



FUTURE GENERATION
INVESTMENT COMPANY

Investment update

As at 30 June 2019

Snapshot

Pre-tax net tangible assets

\$1.23

Gross assets

\$493.5m

Fully franked
dividend yield

3.9%

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	\$493.5m
Market cap	\$464.8m
Share price	\$1.17
NTA before tax	\$123
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 Paradice 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 June, the FGX investment portfolio increased 1.9% outperforming the S&P/ASX Small Ordinaries Accumulation Index which rose 0.9%. The S&P/ASX All Ordinaries Accumulation Index increased 3.4% for the month.

Since inception, the investment portfolio has increased 9.2% per annum, outperforming the benchmark by 0.9%. The investment portfolio's outperformance has been achieved with less volatility as measured by standard deviation, 7.5% versus the Index's 11.0%.

The spread between the three broad equities' strategies is 45.7% long equities, 30.8% absolute bias, 12.1% market neutral and 11.4% cash.

Performance

Performance at	Fin	1	3 yrs	Since
30 June 2019	YTD	yr	% p.a.	inception %p.a. (Sep-14)
FGX Investment Portfolio	13.6%	2.7%	9.4%	9.2%
S&P/ASX All Ordinaries Accumulation Index	19.8%	11.0%	12.6%	8.3%
Outperformance	-6.2%	-8.3%	-3.2%	+0.9%
S&P/ASX Small Ordinaries Accumulation Index	16.8%	1.9%	10.7%	8.1%
Outperformance	-3.2%	+0.8%	-1.3%	+1.1%

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

Net tangible asset (NTA) figures

NTA before tax	123.06c
NTA after tax and before tax on unrealised gains	122.54c
NTA after tax	120.63c

Investor conference call

We look forward to providing an update to our shareholders on Future Generation during our investor conference call on Tuesday, 17 September at 4.00pm (Sydney time). Founder and Director Geoff Wilson AO and CEO Louise Walsh will provide an update on Future Generation Investment Company (FGX) and Future Generation Global Investment Company (FGG). We will send dial-in details for the investor conference call next week.

Shareholder presentations

We look forward to seeing you again at our next shareholder presentations in November 2019 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

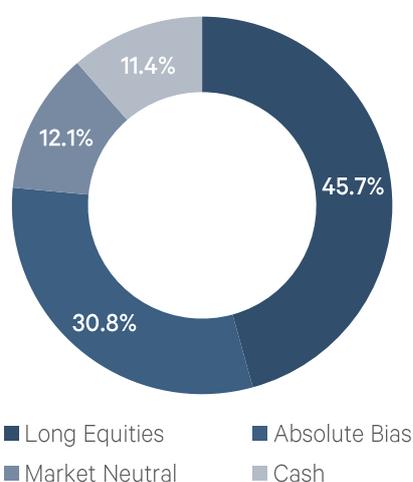
Melbourne: Thursday, 28 November 2019

Fund manager allocations

Fund manager	Investment	Strategy	% of portfolio
Bennelong Australian Equities Partners	Bennelong Australian Equities Fund	Long equities	11.3%
Regal Funds Management	Regal Australian Long Short Equity Fund	Absolute bias	11.2%
	Large/Mid Cap Funds (split out below)		11.1%
Paradice Investment	Paradice Australian Mid Cap Fund – B Class	Long equities	6.0%
	Paradice Australian Equities Fund	Long equities	5.1%
	Small/Emerging Companies Funds (split out below)		6.8%
Eley Griffiths Group	Eley Griffiths Group Small Companies Fund	Long equities	5.8%
	Eley Griffiths Group Emerging Companies Fund	Long equities	1.0%
Wilson Asset Management	Wilson Asset Management Equity Fund	Absolute bias	5.8%
Cooper Investors	Cooper Investors Australian Equities Fund	Long equities	5.4%
	Long Short/Aus Equities Funds (split out below)		4.9%
L1 Capital	L1 Capital Long Short Fund – Retail Class	Absolute bias	2.6%
	L1 Capital Australian Equities Fund	Long equities	2.3%
Sandon Capital	Sandon Capital Activist Fund	Absolute bias	4.3%
Watermark Funds Management	Watermark Market Neutral Trust	Market neutral	4.1%
	Absolute Return/High Conviction Funds (split out below)		3.7%
Firetrail Investments	Firetrail Absolute Return Fund	Market neutral	2.7%
	Firetrail High Conviction Fund	Long equities	1.0%
Bennelong Long Short Equity Management	Bennelong Long Short Equity Fund	Market neutral	3.0%
CBG Asset Management	CBG Australian Equities Fund	Long equities	2.6%
Vinva Investment Management	Vinva Australian Equities Fund	Long equities	2.5%
ARCO Investment Management	ARCO Investment Management Absolute Trust	Market neutral	2.3%
Tribeca Investment Partners	Tribeca Alpha Plus Fund	Absolute bias	2.3%
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	1.1%
Lanyon Asset Management	Lanyon Australian Value Fund	Absolute bias	0.9%
	Cash and Term Deposits		11.4%

During the month, FGX made a new investment in the Firetrail High Conviction Fund and partially redeemed its holding in the Tribeca Alpha Plus Fund. As at 30 June 2019, the investment portfolio is made up of 20 fund managers with investments in 24 funds.

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

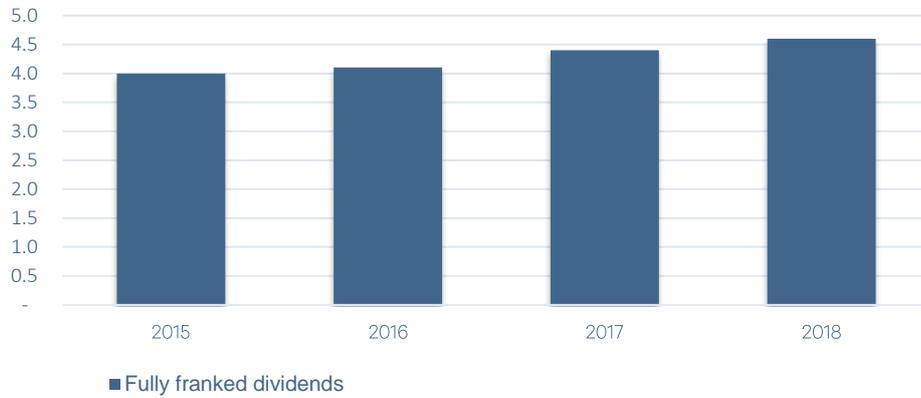


Fully franked dividends

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: CBG Asset Management



About CBG Asset Management

CBG Asset Management (CBG) was founded in 2001 and merged with the ASX listed multi asset wealth manager Clime Investment Management (ASX: CIW) in July 2017.

Clime has funds under management of \$900 million including two Listed Investment Companies (Clime Capital & CBG Capital) which recently announced their intention to merge.

For more information, visit cbgam.com.au

Investment style

CBG's investment style is to focus on quality with a strong valuation discipline. Our primary focus is on achieving strong returns for clients in excess of the relevant benchmark for lower levels of risk. This allows CBG to grow and protect client capital in the accumulation phase and generate meaningful income in the retirement phase.

CBG believes investment markets are not always efficient, which creates opportunities. CBG invests with conviction, backed by rigorous research and an approach to risk management that demands risk is appropriately compensated.

CBG has researched the critical elements of business quality extensively which provides significant evidence of a strong correlation between quality and outperformance (and vice versa). As highlighted below, companies with improving quality metrics also tend to outperform and exhibit lower levels of volatility while doing so.

Our market outlook

The recent rise in global equities has been driven by a compression in the risk-free rate rather than by a rise in earnings expectations. We have raised the cash weighting of the fund to 15% which is higher than the long-term average cash weighting of 5% ahead of next month's reporting season.

Over the six months to 30 June 2019, the S&P/ASX 200 Accumulation Index return was 19.7% well ahead of the expected earnings growth from the broad equities market and above the long-term average equity returns. The markets are assuming no near-term or medium-term rate rises, so it will be interesting to see how this plays out over the next couple of years.

Top five holdings

Stock	Weight
BHP Billiton Limited (BHP)	5.8%
National Australia Bank Limited (NAB)	5.4%
Ancor Limited (AMC)	5.3%
Westpac Banking Corp (WBC)	5.2%
CSL Limited (CSL)	4.8%

CBG Australian Equities Fund Performance

Performance at 30 June 2019	1 yr	5 yrs %p.a.	Since inception %p.a. (Apr-02)
CBG Australian Equities Fund ¹	11.2%	9.3%	12.0%
S&P/ASX 200 Accumulation Index	11.6%	8.8%	8.6%
Outperformance	-0.4%	+0.5%	+3.4%

¹Investment performance and Index returns are before expenses, fees and taxes.

Charity in focus: Australian Indigenous Education Foundation



About Australian Indigenous Education Foundation

The Australian Indigenous Education Foundation (AIEF) was established in 2008 in response to community demand from Indigenous families who choose to enrol their children in boarding schools. Bringing together the government and private sector, AIEF provides scholarship funding for Indigenous students to complete Year 12 or tertiary studies, with career support to help them make a successful transition to their chosen fields.

Australian Indigenous Education Foundation and FGX

The FGX business model gives shareholders access to a more efficient, diversified portfolio operating on economies of scale with reduced risk.

A similar pooled investment model is also being pioneered by AIEF, with support from FGX, as the new way in philanthropy. Rather than the traditional and expensive approach of investing directly in a scholarship for one individual student, AIEF operates a pooled investment model like FGX, where AIEF gives FGX and its shareholders access to 27 of Australia's leading schools in a single vehicle, and through them, invests in hundreds of Indigenous students.

This means FGX, and shareholders who donate their dividends to AIEF, are investing in the total portfolio of over 1,000 AIEF students and alumni; achieving high portfolio returns (over 90% retention and Year 12 completion each year and over 90% of alumni in employment or further study); and through economies of scale (AIEF is the largest scholarship program in Australia), achieving greater efficiency and low operating costs (1.7%), without concentration risk.

For more information visit www.aief.com.au

Q&A with Andrew Penfold AM, Executive Director

What is your driving motivation in your current role?

A quality education saved my life. I am passionate about ensuring marginalised Indigenous children get access to the best quality schooling Australia has to offer, and that their parents have choices for their children without financial barriers shutting them out.

What is the most challenging aspect of your role?

Funding. We work as a joint venture between the Australian Government and the private sector, but government funding is unpredictable. We received \$30 million in June 2017 and nothing in the two years since. This makes planning difficult, and can also give a misleading impression that AIEF is disproportionately funded by government when looking at one year of AIEF's finances in isolation.

There is also a misconception that AIEF has a lot of money. When AIEF takes on a student in Year 7, we commit to six years of school fees to support that student to Year 12. After graduation, we continue supporting them into careers with ongoing longitudinal tracking. Having large amounts in reserves doesn't mean we are well funded, it just means we are able to support our current cohort through to completion. We need more money to fund new students coming in each year.

What is the impact of FGX's support?

FGX understands the power of quality education to shift the dial on marginalised youth, and the success AIEF is achieving in this field. We are proud to promote FGX through our media partners such as *The Australian*, because FGX understands the importance of supporting programs like AIEF that are cost efficient, scalable and have a direct relationship between the funding and the benefits to Indigenous children.

Charities



Service providers

