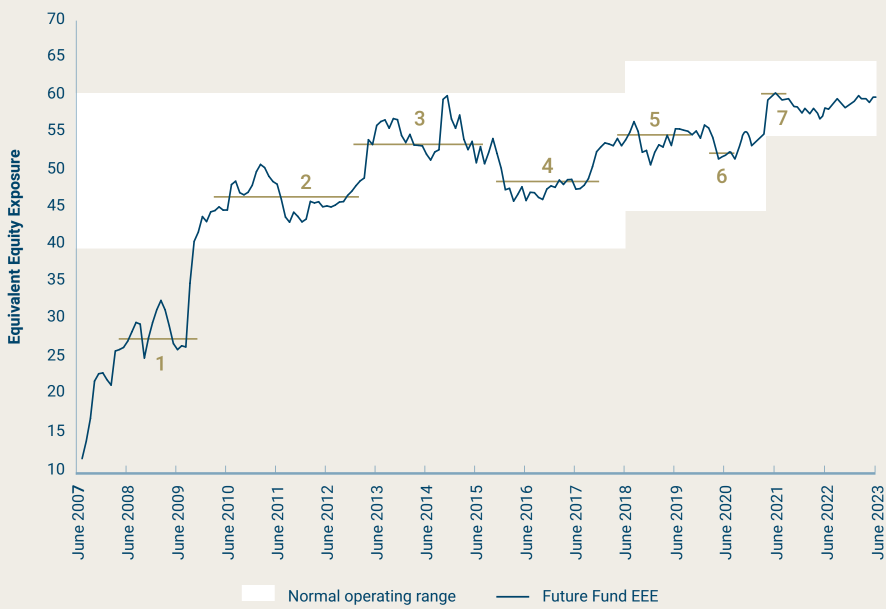
The EEE range within which we are expected to operate most of the time was reviewed and uplifted to 55–65 for the Future Fund as part of the deep review of our investment strategy which the Board undertook in 2021.

Throughout 2022–23, the portfolio risk setting has averaged close to the middle of the range and at 30 June 2023 the EEE stood at 60.

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 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 has been 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 2023, we held an exposure to foreign developed market currencies equivalent to 31% 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 6% of the Future Fund to emerging market currencies at 30 June 2023.

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 2023, the Future Fund achieved an annual return of 6.0% and a 10-year return of 8.8% per annum, exceeding its 10-year target of 6.9% per annum.

The Fund stood at $206.1 billion at 30 June 2023, with investment returns adding over $145 billion to the original seed capital from the Australian Government.

Investment returns to 30 June 2023 are shown 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 difficult, 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 8.8% per annum measures well when compared to the portfolio's realised volatility across this time and through a Sharpe ratio of 1.5, 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 2023

Period to 30 June 2023	Return (% pa)	Target return[1] (% pa)	Volatility[2] (%)	Sharpe ratio[3]
Since inception (May 2006)	7.7	7.0	4.6	1.0
10 years	8.8	6.9	4.7	1.5
Seven years	7.7	7.1	5.0	1.3
Five years	7.2	7.4	5.5	1.1
Three years	8.6	9.3	5.8	1.3
2022–23 financial year	6.0	10.0	5.5	0.6

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 2023

Asset class	$m	% of Fund
Australian equities	17,626	8.6
Global equities		
Developed markets	32,827	15.9
Emerging markets	12,119	5.9
Private equity	34,033	16.5
Property	13,069	6.3
Infrastructure and Timberland	20,557	10.0
Credit	17,701	8.6
Alternatives	35,106	17.0
Cash	23,098	11.2
Total	**206,136**	**100.0**

Asset class exposures at 30 June 2023

Listed equities

Sector	Exposure (%)
Energy	4
Materials	10
Industrials	10
Consumer discretionary	10
Consumer staples	6
Healthcare	11
Real estate	1
Financials	20
Information technology	18
Communication services	7
Utilities	2

Private equity

Strategy	Exposure (%)
Buyout	37
Distressed	0
Secondaries	0
Venture and growth	63

Property

Sector	Exposure (%)
Retail	23
Residential	17
Industrial	16
Diversified	20
Office	11
Seniors living	6
Hospitality	5
Healthcare	3

Infrastructure and Timberland

Sector	Exposure (%)
Airports	28
Electricity, oil and gas	30
Communications	18
Transport	11
Timberland	9
Water	3

Credit

Strategy	Exposure (%)
Private debt	40
Investment-grade corporate	3
Sub-investment-grade corporate	32
Mortgage-backed securities	0
Other securitised	7
Emerging markets debt	15
Cash and other	2

Alternatives

Strategy	Exposure (%)
Diversifying	20
High beta	2
Low beta – directional	13
Low beta – relative value	56
Reinsurance	8

Asset class exposures by geography at 30 June 2023

Region	Listed equities (%)	Private equity (%)	Property (%)	Infrastructure and Timberland (%)	Credit (%)	Alternatives (%)
Australia	28	3	6	58	7	2
United States of America	34	65	62	22	45	55
Europe (ex UK)	8	9	13	10	13	17
United Kingdom	2	5	7	7	13	3
Japan	8	0	4	0	0	5
Developed (other)	3	4	4	3	2	9
Emerging	18	14	4	0	19	10

Physical investments by geography at 30 June 2023

Region	Total exposure (%)
Australia	23
United States of America	39
Europe (ex-UK)	10
United Kingdom	4
Japan	7
Developed (other)	6
Emerging	11

Costs

Cost management

Our use of external investment managers, together with our commitment to a broadly diversified portfolio, focus on adding value through skill, 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 has been beneficial to the 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).

Direct costs

Direct costs, historically reported as management costs and transaction and operational 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 following table. 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

	2020–21	2021–22	2022–23
Direct costs	$462.3 million	$447.99 million	$545.04 million
Direct cost ratio	0.268%	0.224%	0.273%

Summary of look-through costs

	2020–21	2021–22	2022–23
Look-through costs	2.22%	1.01%	0.74%

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 2020–21	Amount debited 2021–22	Amount debited 2022–23
Contracts with investment managers	$180,023,000	$301,737,000	$289,556,000
Board remuneration and allowances	$942,000	$978,000	$1,019,000
Agency remuneration and allowances	$58,004,000	$65,365,000	$71,459,000
Consultants and advisers to the Board and Agency	$25,515,954	$23,779,897	$25,579,229
Agency and portfolio operations	$94,213,046	$104,525,103	$124,682,771

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.

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 greater 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 2023, the EEE stood at 30, which is below 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 2023, we held an exposure to foreign developed market currencies equivalent to 11% 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 2023.

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 2023 are shown below, together with the target benchmark returns set by the Investment Mandate.

At 30 June 2023, the Medical Research Future Fund was valued at $21.9 billion.

Medical Research Future Fund returns, target benchmarks and levels of risk at 30 June 2023

Period to 30 June 2023	Return (% pa)	Target return[1] (% pa)	Volatility[2] (%)	Sharpe ratio[3]
Since inception (22 September 2015)	4.1	2.7	2.9	1.0
Seven years	4.3	2.7	3.0	1.0
Five years	4.1	2.5	3.4	0.9
Three years	5.0	2.5	2.8	1.4
2022–23 financial year	4.4	4.4	3.2	0.5

Note(s):

1. RBA cash rate plus 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 2023

Asset class	$m	% of Fund
Australian equities	658	3.0
Global equities		
Developed markets	1,226	5.6
Emerging markets	440	2.0
Private equity	1,282	5.8
Property	1,052	4.8
Infrastructure and Timberland	1,364	6.2
Credit	2,767	12.6
Alternatives	3,544	16.2
Cash	9,593	43.8
Total	**21,926**	**100.0**

Asset class exposures at 30 June 2023

Listed equities

Sector	Exposure (%)
Energy	5
Materials	10
Industrials	10
Consumer discretionary	10
Consumer staples	6
Healthcare	10
Real estate	2
Financials	20
Information technology	17
Communication services	7
Utilities	2

Private equity

Strategy	Exposure (%)
Buyout	72
Distressed	1
Venture and growth	28

Property

Sector	Exposure (%)
Industrial	36
Residential	16
Diversified	21
Retail	10
Office	9
Healthcare	3
Hospitality	3
Seniors living	1

Infrastructure and Timberland

Sector	Exposure (%)
Airports	9
Communications	53
Electricity, oil and gas	25
Timberland	0
Transport	9
Water	4

Credit

Strategy	Exposure (%)
Private debt	26
Investment-grade corporate	7
Sub-investment-grade corporate	38
Mortgage-backed securities	2
Other securitised	10
Emerging markets debt	12
Cash and other	5

Alternatives

Strategy	Exposure (%)
Diversifying	16
High beta	2
Low beta – directional	13
Low beta – relative value	60
Reinsurance	9

Asset class exposures by geography at 30 June 2023

Region	Listed equities (%)	Private equity (%)	Property (%)	Infrastructure and Timberland (%)	Credit (%)	Alternatives (%)
Australia	30	7	3	47	3	2
United States of America	36	65	57	29	54	55
Europe (ex-UK)	8	13	18	15	3	14
United Kingdom	2	7	7	3	20	3
Japan	3	1	5	1	0	6
Developed (other)	3	1	5	5	2	8
Emerging	19	7	4	0	16	12

Physical investments by geography at 30 June 2023

Region	Total exposure (%)
Australia	46
United States of America	29
Europe (ex-UK)	6
United Kingdom	4
Japan	4
Developed (other)	5
Emerging	7

Costs

Cost management

Our use of external investment managers, together with our commitment to a broadly diversified portfolio, focus on adding value through skill, 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 has been beneficial to the Fund's overall performance in delivering strong returns, net of costs, while reducing volatility.

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 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, previously reported as management costs and transaction and operational costs, reflect all directly incurred costs associated with the management of the Medical Research Future 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).

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

	2020–21	2021–22	2022–23
Direct costs	$41.4 million	$41.7 million	$48.0 million
Direct cost ratio	0.196%	0.189%	0.222%

Summary of look-through costs

	2020–21	2021–22	2022–23
Look-through costs	1.52%	1.77%	1.19%

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 2020–21	Amount debited 2021–22	Amount debited 2022–23
Contracts with investment managers	$29,993,013	$34,912,595	$48,306,168
Board remuneration and allowances	-	-	-
Agency remuneration and allowances	-	-	-
Consultants and advisers to the Board and Agency	-	-	-
Agency and portfolio operations	$6,590,377	$7,282,465	$7,154,263

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.

The 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 has been achieved through a co-mingled arrangement with the MRFF. Measurement of performance against the Investment Mandate commenced on 1 October 2019.

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 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, that may be 15–20% 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

The structural risk level of the ATSILS Fund held towards the middle of the range over 2022–23 and ended the year at an EEE of 40.

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 2023, we held an exposure to foreign developed market currencies equivalent to 14% 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 2023.

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 2023, the ATSILS Fund was valued at $2.1 billion.

ATSILS Fund returns, target benchmarks and levels of risk at 30 June 2023

Period to 30 June 2023	Return (% pa)	Target return[1] (% pa)	Volatility[2] (%)	Sharpe ratio[3]
From inception (1 October 2019)	4.3	6.0	4.7	0.7
Three years	5.9	7.3	3.6	1.3
2022–23 financial year	4.5	8.0	4.0	0.4

Note(s):

1. CPI + 2.0% to 3.0% per annum over the long term, with 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 2023[1]

Asset class	$m	% of Fund
Australian equities	84	3.9
Global equities		
Developed markets	166	7.7
Emerging markets	56	2.6
Private equity	164	7.7
Property	135	6.3
Infrastructure and Timberland	175	8.2
Credit	355	16.6
Alternatives	454	21.3
Cash	548	25.6
Total	**2,138**	**100.0**

Note(s):

1. Exposures on a look-through basis.

Asset class exposures at 30 June 2023[1]

Listed equities

Sector	Exposure (%)
Energy	5
Materials	10
Industrials	10
Consumer discretionary	10
Consumer staples	6
Healthcare	10
Real estate	2
Financials	20
Information technology	17
Communication services	7
Utilities	2

Private equity

Strategy	Exposure (%)
Buyout	72
Distressed	1
Venture and growth	28

Property

Sector	Exposure (%)
Industrial	36
Residential	16
Diversified	21
Retail	10
Office	9
Healthcare	3
Hospitality	3
Seniors living	1

Infrastructure and Timberland

Sector	Exposure (%)
Airports	9
Communications	53
Electricity, oil and gas	25
Timberland	0
Transport	9
Water	4

Credit

Strategy	Exposure (%)
Private debt	26
Investment-grade corporate	7
Sub-investment-grade corporate	38
Mortgage-backed securities	2
Other securitised	10
Emerging markets debt	12
Cash and other	5

Alternatives

Strategy	Exposure (%)
Diversifying	16
High beta	2
Low beta – directional	13
Low beta – relative value	60
Reinsurance	9

Note(s):

1. Exposures on a look-through basis.

Asset class exposures by geography at 30 June 2023

Region	Listed equities (%)	Private equity (%)	Property (%)	Infrastructure and Timberland (%)	Credit (%)	Alternatives (%)
Australia	30	7	3	47	3	2
United States of America	36	65	57	29	54	55
Europe (ex-UK)	8	13	18	15	3	14
United Kingdom	2	7	7	3	20	3
Japan	3	1	5	1	0	6
Developed (other)	3	1	5	5	2	8
Emerging	19	7	4	0	16	12

Physical investments by geography at 30 June 2023

Region	Total exposure (%)
Australia	29
United States of America	37
Europe (ex-UK)	8
United Kingdom	5
Japan	5
Developed (other)	8
Emerging	8

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 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 ATSILS Fund's direct costs for 2022–23 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

	2020–21	2021–22	2022–23
Direct costs	$4.2 million	$4.6 million	$0.8 million
Direct cost ratio	0.209%	0.212%	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 2020–21	Amount debited 2021–22	Amount debited 2022–23
Contracts with investment managers	$3,696,571	$ 3,664,528	$4,012,965
Board remuneration and allowances	-	-	
Agency remuneration and allowances	-	-	
Consultants and advisers to the Board and Agency	-	-	
Agency and portfolio operations	$602,213	$651,030	$635,010

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.

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 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).

The EEE of the Future Drought Fund held towards the middle of the range over the course of the year and ended the year at an EEE of 40.

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 2023, we held an exposure to foreign developed market currencies equivalent to 15% 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 2023.

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 2023, the Fund was valued at $4.6 billion.

Future Drought Fund returns, target benchmarks and levels of risk at 30 June 2023

Period to 30 June 2023	Return (% pa)	Target return[1] (% pa)	Volatility[2] (%)	Sharpe ratio[3]
From inception (1 April 2020)	6.6	6.3	3.5	1.6
Three years	6.0	7.3	3.6	1.4
2022–23 financial year	4.7	8.0	3.9	0.4

Note(s):

1. CPI + 2.0% to 3.0% per annum over the long term, with 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 2023[1]

Asset class	$m	% of Fund
Australian equities	184	4.0
Global equities		
Developed markets	338	7.3
Emerging markets	123	2.7
Private equity	358	7.8
Property	294	6.4
Infrastructure and Timberland	381	8.3
Credit	773	16.8
Alternatives	990	21.5
Cash	1,156	25.1
Total	**4,597**	**100.0**

Note(s):

1. Exposures on a look-through basis.

Asset class exposures at 30 June 2023[1]

Listed equities

Sector	Exposure (%)
Energy	5
Materials	10
Industrials	10
Consumer discretionary	10
Consumer staples	6
Healthcare	10
Real estate	2
Financials	20
Information technology	17
Communication services	7
Utilities	2

Private equity

Strategy	Exposure (%)
Buyout	72
Distressed	1
Venture and growth	28

Property

Sector	Exposure (%)
Industrial	36
Residential	16
Diversified	21
Retail	10
Office	9
Healthcare	3
Hospitality	3
Seniors living	1

Infrastructure and Timberland

Sector	Exposure (%)
Airports	9
Communications	53
Electricity, oil and gas	25
Timberland	0
Transport	9
Water	4

Credit

Strategy	Exposure (%)
Private debt	26
Investment-grade corporate	7
Sub-investment-grade corporate	38
Mortgage-backed securities	2
Other securitised	10
Emerging markets debt	12
Cash and other	5

Alternatives

Strategy	Exposure (%)
Diversifying	16
High beta	2
Low beta – directional	13
Low beta – relative value	60
Reinsurance	9

Note(s):

1. Exposures on a look-through basis.

Asset class exposures by geography at 30 June 2023

Region	Listed equities (%)	Private equity (%)	Property (%)	Infrastructure and Timberland (%)	Credit (%)	Alternatives (%)
Australia	30	7	3	47	3	2
United States of America	36	65	57	29	54	55
Europe (ex-UK)	8	13	18	15	3	14
United Kingdom	2	7	7	3	20	3
Japan	3	1	5	1	0	6
Developed (other)	3	1	5	5	2	8
Emerging	19	7	4	0	16	12

Physical investments by geography at 30 June 2023

Region	Total exposure (%)
Australia	28
United States of America	38
Europe (ex-UK)	8
United Kingdom	6
Japan	5
Developed (other)	6
Emerging	9

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 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 Future Drought Fund's direct costs for 2022–23 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

	2020–21	2021–22	2022–23
Direct costs	$8.9 million	$9.7 million	$1.5 million
Direct cost ratio	0.208%	0.211%	0.034%

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 2020–21	Amount debited 2021–22	Amount debited 2022–23
Contracts with investment managers	$7,462,119	$7,693,842	$8,459,906
Board remuneration and allowances	-	-	-
Agency remuneration and allowances	-	-	-
Consultants and advisers to the Board and Agency	-	-	-
Agency and portfolio operations	$1,285,249	$1,398,723	$1,376,377

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.

Interpreting the Investment Mandate

The Disaster Ready Fund was previously named the Emergency Response Fund until 1 March 2023. 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. The EIF was a successor to the Higher Education Endowment Fund.

Following its establishment, the 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).

The EEE of the Disaster Ready Fund held towards the middle of the range through the year and ended at an EEE of 41.

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 2023, we held an exposure to foreign developed market currencies equivalent to 15% 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 5% of the Fund to emerging market currencies at 30 June 2023.

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 2023, the Fund was valued at $4.4 billion.

Disaster Ready Fund returns, target benchmarks and levels of risk at 30 June 2023

Period to 30 June 2023	Return (% pa)	Target return[1] (% pa)	Volatility[2] (%)	Sharpe ratio[3]
From inception (1 April 2020)	6.6	6.3	3.5	1.6
Three years	6.0	7.3	3.6	1.4
2022–23 financial year	4.6	8.0	4.0	0.4

Note(s):

1. CPI + 2.0% to 3.0% per annum over the long term, with 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 2023[1]

Asset class	$m	% of Fund
Australian equities	180	4.0
Global equities		
Developed markets	384	8.6
Emerging markets	121	2.7
Private equity	351	7.9
Property	288	6.5
Infrastructure and Timberland	373	8.4
Credit	757	17.0
Alternatives	970	21.8
Cash	1,024	23.0
Total	**4,448**	**100.0**

Note(s):

1. Exposures on a look-through basis.

Asset class exposures at 30 June 2023[1]

Listed equities

Sector	Exposure (%)
Energy	5
Materials	10
Industrials	10
Consumer discretionary	10
Consumer staples	6
Healthcare	10
Real estate	2
Financials	20
Information technology	17
Communication services	7
Utilities	2

Private equity

Strategy	Exposure (%)
Buyout	72
Distressed	1
Venture and growth	28

Property

Sector	Exposure (%)
Industrial	36
Residential	16
Diversified	21
Retail	10
Office	9
Healthcare	3
Hospitality	3
Seniors living	1

Infrastructure and Timberland

Sector	Exposure (%)
Airports	9
Communications	53
Electricity, oil and gas	25
Timberland	0
Transport	9
Water	4

Credit

Strategy	Exposure (%)
Private debt	26
Investment-grade corporate	7
Sub-investment-grade corporate	38
Mortgage-backed securities	2
Other securitised	10
Emerging markets debt	12
Cash and other	5

Alternatives

Strategy	Exposure (%)
Diversifying	16
High beta	2
Low beta – directional	13
Low beta – relative value	60
Reinsurance	9

Note(s):

1. Exposures on a look-through basis.

Asset class exposures by geography at 30 June 2023

Region	Listed equities (%)	Private equity (%)	Property (%)	Infrastructure and Timberland (%)	Credit (%)	Alternatives (%)
Australia	30	7	3	47	3	2
United States of America	36	65	57	29	54	55
Europe (ex-UK)	8	13	18	15	3	14
United Kingdom	2	7	7	3	20	3
Japan	3	1	5	1	0	6
Developed (other)	3	1	5	5	2	8
Emerging	19	7	4	0	16	12

Physical investments by geography at 30 June 2023

Region	Total exposure (%)
Australia	27
United States of America	39
Europe (ex-UK)	8
United Kingdom	6
Japan	5
Developed (other)	6
Emerging	9

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 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 are shown below and include the direct cost ratio (direct costs divided by the average net assets for the financial year).

Summary of direct costs and direct cost ratio

	2020–21	2021–22	2022–23
Direct costs	$8.9 million	$9.9 million	$1.6 million
Direct cost ratio	0.205%	0.212%	0.035%

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 2020–21	Amount debited 2021–22	Amount debited 2022–23
Contracts with investment managers	$7,567,917	$7,698,020	$8,667,699
Board remuneration and allowances	-	-	-
Agency remuneration and allowances	-	-	-
Consultants and advisers to the Board and Agency	-	-	-
Agency and portfolio operations	$1,294,933	$1,424,913	$1,359,573

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 2022–23, the DCAF generated an investment return of 3.6%, against its benchmark target return of 3.2%.

The value of the Fund was $16.9 billion at 30 June 2023.

The DCAF has a low-risk mandate and is invested in cash, bank deposits and high-rated corporate and securitised credit. The Fund underperformed its benchmark for the year due to a particularly challenging market backdrop and the widening of credit spreads across the year.

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 2023

Debt

Strategy	Exposure (%)
Investment-grade corporate	22
Mortgage-backed securities	20
Other securitised	3
Cash and other	55

Portfolio by geography at 30 June 2023

Region	Total exposure (%)
Australia	76
United States of America	10
Europe (ex-UK)	6
United Kingdom	3
Japan	3
Developed (other)	3

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 skill and resources 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, previously reported as management costs and transaction and operational 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

	2020–21	2021–22	2022–23
Direct costs	$12.8 million	$13.7 million	$14.5 million
Direct cost ratio	0.082%	0.092%	0.095%

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 2020–21	Amount debited 2021–22	Amount debited 2022–23
Contracts with investment managers	$10,192,434	$12,235,196	$17,168,564
Board remuneration and allowances	-	-	-
Agency remuneration and allowances	-	-	-
Consultants and advisers to the Board and Agency	-	-	-
Agency and portfolio operations	$1,226,094	$1,156,951	$1,153,156

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.

05 Our people and culture

The Future Fund is a purpose-driven organisation. We have maintained the same succinct purpose since our inception 17 years ago – to 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.

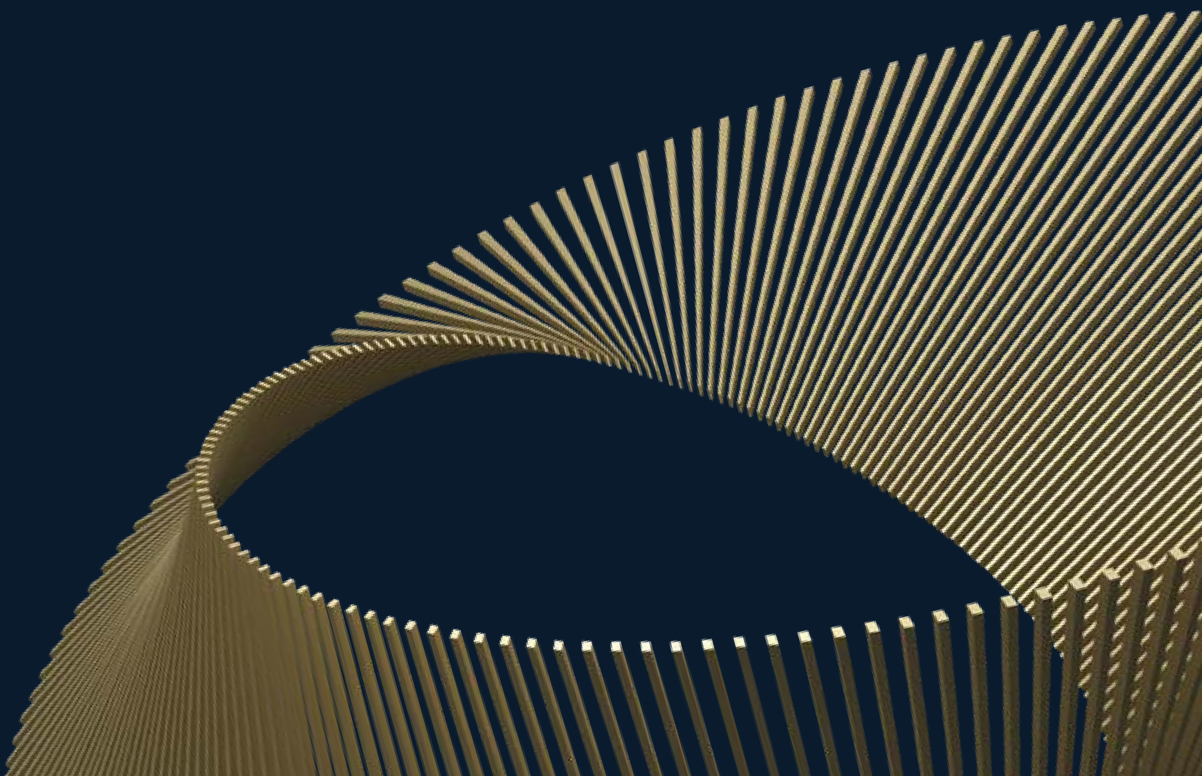
Life at the Future Fund

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, 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.

The Agency 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
- Responding 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
- Providing 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 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 and 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 we are all pulling 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 provides the most value 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.

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 can't 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 the critical measure of our success. Key to achieving this 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.

This year we continued to build out the Future Fund Academy, which we established in 2021–22. The Academy is the heart of learning and development at the Future Fund. 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 ensure we focus on our people's professional, personal and leadership development journeys throughout their careers with us, regardless of their background, experience or role.

Throughout FY23, the Academy appointed its function head and team, defined its infrastructure and governance framework, and designed and delivered the first components of its base program. This was done by working closely with all areas of our Agency in close collaboration with the Agency's Leadership Team to identify the main development needs of our people.

The Academy rolled out a number of programs during its first year, including regular new-starter orientation days welcoming and inducting our new staff, as well as a range of training programs focused on essential skills development. It also conducted a leadership development course called the Leading People Program, in which over 60 senior leaders from across the organisation participated.

In FY23, the Agency held its inaugural investment competition. Conceived through the Academy and designed and led by a group of emerging talent from our Investment Team, the competition was designed to foster innovation, forward-thinking and cross-team collaboration across the Agency. Over 30 people from all business units participated in the six-week program. This competition will now be held annually following positive feedback from participants.

Talent acquisition

The labour market is at present 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.

Notwithstanding the current challenging employment market conditions, we have achieved solid progress against this objective and throughout 2022–23 the employee headcount rose from 220 to 272.

To help facilitate our workforce strategy, we also commenced work to develop the Future Fund's employee value proposition to enable us to differentiate ourselves and stand out in this competitive market as an employer of choice. This includes clearly setting out the value and benefits of working for the Future Fund and providing a compelling reason for talented individuals to join, stay and actively contribute to our ongoing success.

Flexible working

The Agency has successfully embedded 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.

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 working flexibly and understanding the workplace health and safety implications in remote working situations.

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.

In 2022–23 we updated our D&I policy in consultation with our people, leveraging best practice from industry peers while also maintaining a sense of constructive curiosity.

D&I Program

In 2022–23 a number of Agency staff volunteered to contribute to the Agency's D&I Program, participating in two new Affinity Networks which focus on gender diversity and the LGBTQI+ community.

The purpose of these Affinity Networks is to:

- Provide opportunities for staff to collaborate and contribute to the Agency's D&I evolution
- Facilitate the organisation of D&I-related networking events
- Provide input into the broader D&I Strategy and Action Plan
- Support the Agency in celebrating the moments that matter for their relevant focus area
- Provide a voice for staff from under-represented groups
- Provide a platform for staff to share their lived experiences as it relates to our D&I journey.

Workplace, health and safety

The Future Fund is committed to providing a safe and healthy place of work for all staff and visitors to our offices.

We recognise that physical and mental health and safety is a shared responsibility of all employees, contractors, visitors, members, and other persons involved with the organisation.

In 2022–23 we refreshed our Workplace, Health and Safety Policy and created a new framework to serve as a foundation to promote the health, safety and wellbeing of our people.

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.

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 2023 was comprised of 272 staff.

We welcomed 78 new permanent staff during 2022–23: 21 were replacements for existing roles, and 57 were new roles. We made 26 internal promotions and 3 internal secondments.

Headcount by business area at 30 June 2023

Investment	94
Investment and Business Operations	118
Other	60
Total	**272**

Note(s):
Other includes CEO's Office; People, Culture and Inclusion; Legal and Risk; Board Secretariat; and Corporate Affairs.

Absenteeism rate (%) over time

2020–21	1.2
2021–22	1.9
2022–23	2.1

Turnover rate (%) over time

2020–21	7.6
2021–22	17.4
2022–23	11.8

Management of human resources: reporting under PGPA Act

All ongoing employees – current 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 – current 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**

All ongoing employees – previous report period (2021–22)

	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	1	0	1	6	0	6	0	0	0	0	0	0	0	0	0	7
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	91	2	93	102	13	115	0	0	0	0	0	0	0	0	0	208
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	**92**	**2**	**94**	**108**	**13**	**121**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**215**

All non-ongoing employees – previous report period (2021–22)

	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	0	0	0	4	1	5	0	0	0	0	0	0	0	0	0	5
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	**0**	**0**	**0**	**4**	**1**	**5**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**5**

Australian Public Service Act ongoing employees – current 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 – current 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 ongoing employees – previous report period (2021–22)

	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	1	0	1	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	27	1	28	16	0	16	0	0	0	0	0	0	0	0	0	44
EL 1	12	1	13	10	3	13	0	0	0	0	0	0	0	0	0	26
APS 6	26	0	26	25	3	28	0	0	0	0	0	0	0	0	0	54
APS 5	15	0	15	32	3	35	0	0	0	0	0	0	0	0	0	50
APS 4	10	0	10	21	3	24	0	0	0	0	0	0	0	0	0	34
APS 3	0	0	0	3	1	4	0	0	0	0	0	0	0	0	0	4
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	**92**	**2**	**94**	**108**	**13**	**121**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**215**

Australian Public Service Act non-ongoing employees – previous report period (2021–22)

	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	2	0	2	0	0	0	0	0	0	0	0	0	2
EL 1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
APS 6	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
APS 5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
APS 4	0	0	0	2	1	3	0	0	0	0	0	0	0	0	0	3
APS 3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
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	**0**	**0**	**0**	**4**	**1**	**5**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**5**

Australian Public Service Act employees by full-time and part-time status – current 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 employees by full-time and part-time status – previous report period (2021–22)

	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	43	1	44	2	0	2	46
EL 1	22	4	26	0	0	0	26
APS 6	51	3	54	0	0	0	54
APS 5	47	3	50	0	0	0	50
APS 4	31	3	34	2	1	3	37
APS 3	3	1	4	0	0	0	4
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	**200**	**15**	**215**	**4**	**1**	**5**	**220**

Australian Public Service Act employment type by location – current 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 employment type by location – previous report period (2021–22)

	Ongoing	Non-ongoing	Total
NSW	7	0	7
QLD	0	0	0
SA	0	0	0
TAS	0	0	0
VIC	208	5	213
WA	0	0	0
ACT	0	0	0
NT	0	0	0
External Territories	0	0	0
Overseas	0	0	0
Total	**215**	**5**	**220**

Australian Public Service Act Indigenous employment – current report period (2022–23)

	Total
Ongoing	0
Non-ongoing	0
Total	**0**

Australian Public Service Act Indigenous employment – previous report period (2021–22)

	Total
Ongoing	0
Non-ongoing	0
Total	**0**

Australian Public Service Act employment arrangements – current report period (2022–23)

	SES	Non-SES	Total
Individual employment contract	2	270	272
Total	2	270	**272**

Remuneration report

Remuneration strategy

Remuneration for all Agency staff, including members of the Senior Leadership Team, is consistent with the Australian Public Sector Workplace Bargaining Policy (the Bargaining 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.

The Agency operates in an extremely competitive global financial services market and in line with that industry the remuneration for ongoing staff consists of fixed pay and annual variable pay. This year following a review of the Agency's remuneration framework, an additional long-term incentive plan was also introduced for a small number of investment leaders and is detailed on the next page.

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 under the Bargaining Policy and Directives in 2020.

In 2022–23, fixed pay salary scales were increased by 2%.There was no increase to the CEO's fixed pay in 2022–23. The CEO received an Additional Duties Allowance as Acting CIO during 2022–23. The Additional Duties Allowance concluded on the date of the appointment of a CIO in August 2023.

Annual variable pay

In addition to fixed pay, ongoing staff can earn a variable pay component, which is based on both measurable personal performance (Individual Plan) and investment performance (Fund Plan).

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. The mix of variable pay in the Investment Team was reviewed in 2022–23, with changes made to reflect an increased emphasis on individual role contribution to the Agency.

All ongoing 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.

Individual performance component
Actual variable pay based on individual performance reflects performance against key performance indicators (goals) set for each employee, and the organisation's values. Each individual's goals align to the organisation's business plan priorities. In 2022–23, the individual performance ratings framework was reviewed. A number of changes were made to simplify performance ratings, and place increased emphasis on rewarding staff who both outperform against the goals and requirements of their role, and who role model the Agency's values.

Investment performance component
Variable pay based on Fund performance reflects the average performance over rolling three-year periods for the Future Fund 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 Consumer Price Index (CPI). After consultation with the Board, the Agency's Accountable Authority adjusted the payout schedule to reflect the investment environment.

Long-term variable pay

The continued success of the Future Fund as a key financial asset of the Commonwealth is dependent upon having a talented and skilled Investment Team in place to implement and guide the Board's investment strategy.

The Agency recruits its talent from a broad range of sectors, but in the Investment Team that talent principally comes from the global financial services sector, including private equity firms, investment and retail banks, and the superannuation industry.

As a result, the Agency's remuneration framework for the Investment Team must be competitive with this industry to ensure it can attract and retain talented people to fulfill our purpose.

Reviews of the Agency's remuneration framework have been conducted over the last year to ensure that the framework is:

- Consistent with the Australian Public Service Commission's (APSC) Bonus Guidance
- Competitive in the market in which we operate
- Reflective of the skills and responsibilities of the individual
- Aligned with the Future Fund's performance
- Aligned with market practice in the financial services sector
- Sensitive to the macro conditions impacting the economy.

As part of the reviews, it was noted that the Agency did not have a long-term assessment of the Future Fund's performance for the purposes of deferring and paying remuneration. For a long-term investor, this was misaligned to market practice in the financial services sector.

Subsequently, the Agency has now introduced a long-term incentive plan approved by the Agency's Accountable Authority and Chair of the Board. This long-term variable pay component only applies to 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
- Act as a retention and motivation incentive for certain highly skilled staff
- Defer a portion of senior investment leader remuneration over the longer-term, in line with other similar financial services organisations
- Ensure that there are appropriate mechanisms in the Agency's remuneration framework to apply remuneration adjustments (including to zero), in the event of misconduct.

The long-term variable pay component is in addition to the annual variable pay component and is measured over rolling five-year performance periods. It only rewards participants for Future Fund outperformance and is only payable at the conclusion of each performance period, with the first payments scheduled for 2027–28, 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, which 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 hurdles and subject to the gateway conditions and investment performance, and is capped at an appropriate level, deferring any balance to future years when the cap is not exceeded.

Variable pay outcomes in 2022–23

The macro environment for the year was dominated by high inflation, rising interest rates and geopolitical tensions. Supply chain issues, tight labour markets, rising energy prices, trade barriers and the impacts of the war in Ukraine all contributed to an uncertain and volatile investment environment.

Amidst this backdrop the 2022–23 Future Fund return of 6.0% was a good outcome and is reflective of the $64 billion worth of changes made across the portfolio over the last year in order to reposition it for the changed investment landscape. During the year the Future Fund investment return added nearly $12 billion to the value of the Fund.

Over three years the Future Fund's return of 8.6% per annum has added $45 billion to the value of the Fund.

Over the longer term, the Future Fund achieved a 10-year return of 8.8% per annum against a target of 6.9% per annum, and over $145 billion has been added to the value of the Fund since its inception. It now stands at a record $206.1 billion.

Our variable pay structure is designed to reward efforts to mitigate market falls and recognise that the Investment Mandate Direction is focused on the prudent management of risks. The Agency delivered against the full-year business plan and undertook the extensive task of repositioning the portfolio for a 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, and the variable pay component linked to individual performance outcomes was determined with regard to the external macro environment and the strong performance of our staff in protecting the Fund in that environment. Notwithstanding the continued strong performance of staff, the average individual performance rating outcome across the Agency was slightly lower than in previous years.

The variable pay component linked to investment performance is based on rolling three-year average returns, which smooths out the significant variability and volatility in Fund performance relative to the macro environment and market returns in individual years.

This rolling three-year average return of 8.6% per annum incorporates this year's return of 6.0%, the 2020–21 record return of 22.2% as well as the return of -1.2% in 2021–22 when the Fund was largely protected from a 10% fall in both global equities and global bonds and a fall in Australian equities of 6.5%. This will see 80.8% of the available investment performance component paid out this year – an increase from 29.2% in 2021–22.

Aggregate variable pay paid to eligible staff over the past three years was $17 million in 2020–21, $11.9 million in 2021–22 and is $18.3 million in 2022–23. This reflects the changes in the rolling three-year average Future Fund return as well as an increase in (eligible) staff numbers.

No payments are eligible to be made under the long-term variable plan until 2027–28.

Remuneration of key management personnel in 2022–23

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 Senior Leadership Team.

The Board and the Agency are established by the *Future Fund Act 2006* (the Act). In accordance with the Act, Members of the Board are appointed by the responsible Ministers.

The Act prescribes that fees payable to Board Members are determined by the Commonwealth Remuneration Tribunal (the Tribunal).

The Tribunal's Determination 2022, taking effect from 1 July 2022, set the annual fee payable to the Chair at $220,580 and the fee for other members at $110,300. 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 KMP

As is the case for all staff, remuneration for Agency KMP as defined in the previous section, includes both fixed and annual variable pay as well as long-term variable pay for some Investment Leaders. 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-focused 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 KMP group.

Annual variable pay composition for Agency 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)
Raphael Arndt	120	50	50
Alicia Gregory	120	50	50
Gordon McKellar	75	25	75
Wendy Norris[1]	120	50	50
Cameron Price	75	25	75
Kimberley Reid	75	25	75
Ben Samild	120	50	50

Note(s):

1. Wendy Norris concluded her term as a KMP on 19 May 2023 , and was not eligible to receive a variable pay outcome for FY23.

Remuneration outcomes for KMP in 2022–23

Remuneration outcomes for Members of the Board are 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. The use of rolling three-year periods for the calculation of absolute investment performance aligns to the organisation's long-term investment objective.

Long-term variable payments are not scheduled to be made until 2027–28.

Long-term variable pay awarded this year is not scheduled to be eligible to vest until 2027–28 and then subject to the relevant gateways and performance conditions.

Remuneration outcomes for KMP in 2022–23

				Short-term benefits	Post-employment benefits		Other long-term benefits[4]	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 Acting Chief Investment Officer	781,963	700,012	0	27,500	3,126	50,960	0	1,563,561
Gordon McKellar	Chief Operating Officer	580,210	347,149	0	37,096	5,090	0	0	969,544
Cameron Price	General Counsel and Chief Risk Officer	589,826	187,518	0	37,096	9,656	187,518	0	1,011,614
Wendy Norris[2]	Deputy CIO, Change and Innovation	576,830	0	0	25,292	17,549	0	0	619,672
Alicia Gregory	Deputy Chief Investment Officer, Private Markets	584,052	613,661	0	27,500	12,287	42,467	0	1,279,967
Kimberley Reid	Chief People, Culture and Inclusion Officer	386,211	0	0	72,694	9,981	257,974	0	726,860
Ben Samild	Deputy Chief Investment Officer, Portfolio Construction	633,669	662,081	0	25,293	9,790	42,467	0	1,373,300
Peter Costello	Chairman	220,580	0	219	33,969	0	0	0	254,768

Name	Position title	Base salary $	Variable pay $	Short-term benefits: Other benefits and allowances $	Post-employment benefits: Superannuation contributions $	Other long-term benefits[4]: Long service leave $	Other long-term benefits[4]: Other long-term benefits $	Termination benefits	Total remuneration
Patricia Cross	Board Member	110,300	0	0	16,986	0	0	0	127,286
John Fraser	Board Member	110,300	0	1,077	11,582	0	0	0	122,959
Carolyn Kay[3]	Board Member	86,689	0	768	13,350	0	0	0	100,808
John Poynton	Board Member	110,300	0	1,185	16,986	0	0	0	128,471
Deborah Ralston	Board Member	110,300	0	1,450	16,986	0	0	0	128,736
Michael Wachtel	Board Member	110,300	0	29	16,986	0	0	0	127,315

Note(s):

1. 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. Wendy Norris ceased to be KMP on 19 May 2023 on her resignation from the Agency, and remuneration is commensurate with this period.
3. Carolyn Kay ceased to be KMP on 13 April 2023 on concluding her term on the Board, and remuneration is commensurate with this period.
4. Under the Agency's Deferred Earnings Plan, staff can defer receipt of a proportion of their annual variable pay payable to them in a given financial year and have this treated as a notional investment in the Future Fund. In addition, for eligible senior investment staff, this column captures the amortised accounting value of long-term variable pay granted, but not yet vested or paid.

For the purposes of reporting requirements under the PGPA Act, all Future Fund senior executives are captured in the KMP disclosure.

Remuneration outcomes for other highly paid staff in 2022–23

		Short-term benefits			Post-employment benefits	Other long-term benefits[4]		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 $
$240,000–$245,000	3	180,759	17,415	0	23,092	4,505	16,737	0	242,509
$245,001–$270,000	14	184,770	42,028	0	21,158	6,592	1,881	0	256,430
$270,001–$295,000	14	213,215	35,812	0	23,872	6,904	2,017	0	281,821
$295,001–$320,000	10	198,009	54,239	0	23,310	6,035	0	27,051	308,645
$320,001–$345,000	11	236,820	29,550	0	28,613	8,160	27,230	0	330,373
$345,001–$370,000	5	256,189	51,675	0	26,547	5,916	11,742	0	352,069
$370,001–$395,000	7	252,844	96,443	0	27,443	5,917	0	0	382,646
$395,001–$420,000	1	294,898	65,312	0	27,500	6,988	21,771	0	416,469
$420,001–$445,000	7	304,265	80,928	0	26,598	8,009	8,684	0	428,484
$445,001–$470,000	2	370,580	55,841	0	26,396	7,890	0	0	460,707
$470,001–$495,000	2	325,213	86,022	0	62,216	10,795	0	0	484,246
$495,001–$520,000	5	319,571	149,669	0	26,802	9,097	7,541	0	512,679
$520,001–$545,000	2	303,820	98,167	0	27,500	7,107	96,233	0	532,827
$545,001–$570,000	5	343,722	108,931	0	30,897	6,920	70,398	0	560,868
$570,001–$595,000	7	400,378	154,464	0	27,031	3,107	0	0	584,980
$595,001–$620,000	4	265,556	111,855	0	23,483	-6,116	53,412	158,976	607,166
$620,001–$645,000	1	222,233	0	0	13,750	20,287	0	369,926	626,196
$645,001–$670,000	1	364,610	169,697	0	37,096	9,741	69,697	0	650,840
$670,001–$695,000	1	370,054	280,472	0	27,500	9,443	0	0	687,469
$695,001–$720,000	3	380,166	281,672	0	40,680	7,296	0	0	709,814
$720,001–$745,000	0	0	0	0	0	0	0	0	0
$745,001–$770,000	0	0	0	0	0	0	0	0	0
$770,001–$795,000	0	0	0	0	0	0	0	0	0
$795,001–$820,000	0	0	0	0	0	0	0	0	0

				Short-term benefits	Post-employment benefits		Other long-term benefits[4]	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 $**
$820,001–$845,000	0	0	0	0	0	0	0	0	0
$845,001–$870,000	0	0	0	0	0	0	0	0	0
$870,001–$895,000	2	443,526	401,717	0	27,500	9,823	0	0	882,566
$895,001–$920,000	0	0	0	0	0	0	0	0	0
$920,001–$945,000	1	464,508	359,076	0	25,293	37,395	33,974	0	920,245
$945,001–$970,000	1	456,060	449,369	0	27,500	-6,895	33,974	0	960,008
$970,001–$995,000	0	0	0	0	0	0	0	0	0
$995,001–$1,020,000	0	0	0	0	0	0	0	0	0
$1,020,001–$1,045,000	0	0	0	0	0	0	0	0	0
$1,045,001–$1,070,000	0	0	0	0	0	0	0	0	0
$1,070,001–$1,095,000	1	512,515	484,300	0	25,293	15,390	33,974	0	1,071,472
$1,095,001–$1,120,000	0	0	0	0	0	0	0	0	0
$1,120,001–$1,145,000	0	0	0	0	0	0	0	0	0
$1,145,001–$1,170,000	0	0	0	0	0	0	0	0	0
$1,170,001–$1,195,000	1	564,415	546,777	0	37,096	12,135	33,974	0	1,194,397
$1,195,001–$1,220,000	0	0	0	0	0	0	0	0	0
$1,220,001–$1,245,000	0	0	0	0	0	0	0	0	0
$1,245,001–$1,270,000	1	585,212	347,783	0	37,096	12,116	265,829	0	1,248,036
$1,270,001–$1,295,000	0	0	0	0	0	0	0	0	0
$1,295,001–$1,320,000	0	0	0	0	0	0	0	0	0
$1,320,001–$1,345,000	0	0	0	0	0	0	0	0	0

Note(s):

4. Under the Agency's Deferred Earnings Plan, staff can defer receipt of a proportion of their annual variable pay payable to them in a given financial year and have this treated as a notional investment in the Future Fund. In addition, for eligible senior investment staff, this column captures the amortised accounting value of long-term variable pay granted, but not yet vested or paid.

For the purposes of reporting requirements under the PGPA Act, all Future Fund senior executives are captured in the KMP disclosure.

Remuneration of all staff in 2022–23

While the Agency operates on individual employment contracts rather than an enterprise agreement, we adjust our practices to meet the requirements of the Bargaining Policy and associated Directions for fixed pay, which includes superannuation. The Bargaining Policy and Directives apply for three years: 2020–21, 2021–22 and 2022–23.

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 2022–23

	Minimum salary $	Maximum salary $
SES 3	728,281	728,281
SES 2	639,074	639,074
SES 1	0	0
EL 2	289,100	648,018
EL 1	238,729	474,358
APS 6	162,542	296,535
APS 5	127,809	201,691
APS 4	91,946	148,378
APS 3	67,505	100,595
APS 2	0	0
APS 1	0	0
Other	0	0
Minimum/Maximum range	**67,505**	**728,281**

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 APS 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.

Long-term variable payments are not scheduled to be made until 2027–28.

Long-term variable pay awarded this year is not scheduled to be eligible to vest until 2027–28 and then subject to the relevant gateways and performance conditions.

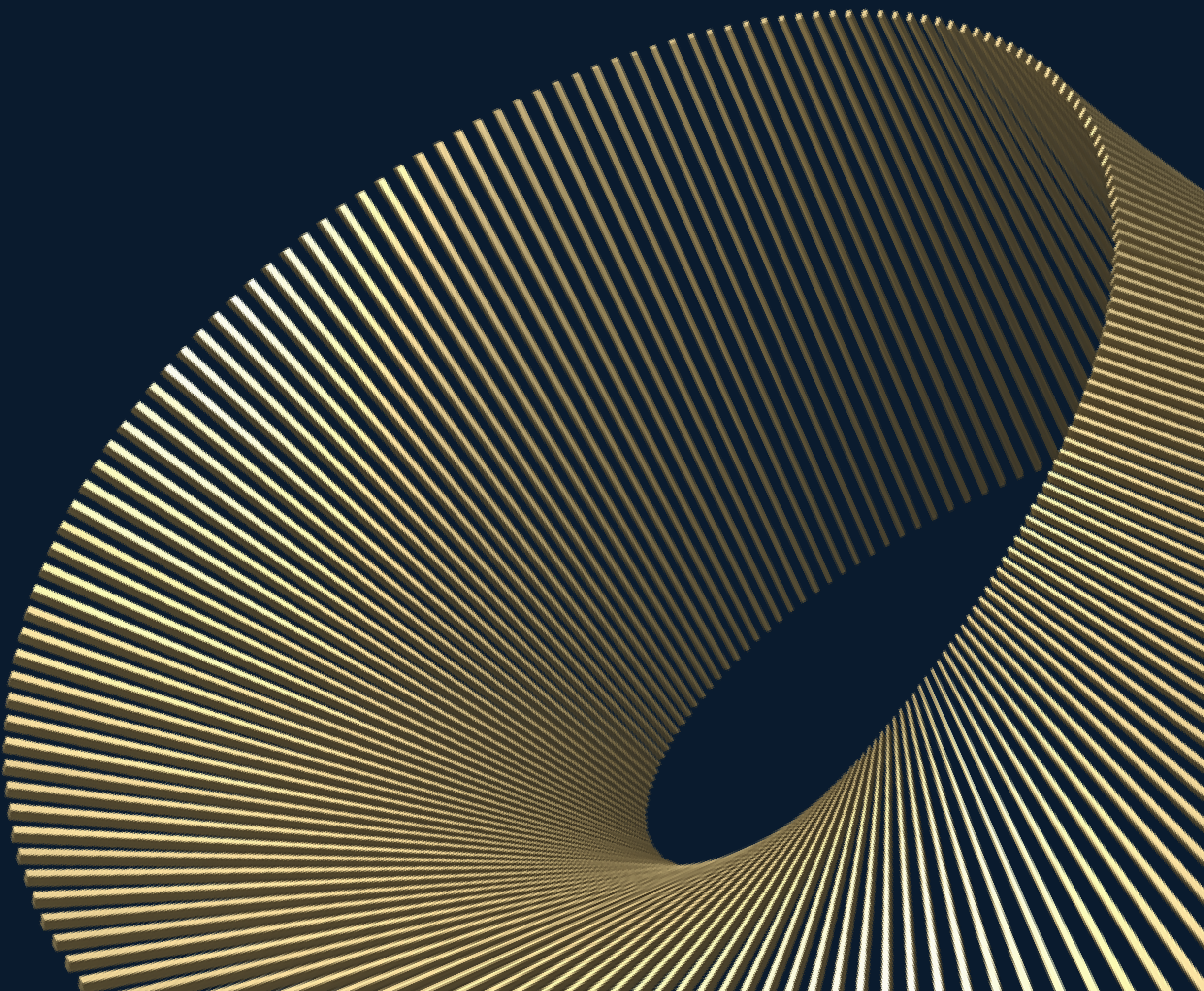
Variable pay by classification level in 2022–23

	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	700,012	700,012	700,012	700,012
SES 2	1	347,149	347,149	347,149	347,149
SES 1	0	0	0	0	0
EL 2	40	9,331,222	233,281	41,118	662,081
EL 1	45	4,095,423	91,009	12,379	359,076
APS 6	64	2,456,434	38,382	3,035	126,619
APS 5	49	975,209	19,902	2,292	62,980
APS 4	36	360,489	10,014	824	23,734
APS 3	3	14,849	4,950	2,604	6,580
APS 2	0	0	0	0	0
APS 1	0	0	0	0	0
Other	0	0	0	0	0
Total	**239**	**18,280,787**	**76,489**	**824**	**700,012**

06 Financial statements

For the financial year ended 30 June 2023

These financial statements consist of the Future Fund Management Agency and the Board of Guardians.



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 2023:

(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 2023 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 2023 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.

GPO Box 707, Canberra ACT 2601
38 Sydney Avenue, Forrest ACT 2603
Phone (02) 6203 7300

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 2023, collective investment vehicles (as defined in Note 7.3 'Collective investment vehicles') totalled $103.4 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 2023. 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 2023, 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 2023, 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: o 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 2023 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 2023 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

Canberra

27 September 2023

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 2023 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 P Costello AC

Chair of the Board of Guardians
26 September 2023

K Yong

Head of Finance
26 September 2023

Statement of comprehensive income
for the financial year ended 30 June 2023

	Notes	Year ended 30 June 2023 $'000	Year ended 30 June 2022 $'000
Income			
Dividends and franking credits	3	**5,255,537**	7,293,628
Distributions	3	**740,450**	918,917
Interest income from financial assets not at fair value through profit or loss		**137,271**	11,374
Net gains/(losses) on financial instruments at fair value through profit or loss	3	**6,337,980**	(10,316,130)
Net foreign currency (losses)/gains	3	**(226,978)**	81,837
Other income		**11,263**	11,581
Total income/(losses)		**12,255,523**	(1,998,793)
Expenses			
Investment management fees and advisory fees		**129,892**	114,321
Investment manager performance fees		**19,793**	6,992
Custody fees		**20,580**	22,596
Brokerage, duties and other statutory charges		**24,013**	27,659
Other investment portfolio expenses		**3,245**	8,771
Agency employees' remuneration	4	**79,750**	61,281
Other expenses	4,5	**140,967**	130,835
Total expenses		**418,240**	372,455
Operating result for the year before tax		**11,837,283**	(2,371,248)
Income tax expense	6	**126,795**	75,537
Operating result for the year		**11,710,488**	(2,446,785)
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**11,710,488**	(2,446,785)

Note(s):

The above statement should be read in conjunction with the accompanying notes.

Statement of financial position
as at 30 June 2023

	Notes	As at 30 June 2023 $'000	As at 30 June 2022 $'000
Assets			
Financial assets			
Cash and cash equivalents	13	**2,410,770**	2,171,796
Receivables	8	**1,757,971**	3,284,981
Investments	7	**206,203,331**	195,102,068
Other financial assets		**16,736**	10,664
Total financial assets		**210,388,808**	200,569,509
Non-financial assets			
Right of use assets		**30,770**	35,091
Plant and equipment		**18,304**	21,605
Total non-financial assets		**49,074**	56,696
Total assets		**210,437,882**	200,626,205
Liabilities			
Financial liabilities			
Investments	7	**3,299,068**	5,930,538
Payables	9	**976,718**	274,261
Lease liability		**46,273**	51,692
Total financial liabilities		**4,322,059**	6,256,491
Non-financial liabilities			
Employee provisions	10	**44,564**	36,181
Total non-financial liabilities		**44,564**	36,181
Tax liabilities			
Deferred tax liabilities		**48,050**	20,812
Total tax liabilities		**48,050**	20,812
Total liabilities		**4,414,673**	6,313,484
Net assets		**206,023,209**	194,312,721
Equity and amount attributable to the Government			
Contributions by Government	11	**60,536,831**	60,536,831
Retained earnings		**145,486,378**	133,775,890
Total equity and amount attributable to the Government		**206,023,209**	194,312,721

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 2023

	Notes	Year ended 30 June 2023 $'000	Year ended 30 June 2022 $'000
Cash flows from operating activities			
Proceeds from sale of financial instruments at fair value through profit or loss		**136,187,829**	175,099,396
Purchase of financial instruments at fair value through profit or loss		**(141,982,008)**	(183,987,925)
Interest received		**126,411**	10,385
Dividends received		**4,025,048**	5,412,438
Distributions received		**727,408**	1,016,915
Franking credit refunds received		**1,859,211**	438,882
Net settlement of foreign exchange contracts		**(170,202)**	76,161
GST refund received		**7,088**	4,461
Other income received		**11,099**	11,399
Investment management fees and advisory fees paid		**(135,545)**	(94,159)
Investment manager performance fees paid		**(4,287)**	(39,899)
Custody fees paid		**(23,992)**	(18,003)
Brokerage, duties and other statutory charges paid		**(18,560)**	(29,886)
Taxes paid		**(99,351)**	(106,800)
Interest paid on right of use asset leases		**(244)**	(272)
Other expenses paid		**(231,107)**	(207,800)
Net cash provided by/(used in) operating activities	13	**278,798**	(2,414,707)
Cash flows from investing activities			
Sublease asset principal repayments received		**536**	372
Purchase of plant and equipment and software		**(1,330)**	(3,965)
Lease liability principal payments		**(5,420)**	(7,584)
Net cash used in investing activities		**(6,214)**	(11,177)
Net increase/(decrease) in cash held		**272,584**	(2,425,884)
Cash at the beginning of the reporting period		**2,171,796**	4,585,297
Effects of exchange rate changes on the balance of cash held in foreign currencies		**(33,610)**	12,383
Cash at the end of the reporting period	13	**2,410,770**	2,171,796

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 2023

	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**

	Year ended 30 June 2022		
	Contributed equity $'000	Retained earnings $'000	Total equity $'000
Opening balance	60,536,831	136,222,675	196,759,506
Net operating result	-	(2,446,785)	(2,446,785)
Other comprehensive income	-	-	-
Total comprehensive income	-	(2,446,785)	(2,446,785)
Contributions made by Government	-	-	-
Closing balance	60,536,831	133,775,890	194,312,721

Note(s):

The above statement should be read in conjunction with the accompanying notes.

Schedule of commitments
as at 30 June 2023

	Notes	30 June 2023 $'000	30 June 2022 $'000
By type			
Capital commitments			
Collective investment vehicles	**7.3**	**22,799,421**	19,126,529
Total capital commitments		**22,799,421**	19,126,529
Other commitments			
Other commitments[1]		**55,005**	33,825
Total other commitments		**55,005**	33,825
By maturity			
Capital commitments			
One year or less		**22,799,421**	19,126,529
Total capital commitments by maturity		**22,799,421**	19,126,529
Other commitments			
One year or less		**34,061**	25,245
From two to five years		**20,944**	8,580
Total other commitments by maturity		**55,005**	33,825

Note(s):

1. Other commitments relate to contractual obligations for the provision of services for the Fund.

Commitments are GST inclusive.

The above schedule 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 2023

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* and the Disaster Ready Fund ("**DRF**") as set out in the *Disaster Ready Fund Act 2019*.

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 and DRF. The assets and financial results of these funds do not form part of these financial statements.

Note 2: Summary of significant 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 2022; 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.

Where required, for consistency comparative information has been restated for any changes to presentation made in the current year.

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 2023 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 2023 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 2022 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 2023 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

Collective investment vehicles are at fair value through profit or loss and all other 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 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 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 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. Interest receivable at the reporting date is included in the fair market value of the loans.

The outstanding balance of the loan assets is unsecured and is repayable in cash on the earlier of demand or within the time period set out in the loan documents. Interest rates are set on the loans having regard to either the 5 or 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.

Note 2: Summary of significant accounting policies (continued)

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 2023. 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.

Note 2: Summary of significant accounting policies (continued)

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 (that is, 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)

	2023 $'000	2022 $'000
Dividend income and franking credits		
Dividend income – domestic equities and listed managed investment scheme distributions	**792,139**	1,472,554
Franking credits refunded or refundable under Section 30 of the *Future Fund Act 2006*	**1,199,613**	1,853,363
Dividend income – related entities (FFICs)[1]	**2,101,040**	2,937,402
Dividend income – international equities	**1,162,745**	1,030,309
Total dividend and franking credit income	**5,255,537**	7,293,628
Distribution income		
Distributions – collective investment vehicles	**740,450**	918,917
Total distribution income	**740,450**	918,917

Note(s):

1. There are no dividends receivable from FFIC related entities.

	2023 $'000	2022 $'000
Net gains/(losses) on financial instruments at fair value through profit or loss		
Net gains/(losses) on financial assets at fair value through profit or loss	**4,114,119**	(8,856,551)
Net gains/(losses) on financial liabilities at fair value through profit or loss	**2,223,861**	(1,459,579)
Total net gains/(losses) on financial instruments[1]	**6,337,980**	(10,316,130)
Total net (losses)/gains arising on foreign currency	**(226,978)**	81,837

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

	2023 $'000	2022 $'000
Agency employees' remuneration		
Wages and salaries	**72,574**	56,046
Superannuation	**5,102**	3,954
Leave and other entitlements payable	**2,074**	1,281
Total Agency employees' remuneration	**79,750**	61,281
Other expenses		
Board remuneration		
Wages and salaries	**864**	837
Superannuation	**127**	123
Total board remuneration	**991**	960
Depreciation & amortisation		
Depreciation of right of use assets, plant and equipment	**8,953**	11,226
Amortisation of intangibles – computer software	**-**	229
Total depreciation & amortisation	**8,953**	11,455
Other operating expenses (including audit fees)	**131,023**	118,420
Total other expenses	**140,967**	130,835

Note 5: Remuneration of auditors

Included in other operating expenses is the financial statement audit services provided to the Fund which totalled $169,000 (2022: $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:

	2023 $	2022 $
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 (2022: 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% (2022: 0%).

	2023 $'000	2022 $'000
Income tax expense		
Current tax	**99,557**	106,800
Deferred tax	**27,238**	(31,263)
Total income tax expense	**126,795**	75,537
Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax	**11,837,283**	(2,371,248)
Tax at the applicable Australian tax rate of 0% (2022: 0%)	**-**	-
Tax effect of items which are not deductible/(taxable) in calculating taxable income:		
Franking credits earned from Australian subsidiaries	**1,058,720**	2,046,259
Difference in tax rates on Australian subsidiaries[1]	**(1,058,720)**	(2,046,259)
Withholding tax	**91,950**	77,615
Other foreign corporate tax expense/(benefit)	**34,845**	(2,078)
Total income tax expense	**126,795**	75,537

Note(s):

1. The FFICs, being wholly owned Australian corporate investment holding companies were taxpaying entities up to 30 June 2023 but will be exempt from Australian income tax for income years commencing on or after 1 July 2023 pursuant to legislation passed by Parliament in June 2023. The Australian income tax paid by the FFICs is recoverable via franking credit refunds to which the Fund is entitled under the Act.

Note 7: Investments

	2023 $'000	2022 $'000
Investment summary		
Financial assets		
At fair value:		
Future Fund Investment Companies (FFICs)	**68,736,132**	71,136,318
Interest bearing securities	**31,261,475**	30,646,764
Listed equities and listed managed investment schemes	**58,624,554**	50,216,077
Collective investment vehicles	**43,234,598**	37,494,301
Derivatives	**2,610,343**	2,599,085
Restricted cash	**1,736,229**	3,009,523
Total financial asset investments	**206,203,331**	195,102,068
Financial liabilities		
At fair value:		
Derivatives	**(3,299,068)**	(5,930,538)
Total financial liability investments	**(3,299,068)**	(5,930,538)

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.

	2023 $'000	2022 $'000
FFICs		
At fair value:		
Loans provided to FFICs[1]	**39,024,782**	39,994,229
Residual equity in FFICs[2]	**29,711,350**	31,142,089
Total FFICs[3]	**68,736,132**	71,136,318

Note(s):

1. The FFIC loans would be classified as Level 2 in accordance with Note 16.7.
2. 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.
3. 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.

	2023 $'000	2022 $'000
FFICs		
Beginning of the year	**39,994,229**	39,267,593
Loans advanced	**6,990,260**	16,100,214
Loan repayments received	**(8,547,260)**	(12,778,183)
Interest charged[1]	**875,491**	773,037
Interest repayments received	**(450,246)**	(665,505)
Fair value gain/(loss)	**162,308**	(2,702,927)
End of year	**39,024,782**	39,994,229

Note(s):

1. 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 2.4 for further details.

	2023 $'000	2022 $'000
Interest bearing securities		
At fair value:		
Bank bills – international	**-**	30,692
Negotiable certificates of deposit – domestic	**13,903,072**	13,474,722
Negotiable certificates of deposit – international	**1,336,628**	1,498,879
Corporate debt securities – domestic	**502,181**	-
Corporate debt securities – international	**1,872,949**	1,844,422
Mortgage backed securities – international	**37,469**	32,206
Asset backed securities – international	**1,128,772**	814,899
Corporate credit (bank loans) – domestic	**12**	-
Corporate credit (bank loans) – international	**1,247,693**	1,399,005
Government debt securities – domestic	**199,529**	-
Government debt securities – international	**10,662,215**	11,163,422
Other interest-bearing securities – international	**370,955**	388,517
Total interest bearing securities	**31,261,475**	30,646,764
Listed equities and listed managed investment schemes		
At fair value:		
Domestic listed equities and listed managed investment schemes	**17,353,467**	15,123,329
International listed equities and listed managed investment schemes	**41,271,087**	35,092,748
Total listed equities and listed managed investment schemes	**58,624,554**	50,216,077
Collective investment vehicles		
At fair value:		
Unlisted investments	**39,533,506**	34,197,310
Unlisted shares	**3,701,092**	3,296,991
Total collective investment vehicles[1]	**43,234,598**	37,494,301

Note(s):

1. Excludes collective investment vehicles held via the FFICs.

Note 7: Investments (continued)

	2023 $'000	2022 $'000
Derivatives		
At fair value: – financial assets		
Total derivative financial assets	**2,610,343**	2,599,085

	2023 $'000	2022 $'000
Derivatives		
At fair value: – financial liabilities		
Total derivative financial liabilities	**(3,299,068)**	(5,930,538)
Total derivatives	**(688,725)**	(3,331,453)

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**
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**
2022					
Derivative financial instruments	2,160,008	-	2,160,008	(2,160,008)	-
Total	2,160,008	-	2,160,008	(2,160,008)	-

Financial liabilities	Effects of offsetting on the statement of financial position			Related amounts not offset	
	Gross amounts of financial liabilities $'000	Gross amounts set off in the statement of financial position $'000	Net amount of financial liabilities presented in the statement of financial position $'000	Amounts subject to master netting arrangements $'000	Net amount $'000
2023					
Derivative financial instruments	**1,471,710**	**-**	**1,471,710**	**(1,471,710)**	**-**
Total	**1,471,710**	**-**	**1,471,710**	**(1,471,710)**	**-**
2022					
Derivative financial instruments	4,719,140	-	4,719,140	(2,160,008)	2,559,132
Total	4,719,140	-	4,719,140	(2,160,008)	2,559,132

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 2023, the Fund has $29,062,412 in cash which has been posted as collateral with counterparties, (2022: $1,087,488,686) and has received $1,497,379,115 cash (2022: $598,091,478).

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 2023, the Fund had posted $1,088,100,460 (2022: $1,144,995,533) 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 2023, the Fund had posted $1,393,004,519 (2022: $1,220,580,824) 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 2023, the Fund had prepaid $24,064,518 (2022: $622,632,960).

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 2023 no assets are subject to the lien (2022: 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 2023

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 $22,799 million (2022: $19,127 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 2023 (or 30 June 2022).

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 7: Investments (continued)

30 June 2022 – directly held by the Fund

As at 30 June 2022, 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 2022 are shown in the table below.

Description of underlying strategy	Contractual capital committed as at 30 June 2022 local currency '000	Outstanding commitment as at 30 June 2022 AUD equivalent $'000	Net capital cost[1] as at 30 June 2022 AUD equivalent $'000	Fair value as at 30 June 2022 AUD equivalent $'000
Alternative strategies	AUD $13,228,746	-	12,402,124	14,421,033
Alternative strategies	USD $1,581,905	-	1,933,050	3,503,210
Credit	AUD $3,734,480	552,701	2,507,960	2,471,470
Credit	EUR €1,517,147	1,625,314	642,615	891,286
Credit	USD $2,654,649	1,680,104	2,131,236	2,920,644
Global Infrastructure	AUD $1,339,604	-	1,288,294	3,291,343
Global Infrastructure	EUR €66,930	2,443	117,060	163,881
Global Infrastructure	USD $2,241,789	939,560	1,674,778	2,093,834
Private Equity	EUR €169,987	-	182,158	87,446
Private Equity	USD $803,850	297,018	579,938	999,806
Property	AUD $405,500	-	54,722	89,956
Property	EUR €402,124	402,068	141,658	129,855
Property	GBP £258,777	148,118	121,737	144,605
Property	USD $6,876,309	3,179,844	4,731,817	5,989,812
Timberlands	USD $167,561	-	221,205	296,120
Total		8,827,170	28,730,352	37,494,301

Note(s):

1. Net capital cost includes all capital contributed less capital returned at 30 June 2022.

30 June 2022 – indirectly held via the FFICs

As at 30 June 2022, 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 2022 are shown in the table below.

Description of underlying strategy	Contractual capital committed as at 30 June 2022 local currency '000	Outstanding commitment as at 30 June 2022 AUD equivalent $'000	Net capital cost[1] as at 30 June 2022 AUD equivalent $'000	Fair value as at 30 June 2022 AUD equivalent $'000
Alternative strategies	AUD $14,228,725	470,407	10,007,436	12,715,408
Alternative strategies	USD $3,934,000	370,828	3,277,093	3,864,145
Credit	EUR €1,033,309	763,883	16,152	10,730
Credit	USD $7,285,238	2,113,894	1,594,608	2,240,815
Global Infrastructure	AUD $3,958,689	177,343	3,443,853	4,980,445
Global Infrastructure	GBP £262,029	-	103,924	421,321
Global Infrastructure	USD $994,516	153,322	511,385	567,066
Private Equity	AUD $1,260,147	286,689	666,379	625,544
Private Equity	EUR €1,325,768	451,592	1,163,550	1,931,916
Private Equity	GBP £303,604	409	452,436	331,355
Private Equity	USD $18,459,579	4,417,585	14,555,150	29,069,193
Property	AUD $271,150	-	293,376	341,009
Property	EUR €922,625	326,791	658,919	844,201
Property	USD $1,062,648	766,616	310,714	338,355
Timberlands	AUD $386,827	-	129,468	944,391
Total		10,299,359	37,184,443	59,225,894

Note(s):

1. Net capital cost includes all capital contributed less capital returned at 30 June 2022.

Note 8: Receivables

	2023 $'000	2022 $'000
Receivables		
Franking credits refundable	**1,377,072**	2,665,769
Interest receivable	**11,454**	1,264
Dividends & distributions receivable	**314,104**	187,300
Unsettled sales[1]	**55,341**	430,648
Total Receivables	**1,757,971**	3,284,981

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

	2023 $'000	2022 $'000
Payables		
Unsettled purchases[1]	**875,848**	177,535
Other accrued expenses including management and performance fees payable	**100,870**	96,726
Total Payables	**976,718**	274,261

Note(s):

1. Represents amounts owing under normal market settlement terms for the purchase of investment securities.

Note 10: Provisions

	2023 $'000	2022 $'000
Employee provisions		
Annual leave	**5,160**	4,591
Long service leave	**7,009**	6,451
Other employee liabilities	**32,395**	25,139
Total Employee provisions	**44,564**	36,181

Note 11: Contributions by Government

	2023 $'000	2022 $'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.

		Equity holding	
Name of entity	**Country of incorporation/ domicile**	**30 June 2023 %**	**30 June 2022 %**
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**	-
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

	2023 $'000	2022 $'000
Reconciliation of operating result to net cash from operating activities:		
Operating result	**11,710,488**	(2,446,785)
Depreciation and amortisation	**8,953**	11,455
Purchase of investments	**(141,982,008)**	(183,987,925)
Proceeds from sale of investments	**136,187,829**	175,099,396
Net (gain)/loss on revaluation of investments	**(6,464,491)**	10,089,145
Unrealised loss/(gain) on foreign currency	**56,776**	(5,676)
Decrease/(increase) in accrued income	**725,716**	(1,135,008)
(Increase)/decrease in other assets	**(6,237)**	1,289
Increase/(decrease) in employee provisions	**8,383**	(3,956)
Increase/(decrease) in other payables	**6,151**	(5,378)
Increase/(decrease) in deferred tax liability	**27,238**	(31,264)
Net provided/(used) by operating activities	**278,798**	(2,414,707)

Note(s):

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:

	2023 $'000	2022 $'000
Cash and cash equivalents	**2,410,770**	2,171,796

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 Private Markets, Deputy Chief Investment Officer Change and Innovation (until 19th May 2023), Deputy Chief Investment Officer Portfolio Construction 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

	2023 $'000	2022 $'000
Short-term employee benefits	**7,506,681**	6,494,167
Post-employment benefits	**379,316**	384,787
Other long-term benefits	**648,865**	100,389
Total compensation	**8,534,862**	6,979,343

Note(s):

The total number of key management personnel that are included in the above table are 14 (2022: 15).

15.5 Transactions with related parties

	2023 $'000	2022 $'000
Subscriptions for capital and expenses[1]		
Subsidiaries	**182,531**	1,657,483
Dividend and distribution revenue[1]		
Subsidiaries	**206,323**	291,300
Sale of investments	**-**	1,885,991

Note(s):

1. FFBG subsidiaries excluding FFIC entities. FFIC transactions reflected in FFIC loans (Note 7) and FFIC dividend income (Note 3).

Note 15: Related party transactions (continued)

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 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.

Note 16: Financial instruments and financial risk management (continued)

As at 30 June 2023 the Fund's debt portfolio had an effective interest rate duration of 0.75 (30 June 2022: 1.42).

The exposure to interest rates as at 30 June 2022 of the Fund and the FFICs are set out below.

Financial asset	Floating interest rate 2022 $'000	Fixed interest rate 2022 $'000	Non–interest bearing 2022 $'000	Total[1] 2022 $'000
Cash and cash equivalents	3,353,146	-	-	3,353,146
Bank bills	-	30,692	-	30,692
Negotiable certificates of deposit	-	14,973,602	-	14,973,602
Corporate debt securities	69,782	2,468,882	-	2,538,664
Mortgage backed securities	26,620	5,585	-	32,205
Asset backed securities	781,500	33,399	-	814,899
Corporate credit (bank loans)	1,705,961	-	-	1,705,961
Government debt securities	71,367	11,807,073	-	11,878,440
Other interest-bearing securities	404,386	467,638	-	872,023
Other financial assets	-	-	165,366,288	165,366,288
Total financial assets	6,412,762	29,786,871	165,366,288	201,565,920
Notional value of derivative positions				
Swaps (notional amount) – pay	(87,030,931)	(7,796,538)		
Swaps (notional amount) – receive	73,192,960	20,526,479		

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 2023. 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 2023 $'000	Fair market value 2023 $'000	Notional value 2022 $'000	Fair market value 2022 $'000
Total interest rate derivatives	**49,996,773**	**(756,018)**	52,703,855	273,257

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 104 basis point (2022: 79 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 2023 and 30 June 2022) and there are concurrent movements in interest rates and parallel shifts in the yield curves. A 104 basis point (2022: 79 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 2023 Impact on operating result $'000
+ 104 basis points	**(1,452,372)**
– 104 basis points	**1,620,852**

	30 June 2022 Impact on operating result $'000
+ 79 basis points	(2,163,007)
– 79 basis points	2,314,587

Note 16: Financial instruments and financial risk management (continued)

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 2023	USD	EUR	GBP	JPY	Other[1]	Total
	AUD $'000	AUD $'000	AUD $'000	AUD $'000	AUD $'000	AUD $'000
Cash & 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.

The Fund and FFICs' exposure in Australian equivalents to foreign currency risk at 30 June 2022 was as follows:

30 June 2022	USD AUD $'000	EUR AUD $'000	GBP AUD $'000	JPY AUD $'000	Other[1] AUD $'000	Total AUD $'000
Cash & cash equivalents	2,395,625	143,280	183,657	101,981	76,663	2,901,206
Listed equities and listed managed investment schemes	22,905,186	2,922,507	1,418,900	4,481,970	12,184,755	43,913,318
Interest bearing securities	5,639,266	192,346	222,243	8,108,353	4,645,846	18,808,054
Collective investment vehicles	51,787,040	4,146,434	906,125	-	-	56,839,599
Other investments	851,085	20,996	1,323	11,591	32,330	917,325
Receivables	197,427	32,893	13,112	7,579	103,314	354,325
Payables	(215,459)	(2,200)	(2,234)	-	(31,132)	(251,025)
Total physical exposure	83,560,170	7,456,256	2,743,126	12,711,474	17,011,776	123,482,802
Derivatives						
– buy foreign currency derivatives	34,244,078	335,711	29,680	2,926,294	22,071,060	59,606,823
– sell foreign currency derivatives	(71,113,206)	(3,801,952)	(1,704,622)	(2,214,804)	(21,801,456)	(100,636,040)
Total derivative exposure	(36,869,128)	(3,466,241)	(1,674,942)	711,490	269,604	(41,029,217)
Total net exposure	46,691,042	3,990,015	1,068,184	13,422,964	17,281,380	82,453,585

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 8.48% (2022: 8.31%) movement in exchange rates relative to the Australian dollar at 30 June 2023, 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 2023 Impact on operating result $'000
+ 8.48% movement	**10,067,076**
– 8.48% movement	**(8,347,966)**

	30 June 2022 Impact on operating result $'000
+ 8.31% movement	9,025,519
– 8.31% movement	(7,490,439)

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:

	2023 $'000	2022 $'000
Domestic listed equities and listed managed investment schemes	**17,640,788**	15,123,329
International listed equities and listed managed investment schemes	**48,509,219**	35,092,748
Total equity price risk exposure[1]	**66,150,007**	50,216,077

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 2023. 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 2023 $'000	Fair market value 2023 $'000	Notional value 2022 $'000	Fair market value 2022 $'000
Total equity derivatives	**11,985,813**	**635,290**	7,642,758	(1,030,177)[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.

	2023 Impact on operating result $'000	2022 Impact on operating result $'000
20% increase in Australian equities	**4,946,065**	4,172,460
15% increase in International equities	**13,570,552**	10,684,365
Total	**18,516,617**	14,856,825
20% decrease in Australian equities	**(4,820,501)**	(3,961,740)
15% decrease in International equities	**(13,463,860)**	(11,146,026)
Total	**(18,284,361)**	(15,107,766)

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.

Note 16: Financial instruments and financial risk management (continued)

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 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**
Other payables	**182,726**	**25,256**	**15,355**	-	**223,337**
Total non-derivatives	**1,083,822**	**25,256**	**15,355**	-	**1,124,433**[1]
Derivatives					
Net settled	**(28,648,927)**	-	-	-	**(28,648,927)**
Gross settled					
– (inflow)	**(21,829,242)**	-	-	-	**(21,829,242)**
– outflow	**53,777,246**	-	-	-	**53,777,246**
Total derivatives	**3,299,077**	-	-	-	**3,299,077**

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 2022:

	Less than 1 year $'000	1 to 5 Years $'000	> 5 Years $'000	Total contractual cashflows $'000	Carrying amount (assets)/liabilities $'000
2022					
Non-derivatives					
Unsettled purchases	261,052	-	-	-	261,052
Other payables	220,977	24,192	22,081	-	267,250
Total non-derivatives	482,029	24,192	22,081	-	528,302[1]
Derivatives					
Net settled	1,972,532	10,166	-	-	1,982,698
Gross settled					
– (inflow)	(46,274,245)	-	-	-	(46,274,245)
– outflow	50,222,092	-	-	-	50,222,092
Total derivatives	5,920,379	10,166	-	-	5,930,545

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 2023, an exposure of 6.75% (2022: 6.93%) 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	2023 $'000	2022 $'000
Westpac Banking Corporation	**3,501,231**	3,100,478
Australia and New Zealand Banking Group Limited	**3,846,328**	3,836,586
National Australia Bank Limited	**3,401,201**	3,364,756
Commonwealth Bank of Australia	**3,154,312**	3,172,902
Total	**13,903,072**	13,474,722

The exposures presented above reconcile to Note 7 of the financial statements as follows:

Domestic interest bearing securities issued by	2023 $'000	2022 $'000
Negotiable certificates of deposit – domestic	**13,903,072**	13,474,722
Total	**13,903,072**	13,474,722

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 gain 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 2023 $'000	Fair market value 2023 $'000	Notional value 2022 $'000	Fair market value 2022 $'000
Buy Credit Protection	**91,069**	**(2,749)**	336,756	3,721
Sell Credit Protection	**1,004,270**	**26,593**	844,808	(31,663)
Total		**23,844**		(27,942)

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.

	2023 $'000	2022 $'000
Long term rated securities		
AAA	**191,142**	17,411
AA	**42,028**	42,862
A	**2,739,418**	3,393,331
BBB	**923,917**	430,598
Below Investment grade/not rated[1]	**4,834,300**	6,154,690
Short term rated securities		
A-1+/A-1/A-2	**26,049,027**	26,088,258
Other		
US Government Guaranteed	**57,426**	72,483
Total debt securities and cash	**34,837,258**	36,199,633
Other non-debt financial assets	**175,825,977**	165,366,288
Total financial assets[2]	**210,663,235**	201,565,921

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 2023 (2022: 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.

Note 16: Financial instruments and financial risk management (continued)

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).

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)**

Note 16: Financial instruments and financial risk management (continued)

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	Derivatives $'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	Discount Rate
		Market Approach	Earnings Multiple
		Broker Quotations	N/A
		Independent Pricing Services	N/A
		Recovery Rate	Illiquidity Discount
Equities and listed managed investment schemes	**148,228**	Discounted cash flow	Discount Rate
		Independent Pricing Services	N/A
		Recent Transaction	N/A
		Recovery Value	Recovery Rate
Collective investment vehicles	**102,918,480**	Market Approach	Earnings Multiple
			Net Asset Value
	482,787	Discounted cash flow	Discount Rate
Derivatives	**2,610,348**	Independent Pricing Services	N/A
		Broker Quotations	N/A
Total	**138,281,100**		
Financial liabilities at fair value through profit or loss:			
Derivatives	**(3,299,077)**	Independent Pricing Services	N/A
		Broker Quotations	N/A
Total	**134,982,023**		

The tables below provide information on the fair value hierarchy for the Fund and FFICs as at 30 June 2022.

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	10,897	31,673,511	1,162,079	32,846,487
Listed equities and listed managed investment schemes	59,127,858	6,037	287,159	59,421,054
Collective investment vehicles	-	-	96,720,195	96,720,195
Derivatives	-	2,599,123	-	2,599,123
Restricted Cash	3,104,456	-	-	3,104,456
Total	62,243,211	34,278,671	98,169,433	194,691,315
Financial liabilities at fair value through profit or loss:				
Derivatives	-	5,930,545	-	5,930,545
Total	-	5,930,545	-	5,930,545

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 $410,753,000 and financial liability investments of $7,000.

The following table presents the transfers between levels for the year ended 30 June 2022:

	Level 1 $'000	Level 2 $'000	Level 3 $'000
Transfers between Levels 1 and 2	-	-	-
Transfers between Levels 1 and 3	(64,547)	-	64,547
Transfers between Levels 2 and 3	-	362,390	(362,390)

Note 16: Financial instruments and financial risk management (continued)

The following table presents the movement in Level 3 instruments for the year ended 30 June 2022 by class of financial instrument.

	Interest bearing securities $'000	Equities and listed managed investment schemes $'000	Collective investment vehicles $'000	Derivatives $'000	Total $'000
Financial assets at fair value through profit or loss:					
Opening balance	2,004,938	167,961	82,496,995	694	84,670,588
Purchases	206,231	161,446	21,574,389	4,577	21,946,643
Sales	(688,304)	(93,889)	(13,969,179)	(662)	(14,752,034)
Transfers into Level 3	1	72,076	-	-	72,077
Gains and losses recognised in the statement of comprehensive income	3,144	(14,446)	6,617,990	(4,609)	6,602,079
Transfers out of Level 3	(363,931)	(5,989)	-	-	(369,920)
Closing balance	1,162,079	287,159	96,720,195	-	98,169,433

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 2022:

Recurring fair value measurements	Fair value $'000	Valuation technique	Unobservable inputs
Financial assets at fair value through profit:			
Interest bearing securities	**32,835,590**	Discounted cash flow	Discount Rate
		Market Approach	Earnings Multiple
		Broker Quotations	N/A
		Independent Pricing Services	N/A
		Recovery Rate	Illiquidity Discount
Equities and listed managed investment schemes	**293,196**	Discounted cash flow	Discount Rate
		Independent Pricing Services	N/A
		Recent Transaction	N/A
		Recovery Value	Recovery Rate
Collective investment vehicles	**96,720,195**	Market Approach	Earnings Multiple
			Net Asset Value
		Discounted cash flow	Discount Rate
Derivatives	**2,599,123**	Independent Pricing Services	N/A
		Broker Quotations	N/A
Total	**132,448,104**		
Financial liabilities at fair value through profit or loss:			
Derivatives	**(5,930,545)**	Independent Pricing Services	N/A
		Broker Quotations	N/A
Total	**126,517,559**		

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 2022 to 30 June 2023 $'000**	**Period from 1 July 2021 to 30 June 2022 $'000**
Balance carried from previous period	**-**	-
Bank interest amounts credited	**-**	-
Appropriations for reporting period	**-**	-
Other Receipts:		
GST credits	**7,088**	4,461
Amounts transferred from investment account[1]	**512,250**	503,355
Amounts credited to the special account	**-**	-
Total Credits	**519,338**	507,816
Available for payments	**519,338**	507,816
Payments made:		
– Investments debited from the Special Account (FFA s17)		
Payments made:		
– Remuneration of Agency staff	**71,459**	65,365
– Remuneration of Board members	**1,019**	860
– Suppliers	**158,131**	141,023
– Investment expenses	**281,735**	288,747
– Purchase of capital equipment and software	**1,330**	3,965
– Lease liability principal and interest payments	**5,664**	7,856
Total Debits	**519,338**	507,816
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.

Note 18: Special Accounts (continued)

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 2022 to 30 June 2023 $'000**	**Period from 1 July 2021 to 30 June 2022 $'000**
Opening balance	**153,040,352**	147,934,043
Investments made on transfer of funds from the Special Account		
Realised investments reinvested	**135,441,294**	169,707,629
Interest earned reinvested	**788,128**	609,567
Dividends received reinvested	**4,752,456**	6,429,353
Franking credits received reinvested	**1,859,211**	438,882
Foreign currency realised reinvested	**(170,202)**	76,161
Amounts transferred to operations[1]	**(512,250)**	(503,355)
Investments realised	**(137,817,055)**	(171,651,928)
Closing balance	**157,381,934**	153,040,352

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.

Note 19: Reporting of outcomes (continued)

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* and the *Disaster Ready Fund Act 2019* to support the Board in the investment of the assets of the DCAF, MRFF, ATSILSFF, FDF and DRF. 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 $10,612,264 (2022: $10,844,186) which is included in other income in the statement of comprehensive income and the amount owing to the Agency at 30 June 2023 was $2,745,254 (2022: $2,749,699). Direct costs to the DCAF, MRFF, ATSILSFF, FDF and DRF, 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 2023 <12 months $'000	As at 30 June 2023 >12 months $'000	As at 30 June 2022 <12 months $'000	As at 30 June 2022 >12 months $'000
Assets				
Financial assets				
Cash and cash equivalents	**2,410,770**	**-**	2,171,796	-
Receivables	**1,757,971**	**-**	3,284,981	-
Investments	**47,060,892**	**159,142,439**	51,561,162	143,540,906
Other financial assets	**12,577**	**4,159**	6,011	4,653
Non-financial assets				
Right of use assets	**-**	**30,770**	-	35,091
Plant and equipment	**-**	**18,304**	-	21,605
Total assets	**51,242,210**	**159,195,672**	57,023,950	143,602,255
Liabilities				
Financial liabilities				
Investments	**3,299,068**	**-**	5,920,372	10,166
Payables	**976,718**	**-**	274,261	-
Lease liability	**5,661**	**40,612**	5,420	46,272
Non-financial liabilities				
Employee provisions	**35,443**	**9,121**	30,184	5,997
Tax liabilities				
Deferred tax liabilities	**-**	**48,050**	-	20,812
Total liabilities	**4,316,890**	**97,783**	6,230,237	83,247

Note 21: Budgetary reports

The following tables provide a comparison of the original budget as presented in the 2022–23 Portfolio Budget Statements ("**PBS**") to the 2022–23 final outcome as presented in accordance with Australian Accounting Standards for the entity. The budget is not audited.

The 2022–23 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 2023 $'000	PBS – administered 30 June 2023 $'000	PBS – departmental 30 June2023 $'000	Variance 30 June 2023 $'000
Total income/(loss)	**12,255,815**	**13,287,258**	**165,719**	**(1,197,162)**
Total expenses including income tax	**545,327**	**613,820**	**165,719**	**(234,212)**[1]
Operating result for the year	**11,710,488**	**12,673,438**	**-**	**(962,950)**

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 2023 $'000	PBS – administered 30 June 2023 $'000	PBS – departmental 30 June 2023 $'000	Variance 30 June 2023 $'000
Total assets	**210,437,882**	**208,422,112**	**101,355**	**1,914,415**
Total liabilities	**4,414,673**	**1,435,413**	**101,355**	**2,877,905**
Total equity and amount attributable to the government	**206,023,209**	**206,986,699**	**-**	**(963,490)**

Note 22: Lease Maturity Analysis

The undiscounted maturity analysis of lease liabilities at 30 June 2023 is as follows:

	2023 $'000	**2022 $'000**
Less than one year	**5,877**	5,662
One to five years	**25,814**	24,873
More than five years	**15,435**	22,254
Total undiscounted cash flows	**47,126**	52,789

The maturity analysis of lease receivables, including the undiscounted lease payments to be received are as follows:

	2023 $'000	**2022 $'000**
Less than one year	**581**	560
One to two years	**603**	581
Two to three years	**626**	603
Three to four years	**649**	626
Four to five years	**674**	649
More than five years	**1,607**	2,280
Total undiscounted lease payments receivable	**4,740**	5,299

07 Other mandatory reporting

Resource statement

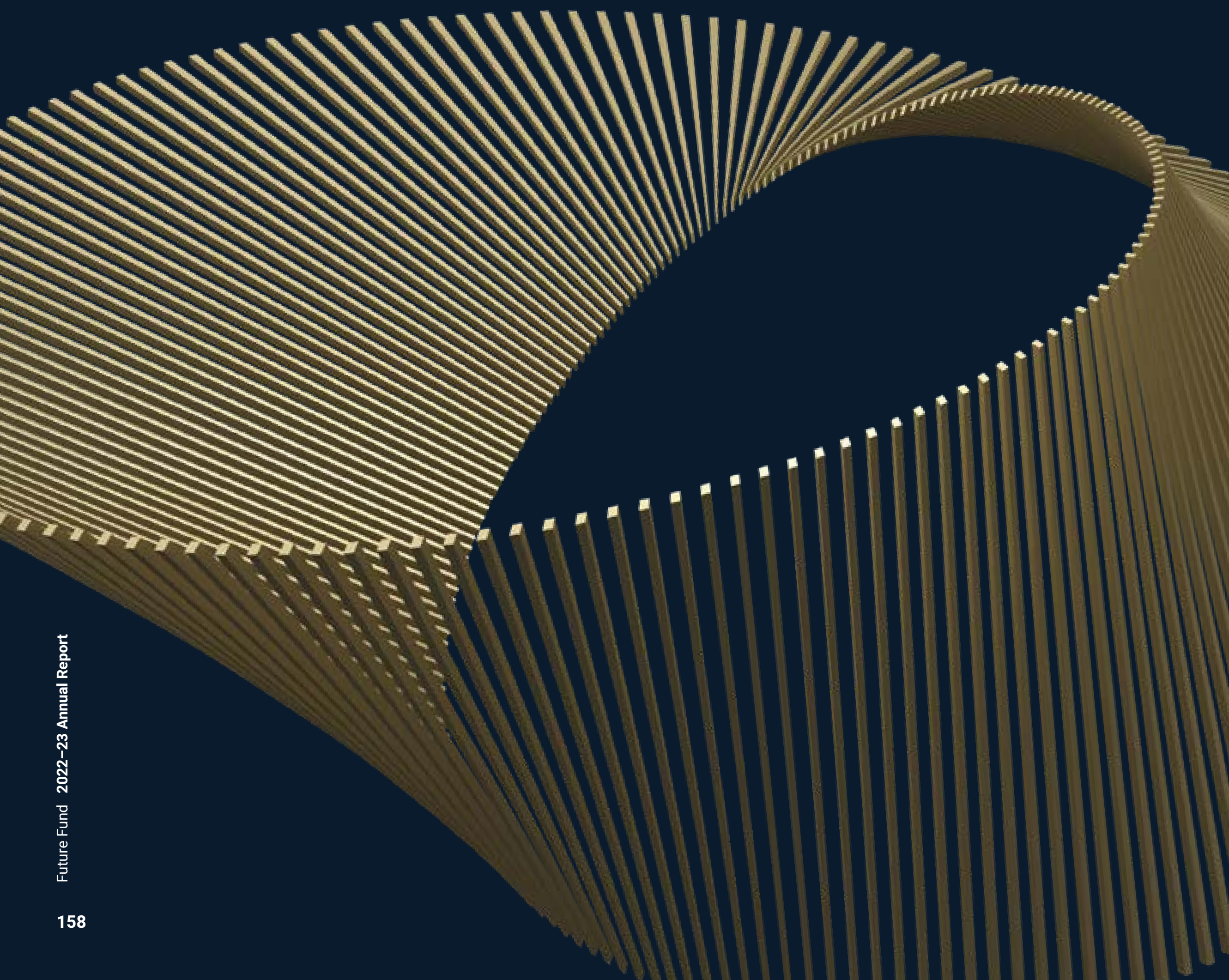
All costs for investment activity and the operations of the Board and Agency are met from the assets of the funds rather than from the annual appropriations through Parliament.

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	519,046	519,046	-
Total special accounts receipts	519,046	519,046	-
Total resourcing and payments for Future Fund Management Agency	519,046	519,046	-

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 where specialist expertise is not available internally, and where an independent assessment or advice is desirable.

Selection processes are aligned to the Commonwealth Procurement Rules, and use of Whole of Government panel for consultancy services.

Expenditure on reportable consultancy contracts 2022–23

During 2022–23, two new consultancy contracts were entered into, involving a total actual expenditure of $981,157. In addition, two ongoing consultancy contracts were active during 2022–23, involving a total actual expenditure of $1,566,688.

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 2022–23

	Number	Expenditure GST included $
New contracts entered into during the reporting period	2	981,157
Ongoing contracts entered into during a previous reporting period	2	1,566,688
Total	**4**	**2,547,845**

Organisations receiving a share of reportable consultancy contract expenditure in 2022–23

Organisation	ABN	Expenditure GST included $	Proportion of 2022–23 total spend %
Accenture Australia Pty Ltd	49096776895	913,000	36
Deloitte Touche Tohmatsu	74490121060	653,688	26
Challis & Company Ltd	48161244613	576,799	22
Nous Group	66086210344	404,358	16
Total		**2,547,845**	**100**

Expenditure on reportable non-consultancy contracts

During 2022–23, 174 new non-consultancy contracts were entered into, involving a total actual expenditure of $23,347,083. In addition, there were 318 ongoing non-consultancy contracts that were entered into during a previous reporting period, involving a total actual expenditure of $56,207,275.

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 2022–23

	Number	Expenditure GST included $
New contracts entered into during the reporting period	174	23,347,083
Ongoing contracts entered into during a previous reporting period	318	56,207,275
Total	**492**	**79,554,358**

Organisations receiving a share of reportable non-consultancy contract expenditure 2022–23

Organisation	ABN	Expenditure GST included $	Proportion of 2022–23 total spend %
Leaders IT Services Pty Ltd	92162113546	13,146,512	17
ASG Group Ltd	57070045117	5,663,904	7
NTT Australia Pty Ltd	65003371239	4,827,635	6
Data#3 Limited	31010545267	4,732,583	6
CBUS Property 447 Collins Street Pty Ltd	58166821530	3,260,965	4
Total		**31,631,600**	**40**

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 business are available on the Treasury's website.

The Agency's support for small business 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 Information Public Scheme Plan is available at www.futurefund.gov.au/en/About-us/access-to-information/information-publication-scheme

Advertising and market research

During 2022–23, the Agency undertook recruitment advertising. The total cost of this was $2,288.

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 has been 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.

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 cogeneration 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.

APS Net Zero 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 this, non-corporate Commonwealth entities are required to report on their operational greenhouse gas emissions.

The Greenhouse Gas Emissions Inventory presents greenhouse gas emissions over the 2022–23 period. Results are presented on the basis of Carbon Dioxide Equivalent (CO_2-e) emissions.

Greenhouse gas emissions reporting has been developed with methodology that is consistent with the Whole-of-Australian Government approach as part of the APS Net Zero 2030 policy.

The Agency's emissions from operations in 2022–23 are listed below.

Emission source	Scope 1 kg CO_2-e	Scope 2 kg CO_2-e	Scope 3 kg CO_2-e	Total kg CO_2-e
Electricity (location-based approach)	N/A	361,445	29,755	391,201
Natural gas	-	N/A	-	-
Fleet vehicles	-	N/A	-	-
Domestic flights	N/A	N/A	165,661	165,661
Other energy	-	N/A	-	-
Total kg CO_2-e	**-**	**361,445**	**195,416**	**556,862**

The electricity emissions reported above are calculated using the location-based approach. When applying the market-based method, which accounts for activities such as Greenpower, purchased LGCs and/or being located in the ACT, the total emissions for electricity, are as below:

Emission source	Scope 1 kg CO_2-e	Scope 2 kg CO_2-e	Scope 3 kg CO_2-e	Total kg CO_2-e
Electricity (market-based approach)	N/A	300,591	39,784	340,375
Natural gas	-	N/A	-	-
Fleet vehicles	-	N/A	-	-
Domestic flights	N/A	N/A	165,661	165,661
Other energy	-	N/A	-	-
Total kg CO_2-e	**-**	**300,591**	**205,445**	**506,036**

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 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.

2022–23 annual performance statement

Introductory statement

As required by the *Future Fund Act 2006 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.

Hon Peter Costello AC

Accountable Authority, Future Fund Management Agency

Chairman, Future Fund Board of Guardians

26 September 2023

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 six 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 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 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

2022–23 performance criteria outlined in the 2022–23 Portfolio Budget Statements (Outcome 1, Program 1.1) and the 2022–23 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 2023	Return (% pa)	Target return[1] (% pa)
From inception (May 2006)	7.7	7.0
10 years	8.8	6.9
Seven years	7.7	7.1
Five years	7.2	7.4
Three years	8.6	9.3
2022–23 financial year	6.0	10.0

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 and the Disaster Ready 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

2022–23 performance criteria outlined in the 2022–23 Portfolio Budget Statements (Outcome 1, Program 1.2) and the 2022–23 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 2023	Return (% pa)	Target return[1] (% pa)
From inception (22 September 2015)	4.1	2.7
Seven years	4.3	2.7
Five years	4.1	2.5
Three years	5.0	2.5
2022–23 financial year	4.4	4.4

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.

Aboriginal and Torres Strait Islander Land and Sea Future Fund

Performance against the ATSILS Fund Investment Mandate Direction is set out in the table below.

Period to 30 June 2023	Return (% pa)	Target return[1] (% pa)
From inception (1 October 2019)	4.3	6.0
Three years	5.9	7.3
2022–23 financial year	4.5	8.0

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 2023	Return (% pa)	Target return[1] (% pa)
From inception (1 April 2020)	6.6	6.3
Three years	6.0	7.3
2022–23 financial year	4.7	8.0

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[1] Investment Mandate Direction is set out in the table below.

Period to 30 June 2023	Return (% pa)	Target return[2] (% pa)
From inception (1 April 2020)	6.6	6.3
Three years	6.0	7.3
2022–23 financial year	4.6	8.0

Note(s):

1. The Disaster Ready Fund was previously named the Emergency Response Fund until 1 March 2023.
2. CPI + 2.0% to 3.0% per annum over the long term, with acceptable but not excessive level of risk.

DisabilityCare Australia Fund

In line with its investment Mandate, the DisabilityCare Australia Fund is invested in long-term deposits and cash. For the 2022–23 financial year the Fund delivered a return of 3.6% per annum against a benchmark target of 3.2% per annum.

Analysis of performance against purpose

The Future Fund is a long-term investor and continues to perform well against its stated purpose.

Throughout the year as interest rate hikes took effect, global and Australian economies slowed, and new challenges emerged for long-term drivers of growth.

Inflation persisted throughout the financial year and, while there are signs it may have passed the peak, it remains elevated and well above the 2–3% range targeted by the Reserve Bank of Australia.

The full impact of higher rates is yet to work through developed economies and as central banks remain vigilant about bringing inflation down, the risk of recession persists.

The Board has been carefully assessing the changing investment environment and repositioning the portfolio accordingly.

The Future Fund portfolio is positioned moderately below neutral risk settings at a time when the economic outlook and the direction of inflation and interest rates make investment returns less certain.

Against this backdrop the Future Fund delivered a positive return of 6.0% for the financial year, reflecting the portfolio's diversification across international markets and private assets.

The Future Fund is a long-term fund. It was created to strengthen the Commonwealth's long-term financial position. The Fund continues to achieve this objective, with a 10-year return of 8.8% per annum against a target of 6.9% per annum.

Since 2006, with an initial contribution of $60.5 billion, the Fund has earned more than $145 billion and grown to a record $206 billion at the end of June, without any further contributions.

The other public asset funds invested by the Board have faced the same challenging environment. All funds continued to benefit from the changes made to the investment portfolios over the past two years, which helped grow the capital in each fund and minimise losses.

The Investment Mandate Directions for the Medical Research Future Fund, ATSILS Fund, Future Drought Fund and Disaster Ready 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 a 4.4% per annum return against a target return of 4.4% per annum. Since inception it has returned 4.1% per annum against a target return of 2.7% per annum. It is now valued at $21.9 billion.

The ATSILS Fund delivered 4.5% per annum against its target return of 8.0% per annum. Since inception it has returned 4.3% per annum against a target return of 6.0% per annum. It is now valued at $2.1 billion.

The Future Drought Fund delivered a return of 4.7% per annum against its target return of 8.0% per annum. Since inception it has returned 6.6% per annum against a target return of 6.3% per annum. It is now valued at $4.6 billion.

The Disaster Ready Fund delivered a return of 4.6% per annum against its target return of 8.0% per annum. Since inception it has returned 6.6% per annum against a target return of 6.3% per annum. It is now valued at $4.4 billion.

The DisabilityCare Australia Fund delivered a return of 3.6% per annum against its benchmark target of 3.2% per annum and is now valued at $16.9 billion.

Total funds managed across all six funds now stands at $256.2 billion.

The economic outlook remains challenging, with data showing wage and price pressures that contribute to inflation remain strong, leaving open the possibility that inflation will continue and the path to lower interest rates remains a way off.

In this environment, the Board remains sharply focused on its long-term objective to maximise risk-adjusted returns while taking acceptable but not excessive levels of risk.

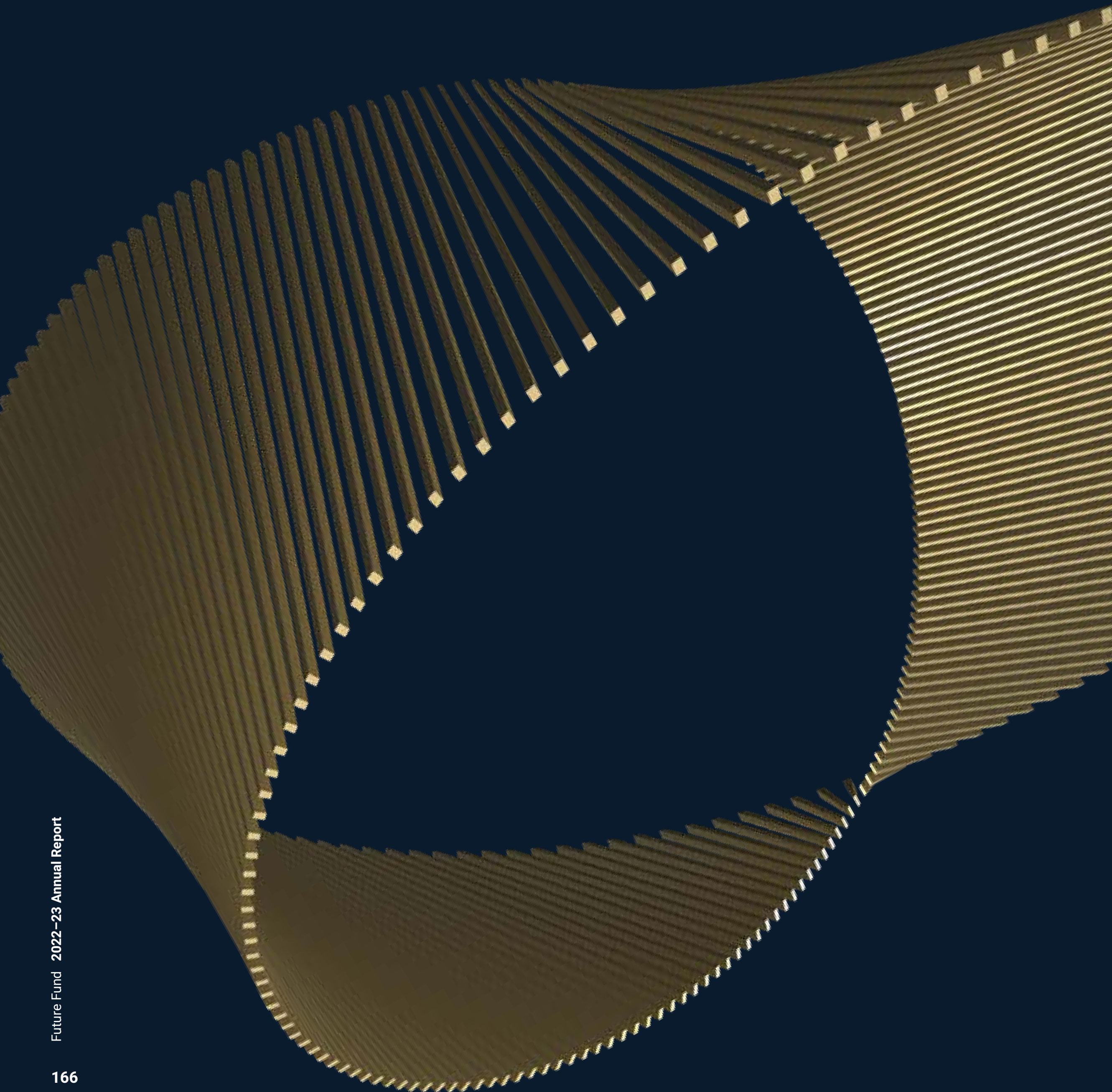
We have made significant changes to the portfolio over the past two years and this means that our holdings and returns will look increasingly different from those of other asset owners.

We will continue this work to adjust the portfolio to ensure it is resilient to a range of scenarios, noting that with persistent higher inflation we expect real returns to investors will remain below those of the past decade.

Although risk assets are under-pricing some of the threats we see, higher interest rates are making it easier to generate meaningful returns from a diversified range of assets such as that owned by the Future Fund.

The Agency is well-prepared for this new investment world and will continue to respond to market conditions with agility and thoughtfulness, as we remain focused on our purpose of investing for the benefit of future generations of Australians.

08 References and index



Appendix A

Investment managers as at 30 June 2023

Asset class	Manager
Equities	
Australian equities	— Macquarie Investment Management — UBS Securities Australia — Maple-Brown Abbott Limited
Developed market equities	— Insight Investment Management — Legal & General Investment Management Limited — State Street Global Advisors — UBS Securities Australia
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 — The Growth Fund — Trustar Capital (previously Citic Capital) — 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 — 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

Investment managers as at 30 June 2023 (continued)

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 — Vicinity Centres
Listed	— Legal & General Investment Management Limited — Massachusetts Financial Services — State Street Global Advisors
Infrastructure and Timberland	
Unlisted	— AMP Capital Investors — Campbell Global — Corsair Infrastructure Management — EQT Partners — Global Infrastructure Partners — HRL Morrison & Co — 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 — Hayfin Asset Management — PAG Holdings Limited — Westbourne Credit Management Limited
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. — Oak Hill Advisors — Oaktree Capital Management

Asset class	Manager
Alternatives	
Low beta – relative value	– Atom Investors L.P. – BlackRock Alternative Advisors – Blackstone Alternative Asset Management – Citadel Advisors – Dymon Asia Capital – MAN AHL Partners LLP – 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. – Wellington Investment Management
Insurance-linked securities	– Blackstone Alternative Asset Management – 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	P7	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)	P5	Table of contents.	Mandatory
17AJ(b)	P176–180	Alphabetical index.	Mandatory
17AJ(c)	175	Glossary of abbreviations and acronyms.	Mandatory
17AJ(d)	P170–174	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)	P8–10	A review by the Accountable Authority of the entity.	Mandatory
17AD(b)	**Overview of the entity**		
17AE(1)(a)(i)	P14–21	A description of the role and functions of the entity.	Mandatory
17AE(1)(a)(ii)	P15, P22–33	A description of the organisational structure of the entity.	Mandatory
17AE(1)(a)(iii)	P14–21, P50–77, P163–165	A description of the outcomes and programs administered by the entity.	Mandatory
17AE(1)(a)(iv)	P14–21, P163–165	A description of the purposes of the entity as included in corporate plan.	Mandatory
17AE(1)(aa)(i)	P29	Name of the Accountable Authority or each member of the Accountable Authority.	Mandatory
17AE(1)(aa)(ii)	P29	Position title of the Accountable Authority or each member of the Accountable Authority.	Mandatory
17AE(1)(aa)(iii)	P29	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	P163–165	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)	P50–77, P100–157	A discussion and analysis of the entity's financial performance.	Mandatory
17AF(1)(b)	P159	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)	P7	A certification by Accountable Authority that fraud risk assessments and fraud control plans have been prepared.	Mandatory
17AG(2)(b)(ii)	P7	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)	P7	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)	P22–35	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)	P28	A direct electronic address of the charter determining the functions of the entity's audit committee.	Mandatory
17AG(2A)(b)	P28	The name of each member of the entity's audit committee.	Mandatory
17AG(2A)(c)	P24–27	The qualifications, knowledge, skills or experience of each member of the entity's audit committee.	Mandatory
17AG(2A)(d)	P28	Information about the attendance of each member of the entity's audit committee at committee meetings.	Mandatory
17AG(2A)(e)	P94–95	The remuneration of each member of the entity's audit committee.	Mandatory
	External scrutiny		
17AG(3)	P22–23	Information on the most significant developments in external scrutiny and the entity's response to the scrutiny.	Mandatory

List of requirements (continued)

PGPA Rule reference	Part of report	Description	Requirement
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)	P78–83	An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives.	Mandatory
17AG(4)(aa)	P82–89	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)	P82–89	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)	P82	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)	P89	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)	P98	The salary ranges available for APS employees by classification level.	Mandatory
17AG(4)(c)(iii)	P98	A description of non-salary benefits provided to employees.	Mandatory
17AG(4)(d)(i)	P99	Information on the number of employees at each classification level who received performance pay.	If applicable, mandatory
17AG(4)(d)(ii)	P99	Information on aggregate amounts of performance pay at each classification level.	If applicable, mandatory
17AG(4)(d)(iii)	P99	Information on the average amount of performance payment, and range of such payments, at each classification level.	If applicable, mandatory
17AG(4)(d)(iv)	P99	Information on aggregate amount of performance payments.	If applicable, mandatory
	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)	P159	An assessment of entity performance against the *Commonwealth Procurement Rules*.	Mandatory

PGPA Rule reference	Part of report	Description	Requirement
	Reportable consultancy contracts		
17AG(7)(a)	P159	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)	P159	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)	P159	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)	P159	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)	P160	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)	P160	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	P159–160	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
	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

List of requirements (continued)

PGPA Rule reference	Part of report	Description	Requirement
	Small business		
17AG(10)(a)	P161	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)	P161	An outline of the ways in which the procurement practices of the entity support small and medium enterprises.	Mandatory
17AG(10)(c)	P161	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)	P100–157	Inclusion of the annual financial statements in accordance with subsection 43(4) of the Act.	Mandatory
	Executive remuneration		
17AD(da)	P90–99	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)	P161	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)	P162	Outline of mechanisms of disability reporting, including reference to website for further information.	Mandatory
17AH(1)(d)	P161	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)	P50–77	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
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
CSS	Commonwealth Superannuation Scheme
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
FBT	Fringe Benefits Tax
FDF	Future Drought Fund
FFIC	Future Fund Investment Company
FFMA	Future Fund Management Agency
FoI Act	*Freedom of Information Act 1982*
GST	Goods and Services Tax
ICGN	International Corporate Governance Network
IFSWF	International Forum of Sovereign Wealth Funds
IMF	International Monetary Fund
IPS	Information Publication Scheme
ISSB	International Sustainability Standards Board
KMP	Key management personnel
LGBTQIA+	Lesbian, gay, bisexual, transgender, queer, intersex, asexual
MRFFIC	Medical Research Future Fund Investment Company
MRFF	Medical Research Future Fund
NABERS	National Australian Built Environment Rating System
OECD	Organisation for Economic Co-operation and Development
PGPA Act	*Public Governance, Performance and Accountability Act 2013*
PA	Per annum
PSS	Public Sector Superannuation Scheme
RBA	Reserve Bank of Australia
SASB	Sustainable Accounting Standards Board
SBAI	Standards Board for Alternative Investments
SLT	Senior Leadership Team
SWF	Sovereign wealth fund
TAI	Thinking Ahead Institute
TCFD	Taskforce on Climate-related Financial Disclosures

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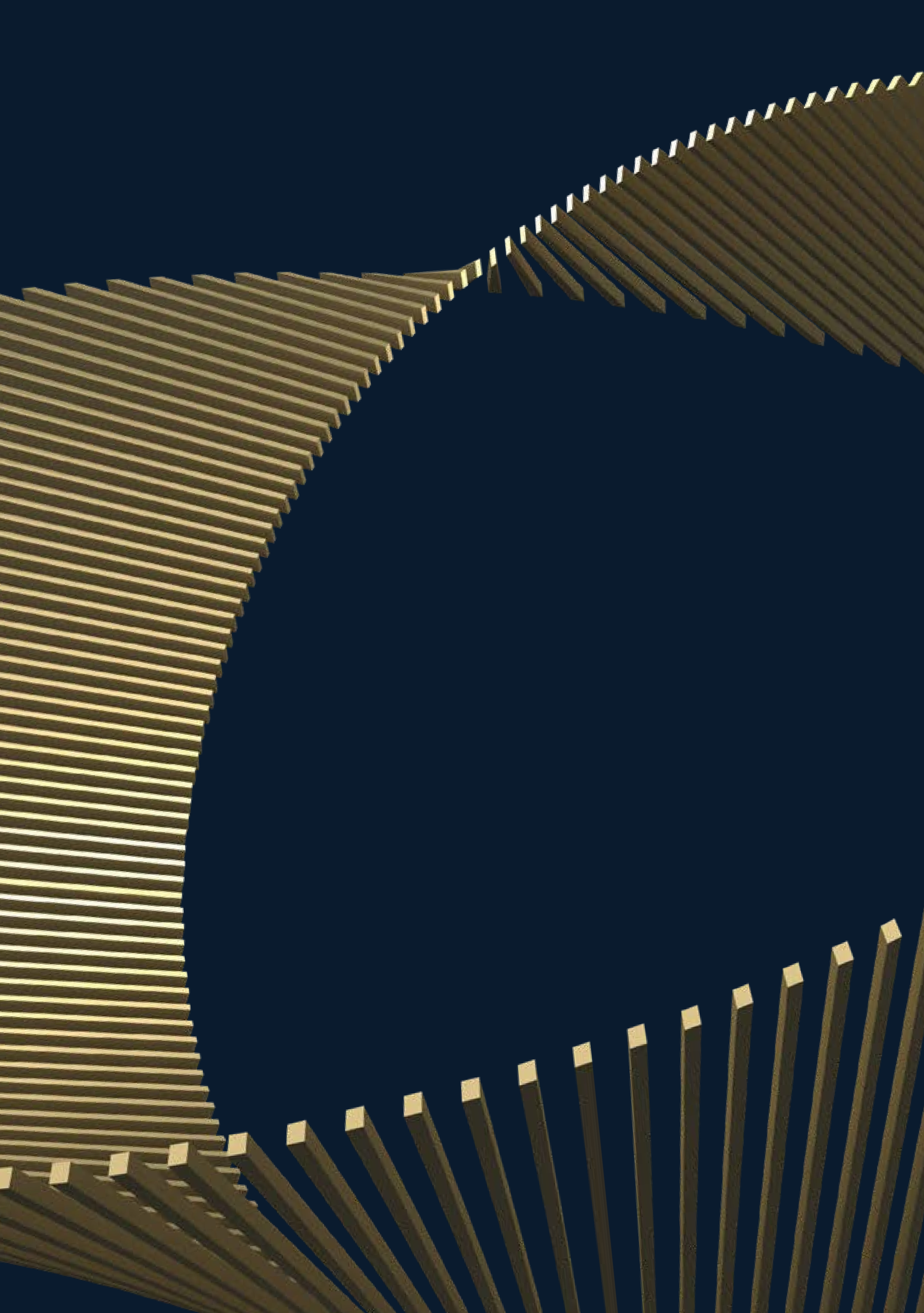
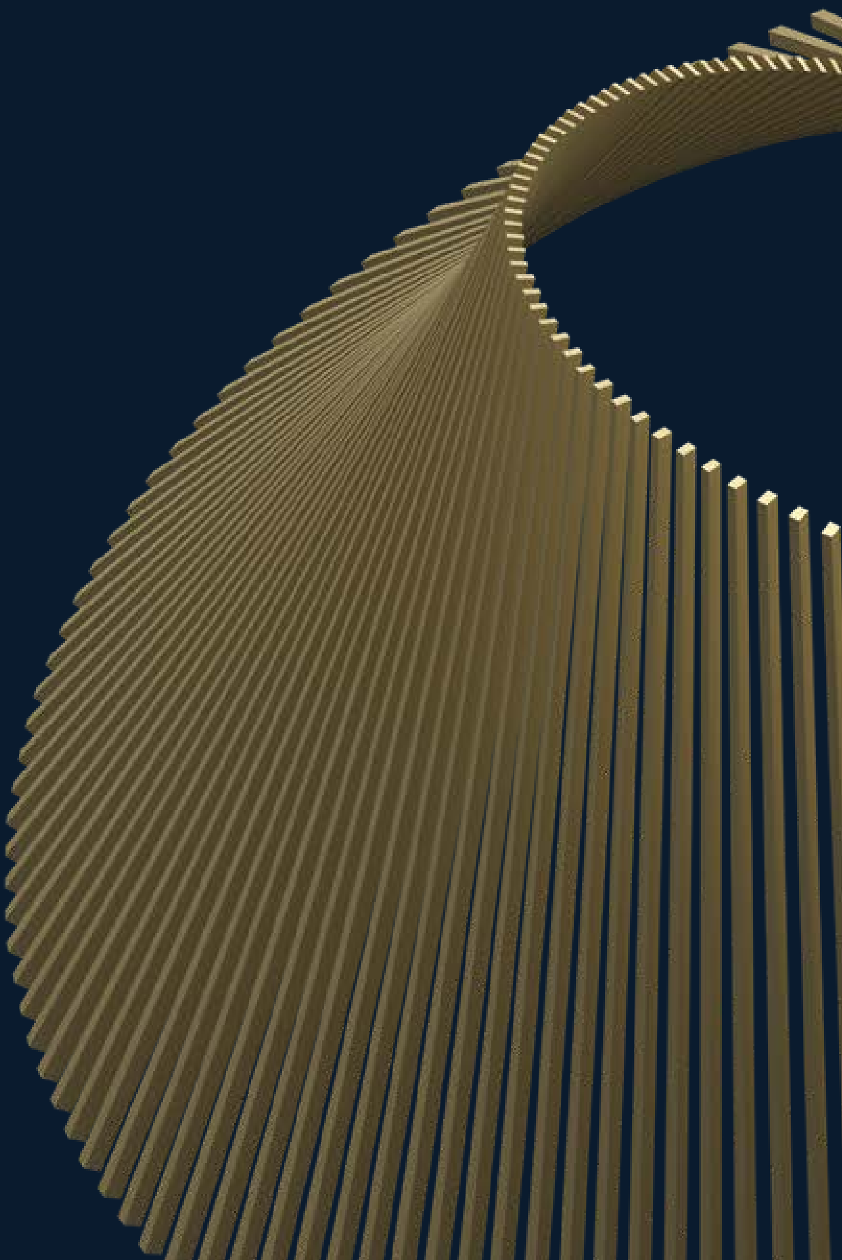


futurefund

Australia's Sovereign Wealth Fund



www.futurefund.gov.au