

Future Generation Global Chairman's Address – Annual General Meeting

Delivered by Belinda Hutchinson AM at the Annual General Meeting of shareholders on Thursday, 21 May 2020.

Introduction and welcome

Good afternoon all. Welcome to the fifth Annual General Meeting of Future Generation Global Investment Company Limited (Future Generation Global or the Company). I am Belinda Hutchinson and as Chairman of your Board of Directors I will be chairing the meeting today. Due to social distancing measures as a result of coronavirus, this meeting is being held virtually.

I would like to acknowledge the Gadigal people of the Eora nation and pay my respects to their Elders past and present who have been the custodians of these lands, on which I stand, for tens of thousands of years. As we are unable to meet together, I also acknowledge the custodians of the land on which our shareholders currently stand to view and listen to today's AGM.

Joining me today are my fellow Directors: Frank Casarotti, Kiera Grant, Sarah Morgan, Jonathan Nicholas, Geoff R Wilson, and Founder Geoff Wilson AO, as well as CEO Louise Walsh. We are also joined by our Joint Company Secretary Kate Thorley, who is also the CEO of our major supporter, Wilson Asset Management, and Belinda Cleminson and James Williams from Mertons. Acting in the capacity of moderator, we have with us Jesse Hamilton, CFO of Wilson Asset Management who will assist in addressing any questions submitted during this virtual meeting. Scott Whiddett, representing our auditor Pitcher Partners, is also with us and will be available to address any questions relating to the Company's financial statements.

Chairman's address

Firstly, the events of the past few months have had a dramatic impact on our lives. The rapid spread of the coronavirus globally in February and March saw the introduction of lockdown measures, heightened equity market volatility and the implementation of extraordinary fiscal and monetary stimulus. During this unprecedented period the Future Generation Global Investment Committee has been meeting frequently to focus on the performance of the Company's investment portfolio and its underlying fund managers.

We have also faced significant uncertainty in our personal lives, with many Australians experiencing mental ill-health as a result of the coronavirus lockdown. According to the University of Sydney's Brain and Mind Centre, suicide rates in Australia are forecast to rise by up to 50% due to the economic and social impacts of the coronavirus and are tipped to outstrip deaths from the pandemic by up to 10 times. The modelling also predicts a significant economic impact from falling productivity due to the mental health effects of unemployment, school dropouts and family crises. With dire implications for not only the economy but the lives of many Australians, it is more important than ever that we support our charities to provide assistance to those affected by mental ill health. In response to coronavirus, one of our Future Generation Global charities, the Brain and Mind Centre has developed the *Youth Mental Health and Technology Program*. Known as digiHealth, this research involves using new and emerging technologies to develop novel online clinical assessments and tracking tools. Another Future Generation Global charity, ReachOut, has also created an online library of coronavirus resources, which have now been accessed by more than 80,000 young people and parents since its launch in March.

Future Generation Global was established because we knew that mental ill health was a major social issue negatively impacting one out of four young Australians. Now more than ever, investment in solving mental ill health in young people through research and services is of the upmost importance. I would like to thank you, our shareholders, for being part of this unique social impact company supporting our dual objective of providing positive investment returns, from diversified exposure to select high quality global fund managers, and changing the lives of children and young Australians affected by mental illness.

2019 financial results and investment performance

Let me now turn to Future Generation Global's financial results and investment performance. The Company's operating profit before tax for the year ended 31 December 2019 was \$13.1 million (2018: \$17.1 million) and the operating profit after tax was \$8.6 million (2018: \$12.8 million). Total comprehensive income, including net realised and unrealised gains and losses on investments was \$66.0 million (2018: \$8.7 million) and reflects the solid investment performance and capital growth achieved by our underlying fund managers.

The investment portfolio* increased 20.5% in the 12 months to 31 December 2019, with an average cash level of 11.5%. The MSCI AC World Index (AUD) rose 26.9% for the year. Since inception, the investment portfolio has increased 10.2% per annum. The MSCI AC World Index (AUD) has risen 11.2% over the same period. This performance has been achieved with less volatility, as measured by standard deviation, 8.4% versus the Index's 9.9%.

During the year, the MSCI AC World Index (AUD) returned negative performance during three months (May, August and December). Collectively the MSCI AC World Index (AUD) fell 4.7% during these periods. In contrast the investment portfolio, aided by its absolute bias exposure, fell 2.0% during the same three months, resulting in an outperformance of 2.7%. Since inception to 31 December 2019, the investment portfolio has collectively outperformed the benchmark by 9.6% during the Index's 22 down months, preserving capital for shareholders.

Future Generation Global's primary investment objective continues to be providing shareholders with long-term capital growth through diversified exposure to high quality fund managers investing in global equities. Our investment philosophy is based on the belief that diversification of the portfolio is important in managing and mitigating risk and, by having a number of different fund managers, Future Generation Global has access to a range of diversified investment styles and strategies.

Our investment portfolio provides a spread between long equities and absolute bias strategies, with the balance of the portfolio held in cash and cash equivalents. During the year, the Future Generation Global investment portfolio allocation to long equities (56.1% as at 31 December 2019) provided a weighted average return of 29.1%, outperforming the MSCI AC World Index (AUD) by 2.2%. This outperformance was offset by the investment portfolio's exposure to absolute bias strategies and cash and cash equivalents (35.0% and 8.9% respectively as at 31 December 2019).

The investment portfolio's composition will vary over time in terms of the allocation to the above strategies as well as allocation to various funds. As at 31 December 2019, the investment portfolio was comprised of 13 global fund managers with investments in 13 funds and one direct listed investment company.

As I mentioned, Future Generation Global provides a diverse exposure to global equities and as such its returns are predominantly delivered through capital growth. The Board remains committed to paying fully franked dividends to shareholders, provided the Company has sufficient profit reserves and franking credits, and it is within prudent business practices. In August 2019, the Board announced a fully franked dividend of 1.5 cents per share, which was paid in October 2019.

At this stage, the Board will consider a further dividend payment following the June 2020 half year result, dependent on the profits released by our fund managers over the six months to 30 June 2020.

We are grateful for our fund managers having foregone management and performance fees for the period totalling \$6.8 million. Similarly our service providers, including the Board and Committees, have forgone fees of \$1.0 million.

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

We thank both our fund managers and service providers for their outstanding generosity. They have enabled us to make our fourth annual investment of \$4.9 million to improve youth mental health in Australia in October last year. Of this, \$3.4 million was allocated to the Future Generation Global designated charities with the remaining \$1.5 million contributed to other charities with Australian deductible gift recipient status as nominated by shareholders with one million or more shares.

Our shareholders received a grand total of \$7.8 million in pro bono support and cost savings during 2019. This exceeds the \$4.9 million investment the Company made in youth mental health, which represents 1% of the Company's average net tangible assets. This means shareholders received a significant saving on fees and expenses over what a normal listed investment company would incur, whilst gaining unprecedented access to leading global equity fund managers, further strengthening Future Generation Global's investment proposition.

Outlook

There has been substantial market volatility as a result of coronavirus which negatively impacted the MSCI AC World Index (AUD) and our portfolio during March. We were however pleased to see the improvement in results in April and note that the portfolio has returned 5.8% for the last 12 months, as compared to 2.7% for the MSCI AC World Index (AUD). As I mentioned previously, our Investment Committee has met regularly to review the performance of the underlying fund managers. We believe that the portfolio is reasonably positioned through its diversification and portfolio composition to manage through this challenging investment environment. We will continue to update shareholders through our monthly investment updates and our communications with shareholders.

Our Future Generation Global and Future Generation Australia fund managers will share their high conviction investment ideas at our first Virtual Investment Forum, launching from Monday, 25 May 2020. As part of the Virtual Forum we will be bringing you an in-depth conversation between Future Generation Founder and Director Geoff Wilson AO, Paradise Investment Management Founder and Managing Director David Paradise AO and Regal Funds Management Chief Investment Officer Phil King, moderated by the Australian Financial Review's Chanticleer columnist Tony Boyd. To register, please visit futuregeninvest.com.au/virtualforum.

Charities update

When Future Generation Global was established almost five years ago we carefully selected our initial charities to help young people effected by mental ill health through increased research and services. During the year, we undertook a comprehensive review of these charities' performance to ensure Future Generation Global's significant social investment continues to result in measurable outcomes. The outcomes were encouraging and we approved two new charities, Kids Helpline and Youth Focus, for investment.

In October, Future Generation released its report *Australia's mental health crisis: why private funders are not answering the call*. This report covered the results of the survey which the Company commissioned EY to undertake and included 56 leading philanthropists and corporate foundations with the aim of understanding why private investment in the mental health sector is particularly poor. The report called on governments, charities and private funders to adopt six recommendations to reduce duplications of services, increase collaboration and invest in new and emerging forms of mental health support. We are working with the sector on implementing these recommendations.

I hope you read our monthly updates which detail the positive impact our charities are making with the support and investment made by Future Generation Global and we will continue to update you as we support our charities through coronavirus.

We will provide a further update to you on the progress to date made by our designated charities, when shareholders direct their fifth annual charitable investment in August this year.

I would also encourage you to visit our website, futuregeninvest.com.au, where you can find all relevant information and join over 20,000 subscribers of our investment and charitable newsletters.

ASX announcement

In finishing my address there are a number of people to whom I would like to give special thanks, in addition to our fund managers and service providers.

First, my fellow Directors and Committee members who give generously of their time, skills and experience; secondly, our energetic, innovative and tireless CEO Louise Walsh; and thirdly, the team at Wilson Asset Management who all so generously give their time and effort to support Future Generation Global on a pro bono basis.

On behalf of us all, I want to thank you, our shareholders, for your belief in and support of our goal to deliver positive returns on your investment and at the same time help young Australians to overcome mental health issues.

This announcement has been authorised for release by the Board of Directors.

About Future Generation Global

Listed in 2015, Future Generation Global Investment Company Limited (ASX: FGG) provides:

Shareholders

with exposure to leading global fund managers without paying management or performance fees.



Charities

primarily focused on youth mental health with a stream of annual investments.



Fund managers

with a unique opportunity to make a positive difference to Australia's future generations.



For more information visit www.futuregeninvest.com.au or contact:

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