Investment update

As at 28 February 2019

Snapshot

Pre-tax net tangible assets	Gross assets
$1.19	$476.2m
Fully franked dividend yield	Management and performance fees
3.8%	0%

futuregeninvest.com.au
ABN 97 063 935 553

Future Generation Investment Company Limited

ASX code	FGX
Date of listing	Sept 2014
Gross assets	$476.2m
Market cap	$477.6m
Share price	$1.205
NTA before tax	$1.19
Shares on issue	396,348,525
Management fees	0.0%
Performance fees	0.0%
Annual donation (% of NTA)	1.0%
Full year fully franked dividends (FY2018)	4.6c
Fully franked dividend yield	3.8%

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 Radzyminski
Kate Thorley
Scott Malcolm

Investment Committee
Geoff Wilson AO, Chair
Bruce Tomlinson
David Smythe
Gabriel Radzyminski
Matthew Kidman

Company Secretary
Mark Licciardo

FY2018 full year results

FGX announced its FY2018 results to the market on 28 February 2019. Highlights from the announcement include:

- Increased fully franked full year dividend of 4.6 cents per share
- Pre-tax operating profit of $31.5 million
- $7.1 million in savings delivered on management fees, performance fees and services foregone
- $4.3 million 2018 investment in Australian children and youth at risk focused charities.

Performance

Performance at 28 February 2019	1 yr	3 yrs % p.a.	Since inception %p.a. (Sep-14)
FGX Investment Portfolio*	2.6%	9.6%	8.6%
S&P/ASX All Ordinaries Accumulation Index	6.6%	12.7%	6.9%
Outperformance	-4.0%	-3.1%	+1.7%

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

Investment portfolio

In February, the FGX investment portfolio increased 4.8%. The S&P/ASX All Ordinaries Accumulation Index rose 6.1% for the month. Since inception, the investment portfolio has increased 8.6% per annum, outperforming the benchmark by 1.7%. The investment portfolio's outperformance has been achieved with less volatility as measured by standard deviation, 7.7% versus the Index's 11.3%.

The spread between the three broad equities' strategies is 43.4% long equities, 33.7% absolute bias, 13.0% market neutral and 9.9% cash.

Net tangible asset (NTA) figures

NTA before tax	119.38c*
NTA after tax and before tax on unrealised losses	119.61c
NTA after tax	118.82c

*The NTA before tax figure is after the payment of $115k (0.03 cents per share) in tax during the month.

Investor conference call

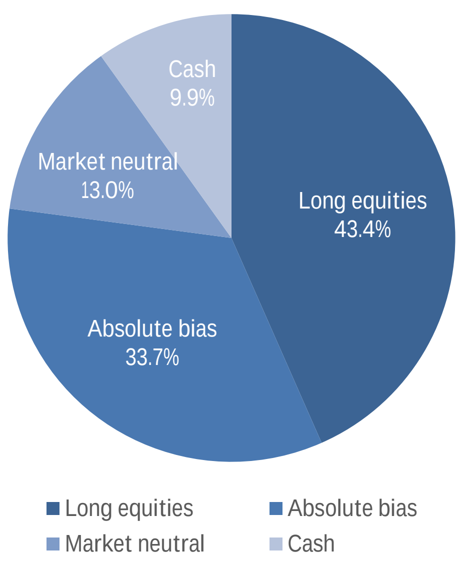
We look forward to providing an update on the Future Generation companies during our investor conference call on **Thursday, 21 March at 11.00am – 12.00pm** (Sydney time). We will be joined by Regal Funds Management Chief Investment Officer Philip King (FGX fund manager) and Antipodes Partners Deputy Portfolio Manager Graham Hay (FGG fund manager).

Dial-in number: 1300 264 804
Access code: 5276493#
International dial-in number: +61 2 9696 0874
Register now!

Fund manager allocations

Fund manager	Investment	Strategy	% of portfolio
Bennelong Australian Equities Partners	Bennelong Australian Equities Fund	Long equities	10.9%
	Large/Mid Cap Funds (split out below)		10.9%
Paradice Investment	Paradice Australian Mid Cap Fund – B Class	Long equities	6.0%
	Paradice Australian Equities Fund	Long equities	4.9%
Regal Funds Management	Regal Australian Long Short Equity Fund	Absolute bias	10.3%
	Small/Emerging Companies Funds (split out below)		6.7%
Eley Griffiths Group	Eley Griffiths Group Small Companies Fund	Long equities	5.7%
	Eley Griffiths Group Emerging Companies Fund	Long equities	1.0%
Tribeca Investment Partners	Tribeca Alpha Plus Fund	Absolute bias	6.6%
Wilson Asset Management	Wilson Asset Management Equity Fund	Absolute bias	5.7%
Cooper Investors	Cooper Investors Australian Equities Fund	Long equities	5.1%
	Long Short/Aus Equities Funds (split out below)		4.8%
L1 Capital	L1 Capital Long Short Fund – Retail Class	Absolute bias	2.5%
	L1 Capital Australian Equities Fund	Long equities	2.3%
Watermark Funds Management	Watermark Market Neutral Trust	Market neutral	4.4%
Sandon Capital	Sandon Capital Activist Fund	Absolute bias	4.2%
Bennelong Long Short Equity Management	Bennelong Long Short Equity Fund	Market neutral	3.1%
Firetrail Investments	Firetrail Absolute Return Fund	Market neutral	2.9%
ARCO Investment Management	ARCO Investment Management Absolute Trust	Market neutral	2.6%
CBG Asset Management	CBG Australian Equities Fund	Long equities	2.4%
Vinva Investment Management	Vinva Australian Equities Fund	Long equities	2.4%
LHC Capital	LHC Capital Australia High Conviction Fund	Absolute bias	1.9%
Centennial Asset Management	The Level 18 Fund	Absolute bias	1.6%
Smallco Investment Manager	Smallco Broadcap Fund	Long equities	1.6%
QVG Capital	QVG Opportunities Fund	Long equities	1.1%
Lanyon Asset Management	Lanyon Australian Value Fund	Absolute bias	0.9%
	Cash and Term Deposits		9.9%

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.

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.

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.

Pro bono fund managers

Bennelong Long Short Equity | Paradice Investment Management | Regal Funds Management | Eley Griffiths Group

Tribeca Investment Partners | Wilson Asset Management | Cooper Investors | L1 Capital

Watermark Funds Management | Sandon Capital | BAEP | Firetrail Investments

ARCO Investment Management | CBG Asset Management | vinva | LHC Capital

Centennial Asset Management | Smallco Investment Manager | QVG Capital | Lanyon Asset Management

Fully franked dividends

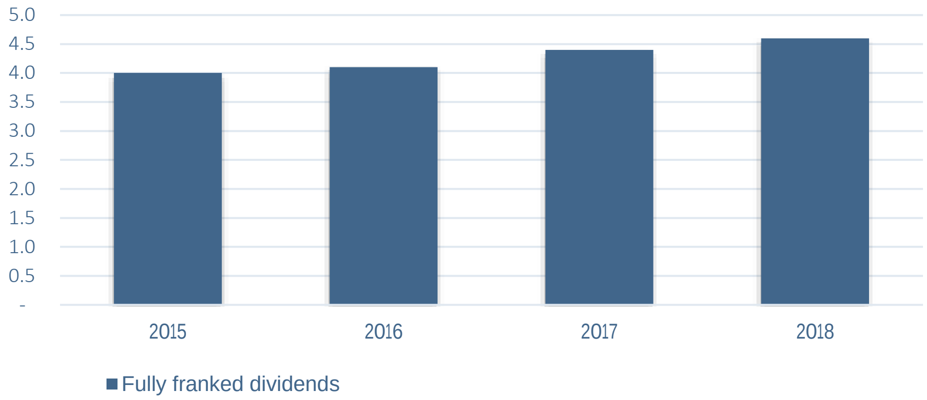
On 28 February 2019, the Board announced a fully franked final dividend of 2.3 cents per share, bringing the fully franked full year dividend to 4.6 cents per share, an increase of 4.5% on the previous year. The dividend will be paid on 26 April 2019 and will trade ex-dividend on 10 April 2019. The DRP is available to shareholders for the final dividend and will operate at a 2.5% discount. The last election date for the DRP will be 15 April 2019.

Key dividend dates

Dividend ex-date	10 April 2019
Record date	11 April 2019
Last election date for DRP	15 April 2019
Payment date	26 April 2019

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: Wilson Asset Management

Wilson Asset Management

Wilson Asset Management manages more than $3 billion in shareholder capital on behalf of over 80,000 retail investors. We have a track record of making a difference for shareholders and the community for over 20 years. Established in 1997, by Chairman and Chief Investment Officer Geoff Wilson AO, our team comprises 35 individuals including 11 investment professionals with combined market experience of more than 140 years.

We aim to deliver a positive and meaningful impact to our community. We are a member of the Pledge 1% movement and provide all team members with $10,000 to donate to charities of their choice each year. We created and are the lead supporter of the Future Generation Investment Company (ASX: FGX) and Future Generation Global Investment Company (ASX: FGG).

For more information, visit wilsonassetmanagement.com.au

Investment style

We employ two proven investment methodologies: a research-driven process focused on identifying undervalued growth companies; and a market-driven process that takes advantage of market mispricing opportunities.

Research-driven investing. This investment process involves diligent and deep research that focuses on free cash flow, return on equity and the quality of a company. Each company is carefully rated with respect to management, earnings growth potential, valuation and industry position. Under this process, our investment team will only ever invest in a security once we can identify a catalyst or event that we expect will change the market's valuation of the company.

Market-driven investing. This investment process takes advantage of short-term mispricing opportunities in the Australian equity market. Opportunities are derived from initial public offerings, placements, block trades, rights issues, corporate transactions (such as takeovers, mergers, schemes of arrangements, corporate spin-offs and restructures), arbitrage opportunities such as listed investment company discounts, short-selling and trading market themes and trends.

Our market outlook

The MSCI World Index (AUD) closed up 5.6% in February as the United States Federal Reserve Bank's change in approach – pausing the increase of interest rates and reducing the limitation of money supply by ceasing to purchase US Treasuries – continued to increase global investors' risk appetite and drive valuations upwards. As the saying goes: "You can't fight the Fed". It was therefore unsurprising that the Australian equity market rallied in February with the S&P/ASX 200 Accumulation Index increasing by 6.0%, exceeding January's gains, despite a mixed and volatile reporting season that highlighted the economy's weakness. The February rally was primarily driven by continued expansions in earnings multiples as 12-month forward earnings expectations fell by 1.0% with the industrial sector experiencing a series of downgrades.

Poor consumer sentiment, resulting from rising cost pressures and stagnant wage growth, was a notable theme to emerge from company results and it particularly impacted large retailers. In contrast, companies with an off-shore growth strategy fared well, such as The a2 Milk Company (ASX: A2M) and Afterpay Touch Group (ASX: APT), as investors were increasingly looking to diversify away from the domestic economy. Share price volatility increased significantly on previous periods, with 30% of all companies in the ASX 200 Index experiencing a positive or negative share price move of 5% or more during the month. Small-cap companies slightly outperformed large-cap companies, with the S&P/ASX Small Ordinaries Accumulation Index and the S&P/ASX All Ordinaries Accumulation Index rising 6.8% and 6.1% respectively.

Wilson Asset Management Equity Fund Performance

Performance at 28 February 2019	5 yrs %p.a.	7 yrs %p.a.	Since inception %p.a. (Jan-98)
Wilson Asset Management Equity Fund*	11.8%	15.8%	20.8%
S&P/ASX All Ordinaries Accumulation Index	7.4%	9.8%	8.6%
Outperformance	+4.4%	+6.0%	+12.2%

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

Charity in focus: Australian Children's Music Foundation

About Australian Children's Music Foundation

The Australian Children's Music Foundation (ACMF) was founded in 2002 by Don Spencer OAM, providing free, long-term music programs to Australian children and youth in schools – particularly the disadvantaged and Indigenous. Research shows that participation in music making has significant developmental benefits, yet the majority of Australian public schools do not have a dedicated music teacher.

ACMF music programs bring hope, and achieve positive educational and behavioural outcomes.

Australian Children's Music Foundation and FGX

The funding received from FGX goes towards music programs for children in the Taree Schools Group, on the Mid-North Coast of New South Wales, and the Sunshine Schools Group in Melbourne, Victoria. The ACMF engages over 1,700 children annually, many of whom come from low socio-economic communities and enormously different cultural backgrounds.

Some students are refugees who have entered schools with little or no English language skills, other children are from marginalised Indigenous backgrounds and some students are at risk of turning to crime or drugs.

The FGX funded music programs have allowed for a direct improvement in the children's attendance at school, their self-confidence, creativity, and teamwork. Further to this, research conducted at participating schools showed improvements in general curriculum learning, in areas such as literacy, numeracy – resulting in increased engagement with schooling, and willingness to learn.

For more information visit acmf.com.au

Q&A with Don Spencer OAM, Founder and CEO

What is your driving motivation in your current role?

When I was young I always found music to be an escape, I still do. Music gave me the imagination and inspiration to dream, and be creative - I found great solace in it. Because I had a challenging childhood myself, my motivation has always been to allow children access to the same gift of learning music, and music making. That's why I started the Australian Children's Music Foundation. When I see the transformative power that music has to change a young life, and provide hope - I'm inspired by that. Contributing to the emotional and psychological wellbeing of Australian children is my driving motivation.

What is the most challenging aspect of your role?

The work that we do at the ACMF is exceedingly rewarding, although our challenge lies in driving home the proven irrefutable benefits of music education, to Government and other funding bodies. Apart from the emotional and social benefits that music allows, world-wide research has proven that children who study music are up to 35% more advanced academically than children who don't. As a result, we have a continual waiting list of schools who want our music programs in their schools.

What is the impact of FGX's support?

It is wonderful to know that we have the continual support of the FGX. We've learnt that our programs achieve better outcomes the longer we stay within a school. This long-term reliability gives students greater confidence in what we do – and establishes trust between teachers and students. By providing music education we are enabling transformative education across every area of learning. Our programs are providing Australian children with the tools and resilience they need in their lives, to realise their full potential.

Charities

Service providers