



Investment update

As at 31 May 2019

Snapshot

Pre-tax net tangible assets

\$1.2I

Fully franked
dividend yield

3.9%

Gross assets

\$484.4m

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	\$484.4m
Market cap	\$468.8m
Share price	\$1.18
NTA before tax	\$1.21
Shares on issue	397,295,489
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	3.9%

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 investments.

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

Caroline Gurney
David Leeton
David Paradise AO
Gabriel Radzyminski
Kate Thorley
Stephanie Lai

Investment Committee

Geoff Wilson AO, Chair
Bruce Tomlinson
David Smythe
Gabriel Radzyminski
John Coombe
Matthew Kidman

Joint Company Secretaries

Elizabeth McGregor
Mark Licciardo

Investment portfolio

In May, the FGX investment portfolio increased 0.2%. The S&P/ASX Small Ordinaries Accumulation Index fell 1.3% for the month. The S&P/ASX All Ordinaries Accumulation Index rose 1.7% during May, primarily driven by the Australian banks which rallied following the surprise Coalition re-election. Since inception, the investment portfolio has increased 8.9% per annum, outperforming the benchmark by 1.2%. The investment portfolio's outperformance has been achieved with less volatility as measured by standard deviation, 7.6% versus the Index's 11.1%.

The spread between the three broad equities' strategies is 44.3% long equities, 35.3% absolute bias, 12.3% market neutral and 8.1% cash.

Performance

Performance at 31 May 2019	FYTD	1 yr	3 yrs % p.a.	Since inception %p.a. (Sep-14)
FGX Investment Portfolio	11.5%	2.9%	8.4%	8.9%
S&P/ASX All Ordinaries Accumulation Index	15.8%	10.5%	10.5%	7.7%
Outperformance	-4.3%	-7.6%	-2.1%	+1.2%

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

Net tangible asset (NTA) figures

The final fully franked dividend of 2.3 cents per share was paid on 26 April 2019. Since inception, FGX has paid 17.1 cents per share in fully franked dividends to shareholders.

NTA before tax	120.87c
NTA after tax and before tax on unrealised gains	121.03c
NTA after tax	119.09c

Thank you for joining us at our May 2019 Shareholder Presentations

During May we travelled around Australia for our semi-annual Shareholder Presentations. It was great to connect with almost 3,500 of you across Australia. We started in Launceston followed by Melbourne, Adelaide, Perth, Canberra, Brisbane and finished in Sydney. If you were unable to attend the presentations you can watch the [recording](#).

We look forward to seeing you again at our next Shareholder Presentations in November on the following dates:

Toowoomba: Thursday, 14 November 2019

Gold Coast: Friday, 15 November 2019

Canberra: Monday, 18 November 2019

Sydney: Tuesday, 19 November 2019

Brisbane: Thursday, 21 November 2019

Hobart: Monday, 25 November 2019

Perth: Tuesday, 26 November 2019

Adelaide: Wednesday, 27 November 2019

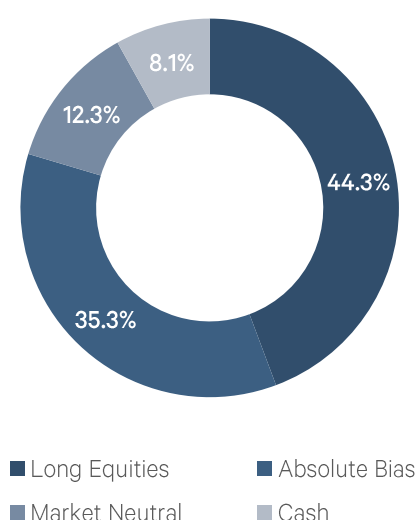
Melbourne: Thursday, 28 November 2019

Thank you to all who attended the Future Generation Investment Forum, where eight FGX and FGG fund managers presented their highest conviction stock picks. The Australian Financial Review's Chanticleer columnist Tony Boyd also interviewed Hamish Douglass, Magellan's chairman and chief investment officer. Over 1,000 people attended the event – you can watch the Investment Forum recording [here](#).

Fund manager allocations

Fund manager	Investment	Strategy	% of portfolio
Bennelong Australian Equities Partners	Bennelong Australian Equities Fund	Long equities	11.1%
Regal Funds Management	Regal Australian Long Short Equity Fund	Absolute bias	11.0%
Paradise Investment	Large/Mid Cap Funds (split out below)		10.9%
	Paradise Australian Mid Cap Fund – B Class	Long equities	5.9%
	Paradise Australian Equities Fund	Long equities	5.0%
Eley Griffiths Group	Small/Emerging Companies Funds (split out below)		6.8%
	Eley Griffiths Group Small Companies Fund	Long equities	5.8%
	Eley Griffiths Group Emerging Companies Fund	Long equities	1.0%
Tribeca Investment Partners	Tribeca Alpha Plus Fund	Absolute bias	6.8%
Wilson Asset Management	Wilson Asset Management Equity Fund	Absolute bias	5.9%
Cooper Investors	Cooper Investors Australian Equities Fund	Long equities	5.3%
L1 Capital	Long Short/Aus Equities Funds (split out below)		4.8%
	L1 Capital Long Short Fund – Retail Class	Absolute bias	2.5%
	L1 Capital Australian Equities Fund	Long equities	2.3%
Sandon Capital	Sandon Capital Activist Fund	Absolute bias	4.5%
Watermark Funds Management	Watermark Market Neutral Trust	Market neutral	4.2%
Bennelong Long Short Equity Management	Bennelong Long Short Equity Fund	Market neutral	3.0%
Firetrail Investments	Firetrail Absolute Return Fund	Market neutral	2.7%
CBG Asset Management	CBG Australian Equities Fund	Long equities	2.6%
Vinva Investment Management	Vinva Australian Equities Fund	Long equities	2.5%
ARCO Investment Management	ARCO Investment Management Absolute Trust	Market neutral	2.4%
LHC Capital	LHC Capital Australia High Conviction Fund	Absolute bias	2.1%
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	1.2%
Lanyon Asset Management	Lanyon Australian Value Fund	Absolute bias	0.9%
	Cash and Term Deposits		8.1%

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

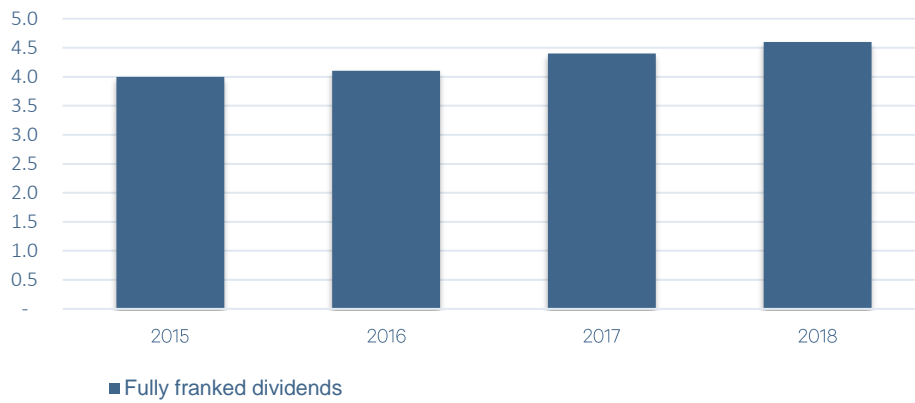


Fully franked dividends

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 17.1 cents per share in fully franked dividends to shareholders.

Fully franked dividends since inception

cents per share



Fund manager in focus: Regal Funds Management



About Regal Funds Management

Regal Funds Management Pty Limited (Regal) is a specialist alternatives investment manager, with offices in Sydney and Singapore. Regal 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.

Regal employs a team of over 40 people, including 25 investment professionals across its different investment strategies. The members of the investment team have, on average, 10 years' experience in financial markets both in Australia and overseas, extensive experience of investing through multiple market cycles, and a long track record of delivering superior returns for investors.

For more information, visit regalfm.com

Investment style

Regal has several investment strategies and most strategies employ a fundamental, research-driven approach that has been adopted since the launch of the business in 2004. Specifically, Regal adheres to a well refined four-step stock selection process. When buying shares in companies (long positions) we search for undervalued companies with strong business models. In contrast, when selling shares in companies (short positions) we use our expertise and systems to sell shares in 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 it creates more opportunity for alpha generation. Regal operates a robust risk management framework.

Our market outlook

Macro factors continue to dominate global equity markets, as demonstrated by the significant volatility over the past two quarters. Despite the strong rebound in global equity markets in early 2019 we are continuing to find good opportunities on the long side, with global bond yields continuing to decline and the Reserve Bank cutting domestic interest rates in early June. This has positive implications for domestic cyclical companies as well as select growth companies, post recent share price weakness, with valuations attractive given the willingness of equity markets to put a premium on longer dated growth opportunities.

We believe we are in a good position to take advantage of this given our bottom-up stock selection approach. While some growth companies in Australia remain expensive, we see good value in a number of select companies that are growing revenue and earnings at high levels, independent of economic growth.

Regal Australian Long Short Equity Fund Performance

		5 yrs %p.a.	Since inception %p.a. (Aug-09)
Performance at 31 May 2019	1 yr		
Regal Australian Long Short Equity Fund*	17.0%	10.1%	16.1%
S&P/ASX 300 Accumulation Index	10.9%	7.8%	8.9%
Outperformance	+6.1%	+2.3%	+7.2%

*Investment performance is net of fees.

Charity in focus: Lighthouse Foundation



About Lighthouse Foundation

For 28 years, Lighthouse Foundation has worked with the community towards ending youth homelessness. Young homeless people aged between 15 and 22 years, who have been traumatised through experiences of abuse and neglect, are provided with a long term home and 24/7 live-in therapeutic care. This helps them to recover their emotional resilience and reconnect with school, as well as re-building trusting relationships. Independent research shows that 80% of graduates never again experience homelessness.

Lighthouse Foundation and FGX

The significant support received from FGX has provided continuity of care in five suburban Lighthouse homes in Victoria – Kensington, Bonbeach, East Malvern, Clayton and Springvale. We currently are on track to maintain the present program and the high quality of therapeutic care available for the young people into the future. The carers are well supported, enabling their long term retention which helps them build trusting relationships.

Nine young people have successfully re-engaged with their education, enabling them to consider a more positive future of full employment rather than a lifetime of welfare benefits. Tutoring helps to provide a pathway to success, which builds self-esteem.

Four young people have transitioned from the residential program to the ongoing outreach program and sustainable independent living. Several others have begun the transition process.

Lighthouse's unique Model of Care involves a commitment for long-term aftercare support after the transition is made to independent living. Local community committees of volunteers support the suburban homes and help re-connect the formerly homeless young people within the community, including with local schools and clubs.

In 2019, the Clayton household will be relocated to other homes to enable the demolition and rebuild of that home by the Property Industry Foundation. The FGX funding allocation will encompass support for the Boronia home during that period.

For more information visit lighthousefoundation.org.au

Q&A with Simon Benjamin, CEO

What is your driving motivation in your current role?

When we see homeless young people on the street, we understand the suffering that they have experienced as we work with them all the time. I know that with the provision of long term therapeutic care and the provision of a home, their lives can be turned around. We see it at Lighthouse all the time. Seeing the lives of young people change for the better, seeing them overcome self-harm or the need for drugs and to develop a sense of themselves and discover interests and aspirations and then move into education or employment. Playing a part in this and knowing that our work at Lighthouse can contribute to wider system level change is what motivates me in my role.

What is the most challenging aspect of your role?

With so much demand, the greatest challenge is how to maximise our resources to have the greatest impact to end youth homelessness. My greatest challenge is to find a way to influence the broader service system beyond our doors, to leverage our model. We have developed a strategy to do this that we will be implementing over the next few years, which is very exciting.

What is the impact of FGX's support?

We are specialists at caring for young people, children and babies who have suffered trauma and cannot live with their families. The funding and support from FGX enables us to directly impact and improve the lives of these young people.

Charities



Service providers

