



## **Medical Research Future Fund Investment Mandate Direction 2015**

We, SCOTT JOHN MORRISON, Treasurer, and MATHIAS HUBERT PAUL CORMANN, Minister for Finance, give this Direction under subsection 39(1) of the *Medical Research Future Fund Act 2015*.

Dated            8 - 11 - 2015

SCOTT JOHN MORRISON  
Treasurer

MATHIAS HUBERT PAUL CORMANN  
Minister for Finance

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## Part 1 Preliminary

### 1. Name of Direction

This Direction is the *Medical Research Future Fund Investment Mandate Direction 2015*.

### 2. Commencement

This Direction commences on the 15th day after it is given.

Note: Section 42 of the *Legislative Instruments Act 2003* (which deals with the disallowance of legislative instruments) does not apply to this instrument: see section 44 of that Act. Part 6 of that Act (which deals with the sunseting of legislative instruments) does not apply to this instrument: see section 54 of that Act.

### 3. Definitions

In this Direction:

*Act* means the *Medical Research Future Fund Act 2015*.

*Board* means the Future Fund Board of Guardians.

*Fund* means the Medical Research Future Fund.

*responsible Ministers* has the same meaning as in the Act.

### 4. Object of this Direction

The Fund has been established to provide grants of financial assistance to support medical research and medical innovation over the long term.

The object of this Direction is to give guidance to the Board in relation to its investment strategy for the Fund. The Board is required under section 40 of the Act to:

- seek to maximise the return earned on the Fund over the long term, consistent with international best practice for institutional investment; and
- to enhance the commonwealth's ability to provide grants of financial assistance to support medical research and innovation,

subject to its obligations under the Act and any directions given by the responsible Ministers under the Act.

This Direction is given under subsection 39(1) of the Act to articulate the Government's expectations for how the Fund will be invested and managed by the Board.

## **Part 2 Direction**

### **5. Benchmark return**

The Board is to adopt an average return of at least the Reserve Bank of Australia Cash Rate target + 1.5 to 2.0 per cent per annum, net of investment fees, over a rolling 10 year term as the benchmark return on the Fund.

In targeting the benchmark return, the Board must determine an acceptable but not excessive level of risk for the Fund measured in terms such as the probability of losses in a particular year. In determining the level of risk, the Board must take into account:

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

### **6. Board must consider impacts from its investment strategy**

In undertaking its investment activities, the Board must act in a way that:

- (a) minimises the potential to effect any abnormal change in the volatility or efficient operation of Australian financial markets; and
- (b) is unlikely to cause any diminution of the Australian Government's reputation in Australian and international financial markets.

### **7. Corporate Governance**

The Board must have regard to international best practice for institutional investment in determining its approach to corporate governance principles, including in relation to its voting policy.