

Dear Fellow Shareholder,

Investment portfolio performance

This month, global equities continued to face a challenging environment following hawkish commentary from the Federal Reserve. A resilient reporting season and rise in resources saw Australian companies increase during August while global equity markets fell.

The Future Generation Australia (ASX: FGX) investment portfolio increased 2.7%[†] for the month, outperforming the S&P/ASX All Ordinaries Accumulation Index which rose 1.3%. The Future Generation Global (ASX: FGG) investment portfolio decreased 2.3%[†] in August, while the MSCI AC World Index (AUD) fell 2.0% for the month.

Since inception, the Future Generation Australia investment portfolio has increased 9.0%[†] per annum and the Future Generation Global investment portfolio has increased 6.7%[†] per annum. The investment portfolios' performance has been achieved with less volatility than their indexes, as measured by standard deviation.

Future Generation Global announces a 16.7% increase on the FY2021 fully franked interim dividend

The Future Generation Global Board of Directors [announced](#) a fully franked interim dividend of 3.5 cents per share, representing a 16.7% increase on the FY2021 fully franked interim dividend. The increased fully franked interim dividend of 3.5 cents per share represents an annualised fully franked dividend yield of 6.0%^{**} and a grossed-up dividend yield of 8.6%[^]. This year, Future Generation Global will deliver its seventh annual investment of \$6.4 million to its new social impact partners with a focus on promoting wellbeing and preventing mental ill-health in young Australians and other not-for-profit organisations, taking the total social impact investment since inception to \$32.6 million. You can read the Future Generation Global 2022 half-year report [here](#).

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

^{**}Based on the Future Generation Global 13 September 2022 share price of \$116 per share.

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

^{**}Based on the Future Generation Australia 13 September 2022 share price of \$1185 per share.

Future Generation Australia announces a 8.3% increase on the FY2021 fully franked interim dividend

The Future Generation Australia Board of Directors [announced](#) a fully franked interim dividend of 3.25 cents per share, representing an 8.3% increase on the FY2021 fully franked interim dividend. The increased fully franked interim dividend of 3.25 cents per share represents an annualised fully franked dividend yield of 5.5%^{**} and a grossed-up dividend yield of 7.9%[^]. This year, Future Generation Australia will deliver its eighth annual investment of \$5.9 million to its social impact partners with a focus on Australian children and youth at risk and other not-for-profit organisations, taking the total social impact investment since inception to \$32.6 million. You can read the Future Generation Australia 2022 half-year report [here](#).

You can access the Future Generation Global and Future Generation Australia interim dividend dates [here](#).

Investor Q&A Webinar

Following the announcement of the public holiday on 22 September 2022, we are moving our Future Generation Investor Q&A Webinar to 12 October 2022. Timings and further details will be announced shortly.

Voting

Voting is now open until Friday 30 September 2022 at 5:00pm (Sydney time). We invite you to allocate your portion of the investment in our social impact partners and other not-for-profit organisations through our online voting form which was sent to you via e-mail or post on 2 September 2022. Frequently Asked Questions about voting are available [here](#).

We hope you enjoy this month's [Meet the Manager](#) with Sean Fenton, Managing Director, Founder and Portfolio Manager of Sage Capital and our [Q&A Interview](#) with Vicki Condon AM, Founder and Chief Executive Officer of Raise Foundation.

Thank you and best wishes,



Caroline Gurney
CEO, Future Generation



\$65.2m

SOCIAL IMPACT
INVESTMENT
TO 2022



\$6.4m

Future
Generation
Global
2022

\$5.9m

Future
Generation
Australia
2022

2022 total social
impact investment

\$12.3m

2022 annualised
management fees,
performance fees and
services forgone

Total annualised
fees forgone since
inception to 2022

\$16.7m

\$113.7m

Investment portfolio performance

Net tangible assets before tax*	Gross assets	Profits reserve (per share)
132.63c	\$542.7m	29.0c
Net tangible assets after tax and before tax on unrealised gains	Market capitalisation#	Dividends paid since inception (per share)
131.52c	\$480.6m	33.3c
Net tangible assets after tax	Volatility^	Annualised fully franked interim dividend yield#
128.89c	11.9% S&P/ASX All Ordinaries Accumulation Index: 14.5%	5.5% Grossed-up dividend yield: 7.9%^^

*The NTA before tax is after the payment of \$3.5m (0.87 cents per share) in tax during the month.

#Based on the 31 August 2022 share price of \$1.19 per share and the annualised FY22 fully franked interim dividend of 6.5 cents per share. Future Generation Australia has 403,867,595 shares on issue. During the month, 84 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 400,206,751 options on issue with an exercise price of \$1.48 per option.

^Volatility is measured by standard deviation.

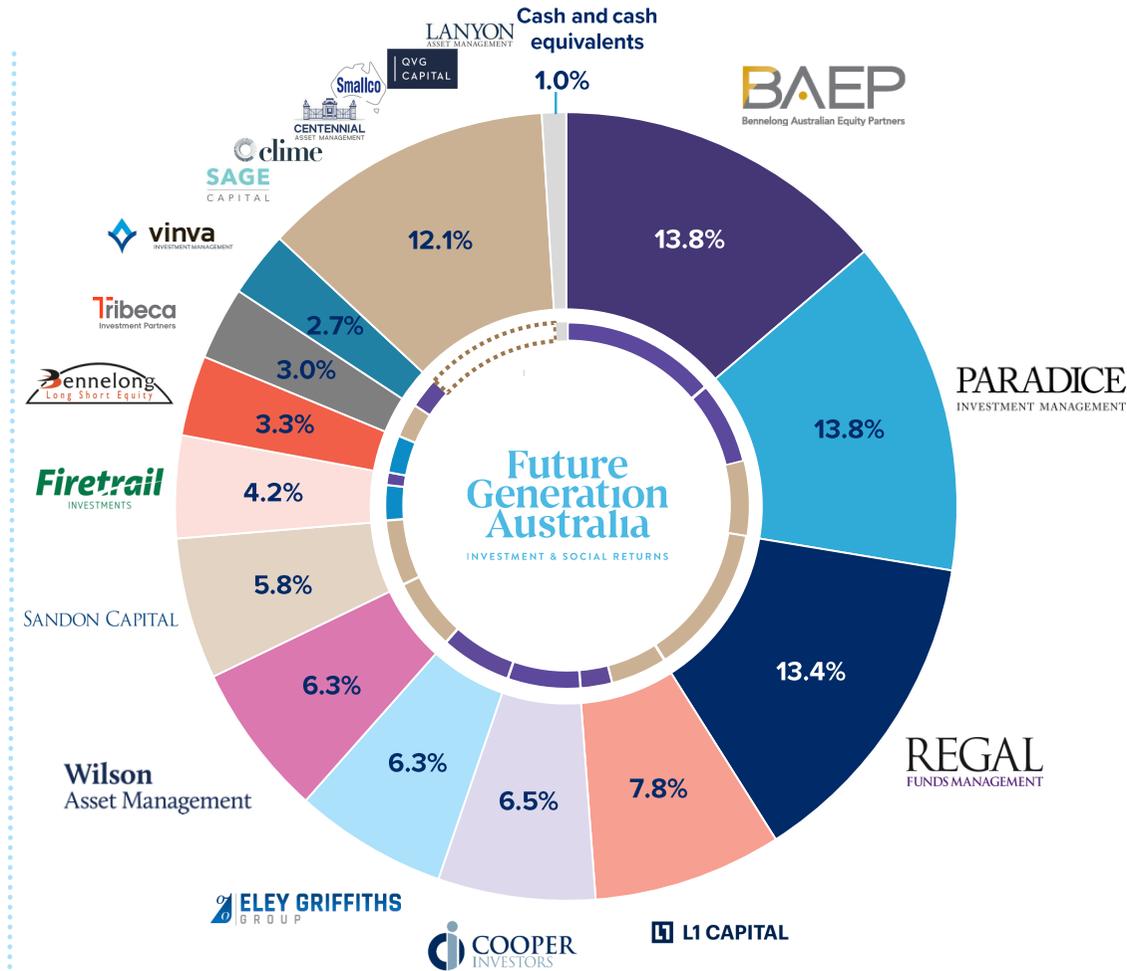
^^Grossed-up dividend yield includes the benefit of franking credits and is based on a tax rate of 30.0%.

Investment portfolio performance at 31 August 2022	1 mth	6 mths	Fin YTD	1 yr	3 yrs %pa	5 yrs %pa	Since inception %pa (Sept-14)
Future Generation Australia	2.7%	-2.3%	-9.1%	-7.7%	8.2%	9.2%	9.0%
S&P/ASX All Ordinaries Accumulation Index	1.3%	0.3%	-4.7%	-3.9%	6.2%	8.5%	7.4%

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



12.1% fund manager breakdown

Sage Capital	2.7%	Smallco Investment Manager	1.9%
Clima Investment Management	2.6%	QVG Capital	1.5%
Centennial Asset Management	2.3%	Lanyon Asset Management	1.1%

Legend for asset classes:
■ Long equities 46.5%
■ Absolute bias 46.1%
■ Market neutral 6.4%
■ Cash 1.0%

Investment portfolio performance

Net tangible assets before tax	Gross assets	Profits reserve (per share)
135.56c	\$542.4m	45.2c
Net tangible assets after tax and before tax on unrealised gains	Market capitalisation [#]	Annualised fully franked interim dividend yield [#]
134.19c	\$463.3m	6.0% Grossed-up dividend yield: 8.6% ^{^^}
Net tangible assets after tax	Volatility* MSCI AC World Index (AUD): 10.7%	ESG aware [^] (of the portfolio)
132.79c	9.6%	99.1%

[#]Based on the 31 August 2022 share price of \$1.175 per share and the annualised FY22 fully franked interim dividend of 7.0 cents per share. Future Generation Global has 394,318,455 shares on issue.

*Volatility is measured by standard deviation.

[^]As reported in the 2021 Annual Report.

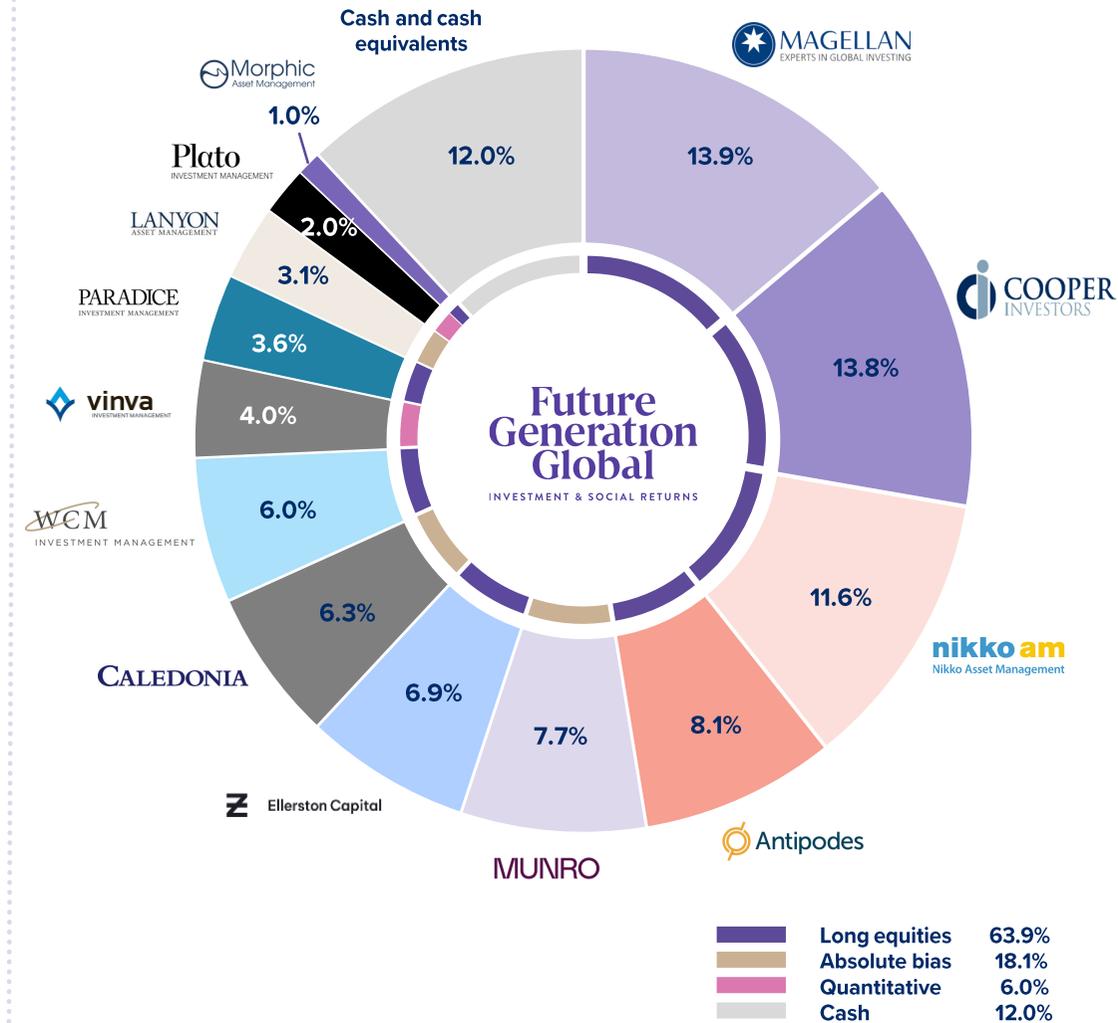
^{^^}Grossed-up dividend yield includes the benefit of franking credits and is based on a tax rate of 30.0%.

Investment portfolio performance at 31 August 2022	1 mth	6 mths	Fin YTD	1 yr	3 yrs %pa	5 yrs %pa	Since inception %pa (Sept-15)
Future Generation Global	-2.3%	-9.6%	-19.1%	-20.8%	2.9%	7.6%	6.7%
MSCI AC World Index (AUD)	-2.0%	-6.1%	-12.7%	-10.3%	7.4%	10.1%	9.1%

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



Sean Fenton, Managing Director, Founder and Portfolio Manager



It's been a tough year for investors. How do you feel you've fared and what have you taken out of this period?

We've fared very well, with both our funds performing well above benchmark, so we're very pleased with the outcomes we have delivered for our investors. I think it comes down to the flexibility of our investment process and our structure. A lot of long-only managers, who don't have any particular investment style, have really been caught out by the macro issues, as the world has moved dramatically in different directions. Our approach of stripping out that risk and relying on stock fundamentals has worked well, and has been proven to work over time.

What do you think is reasonable to expect from equity returns going forward over the next five years?

Something much lower. If it's positive, that would be fantastic. We're moving into a recessionary environment where earnings are going to fall and a soft landing is going to be very difficult to engineer. Earnings recessions lead to job losses and higher unemployment, which impacts consumer demand. But that's what central banks have said they're prepared to accept to get inflation under control. They are prepared to have a recession, and potentially a hard one, to get inflation out of the system, anchor it and then rebuild from there. The alternative is the scenario of the 1970s, where Central Banks never managed to get inflation under control – and what followed was a decade or more of lost productivity and growth.

At Sage, you have two funds: the Equity Plus Fund and the Absolute Returns Fund. The former is the fund that Future Generation Australia is invested in, can you explain its investment style?

The Sage Capital investment strategies provide investors with two neutral portfolio solutions that follow the same investment process and style, built over 20 years through my experience as a long-short investor. They use the same stock selection process, but are structured differently to provide investors with different outcomes. The Absolute Return Fund balances long and short positions to provide returns above cash, driven by our stock selection. The Equity Plus Fund layers long and short positions on top of the S&P/ASX 200 Index to improve its returns. Our approach is to utilise a long-short structure as a framework to run broad diversified portfolios, take a lot of different stock positions, and control risk at the same time.

There are two components to our investment process. The foundation is a broad, structured quantitative approach, where we're ranking stocks across the S&P/ASX 200 Index using a range of stock selection factors, such as momentum, value and quality. In doing so, we're trying to exploit the behavioural biases that exist in the market, the way people process information and make decisions.

The second component is then to leverage the investment experience of our team, with our four portfolio managers undertaking more thorough, fundamental research. This goes into a lot more detail than a structured quantitative approach can, and really looks at company earnings and what's driving them. We look at the broad, top-down drivers – like industry growth rates, competitive dynamics, barriers to entry, or environmental, social and governance issues – as well as the company-specific drivers, like management quality, incentive structures, the financial operating leverage of the business, whether they're pursuing organic growth or acquisition roll ups and so on. Then we look at what's priced into the market from a valuation perspective.



This combination of quantitative and fundamental stock selection approach enables us to run broad, active portfolios. We rank the S&P/ASX 200 Index companies and take overweight positions in the top 50 and short positions in the bottom 50. We then employ a suite of risk management tools to ensure the portfolio is tightly risk controlled.

What are the two main lessons you've learned over more than 25 years in the markets?

Number one: Psychology

Investing is just as much about psychology as it is about fundamentals. It's not only about what's happening, it's also about people's perceptions of what's happening. So, you need to spend as much time understanding people and how they make decisions and how that influences markets, as you do understanding the dynamics of a company's earnings.

Number two: Diversification

Acknowledge that the future is always far less certain than you think and your ability to predict it is a lot worse than you think. The only way to deal with that is through diversification. You should never limit yourself to just one possible future; you should always be thinking about a range of different possible futures and have balance and diversification in your portfolio to deal with any of those.

Please read the full article [here](#).

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

Future Generation Australia fund managers



Future Generation Global fund managers



Social impact partner in focus:



Raise Foundation

Raise Foundation’s vision is to create thriving communities where young people experience a confiding and trusted relationship with an adult who is skilled to support them. Raise provides best practice mentoring in secondary schools across Australia. This includes industry-leading mentor training to volunteers who connect with young people facing a wide range of adversities.

“I think our training is pretty remarkable. Our mentors learn listening skills, questioning skills, they gain mental health literacy and they learn about adolescent development. They then get to put that training into practice, which is another benefit that our volunteering offers. Our mentors often talk about feeling more connected to their families and communities. Our corporate mentors talk about being more engaged with their workplace and work mates. A lot of our mentors say they get more out of it than their mentee. I think that’s a lot of crock, but it’s nice that they feel they are getting so much out of it.”

[Read a Q&A with Vicki Condon AM, Founder and Chief Executive Officer of Raise Foundation.](#)

For more information, visit <https://raise.org.au/>

Our social impact partners



Our pro bono service providers



Fund manager allocation and investments at market value as at 31 August 2022

Fund Manager	Investment	Strategy	% of Gross Assets
Bennelong Australian Equities Partners	Bennelong Australian Equities Fund	Long equities	13.8%
	Mid Cap/Equity Alpha Plus Funds (split out below)		13.8%
Paradice Investment Management	Paradice Australian Mid Cap Fund	Long equities	7.3%
	Paradice Equity Alpha Plus Fund	Absolute bias	6.5%
Regal Funds Management	Regal Australian Long Short Equity Fund	Absolute bias	13.4%
	Long Short/Catalyst Funds (split out below)		7.8%
L1 Capital	L1 Capital Long Short Fund	Absolute bias	5.0%
	L1 Capital Catalyst Fund	Long equities	2.8%
Cooper Investors	Cooper Investors Australian Equities Fund	Long equities	6.5%
Eley Griffiths Group	Eley Griffiths Group Small Companies Fund	Long equities	6.3%
Wilson Asset Management	Wilson Asset Management Equity Fund	Absolute bias	6.3%
Sandon Capital	Sandon Capital Activist Fund	Absolute bias	5.8%
	Absolute Return/High Conviction Funds (split out below)		4.2%
Firetrail Investments	Firetrail Absolute Return Fund	Market neutral	3.1%
	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	3.0%
Vinva Investment Management	Vinva Australian Equities Fund	Long equities	2.7%
Sage Capital	Sage Capital Equity Plus Fund	Absolute bias	2.7%
Clime Asset Management	Clime Australian Equities Fund	Long equities	2.6%
Centennial Asset Management	The Level 18 Fund	Absolute bias	2.3%
Smallco Investment Manager	Smallco Broadcap Fund	Long equities	1.9%
QVG Capital	QVG Opportunities Fund	Long equities	1.5%
Lanyon Asset Management	Lanyon Australian Value Fund	Absolute bias	1.1%
	Cash and cash equivalents		1.0%

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

Fund Manager	Investment	Strategy	% of Gross Assets
Magellan Asset Management	Magellan Global Fund	Long equities	13.9%
Cooper Investors	Cooper Investors Global Equities Fund (Unhedged)	Long equities	13.8%
Nikko Asset Management Australia	Nikko AM Global Share Fund	Long equities	11.6%
Antipodes Partners	Antipodes Global Fund - Long	Long equities	8.1%
Munro Partners	Munro Global Growth Fund	Absolute bias	7.7%
Ellerston Capital	Ellerston Global Mid Small Cap Fund	Long equities	6.9%
Caledonia	Caledonia Global Fund	Absolute bias	6.3%
WCM Investment Management	WCM Quality Global Growth Fund (Hedged)	Long equities	6.0%
Vinva Investment Management	Vinva International Equity Alpha Extension Fund	Quantitative	4.0%
Paradice Investment Management	Paradice Global Small Mid Cap Fund (Unhedged)	Long equities	3.6%
Lanyon Asset Management	Lanyon Global Value Fund	Absolute bias	3.1%
Plato Investment Management	Plato Global Net Zero Fund – Class Z	Quantitative	2.0%
Morphic Asset Management	Morphic Ethical Equities Fund Limited	Absolute bias	1.0%
	Cash and cash equivalents		12.0%