



Health and Hospitals Fund Investment Mandate Directions 2009¹

Nation-building Funds Act 2008

We, WAYNE SWAN, Treasurer, and LINDSAY TANNER, Minister for Finance and Deregulation, give these Directions under subsection 229 (1) of the *Nation-building Funds Act 2008*.

Dated 14 July 2009

WAYNE SWAN
Treasurer

LINDSAY TANNER
Minister for Finance and Deregulation

Section 1

Part 1 Preliminary**1 Name of Directions**

These Directions are the *Health and Hospitals Fund Investment Mandate Directions 2009*.

2 Commencement

These Directions commence on the 15th day after they are given.

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

3 Definitions

In these Directions:

Act means the *Nation-building Funds Act 2008*.

Board means the Future Fund Board of Guardians.

Fund means the Health and Hospitals Fund.

responsible Ministers has the same meaning as in the Act.

4 Object of these Directions

- (1) The Health and Hospitals Fund is a financing source to enhance the Commonwealth's ability to make payments in relation to the creation or development of health infrastructure.
- (2) The object of these Directions is to give guidance to the Board in relation to its investment strategy for the Fund. The Board is required by the Act to seek to maximise the return earned on the Fund, 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 the Act.
- (3) These Directions are given under subsection 229 (1) of the Act to articulate the Australian Government's expectations of how the Fund will be invested and managed by the Board.
- (4) The responsible Ministers may review these Directions, including the benchmark return, in consultation with the Board. The first review is expected to occur before 1 July 2010.

Part 2 Directions

5 **Benchmark return**

- (1) The Board is to adopt a benchmark return on the Fund of the Australian three month bank bill swap rate + 0.3 per cent per annum, calculated on a rolling 12 month basis (net of fees).
- (2) In targeting this benchmark return, the Board should invest in such a way as to minimise the probability of capital losses over a 12 month horizon.

6 **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.

Note

1. All legislative instruments and compilations are registered on the Federal Register of Legislative Instruments kept under the *Legislative Instruments Act 2003*. See <http://www.frli.gov.au>.