

Senate Finance and Public Administration Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
BUDGET ESTIMATES 2012-2013

Finance and Deregulation Portfolio

Department/Agency: Future Fund Management Agency

Outcome/Program:

Topic: Tobacco stocks

Senator: Di Natale

Question reference number: F153

Type of question: Hansard, F&PA Committee, page 47, 23 May 2012

Date set by the committee for the return of answer: Friday, 6 July 2012

Number of pages: 2

Question:

Senator DI NATALE: I have not actually looked at how tobacco stocks are performing, but would I be correct in saying that that is because there has been further investment, an increase in the number of stocks held by the fund, as opposed to an increase in the value of those stocks?

Mr Burgess: To provide the specific answer, unfortunately I will have to take that on notice. As you would appreciate—and you alluded to this—price currency movements can have a significant impact, as can an increase in holdings also. I would have to take that on notice to give you a specific answer.

Senator DI NATALE: But it seems to me a fairly significant increase. We have gone from \$147 million to \$225 in less than a year and a half. It seems to me that the only explanation for that would be the purchase of more tobacco stocks.

Senator Wong: He has just taken that question on notice, Senator.

...

Senator DI NATALE: Let me ask a different question. Are you aware of whether the fund has purchased more tobacco stocks?

Senator Wong: That is just what he took on notice.

Senator DI NATALE: No, that is a separate question, a very different question.

Mr Burgess: Our investment managers have typically broad mandates that fit the investment policies of the board. They therefore have the ability to invest to those mandates. We are very strict about the way they go about that. We are strict about the way we monitor them so that they are in line with the board's policies. They may from time to time buy and sell any sector of share.

Senator DI NATALE: But I suppose my question was very specific: are you aware as to whether there have been any more stocks in tobacco purchased?

Mr Burgess: I would have to take it on notice to give you the exact answer.

Senator DI NATALE: It is just a yes or no as to whether you are aware whether more stocks were purchased. You are either aware of whether they were or not.

Mr Burgess: I will have to take that on notice. I just do not have the information to answer that.

Senator DI NATALE: I am not sure why that would need to be taken on notice.

Senator Wong: He is entitled to take it on notice, Senator.

Senator DI NATALE: I know he is entitled to. I am asking why it needs to be taken on notice.

Answer:

Between 31 December 2010 and 14 February 2012, the value of the Future Fund's holdings in the stocks identified increased by around \$78 million.

Of this increase, 51.5 per cent (or \$40.2 million) was the net result of market movements in stock prices and exchange rates. The remaining 48.5 per cent (or \$37.8 million) was the result of a net increase in the number of securities held as external investment managers bought or sold securities under their mandates with the Future Fund.