

Future Fund brief short on detail

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Money managers jostling to become the asset consultant for the first \$16 billion invested in the Future Fund have been “flabbergasted” by the brevity of the government’s tender document, saying it fails to outline the investment objectives.

Treasury officials will meet prospective tenderers in Sydney this Friday for a “briefing session” on the one-page tender document, whose lack of detail has worried some asset consultants.

Australia’s top asset consultants are expected to attend the briefing, described by one leading investment manager as “the only first ball in a test match of cricket”.

The major concern among the tenderers was the investment objec-

KEY POINTS

- The tender document for the Future Fund is a single page.
- There appear to be no clear investment objectives.

tives, which they hoped would be clearer by the time the tender closed in June.

Asset consultants JANA, Russell, Frontier, Intech, and Watson Wyatt, collectively managing \$180 billion, are frontrunners for a slice of the Future Fund, which is expected to reach \$140 billion by 2020, once the proceeds of the sale of Telstra are included. Asset consultants offer strategic advice to the fund managers who actually make the investments.

At only 340 words, Treasury’s tender brief on the \$16 billion project represented \$45 million a word, Rainmaker Information head of research Alex Dunnin said.

“They [asset consultants] are amazed at how quickly it has been put out and flabbergasted how brief it is,” he said. Mr Dunnin, whose company advises money managers, said the industry was encouraged by Treasury’s drive to quickly establish the Future Fund, which would become the “biggest private investor in Australia within three or four years”.

Investment and Financial Services Association chief executive Richard Gilbert said the “generality” of the brief was the correct approach to ensure all investment options were considered.

The Howard government has given conflicting signals about whether the fund should be invested to meet policy goals or maximise returns. The board of the fund, which is designed to meet future liabilities for public service superannuation, will be statutorily independent but some ministers have argued it should invest a certain share in major transport or development projects.

Although the Future Fund was announced in last year’s federal election campaign, the staff of the Future Fund Management Agency still have not been formally appointed. Finance secretary Ian Watt and general manager of the Finance budget group Phil Bowen – representing the yet-to-be-named Future Fund executives – will face a Senate estimates hearing today.