

# Investment Update & Net Tangible Assets Report

As at 31 August 2017



**FUTURE GENERATION**  
INVESTMENT COMPANY

## Net Tangible Assets (NTA) figures

NTA before tax	116.45c*
NTA after tax and before tax on unrealised gains	115.54c
NTA after tax	115.63c

\*The before tax figure is after the payment of \$590k (0.17 cents per share) in tax during the month.

## Half year results and fully franked dividend

In August, FGX announced its interim results for the six-month period to 30 June 2017. Highlights include:

- Record pre-tax profit of \$22.3 million, up 85.1%
- \$3.8 million donation to Australian children and youth at risk charities
- \$6.4 million in annualised savings delivered from forgone management and performance fees and pro bono services.

The Board also announced a record fully franked interim dividend of 2.2 cents per share, a 5% increase on the previous period.

### Key dividend dates

Ex-dividend date	17 October 2017
Record date	18 October 2017
Last election date for DRP	20 October 2017
Payment date	27 October 2017

## Portfolio

In August, the FGX investment portfolio increased 1.1% outperforming the S&P/ASX All Ordinaries Accumulation Index, which rose 0.8%.

Since inception, the investment portfolio has increased 8.6% per annum, outperforming the benchmark by 3.1%. The investment portfolio's outperformance has been achieved with less volatility as measured by standard deviation, 6.9% versus the market's 11.9%.

The spread between the three broad equities is 43.6% long equities, 36.8% absolute bias, 13.5% market neutral and 6.1% cash.

## Future Generation Investment Forum in Melbourne

Following the outstanding success of the Future Generation Investment Forum in Sydney in May, we are taking the event to Melbourne for the first time on 30 November 2017 at 1.30 – 3.00pm at the Melbourne Convention Centre. The Future Generation Investment Forum will provide investors access to exclusive investment ideas in a series of five-minute presentations from FGX's Australian fund managers and Future Generation Global Investment Company's (ASX: FGG) global fund managers. To RSVP, click [here](#).

## Save the date for our November 2017 Shareholder Presentations

We look forward to seeing you at our [Shareholder Presentations](#) in November.

## Investor conference call recording and slides

Thank you to those who dialled in to our investor conference call on 5 September 2017. To listen to the recording and view the corresponding slides, please click [here](#).

## Future Generation Investment Company Limited

ASX code	FGX
Established	Sept 2014
Gross assets	\$411.6m
Market cap	\$384.6m
Share price	\$1.10
Net assets per share (before tax)	\$1.165
Shares on issue	349,663,801
Management fees	0.0%
Performance fees	0.0%
Annual donation (% of NTA)	1.0%
Annualised fully franked dividends (FY2017)	4.4c
Fully franked dividend yield	4.0%

### Investment objectives

- Provide a rising stream of fully franked dividends
- Achieve capital growth
- Preserve shareholder capital.

### Company overview

Future Generation Investment Company Limited (ASX: FGX) provides:

- Shareholders with exposure to leading Australian fund managers without paying management or performance fees
- Charities focused on children and youth at risk with a consistent and growing stream of annual donations
- Fund managers with a unique opportunity to make a positive difference to Australia's future generations.

### Chairman

Jonathan Trollip

### Founder and Director

Geoff Wilson

### Chief Executive Officer

Louise Walsh

### Directors

David Leeton  
David Paradise  
Gabriel Radzysinski  
Kate Thorley  
Scott Malcolm

### Investment Committee

Geoff Wilson, Chair  
Bruce Tomlinson  
David Smythe  
Gabriel Radzysinski  
Matthew Kidman

### Company Secretary

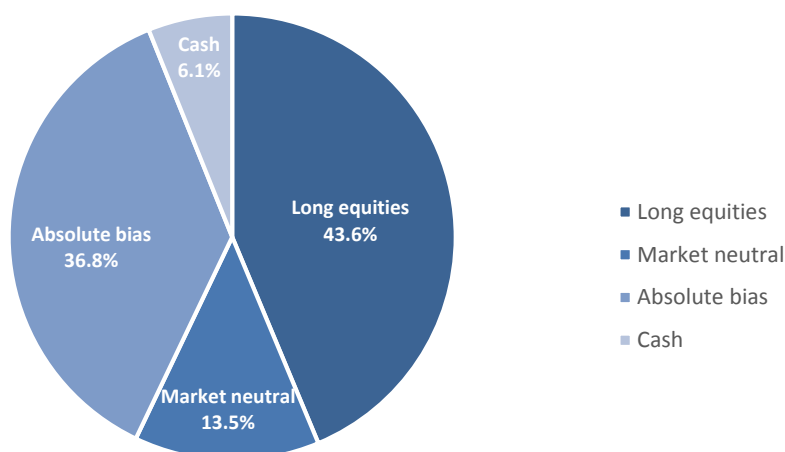
Mark Licciardo

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## Investment strategy allocation (% of assets)

Fund manager	Investment	Strategy	% of portfolio
Paradice Investment	Large/Mid Cap Funds (split out below)		<b>10.9%</b>
	Paradice Mid Cap Fund – B Class	Long equities	<b>6.1%</b>
	Paradice Large Cap Fund	Long equities	<b>4.8%</b>
Bennelong Australian Equities Partners	Bennelong Australian Equities Fund	Long equities	<b>10.4%</b>
Regal Funds Management	Regal Australian Long Short Equity Fund	Absolute bias	<b>9.1%</b>
Wilson Asset Management	Wilson Asset Management Equity Fund	Absolute bias	<b>8.7%</b>
Watermark Funds Management	Watermark Market Neutral Trust	Market neutral	<b>7.4%</b>
Tribeca Investment Partners	Tribeca Alpha Plus Fund	Absolute bias	<b>6.9%</b>
Eley Griffiths Group	Small/Emerging Companies Funds (split out below)		<b>6.1%</b>
	Eley Griffiths Group Small Companies Fund	Long equities	<b>5.3%</b>
	Eley Griffiths Group Emerging Companies Fund	Long equities	<b>0.8%</b>
L1 Capital	Long Short/Aus Equities Funds (split out below)		<b>5.7%</b>
	L1 Capital Long Short Fund – Retail Class	Absolute bias	<b>3.2%</b>
	L1 Capital Australian Equities Fund	Long equities	<b>2.5%</b>
Cooper Investors	Cooper Investors Australian Equities Fund	Long equities	<b>5.2%</b>
Sandon Capital	Sandon Capital Activist Fund	Absolute bias	<b>4.4%</b>
Bennelong Long Short Equity Management	Bennelong Long Short Equity Fund	Market neutral	<b>3.2%</b>
ARCO Investment Management	ARCO Investment Management (Optimal Australia) Absolute Trust	Market neutral	<b>2.9%</b>
CBG Asset Management	CBG Asset Australian Equities Fund	Long equities	<b>2.4%</b>
Vinva Investment Management Limited	Vinva Australian Equities Fund	Long equities	<b>2.4%</b>
Discovery Asset Management	Discovery Australian Small Companies Fund	Long equities	<b>2.1%</b>
LHC Capital	LHC Capital Australia High Conviction Fund	Absolute bias	<b>1.7%</b>
Centennial Asset Management	The Level 18 Fund	Absolute bias	<b>1.7%</b>
Smallco Investment Manager	Smallco Broadcap Fund	Long equities	<b>1.6%</b>
Lanyon Asset Management	Lanyon Australian Value Fund	Absolute bias	<b>1.1%</b>
	Cash and Term Deposits		<b>6.1%</b>



**Long equities** – investing in a portfolio of equities based on the expectation that the underlying equities will increase in value within a certain time horizon. Each equity represents an ownership claim in an underlying company which is generally listed on a public stock exchange. The long equities portion of the portfolio includes exposure to large-cap, mid-cap and small-cap stocks.

**Market neutral** – an investment strategy that generally involves the simultaneous purchase and sale of equities, to generate returns that are not linked to the performance of underlying equity markets.

**Absolute bias** – an investment strategy that seeks to generate returns, irrespective of the performance of traditional asset classes. These strategies use innovative investment techniques (including but not limited to short selling and leveraging) to profit from rising and falling markets, providing portfolio protection in the event an equity market experiences a significant fall.

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## Fund managers



## Charities



## Service providers



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## Fund manager in focus: Wilson Asset Management



Established in 1997 by Geoff Wilson, Wilson Asset Management is an independently owned investment manager based in Sydney, Australia. Today, Wilson Asset Management employs twenty-six staff. Wilson Asset Management takes great pride in managing more than \$2 billion in shareholder capital for almost 60,000 retail investors. Wilson Asset Management created and continues to support FGX and FGG. Wilson Asset Management provides investors with:

**Superior returns from undervalued growth companies.** Wilson Asset Management has delivered average investment portfolio performance of 22% each year for almost 20 years.

**Risk-adjusted returns.** Wilson Asset Management is focused on protecting shareholder's capital and its flexible investment mandate allows for above average cash holdings.

**Deep diversification.** Wilson Asset Management's LICs hold small positions in many companies, providing shareholders with diversified exposure to opportunities.

**Experienced experts.** With more than 100 years of combined experience in the Australian equity market, Wilson Asset Management's investment team of eight has a total focus on protecting and growing shareholder capital.

**Full market access.** Wilson Asset Management hold over 1,500 company meetings each year, and its knowledge of and extensive network in the market continually provides valuable intelligence.

**Fully franked dividends.** Wilson Asset Management's LICs have a proven track record of paying fully franked dividends from a stable, closed-ended pool of capital.

**Total transparency.** Wilson Asset Management values shareholder engagement and its LICs adhere to strict corporate governance requirements.

**Shareholder advocacy.** Wilson Asset Management regularly engages in public debate on behalf of retail investors.

**A positive impact to the community.** Wilson Asset Management is passionate about making a difference to the broader community. The investment manager is a signatory to the [Pledge 1% movement](#) and gives each team member \$10,000 each year to donate to charities of their choice.

For more information and to join more than 30,000 weekly subscribers to market updates and investment insights, visit: [wilsonassetmanagement.com.au](http://wilsonassetmanagement.com.au).

## Market outlook

Wilson Asset Management entered the 2018 financial year confident the Australian equity market will present attractive investment opportunities. Unfortunately like all investments, these opportunities come with a fair degree of risk. During the 2017 financial year, small-to-mid-cap companies underperformed large-cap companies, with the S&P/ASX Small Ordinaries Accumulation Index underperforming the S&P/ASX 200 Accumulation Index by 7.1%. An estimated \$5 billion was removed from the small-cap sector into other asset classes throughout the year, placing downward pressure on the share prices of the medium to smaller listed companies. Wilson Asset Management believes this adjustment has ended and that the headwinds facing the small-cap sector have abated. Company valuations for small and mid-cap companies are more attractive compared to 12 months ago. Since the global financial crisis, the 50 largest central banks around the world have cut interest rates 700 times and injected \$9 trillion of liquidity into global markets. This stimulus has assisted in all 45 OECD nations exhibiting positive GDP growth for the first time since the GFC, while also driving equity valuations to high levels.

Performance as at 31 August 2017	3 yrs % pa	5 yrs % pa	10 yrs % pa	Since inception (Jan 1998) % pa
Wilson Asset Management Equity Fund*	14.2%	19.0%	10.9%	22.0%
S&P/ASX All Ordinaries Accumulation Index	5.4%	10.5%	3.6%	8.5%
<b>Outperformance</b>	<b>+8.8%</b>	<b>+8.5%</b>	<b>+7.3%</b>	<b>+13.5%</b>
S&P/ASX Small Ordinaries Accumulation Index	5.7%	5.7%	-1.1%	5.3%
<b>Outperformance</b>	<b>+8.5%</b>	<b>+13.3%</b>	<b>+12.0%</b>	<b>+16.7%</b>

\*Investment performance and Index returns are before expenses and fees.

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## Charity in focus: Diabetes NSW & ACT (Diabetes Kids Fund)

### About Diabetes NSW & ACT

Diabetes NSW & ACT works proactively to improve the day-to-day lives of people living with diabetes. It aims to make things easier by educating carers, employers and the general public. Diabetes NSW & ACT's mission is a life without the complication, or complications, of diabetes.

### Diabetes NSW & ACT and FGX

FGX is supporting Diabetes NSW & ACT through the work of the Diabetes Kids Fund. The Fund was established to provide crucial support services for children living with non-preventable type 1 diabetes, their families and carers. This life-threatening illness requires constant monitoring and regular insulin injections. Annually, there is a 40% hospitalisation rate for children under 15 living with the condition. The Diabetes Kids Fund works to change this alarming statistic through training, mentoring, resource-provision and community building.

Through their support of the Diabetes Kids Fund, FGX have delivered training to more than 200 teachers to help them care for students living with diabetes and over 90% said they would use the training in their daily work. Five hundred back to school kits have been produced full of resources for children just diagnosed with diabetes to help them be safe and healthy at school and workshops will also be conducted to educate carers so they can effectively look after children with type 1 diabetes. These activities will reach 1,600 kids in FY2018, significantly reducing the rate of diabetes-related complications.



### Q&A with CEO Sturt Eastwood

#### What is your driving motivation in your current role?

As someone living with Type 1 diabetes I am deeply aware of the issues faced by all those living with the condition. There is so much more that can be done around awareness, education and support across the entire community. I live to make a difference and if we can change just one life for the better each day then progress is being made.

#### What is the most challenging aspect of your role?

The biggest challenge is always financial. There is never a lack of need, there is never a lack of passion to do something about the need, but there is always a limit to the resources that can be applied to the issue. Diabetes is an insidious condition and the issue is growing.



#### What does it mean to Diabetes NSW & ACT to have the support of FGX?

The support of FGX has been instrumental in the development, growth and success of the Diabetes Kids Fund. The Diabetes Kids Fund has touched so many young lives in ways that will pay dividends to these young Australians for decades to come – lifelong benefits that would not exist without FGX.

For more information about Diabetes NSW & ACT, visit [diabetesnsw.com.au](http://diabetesnsw.com.au).