VFMC

Victoria's investment specialist



2025-26 Annual Report

OFFICIAL

VFMC
Victoria's investment specialist

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Corporation Secretary
Traci MacRae

External Auditor
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Acknowledgement of Country

Victorian Funds Management Corporation acknowledges Aboriginal and Torres Strait Islander peoples as the First Peoples and Traditional Custodians of the lands, skies and waters we now know as Victoria.

We honour and pay our respects to Elders past and present and recognise the continuing strength, resilience and contribution of Victoria's First Peoples.

Clients

ESSSuper Emergency Services & State Super
TAC Transport Accident Commission
vmia
WorkSafe Victoria
Agriculture Victoria Services
Ahpra & National Boards
Arts Centre Melbourne
Ballarat Cemeteries
Banyule City Council
Bayside City Council
Bayside Health
cenitex
City of Melbourne
City of Melton
Corangamite Shire
Consumer Affairs Victoria
Grampians Health
holmesglen
homes victoria
Latrobe Regional Health
Melbourne Recital Centre
Monash Health
NGV
Portable Long Service Authority
QEC
State Library Victoria
The Royal Melbourne Hospital
The Royal Victorian Eye and Ear Hospital
the women's the royal women's hospital victoria australia
Victoria State Government Treasury and Finance
William Angliss Institute
Zoos Victoria Fighting Extinction

The picture on the front cover was photographed by Mark Tracey.

Letter to the Treasurer

The Hon. Colin Brooks MP
Treasurer of Victoria
1 Treasury Place
Melbourne Victoria 3000

Dear Treasurer

I am pleased to submit the 2025-26 VFMC Annual Report for presentation to Parliament, as required by the *Financial Management Act 1994*.

Yours sincerely



Lisa Gay
Chair

Investing for Victoria's future

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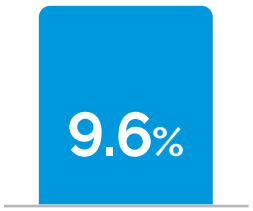
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2025-26
Year in review

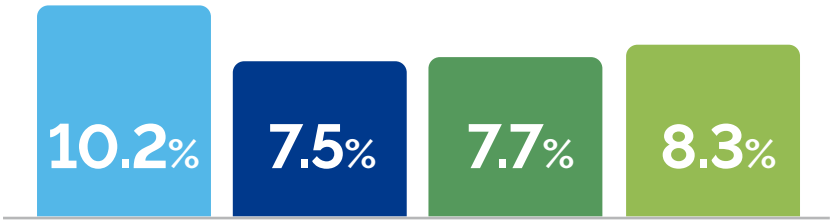
Foundation Centralised Investment Model client aggregate returns (net of fees) to 30 June 2026

One year return to 30 June 2026 vs benchmark (net of fees)



8.9%
Benchmark

Longer term returns vs benchmark
(net of fees)



3 yrs p.a.	5 yrs p.a.	8 yrs p.a.	10 yrs p.a.
9.8% Benchmark	7.1% Benchmark	7.5% Benchmark	8.0% Benchmark

Funds under management

$103 bn

$7.7 bn
Increase on prior year

Post-tax surplus
$17m

VFMC Employee engagement **84%**

PEOPLE **MATTER** SURVEY

Victorian Public Sector Commission's People Matter Survey 2026

291
ESG engagements across asset classes

8.7/10 **Client satisfaction score**

Biennial 2026 Client Survey

About VFMC

Investing for Victoria's future

Victorian Funds Management Corporation (VFMC) is a public authority responsible for investing for the State of Victoria and manages $103 billion of funds for 32 clients.

VFMC was established under the *Victorian Funds Management Corporation Act 1994* (VFMC Act) and is subject to the general direction of the Treasurer of Victoria.

VFMC provides investment and funds management services to the State, Victorian public authorities and related organisations in a commercially effective, efficient and competitive manner.

VFMC generates value for the State through delivering:

1. Pooled investing efficiency

By centralising the investment management services for multiple Victorian public authorities, VFMC removes the need for these authorities to individually pursue their own internal investment capabilities, which are likely to be collectively higher cost and unable to generate the same value.

2. Net return outperformance

By aiming to generate additional net returns above benchmark for its clients, VFMC can effectively reduce the funding requirements from the Victorian State Government for its public authorities.

3. Dividend payments

By generating an operating surplus, VFMC is able to deliver a dividend to the State.

While all three drivers of value are important, VFMC's primary focus is on maximising value for the State by providing clients with efficient access to market-leading net investment returns.

Clients

VFMC has 32 clients across a range of industries including insurance, superannuation, health care, the arts, education and zoos.

Four clients make up approximately 83% of VFMC's funds under management (FUM). These clients, known as Foundation clients, invest through VFMC under the Victorian Government's Centralised Investment Model (CIM). VFMC also manages funds for the Victorian Government – Victorian Future Fund and 27 Victorian public authorities and related organisations. See page 2 for a client list.

Values

VFMC's values are at the core of its culture:



Do what's right: be courageous, take informed risks, be accountable for our decisions and behaviours.



Always aim to do better: to achieve the best outcomes for our stakeholders.

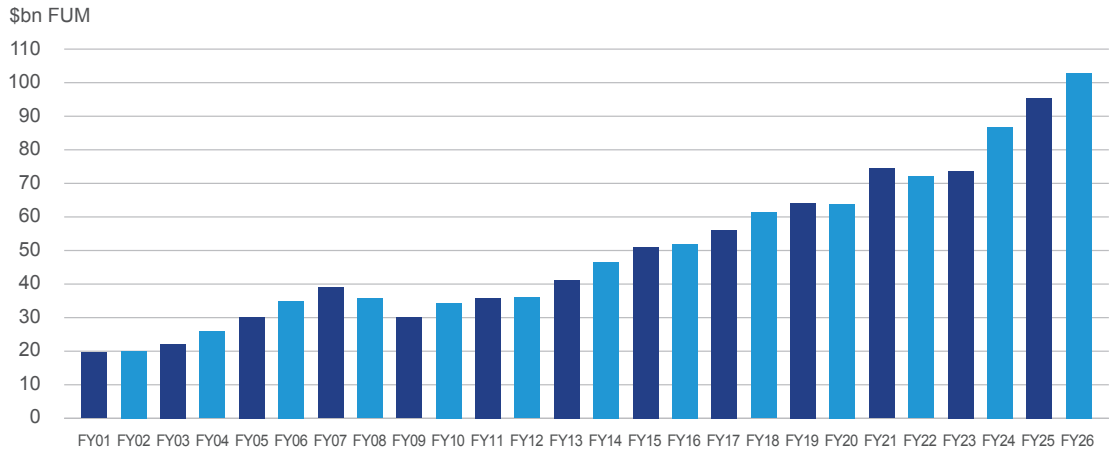


Be curious, smart, kind and inclusive: work together for greater impact.

Funds managed

VFMC's funds under management (FUM) largely rises and falls with markets. The performance of VFMC's investments and client cash flows also impacts FUM. As at 30 June 2026, VFMC's FUM was $103 billion.

FUM from FY 2000-01 to FY 2025-26



Services

VFMC manages investment risks and builds portfolios that aim to optimise returns and meet client objectives. It offers a range of investment and related services, including:

- developing strategic asset allocations for Foundation Centralised Investment Model (Foundation CIM) clients;
- designing and offering suitable investment products for other public authorities and related organisations;
- implementing investment strategies;
- offering investment guidance;
- providing internal funds management;
- selecting external fund managers and monitoring their performance;
- providing integrated investment stewardship (environmental, social and governance) services and guidance;
- providing proxy voting services; and
- monitoring risk and compliance.

VFMC offers its clients the benefits of scale by providing access to opportunities and investment management expertise that may not be directly available to them at a competitive cost. This expertise is drawn from a combination of internal investment management and external fund managers.

Internal investment management is utilised where VFMC has the capabilities to generate superior risk-adjusted performance net of fees.

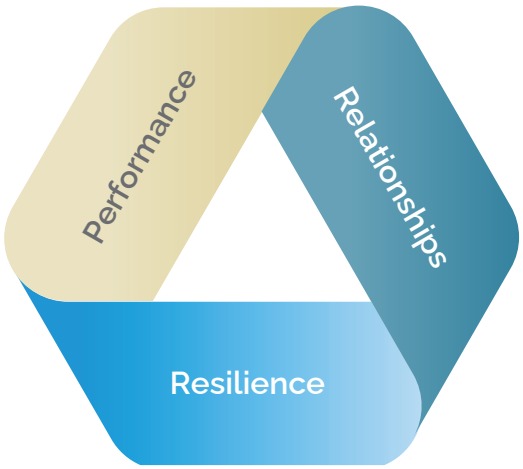
Approximately 35% of VFMC's funds are managed internally. VFMC also provides clients, including their boards and committees, with performance reports and regular insights on investments and the broader global outlook. This keeps clients informed of the current performance of their investments, as well as potential drivers of, and impacts on, future performance.

Strategic plan

VFMC's four-year strategic plan, Elevate to 28, is focused on ensuring that the organisation can deliver on its purpose: Investing for Victoria's future. During 2025-26, VFMC continued to focus on programs that strengthen its capacity and capability to deliver on this purpose efficiently and cost-effectively.

At the strategy's midpoint, VFMC has made strong progress in delivering key programs across the three strategic pillars of performance, relationships and resilience, while laying the foundations to complete the remaining programs efficiently.

The summary below outlines progress against each pillar, including major activities delivered during the year and the capability being built for the future.



Performance >

Optimising VFMC performance in all aspects to achieve the best possible outcomes for clients and the State of Victoria.

VFMC has uplifted its investment management approach through the evolution of the Investment Leadership Team structure and strengthened team capability, particularly from a whole-of-portfolio and investment stewardship perspective.

The team merged two asset allocation programs into an Active Asset Allocation framework designed to respond to more volatile market conditions, and delivered various other related investment initiatives.

Significant progress has been made in the implementation of foundational artificial intelligence capability supporting improved analytics, dashboards, modelling and research capabilities, and providing productivity gains across the business. The focus of the next 12 months is to scale this technology to a broader range of workflows and capabilities.

Relationships >

Central to VFMC's effectiveness are strong relationships with clients, Government and service providers.

VFMC has strengthened supplier and manager partnerships to increase value from key data services and investment relationships. A major project has also commenced to enhance the organisation's performance and attribution platform. This will provide greater levels of investment data and flexibility for enhanced analytics and reporting.

Client and stakeholder relationships continued to be a central focus, with uplifts in product offerings, services, relationship support, and fee assessment and evaluation. VFMC launched three new Equity Pooled Funds to provide suitable clients with more investment choice and flexibility. The 2026 VFMC Client Survey demonstrated strong overall client satisfaction across a number of areas, including investment outcomes and service.

Resilience >

Investing in the capability of VFMC people and the organisation to support the delivery of outcomes for clients, our people and the State.

VFMC has continued to modernise its technology environment through the adoption of cloud-based solutions, enhanced data capabilities, and significant cyber security uplift initiatives, creating a more secure and resilient organisation. Key achievements include the migration of the portfolio management platform to a software-as-a-service operating model.

VFMC's people are critical to the organisation's success, supported by strong leadership and a values-based culture. The people strategy has maintained a strong focus on leadership and talent initiatives.

Solid progress has also been made on enterprise risk and finance enhancement activities.

The Elevate to 28 strategy outcomes are ahead of schedule, with most foundational work delivered. The final two-year phase will focus on embedding and enhancing capabilities that deliver long-term strategic benefits. This includes implementing key platforms and capability uplifts, improving reporting systems, migrating cloud infrastructure, delivering further cyber security roadmap initiatives and scaling AI capabilities. Additional people, risk and finance enhancement activities are also planned.

Report from the Chair and Chief Executive Officer



Lisa Gay, Chair

Investing for Victoria's future

Over 32 years, VFMC has grown to manage $103 billion in funds on behalf of the State of Victoria and our clients (as at 30 June 2026). This year, VFMC achieved strong results in another period of global economic, political and market volatility, reinforcing the importance and value of VFMC's disciplined long-term investment approach.

At VFMC, our focus remains the same: investing for Victoria's future. We invest across a range of asset classes for our four Foundation CIM clients, the State of Victoria and 27 other Victorian public authorities and related organisations. We manage these investment portfolios efficiently and effectively to deliver long-term investment outcomes that support our clients to provide important services to the Victorian community.

Solid investment results for clients and Victoria

VFMC delivered an above-benchmark aggregate one-year investment return to 30 June 2026 (net of fees) of 9.6% for our Foundation CIM clients in this first year of the triennial 2025 Investment Risk Management Plan (IRMP).

Our Pooled Fund results were also positive, with all funds comfortably exceeding their respective benchmark returns over 2025-26.

VFMC strategy – Elevate to 28

During 2025-26, VFMC made excellent progress in achieving key outcomes under the Elevate to 28 strategy. At the midpoint of the four-year strategy, we are well advanced in delivering strategic initiatives, while continuing to strengthen the organisation's capability and capacity to deliver on its purpose of investing for Victoria's future.

This work spans technology, artificial intelligence, productivity, investment approach and products, organisational structure, people and third-party relationships.

Governance

The Board, supported by the Audit, Risk and Compliance Committee and the People Committee, has maintained a strong focus on VFMC's approach to risk management and governance. This oversight ensures VFMC can continue to provide the investment and funds management services required by the State and our clients, effectively and efficiently.

VFMC monitors current and emerging risks on an ongoing basis, with formal reviews at regular intervals. Building and maintaining a positive risk culture is central to VFMC's risk management approach. An indicator of this is VFMC's strong result in the *2026 Victorian Public Sector People Matter Survey*, where risk-related scores improved on already high results from the previous year.

Acknowledgements

I would like to thank my fellow directors for their commitment, contribution and support throughout the year.

On behalf of the Board, I would like to acknowledge and thank Fiona Trafford-Walker, who was farewelled from the Board in May 2026. Fiona was appointed in 2018 and consistently made a significant contribution to the organisation through her investment expertise and dedication to strong governance.

The Board and I extend our appreciation to VFMC CEO Kate Galvin, who has been appointed for a further five-year term, and to the Executive Team for their leadership and management of VFMC. We also thank our people for their commitment to work that benefits Victoria and our clients.

I look forward to working with our Board and our team as we continue to invest for Victoria's future in 2026-27.



Lisa Gay
Chair



Kate Galvin, Chief Executive Officer

Strong outcomes for clients and the State of Victoria

VFMC's focus continues to be on delivering value for clients and the State. While the 2025-26 year presented ongoing challenges for investment markets, including geopolitical uncertainty and market volatility, VFMC's funds under management grew to $103 billion and we achieved solid investment returns for clients. We also generated an increased operating surplus of $17 million and achieved a return on capital of 20%.

For Foundation CIM clients in 2025-26, we implemented the first year of the triennial Investment Risk Management Plan, effective from 1 July 2025. We also welcomed two new Pooled Fund clients and provided greater flexibility for clients through the launch of three new Equity Pooled Funds. Our biennial client survey demonstrated a high client satisfaction score of 8.7, up 0.6 on 2023-24, and provided valuable insights into how we can better support our clients.

Solid returns in a volatile environment anchored by a long-term approach

Over the one-year to 30 June 2026, VFMC's Foundation CIM aggregate portfolio delivered a return of 9.6% (after fees) and exceeded the benchmark return of 8.9%. Over the medium to longer term, VFMC's Foundation CIM aggregate performance for the three-, five- and ten-year periods to 30 June 2026 were also above benchmark. Our Pooled Fund results were positive, with our largest fund, the Growth Fund, achieving a 10.6% one-year return (after fees) to 30 June 2026. The other Pooled Funds also comfortably exceeded their benchmarks for 2025-26.

Delivering on the Elevate to 28 strategy

Our four-year Elevate to 28 strategy is focused on ensuring VFMC continues to deliver on its purpose of investing for Victoria's future. In the second year of the strategy, we delivered key elements across its three interconnected pillars: performance, relationships and resilience.

Some highlights for 2025-26 were that we:

- enhanced our investment management approach, evolved the team structure, and strengthened team capability;
- implemented advanced tools and systems, with adoption of artificial intelligence to further improve analytics, dashboards, modelling and research capabilities, and support productivity gains;
- strengthened supplier and manager partnerships to increase ongoing value from key relationships;
- further developed technology cloud solutions and bolstered cyber security; and
- continued to invest in our people, particularly through professional development and leadership initiatives, including the launch of the VFMC Development and Leadership Academy.

The delivery of the strategic program is ahead of schedule, with most of the foundational work completed to ensure we continue to deliver outcomes for our clients and the State in an efficient and effective way. The final two-year phase will focus on embedding and enhancing capabilities that provide long-term benefits.

Our people are a critical part of Elevate to 28

VFMC's workplace culture, effective leadership and engaged, high-calibre team are critical elements of the resilience pillar of the Elevate to 28 strategy.

Our values are central to how we deliver great outcomes and are:

- **Do what's right:** be courageous, take informed risks, be accountable for our decisions and behaviour.
- **Always aim to do better:** to achieve the best outcomes for our stakeholders.
- **Be curious, smart, kind and inclusive:** work together for greater impact.

Each year, we participate in the *Victorian Public Sector Commission's People Matter Survey*, which provides valuable insights into our people's views about working at VFMC and how those views are changing over time. The 2025-26 survey delivered a strong engagement score of 84%, an increase of four percentage points on the prior year. The survey results indicated that the team felt a robust connection to meaningful work, had confidence in leadership and had a clear understanding of how their roles contribute to VFMC's goals. The results reinforced VFMC's culture as a key strength, underpinned by our purpose, values alignment, collaboration and inclusive people leadership.

Thank you

I would like to thank the VFMC Board and Executive Team for their leadership and dedication to delivering on our purpose. In late 2025, Paul Shanley, Chief Finance and Risk Officer, stepped away from the role after three years. I appreciate the support and expertise he provided during that time. I am also pleased that he has stayed on to assist us with managing key finance and people projects. In March 2026, we welcomed Jeff Phillips to the role of Chief Finance and Risk Officer and appointed Maree Squillacioti as Head of People.

Thank you to our people for their engagement, commitment to our values and culture, and focus on delivering the best possible outcomes for our clients and Victoria. Finally, thank you to our clients for entrusting our team to manage their investments, which support them to provide essential services for Victorians.

I look forward to working together in 2026-27 to implement our strategy, deliver strong long-term returns and ensure VFMC continues to be a great place to work.



Kate Galvin
Chief Executive Officer

Governance

VFMC Board

The Board's role is to provide overall strategic guidance for VFMC and effective oversight of management. It must ensure that VFMC fulfils its objectives and functions and that its activities comply with the VFMC Act.

The role and responsibilities of the Board are detailed further in the VFMC Board Charter.

Lisa Gay

Chair

Appointed Chair November 2023
Appointed Director May 2016

Lisa Gay is an experienced non-executive director and chair, with an extensive executive and legal background in funds management, investment banking and stockbroking.

She is currently a Non-Executive Director of Koda Capital and has previously held a number of significant board and leadership positions, including Non-Executive Director of Computershare, Member of the Council of Trustees of the National Gallery of Victoria, Deputy Chair of the Indigenous Land and Sea Corporation, Chair of Voyages Indigenous Tourism Australia, Chair of the Australian Securities and Investments Commission's Markets Disciplinary Panel, Non-Executive Director of the Interim Melbourne Arts Precinct Corporation Board, and Board Member of Fed Square.

From 1990 to 2010, Lisa served as General Counsel and Managing Director of Goldman Sachs Australia and its predecessor, JBWere & Son.

Tom Considine

Deputy Chair

Chair of the People Committee

Appointed Director June 2021

Tom Considine is a corporate advisor with deep experience across the public and private sectors. He is a Partner with Advisory and Investment firm KordaMentha and specialises in major infrastructure and property investments, strategic transactions, commercial negotiations, and complex public-private partnerships. He brings extensive experience in governance, risk oversight and capital management across large organisations.

Prior to joining KordaMentha, Tom was a Partner at Tenet Advisory and Investment where he led the Infrastructure Advisory practice. Tom has also held a number of senior executive roles in the Victorian public sector including Interim Chief Executive Officer of the Suburban Rail Loop Authority, Group Head of Civic Infrastructure at Development Victoria and Chief of Staff to the Treasurer of Victoria.

Tom holds a Bachelor of Arts from Monash University and a Master of Business Administration from the Melbourne Business School.

Chris Barrett

Director

December 2023 to July 2026

Chris Barrett commenced as Secretary for the Victorian Department of Premier and Cabinet (DPC) in August 2026. Previously, Chris was Secretary of the Department of Treasury and Finance (DTF) and led the department in its role of providing economic, financial and resource management policy advice to the Government, from December 2023 to July 2026.

Chris joined DTF as Deputy Secretary of the Economic Division in January 2021. Chris was responsible for the provision of high-level economic and policy advice to the Government on productivity, taxation and regulation, along with social, environmental, and economic development issues.

Before this, Chris was the CEO of Invest Victoria, and led both the Victorian Government's approach to investment attraction and the Economic Recovery Mission in response to coronavirus (COVID-19).

In 2011, Chris was appointed Australian Ambassador to the Organisation for Economic Cooperation and Development (OECD) in Paris, where he led Australia's engagement with the OECD and contributed to global best-practice public policy. Following on from his role with the OECD, Chris spent four years with the European Climate Foundation in Berlin, as Executive Director, Finance and Economics.

Chris has more than two decades of experience in public service and public policy, within Australian governments at state and federal level as well as internationally.

Chris has a Master in Public Policy from Princeton University, and Master of Arts and a Bachelor of Commerce from the University of Melbourne.

David Martine PSM

Director

Appointed September 2014

David Martine has extensive public finance, policy and organisational leadership experience across the public sector. He is a Director of Development Victoria and was previously a Director of Treasury Corporation of Victoria and Infrastructure Victoria.

David was the Secretary of the Victorian Department of Treasury and Finance for nearly ten years until December 2023. He led the department providing economic, policy and commercial advice to the Victorian Government. Prior to this, David worked as a senior executive in the Commonwealth public sector, providing strategic advice to governments on a range of economic and other policy issues.

David was awarded the Public Service Medal (PSM) – Victoria in the Australia Day Honours 2019. This award recognises outstanding public service to social, microeconomic and public sector reform and innovation in Victoria.

David has a Bachelor of Economics (Honours) from Monash University and a Master of Business Administration.

Andrew Nicolaou

Director

Appointed September 2020

Andrew Nicolaou is a highly experienced risk management, assurance, consulting and regulation professional in financial services and government.

He is the Chair of the Audit Committees at the Department of Transport and Planning, Department of Education, Grampians Wimmera Mallee Water and Fire Rescue Victoria.

Andrew previously specialised in the financial institutions of government, with senior roles covering the Treasury portfolio in Victoria over a period of 30 plus years. He provided services to the Transport Accident Commission, WorkSafe Victoria, Victorian Managed Insurance Authority, Rural Finance and the Department of Treasury and Finance. Andrew also supported the Victorian Treasury in the development and implementation of the Financial Management compliance, risk management and prudential assurance regimes.

Andrew is a Fellow of the Institute of Chartered Accountants, a Graduate of the Australian Institute of Company Directors and a Fellow of the Institute of Public Administration Australia.

Claire Rogers

Director

Appointed August 2024

Claire Rogers is a strategic leader with deep expertise in driving growth, innovation, and transformation across a broad range of financial services and for-purpose entities.

Claire is Chair of Australian Red Cross, and a Non-Executive Director of Melbourne Business School (MBS Limited), .au Domain Administration Limited (auDA) and Spiire Limited.

Claire was formerly Chair of Ridley College, Melbourne, and a Non-Executive Director of Payton Capital Ltd, Methodist Ladies College, Kew, and the Australian Council for International Development (ACFID).

Claire is Group Chair, CEO Mastermind and Managing Partner, Advisory Services at Mentorlist and co-founder and Non-Executive Director of Saas company Dutyof.care Solutions Pty Ltd trading as Oho.

Claire was Chief Executive of World Vision Australia, the country's largest not-for-profit organisation, and held senior leadership roles in multiple divisions of ANZ, including Head of Digital Banking.

Claire has a BA from Melbourne University, an MBA from Melbourne Business School and is a member of the AICD, and Chief Executive Women.

Maria Wilton AM CFA

Director

Chair of the Audit, Risk and Compliance Committee

Appointed December 2017

Maria Wilton has extensive global experience in business, finance and governance, having held leadership positions in global asset management companies and superannuation funds.

Maria is Independent Chair of the HESTA Investment Committee, Queensland Investment Corporation State Investments Committee and Growth Farms Australia Pty Ltd. She is an Independent Director of Dexus Wholesale Property Fund, HESTA and Brandon Capital.

She previously worked in leadership and senior executive roles at Franklin Templeton, BT Financial Group and JP Morgan. Before joining the investment industry she worked for the Commonwealth Treasury in an economic research capacity.

In 2019, Maria became a Member of the Order of Australia for significant service to business and finance and to the community.

Maria holds a Bachelor of Economics from the University of Tasmania, is a Chartered Financial Analyst Charter holder and a Fellow of the Australian Institute of Company Directors.

Fiona Trafford-Walker

Director

August 2018 to May 2026

Fiona Trafford-Walker is a Non-Executive Director at FleetPartners and Perpetual Limited. She chairs the Audit and Risk Committee at FleetPartners and the People and Remuneration Committee at Perpetual Limited. She is also an independent member of the IFM Real Estate Investment Committee, a Strategic Advisor to the Australian Retirement Trust Investment Committee, and a member of the Investment Committee at the Walter and Eliza Hall Institute. Effective May 2026, Fiona is a member of the Future Fund Board of Guardians.

Fiona was a Director of VFMC until May 2026. She is a former Investment Director at Frontier Advisors, where she previously held the positions of Managing Director and Director of Consulting.

In 2013, Fiona was named as the inaugural 'Woman of the Year' in the Money Management/Super Review Women in Financial Services Awards, was one of the top 10 Global Asset Consultants by the US financial journal Chief Investment Officer from 2013 to 2016 inclusive, and 2019. She was a winner in The Australian Financial Review and Westpac 100 Women of Influence Awards for 2016 in the Board/management category.

Fiona holds a Bachelor of Economics (First Class Honours) from James Cook University, receiving a University Medal, a Master of Finance from RMIT and is a Graduate of the Australian Institute of Company Directors.

VFMC Executive Leadership Team

Kate Galvin

Chief Executive Officer (CEO)
Joined October 2021

Kate is responsible for the strategic development and leadership of VFMC and is a steward to the Board.

Jeff Phillips

Chief Finance and Risk Officer
Joined March 2026

Jeff is responsible for leading VFMC's enterprise governance, risk management, compliance, finance, tax and legal portfolios.

Paul Letcher acted in this role from December 2025 until March 2026, and Paul Shanley was Chief Finance and Risk Officer from August 2022 until December 2025.

Lucy Carr

Chief Operating Officer
Joined December 2019

Lucy is responsible for leading VFMC's data and analytics, digital and technology, investment operations and performance, and projects and change portfolios.

Maree Squillacioti

Head of People
Joined September 2017

Maree is responsible for leading the people strategy, initiatives and people practices of the organisation.

Russell Clarke

Chief Investment Officer (CIO)
Joined May 2017

Russell is responsible for leading the investment team and overseeing the investment management of more than $100 billion in funds under management.

Traci MacRae

Corporation Secretary
Joined July 2021

Traci is responsible for overseeing delivery of VFMC's corporate governance function and enables the effective operation of the Board and Committee processes.

VFMC governance

VFMC's responsibilities and accountabilities are outlined primarily in the VFMC Act, the Instrument of Delegation and in Board and management committee charters.

The VFMC Board is responsible for managing the affairs of VFMC and may exercise its powers, including the power of delegation. The Board must have at least four, but no more than nine, members. Directors are appointed by the Governor in Council, with the Chair and Deputy Chair appointed by the Treasurer. Each Director is appointed for a term not exceeding three years and is eligible to be reappointed.

The Board is responsible for:

- appointing the CEO (with approval of the Treasurer), the CIO and the Corporation Secretary;
- recommending the Corporate Business Plan to the Treasurer for approval;
- monitoring performance and implementation of corporate strategy by senior management;
- approving VFMC's investment philosophy and approach, as well as client IRMPs designed to achieve individual client objectives;
- monitoring investment performance of the organisation and compliance with client IRMPs;
- oversight of the investment strategy for VFMC Pooled Funds;
- oversight of VFMC's control and accountability systems, including approval of key policies; and
- approving financial reports annually and monitoring financial results on an ongoing basis.

The Directors are bound by parts of the *Public Administration Act 2004* and the Code of Conduct for Directors of Victorian public entities. VFMC's people are bound by the *Code of Conduct for Victorian public sector employees*.

VFMC's investment powers and functions under the Centralised Investment Model are primarily derived from:

- *Section 20* of the *Borrowing and Investment Powers Act 1987 (Vic)* (BIPA) and the Orders in Council dated 13 June 2006 (Orders in Council);
- VFMC's appointment by each Foundation CIM Client under section 9A of the VFMC Act pursuant to the Orders in Council; and
- *The Prudential Standard: VFMC and the Centralised Investment Model 1 October 2016* issued by the Department of Treasury and Finance (Prudential Standard).

The Prudential Standard outlines VFMC's obligations regarding governance, investment governance, client IRMPs, risk management, breach reporting and fit and proper person requirements. The Board certifies to the Department of Treasury and Finance and the Foundation CIM clients annually in relation to several obligations under the Prudential Standard.

The Deed of Appointment under section 9A(3) of the VFMC Act dated 25 October 2022 between the Treasurer and VFMC, sets out the terms of VFMC's appointment as fund manager for the Victorian Future Fund and includes a requirement for VFMC to develop an IRMP in alignment with the requirements of the Prudential Standard.

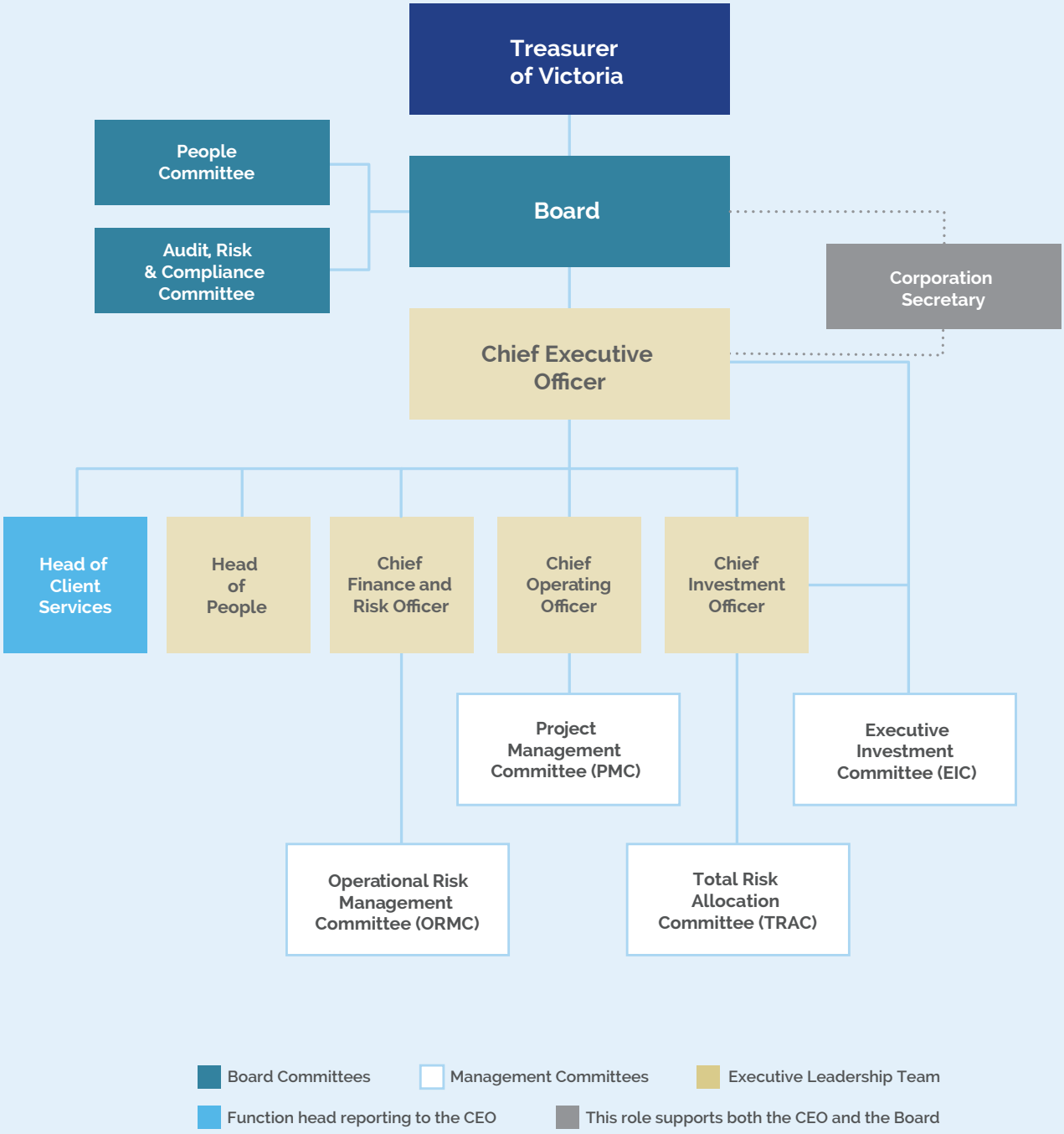
In accordance with the VFMC Act, VFMC is subject to the general direction of the Treasurer.

Directions from the Treasurer may relate to the corporate performance of VFMC but must not include a direction in relation to an investment decision, dealing with property or the exercise of a voting right. Any direction must be published in the *Victorian Government Gazette* and VFMC Annual Report.

The Treasurer did not issue any directions in 2025-26.

VFMC's governance structure

VFMC has a robust governance framework in place to support sound decision making.



Board and Committee meetings

The number of meetings held during 2025-26 and attendance of each Director are set out in the tables to the right.

Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee assists the Board with fulfilling its statutory and regulatory responsibilities, including overseeing the integrity of VFMC's financial reporting (including compliance with the Standing Directions made by the Assistant Treasurer under the *Financial Management Act 1994*), risk management and internal controls.

The Committee Chair is Maria Wilton. Meetings are held at least four times a year or more often as required.

People Committee

The People Committee assists the Board with overseeing the remuneration strategy, organisational culture, occupational health and safety, diversity, inclusion and belonging strategies and succession planning. The Committee evaluates the CEO's performance and makes recommendations to the Board.

The Committee Chair is Tom Considine. Meetings are held at least twice a year or more often as required.

Directors' benefits

Since the end of the previous financial year, no Director of the Corporation (other than disclosed in the financial statements) has received or become entitled to receive a benefit (other than a benefit included in the total amount of fees received or due and receivable by Directors shown in the financial statements) by reason of a contract made by the Corporation, with the Director or with a firm of which the Director is a member or with an entity in which the Director has a substantial financial interest.

Board

Director	Meetings held in 2025-26	Meetings eligible to attend	Attended
Lisa Gay (Chair)	7	7	6
Tom Considine (Deputy Chair)	7	7	7
Chris Barrett	7	7	7
David Martine, PSM	7	7	7
Andrew Nicolaou	7	7	7
Claire Rogers	7	7	6
Fiona Trafford-Walker	7	6	5
Maria Wilton, AM	7	7	7

Audit, Risk and Compliance Committee

Director	Meetings held in 2025-26	Meetings eligible to attend	Attended
Maria Wilton, AM (Committee Chair)	5	5	5
Lisa Gay	5	5	5
Andrew Nicolaou	5	5	5
David Martine, PSM	5	5	5

People Committee

Director	Meetings held in 2025-26	Meetings eligible to attend	Attended
Tom Considine (Committee Chair)	4	4	4
Lisa Gay	4	4	4
Fiona Trafford-Walker	4	3	3
Claire Rogers	4	4	4

Independence and related parties

The Board has agreed that conflicts of interest are addressed where applicable by Directors declaring their interests, absenting themselves from relevant discussions and abstaining from voting at VFMC's Board meetings. All transactions with deemed related parties have been made on commercial terms and conditions. These related party transactions are detailed on page 75 of this report.

Indemnification and insurance of Directors and Officers

The Directors' and Officers' liability insurance provides cover against costs and expenses involved in defending legal actions and any resulting payments arising from a liability to persons (other than the Corporation or a related body corporate) incurred by a person in their position as a Director or Officer of the Corporation unless the conduct involves a wilful breach of duty or an improper use of inside information or position to gain advantage.

Risk management

VFMC's Risk and Compliance Framework is consistent with the Victorian Government Risk Management Framework and is an integral part of VFMC's governance, business planning and management responsibilities.

The Board has overall responsibility for risk management within VFMC. This includes:

- approval and oversight of the risk management framework;
- setting the desired risk culture;
- setting VFMC's risk appetite to guide management in decision making;
- review of the residual risk rating for key enterprise-wide risks; and
- approval of and monitoring of compliance with client Investment Risk Management Plans.

The Risk and Compliance Framework ensures identification, assessment and management of risk, with an appropriate focus on risk and compliance matters.

VFMC has adopted the 'three lines model' for risk management:

Line 1: The business

VFMC's people are responsible for proactively identifying and managing risk on a day-to-day basis.

Line 2: Chief Finance and Risk Officer and the Risk and Compliance team

The team:

- promotes a proactive and holistic view of risk;
- maintains and supports a risk management program to evaluate, manage and mitigate enterprise risk across the organisation;
- provides guidance, escalation and challenge to risk owners in their application of risk management practices; and
- facilitates opportunities for learning and continuous improvement where risks or process failings have eventuated.

Line 3: Independent internal audit function

The internal audit function (delivered through an outsourced provider) assesses and reports on VFMC's operations, internal controls and compliance with regulatory obligations.

Line 3 provides assurance over lines 1 and 2 and the appropriateness, effectiveness and adequacy of the risk management framework and internal controls.

Risk culture

Effective risk management is a key enabler of VFMC's strategic delivery and an integral part of its culture.

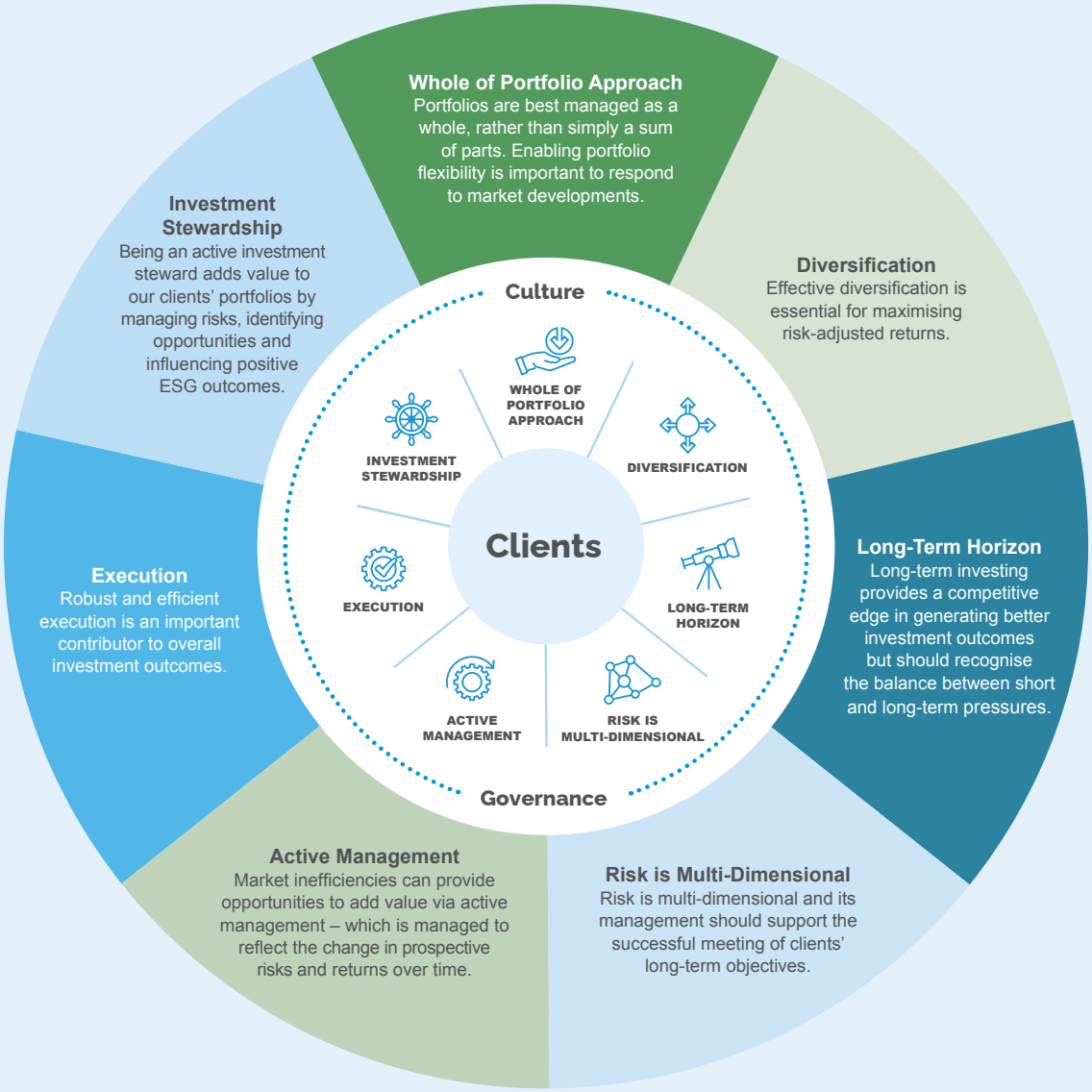
VFMC's Risk and Compliance Framework outlines VFMC's desired risk culture.

VFMC understands that thinking about and managing risk is part of everyone's role and recognises that risk presents both opportunities and challenges.

Risk culture is measured and reported to the senior management team and the Board through the Audit, Risk and Compliance Committee.

Investment management

Investment philosophy



Our Foundations

Clients

Clients' specific circumstances are considered when designing and managing their portfolios.

Culture and Governance

Good governance practices improve the quality of decision making that can lead to better investment outcomes.

Investment philosophy

VFMC's investment philosophy emphasises VFMC's position as a long-term investor.

The Investment Risk Management Plan (IRMP)

The IRMP documents the Foundation CIM clients' investment objectives, their strategic asset allocations and VFMC's approach to investment management.

The IRMP is reviewed on a triennial basis through collaboration between VFMC, the Department of Treasury and Finance and Foundation CIM clients to review their individual investment objectives. The latest IRMP, covering 2025–2028, was approved by the Treasurer of Victoria and took effect from 1 July 2025. VFMC then implemented the newly approved Strategic Asset Allocations from 1 July 2025 for clients as part of the triennial IRMP process.

Portfolio construction

VFMC is a liability-aware investor. In constructing portfolios for Foundation CIM clients, it considers their forecast future liabilities (insurance and superannuation payments) and seeks to reduce the long-term cost to the State of funding those liabilities. VFMC's approach balances an awareness of specific client liability obligations with a primary focus on their long-term return objectives, while also considering their shorter-term business pressures.

This provides VFMC with greater flexibility compared to a strict liability-matching approach, which would limit it to making investments designed solely to reflect clients' liability profiles.

While each Foundation CIM client is unique, portfolios are generally designed to deliver absolute returns in the order of 4.0% to 4.75% per annum in excess of inflation, expressed via the Consumer Price Index, Average Weekly Earnings or Wage Price Index over rolling eight-to ten-year periods, depending on each client's risk profile.

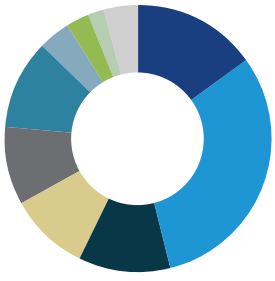
VFMC also designs portfolios for Pooled Fund clients, which includes three multi-asset options and four single sector options. Clients are responsible for managing their own investment objectives, liabilities and capital commitments.

Strategic asset allocation

VFMC sets a strategic asset allocation designed to meet each client's long-term investment objectives, liabilities and risk tolerances with effective diversification. The following charts show the breakdown of the strategic asset allocation for each asset class as at 30 June 2026 across the Foundation CIM clients and the VFMC Pooled Funds respectively. The Foundation CIM aggregate is a weighted average of individual clients' strategic asset allocations.

Foundation CIM clients aggregate strategic asset allocation
at 30 June 2026

Australian Equities	15.8%	Private Credit	10.7%
International Equities	31.0%	Inflation Linked Bonds	3.8%
Infrastructure	10.9%	Australian Bonds	2.9%
Property	9.6%	US Bonds	2.0%
Hedge Funds	9.4%	Cash	3.9%

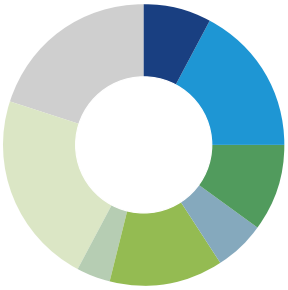


VFMC Pooled Funds strategic asset allocation
at 30 June 2026

VFMC Enhanced Income Fund

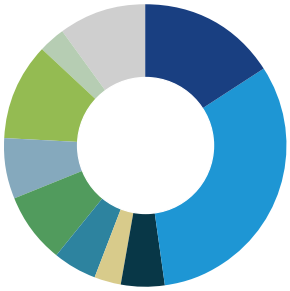
Enhanced Income	100.0%

VFMC Conservative Fund



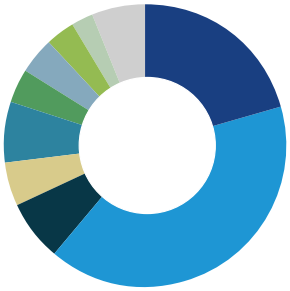
Australian Equities	8.0%
International Equities	17.0%
Australian Credit	10.0%
Inflation Linked Bonds	6.0%
Australian Bonds	13.0%
US Bonds	4.0%
Enhanced Income	22.0%
Cash	20.0%

VFMC Balanced Fund



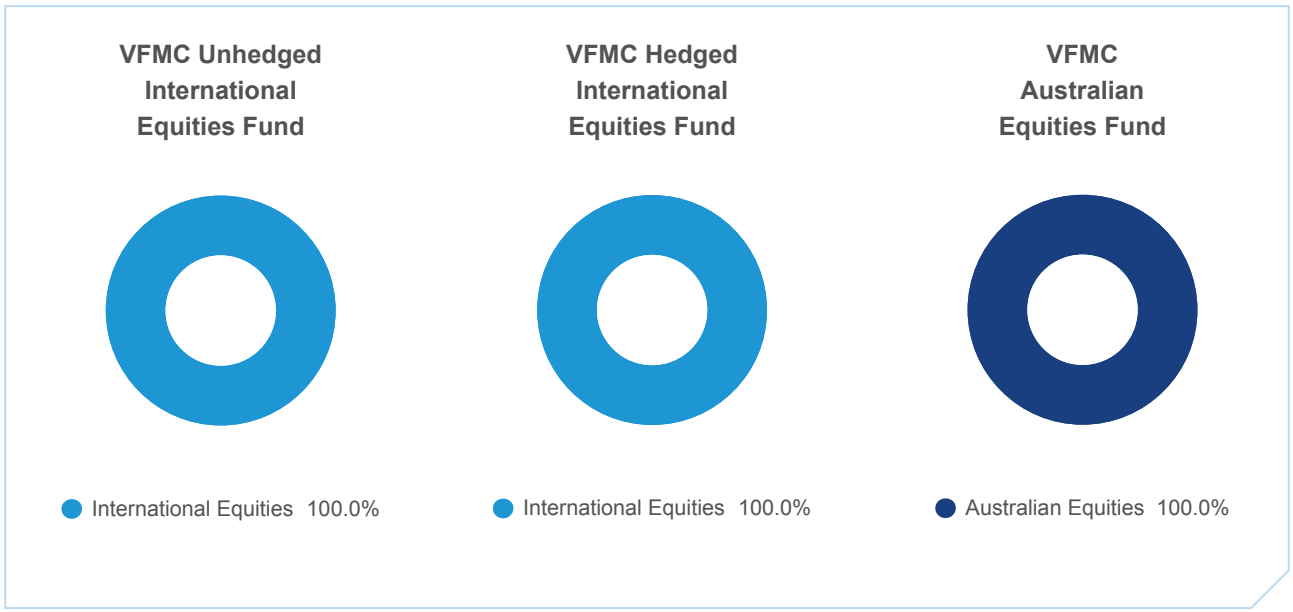
Australian Equities	16.0%
International Equities	32.0%
Infrastructure	5.0%
Property	3.0%
Private Credit	5.0%
Australian Credit	8.0%
Inflation Linked Bonds	7.0%
Australian Bonds	11.0%
US Bonds	3.0%
Cash	10.0%

VFMC Growth Fund



Australian Equities	21.0%
International Equities	41.0%
Infrastructure	7.0%
Property	5.0%
Private Credit	7.0%
Australian Credit	4.0%
Inflation Linked Bonds	4.0%
Australian Bonds	3.0%
US Bonds	2.0%
Cash	6.0%

VFMC Pooled Funds strategic asset allocation
at 30 June 2026



Managing currency

As a global investor, VFMC also considers the impact of currency exposure on international asset returns. When designing portfolios, VFMC evaluates the most appropriate level of foreign currency exposure to balance return and diversification benefits at the portfolio level, rather than allowing this exposure to be shaped solely by the currency of underlying investments. It uses currency hedging to manage these exposures as needed and proactively manages its foreign currency hedging program in response to market developments.

Active asset allocation management

VFMC takes an active approach to asset allocation as it believes market inefficiencies can provide opportunities to add incremental value. This program is designed to improve portfolio resilience, increase absolute and risk-adjusted returns and take advantage of market opportunities at different stages of the business cycle. A range of risks and opportunities are considered to maximise the probability of long-term success, as VFMC believes downside protection in the portfolio is as important as capturing upside opportunities.

Internal and external funds management

VFMC uses a combination of internal and external management across portfolios. Internal management is undertaken within the Australian Equities, International Equities, Australian Credit, Fixed Interest and Cash asset classes, as well as the Active Asset Allocation program.

VFMC also partners with external investment managers who execute investment strategies and make active investment and asset allocation decisions on its behalf.

VFMC's external managers comprise a diverse group of trusted, specialist investment firms from around the world.

Investment performance

Investment environment

The financial year 2025-26 was ultimately constructive for investment markets but characterised by recurring bouts of significant volatility and a wide range of macroeconomic and geopolitical risks. Key concerns included uncertainty around US trade policy, the inflationary impact of tariffs, questions about US fiscal sustainability, and periodic escalation in geopolitical tensions, particularly in the Middle East and between the US and China. Investors also continued to assess the durability of Chinese economic growth and whether policy support would be sufficient to stabilise activity.

Despite these headwinds, global growth proved more resilient than expected. Labour markets softened but corporate earnings remained supportive and continued investment in Artificial Intelligence (AI) was an important source of market optimism, notwithstanding concerns about elevated valuations and concentration risk.

The US economy remained solid, supported by strong AI-related capital investment, although hiring slowed and consumer sentiment remained poor. In Australia, conditions improved on firmer private demand and a resilient labour market but limited spare capacity and weak productivity meant stronger demand quickly translated into renewed inflation pressure. China's policy support helped reduce downside risks, although the recovery remained uneven. In Europe, sentiment improved as materially higher defence and infrastructure spending, including Germany's expanded defence budget and a lifted NATO spending target, provided a more constructive medium-term backdrop.

Global inflation trends were less straightforward than in the prior year. While inflation had declined materially from its post-pandemic peaks, the pace of disinflation slowed and upside risks re-emerged. Tariffs, the energy price shock associated with the Middle East conflict and still-tight capacity all complicated the outlook, prompting forecasters to revise inflation expectations higher. This left central banks balancing support for growth against the risk that inflation could remain above target for longer.

Advanced economy central banks responded differently to a renewed inflation shock, reflecting varying domestic conditions. The US Federal Reserve cut rates in late 2025 before pausing in early 2026 as inflation risks re-emerged. The European Central Bank raised rates in June 2026 for the first time since 2023, while the Bank of Japan continued normalising, lifting its policy rate to 1.0%, the highest in over three decades. In Australia, the RBA raised the cash rate three times to 4.35% by mid-2026 as inflation and domestic demand proved stronger than expected.

Within equity markets, the key challenge was reconciling resilient earnings and strong enthusiasm for AI with elevated valuations, tariff uncertainty and changing expectations for interest rates. Equity markets generally delivered positive returns, though outcomes were uneven across regions. Australia notably lagged global peers, with subdued earnings growth and less exposure to the technology and AI themes that drove global indices.

Investment performance

The Foundation CIM aggregate portfolio delivered consistently favourable outcomes, outperforming its Strategic Asset Allocation benchmark across all periods measured. Over the one-, three-, five- and ten-year periods, the portfolio achieved net returns after fees of 9.6%, 10.2%, 7.5% and 8.3% per annum respectively, ahead of the corresponding benchmark returns of 8.9%, 9.8%, 7.1% and 8.0% per annum.

Foundation CIM clients' aggregate performance by asset class at 30 June 2026 (net of fees)

Asset class	1 year		3 years		5 years		8 years		10 years	
	Actual (%)	Bmk (%)	Actual (%)	Bmk (% p.a.)	Actual (%)	Bmk (% p.a.)	Actual (%)	Bmk (% p.a.)	Actual (%)	Bmk (% p.a.)
Equities										
Australian Equities	**5.0**	6.2	**9.8**	10.6	**6.9**	7.6	**7.6**	8.4	**8.9**	9.4
International Equities	**15.1**	13.2	**16.8**	16.0	**10.9**	10.9	**11.8**	11.5	**12.6**	12.3
Real Assets										
Infrastructure	**8.3**	7.7	**8.1**	7.7	**10.4**	9.1	**10.0**	8.2	**10.3**	8.0
Property	**6.3**	7.5	**0.9**	3.3	**2.8**	5.1	**4.0**	5.0	**5.6**	6.3
Alternative Strategies										
Hedge Funds	**10.2**	11.0	**9.5**	8.4	**8.3**	5.6	**6.6**	5.6	**n/a**	n/a
Credit										
Private Credit	**8.2**	6.8	**9.0**	7.5	**7.4**	5.4	**n/a**	n/a	**n/a**	n/a
Cash and Fixed Interest										
Inflation Linked Bonds	**4.8**	2.7	**4.8**	3.3	**2.2**	0.8	**3.4**	2.5	**3.3**	2.4
Australian Bonds	**2.8**	1.5	**5.1**	4.0	**1.2**	0.4	**2.3**	1.8	**2.3**	1.8
US Bonds	**3.8**	2.5	**4.0**	2.3	**0.0**	-1.3	**n/a**	n/a	**n/a**	n/a
Cash	**4.3**	3.9	**4.8**	4.2	**3.6**	3.1	**2.7**	2.3	**2.6**	2.2
Other										
Other Strategies	**3.3**	7.0	**2.2**	5.0	**1.4**	4.8	**n/a**	n/a	**n/a**	n/a
Active Asset Allocation & Whole of Portfolio Trades	**0.3**	–	**0.0**	–	**0.1**	–	**0.1**	–	**0.1**	–
Total Fund (Net)	**9.6**	8.9	**10.2**	9.8	**7.5**	7.1	**7.7**	7.5	**8.3**	8.0
Total Fund (Net, including franking credits)	**9.7**	–	**10.2**	–	**7.6**	–	**7.8**	–	**8.5**	–

Active Asset Allocation programs

VFMC seeks to enhance total portfolio returns through its Active Asset Allocation (AAA) program. During 2025-26, the former Dynamic Asset Allocation and Cycle Aware Asset Allocation programs were integrated into a single AAA framework, combining quantitative and qualitative insights within a unified investment process. The integration streamlined the approach from a governance perspective and enhanced the team's ability to respond to changing market conditions.

Throughout the financial year, the active program adjusted portfolio exposures in response to evolving macroeconomic conditions, monetary policy developments and market valuations. Active positions were implemented across equities, fixed income and foreign exchange markets, including positions in US and Australian equities, government bonds and the Australian dollar. Fixed income and Australian dollar positions contributed positively to performance.

Additionally, as part of its internal active investment program, VFMC established a Whole of Portfolio gold position in July 2025 and dynamically managed the exposure throughout the year in response to evolving macroeconomic and geopolitical conditions. The position made a significant positive contribution to active returns over the period.

VFMC further expanded its active asset allocation capability through the appointment of an external Global Tactical Asset Allocation (GTAA) manager in December 2025. The strategy provides exposure to a diversified set of global macro investment opportunities across equities, fixed income and currency markets and made a positive contribution to portfolio performance during the financial year.

Overall, the combined internal and external active programs generated a strong positive contribution to returns over 2025–26, demonstrating the value of diversified sources of active return in a challenging market environment.

Asset class returns

The Foundation CIM aggregate portfolio returned 9.6% net of fees over 2025-26, comfortably exceeding its benchmark return of 8.9%. All asset classes delivered positive returns over the financial year, with International Equities and Hedge Funds among the strongest contributors to absolute performance for clients.

Most asset classes outperformed their benchmarks over 2025–26, with particularly strong relative outperformance from International Equities, Private Credit and Fixed Income strategies. These gains were slightly offset by Australian Equities, which underperformed in a difficult market environment characterised by elevated market concentration.

Net of fees results for the total portfolio and by asset class alongside relevant benchmark returns for one-, three-, five-, eight- and ten-year periods are shown on the prior page. The total portfolio benchmark comprises a capital weighted blend of the asset class benchmarks which are listed on page 32.

Australian Equities

The Australian equities market delivered a single-digit return over 2025–26, underperforming international equities by a long way due to limited exposure to AI-led global winners and stock-specific weakness across several large domestic blue chips. Gains were concentrated in the Materials sector while Healthcare, Information Technology and many growth stocks de-rated sharply. Overall, the performance of the Australian equities index was driven more by concentrated gains in areas such as large cap resources, and supported by passive investor inflows, rather than broad market strength.

Against this tough backdrop for active management, the VFMC Australian Equities portfolio underperformed its benchmark over 2025-26, however, performed well relative to the median active fund manager. The portfolio's underperformance was mainly driven by stock selection in the Communication Services and Financials ex-Banks sectors.

International Equities

The VFMC International Equities portfolio materially outperformed its benchmark and the median active fund manager over the year, driven by positive stock selection within the Information Technology, Industrials, Materials and Utilities sectors. Drivers of outperformance were broad based, with the Developed Markets, Emerging Markets and Low Volatility Equity components of the International Equities portfolio each outperforming their respective benchmarks.

Over 2025-26, international equities markets delivered strong double-digit returns despite periods of volatility driven by tariff uncertainty, geopolitical tensions and inflation concerns. Market performance was supported by resilient economic growth in the US, robust corporate earnings and continued investment in artificial intelligence related infrastructure and technologies.

Infrastructure

The VFMC Infrastructure portfolio outperformed its benchmark over 2025–26. The year was characterised by evolving US policy, heightened geopolitical uncertainty, and energy market volatility. Data centres were a key driver of performance, supported by strong demand from artificial intelligence related compute demand, cloud services and digital infrastructure investment. In contrast, renewable energy assets, particularly wind generation, faced headwinds from increased project costs and supply chain challenges. While transaction activity moderated later in the year, investor interest remained focused on digital, power and energy transition opportunities. Overall, infrastructure assets remained resilient in a dynamic and evolving market over the year.

Property

The VFMC Property portfolio delivered a positive return over 2025-26, extending the recovery in performance that commenced early 2025. While the portfolio underperformed the benchmark, performance benefitted from stabilising capitalisation rates and modest valuation growth across most sectors. Discretionary Retail led the recovery in performance, supported by strong rental growth and selective capitalisation rate compression.

Industrial assets remained resilient, although rental growth moderated amid new supply and elevated vacancy rates. Office markets continued to stabilise, with prime assets benefitting from stronger rental growth and lower vacancy, outperforming secondary assets.

Property debt strategies in Australia and the US continued to deliver strong risk-adjusted returns, providing diversification and defensiveness to the portfolio. Exposure to the living sector, particularly Specialist Disability Accommodation, was also additive to returns.

Hedge Funds

The VFMC Hedge Funds portfolio delivered strong positive returns over 2025–26, however, modestly underperformed its benchmark. All underlying managers generated positive returns across a diverse range of investment strategies, benefiting from heightened market volatility and increased dispersion across regions and asset classes. Quantitative, Macroeconomic, and Credit Relative Value strategies were particularly strong performers, capitalising on opportunities across currencies, equities, and credit markets as investors navigated ongoing uncertainty. The portfolio's exposure to reinsurance benefited from limited losses and spread tightening from strong investor demand.

Private Credit

The VFMC Private Credit portfolio delivered strong positive returns over 2025-26, comfortably exceeding its benchmark. Performance was driven by a broad-based contribution across the portfolio's underlying managers and strategies.

Over the year, private credit yields remained attractive relative to liquid credit, supported by structural protections and illiquidity premiums that benefited the portfolio. Overall, private credit markets continued to demonstrate resilience despite heightened scrutiny and headlines, with recent developments assessed as idiosyncratic rather than a systemic deterioration in credit conditions, reinforcing the importance of manager selection and underwriting discipline in the sector.

Fixed Interest

The VFMC Fixed Income portfolios, US, Australian and Inflation Linked Bonds, delivered strong returns over 2025-26, significantly outperforming their respective benchmarks. All underlying managers, led by VFMC's internal Fixed Income team, exceeded their respective benchmarks, with interest rate management and relative value strategies driving outperformance.

Major bond market indices were modestly positive over the year, with factors driving this including the US Federal Reserve easing, spread compression and yield income. A key market theme over the year was subdued rate volatility, despite an uncertain outlook, driven by geopolitical tensions in the Middle East. Further, real yields rose with growth forecasts factoring economic gains from AI and data centre build-out.

Additionally, the economic outlook in Japan saw Japanese Government bond yields continue to reach multi decade highs.

Cash

VFMC's internally managed Cash portfolio outperformed its benchmark over the year, driven by active management strategies.

In response to diverging inflation expectations, 2025-26 saw the US Federal Reserve's and Reserve Bank of Australia's monetary policy stance diverge. The Reserve Bank of Australia reversed course over the first half of 2026, hiking the official policy rate three times by 0.25% in February, March and May 2026, bringing the cash rate to 4.35%.

Asset class benchmarks

Asset class	Benchmark
Australian Equities	S&P / ASX300 Accumulation Index
International Equities	83% MSCI All Country World Index (Net dividends reinvested) in AUD 17% MSCI World Minimum Volatility (USD) Index (Net dividends reinvested) in AUD
Infrastructure	50% CPI + 4% p.a. 50% MSCI Australia Quarterly Private Infrastructure Fund Index (Frozen)
Property	50% CPI + 3.5% p.a. 50% MSCI/Mercer Australia Core Wholesale Monthly Pooled Fund Index (Net)
Hedge Funds	50% Bloomberg AusBond Bank Bill Index + 3% p.a. 50% Hedge Funds Research Inc. (HRFI) Fund of Fund Diversified Index (AUD Hedged)
Private Credit	50% Bloomberg AusBond Bank Bill Index + 3% p.a. 25% S&P/LSTA Leveraged Loan Index (AUD Hedged) 12.5% HFRI ED - Distressed/Restructuring Index (AUD Hedged) 12.5% Merrill Lynch High Yield Master II (AUD Hedged)
Australian Credit	Bloomberg AusBond Bank Bill Index
Inflation Linked Bonds	Bloomberg AusBond Government Inflation Linked 0+ Yr Index
Australian Bonds	Bloomberg AusBond Composite Bond 0+ Yr Index
US Bonds	Bloomberg US Treasury Index (AUD hedged)
Enhanced Income	Bloomberg AusBond Bank Bill Index
Cash	Bloomberg AusBond Bank Bill Index
Other Strategies	Bloomberg AusBond Bank Bill Index + 3% p.a.

VFMC Pooled Funds

As at 30 June 2026, there were 26 Pooled Fund clients and combined funds under management of $5.8 billion across the VFMC Pooled Funds.

Net returns after fees for each Pooled Fund, together with the relevant benchmark returns, are presented in the following table.

The VFMC Enhanced Income Fund delivered positive returns during the year and outperformed its benchmark by a significant margin, driven by VFMC's internally managed strategy. The VFMC Conservative, Balanced and Growth Funds also generated favourable absolute returns and strongly exceeded their respective benchmarks. Of note, VFMC's largest Pooled Fund, the Growth Fund, returned 10.6% net over 2025-26. Across these diversified multi-asset funds, relative performance was supported by contributions from International Equities, Private Credit and the Fixed Income and Cash asset classes.

In April 2026, VFMC expanded its Pooled Fund offering with the launch of three new Equity Funds — Australian Equities, Unhedged International Equities and Hedged International Equities. As recently established Funds, performance outcomes remain at an early stage.

Strong performance in 2025–26, together with a more favourable inflation environment than in recent years, supported progress towards the Pooled Funds' long-term real return objectives. The Growth Fund exceeded its CPI +4% p.a. objective over ten years, while the Balanced Fund was broadly in line with its CPI +3% p.a. objective over seven years. The Conservative Fund, reflecting its lower allocation to equities, remained below its CPI +1.5% p.a. objective over five years.

VFMC Pooled Funds aggregate performance by Fund

Pooled Funds aggregate performance by Fund to 30 June 2026 (net of fees)

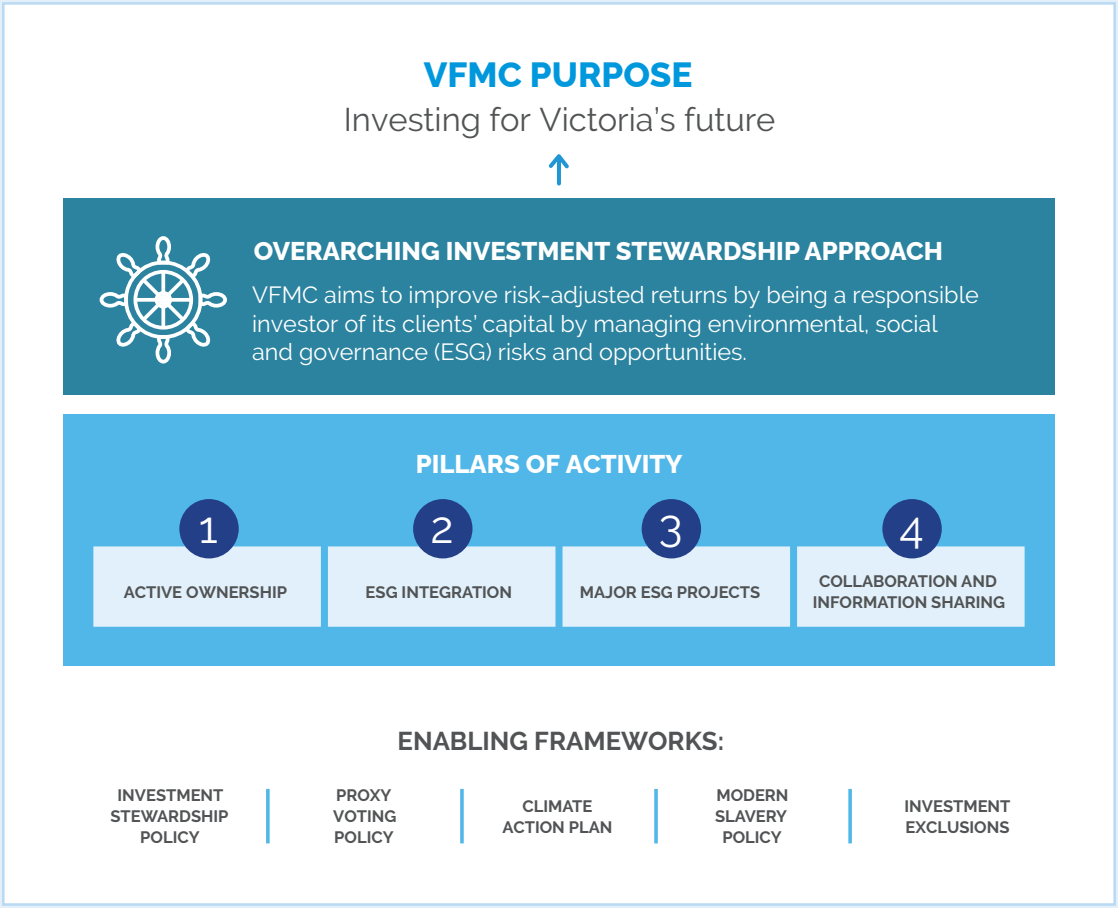
VFMC Pooled Fund	1 year		3 years		5 years		7 years		10 years	
	Actual (%)	Bmk (%)	Actual % p.a.	Bmk % p.a.	Actual % p.a.	Bmk % p.a.	Actual % p.a.	Bmk % p.a.	Actual % p.a.	Bmk % p.a.
Enhanced Income Fund[1]	**4.8**	3.9	**5.2**	4.2	**–**	–	**–**	–	**–**	–
Conservative Fund	**6.5**	5.6	**7.4**	6.7	**4.7**	4.1	**4.4**	3.9	**4.5**	4.1
Balanced Fund	**8.9**	8.0	**10.0**	9.6	**6.2**	6.0	**6.5**	6.3	**6.8**	6.9
Growth Fund	**10.6**	9.6	**11.4**	11.1	**7.2**	7.1	**7.7**	7.7	**8.2**	8.5
Australian Equities Fund[2]	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Unhedged International Equities Fund[2]	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Hedged International Equities Fund[2]	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–

[1] Incepted Q4 2022, 5-year performance not yet available.
[2] Incepted April 2026, 1-year performance not yet available.

Investment stewardship

VFMC's approach to investment stewardship aims to improve risk-adjusted returns by managing environmental, social and governance (ESG) risks and opportunities, alongside other investment factors. VFMC believes integrating financially material ESG factors into the decision-making process is important for safeguarding clients' long-term returns and is essential to VFMC's role as a responsible steward of capital.

VFMC achieves this by systematically integrating ESG factors into its 'whole of portfolio' investing approach, evaluating ESG risks and opportunities when selecting, managing and monitoring investments. This work is summarised through the framework below – outlining the four key pillars of VFMC's Investment Stewardship program, and the various policies and frameworks that guide its implementation.



Active ownership

VFMC actively monitors and engages with investee companies and external fund managers across all asset classes. This active ownership enables VFMC to protect and enhance long-term investment value in investee companies, funds and assets, including a strong focus on corporate governance, risk management and broader ESG practices.

VFMC's active ownership approach focuses on:

- proactively engaging with investee companies and funds on a range of ESG-related risks, opportunities and priorities; and
- exercising voting rights at listed company Annual and Extraordinary General Meetings.

Engagement

VFMC undertakes a multi-year engagement program with investee companies on ESG-related risks, opportunities and priorities, both directly with underlying companies and indirectly through collaborative initiatives and external fund managers. The objective of this engagement is to elevate the management of financially material ESG risks and opportunities, promote improvements in corporate practice and support the delivery of sustainable long-term investment outcomes.

Over the 2025-26 financial year, VFMC undertook 291 engagements. Key focus areas of engagement included governance, remuneration, climate and occupational health and safety.

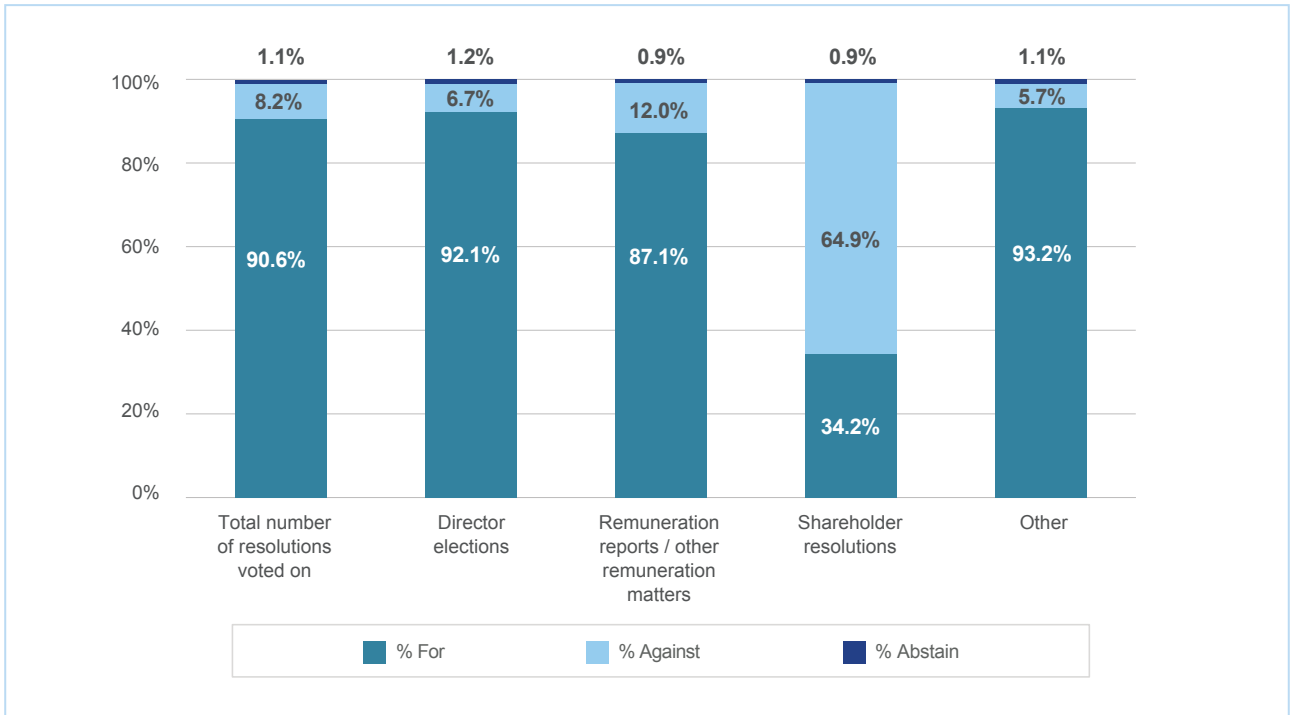
Proxy voting

As a shareholder in listed companies, VFMC exercises voting rights at Annual and Extraordinary General Meetings. VFMC utilises its voting rights to help manage ESG risks and protect and enhance long-term shareholder value.

In the 2025-26 financial year, VFMC voted on 27,691 resolutions across global and domestic companies. Executive remuneration was the defining theme of the 2025-26 AGM season, attracting the highest level of shareholder dissent and accounting for the greatest proportion of VFMC's votes against management. This reflected continued investor scrutiny of the alignment between executive pay outcomes and long-term company performance.

VFMC generally voted against shareholder-requisitioned resolutions that were overly prescriptive, duplicated existing disclosure, or were unlikely to serve shareholders' long-term interests, while supporting those resolutions seeking enhanced transparency on material issues such as climate transition and biodiversity risks.

Resolution and voting results for 2025-26



CASE STUDY:

Engagement on safety within the waste sector

Waste management plays an important role in supporting the transition to a circular economy, which in turn underpins broader climate transition objectives through improved resource efficiency and reduced emissions. Given the labour-intensive nature of the waste sector, VFMC regards occupational health and safety as a priority matter for engagement with investee companies. To this end, VFMC attended a site visit to a landfill and recycling sorting facility in Victoria to better assess the safety related issues at the investee company.

During the site visit, company representatives from the investee company were able to demonstrate tangible measures to improve worker safety, such as changes to process and physical sites and the use of automation and AI integration as preventive measures against safety incidents.

Such site visits provide valuable insights into company practices beyond formal disclosure and engagement with senior management. They also enable VFMC to benchmark operational approaches across the market and proactively identify and manage material ESG factors across other investments within VFMC's portfolio.

CASE STUDY:

Providing Specialist Disability Accommodation (SDA)

VFMC invests in a diversified portfolio of over 550 SDA places (beds), implemented by an external fund manager with expertise in this space. This supports Australians living with disability to access high-quality, newly built housing. Through built form and delivery partners, the portfolio prioritises tenant care and living outcomes, supporting independence, dignity and connection to community. The portfolio has also supported emergency accommodation during expected periods of temporary non-utilisation, enabling partnerships with community housing providers to deliver short-term transitional housing.

VFMC's SDA exposure is an example of portfolio-wide ESG integration. It illustrates an ESG-related opportunity, where the provision of positive social outcomes may deliver attractive risk-adjusted financial performance.

ESG integration

In the 2025-26 financial year, ESG due diligence was undertaken on 18 investment proposals and direct investment opportunities, across a range of asset classes, regions and sectors.

Integration of ESG considerations across unlisted asset classes continues to evolve as market practices mature and manager capabilities strengthen. A notable example during the year was the implementation of VFMC's Private Credit Manager Assessment Framework, which has helped establish a more structured and consistent approach to evaluating how ESG risks and opportunities are identified, assessed and managed within private credit portfolios.

The Framework considers how external fund managers in private credit integrate ESG across the whole investment lifecycle. This ranges from their investment due diligence and portfolio monitoring, through to key ESG governance functions. Overall, the Framework supports constructive collaboration with both external managers and the broader industry, while highlighting opportunities for continuous improvements across VFMC's unlisted investments.

During 2025-26, VFMC continued to strengthen broader ESG systems and capabilities that underpin its investment approach, demonstrated by the following outcomes:

- The Investment Stewardship team grew to five full-time employees, supporting ongoing resourcing and capabilities.
- The review and onboarding of a new third-party ESG data provider, strengthening VFMC's ESG analytical capabilities and integration of ESG data into core investment data systems.
- VFMC being recognised as a Responsible Investment Leader by the Responsible Asset Allocator Initiative (RAAI), acknowledging the strength of its responsible investment framework.

Major projects

VFMC undertakes ESG-related projects to support and enhance its Investment Stewardship activities. This includes activities to meet legislative obligations, ongoing improvements to systems and capabilities, and thematic ESG research relevant to both VFMC's portfolio and the broader investment market.

These projects are driven by collaboration across VFMC's specialist teams, to ensure a whole-of-portfolio approach to ESG.

Key ESG projects undertaken in 2025-26 included:

- the development of a Sovereign Investability Model, to systematically assess country-level governance risks;
- the delivery of a whole-of-portfolio ESG dashboard, providing enhanced portfolio-wide oversight and support for investment decision-making; and
- the introduction of an ESG Engagement Tracking Tool to support VFMC's multi-year engagement program with ASX-listed companies, enabling structured milestone tracking and more consistent monitoring of engagement progress and outcomes.

CASE STUDY:

Supporting sustainable bond markets

VFMC's Fixed Interest portfolio maintains diversified exposure to high-quality credit, including supranational, sovereign and agency (SSA) issuers. These organisations are prominent participants in the green, social, sustainable and sustainability-linked (GSSS) bond markets, channelling capital towards environmental and social initiatives while offering the credit quality, duration and liquidity characteristics VFMC seeks in its fixed interest allocation.

During 2025-26, VFMC invested in a number of primary GSSS bond issuances, spanning Australian Government bonds and a range of multilateral development bank transactions. These included the Inter-American Development Bank's Amazonia Bond, with proceeds directed towards forest conservation, biodiversity protection and community development across the Amazon basin, and the African Development Bank's Social Bond, which finances eligible social projects across Africa aimed at poverty reduction, job creation and access to essential services. Through these investments, VFMC plays a small but important role as a provider of debt financing to these markets to finance social and environmental priorities at scale while delivering the risk-adjusted returns.

Collaboration

To maintain a robust approach to ESG risk, VFMC regularly collaborates and shares knowledge with peer investors and other industry participants, both directly and through investor-led initiatives. Some examples of VFMC's industry collaborations include:

ACSI

Australian Council of Superannuation Investors (ACSI): VFMC is a member of ACSI and contributes through its Member Council and working groups, engaging on governance, sustainability and stewardship matters within the Australian market.

Investor Group on Climate Change

Investor Group on Climate Change (IGCC): VFMC is a member of IGCC, collaborating with Australian and New Zealand investors on climate-related risks, opportunities and evolving market practices.

PRI PRINCIPLES FOR RESPONSIBLE INVESTMENT

UN-supported Principles for Responsible Investment (PRI): VFMC has been a signatory since June 2007, supporting the continued development of its responsible investment practices and connection to a global network of institutional investors.

Electricity consumption

In accordance with Victorian Government public sector sustainability reporting requirements, VFMC is required to report on Tier 4 operational indicators, including energy use, electricity consumption and offsets (EL1, EL4, T2 and B3). Of these, only total electricity consumption is applicable to VFMC's operations for the 2025-26 period.

Indicator	2025-26	2024-25
Total electricity consumption (related to EL1 reporting requirements)		
Total electricity consumption (kWh)	180,275.87	174,929.50
Purchased electricity (related to scope 2 emissions)		
Corporate Office tenancy electricity consumption (kWh) (a)	74,651.42	77,172.29
Not directly purchased but from outside the organisation (related to scope 3 emissions)		
Corporate Office base building tenancy electricity consumption (kWh) (a)(b)	105,624.45	97,757.21

Notes:
a. This being the sole office of Victorian Funds Management Corporation.
b. This is an estimate based on most recent available data provided by the Landlord, pro-rated relative to VFMC's tenancy NLA.

Clients

VFMC clients

VFMC manages funds for the State of Victoria, Victorian public authorities and related organisations, including local government. The returns generated from client investment portfolios support client organisations to deliver important community services, such as health and wellbeing, insurance, education, retirement outcomes and enhancements to the cultural lives of Victorians.

VFMC were delighted this year to welcome two new clients to VFMC and will continue to look for new clients to partner with in the coming year.

VFMC has 32 clients across three categories:

1. Foundation CIM clients

Public authorities that are required to invest through VFMC under the Centralised Investment Model (CIM).

2. Foundation CIM 'Model' client

The Victorian Future Fund, a contractual appointment made by agreement with the Treasurer.

3. Other CIM clients

Public sector entities that are required to invest through VFMC under a Standing Direction under the *Financial Management Act 1994*.

In addition, other clients can choose to invest with VFMC if they are established under a State Act, with Board members appointed by a Minister and wholly or partly funded by the State of Victoria.

Client investment services

VFMC engages regularly with its clients to maintain a close understanding of their environment and any evolving needs. Clients are also provided with investment guidance, integrated investment stewardship services, regular Board and Committee updates and reporting.

VFMC performs an extensive review of the investment strategy for its Foundation CIM clients every three years. The IRMP for this reporting period was effective from 1 July 2025 for three years and in 2027, VFMC will commence a review in preparation for the next IRMP.

Throughout the IRMP review process, VFMC works closely with Foundation CIM clients and the Department of Treasury and Finance to ensure clients' risk and return profiles, long-term liability profiles, funding ratios, liquidity and income requirements are understood and considered in the process.

VFMC also undertook a review of the VFMC Pooled Funds over 2025-26. This review resulted in three new equity funds providing clients with greater investment choice, depending on their investment objectives and risk profile. These new funds provide access to international hedged and unhedged equities as well as an Australian equities option.

Client satisfaction survey

VFMC undertakes biennial client satisfaction surveys that are an integral part of the feedback loop that enable the organisation to continue to prioritise improvements.

The survey results have shown a consistent improvement in overall client satisfaction, increasing from 8.1 in 2024 to 8.7 in 2026. The uplift reflects strong investment outcomes and VFMC's ongoing focus on client service. The detailed findings from the latest survey will be shared with stakeholders later in 2026.

Client engagement

As part of VFMC's commitment to client service and engagement, the organisation hosted two investment forums for its clients in 2025-26. These forums were in addition to individual client engagement and provided updates on investment markets and performance drivers, as well as targeted topics including:

- investment market assumptions and the medium to long-term return outlook;
- impacts of geopolitical activity on investment markets;
- individual asset class deep dives;
- active management; and
- current VFMC key initiatives.

VFMC has also continued to provide ESG updates and has expanded the information to include case studies that can assist clients with managing their own reporting and stakeholder engagement.

Contributing to the investment community

As well as hosting client forums, VFMC actively engaged with the industry as a thought leader and contributes to the investment community through knowledge sharing.

In 2025-26, VFMC representatives were invited to participate in panels, roundtables and presentations at multiple industry events. VFMC leaders and investment experts spoke across a range of topics, such as:

- markets and strategy;
- asset classes including fixed income, property and equities;
- portfolio risk; and
- ESG considerations.

People

VFMC people

At VFMC, we love our work and the impact we have. We have the privilege of investing for the future of the State of Victoria. Our culture is one of our greatest strengths and is shaped by what our people value most.

Our values:

Do what's right: be courageous, take informed risks, be accountable for our decisions and behaviour.
Always aim to do better: to achieve the best outcomes for our stakeholders.
Be curious, smart, kind and inclusive: work together for greater impact.

Our impact: Our impact is felt by all Victorians as we work to contribute to the future of the State with over $100 billion in funds under management. Our people consistently tell us they feel strongly connected to VFMC's purpose and the opportunity to make a meaningful difference through their work here.

Our team: We are a curious, smart, kind and inclusive team that genuinely cares about each other.

People Listening @ VFMC

VFMC's People Listening Strategy provides multiple opportunities to hear from employees throughout the year, with the aim of continually strengthening VFMC as a great place to work. These channels include onboarding surveys, new starter feedback, CEO meetings, stay interviews, exit surveys and formal employee surveys conducted at least annually.

Feedback from new starters continues to be positive, with employees describing VFMC as welcoming, agile, collaborative and purpose driven. Common themes included appreciation for VFMC's culture, a positive induction experience, generosity and accessibility of colleagues, and enthusiasm for the organisation's work and investment focus.

New starters also expressed a strong sense of pride and alignment with VFMC's mission and values, noting that the culture feels genuine in practice. People Leaders were consistently recognised as approachable and supportive mentors who provide helpful guidance and regular check-ins.

During the year, VFMC also heard more formally from its people through the *Victorian Public Sector Commission's People Matter Survey*. With strong participation rates, the survey provided valuable insight into employees' experiences and perspectives on working at VFMC.

VFMC's People Matter Survey results continued to reflect a strong and improving employee experience. Engagement increased by nine points over two years to 84 per cent, with people reporting a strong connection to meaningful work, confidence in their leaders, and a clear sense of how their role contributes to VFMC's goals. These results reinforce VFMC's culture as a key strength, underpinned by purpose, values alignment, collaboration and inclusive people leadership.

The survey also highlighted growing pride and connection across the organisation, with employees citing relationships, inclusion and meaningful work as key reasons they chose to stay at VFMC. People reported positive experiences of respect, recognition, flexibility and career development, alongside strong confidence that feedback was being heard and acted on, reflected in the significant improvement in results relating to organisational follow-through. Together, these findings demonstrated the value of VFMC's continued focus on culture, leadership and employee experience.

Career Development @ VFMC

Career development remained a priority during the year, with VFMC continuing to support employee growth through a combination of on-the-job development, structured learning and career opportunities. Employees have access to the VFMC Leadership and Development Academy, which provides a central framework for learning and development across the organisation. Promotions continued to be considered and awarded annually in line with organisational needs and employee readiness.

VFMC's internal rotation program continued for its eighth year in 2025–26, providing employees with opportunities to broaden their experience, observe senior leaders and participate in a range of governance and decision-making forums. Leadership capability was also supported through the Elevate Executive Leaders Program and the Evolve Leadership Development Program, which continued to provide targeted development opportunities for leaders at different stages of their leadership journey.

The VFMC Analyst Program is designed to attract, develop and retain a cohort of talented and diverse analysts with two to three years of work experience from a broad range of backgrounds.

The program supports a strong pipeline of future talent, while also creating opportunities for existing VFMC people to mentor, develop and support less experienced employees. Participants take part in a two-year training and development program co-designed with the VFMC Leadership Team, offering a broad range of learning and growth opportunities.

Balanced Lives @ VFMC

Balanced Lives @ VFMC supports a flexible approach to work that enables high performance while supporting sustainable careers and employee wellbeing.

Teams continue to be supported to develop Balanced Lives Team Agreements, enabling local discussion and shared expectations about ways of working. To support collaboration, connection and culture, VFMC maintained a hybrid working model, including attendance in the shared workplace for at least three days each week, with leaders facilitating team-based discussions on these arrangements.

Community impact

All VFMC employees have access to two days of volunteering leave each year, providing an opportunity to connect with colleagues while making a positive impact in the community. Annually, there is a dedicated *Community Impact Month*, that focuses on raising awareness of the volunteering opportunities available through the organisation. The team can support a range of community organisations through volunteering their time, fundraising, or donating funds and essential goods.

During 2025–26, VFMC employees chose to volunteer with several organisations, including St Mary's House of Welcome and Ronald McDonald House Charity.

Family Friendly Workplace

VFMC was recertified as a Family Friendly Certified Workplace during the year, reflecting its continued commitment to creating a supportive and inclusive workplace for employees and their families. This was supported by a range of initiatives, including return-to-work coaching post parental leave, flexible and hybrid working arrangements, and the Care and Co Match program for employees seeking support with ageing family members.

Workplace health, safety and wellbeing

VFMC continued to support the health, safety and wellbeing of its employees during the year. New entrants participated in virtual assessments of their home workspaces to support ergonomically safe working arrangements. VFMC's Employee Assistance Program (EAP) remained available to provide confidential professional support to employees, including tailored support for People Leaders. Utilisation was consistent with the previous year.

VFMC also provided external training for First Aid Officers, Mental Health First Aid Officers and Fire Wardens, supported by workplace-based training on emergency protocols. Employees continued to have access to the Work and Family Hub, which provides a range of wellbeing resources, including webinars, on-demand videos, articles and podcasts.

Indicator	2026	2025
The number of reported hazards/ incidents for the year per 100 full-time equivalent staff members	1.3	0.7
The number of 'lost time' standard claims for the year per 100 full-time equivalent staff members	0	0
The average cost per claim for the year (including payments to date and an estimate of outstanding claim costs as advised by WorkSafe)	0	0

Gender Equality Action Plan

VFMC's progress and focus on its Gender Equality Action Plan (GEAP) continues with an emphasis on equal gender composition, reducing the gender pay gap, recruitment and promotion of diverse talent, enabling flexible work, and creating a workplace free of sexual harassment.

As an organisation, the focus is to maintain and strengthen near gender balance across the workforce, with women's overall representation remaining at least in the mid-40s and moving progressively towards 50% women over time, acknowledging year-to-year variation in a small organisation.

VFMC's participation in the Change Makers course continues with 30 of the current senior male leaders having completed the course, representing 86% of VFMC's male leaders. Other programs delivered in alignment with the VFMC GEAP include VFMC's Analyst Program, VFMC's partnership with The Future Impact initiative, and Core Inclusion and Workplace Behaviour e-learning and in-person training.

Workforce inclusion policy

VFMC is committed to fostering a diverse, inclusive and high-performing workplace where people are supported to contribute fully and thrive at work. This includes facilitating equal employment opportunities, attracting and retaining diverse talent, embedding inclusion across the employment lifecycle and business practices, supporting contemporary ways of working, and maintaining a gender-balanced organisation.

VFMC also continues to provide opportunities for growth and development, and to monitor representation through workforce data, including higher duties, internal secondments, promotions and rotations. This year VFMC launched its inaugural Inclusion Council, bringing together passionate VFMC people to champion inclusive practices, share diverse perspectives, and help embed inclusion into how we work, lead and make decisions.

Employment and conduct principles

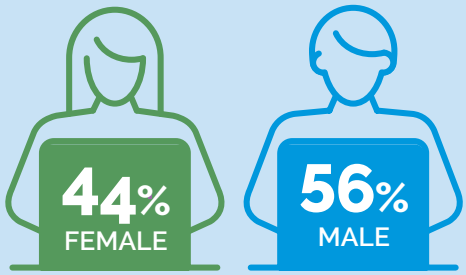
VFMC's Recruitment and Selection Policy establishes a fair, consistent and values driven approach to hiring, focused on attracting high quality talent and building a diverse and inclusive workforce. It ensures all recruitment activities align with organisational values, promote equity, and deliver a positive experience for candidates.

The policy applies to all roles and requires a standardised, well-governed recruitment process, with clear accountability and People team oversight. This supports efficient hiring decisions while reinforcing VFMC's commitment to integrity, consistency and strong organisational performance.

Our team

As at 30 June 2026

160
employees





8 people took parental leave
(6 females and 2 males)

Employee Engagement score

PEOPLE **MATTER** SURVEY

84%

I achieve something important through my work

98%

I understand how my job helps my workplace reach its goals

100%

Victorian Public Sector Commission's People Matter Survey 2026

KPIs, financial performance and other disclosures

Key performance indicators

Client portfolios versus benchmarks

While each Foundation CIM client is unique, portfolios are generally designed to deliver absolute returns in the order of 4.0% to 4.75% in excess of inflation (Consumer Price Index), Average Weekly Earnings or the Wage Price Index per annum over rolling eight-to ten-year periods, depending on each client's investment objective. VFMC strives to achieve these objectives by:

- setting the most appropriate strategic asset allocation; and
- adding value to that strategic asset allocation through its active asset allocation programs and active management strategies within asset classes.

The following table sets out the long-term objective for each Foundation CIM client and VFMC's multi-year performance against each objective. Clients set a probability of each objective being achieved, as they understand that pursuing a growth-oriented long-term strategy means their objectives will not be achieved in all periods.

Individual client performance versus stated objective for periods ending 30 June 2026

Client	Objective horizon (years)	Performance net of fees % p.a.	Target return per objective % p.a.	Investment objective	Probability of objective being achieved
WorkSafe Victoria	8	7.7	7.2	AWE (Vic) + 4% p.a. over rolling eight-year periods	60%
TAC	10	8.4	7.9	CPI (Melb) + 4.5% p.a. over rolling ten-year periods	60%
VMIA	10	8.4	7.1	WPI (Aust) + 4.25% p.a. over rolling ten-year periods	60%
ESSSuper SSF[1]	8	8.2	8.5	CPI (Aust) + 4.75% p.a. over rolling eight-year periods	60%
ESSSuper DB[1]	8	7.7	8.3	CPI (Aust) + 4.6% p.a. over rolling eight-year periods	60%

[1]. ESSSuper is measured inclusive of franking credits.

Note: These client objectives were implemented on 1 July 2025 for a three-year period.

People engagement

Results for VFMC in the *2026 Victorian Public Sector Commission's People Matter Survey* show a strong and improving culture, with engagement climbing nine points over two years to 84%. VFMC's people feel deeply connected to the organisation's purpose and meaningful work, understand how their roles contribute to organisational goals, and are proud of the relationships, collaboration and inclusive culture that shape their experience. People leadership is a clear strength, with manager-level results consistently high and improving across recognition, respect, support and flexibility. The results also point to strong alignment with VFMC's values, growing confidence in development conversations, and increased credibility that feedback leads to action.

96%	of people are proud to tell others they work for VFMC, with **93%** also telling others VFMC is a good place to work.
100%	of people understand how their role helps VFMC achieve its goals, with **98%** believing they achieve something important through their work.
99%	of people believe they can work well with people in other teams.
98%	of people feel they can use their skills and knowledge within their job.

At VFMC, we take our people's feedback seriously and are committed to listening, acting and keeping continuous improvement at the centre of how we work.

Operational risk

VFMC's internal control framework aims to ensure there are no significant breaches of legislation, policies, guidelines or the requirements under the Prudential Standard.

For the year ended 30 June 2026 and to the date of signing this report, there were no significant breaches.

Financial performance

Operating surplus

VFMC returned a post-tax surplus of $17.0 million in 2025-26.

Operating revenue

VFMC's revenues comprise of management fees, performance fees and interest income. In 2025-26, VFMC earned revenues from these sources of $241.8 million.

Return on capital

VFMC's return on capital for the year ended 30 June 2026 was 20.0%.

For further information, refer to VFMC's financial statements on pages 58-87.

Key financials

	Net assets	Post-tax surplus
2025-26	$93.3m	$17.0m
2024-25	$76.3m	$8.1m
2023-24	$74.2m	$9.5m

Expenditure on consultancies and major contracts

In 2025-26, VFMC invested in its operations by continuing the execution of the Elevate to 28 Strategic Plan, with an annual expenditure of $1.3 million. This is compared with an expenditure of $1.0 million in 2024-25. For details of individual consultancies, visit **www.vfmc.vic.gov.au**.

VFMC has disclosed, in accordance with the requirements of government policy and accompanying guidelines, all contracts greater than $10 million in value entered into during the financial year ended 30 June 2026. Details of contracts that have been disclosed in the Victorian Government Contracts Publishing System can be viewed at: **www.tenders.vic.gov.au**.

VFMC's information and communication technology (ICT) business as usual (BAU) expenditure in 2025-26 was $11.5 million compared with $11.0 million in 2024-25. Non-BAU expenditure in 2025-26 was $1.5 million compared with $1.2 million in 2024-25.

General compliance information

This section includes disclosures required by the *Financial Management Act 1994* and the VFMC Act.

Incorporation and Ministerial Responsibility

VFMC was established under the VFMC Act and is subject to the general direction of the Treasurer of Victoria.

Objectives, functions, powers and duties of the Corporation

VFMC was established to provide:

a) investment and funds management services to participating bodies and the State; and

b) its services in a commercially effective, efficient, and competitive manner.

The functions of the Corporation are:

a) to manage funds of public authorities and the State;

b) to provide funds management, investment services or other financial services and financial or investment advice to public authorities and the State and to act as trustee;

c) to act as manager of a trust; and

d) to carry out functions or provide such financial, investment or other services in relation to financial assets of public authorities or the State as the Treasurer determines.

Freedom of Information Act 1982

Under section 39 of the *Freedom of Information Act 1982* (FOI Act), VFMC is not, and is not eligible to be declared to be, an agency or prescribed authority within the meaning of the FOI Act.

Disclosure of emergency procurement

No instances of emergency procurement were undertaken in 2025–26.

Disclosure of procurement complaints

VFMC has adopted a Complaints Policy, that is available on VFMC's website. Complaints may be lodged via VFMC's email address: **cpo@vfmc.vic.gov.au**.

Social procurement

VFMC is committed to embedding social procurement across its business operations and strategic activities through the Victorian Government's Social Procurement Framework (Framework). VFMC's social procurement strategy sets out its approach to implementing the Framework.

During the 2025-26 financial year, VFMC focused on several Framework objectives, including:

- sustainable Victorian social enterprises and Aboriginal business sectors;
- women's equality and safety;
- implementation of climate change policy objectives;
- supporting safe and fair workplaces;
- environmentally sustainable outputs; and
- environmentally sustainable business practices.

VFMC undertook a range of procurement activities to identify opportunities to increase social procurement outcomes.

VFMC:

- supported women's economic empowerment by again hosting a morning tea featuring SisterWorks, which is an organisation that provides employment and entrepreneurship pathways for migrant, refugee and asylum seeker women. Through its pop-up market stall, the VFMC team was able to purchase ethical and sustainable products handcrafted by SisterWorks participants;
- engaged with social and sustainable suppliers, including BioPak, Fruit2Work and Green Collect; and
- purchased products branded by a First Nations enterprise that supports commercial and community impact.

Local Jobs First Act 2003

During 2025-26, VFMC did not commence or conclude any contracts to which the *Local Jobs First Act 2003* applied.

Public Interest Disclosures Act 2012

The *Public Interest Disclosures Act 2012* encourages and assists people in making disclosures of improper conduct by public officers and public bodies. The Act provides protection to people who make disclosures in accordance with the Act and establishes a system for the matters disclosed to be investigated and rectifying action to be taken.

VFMC does not tolerate improper conduct by its employees nor the taking of reprisals against those who come forward to disclose such conduct. It is committed to ensuring transparency and accountability and supports the making of disclosures of corrupt conduct or conduct involving a substantial risk to public health and safety or the environment.

VFMC will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure and to preserve that person's confidentiality. It will also afford natural justice to the person who is the subject of the disclosure to the extent that is legally possible.

Disclosures of improper conduct or detrimental action (as defined in the IBAC Act) by VFMC or any of its employees should be made directly to the Independent Broad-based Anti-corruption Commission (IBAC) at **www.ibac.vic.gov.au**, by phone: **1800 422 284**, or by email: **info@ibac.vic.gov.au**.

Compliance with the *Building Act 1993*

VFMC does not own or control any government buildings and is consequently exempt from notifying its compliance with the building and maintenance provisions of the *Building Act 1993*.

Modern Slavery Act

VFMC is required to comply with the *Modern Slavery Act 2018 (Cth)* (Modern Slavery Act), which covers eight types of serious exploitation practices which are offences under the *Criminal Code Act 1995 (Cth)*: trafficking in persons; slavery; servitude; forced marriage; forced labour; debt bondage; deceptive recruiting for labour or services; and the inappropriate or unacceptable form of child labour (modern slavery).

In meeting its obligations under the Modern Slavery Act, VFMC takes into account the Guidelines for Reporting Entities issued by the Department of Home Affairs and closely aligns its approach with the UN Guiding Principles on Business and Human Rights, the recognised global standard for preventing and addressing business-related human rights harm.

More information is available in VFMC's Modern Slavery Policy, which should be read in conjunction with its Investment Stewardship Policy.

Gender Equality Act 2020

VFMC has an Action Plan and complies with its mandatory reporting obligations under the *Gender Equality Act 2020*.

Competitive Neutrality Policy

Under the Competitive Neutrality Policy, VFMC is listed as a Public Financial Enterprise. In accordance with this policy, VFMC pays relevant Commonwealth and State taxes or tax equivalents. VFMC is not subject to the Financial Accommodation Levy.

Grant programs

VFMC did not spend any funds on grant programs during 2025-26.

Information available on request

To the extent applicable, the following information is available to the relevant Minister upon request:

a) declarations of pecuniary interests duly completed by all relevant officers;

b) details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary;

c) details of publications produced by VFMC about VFMC and the places where the publications can be obtained;

d) details of changes in prices, fees, charges, rates, and levies charged by VFMC;

e) details of any major external reviews carried out on VFMC;

f) details of major research and development activities undertaken by VFMC;

g) details of overseas visits undertaken including a summary of the objectives and outcomes of each visit;

h) details of major promotional, public relations and marketing activities undertaken by VFMC to develop community awareness of VFMC and the services it provides;

i) details of assessments and measures undertaken to improve the occupational health and safety of employees;

j) a general statement on industrial relations within VFMC and details of time lost through industrial accidents and disputes;

k) a list of major committees sponsored by VFMC, the purposes of each committee and the extent to which the purposes have been achieved; and

l) details of all consultancies and contractors including:

   i. consultants/contractors engaged;

   ii. services provided; and

   iii. expenditure committed for each engagement.

Financial management compliance attestation statement

I, Lisa Gay, on behalf of the Responsible Body, certify that Victorian Funds Management Corporation (VFMC) has no Material Compliance Deficiency with respect to the applicable Standing Directions under the *Financial Management Act 1994* and Instructions.



Chair
Dated 25 August 2026

Disclosure index

The Annual Report of VFMC is prepared in accordance with all relevant Victorian legislation and pronouncements. This index has been prepared to facilitate identification of VFMC's compliance with statutory disclosure requirements.

Legislation	Requirement	Page reference
Standing Directions and Financial Reporting Directions		
Report of Operations		
Charter and purpose		
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FRD 22	Purpose, functions, powers and duties	19 & 52
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Management and structure		
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FRD 22	Disclosure of ICT expenditure	51
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Legislation	Requirement	Page reference
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Legislation

- *Freedom of Information Act 1982*
- *Building Act 1993*
- *Public Interest Disclosures Act 2012*
- *Carers Recognition Act 2012*
- *Disability Act 2006*
- *Local Jobs First Act 2003*
- *Financial Management Act 1994*

Annual Financial Report

for the year ended
30 June 2026

Investing for Victoria's future

Comprehensive operating statement

for the financial year ended 30 June 2026

	Notes	2026 $'000	2025 $'000
Income from transactions			
Portfolio management and custodian fees		227,811	233,382
Performance fees		10,833	4,004
Total income from contracts with customers		**238,644**	**237,386**
Interest and other income		3,202	3,004
Total income from transactions		**241,846**	**240,390**
Expenses from transactions			
Portfolio management and custodian expenses	4	131,423	146,320
Employee benefit expenses	4	48,794	44,925
Depreciation and amortisation expenses	4	3,826	3,821
Other operating expenses	4	33,544	33,810
Total expenses from transactions		**217,587**	**228,876**
Net surplus from transactions		**24,259**	**11,514**
Other economic flows included in net surplus			
Net gain arising from revaluation of long service leave		51	5
Net surplus before tax		**24,310**	**11,519**
Income tax expense	5	7,307	3,463
Net surplus after tax		**17,003**	**8,056**
Comprehensive result		**17,003**	**8,056**

The comprehensive operating statement should be read in conjunction with the notes to the financial statements.

Balance sheet

as at 30 June 2026

	Notes	2026 $'000	2025 $'000
Assets			
Financial assets			
Cash and cash equivalents	14(a)	84,798	72,077
Trade and other receivables	6	82,642	70,502
Total financial assets		**167,440**	**142,579**
Non-financial assets			
Prepayments and other assets		2,084	1,831
Deferred tax assets	5	4,985	4,291
Property, plant and equipment	7(a)	793	1,340
Right-of-use asset	10	584	1,460
Intangible assets	7(b)	2,907	4,894
Total non-financial assets		**11,353**	**13,816**
Total assets		**178,793**	**156,395**
Liabilities			
Trade and other payables	8	64,024	64,329
Income tax payable		4,928	583
Lease liability	10	885	2,153
Provisions	9	15,621	12,998
Total liabilities		**85,458**	**80,063**
Net assets		**93,335**	**76,332**
Equity			
Contributed equity		5,000	5,000
Accumulated surplus		88,335	71,332
Net worth		**93,335**	**76,332**

The balance sheet should be read in conjunction with the notes to the financial statements.

Statement of changes in equity

for the financial year ended 30 June 2026

	$'000 Contributed Equity	$'000 Accumulated Surplus	$'000 Total
1 July 2024	**5,000**	**69,204**	**74,204**
Net surplus after tax	–	8,056	8,056
Dividends paid	–	(5,928)	(5,928)
30 June 2025	**5,000**	**71,332**	**76,332**

	$'000 Contributed Equity	$'000 Accumulated Surplus	$'000 Total
1 July 2025	**5,000**	**71,332**	**76,332**
Net surplus after tax	–	17,003	17,003
Dividends paid	–	–	–
30 June 2026	**5,000**	**88,335**	**93,335**

The statement of changes in equity should be read in conjunction with the notes to the financial statements.

Cash flow statement

for the financial year ended 30 June 2026

	Notes	2026 $'000	2025 $'000
Cash flows from operating activities			
Receipts from trade and other debtors		226,403	229,267
Payments to creditors and employees		(211,215)	(213,022)
Net GST (paid)/received		(142)	395
Income tax paid		(3,656)	(778)
Lease interest paid	10	(35)	(62)
Interest received		3,050	2,840
Net cash flows from operating activities	**14(b)**	**14,405**	**18,640**
Cash flows from investing activities			
Payments for property, plant and equipment		(416)	(439)
Net cash flows from investing activities		**(416)**	**(439)**
Cash flows from financing activities			
Dividends paid		-	(5,928)
Lease principal paid	10	(1,268)	(1,191)
Net cash flows from financing activities		**(1,268)**	**(7,119)**
Net increase in cash and cash equivalents		12,721	11,082
Cash and cash equivalents at the beginning of the financial year		72,077	60,995
Cash and cash equivalents at the end of financial year	**14(a)**	**84,798**	**72,077**

The cash flow statement should be read in conjunction with the notes to the financial statements.

Notes to the financial statements

1. General information

The financial report of Victorian Funds Management Corporation (VFMC) for the year ended 30 June 2026 was authorised for issue in accordance with a resolution of the Directors on 25 August 2026. The Board has the power to amend and reissue the financial statements.

VFMC is a Victorian-based for-profit entity incorporated in Australia, established under the *Victorian Funds Management Corporation Act 1994* (the Act), proclaimed on 19 July 1994, and commenced operations on 20 July 1994 following a contribution of initial capital of $5,000,000.

The Act established VFMC as a body corporate governed by an independent Board of Directors whose members are appointed by the Governor in Council. The Act specifies that VFMC is subject to the general direction and control of the Treasurer and that any directions must be consistent with the objectives of the Corporation as specified in the Act. These objectives are that VFMC provides investment and funds management services to Victorian public authorities in a commercially effective, efficient and competitive manner.

The principal address of VFMC is:

Victorian Funds Management Corporation
Level 13, 101 Collins Street
Melbourne VIC 3000

2. Application of new and revised accounting standards

(a) Australian Accounting Standards issued that are effective for the current year

There are no new or revised standards and interpretations which are effective from periods beginning 1 July 2025 that materially impact the financial statements of VFMC.

(b) Australian Accounting Standards issued that are not yet effective

In addition to the new standard mentioned below, the AASB has issued a number of other amending standards and interpretations that are not effective for the 2025-26 reporting period.

- AASB 18 *Presentation and Disclosure in Financial Statements* replaces AASB 101 *Presentation of Financial Statements* and is designed to improve how entities communicate information in their financial statements, particularly information about financial performance in the statement of profit or loss. Its key presentation and disclosure requirements include newly defined subtotals in the statement of profit or loss.

VFMC is currently in the process of assessing the potential impact of these standards and amendments.

3. Material accounting information

(a) Statement of compliance

VFMC has been designated as a 'for-profit' entity pursuant to the *Financial Management Act 1994* (FMA). The General Purpose Financial Statements of VFMC have been drawn up in accordance with the financial reporting provisions of the FMA, applicable Australian Accounting Standards (AAS), which include interpretations, and other authoritative pronouncements of the Australian Accounting Standards Board (AASB).

Notes to the financial statements

3. Material accounting information (continued)

(b) Basis of accounting preparation and measurement

The financial statements have been prepared on a historical cost basis, except for items measured at fair value, for which further information is contained in Note 18(h). The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand.

The accrual basis of accounting has been applied in preparing these financial statements, whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

The comprehensive operating statement comprises two components: 'net surplus from transactions' and 'other economic flows included in net surplus'. Together, these components represent the net surplus, which is equivalent to profit or loss for the year.

The balance sheet is presented in liquidity order with assets aggregated into financial and non-financial assets. Current and non-current assets and liabilities are disclosed in the notes, where relevant.

Both the functional and presentation currency of VFMC are Australian dollars. Transactions denominated in foreign currencies are converted at the exchange rate at the date of the transaction. Foreign currency payables at balance date are translated at exchange rates at balance date.

(c) Critical accounting judgements and key sources of estimation uncertainty

VFMC makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances. Actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods affected by the revision. The key assumptions concerning the future and other key sources of estimation uncertainty at reporting date are described below.

Revenue recognition

Consideration for management and performance fees is variable in nature. Revenue is recognised as the performance obligation has been satisfied, to the extent that it is highly probable that a significant reversal in cumulative revenue recognised will not occur or when the uncertainty associated with the variable consideration is resolved.

Management fee revenue is earned from investment management services provided by VFMC and is calculated daily as a percentage of Funds under Management.

Performance fee revenue is derived over both one year and three year terms, calculated as out-performance against agreed-upon benchmarks. Performance fee revenue is calculated annually and recognised when it is considered highly probable that the revenue is not subject to reversal.

Principal versus Agent

VFMC engages a number of third-party organisations to fulfil certain performance obligations in portfolio management and custody arrangements. Generally, VFMC is deemed to be the principal in these arrangements because VFMC controls the investment management and other related services. Such control is evidenced by VFMC's primary responsibility to clients, and the ability to negotiate the third-party contract price and select and direct third-party service providers. Therefore, management fee revenue is reported on a gross basis.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws and the amount and timing of future taxable income. Significant management judgement is required to determine the amount of deferred tax balances, based on the likely timing and the level of future taxable profits.

Notes to the financial statements

4. Expenses

	2026 $'000	2025 $'000
Portfolio management and custodian expenses	131,423	146,320
Salary and related expenses	48,403	44,505
Directors' fees	391	420
Total employee benefit expenses	48,794	44,925
IT expenses	8,497	8,104
Market data	13,683	12,603
Investment research and advice	1,776	2,147
Recruitment and placement fees	717	979
Legal and tax advisory fees	870	3,129
Consultancy, internal audit and professional advisory	967	1,512
Rental and outgoings	681	637
Insurance	1,316	1,327
Audit fees	121	130
Lease interest	35	62
Strategic development costs	3,025	1,541
Office administration	735	740
Travel and accommodation	825	617
Other expenses	296	282
Total other operating expenses	33,544	33,810
Depreciation of property, plant and equipment	963	801
Depreciation of right-of-use asset	876	876
Amortisation of intangible assets	1,987	2,144
Total depreciation and amortisation expenses	3,826	3,821
Total expenses	**217,587**	**228,876**

Portfolio management and custodian expenses:

These expenses are variable in nature and are recognised on a systematic basis that is consistent with the principal relationship.

Salary and related expenses:

These expenses include all costs related to employment including wages and salaries, superannuation, redundancy payments, leave entitlements, incentives, WorkCover insurance, payroll tax and fringe benefits tax which are recognised when services have been rendered.

Other operating expenses:

These expenses relate to general operating costs and are recognised in the period in which the expense is incurred, which is when the goods or services have been provided to VFMC.

Notes to the financial statements

5. Income tax

	2026 $'000	2025 $'000
(a) Income tax expense		
The major components of income tax expense are:		
Comprehensive operating statement		
Current income tax charge	7,307	3,463
Income tax expense reported in the comprehensive operating statement	**7,307**	**3,463**
(b) The difference between income tax expense provided in the financial statements and the prima facie income tax expense is reconciled as follows:		
Accounting net surplus before tax from continuing operations	24,310	11,519
Prima facie tax calculated at 30%	7,293	3,456
Non-deductible expenses	14	7
Income tax attributable to net surplus from operations	**7,307**	**3,463**

VFMC is exempt from Federal Income Tax under Section 24AM of the *Income Tax Assessment Acts 1936 and 1997* (as amended). VFMC is however required under the *State Owned Enterprises Act 1992* to pay Income Tax as determined under the National Tax Equivalent Regime.

	2026 $'000	2025 $'000
Deferred tax assets at 30 June relate to the following:		
– salary and related expenses	4,685	3,899
– fixed and intangible assets	71	20
– other	229	372
Total deferred tax assets	**4,985**	**4,291**

Deferred tax assets are recognised for all deductible taxable temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary difference and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Notes to the financial statements

6. Trade and other receivables

	2026 $'000	2025 $'000
Management fees and trade receivables	78,759	68,652
Receivables from VFMC Trusts	3,883	1,850
Total trade and other receivables	**82,642**	**70,502**

Trade and other receivables are carried at amortised cost and these represent amounts due for services supplied by VFMC prior to the end of the financial year. All current receivables are non-interest bearing and settlement terms are up to 30 days from the invoice date.

Receivables are subject to impairment loss assessment in accordance with AASB 9 when measuring expected credit losses by utilising historical credit loss experience adjusted for known events that could impact the recoverability of these balances, which has been minimal due to the nature of VFMC's debtors. VFMC receivables are either with other government entities or with the Trusts, which are managed by VFMC.

Receivables from VFMC Trusts are for expenses incurred on behalf of the Trusts. As such no expected credit loss has been recognised for these receivables.

Notes to the financial statements

7. Property, plant and equipment and intangible assets

(a) Property, plant and equipment

	2026 $'000	2025 $'000
Leasehold premises improvements	5,059	5,059
Less: Accumulated depreciation	(4,860)	(4,479)
	199	580
Furniture, fittings and equipment	2,576	5,746
Less: Accumulated depreciation	(1,982)	(4,986)
	594	760
Total carrying value	**793**	**1,340**
Reconciliation		
Leasehold premises improvements		
Carrying amount at beginning	580	980
Additions	-	-
Depreciation	(381)	(400)
	199	580
Furniture, fittings and equipment		
Carrying amount at beginning	760	722
Additions	416	439
Depreciation	(582)	(401)
	594	760
Total property, plant and equipment	**793**	**1,340**

Property, plant and equipment are measured initially at cost and are subsequently carried at cost less accumulated depreciation and any accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the entity. Cost less accumulated depreciation approximates fair value. The cost of existing leasehold improvements is capitalised as an asset and depreciated over the shorter of the remaining term of the lease or the estimated useful life of the improvements of 5-10 years on a straight-line basis. Furniture, fittings and equipment are depreciated over their estimated useful lives using the straight-line method. The expected useful lives of these assets are in the range of 1-5 years.

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at least each financial year end. An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal with such impairment losses recognised in the comprehensive operating statement. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

During the 2026 financial year, VFMC commenced migration of its physical server infrastructure to the cloud and, as a consequence, reassessed the remaining useful lives of some hardware assets. The adjustment resulted in an additional depreciation expense of $142,918 in the 2026 financial year and will reduce depreciation expense by $5,568 in the 2027 financial year.

Notes to the financial statements

7. Property, plant and equipment and intangible assets (continued)

(b) Intangible assets

	2026 $'000	2025 $'000
Intangible assets	18,281	19,080
Less: Accumulated amortisation	(15,374)	(14,186)
	2,907	4,894
Total carrying value	**2,907**	**4,894**
Reconciliation		
Intangible assets		
Carrying amount at beginning	4,894	5,944
Transfer from Intangible assets – work in progress	–	1,094
Amortisation	(1,987)	(2,144)
	2,907	4,894
Intangible assets – work in progress		
Carrying amount at beginning	–	1,094
Additions	–	–
Transfer to Intangible assets	–	(1,094)
	–	–
Total intangible assets	**2,907**	**4,894**

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the entity.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life by using the straight-line method and are tested for impairment at least annually or upon indication that the intangible asset may be impaired. Intangible assets held at reporting date are being amortised over 3-5 years. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method as appropriate. There has been no change to the estimated useful lives over the financial year. At reporting date, VFMC does not have any intangible assets with indefinite useful lives.

Notes to the financial statements

8. Trade and other payables

	2026 $'000	2025 $'000
Accrued management and performance fees	55,364	54,667
Trade creditors and other payables	8,447	9,306
Australian Taxation Office (GST)	213	356
Total trade and other payables	**64,024**	**64,329**

Trade and other payables are carried at amortised cost and represent liabilities for services provided to VFMC prior to the end of the financial year and which are unpaid. All payables are non-interest bearing and are paid within the settlement conditions applicable to each provider of goods and/or services. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Revenue, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on the purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

Notes to the financial statements

9. Provisions

	2026 $'000	2025 $'000
Current		
Unconditional annual leave		
expected to settle within 12 months	976	986
expected to settle after 12 months	1,054	856
Unconditional long service leave		
expected to settle within 12 months	559	539
expected to settle after 12 months	1,775	1,580
Unconditional incentives	6,159	4,922
Provisions for on-costs		
expected to settle within 12 months	645	563
expected to settle after 12 months	696	577
Total current	**11,864**	**10,023**
Non-current		
Long service leave	699	524
Incentives	2,926	2,357
Provision for on-costs	132	94
Total non-current	**3,757**	**2,975**
Total provisions	**15,621**	**12,998**

Provisions are measured as the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. Expected future payments are discounted using the indicative rates of Australian Government securities as disclosed by Treasury Corporation of Victoria as at 30 June 2026.

Liabilities for annual leave expected to be settled wholly within 12 months are recognised as short-term employee benefits and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date. Liabilities for annual leave not expected to be settled wholly within 12 months are recognised as long-term employee benefits and are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to the expected future wage and salary levels and experience of benefits taken.

A liability for long service leave is recognised and is measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service (greater than six years are classified as current liabilities). Any gain or loss following revaluation of the present value of non-current long service leave liability is recognised in the 'net surplus from transactions,' except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised in the net result as 'other economic flows included in net surplus'.

Incentives are recognised at the end of the performance year and paid once endorsed by the Board. A portion of the incentive is paid subsequent to year end, with the remainder paid equally over the following three years. The cost is recognised in salary and related expenses on a straight-line basis over the period in which service is provided, up until the date of payment (vesting date). A corresponding current liability is recognised where this is expected to be settled wholly within 12 months, with a non-current liability recognised for incentives deferred for more than one year.

Notes to the financial statements

10. Leases

VFMC assesses at contract inception whether a contract is, or contains, a lease. A contract is assessed as a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. VFMC recognises a lease liability for lease payments and a right-of-use asset representing the right to use the underlying asset. VFMC uses professional judgement in determining the lease term where the contract contains options to extend or terminate the lease.

VFMC recognises a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for:

- any lease payments made at or before the commencement date less any lease incentive received
- any initial direct costs incurred
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

Right-of-use assets are subsequently measured at cost less accumulated depreciation, impairment and any adjustments for remeasurement of the lease liability. VFMC depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Impairment of right-of-use assets is determined and accounted for in accordance with AASB 136 Impairment of Assets.

VFMC has assessed all right-of-use assets for impairment, and no indicators of impairment are identified as at 30 June 2026.

VFMC currently holds a 10-year lease over its commercial office premises, which expires in February 2027. In May 2026, VFMC entered into a new 10-year lease agreement for the same premises, commencing in May 2027, with rent-free access to the premises provided during March and April 2027. The lease includes an option to extend the term at expiry, subject to a market rent review and renegotiation of lease payments.

Set out below are the carrying amounts of right-of-use asset and movements during the period:

	2026 $'000	2025 $'000
Commercial office lease		
Carrying amount at beginning	1,460	2,336
Depreciation expense	(876)	(876)
Total right-of-use asset	**584**	**1,460**

Notes to the financial statements

10. Leases (continued)

The following table shows the carrying amounts of lease liability and movements during the period:

	2026 $'000	2025 $'000
Commercial office lease		
Carrying amount at beginning	2,153	3,344
Lease interest	35	62
Payments	(1,303)	(1,253)
Total lease liability	**885**	**2,153**

Maturity analysis of lease liability is as follows:

	2026 $'000	2025 $'000
Lease liability		
Not longer than 1 year	885	1,268
1 – 5 years	–	885
Total lease liability	**885**	**2,153**

The following are the amounts recognised in the Comprehensive operating statement:

	2026 $'000	2025 $'000
Depreciation expense of right-of-use asset	876	876
Interest expense on lease liability (included in other operating expenses)	35	62
Total amount recognised in the Comprehensive operating statement	**911**	**938**

The following amounts are recognised in the Cash flow statement:

	2026 $'000	2025 $'000
Lease interest paid	35	62
Lease principal paid	1,268	1,191
Total cash outflow for leases	**1,303**	**1,253**

Notes to the financial statements

11. Superannuation information

Names of schemes

VFMC makes contributions to various complying superannuation funds as nominated by employees. VFMC's default superannuation fund is AustralianSuper. There are no defined benefit plans.

VFMC, on behalf of its employees, contributed $3,646,568 (2025: $3,159,641) in accordance with the *Superannuation Guarantee Charge Act (1992)*. There were no outstanding contributions at year end.

Any contributions made to superannuation funds are charged against the comprehensive operating statement when due and classified as employee benefit expenses.

12. Responsible persons, related party transactions and remuneration of executive officers

(a) Responsible persons

In accordance with the Ministerial Directions issued by the Minister of Finance under the FMA, the following disclosures are made regarding responsible persons for the reporting period.

The names of each person who held a position of responsible person at any time during the financial year and until the date of this report are as follows:

The Minister

Jaclyn Symes MP, Treasurer (Concluded: 4 August 2026)

The Hon. Colin Brooks MP, Treasurer (Commenced: 4 August 2026)

The Directors

Lisa Gay (Chairperson)

Chris Barrett (Resigned: 31 July 2026)

Tom Considine

David Martine PSM

Andrew Nicolaou

Claire Rogers

Fiona Trafford-Walker (Resigned: 12 May 2026)

Maria Wilton AM

Chief Executive Officer

Kate Galvin

Notes to the financial statements

12. Responsible persons, related party transactions and remuneration of executive officers (continued)

(a) Responsible persons (continued)

The number of responsible persons, being the Directors and the Chief Executive Officer (CEO), in each income band for both their base and total remuneration during the reporting period, is shown in the table below. Base remuneration is exclusive of incentives, long-service leave, redundancy, relocation and retirement benefits paid or payable.

Income Band	Total Remuneration		Base Remuneration	
	2026 No.	2025 No.	2026 No.	2025 No.
$Nil to $9,999	1	1	1	1
$30,000 to $39,000	–	1	–	1
$60,000 to $69,999	1	6	1	6
$70,000 to $79,999	5	–	5	–
$150,000 to $159,999	1	1	1	1
$690,000 to $699,999	–	–	–	1
$720,000 to $729,999	–	–	1	–
$920,000 to $929,999	–	1	–	–
$1,000,000 to $1,009,999	1	–	–	–
Total numbers	**9**	**10**	**9**	**10**
Total amount $	**1,575,012**	**1,510,394**	**1,297,378**	**1,279,364**

The compensation detailed above excludes the salaries and benefits the Treasurer receives. The Treasurer's remuneration and allowances are set by the *Parliamentary Salaries and Superannuation Act 1968* and is reported within the 'Annual Report of the State of Victoria'.

(b) Related party transactions

VFMC is a wholly owned and controlled entity of the State of Victoria. Management fee and performance fee income recognised by VFMC arises as a result of funds managed for VFMC's clients, which are predominantly Victorian public authorities.

The Key Management Personnel (KMP) of VFMC are a combination of the responsible persons and executive officers. VFMC has prepared the related party disclosures for the year based on reasonable enquiries made by management in relation to the executive officers, responsible persons and their related parties and the information available to the organisation.

Transactions during the year between VFMC, its clients and service providers have been undertaken on normal commercial terms and conditions.

Conflicts of interest are overcome, where applicable, by Directors declaring their interests and abstaining from voting at VFMC's Board meetings, and where appropriate excusing themselves from the meeting.

VFMC may enter into commercial arrangements with parties related to VFMC Directors. These arrangements, including investment decisions, are conducted in the ordinary course of business and are entered into under normal commercial terms and conditions, independent of VFMC Directors.

Notes to the financial statements

12. Responsible persons, related party transactions and remuneration of executive officers (continued)

(b) Related party transactions (continued)

Chris Barrett was previously Secretary, Department of Treasury & Finance (DTF) and a Director of TCV. On behalf of its clients, VFMC invests funds with TCV periodically, with Fixed Rates Notes of $172,871,032 held at 30 June 2026 (2025: $374,581,364). VFMC clients earn interest income at prevailing market rates on normal commercial terms and conditions.

Maria Wilton and Kate Galvin are Board members of the Australian Council of Superannuation Investors (ACSI). VFMC is a member of ACSI. All fees are charged on normal commercial terms and conditions.

Maria Wilton is a Non-Executive Director of Dexus Wholesale Property Limited. On behalf of its clients, VFMC held investments in Dexus Wholesale Property Fund totalling $744,775,735 at 30 June 2026 (2025: $562,964,708) and has paid management fees of $3,878,179 (2025: $3,147,862). All arrangements and fees are based on normal commercial terms and conditions.

As the investment manager for its clients, VFMC invested in debt securities used in Victorian Public-Private Partnerships. At 30 June 2026, VFMC held investments in Royal Children's Hospital debt securities totalling $952,409,961 (2025: $1,006,011,550) and Royal Women's Hospital debt securities totalling $626,550 (2025: $703,420). These debt securities are valued by an independent third party, income is being received and the transactions were undertaken on normal commercial terms and conditions.

VFMC utilises the insurance services of Victorian Managed Insurance Authority (VMIA), a client and related government entity. VFMC has paid/payable premiums to VMIA of $1,315,826 (2025: $1,326,773) and the policies were undertaken on normal commercial terms and conditions.

WorkSafe Victoria (WorkSafe) is a client and related government entity to VFMC. VFMC utilises WorkSafe as its provider for WorkCover insurance through WorkSafe's appointed agent EML VIC Pty Ltd. VFMC has paid/payable premiums to WorkSafe of $125,617 (2025: $108,979) and the policies were undertaken on normal commercial terms and conditions.

VFMC, in its capacity as trustee and investment manager, utilises the trusts disclosed in Note 13 and is responsible for their administration, investment and operation in accordance with the relevant Trust Deeds. In performing these functions, VFMC earns management fees and recovers certain costs from the trusts. As at 30 June 2026, amounts receivable from the trusts totalled $3,882,921 (2025: $1,850,125). Total fees earned from the trusts during the year were $27,332,548 (2025: $20,842,244). All transactions are conducted on normal commercial terms and conditions.

Notes to the financial statements

12. Responsible persons, related party transactions and remuneration of executive officers (continued)

(c) Remuneration of executive officers

The number of executive officers being those employed by VFMC on Public Entity Employee Remuneration Contracts, other than the CEO, and their total remuneration during the reporting period are shown in the following table. Total annualised employee equivalent provides a measure of full-time equivalent executive officers over the reporting period. Factors that have impacted the number of executive officers include the renegotiation of executive contracts and the transition of senior investment professionals to Public Entity Employee Contracts, therefore increasing the number of people classified as executives at VFMC.

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered, and is disclosed in the following categories.

Short-term employee benefits include salaries, incentives and movements in annual leave provisions.

Other long-term benefits include long service leave provisions.

Remuneration of executive officers	Total remuneration	
	2026 $	2025 $
Short-term employee benefits	11,077,451	10,231,791
Other long-term benefits	17,297	63,851
Total remuneration	**11,094,748**	**10,295,642**
Total number of executives	**18**	**18**
Total annualised employee equivalents	**15.35**	**14.81**

13. Assets and liabilities of VFMC trusts for which VFMC is trustee

In the course of its fund management activities, VFMC establishes investment trusts that comprise investments of various kinds, tailored to meet investors' requirements. These trusts meet the definition of structured entities as their purpose is to hold assets on behalf of beneficiaries. The Corporation's interest in VFMC's Trusts is generally restricted to a management fee, the value of which is based on the funds under management within the Trusts and recovery of certain costs. VFMC's financial statements do not include the assets and liabilities of the VFMC Trusts which are used as investment vehicles for clients.

During the year ended 30 June 2026, fees earned were $27,332,548 (2025: $20,842,244) and unpaid fees were $7,092,112 (2025: $5,539,041). The Corporation has no other risk exposure to the Trusts.

Financial support provided or to be provided to unconsolidated structured entities

The Corporation has not provided any non-contractual financial support during the period and does not anticipate providing non-contractual support to unconsolidated structured entities in the future. The net assets of the Trusts are not directly available to meet any liabilities incurred by VFMC acting in its own right. VFMC will generally only be liable for the liabilities of the Trusts if it has committed a breach of its fiduciary duties.

Notes to the financial statements

13. Assets and liabilities of VFMC trusts for which VFMC is trustee (continued)

The following is a list of Trusts for which VFMC acts as trustee as at 30 June 2026.

Board of Directors as trustees:

- VFMC Balanced Fund
- VFMC Cash Trust
- VFMC Emerging Markets Trust
- VFMC Australian Credit Trust
- VFMC ESSS Private Equity Trust 2007
- VFMC Enhanced Income Fund (previously named VFMC Enhanced Income Trust)
- VFMC Equity Trust 1
- VFMC Equity Trust 2
- VFMC Fixed Income Trust
- VFMC Growth Fund
- VFMC Inflation Linked Bond Trust
- VFMC Insurance Strategies Trust
- VFMC International Equity Trust 1
- VFMC International Equity Trust 2
- VFMC International Fixed Income Trust
- VFMC Investment Trust II
- VFMC Investment Trust IV
- VFMC Opportunistic Strategies Trust
- VFMC Property Trust 1
- VFMC Property Trust 2
- VFMC Low Volatility Equity Trust 1
- VFMC Low Volatility Equity Trust 2
- VFMC Australian Loan Trust
- VFMC Conservative Fund (previously named VFMC Capital Stable Trust)
- VFMC Fixed Income Alpha Trust
- VFMC Infrastructure Master Trust
- VFMC Investment Fund
- VFMC Infrastructure Feeder Trust 1
- VFMC Infrastructure Feeder Trust 2
- VFMC Hedge Fund Master Trust
- VFMC Hedge Fund Feeder Trust 1
- VFMC Hedge Fund Feeder Trust 2
- VFMC Hedge Fund Limited Capacity Trust
- VFMC Active Allocation Trust
- VFMC Australian Equities Fund
- VFMC Unhedged International Equities Fund
- VFMC Hedged International Equities Fund

No insurance premiums are paid for out of the assets of the Trusts in regard to insurance cover provided to either the officers of VFMC or the auditors of the Trusts. So long as the officers of VFMC act in accordance with the Trusts' Constitutions and the applicable Law, the officers remain indemnified out of the assets of the Trusts against losses incurred while acting on behalf of the Trusts. The auditors of the Trusts are in no way indemnified out of the assets of the Trusts.

Notes to the financial statements

14. Notes to the cash flow statement

(a) Cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	2026 $'000	2025 $'000
Cash at bank	84,798	72,077
Total cash and cash equivalents	**84,798**	**72,077**

(b) Reconciliation of net surplus from operations after income tax to net cash flows from operating activities

	2026 $'000	2025 $'000
Net surplus from operations after income tax	17,003	8,056
Adjustments for non-cash income and expense items:		
Depreciation of property, plant and equipment	963	801
Depreciation of right-of-use asset	876	876
Amortisation of intangible assets	1,987	2,144
Changes in assets and liabilities:		
Increase in receivables and other debtors	(12,394)	(8,283)
Increase in payables and other provisions	5,970	15,047
Net cash flows from operating activities	**14,405**	**18,640**

Cash and cash equivalents can include cash on hand, cash at bank and short-term fixed interest investments of VFMC. These items represent cash and cash equivalents used in the day-to-day management of VFMC's cash position.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Notes to the financial statements

15. Funds under management

Funds managed by VFMC in either a trust or a discrete capacity are not included in investments in the balance sheet, but amount to $103.0 billion as at 30 June 2026 (2025: $95.3 billion). These funds are managed on behalf of the following clients:

- Agriculture Victoria
- Australian Health Practitioner Regulation Agency
- Ballarat General Cemeteries
- Grampians Health
- Banyule City Council
- Bayside City Council
- CenITex
- City of Melbourne
- Consumer Affairs Victoria
- Corangamite Shire Council
- ESS Super
- Holmesglen Institute
- Latrobe Regional Health
- Library Board of Victoria
- Melbourne Recital Centre
- Melton City Council
- Monash Health
- National Gallery of Victoria
- Peninsula Health
- Portable Long Service Leave Authority
- Queen Elizabeth Centre
- Royal Melbourne Hospital
- Royal Women's Hospital
- The Royal Victorian Eye and Ear Hospital
- Transport Accident Commission
- Victorian Arts Centre Trust
- Victorian Government[1]
- Victorian Managed Insurance Authority
- Victorian Social Housing
- William Angliss Institute
- WorkSafe Victoria
- Zoological Parks and Gardens Victoria

[1] Victorian Future Fund

Notes to the financial statements

16. Auditor remuneration

	2026 $	2025 $
Fees paid or payable to Victorian Auditor-General's Office (VAGO) for the audit of VFMC	121,000	130,000
Total audit fees	**121,000**	**130,000**

VAGO did not provide any other services other than the audit of the financial statements.

17. Capital management

VFMC's objective is to provide investment and funds management services to participating bodies and the Victorian State Government (Government) in a commercially effective, efficient and competitive manner. In undertaking these activities, VFMC is adequately capitalised to meet core operational requirements, support reinvestment in the business, meet possible operational losses and meet the Government's dividend requirements.

VFMC's capital consists of shareholders' contributed equity and retained earnings with no external debt.

VFMC does not have any externally imposed capital requirements.

18. Financial risk management objectives and policies

VFMC's principal financial instruments comprise cash, receivables and payables. The main risks arising from VFMC's financial instruments are credit risk, liquidity risk and market price risk (currency risk and interest rate risk).

(a) Operational risk

Operational risk is the risk of indirect or direct loss to VFMC resulting from inadequate or failed internal processes (including any outsourced processes), people and systems or from external events. This includes legal risk but excludes strategic and reputational risks.

Operational risk is monitored with incidents documented in a risk and breach register. Significant operational risk incidents are required to be reported to the Board and the Department of Treasury and Finance.

VFMC's risk management framework continues to be applied across its business. VFMC continues to monitor the ongoing impact of global events on its risk profile.

Notes to the financial statements

18. Financial risk management objectives and policies (continued)

(b) Credit risk

Credit risk arises from the financial assets of VFMC, which comprise cash and cash equivalents, trade and other receivables. The exposure to credit risk arises from the potential default of a counterparty on their contractual obligations resulting in financial loss to VFMC.

Credit risk associated with VFMC's receivables is minimal because receivables are either with other government entities or with the Trusts, which are managed by VFMC. As such no expected credit loss has been recognised for these receivables. Credit risk in relation to receivables is also monitored by reviewing the ageing of receivables on a monthly basis. All receivables are non-interest bearing and standard business terms apply.

In relation to VFMC's investments, VFMC trades only with recognised creditworthy third parties. Cash balances are maintained with Westpac Banking Corporation, which has an AA or better credit rating. Hence, no expected credit loss has been recognised for these cash balances.

The carrying amount of financial assets recorded in this financial report represents VFMC's maximum exposure to credit risk at the reporting date. There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated. Of the receivables balance, $nil is past due (2025: $nil).

(c) Liquidity risk

Liquidity risk is the risk that VFMC will have insufficient liquidity to meet its obligations as they fall due. This risk is managed by regularly monitoring liquid reserves and obligations falling due and through holding of cash and only short-term deposits.

VFMC's financial liabilities comprise of non-interest bearing payables which are all contracted to be settled within 30 days after balance date (2025: 30 days) and lease liability (further details are provided in Note 10).

Liquidity risk is managed by maintaining conservative levels of cash and cash equivalent holdings and by monitoring aged receivables and payables.

(d) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk for VFMC comprises two types of risk: market interest rates (interest rate risk) and foreign exchange rates (currency risk).

(e) Interest rate risk

Interest rate risk is the risk that the market value of VFMC's financial position will be adversely affected by fluctuations in interest rates. VFMC's exposure to interest rate risk arises from cash and cash equivalents holdings of $84,798,000 (2025: $72,077,000), trade and other receivables of $82,642,000 (2025: $70,502,000) and trade and other payables of $64,024,000 (2025: $64,329,000). The weighted average interest rate for cash during the reporting period was 3.87% (2025: 4.20%).

Notes to the financial statements

18. Financial risk management objectives and policies (continued)

(f) Interest rate sensitivity

A sensitivity analysis has been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year, and held constant throughout the reporting period.

At reporting date management have determined, if interest rates had been 25 basis points higher or lower during the period and all other variables were held constant, VFMC's (pre-tax) operating surplus would have been impacted as follows:

- 25 basis points higher: increase in surplus of $211,995 (2025: $180,192 increase)
- 25 basis points lower: decrease in surplus of $211,995 (2025: $180,192 decrease)

These movements are attributable to VFMC's exposure to variable interest rates on its cash holdings.

(g) Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate, because of changes in foreign exchange rates. VFMC operates within Australia, however VFMC does procure services with some suppliers which are denominated in foreign currency. The AUD equivalent of fund manager fees is on-charged to clients, therefore VFMC bears no foreign currency risk on these fees and only on expenditure borne by VFMC.

At reporting date management have determined, if the AUD/USD rate had appreciated or depreciated during the period and all other variables were held constant, VFMC's (pre-tax) operating surplus would have been impacted as follows:

- AUD/USD 10% higher: increase in surplus of $1,347,295 (2025: $1,332,442 increase)
- AUD/USD 10% lower: decrease in surplus of $1,646,694 (2025: $1,628,541 decrease)

(h) Fair values

Management have assessed that the carrying amounts of cash and cash equivalents, trade and other payables, trade and other debtors which are carried at amortised cost, approximate their reasonable fair value due to the short-term nature of these instruments.

19. Subsequent events to balance date

No significant events have occurred since the end of the reporting period which would impact on the financial position of VFMC disclosed in the balance sheet as at 30 June 2026 or on the results and cash flows of VFMC for the year ended on that date.

Statement by the Chair and Management

We hereby certify that:

- the accompanying financial statements have been prepared in accordance with Direction 5.2 of the Standing Directions of the Minister for Finance under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including interpretations, and other mandatory professional reporting requirements;
- the accompanying comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions for the financial year ended 30 June 2026 and the financial position as at 30 June 2026;
- as at the date of signing these financial statements, we are not aware of any circumstances that would render any particulars included in the statements to be misleading or inaccurate; and
- the Directors authorised the attached financial statements for issue on 25 August 2026.



LISA GAY
Chair



KATE GALVIN
Chief Executive Officer



JEFF PHILLIPS
Chief Finance and Risk Officer

Dated: 25 August 2026

Auditor-General's Report

VAGO
Victorian Auditor-General's Office

Independent Auditor's Report

To the Directors of the Victorian Funds Management Corporation

Opinion

I have audited the financial report of the Victorian Funds Management Corporation (the Corporation), which comprises the:

- balance sheet as at 30 June 2026
- comprehensive operating statement for the year then ended
- statement of changes in equity for the year then ended
- cash flow statement for the year then ended
- notes to the financial statements, including material accounting policy information
- statement by the Chair and Management

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Corporation as at 30 June 2026 and its financial performance and cash flows for the year then ended, in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and Australian Accounting Standards.

Basis for opinion

I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

My independence is established by the *Constitution Act 1975.* My staff and I are independent of the Corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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Auditor-General's Report

Directors' responsibilities for the financial report

The Directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Financial Management Act 1994*, and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.

Auditor's responsibilities for the audit of the financial report

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors

OFFICIAL

Auditor-General's Report

Auditor's responsibilities for the audit of the financial report (continued)

- conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



MELBOURNE

2 September 2026

Roberta Skliros

as delegate for the Auditor-General of Victoria

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VFMC
Victoria's investment specialist

vfmc.vic.gov.au

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Traci MacRae

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