

## Future Generation Global Chairman's Address – Annual General Meeting

Delivered by Belinda Hutchinson AC at the Annual General Meeting of shareholders on Thursday, 17 June 2021.

### Introduction and welcome

Good morning everyone. Welcome to the sixth Annual General Meeting (AGM) 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. Today's meeting will sadly be my final meeting as Chairman of Future Generation Global as I will be retiring from the Board of Directors after more than six very rewarding years.

Due to the ongoing health concerns as a result of the coronavirus pandemic, this is a hybrid meeting, held both online and in person here at the Museum of Sydney.

Before we begin, 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 this land, on which I stand, for tens of thousands of years. 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: Future Generation Founder Geoff Wilson AO, Frank Casarotti, Kiera Grant, Sarah Morgan, Jonathan Nicholas and Geoff R Wilson. We are also joined by Director and Acting CEO of Future Generation Kate Thorley, who is also the CEO of Wilson Asset Management. Joint Company Secretary Jesse Hamilton, who is also the CFO of Wilson Asset Management, joins us today, as well James Williams from Mertons. Jesse will also act in the capacity of moderator, assisting to address any questions submitted during this meeting. Sylvia Wallace, representing our auditor Pitcher Partners, is also with us and will be available to address any questions relating to the Company's financial statements.

I am delighted to also be joined by Caroline Gurney who has accepted the role of CEO of Future Generation following a thorough recruitment process. Caroline is a Director of Future Generation Australia (ASX: FGX) and has more than 25 years of experience in the financial services sector focused on corporate affairs, marketing and corporate social responsibility. Caroline will bring an impressive skillset, network and energy to the companies when she commences in September 2021.

### Chairman's address

In the last year, the human and economic challenges of the coronavirus have continued to be a priority for societies across the world. However, since we last met, there has also been monumental progress in the fight against this pandemic. Economic stimulus programs, improved public health management and medical treatment together with the development, trial, and rollout of vaccines have been critical and life-changing. This has helped fuel a reopening trade that is seeing developed economies, including Australia and the United States, surpass recovery expectations.

Our charity partners have also met this moment in history with tremendous effort and effect, after a surge in mental ill-health in light of lockdowns, social distancing restrictions and environmental uncertainty. Partners in community-facing roles experienced dramatic surges in demand due to increased distress among young people and their carers. Most rapidly re-engineered services and support to be delivered online or in other ways to align with our new circumstances. Their resilience and ingenuity to continue and increase support for young people, even with reduced income, was both humbling and inspiring.

Future Generation Global was established as mental ill-health was a major social issue impacting at least one in four young Australians, and severely underfunded by governments and philanthropists. Now more than ever, investment in preventing and combatting mental ill-health in young people is of the utmost importance. I would like to thank you, our shareholders, for being part of this unique social impact company supporting our dual objective of providing investment returns, from diversified exposure to select high-quality global fund managers,

and improving the lives of children and young Australians affected by mental ill-health.

## 2020 financial results and investment performance

I will now turn to Future Generation Global's financial results and investment performance. The Company continues to deliver on its primary investment objective to provide shareholders with long-term capital growth through diversified exposure to high quality fund managers investing in global equities. In the 12 months to 31 December 2020, the investment portfolio increased 14.3%\*, outperforming the MSCI AC World Index (AUD) by 8.2%\*, while holding an average cash level of 10.7%. Since inception to 31 December 2020, the investment portfolio has increased 11.0%\* per annum, with less volatility as measured by standard deviation, 9.1% versus the Index's 10.7%.

The investment portfolio's outperformance demonstrates the strength and diversification of the underlying fund managers and the portfolio's strong defensive qualities during a volatile period for equity markets and the global economy. The investment portfolio delivered both income returns from the distributions received from the underlying fund managers and capital growth for shareholders during the period.

The Company's operating profit before tax for the year ended 31 December 2020 was \$27.5 million (2019: \$13.1 million), a 109.7% increase on the corresponding period. The operating profit after tax was \$19.8 million (2019: \$8.6 million), a 131.0% increase on the corresponding period. The increase in operating profit on the corresponding period is primarily due to an increase in distribution income received from the investments with the underlying fund managers during the year.

In the calendar year 2020, the volatility experienced in global equity markets led to a higher turnover of investment portfolios with the underlying fund managers, resulting in increased realised gains which were subsequently distributed to the Company. The total comprehensive income for the year was \$53.8 million (2019: \$66.0 million) and reflected the solid portfolio performance and capital growth achieved on the investments with the underlying fund managers during the period. Total comprehensive income is driven by the change in dollar value of the investment portfolio in each period. In the year ended 31 December 2020, the value of the investment portfolio increased by \$82.6 million as the investment portfolio increased 14.3%\*.

## Increased fully franked dividend

In August 2020, Future Generation Global declared a fully franked dividend of 2.0 cents per share to shareholders, a 33.3% increase on the prior year. Future Generation Global held an estimated profits reserve of 6.7 cents per share as at 31 December 2020, representing 3.4 years of dividend coverage. The Board will consider a further dividend payment following the June 2021 half-year result, dependent on released profits from the underlying fund managers for the period to 30 June 2021. The Board is 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. Notably, Future Generation Global's total shareholder return (TSR) in the 12 months to 31 December 2020 was 19.4%.

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 (72.2% as at 31 December 2020) provided a weighted average return of 23.2%, outperforming the MSCI AC World Index (AUD) by 17.1%. This outperformance was offset by the investment portfolio's exposure to absolute bias strategies and cash and cash equivalents (19.0% and 8.8% respectively as at 31 December 2020).

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 2020, the investment portfolio was comprised of 13 global fund managers with investments in 12 unlisted unit trusts and one direct listed investment company.

\*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 enabled us to make our fifth annual investment of \$5.7 million to improve youth mental health in Australia in October last year.

Our fund managers delivered shareholders \$7.3 million in savings during the year through forgone management and performance fees. The value of the leading service providers, including the Board and Investment Committee working on a pro bono basis, totalled \$1.1 million. These savings to shareholders exceeded the annual investment to charities during the year.

## Outlook

Throughout the year to 31 December 2020, the MSCI AC World Index (AUD) returned negative performance during five months (February, March, June, September and October). Collectively the MSCI AC World Index (AUD) fell 13.7% during these periods. In contrast, the investment portfolio, aided by its absolute bias exposure, fell 8.1%\* during the same five months, resulting in an outperformance of 5.6%\*.

Our Investment Committee met regularly during the year to carefully review the performance of the underlying fund managers and potential new managers before deciding on redemptions and further investments in existing or new managers.

In the first five months of the 2021 financial year, the investment portfolio recorded a positive return of 5.6%\* however underperformed the MSCI AC World Index return of 10.2% due to the short term volatility in the performance of some of our underlying fund managers. We will continue to update shareholders through our weekly investment insights newsletter, monthly investment update, quarterly charity update and other communications.

## Social impact update

In October 2020, Future Generation Global made its fifth annual investment of \$5.7 million in its eight charity partners who work to improve the lives of young Australians affected by mental ill health. As I mentioned, our partners have demonstrated resilience and ingenuity to continue to increase their various mental health support services in the last 12 months. We are also pleased that the Company is on track to deliver its sixth annual investment of approximately \$6.4 million for payment in October 2021, bringing the total charitable investment since inception to over \$26 million.

In May 2020, Emily Fuller commenced in the newly created role of Social Impact Manager, bringing a wealth of experience spanning philanthropy, research, international development and communications. Emily oversees all charitable aspects related to Future Generation Global.

It is important for us to work closely with our charity partners, to ensure that our shareholders' investment achieves an impactful social return. Throughout the year, we undertook detailed analysis of the outcomes of the work of each of our partner organisations since we started supporting them. Partners have provided a huge range of different supports to young people impacted by mental health issues. The outcomes are equally broad and some very profound. We have also seen advances in innovative science, using technology to support young people at risk of suicide or self-harm and new programs targeting unmet needs and promising models – including a world first social networking group counselling platform for young people struggling with mental ill health. Online support has been improved and channelled to reach young people in rural and regional areas, who are at increased risk.

Across the board, our charity partners tell us that having Future Generation Global's support has often been the impetus for innovating and driving improvements in their work. This is critical in the pursuit of a better future for all young Australians – and exactly what we aim for with private giving.

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

Early in the year, Future Generation made a submission in response to the Productivity Commission's inquiry into mental health, providing six recommendations to the Australian government, mental health focused charities and private funders. We believe the final report by the Productivity Commission lays out a clear roadmap for reform of the mental health system and applaud the Federal Government's recent historic \$2.3 billion investment into mental health. We join with colleagues in the sector to commend this first step towards improving this system that must do better to meet the needs and aspirations of young Australians.

Future Generation also hosted its second Mental Health Funders Forum in April 2021, which brought corporates, philanthropists, Government and foundations together to talk about impactful funding of 'disruption and change' in mental health.

For more details, I invite you to read our investment and social impact updates. We will provide a further update to you on the progress made by our designated charities to date, when shareholders direct their sixth annual charitable investment in August this year.

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

## Closing remarks

As I advised at the beginning of this meeting, I will be retiring from the Board of Future Generation Global and resigning from my role as Chairman. Founder and Director of Future Generation Global Geoff Wilson AO will assume the role of Acting Chairman of the Company as we continue discussions with candidates for the Chair role.

It has been a pleasure and a privilege to chair the board since Future Generation Global first listed almost six years ago, and first and foremost I want to thank you, our shareholders. I thank you for your belief in and support of our goal to deliver positive returns on your investment, while supporting young Australians facing mental health issues.

There are a number of people to whom I would like to give special thanks. First, Geoff Wilson AO for the opportunity to be Chairman of the Future Generation Global Board of Directors, and to my fellow Directors and Committee members who are so giving of their time, skills and experience on a pro bono basis. Again, it has been a privilege to work with you.

I also must thank our fund managers and service providers and the team at Wilson Asset Management who all so generously give their time and effort to support Future Generation Global again on a pro bono basis. Your work enables us deliver on our promise to shareholders, while creating a positive social return for Australians now, and in generations to come.

As a shareholder and a passionate supporter of our financial and social investment model, I will continue to be committed to the company and strongly encourage others to become involved.

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](http://www.futuregeninvest.com.au) or contact:**

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