

## **EXPLANATORY STATEMENT**

### **Issued by authority of the Minister for Finance**

#### *Future Fund Act 2006*

#### *Future Fund (Investment Funds Periodic Investment Report) Rules 2023*

Section 55B of the *Future Fund Act 2006* (Act) provides that the nominated Minister (Minister for Finance) may make reporting rules prescribing matters outlined in Division 6A of Part 4 of the Act, which outlines the requirements for the Future Fund Board of Guardians (Board) to publish periodic investment reports online.

The new reporting regime will ensure that additional information is available to the public about the investment funds managed by the Board. The new reporting obligations are broadly consistent with the reporting requirements for superannuation funds as set out in the *Corporations Amendment (Portfolio Holdings Disclosure) Regulations 2021*.

The *Future Fund (Investment Funds Periodic Investment Report) Rules 2023* (Rules) apply new reporting obligations on the Board. These Rules provide the relevant reporting days and mandatory publishing timeframes as well as detailing the information that must be made publicly available and the manner in which the information must be set out.

The provisions made by this instrument apply in relation to reporting days that occur after the commencement of the Rules.

As required under section 55C of the Act, the nominated Minister consulted the Board on the draft Rules. The Department of Finance consulted the Future Fund Management Agency and the Department of the Treasury in the development of these Rules.

The Office of Impact Analysis has advised that an Impact Analysis Statement is not required (OIA23-05298).

Details of the Rules are set out in [Attachment A](#).

The Rules are a legislative instrument for the purposes of the *Legislation Act 2003*.

The Rules commence the day after the instrument is registered.

A Statement of Compatibility with Human Rights is at [Attachment B](#).

**Details of the *Future Fund (Investment Funds Periodic Investment Report) Rules 2023***

**Section 1 – Name**

This section provides that the name of the instrument is the *Future Fund (Investment Funds Periodic Investment Report) Rules 2023* (the Rules).

**Section 2 – Commencement**

The Rules commence on the day after the instrument is registered on the Federal Register of Legislation.

**Section 3 – Authority**

The Rules are made under the *Future Fund Act 2006*.

**Section 4 – Definitions**

This section defines two expressions in the Rules.

**Section 5 - Periodic investment reports**

Section 5 establishes the reporting obligations on the Board and prescribes the way in which information on investments held by, or on behalf of, the Board is to be disclosed for the purposes of section 55A of the Act.

Paragraph 5(1)(a) requires the Board to prepare periodic investment reports for each reporting day in accordance with the other requirements set out in section 5 of the Rules.

Paragraph 5(1)(b) requires the Board to publish the reports on the internet as soon as practicable once 90 days have elapsed after the relevant reporting day. It is expected that the Board will publish periodic investment reports online within 10 days after the 90 days have elapsed after the relevant reporting day.

Subsection 5(2) defines the publication period for the purposes of paragraph 55A(1)(b) of the Act.

Paragraph 5(2)(a) defines the starting point of the publication period. This is either:

- under subparagraph (5)(2)(a)(i), when the Board publishes the periodic investment report online, which must be as soon as practicable after 90 days after the reporting day, in accordance with paragraph 5(1)(b); or
- under subparagraph 5(2)(a)(ii), if the Board chooses to publish the periodic investment report earlier than 90 days after the reporting day as provided for in subsection 5(3), the day after the end of the 90 day period. This is consistent with subsection 55A(2) of the Act, which provides that the publication period cannot begin until at least 90 days after the relevant reporting day.

Disclosing investment information after at least 90 days is intended to ensure that the information published is no longer considered commercially sensitive to the Board or its investment managers.

The publication period ends when the periodic investment report in relation to the next reporting day is published online consistent with paragraph 5(1)(b) or subsection 5(3). This means that a periodic investment report will be available to the public at all points in time after the first periodic investment report is published.

The periodic investment reports are expected to be published in an area on the Future Fund website that is accessible to the public at all times.

Subsection 5(3) provides that subsection 5(1) does not prohibit the Board from publishing a periodic investment report on the internet earlier than 90 days after the relevant reporting day. This is consistent with subsection 55A(3) of the Act, which allows the reporting rules to empower the Board to voluntarily publish a periodic investment report on the internet before the start of the relevant publication period.

Subsection 5(4) prescribes the manner in which the Board is to set out information about investments for the purposes of periodic investment reports with relation to subsections 55A(4) and (5) of the Act. Subsection 55A(4) of the Act prescribes that a periodic investment report for a reporting day is a report that relates to investments held by, or on behalf of, the Board at the end of the reporting day and sets out information as required by the Rules. Subsection 55A(5) of the Act provides that if the Rules prescribe how the information for a periodic investment report should be organised, then the Board is required to set out the information in accordance with the Rules.

Paragraph 5(4)(a) requires the Board to include in a periodic investment report information on investments held by or on behalf of the Board for all Australian Government investment funds managed by the Board. The reference to section 81 of the Act is intended to capture all of the investment funds managed by the Board, which may change from time to time. The Board is currently responsible for the Future Fund, the Aboriginal and Torres Strait Islander Land and Sea Future Fund, the DisabilityCare Australia Fund, the Disaster Ready Fund, the Future Drought Fund and the Medical Research Future Fund.

It is intended that the Board report on all investment funds under management as at the end of the relevant reporting day. If any funds are abolished in between reporting days, those closed funds would not be included in the next periodic investment report. The Board would, however, report investment information on any new funds from the reporting day which next follows the date of the new fund's establishment.

Paragraph 5(4)(b) provides that the information on the investments held by, or on behalf of, the Board for the relevant reporting day must set out separately the investments in respect of each of the investment funds. It is anticipated that where investments of more than one such investment fund are held by or on behalf of the Board under a co-mingling arrangement, the relevant information for each of those investment funds will set out the relevant part or portion of those investments which is effectively allocated to that investment fund.

Sub-paragraph 5(4)(b)(i) requires the Board to organise the information about the investments in a manner consistent with the tables contained in Schedule 1 to the Rules.

The tables provide for different methods of organising information depending on whether the investment is an investment other than a derivative, or a derivative, or if an investment item can be aggregated. An investment item for the purposes of these Rules is either a particular asset or derivative, or multiple assets or derivatives of the same kind that are aggregated in accordance with the tables in Schedule 1. Each investment item will be reported under a particular kind of investment (for example, cash, fixed income, listed equity, unlisted equity, listed property, unlisted property, etc).

Sub-paragraphs 5(4)(b)(ii) and (iii) require that the information be easily downloadable and readable in one or more formats, with at least one of the formats being a delimited file format. Delimited file formats are file formats such as .csv and .txt formats that allow data to be analysed more efficiently. It is expected that the periodic investment reports will be available on the Future Fund website.

Subsection 5(5) provides that information may be displayed using a different number of columns or rows to the tables in Schedule 1 but the information at a minimum, must be displayed consistently with the tables in Schedule 1 as prescribed by sub-paragraph 5(4)(b)(i).

Subsection 5(6) recognises the interactive nature of websites, and allows the required information to be dispersed and disclosed in multiple subsidiary tables as opposed to one single table, particularly when large amounts of information are reported. Consistent with subsection 5(4), the information in any subsidiary table should be easily accessible and available to be downloaded in a single delimited file format document.

An example of subsidiary tables is where each kind of investment is disclosed in a separate tab of a table, so that the viewer can access the information about that kind of investment by clicking the tab containing that information rather than scrolling down a screen.

Example tables for organising information in relation to investments other than derivatives and derivatives are included in [Attachment C](#).

Subsection 5(7) provides that for the purposes of subsection 55A(6) of the Act, the reporting days are 30 June and 31 December of each year. The first reporting day will be the first occurrence of 30 June or 31 December on or after the day that the Rules commence.

#### Schedule 1 – Tables for periodic investment reporting

##### *Table 1: Organising information for investments that are not derivatives*

Table 1 in Schedule 1 provides for the way information is to be organised and displayed for non-derivative investments for each investment fund referred to in paragraph 5(4)(a).

Figures expressed in the example tables in Attachment C are purely included for example purposes and are not intended to reflect a realistic portfolio for the Board. Exposure to asset classes resulting from derivative positions should be disclosed in Tables 2-4 (and not Table 1).

References in Table 1 to investments that are externally managed are intended to refer to investments that are made or managed through the use of external investment managers who are not associated entities of the Board. This includes where the external investment manager implements the making of the investment, or manages the investment for the Board. References to investments that are internally managed are intended to be those which are not externally managed. As an example, it is anticipated that unlisted infrastructure investments that are held directly by the Board, where the external investment manager only has a very limited role in the ongoing management of the investment during its holding period, will be treated as internally managed for this purpose.

Associated entities is defined in section 50AAA of the *Corporations Act 2001*. In the context of the institutional investment industry, it is anticipated that funds or other investment vehicles would not be associates of the Board for this purpose where an external investment manager has operational control over the investment of the assets of the fund or vehicle. Accordingly, as with the reporting requirements for the superannuation funds, it is not a full look-through model to all underlying assets.

The rows contain investment items and the columns contain headings that provide details of (among other things): the institution, investment manager or investment item, and a summary column containing the value and weighting.

For cash (including cash equivalents like term deposits and bank bills), amounts of the same currency should be aggregated based on the relevant institution (for example, ABC Bank). This means that amounts denominated in one currency that are held in different accounts with the same institution can be disclosed as a single aggregated figure (rather than individually disclosing the amount in each individual account). If amounts are denominated in different currencies but held with the same institution, they should be aggregated by currency and disclosed separately. The reference to “name of institution” for cash refers to the institution where the cash has been deposited or the institution that accepts responsibility for the payment of the amount in the case of bank bills.

Fixed income assets that are externally managed should be aggregated by the investment manager that manages the assets. The total value and weighting of the assets aggregated by an external investment manager should be disclosed. For example, where an external investment manager is responsible for multiple vintages or co-investment arrangements are in place, the values should be aggregated. The name, value and weighting of each individual fixed income asset do not need to be disclosed. Externally managed unlisted equity, unlisted property, unlisted infrastructure and unlisted alternatives are to be aggregated in a similar way.

Each investment item under listed equity, listed property, listed infrastructure and listed alternatives must be disclosed along with the value and weighting of each investment item. There is no aggregation for these kinds of investment items. The references to security identifier in relation to listed assets is intended to refer to the relevant stock market code for that asset.

Unlisted equity, unlisted property, unlisted infrastructure and unlisted alternatives that are held directly by the Board and internally managed should have the value and weighting aggregated by asset class. The name of the individual assets must be disclosed along with further information as required (for example, percentage of ownership and address for unlisted property that is internally managed according to the table). However, the Board does not need to disclose individual asset values and weights (instead they are aggregated for the kind of investment item).

The total row under each kind of investment is to show the total of all investment items disclosed in the table for that kind of investment.

Weightings for each investment item are to be calculated on the basis of the value of that investment item divided by the total value of all investment items held by or on behalf of the Board as disclosed in Tables 1 and 2 (including derivatives).

The Board is able to use a valuation methodology that is consistent with how investment items are valued for other purposes (for example, financial reporting). To ensure consistency across the table, all values in the table should be calculated using a consistent valuation methodology and should be expressed in Australian dollars. To aid with readers' understanding of the material, the Board should disclose details of the valuation methodology used, including currency conversion rates where applicable.

#### *Organising information for derivatives*

The method for displaying information on derivative investments held by or on behalf of the Board for each investment fund referred to in paragraph 5(4)(a) is contained in the Tables 2 to 4 in Schedule 1. In Table 2, investments that are derivatives are to be aggregated by the type of derivative. These types are swaps, forwards, futures and options. Individual derivatives of a certain type do not need to be disclosed. If the Board considers it has a derivative that cannot be classified as one of these four types, additional types of derivatives can be added to the table. Similar to the *Investments other than derivatives* table (Table 1), figures expressed in the example table in Attachment C are purely included for example purposes and are not intended to reflect a realistic portfolio of the Board.

Similar to the *Investments other than derivatives* table, aggregated weightings for each type of derivative can be calculated on the basis of the total value of that derivative type divided by the total value of all investments held by or on behalf of the Board (including derivatives).

The Board is able to use a valuation methodology that is consistent with how derivative items are valued for other purposes (for example, financial reporting). To ensure consistency across the table, all values in the table should be calculated using a consistent valuation methodology and expressed in Australian dollars. To aid with reader's understanding of the material, the Board should disclose details of the valuation methodology used, including currency conversation rates where applicable.

*Organising information with respect to effect of derivatives on investments and currency*

The method for displaying information on investments held by or on behalf of the Board to demonstrate the effect of derivatives on certain portfolio exposures is provided by Tables 3 and 4.

In these tables, the information required to be disclosed with respect to each of the asset classes (Table 3) or categories of currency (Table 4) shows the percentage of the assets and derivatives under management that is made up by the particular asset class or currency. The valuations used to determine the assets and derivatives are the values disclosed in Tables 1 and 2. The tables also show the effect of derivatives exposure on that asset class or currency - that is, the difference in the total allocation driven by the total derivatives exposure to that asset class or currency.

Schedule 1 applies to the first reporting day either on or after commencement of the Rules.

## Statement of Compatibility with Human Rights

*Prepared in accordance with Part 3 of the Human Rights (Parliamentary Scrutiny) Act 2011*

### **Future Fund (Investment Funds Periodic Investment Report) Rules 2023**

This Legislative Instrument is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

#### Overview of the Legislative Instrument

The *Future Fund (Investment Funds Periodic Investment Report) Rules 2023* support the reporting regime in the *Future Fund Act 2006* by establishing the reporting obligations on the Board and prescribing the way in which information on investments held by, or held on behalf of, the Board is to be disclosed.

#### Conclusion

This Legislative Instrument is compatible with human rights as it does not raise any human rights issues.



**Table 1 – Investments other than derivatives**

Portfolio Holdings Information for [Name of Fund] – Investments other than derivatives			Summary	
<b>Cash</b>				
Name of Institution	Currency		Value (AUD)	Weighting (%)
Bank A	AUD		\$200,000	2.74%
Bank B	AUD		\$200,000	2.74%
Bank C	USD		\$200,000	2.74%
<b>Total</b>			<b>\$600,000</b>	<b>8.22%</b>
<b>Fixed Income</b>				
<b>Held directly or by associated entities</b>				
<b>Internally managed</b>				
Name of Issuer / Counterparty			Value (AUD)	Weighting (%)
Issuer A			\$200,000	2.74%
Issuer B			\$200,000	2.74%
<b>Total</b>			<b>\$400,000</b>	<b>5.48%</b>
<b>Fixed Income</b>				
<b>Investment in non-associated entities;</b>				
<b>Held directly or by associated entities</b>				
<b>Externally managed</b>				
Name of Investment Manager			Value (AUD)	Weighting (%)
Investment Manager A – all vintages and co-investments aggregated			\$200,000	2.74%
Investment Manager B			\$200,000	2.74%
<b>Total</b>			<b>\$400,000</b>	<b>5.48%</b>
<b>Listed Equity</b>				
Investment item	Security Identifier	Units held	Value (AUD)	Weighting (%)
Company A	AAA	100	\$200,000	2.74%
Fund B	BBB	100	\$200,000	2.74%
<b>Total</b>			<b>\$400,000</b>	<b>5.48%</b>
<b>Unlisted Equity</b>				
<b>Held directly or by associated entities</b>				
<b>Internally managed</b>				
Investment item	%		Value (AUD)	Weighting (%)

<b>Ownership</b>				
Company A	50			
Company B	50			
<b>Total</b>		<b>\$400,000</b>	<b>5.48%</b>	
<b>Unlisted Equity</b>				
<b>Investment in non-associated entities;</b>				
<b>Held directly or by associated entities</b>				
<b>Externally managed</b>				
<b>Name of Investment Manager</b>			<b>Value (AUD)</b>	<b>Weighting (%)</b>
Investment Manager A – all vintages and co-investments aggregated			\$200,000	2.74%
Investment Manager B			\$200,000	2.74%
<b>Total</b>			<b>\$400,000</b>	<b>5.48%</b>
<b>Listed Property</b>				
<b>Investment item</b>	<b>Security Identifier</b>	<b>Units held</b>	<b>Value (AUD)</b>	<b>Weighting (%)</b>
Property Security A	CCC	100	\$200,000	2.74%
Property Fund B	DDD	100	\$200,000	2.74%
<b>Total</b>			<b>\$400,000</b>	<b>5.48%</b>
<b>Unlisted Property</b>				
<b>Held directly or by associated entities</b>				
<b>Internally managed</b>				
<b>Investment item</b>	<b>Address</b>	<b>% of property held</b>	<b>Value (AUD)</b>	<b>Weighting (%)</b>
Property A	XYZ Street	50%		
Property B	ABC Street	50%		
<b>Total</b>			<b>\$400,000</b>	<b>5.48%</b>
<b>Unlisted Property</b>				
<b>Investment in non-associated entities;</b>				
<b>Held directly or by associated entities</b>				
<b>Externally managed</b>				
<b>Name of Investment Manager</b>			<b>Value (AUD)</b>	<b>Weighting (%)</b>
Investment Manager A – all vintages and co-investments aggregated			\$200,000	2.74%
Investment Manager B			\$200,000	2.74%
<b>Total</b>			<b>\$400,000</b>	<b>5.48%</b>
<b>Listed Infrastructure</b>				

Investment item	Security Identifier	Units held	Value (AUD)	Weighting (%)
Infrastructure Security A	EEE	100	\$200,000	2.74%
Infrastructure Fund B	FFF	100	\$200,000	2.74%
Stapled Security C	GGG	100	\$200,000	2.74%
<b>Total</b>			<b>\$600,000</b>	<b>8.22%</b>
<b>Unlisted Infrastructure</b>				
<b>Held directly or by associated entities</b>				
<b>Internally managed</b>				
Investment item	% Ownership		Value (AUD)	Weighting (%)
Infrastructure Asset A	58%			
Infrastructure Asset B	100%			
<b>Total</b>			<b>\$400,000</b>	<b>5.48%</b>
<b>Unlisted Infrastructure</b>				
<b>Investment in non-associated entities;</b>				
<b>Held directly or by associated entities</b>				
<b>Externally managed</b>				
Name of Investment Manager			Value (AUD)	Weighting (%)
Investment Manager A – all vintages and co-investments aggregated			\$200,000	2.74%
Investment Manager B			\$200,000	2.74%
<b>Total</b>			<b>\$400,000</b>	<b>5.48%</b>
<b>Listed Alternatives</b>				
Investment item	Security Identifier	Units held	Value (AUD)	Weighting (%)
Alternative security A	HHH	100	\$200,000	2.74%
Alternatives Fund B	III	100	\$200,000	2.74%
<b>Total</b>			<b>\$400,000</b>	<b>5.48%</b>
<b>Unlisted Alternatives</b>				
<b>Held directly or by associated entities</b>				
<b>Internally managed</b>				
Investment item			Value (AUD)	Weighting (%)
Asset A				
Asset B				
<b>Total</b>			<b>\$400,000</b>	<b>5.48%</b>

Unlisted Alternatives		
Investment in non-associated entities;		
Held directly or by associated entities		
Externally managed		
<b>Name of Investment Manager</b>	<b>Value (AUD)</b>	<b>Weighting (%)</b>
Investment Manager A – all vintages and co-investments aggregated	\$200,000	2.74%
Investment Manager B	\$200,000	2.74%
<b>Total</b>	<b>\$400,000</b>	<b>5.48%</b>
<b>Total Investment Items</b>	<b>\$6,400,000</b>	<b>87.67%</b>

**Table 2 – Derivatives by kind of derivative**

<b>Portfolio Holdings Information for [Name of Fund]—Derivatives</b>		
<b>Kind of derivative</b>	<b>Value</b>	<b>Weighting</b>
Swaps	\$1,210,763.69	16.59%
Forwards	\$123,456.78	1.69%
Futures	\$22,568.65	0.31%
Options	-\$456,789.12	-6.26%
<b>Total</b>	<b>\$900,000.00</b>	<b>12.33%</b>

**Table 3 – Derivatives by asset class**

<b>Portfolio Holdings Information for [Name of Fund]—Derivatives by Asset Class</b>		
<b>Asset Class</b>	<b>Actual Asset Allocation (% of Assets (including effect of Derivatives) )</b>	<b>Effect of Derivatives Exposure (% of Assets (including effect of Derivatives) )</b>
Cash	5%	0%
Fixed Income	20%	-5%
Equities	30%	+5%
Property	15%	0%
Infrastructure	15%	0%
Alternatives	15%	0%
<b>Total</b>	<b>100%</b>	

**Table 4—Derivatives by currency**

<b>Portfolio Holdings Information for [Name of Fund]—Derivatives by Currency</b>		
<b>Currency exposure</b>	<b>Actual Currency Exposure (% of Assets (including effect of Derivatives) )</b>	<b>Effect of Derivatives Exposure (% of Assets (including effect of Derivatives) )</b>
AUD	50%	+20%
USD	35%	-15%
Currencies of other developed markets	10%	-4%
Currencies of emerging markets	5%	-1%