

Investment update

As at 31 August 2018

Snapshot

Pre-tax net tangible assets

\$1.30

Fully franked
dividend yield

3.5%

Gross assets

\$462.0m

Management and
performance fees

0%

Future Generation Investment Company Limited

ASX code	FGX
Date of listing	Sept 2014
Gross assets	\$462.0m
Market cap	\$460.3m
Share price	\$131
NTA before tax	\$1.30
Shares on issue	351,351,497
Management fees	0.0%
Performance fees	0.0%
Annual donation (% of NTA)	1.0%
Annualised fully franked dividends (FY2018)	4.6c
Fully franked dividend yield	3.5%

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 Paradice AO
Gabriel Radzyninski
Kate Thorley
Scott Malcolm

Investment Committee

Geoff Wilson AO, Chair
Bruce Tomlinson
David Smythe
Gabriel Radzyninski
Matthew Kidman

Company Secretary

Mark Licciardo

Performance

	6 mths	1 yr	3 yrs % pa	Since inception %pa (Sep-14)
Performance at 31 August 2018				
FGX Investment Portfolio*	7.3%	18.5%	13.0%	11.0%
S&P/ASX All Ordinaries Accumulation Index	7.3%	16.0%	11.8%	8.0%
Outperformance	+0.0%	+2.5%	+1.2%	+3.0%

*Investment performance and Index returns are before expenses, fees and taxes.

Investment portfolio

In August, the FGX investment portfolio increased 1.2%. The S&P/ASX All Ordinaries Accumulation Index rose 1.7% for the month. Since inception, the investment portfolio has increased 11.0% per annum, outperforming the benchmark by 3.0%. The investment portfolio's outperformance has been achieved with less volatility as measured by standard deviation, 6.4% versus the market's 10.9%.

The spread between the three broad equities is 47.1% long equities, 38.1% absolute bias, 14.3% market neutral and 0.5% cash.

Net tangible asset (NTA) figures

NTA before tax	130.03c
NTA after tax and before tax on unrealised gains	128.12c
NTA after tax	125.43c

Half year results and fully franked dividend

In August, FGX **announced** its interim results for the six-month period to 30 June 2018. Highlights include:

- Record pre-tax profit of \$28.4 million, up 27.6%
- \$6.9 million annualised savings delivered on management fees, performance fees and services foregone
- \$4.3 million investment in children and youth at risk charities.

The Board also announced a fully franked interim dividend of 2.3 cents per share.

Investor conference call recording and slides

Thank you to those who dialled in to our investor conference call on 4 September 2018. To listen to the recording and view the corresponding slides, please click [here](#).

In November, we will be travelling across the country to meet with shareholders to provide an update on the Future Generation companies, including presentations from a selection of our fund managers and designated charities.

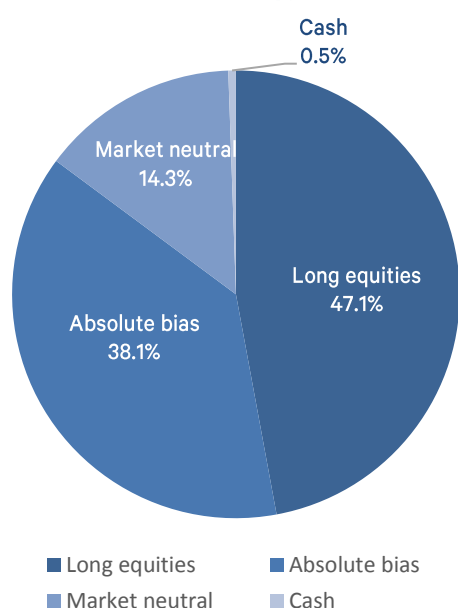
Presentations will run from 12.15pm - 1.15pm in each city, followed by lunch.

Click [here](#) to save the date. The Future Generation Investment Forum will be held from 1.45pm - 3.15pm on Thursday, 29 November at the Melbourne Convention & Exhibition Centre. Next week we will post invitations to our November Shareholder Presentations. **Save the date** now!

Fund manager allocations

Fund manager	Investment	Strategy	% of portfolio
Bennelong Australian Equities Partners	Bennelong Australian Equities Fund	Long equities	12.0%
	Large/Mid Cap Funds (split out below)		11.9%
Paradice Investment	Paradice Mid Cap Fund – B Class	Long equities	6.7%
	Paradice Large Cap Fund	Long equities	5.2%
Regal Funds Management	Regal Australian Long Short Equity Fund	Absolute bias	10.4%
Wilson Asset Management	Wilson Asset Management Equity Fund	Absolute bias	9.0%
	Small/Emerging Companies Funds (split out below)		7.2%
Eley Griffiths Group	Eley Griffiths Group Small Companies Fund	Long equities	6.2%
	Eley Griffiths Group Emerging Companies Fund	Long equities	1.0%
Tribeca Investment Partners	Tribeca Alpha Plus Fund	Absolute bias	7.0%
Cooper Investors	Cooper Investors Australian Equities Fund	Long equities	5.4%
	Long Short/Aus Equities Funds (split out below)		5.2%
L1 Capital	L1 Capital Long Short Fund – Retail Class	Absolute bias	2.7%
	L1 Capital Australian Equities Fund	Long equities	2.5%
Watermark Funds Management	Watermark Market Neutral Trust	Market neutral	4.7%
Sandon Capital	Sandon Capital Activist Fund	Absolute bias	4.5%
Bennelong Long Short Equity Management	Bennelong Long Short Equity Fund	Market neutral	3.9%
Firetrail Investments	Firetrail Absolute Return Fund	Market neutral	3.0%
ARCO Investment Management	ARCO Investment Management Absolute Trust	Market neutral	2.7%
CBG Asset Management	CBG Australian Equities Fund	Long equities	2.7%
Vinva Investment Management Limited	Vinva Australian Equities Fund	Long equities	2.5%
LHC Capital	LHC Capital Australia High Conviction Fund	Absolute bias	1.9%
Centennial Asset Management	The Level 18 Fund	Absolute bias	1.7%
Smallco Investment Manager	Smallco Broadcap Fund	Long equities	1.7%
QVG Capital	QVG Opportunities Fund	Long equities	1.2%
Lanyon Asset Management	Lanyon Australian Value Fund	Absolute bias	0.9%
	Cash and Term Deposits		0.5%

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.

Pro bono fund managers



Fully franked dividends

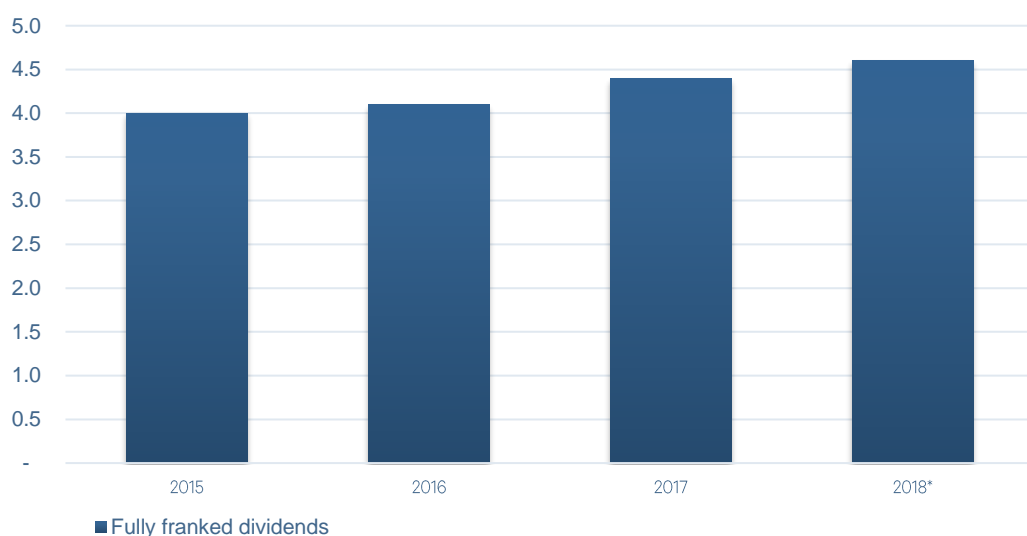
On 30 August 2018, the Board announced a fully franked interim dividend of 2.3 cents per share, an increase of 4.6% on the previous year. The dividend will be paid on 26 October 2018 and the Company will trade ex-dividend on 12 October 2018. The DRP is available to shareholders for the interim dividend. The last election date for the DRP will be 17 October 2018.

Key dividend dates

Ex-dividend date	12 October 2018
Record date	15 October 2018
Last election date for DRP	17 October 2018
Payment date	26 October 2018

Fully franked dividends since inception

cents per share



*Annualised interim dividend

Fund manager in focus: CBG Asset Management



CBG Asset Management was established in 2001 as a boutique Australian equity manager. CBG Asset Management merged with the larger listed investment manager Clime Investment Management in July 2017.

CBG Asset Management has 10 full time investment professionals involved in portfolio management and analysis.

For more information visit www.cbgam.com.au

Investment style

The Australian equities market is heavily weighted towards large-cap stocks. However, CBG's mandate and relative fund size allows it to invest more broadly and to have a greater exposure to emerging companies. CBG invests in a portfolio of Australian equities with a minimum 75% of the portfolio invested in stocks from the S&P/ASX 200 Index. A maximum 25% can be invested in stocks outside the S&P/ASX 200 Index.

CBG has a focus on longer term investment cycles, as evidenced by average historical turnover of 30% to 40% per annum in its funds. This assists CBG to benefit from pricing inefficiencies that result from shorter-term focused investors. CBG invests only in high quality companies, which minimises the risk of permanent capital losses and ensures the portfolios are highly liquid.

Market outlook

The domestic economy is experiencing subdued growth, transitioning from resources to housing to infrastructure, and now cycling back to resources.

The US economy remains strong, US interest rates are rising, and the strength of the US dollar is helping profit growth for some stocks held by CBG. Examples of stocks that have benefitted from this are CSL Limited (CSL), James Hardie Industries PLC (JHX) and Janus Henderson Group PLC (JHG) which earn the majority of their earnings and revenue in US dollars.

Growth in China continues, and environmental controls remain broadly positive for Australia, for example higher grade iron ore is required to improve the environmental impact of development within China, which Australia has in abundant supply. Thus, our fund owns BHP Billiton Limited (BHP) and Rio Tinto Limited (RIO) in preference to Fortescue Metals Group Limited (FMG).

The portfolio has continued to transition away from banks (a well understood, slow growth area) to resource exposed stocks and medium sized companies.

Top five holdings

Stock	Weight
BHP Billiton Limited (BHP)	8.1%
CSL Limited (CSL)	7.2%
Speedcast International Limited (SDA)	4.7%
Bravura Solutions Limited (BVS)	4.4%
Webjet Limited (WEB)	4.3%

Performance

Performance at 31 August 2018	6 mths	1 yr	5 yrs %pa	10 yrs % pa	Since inception %pa (Apr-02)
CBG Australian Equities Fund*	14.9%	29.3%	12.2%	8.7%	12.6%
S&P/ASX 200 Accumulation Index	7.3%	15.4%	8.9%	6.8%	8.6%
Outperformance	+7.6%	+13.9%	+3.3%	+1.9%	+4.0%

* Investment performance and Index returns are before expenses, fees and taxes.

Charity in focus: Australian Indigenous Education Foundation



Q&A with Andrew Penfold, Executive Director

About Australian Indigenous Education Foundation

Australian Indigenous Education Foundation (AIEF) was established to meet growing demand from Indigenous students and families for opportunities to attend leading schools and universities. In addition to scholarships, AIEF provides mentoring and career support to ensure students make a successful transition from school to further studies or employment, productive careers and fulfilling lives.

Australian Indigenous Education Foundation and FGX

The first AIEF Scholarship was awarded in 2008, which makes 2018 our 10th anniversary year. Since then, the AIEF program has grown to support over 500 school and university scholarship students.

FGX donations contribute to the AIEF Scholarship Fund, which also provides ongoing support to a network of over 500 scholarship graduates. Innovative funding sources like FGX are critical for AIEF as we strive to offer more scholarships and meet community demand for quality education and career opportunities.

With the support of partners and donors like FGX, AIEF students and graduates are achieving outcomes that set the benchmark for Indigenous education programs in Australia, including 94% retention and Year 12 completion, 96% university retention and completion and 95% of scholarship graduates engaged in career pathways.

FGX has supported AIEF since 2014, and this type of long-term commitment is invaluable in the context of AIEF's fundraising needs – a sustainable funding base means we can offer more scholarships and educate a generation of young Indigenous people who are changing the nation.

AIEF are very proud of the network of schools, scholarship students and graduates for achieving these outcomes, which are making a significant contribution to rising rates of Year 12 attainment. AIEF are also proud of becoming a significant creator of opportunities for young Indigenous Australians.

For more information, visit www.aief.com.au

What is your driving motivation in your current role?

In 2017, the Australian Government published the Study Away Review which found that demand for Indigenous boarding places had grown 40.5% from 2012 to 2016. In this time, apparent retention to Year 12 rose from 52% to 60%, while Year 12 attainment was one of only two 'Closing the Gap' targets consistently shown to be on track. Our student numbers also rose and as of 2017, AIEF is funding around one third of all scholarship places for Indigenous boarders through a program that consistently achieves a retention and Year 12 completion rate of more than 90%.

Australian Bureau of Statistics figures show Australians with a Year 12 qualification are more likely to be employed, to pursue higher education and to earn a higher income than Australians who do not complete Year 12. The evidence is unambiguous, yet the national Year 12 completion gap remains wide, at 24%. This is unacceptable and it's what motivates me and everyone at AIEF in all that we do.

What is the most challenging aspect of your role?

We are celebrating 10 successful years in the knowledge that all the funds we have raised are committed to support students who are already in the program to complete their studies. We are being forced to say 'no' to Indigenous students and families – the very people whose determination to create a better future for their children inspired us to establish this organisation, and who have driven its growth and success. If we're going to meet community demand, we need to raise additional funds so we can sustain this program and say 'yes' to more Indigenous students and families.

Charities



Service providers

