

 **Future Fund Investment Mandate Direction 2017**

We, SCOTT MORRISON, Treasurer, and MATHIAS HUBERT PAUL CORMANN, Minister for Finance, give this Direction under subsection 18(1) of the *Future Fund Act 2006*.

Dated 15-5-2017

SCOTT MORRISON MATHIAS HUBERT PAUL CORMANN

 Treasurer Minister for Finance

**Part 1 Preliminary**

**1. Name of Direction**

This Direction is the *Future Fund Investment Mandate Direction 2017*.

**2. Commencement**

This Direction commences on 1 July 2017, or on the 15th day after it is given to the Board, whichever occurs later.

 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 sunsetting of legislative instruments) does not apply to this instrument: see section 54 of that Act.

**3. Revocation of Previous Direction**

 The *Future Fund Investment Mandate Direction 2014* is revoked in full.

**4. Definitions**

In this Direction:

***Act*** means the *Future Fund Act 2006.*

***Fund*** means the Future Fund.

***Board*** means the Future Fund Board of Guardians.

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

**5. Object of this Direction**

The object of this Direction is to give guidance to the Board in relation to its investment strategy for the Future Fund. The Future Fund Board of Guardians is required under section 18 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 subject to its obligations under the Act and any directions given by the responsible Ministers under subsection 18(1) or subclause 8(1) of Schedule 1 of the Act.

This Direction is given under subsection 18(1) of the Act to articulate the Government’s expectations for how the Fund will be invested and managed by the Board.

Investments by the Future Fund will be confined to financial assets.

**Part 2 Direction**

**6. Benchmark return**

The Board is to adopt an average return of at least the Consumer Price Index (CPI) + 4 to + 5 per cent per annum over the long 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.

**7. Limits for holdings of listed companies**

The Board must establish a limit for holdings on any listed company in order to prevent a breach of the statutory limits imposed by sections 21 and 84C of the Act.

**8. 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.

**9. 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.