

Dear fellow shareholder,

### Investment portfolio performance

In January, the Future Generation Australia (ASX: FGX) investment portfolio decreased 6.0%\* for the month, outperforming the S&P/ASX All Ordinaries Accumulation Index which fell 6.6%. The Future Generation Global (ASX: FGG) investment portfolio decreased 5.8%\* in January and the MSCI AC World Index (AUD) fell 2.0% for the month.

Since inception, the FGX investment portfolio has increased 10.2%\* per annum and the FGG investment portfolio has increased 9.9%\* per annum. The investment portfolios' performance has been achieved with less volatility than their indexes, as measured by standard deviation.

### Future Generation Australia announces solid investment portfolio outperformance and 15.4% increase in fully franked full year dividend

The Future Generation Australia Board of Directors [announced](#) the Company's solid investment portfolio outperformance and 15.4% increase in the fully franked full year dividend, which was covered in [The Australian](#) and is also available to read on our [website](#).

In the 12 months to 31 December 2021, the Future Generation Australia investment portfolio increased 22.1%\*, outperforming the S&P/ASX All Ordinaries Accumulation Index by 4.4%\* with an average cash holding of 13.3%. Since inception, the investment portfolio has increased 11.2%\* per annum, outperforming the Index with less volatility, as measured by standard deviation.

The fully franked final dividend of 3.0 cents per share brings the fully franked full year dividend to 6.0 cents per share, a 15.4% increase on the prior year.

\*Investment portfolio performance is before expenses, fees and taxes to compare to the relevant index which is also before expenses, fees and taxes.

#Grossed-up dividend yield includes the benefit of franking credits and is based on a tax rate of 30.0%.

The fully franked full year dividend provides shareholders with a fully franked dividend yield of 4.4% and a grossed-up dividend yield of 6.3%#, based on the 11 February 2022 closing share price of \$1.35 per share.

Future Generation Australia and Future Generation Global's audited FY2021 full-year results will be announced to the market by 28 February 2022.

### Future Generation Global's next stage for social investment

During the month, we [announced](#) the next stage for Future Generation Global's social investment to positively impact youth mental health in Australia.

With your support and that of our pro bono fund managers and service providers, FGG is enormously proud to have invested \$26.2 million in a range of Australian not-for-profit organisations, making us one of the largest private funders of mental health charities since inception.

Throughout February, we are running an [Expression of Interest](#) (EOI) process to establish partnerships with a group of prevention-focused not-for-profit organisations who have ambitious impact growth strategies. The EOI was covered in a range of publications including [The Australian Financial Review](#) and [Fundraising and Philanthropy](#) which has lead to a number of applications.

Best wishes,



Caroline Gurney  
CEO, Future Generation



**\$52.9m**

SOCIAL  
INVESTMENT  
TO 2021



**\$5.3m**

Future  
Generation  
Australia 2021

**\$6.4m**

Future  
Generation  
Global 2021

2021 total social  
investment

**\$11.7m**

2021 annualised  
management fees,  
performance fees and  
services forgone

Total annualised  
fees forgone since  
inception to 2021

**\$21.8m**

**\$95.4m**

## Investment portfolio performance

Net tangible assets before tax	Gross assets	Profits reserve (per share)
<b>142.83c</b>	<b>\$579.1m</b>	<b>31.6c</b>
Net tangible assets after tax and before tax on unrealised gains	Market capitalisation <sup>#</sup>	Dividends paid since inception (per share)
<b>142.04c</b>	<b>\$531.9m</b>	<b>30.3c</b>
Net tangible assets after tax	Volatility <sup>^</sup>	2021 fully franked full year dividend
<b>134.57c</b>	<b>11.4%</b> S&P/ASX All Ordinaries Accumulation Index: 14.2%	<b>6.0c</b>

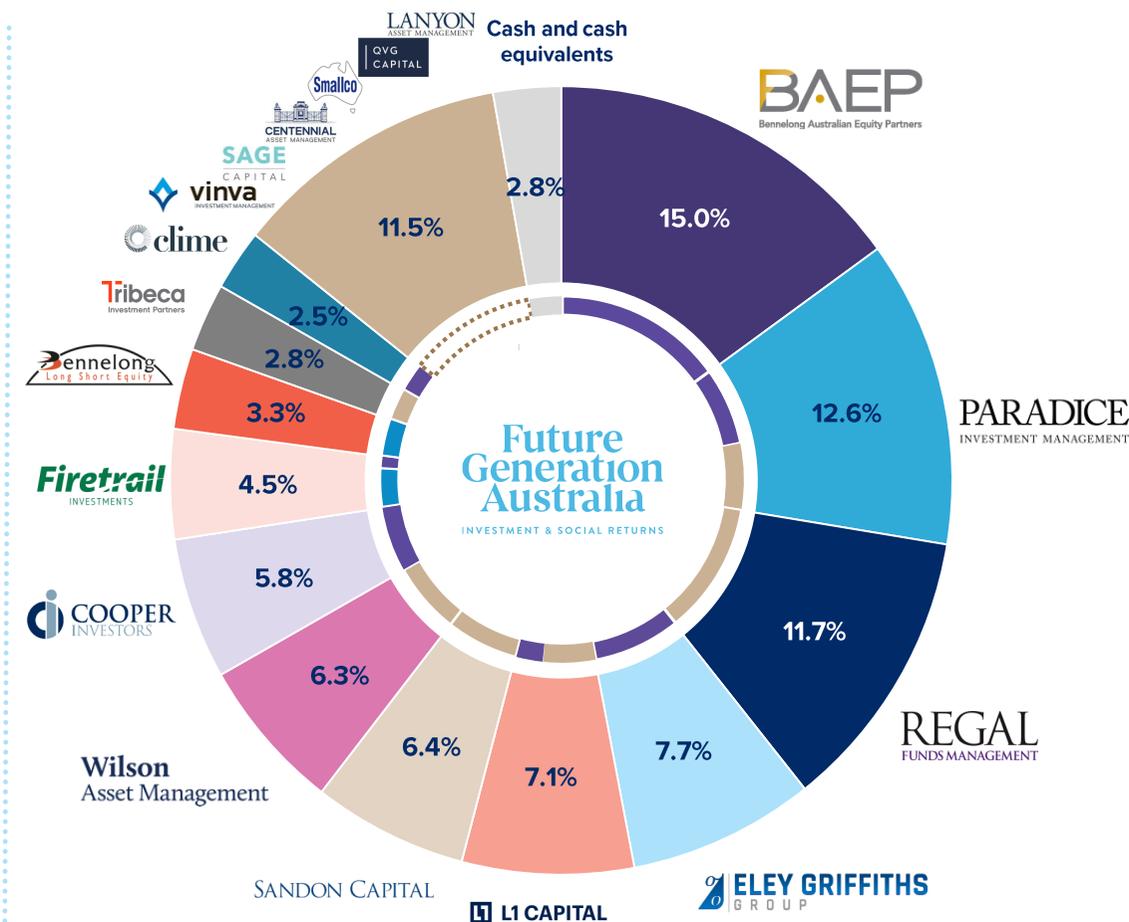
<sup>#</sup>Based on the 31 January 2022 share price of \$1.32 per share and 402,932,223 shares on issue. During the month, 15,011 options were exercised and allotted under the Bonus Issue of Options. The options are trading under the ASX code FGXO with an exercise price of \$1.48 per option and expire on 28 April 2023. The above NTA figures are not adjusted for the 400,229,574 options on issue with an exercise price of \$1.48 per option. <sup>^</sup>Volatility is measured by standard deviation.

Investment portfolio performance at 31 January 2022	1 mth	6 mths	1 yr	3 yrs %pa	5 yrs %pa	Since inception %pa (Sept-14)
Future Generation Australia	-6.0%	-0.0%	13.3%	14.0%	10.9%	10.2%
S&P/ASX All Ordinaries Accumulation Index	-6.6%	-3.3%	9.7%	10.8%	9.1%	7.7%

Investment portfolio performance is before expenses, fees and taxes to compare to the relevant index which is also before expenses, fees and taxes.

## Fund manager allocations

0% management fees  
0% performance fees



### 11.5% fund manager breakdown

Category	Allocation
Long equities	47.1%
Absolute bias	43.4%
Market neutral	6.7%
Cash	2.8%

## Investment portfolio performance

Net tangible assets before tax	Gross assets	Profits reserve (per share)
<b>163.79c</b>	<b>\$649.1m</b>	<b>48.3c</b>
Net tangible assets after tax and before tax on unrealised gains	Market capitalisation <sup>#</sup>	June 2021 fully franked dividend
<b>161.38c</b>	<b>\$566.8m</b>	<b>3.0c</b>
Net tangible assets after tax	Volatility* MSCI AC World Index (AUD): 10.2%	ESG aware <sup>^</sup> (of the portfolio)
<b>152.72c</b>	<b>9.1%</b>	<b>98.8%</b>

<sup>#</sup>Based on the 31 January 2022 share price of \$1.44 per share and 393,612,280 shares on issue.

<sup>\*</sup>Volatility is measured by standard deviation.

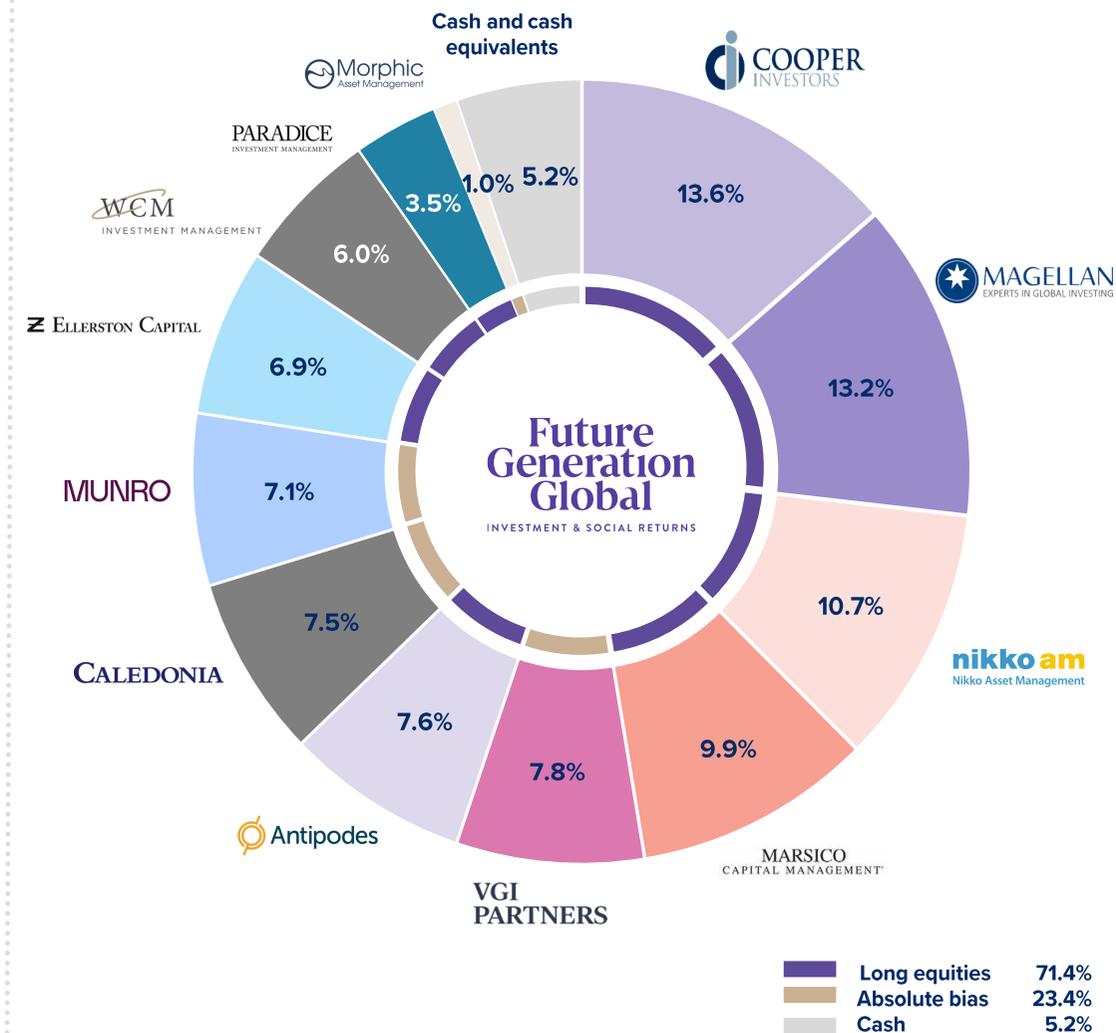
<sup>^</sup>Based on the 2020 Annual Report.

Investment portfolio performance at 31 January 2022	1 mth	6 mths	1 yr	3 yrs %pa	5 yrs %pa	Since inception %pa (Sept-15)
Future Generation Global	-5.8%	-5.1%	5.3%	12.5%	12.3%	9.9%
MSCI AC World Index (AUD)	-2.0%	3.7%	22.5%	16.6%	14.2%	11.9%

Investment portfolio performance is before expenses, fees and taxes to compare to the relevant index which is also before expenses, fees and taxes.

## Fund manager allocations

0% management fees  
0% performance fees



## Top stock picks for 2022 from our pro bono fund managers



### PEXA Group (ASX: PXA)

#### What does the company stand for?

PEXA operates the dominant electronic property settlement exchange in Australia. Most states and territories in Australia have already legislated mandatory e-settlement (the settlement of properties electronically). Even Queensland, which is yet to mandate e-settlement, now settles more than 60% of all transfers through PEXA.

#### Why this stock?

We are optimistic on the outlook for PEXA and believe that the market is underestimating its potential to succeed in the UK and other offshore markets. While competition and interoperability (with other e-conveyancers) are slated for 2023, PEXA's incumbency, as well as the rules around interoperability, should result in PEXA retaining most of the economics. In the shorter term, the proposed changes to stamp duty rules could see property transaction velocity increase, helping drive PEXA's earnings.

#### Your take on the stock:

The real excitement for PEXA is the opportunity to build out e-conveyancing in the UK. To date, PEXA appears to be the only company seeking to build out a full e-conveyancing solution that includes a full end-to-end electronic settlement capability.

#### Why is this a long-term stock?

PEXA has secured a testing window with the Bank of England for 2022, with limited opportunities for potential competitors to do testing until 2024/25. They have gained the support of several UK lenders, with more details to be provided at their February results. We would expect these lenders to drive the adoption of their panel conveyancers should the roll out progress.

Further, the market is ascribing little value to the comprehensive data that PEXA has access to and could monetise. Stock exchanges have been successful in doing this and we are optimistic that PEXA could do the same.



### Frontier Communications (NASDAQ: FYBR)

#### What does the company stand for?

Outside of the big cities in the United States, the majority of households have access to just one cable operator or no fast internet network at all. Frontier Communications is a fixed line broadband telco that is rolling out high-speed internet to more households. The company plays an important role by increasing competition and narrowing the digital divide that still exists in many communities.

#### Why this stock?

After a major financial restructure, the company returned to public markets in May 2021 with a world-class management team, strong balance sheet and a strategy to invest. Frontier Communications' copper broadband network passes through 11 million US residential homes and in approximately 90% of these homes, Frontier Communications has either no competition or competition from just one other cable operator. Frontier Communications is aggressively rolling out fibre network to the home with a cost and speed to market advantage which will make it difficult for any new operators to enter. We see very strong upside for this relatively undiscovered gem in 2022 and beyond given the unique opportunity it has to roll out fibre networks at very high returns.

#### Your take on the stock:

We see close to 100% upside if we simply put the company's existing fibre and copper broadband networks on relevant peer multiples. On our analysis, however, rolling out fibre to 4 million "prime homes" based on income profile and population density, can create substantial additional upside relative to the company's current market cap of USD \$7 billion today.

#### Why is this a long-term stock?

Internet traffic in the US is growing at 30% per annum, copper broadband networks are not able to handle the data load and cable will be increasingly constrained. Given the amount of content we are streaming, online gaming and cloud computing - bandwidth demand has exploded.

Fibre is the only future proof technology that can accommodate increasing data loads at low cost, and Frontier Communications is well positioned to benefit from this. In addition, internet providers are typically able to price ahead of inflation, so this is a business that can be very resilient in a rising inflation environment.

The Future Generation companies provide exposure to leading Australian and global fund managers

### Future Generation Australia fund managers



### Future Generation Global fund managers



**Charity in focus:**



**Kids Helpline**

Kids Helpline is Australia's only free, national 24/7 confidential support and counselling service specifically for children and young people aged five to 25. It offers counselling support via phone, email and real-time WebChat.

*"In any moment you might sit with a young person through a period of growth, or with them when they need intervention support to get them through the night - I believe each moment is a gift of trust. I'm so lucky to be invited into the lives of so many children and young people for as little or as long as they are needing support."*

[Read a Q&A](#) with Jamie Kendal, Kids Helpline @ School & Kids Helpline Counsellor.

For more information, visit [kidshelpline.com.au](http://kidshelpline.com.au)

**Our designated charities**



**Our pro bono service providers**



**Fund manager  
allocation and  
investments at  
market value as  
at 31 January 2022**

Fund Manager	Investment	Strategy	% of Gross Assets
Bennelong Australian Equities Partners	Bennelong Australian Equities Fund	Long equities	15.0%
	<b>Mid Cap/Equity Alpha Plus Funds (split out below)</b>		<b>12.6%</b>
Paradice Investment Management	Paradice Australian Mid Cap Fund	Long equities	6.8%
	Paradice Equity Alpha Plus Fund	Absolute bias	5.8%
Regal Funds Management	Regal Australian Long Short Equity Fund	Absolute bias	11.7%
	<b>Small/Emerging Companies Funds (split out below)</b>		<b>7.7%</b>
Eley Griffiths Group	Eley Griffiths Group Small Companies Fund	Long equities	6.2%
	Eley Griffiths Group Emerging Companies Fund	Long equities	1.5%
	<b>Long Short/Australian Equities Funds (split out below)</b>		<b>7.1%</b>
L1 Capital	L1 Capital Long Short Fund	Absolute bias	4.7%
	L1 Capital Australian Equities Fund	Long equities	2.4%
Sandon Capital	Sandon Capital Activist Fund	Absolute bias	6.4%
Wilson Asset Management	Wilson Asset Management Equity Fund	Absolute bias	6.3%
Cooper Investors	Cooper Investors Australian Equities Fund	Long equities	5.8%
	<b>Absolute Return/High Conviction Funds (split out below)</b>		<b>4.5%</b>
Firetrail Investments	Firetrail Absolute Return Fund	Market neutral	3.4%
	Firetrail High Conviction Fund	Long equities	1.1%
Bennelong Long Short Equity Management	Bennelong Long Short Equity Fund	Market neutral	3.3%
Tribeca Investment Partners	Tribeca Alpha Plus Fund	Absolute bias	2.8%
Clime Asset Management	Clime Australian Equities Fund	Long equities	2.5%
Vinva Investment Management	Vinva Australian Equities Fund	Long equities	2.5%
Sage Capital	Sage Capital Equity Plus Fund	Absolute bias	2.4%
Centennial Asset Management	The Level 18 Fund	Absolute bias	2.2%
Smallco Investment Manager	Smallco Broadcap Fund	Long equities	1.8%
QVG Capital	QVG Opportunities Fund	Long equities	1.5%
Lanyon Asset Management	Lanyon Australian Value Fund	Absolute bias	1.1%
	Cash and cash equivalents		2.8%

## Fund manager allocation and investments at market value as at 31 January 2022

Fund Manager	Investment	Strategy	% of Gross Assets
Cooper Investors	Cooper Investors Global Equities Fund (Unhedged)	Long equities	13.6%
Magellan Asset Management	Magellan Global Fund	Long equities	13.2%
Nikko Asset Management Australia	Nikko AM Global Share Fund	Long equities	10.7%
Marsico Capital Management	Marsico Global Fund	Long equities	9.9%
VGI Partners	VGI Partners Funds	Absolute bias	7.8%
Antipodes Partners	Antipodes Global Fund - Long	Long equities	7.6%
Caledonia	Caledonia Global Fund	Absolute bias	7.5%
Munro Partners	Munro Global Growth Fund	Absolute bias	7.1%
Ellerston Capital	Ellerston Global Mid Small Cap Fund	Long equities	6.9%
WCM Investment Management	WCM Quality Global Growth Fund (Hedged)	Long equities	6.0%
Paradice Investment Management	Paradice Global Small Mid Cap Fund (Unhedged)	Long equities	3.5%
Morphic Asset Management	Morphic Ethical Equities Fund Limited	Absolute bias	1.0%
	Cash and cash equivalents		5.2%