

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates 29, 30 & 31 May 2007

Question: bet 81

Topic: Future Fund – Modelling on \$4.7 Billion & \$2.7 Billion

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Senator BERNARDI asked:

Have you done any modelling on the rate of return of \$4.7 billion until 2020? What would the value of that be in 20 years if you had an amount of \$4.7 billion invested at your rate of return—the five per cent or 5.5 per cent?

Mr Martine—No, we have not. That would not be difficult to do.

Senator BERNARDI—Would you be able to do that for us?

Mr Martine—We could take that on notice.

Mr Tune—Is it \$4.7 billion or \$2.7 billion that you want us to look at?

Senator BERNARDI—Perhaps you could look at both. That would be very valuable.

Mr Tune—At what rate?

Senator BERNARDI—At the modelling rate.

Senator SHERRY—What was the figure?

Senator BERNARDI—We have asked for two figures—\$4.7 billion and \$2.7 billion.

Answer:

A principal of \$2.7 billion in 2007 grown by the Future Fund's nominal benchmark rate of return of 7.2 per cent (net of costs) will reach a value of \$6.7 billion by the year 2020. A principal of \$4.7 billion in 2007 grown by the same return will amount to \$11.6 billion by the year 2020.