

Future Generation Australia Chair's Address – Annual General Meeting

Delivered by Jonathan Trollip at the Annual General Meeting of shareholders on Thursday 26 May 2022.

Introduction and welcome

Good afternoon everyone. Welcome to the eighth Annual General Meeting of Future Generation Investment Company Limited (Future Generation Australia or the Company). I am Jonathan Trollip, Chair of the Board of Directors, and I will be chairing the meeting today. This is a hybrid meeting, held both online and in person here at the Sofitel Sydney Wentworth. The hybrid meeting format allows those that cannot join us in person to participate.

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 and fellow directors currently stand to view and listen to today's AGM.

As you may have seen in the Company's announcement earlier today, today's meeting will be my final Annual General Meeting as Chair of Future Generation Australia. I will be retiring from the Board of Directors after more than eight very rewarding years. I am thrilled to announce that Mike Baird AO will be appointed as the new Chair, effective 31 July 2022, which speaks volumes to the success and growth of Future Generation Australia.

Joining me today are my fellow Directors: Stephanie Lai, David Leeton, Gabriel Radzynski Future Generation Founder Geoff Wilson AO and Kate Thorley who is also the CEO of Wilson Asset Management. David Paradise AO is an apology as he is currently overseas. I am delighted to also be joined by Caroline Gurney, CEO of Future Generation Australia. Caroline commenced in the role of CEO in September 2021, and has been leading Future Generation Australia into an exciting new phase of growth, continuing to focus on promoting the unique investment model of dual investment and social returns.

We are also joined by Joint Company Secretary Jesse Hamilton, who is also the CFO at Wilson Asset Management, together with Sandra McIntosh from Mertons and a representative from our auditor Pitcher Partners, Sylvia Wallace, who will be available to address any questions relating to the Company's financial statements. Jesse will also act in the capacity of moderator, assisting to address any questions submitted during this meeting.

Chair's address

Over the last 12 months, we have faced new and continued social, economic and human challenges both globally and here in Australia. The second year of the pandemic saw the easing of restrictions in Australia and resurgent economic growth.

The new year has brought new challenges, with inflation and interest rates rising, the continued lockdowns across China, pressures on supply chains and commodities and the ongoing war in Ukraine contributing to the volatile and uncertain investment climate we see today. The events in Ukraine are heartbreaking, and our thoughts go out to all those affected by the conflict.

In Australia, our social impact partners in community-facing roles have continued to experience surges in demand and increased distress among young people and their carers. Their resilience and ingenuity, to continue and increase support for young people, is both humbling and inspiring.

The social footprint of our charity partners is widespread and goes to the heart of our purpose – providing both investment returns and changing the lives of children and youth at risk in Australia.

2021 financial results and investment portfolio performance

I will now turn to Future Generation Australia's financial results and investment portfolio performance. Future Generation Australia reported an operating profit before tax of \$109.7 million (2020 restated^{*}: \$42.6 million) and an operating profit after tax of \$79.9 million (2020 restated^{*}: \$33.5 million). The operating profit for the period reflects the solid investment portfolio performance of the underlying pro bono fund managers during the year. The total shareholder return (TSR) for the 12 months to 31 December 2021 was 17.2%.

For the year ended 31 December 2021 the investment portfolio increased by 22.1%^{**}, outperforming the S&P/ASX All Ordinaries Accumulation Index by 4.4% during a volatile period for equity markets. Since inception to 31 December 2021, the investment portfolio has increased 11.2%^{**} per annum, outperforming the Index by 2.4% per annum. Future Generation Australia's investment portfolio outperformance has been achieved with less volatility as measured by standard deviation, 11.2% versus the Index's 14.0%.

The Future Generation Australia investment portfolio is structured to provide shareholders with access to leading boutique Australian fund managers, portfolio diversification and reduced volatility.

Future Generation Australia's Investment Committee, which met regularly during the year, works to provide investors with risk-adjusted returns derived from a balanced and diversified portfolio allocated to leading Australian fund managers. The Investment Committee has selected 18 fund managers with investments in 22 unlisted unit trusts that employ three broad investment strategies: long equities, absolute bias and market neutral. A number of the underlying funds are closed to new investors or closed to retail investors providing a unique access opportunity for shareholders of the Company. As at 31 December 2021, the portfolio was 48.5% long equities, 42.2% absolute bias, 6.6% market neutral and 2.7% cash.

Increased fully franked dividends

In February 2022, Future Generation Australia declared a fully franked final dividend of 3.0 cents per share to shareholders, bringing the fully franked full year dividend to 6.0 cents per share, an increase of 15.4% on the prior year. The fully franked full year dividend provides shareholders with a fully franked dividend yield of 4.8% and a grossed-up dividend yield of 6.9%[#] based on the 25 May 2022 closing share price of \$1.26 per share.

The Board is committed to providing a 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 in September 2014, Future Generation Australia has paid 33.3 cents per share in fully franked dividends to shareholders. As at 30 April 2022, Future Generation Australia had a profits reserve of 29.0 cents per share and forms part of the net tangible assets (NTA), after the payment of the fully franked final dividend of 3.0 cents per share, representing 4.8 years[^] of dividend coverage.

Bonus Option issue

On 3 September 2021, the Board of Directors announced a one-for-one Bonus Option Issue to all shareholders of the Company, at no additional cost. Each Future Generation Australia Option provides holders with the opportunity, but not the obligation, to purchase one additional Future Generation Australia share for \$1.48 per Option, without paying brokerage fees. The Options can be exercised at any time until their expiry on Friday 28 April 2023. The Options are currently trading on the ASX under the code FGXO.

The primary purpose of the Bonus Option Issue is to equitably and efficiently grow the Company's assets, increase its relevance in the market, improve the prospect of broker and research coverage, and gain additional interest from financial planners. As the size of the Company's assets increase, so does the Company's social investment and impact.

^{*}During the financial year, the Company reassessed the accounting classification of the investments held in managed funds with its pro bono fund managers, resulting in an increase in the Company's distributable profits reserve to shareholders and providing the Company with additional flexibility and capacity surrounding dividend and capital management decisions. Please refer to Note 2(g) of the 2021 Annual Report for further details.

^{**}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 include the benefit of franking credits and is based on a tax rate of 30%.

[^]Based on 403,867,511 shares on issue and is not adjusted for the 400,206,835 options on issue.

Charitable objectives, fund managers and service providers

The objectives of the Company are to provide shareholders with an attractive investment and to provide a source of funding for Australian charities with a focus on children and youth at risk.

The Company provides shareholders with unprecedented access to leading Australian equity fund managers without paying management or performance fees.

All participating fund managers have agreed to forgo management and performance fees and Directors, the Investment Committee and most service providers are working on a pro bono basis. This allows the Company to invest an amount equal to 1.0% of its average monthly net tangible assets primarily in Australian children and youth at risk charities each financial year.

We are grateful for our fund managers having forgone management and performance fees for the period totalling \$12.9 million in savings during 2021. To our fund managers, thank you for your outstanding generosity in managing Future Generation Australia's capital entirely pro bono. The estimated value of the leading service providers, including the Board and Investment Committee working on a pro bono basis, totalled \$1.3 million. The total value of the pro-bono support is \$14.2 million, and at 2.4% of the net assets of the Company, these savings to shareholders exceeded the 2021 annual investment to charities.

Through an investment in Future Generation Australia, shareholders have the opportunity to gain unprecedented access to leading Australian fund managers in a single investment vehicle while providing a stream of income to charities working to better the lives of young Australians. I thank you, our shareholders, for your continued support of Future Generation Australia and for being part of the Company's innovative approach to wealth creation which demonstrates that both shareholder and social returns can be achieved together.

Social impact update

In November 2021, Future Generation Australia made its seventh annual investment of \$5.3 million in its 10 charity partners who support Australian children and youth at risk. It was another difficult year for Australians throughout the pandemic, our charity partners have increased their involvement with the young people they support, with resolve and recognition that the impacts of the last few years will be long for young people. We are pleased that the Company is on track to deliver its eight annual investment of approximately \$6.0 million in October 2022, bringing the total charitable investment since inception to over \$32.8 million.

Over the past seven years we have been excited to see how each of our charity partners are utilising our investment. We have ongoing discussions about how our funds can best support our partners' priorities and the needs and opportunities of the young people they work with. For many, it provides a lifeline of consistent, reliable funding to ensure they can continue with programs and initiatives they know work. In some instances, it is used to go further and test new theories of change, and interventions, to keep pushing the boundaries of how we collectively care for young people at risk. For others, it underpins work that enables them to collect the evidence and data they need to take their initiatives to a wider group of funders in order to expand and grow their services.

The funding of established, effective organisations that focus on improving the lives of young people is particularly crucial in the current environment for government funding. Having realised this, we now want to push ourselves to be as ambitious as possible in how we think about what might be achievable.

We believe, as our charity partners do, that it is possible to not just break the cycle of disadvantage for one person at a time, but to find system levers to combat and change the endemic issues impacting young people today.

Through our charity partners, Future Generation Australia's investors and other stakeholders have enabled thousands of vulnerable young people to achieve many positive outcomes that will have long-term ripple effects through their families and communities. We are thrilled to support the immense potential of Australian youth.

Please visit our website, futuregeninvest.com.au to learn more about our charity partners and impact work. We also encourage you to join over 20,000 subscribers to our investment and charitable newsletters. Our newsletters update shareholders with weekly investment insights, monthly investment updates and other communications.

Closing remarks

As I mentioned at the beginning of this meeting, I will be retiring from the Board of Future Generation Australia and resigning from my role as Chair. This will be my last Annual General Meeting as Chair before I hand over to Mike Baird AO at the end of July 2022. It has been a pleasure and a privilege to chair the Board since Future Generation Australia first listed in 2014.

It is inspiring that Mike has accepted the position of Chair; it is a testament to the success and growth of Future Generation Australia over the past eight years. Mike Baird AO is passionate about family, sport and looking after community's most vulnerable. He is currently the CEO of HammondCare and sits on the boards of Cricket Australia and Surfing Australia. Prior to this, he was a member of the National Australia Bank executive leadership team and Premier of New South Wales. He will remain as an ambassador for Bear Cottage and Southern Youth Family Services, but will be standing down as Chair of the Australia Business Growth Fund Board.

Future Generation Australia's innovative approach to wealth creation demonstrates that both shareholder and social returns can be achieved together. It is great that Mike will be using his financial experience and social awareness to grow Future Generation Australia and take it from strength to strength.

There are a number of people I would like to thank. Firstly my fellow director Gabriel Radzynski who was on the Board when I became the initial chair of the Company that, about a year later, transformed into the listed Future Generation Australia, and then Geoff Wilson AO for supporting me becoming the first Chair of the Future Generation Australia. It has been an incredible journey and I have been lucky enough to have worked with many amazing people. We have had 3 CEOs during the last 8 years, starting with Louise Walsh then Kate Thorley as acting CEO until Caroline Gurney commenced the role in September 2021. Each has contributed in their unique way to the success of the Company. Caroline has brought her own style and insights to this role, and I am confident that, together with the new Chair, they will lead Future Generation Australia into an exciting new growth phase.

Thank you 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 each of you.

Thank you to our fund managers; no one is more important than you, as without you providing your fund management services on a pro bono basis there would be no Future Generation Australia. Thank you to the service providers and the team at Wilson Asset Management who all so generously give your time and effort on a pro bono basis.

I acknowledge our various charity partners. One of the most rewarding and humbling aspects of my involvement with Future Generation Australia has been getting to know, first hand, some of our charity partners and the people who work there. The all too often unsung heroes of our society are those who work on the frontline providing essential caring services, including for the young people supported by our charity partners. So thank you to all of you who work in our charity partners for your selfless dedication.

As a Future Generation Australia shareholder I will continue to be committed to the Company and very much look forward to its success going forward.

Above all, on behalf of all of us, I reiterate my thanks to you, our shareholders, for your continued support of Future Generation Australia.

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

About Future Generation Australia

Listed in 2014, Future Generation Investment Company Limited (ASX: FGX) provides:

Shareholders

With exposure to leading Australian fund managers without paying management or performance fees.



Charities

Primarily 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.



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

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