



Investment update

As at 31 October 2018

Snapshot

Pre-tax net tangible assets

\$1.18

Fully franked
dividend yield

3.7%

Gross assets

\$416.7m

Management and
performance fees

0%

futuregeninvest.com.au
ABN 97 063 935 553

Future Generation Investment Company Limited

ASX code	FGX
Date of listing	Sept 2014
Gross assets	\$416.7m
Market cap	\$438.5m
Share price	\$1.245
NTA before tax	\$1.18
Shares on issue	352,186,952
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	3.7%

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 Paradice AO
Gabriel Radzynski
Kate Thorley
Scott Malcolm

Investment Committee

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

Company Secretary

Mark Licciardo

Performance

	Fin YTD	1 yr	3 yrs % pa	Since inception %pa (Sep-14)
Performance at 31 October 2018				
FGX Investment Portfolio*	0.4%	4.9%	8.3%	8.5%
S&P/ASX All Ordinaries Accumulation Index	-0.9%	3.1%	8.3%	5.7%
Outperformance	+1.3%	+1.8%	+0.0%	+2.8%

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

Investment portfolio

In October, the FGX investment portfolio decreased 7.1%. The S&P/ASX All Ordinaries Accumulation Index fell 6.5% for the month. Since inception, the investment portfolio has increased 8.5% per annum, outperforming the benchmark by 2.8%. The investment portfolio's outperformance has been achieved with less volatility as measured by standard deviation, 7.4% versus the market's 11.2%.

The spread between the three broad equities is 47.1% long equities, 36.6% absolute bias, 15.4% market neutral and 0.9% cash.

Net tangible asset (NTA) figures

The following NTA figures are **after** the 2.3 cents per share fully franked final dividend paid on 26 October 2018. Since inception, FGX has paid 14.8 cents per share in fully franked dividends to shareholders.

NTA before tax	117.56c*
NTA after tax and before tax on unrealised losses	115.89c
NTA after tax	116.16c

*The NTA before tax figure is after the payment of \$695k (0.2 cents per share) in tax during the month.

During the month, 835,455 shares were issued under the Dividend Reinvestment Plan (DRP) for the fully franked interim dividend.

Share Purchase Plan and Placement

The FGX Share Purchase Plan (SPP) closes on 23 November 2018. The SPP allows existing shareholders to acquire up to \$15,000 worth of shares at the fixed price of the pre-tax net tangible assets as at 31 October 2018, which is \$1.18. The share price closed at \$1.23 on Monday, 12 October 2018.

For more information, shareholders can read the [SPP Offer Booklet](#) released on Monday, 15 October 2018. If you would like to request a replacement SPP form to participate in the Offer, please contact Boardroom on 1300 737 760.

FGX will also undertake a Placement for FGX professional and sophisticated investors*. The Placement price is the same price as the SPP price, \$1.18.

If you have any questions about the SPP or Placement, please contact Chief Executive Officer Louise Walsh on 0419 416 618 or Nina Dunn on (02) 9247 6755.

*These terms are defined in the Corporations Act and refer to individuals with net assets greater than \$2.5 million, or those who earn gross income of \$250,000, or a Superannuation Fund with net assets of at least \$10 million.

Shareholder presentations

We look forward to seeing you at our shareholder presentations this month beginning with Canberra on 19 November, followed by Sydney, Brisbane, Hobart, Adelaide, Perth and Melbourne. The presentations will run from 12.15pm - 1.15pm in each city, followed by lunch. We will provide an update on the Future Generation companies, including presentations from a selection of our fund managers and designated charities, and our view on Australian and global markets. [RSVP here](#).

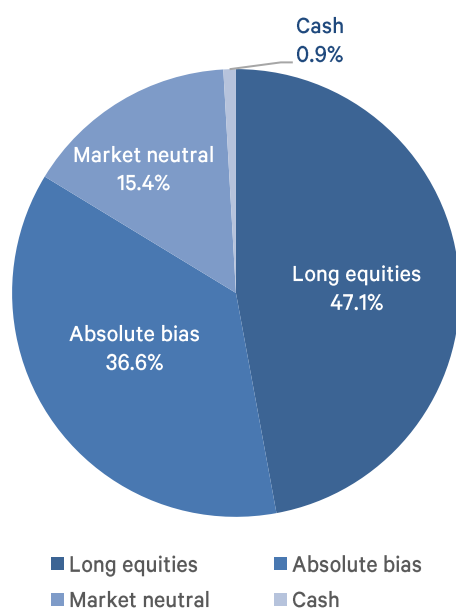
The Future Generation Investment Forum will be held from 1.45pm – 3.15pm on Thursday, 29 November at the Melbourne Convention & Exhibition Centre. [Register now](#) to here stock picks from leading Australian and global fund managers.

Fund manager allocations

Fund manager	Investment	Strategy	% of portfolio
	Large/Mid Cap Funds (split out below)		12.0%
Paradice Investment	Paradice Mid Cap Fund – B Class	Long equities	6.6%
	Paradice Large Cap Fund	Long equities	5.4%
Bennelong Australian Equities Partners	Bennelong Australian Equities Fund	Long equities	11.6%
Regal Funds Management	Regal Australian Long Short Equity Fund	Absolute bias	10.3%
	Small/Emerging Companies Funds (split out below)		7.3%
Eley Griffiths Group	Eley Griffiths Group Small Companies Fund	Long equities	6.3%
	Eley Griffiths Group Emerging Companies Fund	Long equities	1.0%
Tribeca Investment Partners	Tribeca Alpha Plus Fund	Absolute bias	7.2%
Wilson Asset Management	Wilson Asset Management Equity Fund	Absolute bias	6.5%
Cooper Investors	Cooper Investors Australian Equities Fund	Long equities	5.6%
	Long Short/Aus Equities Funds (split out below)		5.4%
L1 Capital	L1 Capital Long Short Fund – Retail Class	Absolute bias	2.9%
	L1 Capital Australian Equities Fund	Long equities	2.5%
Watermark Funds Management	Watermark Market Neutral Trust	Market neutral	5.2%
Sandon Capital	Sandon Capital Activist Fund	Absolute bias	4.9%
Bennelong Long Short Equity Management	Bennelong Long Short Equity Fund	Market neutral	3.8%
Firetrail Investments	Firetrail Absolute Return Fund	Market neutral	3.4%
ARCO Investment Management	ARCO Investment Management Absolute Trust	Market neutral	3.0%
CBG Asset Management	CBG Australian Equities Fund	Long equities	2.6%
Vinva Investment Management	Vinva Australian Equities Fund	Long equities	2.6%
LHC Capital	LHC Capital Australia High Conviction Fund	Absolute bias	2.0%
Centennial Asset Management	The Level 18 Fund	Absolute bias	1.8%
Smallco Investment Manager	Smallco Broadcap Fund	Long equities	1.6%
QVG Capital	QVG Opportunities Fund	Long equities	1.3%
Lanyon Asset Management	Lanyon Australian Value Fund	Absolute bias	1.0%
	Cash and Term Deposits		0.9%*

*During the month, FGX paid the interim dividend of 2.3 cents per share, the annual charity donation of \$3.2 million, tax of \$0.7 million and redeemed a portion of its holding in the Wilson Asset Management Equity Fund.

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

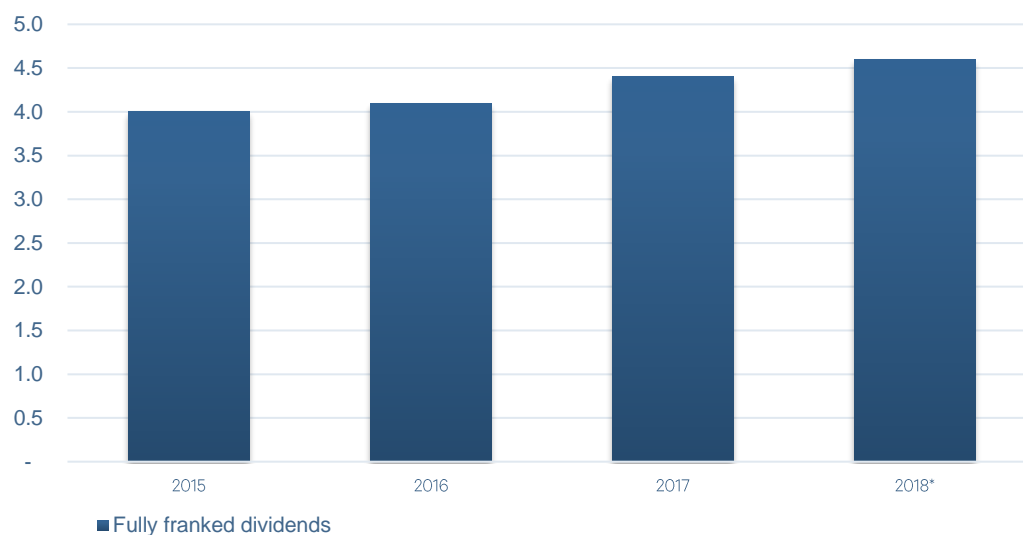
An investment strategy that seeks to generate returns, irrespective of the performance of traditional asset classes. These strategies use innovative investment techniques (including but not limited to short selling and leveraging) to profit from rising and falling markets, providing portfolio protection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

Fully franked dividends

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. Since inception, FGX has paid 14.8 cents per share in fully franked dividends to shareholders.

Fully franked dividends since inception

cents per share



*Annualised interim dividend

Pro bono fund managers



Fund manager in focus: Regal Funds Management



Regal Funds Management Pty Limited (Regal) is an Asian based specialist alternatives investment manager. It was founded in early 2004 and is one of Australia's leading investment managers servicing a wide range of institutional investors and high net worth individuals.

The investment team has extensive investment experience through many market cycles and a long track record of delivering superior returns for investors. Regal brings a fresh approach to investing and we believe that by having the ability, track record and experience to take short positions, our products are differentiated in the Australian market.

For further information about Regal, please visit www.regalfm.com

Investment style

Regal invests using a fundamental, research-driven approach that has been adopted since the launch of the business in 2004. Specifically, we adhere to a well refined four step stock selection process. When investing in shares in companies (long positions), we search for undervalued companies with strong business models. In contrast, when shorting shares in companies, we use our expertise and systems to identify companies that we believe are overvalued and have weak business models. We believe that shorting requires a different discipline than that employed by traditional long-only managers and have found it creates more opportunities for alpha generation. Regal operates within a robust risk management framework.

Market outlook

Macro uncertainty exacerbated by both the ongoing global trade war and rising global interest rates will likely result in heightened equity market volatility. We are in a good position to take advantage of this given our bottom up stock selection approach and our ability to hedge through short positions. We remain positively exposed to engineering and mining services stocks given ongoing robust levels of infrastructure spend and increasing resources activity.

Conversely, we foresee two challenging areas of the market. The first relates to growth stocks with many valuations approaching bubble territory. We are well positioned to take advantage of any correction in relation to these growth companies, particularly as we have the ability to take short positions. The second challenging area of the market relates to consumer related stocks following the weakness we have seen in Australian house prices as a result of prudential tightening of credit standards led by the Australian Prudential Regulation Authority which has slowed credit growth and has had an adverse effect on house prices with a resulting adverse impact on consumer confidence and consumer spending.

Regal Funds Management Performance

Performance at 30 September 2018	Cal YTD	5 yrs % p.a.	Since inception %pa (Aug-09)
Regal Australian Long Short Fund*	9.7%	11.9%	16.1%
S&P/ASX 300 Accumulation Index	5.8%	8.2%	8.9%
Outperformance	+3.9%	+3.7%	+7.2%

*Investment performance is net of all costs and fees.

Charity in focus: Youth Off The Streets



About Youth Off The Streets

Youth Off The Streets is a non-denominational community organisation working for disadvantaged young people who may be homeless, drug dependent and/or recovering from abuse. The organisation supports these young people as they work to turn their lives around and overcome immense personal trauma such as neglect and physical, psychological and/or emotional abuse.

Youth Off The Streets has over 35 services including aboriginal programs, crisis accommodation, alcohol and other drug services, counselling, accredited high schools, a registered training organisation, an employment service, outreach and residential programs, as well as a national scholarships program.

Youth Off The Streets and FGX

For the past three years, FGX has supported the Youth Off The Streets Aboriginal Cultural Connections program, which helps Aboriginal young people reconnect with their culture. This is done through camps, arts, music, and cultural programs, as well as practical support via court support for young people, helping to address the over-representation of Aboriginal young people in the juvenile justice system. The Aboriginal Cultural Connections program provides support to Aboriginal young people in South West Sydney, Bourke, Griffith, Narrandera, as well as students at Youth Off The Streets schools in the Sydney region.

For more information, please visit youthoffthestreets.com.au

Q&A with Father Chris Riley, Founder and CEO

What is your driving motivation in your current role?

Being a voice for disadvantaged young people has always been a driving force of my life. Now, as CEO of Youth Off The Streets, I can not only be a voice of action for our young people but I can help provide them with the ability to turn their lives around. Almost every day I see improvement in the lives of young people I work with – this keeps me going.

What is the most challenging aspect of your role?

Working with so many kids over the years, one thing I have learned is that there is no 'one size fits all' approach for helping our kids. In some cases we can help kids turn their lives around in a week, for others it may take months or even years. Helping my organisation navigate these challenging waters can prove a difficult but rewarding task.

What does it mean to have the support of FGX?

FGX's support means we have a solid and reliable foundation of funding and support to ensure that our young people have the best chance to turn their lives around. Strong and continuous funding means that our kids who need long term support can rely on us and we can continue to help them make positive changes. Thanks to the funding from FGX we are able to provide Aboriginal young people access to culturally tuned programs that encourage them to learn about their culture and heritage, and we find that these programs have immense value for the young people and the communities in which they live.

Charities



Service providers

