

# Investment update

As at 31 March 2018

## Snapshot

Pre-tax net tangible assets

**\$1.22**

Fully franked  
dividend yield

**3.7%**

Gross assets

**\$431.1m**

Management and  
performance fees

**0%**

## Future Generation Investment Company Limited

ASX code	FGX
Date of listing	Sept 2014
Gross assets	\$431.1m
Market cap	\$413.7m
Share price	\$1.18
NTA before tax	\$1.22
Shares on issue	350,578,294
Management fees	0.0%
Performance fees	0.0%
Annual donation (% of NTA)	1.0%
Fully franked dividends (FY2017)	4.4c
Fully franked dividend yield	3.7%

## Investment objectives

- Provide an increasing 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 the best Australian fund managers without paying management or performance fees.

**Charities** focused on children and youth at risk with a 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 AO

### Chief Executive Officer

Louise Walsh

### Directors

David Leeton

David Paradise AO

Gabriel Radzynimski

Kate Thorley

Scott Malcolm

### Investment Committee

Geoff Wilson AO, Chair

Bruce Tomlinson

David Smythe

Gabriel Radzynimski

Matthew Kidman

### Company Secretary

Mark Licciardo

## Investment portfolio

In March, the FGX investment portfolio outperformed the S&P/ASX All Ordinaries Accumulation Index by 1.9%. The investment portfolio decreased 1.6%, while the Index fell 3.5%.

Since inception, the investment portfolio has increased 9.7% per annum, outperforming the benchmark by 3.9%. The investment portfolio's outperformance has been achieved with less volatility as measured by standard deviation, 6.6% versus the market's 11.3%. The spread between the three broad equities is 45.5% long equities, 38.2% absolute bias, 13.8% market neutral and 2.5% cash.

## Net tangible asset (NTA) figures

The following NTA figures are before the 2.2 cents per share fully franked final dividend due to be paid on 27 April 2018. The shares traded ex dividend on Thursday, 12 April 2018.

NTA before tax	122.07c
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NTA after tax and before tax on unrealised gains	122.42c
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NTA after tax	120.13c
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## Shareholder Presentations

Next month, we will be travelling across the country to meet with investors about the Future Generation companies. As part of the presentation you will hear from FGX and FGG Founder and Director Geoff Wilson, CEO Louise Walsh, and a selection of fund managers and designated charities. Lunch will be served before the presentations. [Reserve your place today.](#)

Location	Time	Day	Date
Launceston	1.00 – 2.00pm	Friday	11 May
Canberra	12.30 – 1.30pm	Monday	14 May
Sydney Presentation	12.30 – 1.30pm	Tuesday	15 May
Sydney Investment Forum	1.30 – 3.00pm	Tuesday	15 May
Sydney AGM	3.00 – 3.30pm	Tuesday	15 May
Brisbane	12.30 – 1.30pm	Wednesday	16 May
Toowoomba	12.30 – 1.30pm	Thursday	17 May
Perth	12.30 – 1.30pm	Monday	21 May
Adelaide	12.30 – 1.30pm	Tuesday	22 May
Melbourne	12.30 – 1.30pm	Thursday	24 May

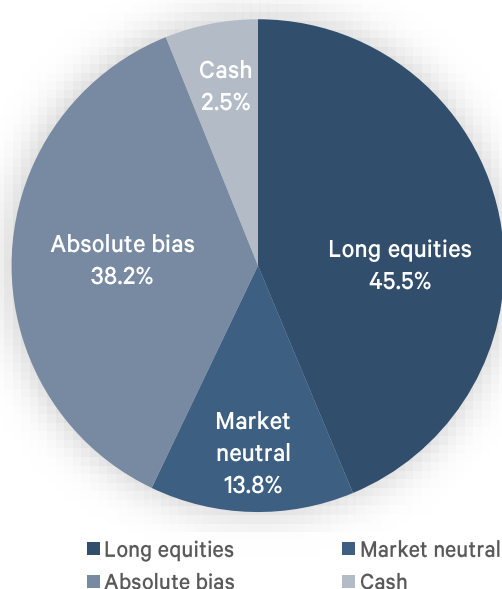
## Speed dating for investors: Top stock picks from the best Australian and global fund managers

We invite you to hear leading global and domestic fund managers' exclusive investment ideas at the next Future Generation Investment Forum in Sydney on 15 May from 1.30pm to 3.00pm. Shareholders in FGX and FGG receive three free tickets valued at \$200 each. [Register today.](#) If you are unable to make it to Sydney, we will be livestreaming and recording the Forum, details will be provided closer to the date.

## Fund manager allocations

Fund manager	Investment	Strategy	% of portfolio
	Large/Mid Cap Funds (split out below)		<b>11.5%</b>
Paradice Investment	Paradice Mid Cap Fund – B Class	Long equities	6.5%
	Paradice Large Cap Fund	Long equities	5.0%
Bennelong Australian Equities Partners	Bennelong Australian Equities Fund	Long equities	<b>10.9%</b>
Regal Funds Management	Regal Australian Long Short Equity Fund	Absolute bias	<b>10.1%</b>
Wilson Asset Management	Wilson Asset Management Equity Fund	Absolute bias	<b>8.8%</b>
Watermark Funds Management	Watermark Market Neutral Trust	Market neutral	<b>7.3%</b>
Tribeca Investment Partners	Tribeca Alpha Plus Fund	Absolute bias	<b>7.2%</b>
	Small/Emerging Companies Funds (split out below)		<b>6.8%</b>
Eley Griffiths Group	Eley Griffiths Group Small Companies Fund	Long equities	5.9%
	Eley Griffiths Group Emerging Companies Fund	Long equities	0.9%
	Long Short/Aus Equities Funds (split out below)		<b>5.9%</b>
L1 Capital	L1 Capital Long Short Fund – Retail Class	Absolute bias	3.4%
	L1 Capital Australian Equities Fund	Long equities	2.5%
Cooper Investors	Cooper Investors Australian Equities Fund	Long equities	<b>5.3%</b>
Sandon Capital	Sandon Capital Activist Fund	Absolute bias	<b>4.3%</b>
Bennelong Long Short Equity Management	Bennelong Long Short Equity Fund	Market neutral	<b>3.5%</b>
ARCO Investment Management	ARCO Investment Management (Optimal Australia) Absolute Trust	Market neutral	<b>3.0%</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>2.2%</b>
Centennial Asset Management	The Level 18 Fund	Absolute bias	<b>1.7%</b>
LHC Capital	LHC Capital Australia High Conviction Fund	Absolute bias	<b>1.7%</b>
Smallco Investment Manager	Smallco Broadcap Fund	Long equities	<b>1.5%</b>
Lanyon Asset Management	Lanyon Australian Value Fund	Absolute bias	<b>1.0%</b>
	Cash and Term Deposits		<b>2.5%</b>

## Investment strategy allocation



### 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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## Pro bono fund managers



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## Fully franked dividends

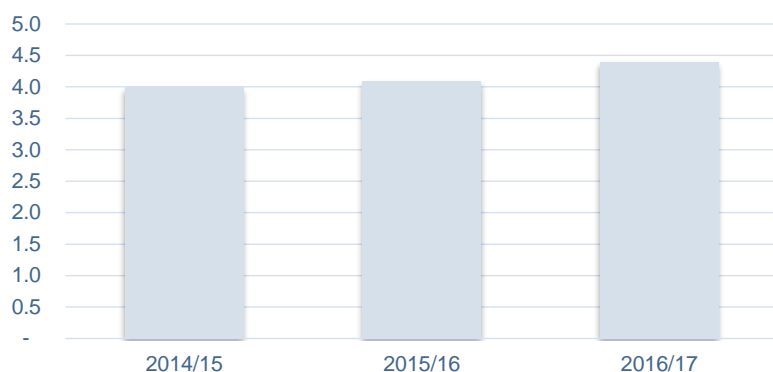
On 28 February 2018, the Board announced a fully franked final dividend of 2.2 cents per share, bringing the fully franked full year dividend to 4.4 cents per share, an increase of 7.3% on the previous year. The dividend will be paid on 27 April 2018 and the Company traded ex dividend on Thursday, 12 April 2018. The Dividend Reinvestment Plan (DRP) is available to shareholders for the final dividend. The last election date for the DRP is 17 April 2018.

### Key dividend dates

Dividend ex-date	12 April 2018
Record date	13 April 2018
Last election date for DRP	17 April 2018
Payment date	27 April 2018

### Fully franked dividends since inception

cents per share



The Board is committed to paying an increasing stream of fully franked dividends to shareholders, provided the Company has sufficient profit reserves, franking credits and it is within prudent business practices.

## Fund manager in focus: Eley Griffiths Group



Eley Griffiths Group (EGG) is a specialist small/emerging companies fund manager that was established in 2003. The group is 100% owned by staff, placing it in the minority of truly independent portfolio managers. An experienced team of five investment professionals manage several wholesale mandates as well as the groups highly regarded retail unit trusts - the EGG Small Companies Fund and the EGG Emerging Companies Fund.

For more information, visit [www.eleygriffiths.com.au](http://www.eleygriffiths.com.au)

### Our investment style

EGG run an investment process that weighs quantitative and qualitative factors and is critically dependent upon accurate and timely inputs. Our quantitative framework, or valuation methodology, centres on determining the appropriate PE ratio for our three-year forecast earnings per share growth. Simply, we are after growth at a reasonable price. Qualitative factors include a full assessment of company management and its respective industry attributes for companies in our database. Stocks are individually scored, ranked, risk overlays are then applied and the portfolio is cast. EGG analysts engage in 800 plus company contacts per annum to ensure the dynamism of the process. Consideration is also given to macroeconomic drivers locally and internationally and this contributes to shaping some of the process inputs, for example, revenue growth, percentage margin levels and targets.

### Our market outlook

Global stock markets have been particularly volatile since early February and we are expecting this to continue notwithstanding the underlying sound economic fundamentals in place across most developed markets. Valuations have stepped up these past 12 months but remain very attractive relative to bonds. The Australian share market recently concluded a constructive reporting season. There were fewer earnings misses, full year earnings guidance married nicely with prior expectations and balance sheets finished the period in good health. Merger and acquisition activity has returned to the market over the past six months and indicates corporates are once again confident and believe they see value amongst listed counters. We concur.

### Performance

EGG's two retail unit trusts have enjoyed strong recent performance. The EGG Small Companies Fund is +21.2% (after fees) for the 12 months ending 31 March 2018. EGG recently launched a new fund targeting the emerging/micro-cap subset of the market, the EGG Emerging Companies Fund. It has steadily grown in size over the past 12 months and can report performance since inception (March 2017) of +30.1% (after fees).

The top five holdings of the EGG Small Companies Fund include:	The top five holdings of the EGG Emerging Companies Fund include:
Cleanaway Waste Management Limited	Afterpay Touch Group Limited
Saracen Mineral Holdings Limited	Emeco Holdings Limited
Seven Group Holdings Limited	Noni B Limited
Smartgroup Corporation Limited	Jumbo Interactive Limited
Whitehaven Coal Limited	Helloworld Travel Limited

## Charity in focus: Raise



### About Raise

Raise Foundation is creating thriving communities by empowering young people to become resilient, capable and connect. Raise does this by providing a best practice youth mentoring program in high schools across Australia. Raise was founded in 2008 in Sydney and is now extended across five states.

Over the past nine years, Raise has trained more than 3,200 volunteers to be professional accredited mentors and matched more than 4,500 young people to receive face to face mentoring for an hour a week in school term time.

Young people in Australia are struggling. Their unemployment rate is double, one in 10 are completely disengaged from school, one in four have a mental health issue, more young people die by suicide than any other cause. Having one confiding relationship with a trusted adult is one of the single best predictors of psychological health and wellbeing for young people who face adversity. This is why Raise exists.

### Raise and FGX

It takes a village to raise a child and having FGX in our village is extremely significant for Raise Foundation. Your support is not just a drop in the ocean, it makes a huge impact in the work that we are able to do, and in the number of young people we are able to support as a direct result.

We are working hard to address the major youth concerns in Australia by providing our children with highly skilled and accredited mentors to talk to and set goals with. The young people in our own back yards are dealing with more issues than ever before, like bullying, disconnected families, anxiety, health concerns, depression, alcohol and other drugs, disordered eating, and self-harm and suicide is the leading cause of death amongst 14-25 year olds in our country. This is not okay.

Raise Mentors make a difference. Research tells us that only 31% of school students will go to their School Counsellor for help, but we know that 79% of our Mentees will now ask an adult for help because their Raise Mentor has taught them to place trust in the adults around them.

Raise and FGX are making sure that adults right around our country have the skills and experience to support the young people in their lives who are struggling. We are teaching them to listen, ask questions and provide much needed support when challenges arise for young people. We are creating thriving communities together.

For more information, visit [www.raise.org.au](http://www.raise.org.au)

### Q&A with Vicki Condon, Founder and CEO of Raise

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

Our initial evaluation results for 2017 are about to be released, but in a sneak preview I can tell you that our Mentees reported that having a Raise Mentor made a real difference to their lives. They experienced statistically significant change in areas of resilience, ability to set and achieve goals, confidence, ability to finish school and ability to ask for help when needed and knowing where to go to for that help. Through focus groups and qualitative data, our Mentees also described improvements in their grades at school, relationships with supportive adults including family, friends and teachers; emotion regulation; their ability to get a job in the future; communication skills; health (sleep, fitness, eating), behaviour management and organisational skills.

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

My biggest challenge at the moment is two-fold and contradictory. On the one hand, I am having trouble containing my excitement about our next strategic phase. On the other hand, I am wary about whether we can find the funding and the mentors that we need to achieve it. We have just completed a major strategic planning exercise with support from our Patron's Advisory Council and McKinsey and Co to identify how we might be able to offer our program to every single public secondary school in Australia. That is, expanding from 85 schools having access to our program to all 1,025 public secondary schools having access to it. This is an ambitious plan, but one that we now have a strategy to achieve. Our challenge is going to be about inspiring organisations like FGX and all of your supporters to get behind our plan and assist us to make this remarkable step change in the landscape for young Australians together.

## Charities



## Service providers

