

**Dear Fellow Shareholder,**

**Investment portfolio performance**

Domestic and global equity markets rallied during the month, driven predominately by an improved economic outlook, reinforcing the view that central banks will end rate hikes sooner than expected. Domestically, the S&P/ASX All Ordinaries Accumulation Index increased 6.4%, recording its strongest January in 36 years. Globally, the S&P 500 Index increased 6.2% and the NASDAQ Composite Index increased 10.7%, in local terms.

The Future Generation Global (ASX: FGG) investment portfolio increased 4.6%\* in January, outperforming the MSCI AC World Index (AUD), which rose 3.7%. The Future Generation Australia (ASX: FGX) investment portfolio increased 5.5%\* for the month, while the S&P/ASX All Ordinaries Accumulation Index rose 6.4%.

Since inception, the Future Generation Australia investment portfolio has increased 9.0%\* per annum and the Future Generation Global investment portfolio has increased 7.2%\* per annum. The investment portfolios' performance has been achieved with less volatility than their respective benchmarks, as measured by standard deviation.

Over the past sixth months, the Future Generation Global investment portfolio has outperformed the MSCI AC World Index (AUD) following considerable changes made by the Investment Committee to the portfolio composition on behalf of shareholders. Last year, we welcomed Holowesko Partners, Vinva Investment Management, Plato Investment Management, Lanyon Asset Management and Martin Currie and are confident these new fund managers will complement our existing portfolio of leading global fund managers.

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

**Register for our FY22 Results Webinar**

Please [register](#) and join me for our upcoming Future Generation FY22 Results Webinar on Friday, 17 March at 2:30pm (Sydney time) to hear from Geoff Wilson AO, Chairman and Chief Investment Officer (CIO) of [Wilson Asset Management](#), Mark Landau, Co-Founder, Joint Managing Director and CIO of L1 Capital and Jacob Mitchell, Founder, CIO and Lead Portfolio Manager at Antipodes Partners who manage funds for Future Generation Australia and Future Generation Global on a pro bono basis.

**In the media**

The *Sydney Morning Herald* and *The Age* published stock picks from five of our pro bono fund managers: Antipodes Partners, L1 Capital, Munro Partners, Paradise Investments and Lanyon Asset Management in [Five long-term stock picks from Australia's biggest funds](#). Future Generation was also mentioned in *The Australian's* [Radical reform recipe for giving](#), where Charles Goode AC shares his views on philanthropy and superannuation.

**2fold: Investing for impact**

We have launched our latest [2fold: Investing for impact](#) podcast with Wendy McCarthy AO, Australian businesswomen and activist. The [episode](#) is available on all major podcast platforms and the transcript is available [here](#).

We hope you enjoy this month's [Meet the Manager](#) with Tony Waters, Founder and Portfolio Manager at [QVG Capital](#) and our [Q&A Interview](#) with Dr Eamonn McCarthy, CEO of [Lighthouse Foundation](#).



Caroline Gurney  
CEO, Future Generation



**\$65.2m**

SOCIAL  
INVESTMENT  
TO 2022



**\$5.9m**

Future  
Generation  
Australia  
2022

**\$6.4m**

Future  
Generation  
Global  
2022

**2022 total social  
investment**

**\$12.3m**

**2022 annualised  
management fees,  
performance fees and  
services forgone**

**\$16.7m**

**Total annualised  
fees forgone since  
inception to 2022**

**\$113.7m**

## Investment portfolio performance

Net tangible assets before tax	Gross assets	Dividends paid since inception (per share)
<b>133.46c</b>	<b>\$544.1m</b>	<b>36.55c</b>
Net tangible assets after tax and before tax on unrealised gains	Market capitalisation <sup>#</sup>	Profits reserve (per share)
<b>132.88c</b>	<b>\$484.0m</b>	<b>30.5c</b>
Net tangible assets after tax	Volatility <sup>^</sup>	Annualised fully franked interim dividend yield <sup>#</sup>
<b>128.82c</b>	<b>12.1%</b> S&P/ASX All Ordinaries Accumulation Index: 14.8%	<b>5.4%</b> Grossed-up dividend yield: 7.7% <sup>^^</sup>

<sup>#</sup>Based on the 31 January 2023 share price of \$1.195 per share and the annualised FY22 fully franked interim dividend of 6.5 cents per share. Future Generation Australia has 405,053,223 shares on issue. During the month, 70 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 400,206,393 options on issue with an exercise price of \$1.48 per option.

<sup>^</sup>Volatility is measured by standard deviation.

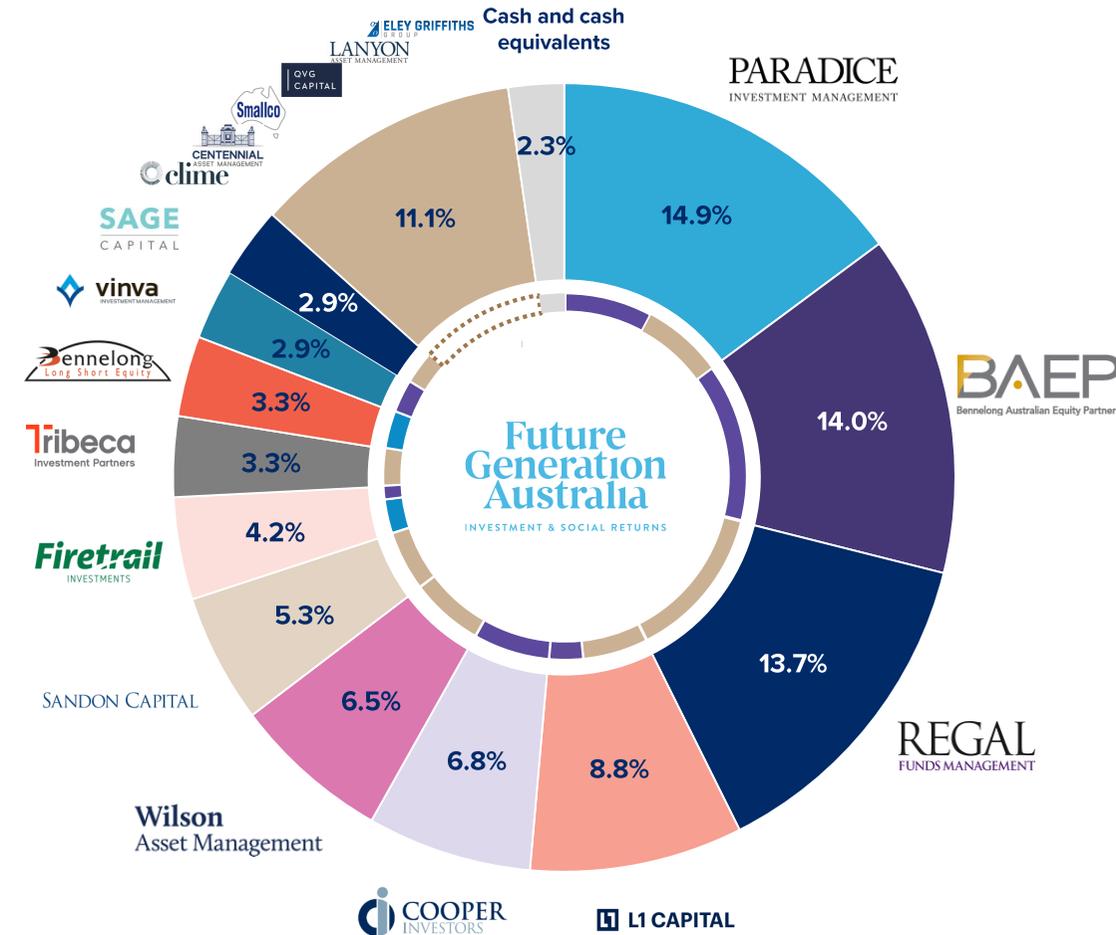
<sup>^^</sup>Grossed-up dividend yield includes the benefit of franking credits and is based on a tax rate of 30.0%.

Investment portfolio performance at 31 January 2023	1 mth	6 mths	1 yr	3 yrs %pa	5 yrs %pa	7 yrs %pa	Since inception %pa (Sept-14)
Future Generation Australia	5.5%	6.9%	0.6%	7.1%	8.1%	9.1%	9.0%
S&P/ASX All Ordinaries Accumulation Index	6.4%	9.7%	10.5%	6.4%	8.6%	10.4%	8.0%

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



### 11.1% fund manager breakdown

Fund Manager	Allocation (%)	Category	Category Total (%)
Clime Investment Management	2.9%	Absolute bias	48.2%
Centennial Asset Management	2.4%	Long equities	43.2%
Smallco Investment Manager	2.0%	Market neutral	6.3%
QVG Capital	1.5%	Cash	2.3%
Lanyon Asset Management	1.2%		
Eley Griffiths Group	1.1%		

## Investment portfolio performance

Net tangible assets before tax	Gross assets	Profits reserve (per share)
136.73c	\$544.3m	45.7c
Net tangible assets after tax and before tax on unrealised gains	Market capitalisation <sup>#</sup>	Annualised fully franked interim dividend yield <sup>#</sup>
137.11c	\$468.4m	5.9% Grossed-up dividend yield: 8.4% <sup>^^</sup>
Net tangible assets after tax	Volatility* MSCI AC World Index (AUD): 11.0%	ESG aware <sup>^</sup> (of the portfolio)
134.75c	10.0%	99.1%

<sup>#</sup>Based on the 31 January 2023 share price of \$1.185 per share and the annualised FY22 fully franked interim dividend of 7.0 cents per share. Future Generation Global has 395,310,793 shares on issue.

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

\*Volatility is measured by standard deviation.

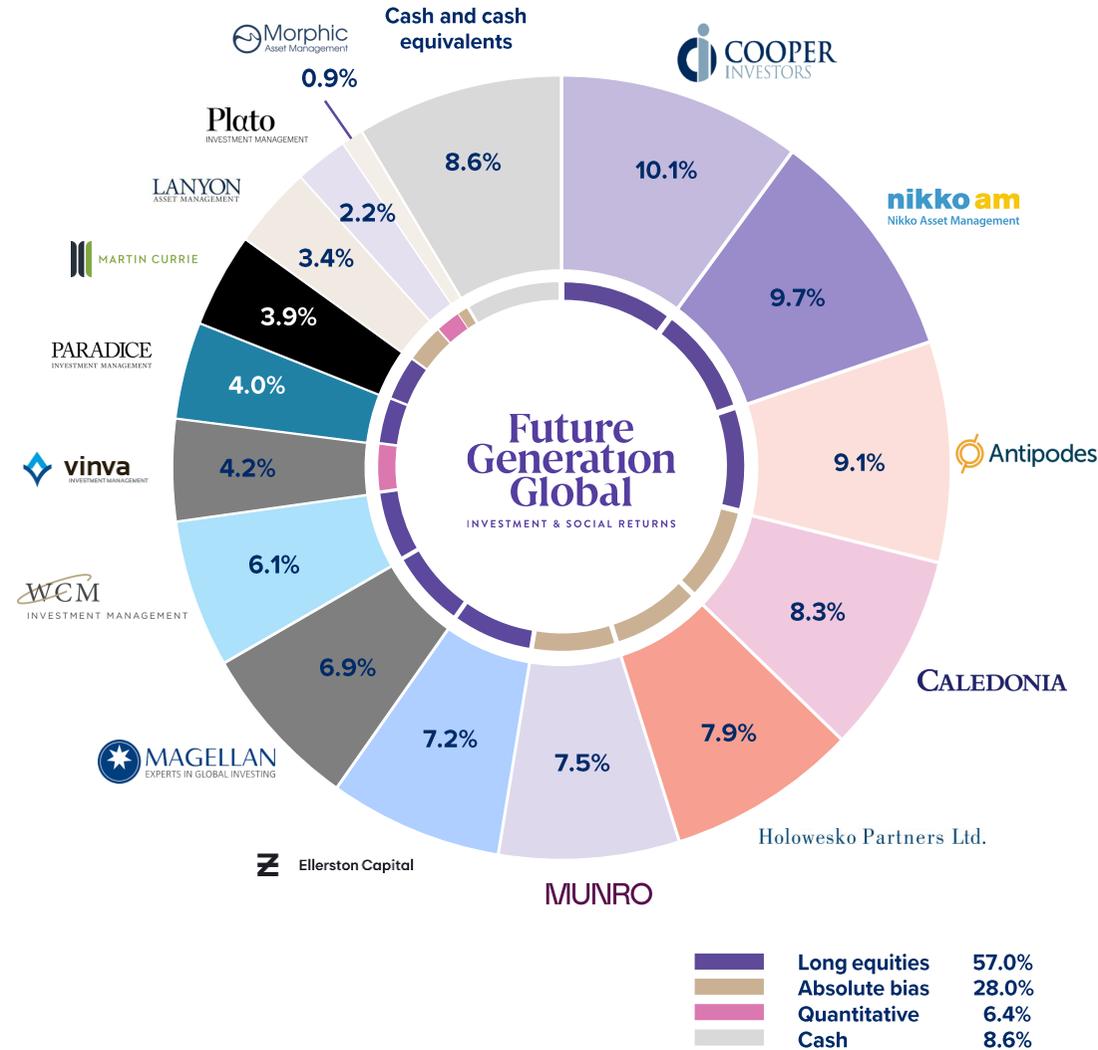
<sup>^</sup>As reported in the 2021 Annual Report.

Investment portfolio performance at 31 January 2023	1 mth	6 mths	1 yr	3 yrs %pa	5 yrs %pa	Since inception %pa (Sept-15)
Future Generation Global	4.6%	3.9%	-8.7%	1.7%	6.8%	7.2%
MSCI AC World Index (AUD)	3.7%	1.4%	-7.8%	5.0%	8.4%	9.0%

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



Long equities	57.0%
Absolute bias	28.0%
Quantitative	6.4%
Cash	8.6%

## Tony Waters Portfolio Manager and Founder of QVG Capital



### Can you describe your investment style?

At QVG Capital we are active, fundamental investors, who run a concentrated portfolio focused on small cap companies outside the S&P/ASX 100 Index. We are looking for sustainable businesses that can grow through the cycle. So, we look for factors that we think can deliver that, such as compounding free cash flow streams, healthy balance sheets, high return on invested capital and a few other intangible things. We tend to gravitate towards founder/manager led businesses; a good chunk of our portfolio is with companies where the management team has a long-term interest in the business.

### What do you think the major trends of 2023 are likely to be?

We'll start to see some deflation emerging in terms of the cost of goods out of China. We've already seen shipping rates come down, so there's going to be an unwinding of inventory cycles compared to the elevated levels that we saw in 2022. That's not going to be great for China's manufacturing base.

In terms of other 2023 themes, it's difficult to predict because a lot will depend on geopolitics, particularly how long the Ukraine war plays out. But, generally, our view is that the rates cycle will start to ease in the second quarter this year. We are starting to "anniversarise" a lot of the big impacts of commodity prices. Gas and energy prices were very elevated in the first half of last year, and we are now cycling past that, so I think the inflation picture will look quite different in the second half of this year.

### What sectors do you expect to benefit from this new cycle?

I think the focus is going to be a lot more on earnings and companies that can deliver longer term earnings growth. We don't believe that the market can continue to underperform in long duration growth companies when you need growth to offset the inflation impact. To use a simple case in point, if inflation is running at 7% and you're going forward in real time, you need to have growth rates and an earnings line that are higher than that. There aren't a lot of companies that are delivering that at the moment! So I think the focus now is going to be very much on companies that can deliver earnings growth in a far more difficult environment, where consumers are going to be impacted in the next six to 12 months.

### So you'll be looking at things on a company-by-company basis, rather than by sectors?

Absolutely. We are unashamedly bottom-up in our outlook. We've got 27 companies in the portfolio at the moment, across a variety of industry sectors, but we think they all have what it takes to deliver long term performance.

### Why do you think this bottom-up approach works for you?

I think the investment process has to suit the personality of the manager. I have an accounting background so, for me, an investment is all about cash flow and the simple mathematical equation of compounding over the long term. Even when you're looking at your portfolio concentration, you've got to take an approach that suits your mentality and the mentality of your investor base. Obviously, the more concentrated you are, the better you will do if you manage to pick the right stocks. But there's a balance to that, in terms of volatility and tracking error. So you've got to find an approach that suits you and allows you to sleep at night.

### What returns do you think it's reasonable for investors to expect this year?

Well, the simple mathematical equation is that you've got a 10-year bond rate at 4%. Equities typically deliver a premium of 5% or so above that, so you'd be wanting a pre-tax return of around 9%.

### What have been some of the notable contributors to your long-term performance?

Probably the best two attribution companies that we've had are Uniti Group, a telecommunications infrastructure business that got taken out last year, and Johns Lyng (ASX: JLG), a building services company. It's a very good example of a business with a high return on funds employed that can deliver irrespective of the cycle.



### We are very grateful to you for managing Future Generation Australia funds for us on a pro bono basis. Why do you do it?

First, we have known Geoff Wilson, Founder and Director of the Future Generation Companies, for many years, and we've always thought that Future Generation is a fantastic idea and a great initiative. To be honest, when we were approached by Geoff, it was an honour for us, given the calibre of managers that were in your portfolio. We were actually quite chuffed that you thought us worthy to be part of that group.

Secondly, both Chris Prunty, Co-Founder of QVG Capital, and I have three kids each. So we understand the importance of the next generation coming through and being well looked after, both mentally and physically.

### Who are your investor role models?

Oh, I have plenty. There's Warren Buffet, obviously. In my early days, Peter Lynch's "One Up on Wall Street" was a book that I really gravitated towards. Then there's Joel Greenblatt, another US investor. At the moment, we often look to Terry Smith, an English fund manager who manages global large caps. He has a similar approach and a similar mentality to us, even though we are operating in completely different spheres. There are also managers we follow on the macro side, even though we are not macro investors by any stretch. For example, any time Stanley Druckenmiller says anything, that's going to be of interest to us.

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:**



**Lighthouse Foundation**

For the past thirty years, the Lighthouse Foundation has provided a stable home and round-the-clock therapeutic care to more than 1,000 young people, children and babies impacted by long-term neglect, abuse and homelessness.

Its focus is on creating a caring community, where young people can feel safe, form meaningful relationships and begin to heal from traumatic experiences.

*“The reliability and the consistency of the support that comes through from Future Generation means there’s no compromise in terms of what we can achieve. It doesn’t impact on our-day-to-day business capacity and it doesn’t draw us away from focusing on what we need to focus on. What it does do is allow us to focus on things that can really make a difference in young people’s lives.”*

[Read a Q&A](#) with Dr Eamonn McCarthy, Chief Executive Officer of Lighthouse Foundation.

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

**Our social impact partners**



**Our pro bono service providers**



**Fund manager  
allocation and  
investments at  
market value as at  
31 January 2023**

Fund Manager	Investment	Strategy	% of Gross Assets
	<b>Mid Cap/Equity Alpha Plus Funds (split out below)</b>		<b>14.9%</b>
Paradice Investment Management	Paradice Australian Mid Cap Fund	Long equities	7.8%
	Paradice Equity Alpha Plus Fund	Absolute bias	7.1%
Bennelong Australian Equities Partners	Bennelong Australian Equities Fund	Long equities	14.0%
Regal Funds Management	Regal Australian Long Short Equity Fund	Absolute bias	13.7%
	<b>Long Short/Catalyst Funds (split out below)</b>		<b>8.8%</b>
L1 Capital	L1 Capital Long Short Fund	Absolute bias	5.8%
	L1 Capital Catalyst Fund	Long equities	3.0%
Cooper Investors	Cooper Investors Australian Equities Fund	Long equities	6.8%
Wilson Asset Management	Wilson Asset Management Equity Fund	Absolute bias	6.5%
Sandon Capital	Sandon Capital Activist Fund	Absolute bias	5.3%
	<b>Absolute Return/High Conviction Funds (split out below)</b>		<b>4.2%</b>
Firetrail Investments	Firetrail Absolute Return Fund	Market neutral	3.0%
	Firetrail High Conviction Fund	Long equities	1.2%
Tribeca Investment Partners	Tribeca Alpha Plus Fund	Absolute bias	3.3%
Bennelong Long Short Equity Management	Bennelong Long Short Equity Fund	Market neutral	3.3%
Vinva Investment Management	Vinva Australian Equities Fund	Long equities	2.9%
Sage Capital	Sage Capital Equity Plus Fund	Absolute bias	2.9%
Clime Investment Management	Clime Australian Equities Fund	Long equities	2.9%
Centennial Asset Management	The Level 18 Fund	Absolute bias	2.4%
Smallco Investment Manager	Smallco Broadcap Fund	Long equities	2.0%
QVG Capital	QVG Opportunities Fund	Long equities	1.5%
Lanyon Asset Management	Lanyon Australian Value Fund	Absolute bias	1.2%
Eley Griffiths Group	Eley Griffiths Group Small Companies Fund	Long equities	1.1%
	Cash and cash equivalents		2.3%

**Fund manager  
allocation and  
investments at  
market value as at  
31 January 2023**

<b>Fund Manager</b>	<b>Investment</b>	<b>Strategy</b>	<b>% of Gross Assets</b>
Cooper Investors	Cooper Investors Global Equities Fund (Unhedged)	Long equities	10.1%
Nikko Asset Management Australia	Nikko AM Global Share Fund	Long equities	9.7%
Antipodes Partners	Antipodes Global Fund - Long	Long equities	9.1%
Caledonia	Caledonia Global Fund	Absolute bias	8.3%
Holowesko Partners	Holowesko Global Fund Limited - Class A	Absolute bias	7.9%
Munro Partners	Munro Global Growth Fund	Absolute bias	7.5%
Ellerston Capital	Ellerston Global Mid Small Cap Fund	Long equities	7.2%
Magellan Asset Management	Magellan Global Fund	Long equities	6.9%
WCM Investment Management	WCM Quality Global Growth Fund (Hedged)	Long equities	6.1%
Vinva Investment Management	Vinva International Equity Fund	Quantitative	4.2%
Paradice Investment Management	Paradice Global Small Mid Cap Fund (Unhedged)	Long equities	4.0%
Martin Currie Investment Management	Martin Currie Global Long-term Unconstrained Fund	Long equities	3.9%
Lanyon Asset Management	Lanyon Global Value Fund	Absolute bias	3.4%
Plato Investment Management	Plato Global Net Zero Fund – Class Z	Quantitative	2.2%
Morphic Asset Management	Morphic Ethical Equities Fund Limited	Absolute bias	0.9%
	Cash and cash equivalents		8.6%