

Dear Fellow Shareholder,

### Investment portfolio performance

In May, the Reserve Bank of Australia lifted its cash rate to 3.85%, while the US came to an agreement to suspend the US debt ceiling for two years. Australian equities fell during the month with the S&P/ASX All Ordinaries Accumulation Index down 2.6%. The Dow Jones Industrial Average Index fell 3.5% in local terms while the weaker Australian dollar led to the MSCI World Index (AUD) closing up 1.1% for the month.

The Future Generation Global (ASX: FGG) investment portfolio increased 0.4%\* in May, while the MSCI AC World Index (AUD) rose 1.3%. The Future Generation Australia (ASX: FGX) investment portfolio decreased 1.9%\* for the month, outperforming the S&P/ASX All Ordinaries Accumulation Index which fell 2.6%.

### Investment Insights

In this month's [Meet the Manager](#) we speak to Ben Griffiths, Co-Founder, Managing Director and Portfolio Manager at [Eley Griffiths Group](#). Eley Griffiths, a founding pro bono fund manager of Future Generation Australia, made its name investing in small and emerging companies. The video and transcript are available [here](#) and we have included a summary of the interview on page four of this investment update.

### 2fold: Investing for impact podcast series

We have released two new episodes of Future Generation's podcast series, *2fold: Investing for impact*, with Wesfarmers' Chair, Michael Chaney AO, and Founder of The Australian Children's Music Foundation (ACMF), Don Spencer OAM.

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

Michael shares his thoughts on The Voice, the state of politics in Australia and the environment. The episode and transcript are available [here](#) and you can read the coverage in *The Australian* [here](#).

Don is best known for his three decades as a presenter on *Play School* and for his work providing free music lessons to Australia's most disadvantaged kids through the ACMF for more than 20 years. The organisation – which is a social impact partner of Future Generation Australia - has delivered more than 270,000 free music lessons. Listen to the episode and read the transcript [here](#).

### In the media

In our *Money Talks* segment on 6PR Perth Radio, Dr David Allen, Head of Long/Short Strategies and Co-Head of Research at Plato Investment Management was [interviewed](#) about the US debt ceiling. Tony Waters, Principal and Portfolio Manager at QVG Capital also joined the segment, sharing his market outlook which you can listen to [here](#).

I was invited to speak on a panel at *The Australian Financial Review* ESG Summit "Investing in the future and return on ESG investment," hosted by Wealth Reporter, Lucy Dean. I discussed impact investing and the importance in understanding that ESG is not a subset of impact investing in Lucy's coverage: [The \\$1.54 trillion word investors are getting wrong](#).

Thank you and best wishes,



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 savings on  
management fees,  
performance fees and  
service provider fees  
forgone**

**Savings on  
management fees,  
performance fees  
and service  
provider fees  
forgone since  
inception**

**\$16.2m**

**\$112.3m**

## Investment portfolio performance

Net tangible assets before tax*	Gross assets	Dividends paid since inception (per share)
<b>126.36c</b>	<b>\$518.0m</b>	<b>39.8c</b>
Net tangible assets after tax and before tax on unrealised gains	Market capitalisation#	Profits reserve (per share)
<b>126.84c</b>	<b>\$440.6m</b>	<b>27.2c</b>
Net tangible assets after tax	Volatility^	Fully franked dividend yield#
<b>123.66c</b>	<b>12.0%</b> S&P/ASX All Ordinaries Accumulation Index: 14.6%	<b>6.0%</b> Grossed-up dividend yield: 8.6%**

\*The NTA before tax is after the payment of \$2.6m (0.64 cents per share) in tax during the month.

#Based on the 31 May 2023 share price of \$1.085 per share and the FY22 fully franked full-year dividend of 6.5 cents per share.

Future Generation Australia has 406,064,249 shares on issue.

^Volatility is measured by standard deviation.

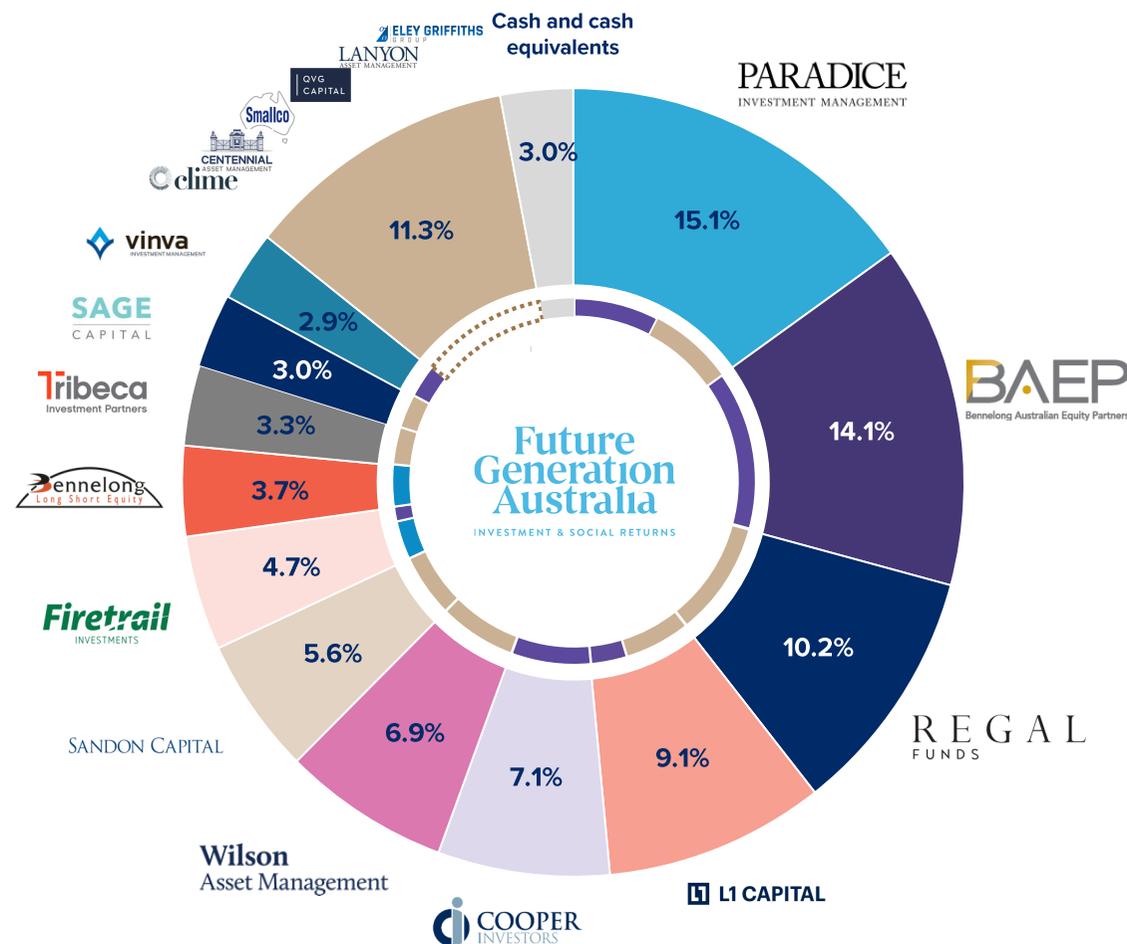
\*\*Grossed-up dividend yield includes the benefit of franking credits and is based on a tax rate of 30.0%.

Investment portfolio performance at 31 May 2023	1 mth	Fin YTD	6 mths	1 yr	3 yrs %pa	5 yrs %pa	7 yrs %pa	Since inception %pa (Sept-14)
Future Generation Australia	-1.9%	3.3%	-0.1%	0.4%	10.8%	6.8%	8.1%	8.4%
S&P/ASX All Ordinaries Accumulation Index	-2.6%	2.7%	-0.7%	2.0%	11.6%	7.6%	8.4%	7.3%

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



### 11.3% fund manager breakdown

Clime Investment Management	2.9%	QVG Capital	1.5%	Absolute bias	46.1%
Centennial Asset Management	2.5%	Lanyon Asset Management	1.2%	Long equities	43.8%
Smallco Investment Manager	2.1%	Eley Griffiths Group	1.1%	Market neutral	7.1%
				Cash	3.0%

## Investment portfolio performance

Net tangible assets before tax*	Gross assets	Profits reserve (per share)
<b>141.38c</b>	<b>\$565.5m</b>	<b>48.2c</b>
Net tangible assets after tax and before tax on unrealised gains	Market capitalisation#	Fully franked dividend yield#
<b>142.13c</b>	<b>\$445.8m</b>	<b>6.2%</b> Grossed-up dividend yield: 8.9% <sup>^</sup>
Net tangible assets after tax	Volatility**	ESG aware <sup>^^</sup> (of the portfolio)
<b>137.25c</b>	<b>9.8%</b> MSCI AC World Index (AUD): 10.9%	<b>98.3%</b>

\*The NTA before tax is after the payment of \$1.6m (0.40 cents per share) in tax during the month.

#Based on the 31 May 2023 share price of \$1.125 per share and the FY22 fully franked full-year dividend of 7.0 cents per share. Future Generation Global has 396,293,447 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.

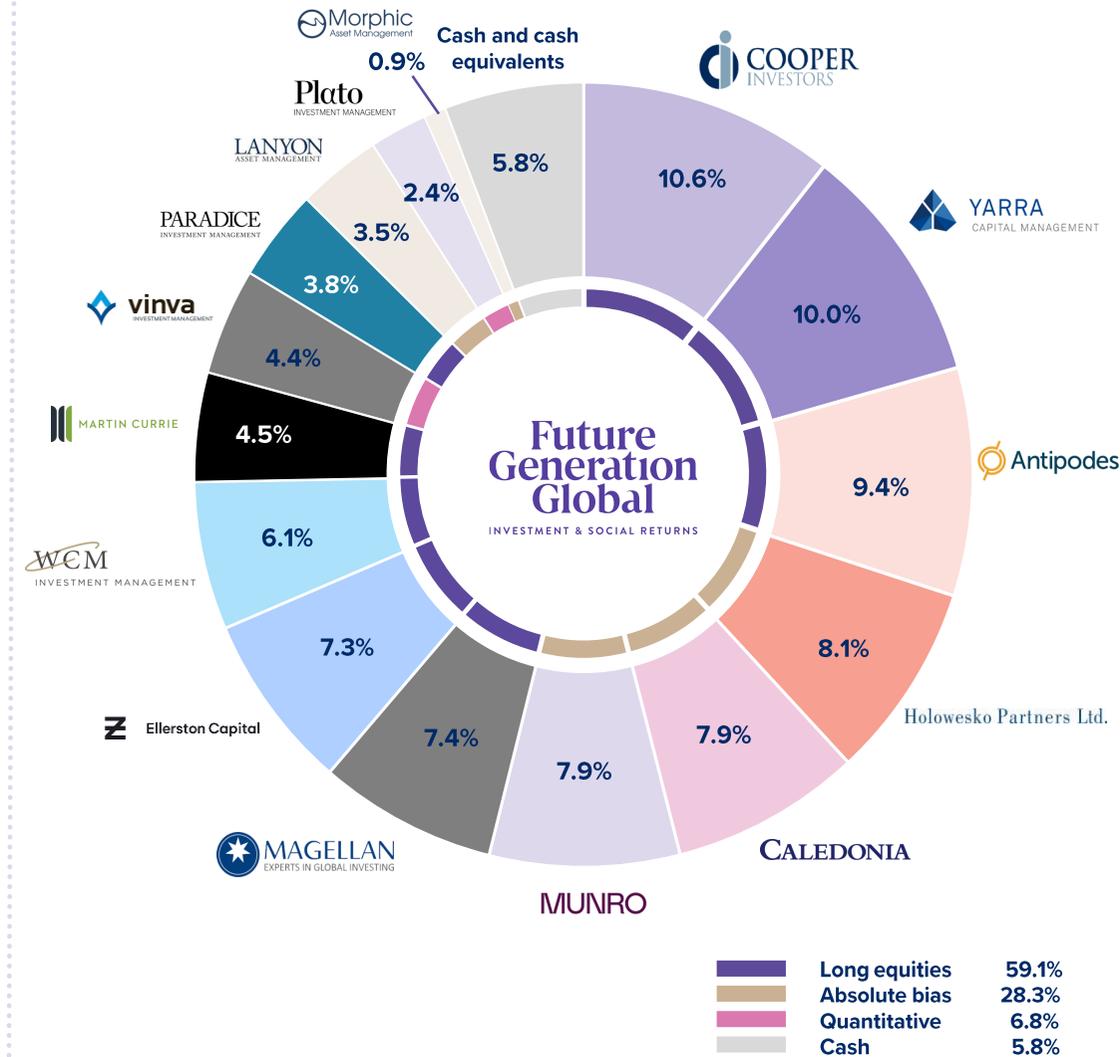
<sup>^^</sup>As reported in the 2022 Annual Report.

Investment portfolio performance at 31 May 2023	1 mth	Fin YTD	6 mths	1 yr	3 yrs %pa	5 yrs %pa	7 yrs %pa	Since inception %pa (Sept-15)
Future Generation Global	0.4%	11.4%	6.7%	11.6%	5.1%	6.8%	8.4%	7.8%
MSCI AC World Index (AUD)	1.3%	13.6%	7.4%	12.1%	11.1%	10.2%	10.7%	9.9%

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



# Meet the Manager

## Ben Griffiths

Co-Founder, Managing Director  
and Portfolio Manager at  
Eley Griffiths Group



We hope you enjoy a summary of our latest edition of *Investment Insights*. You can access the full [interview](#) and transcript on our [website](#).

### Why is being a pro bono fund manager of Future Generation Australia so important to you?

It is important because I am one of the founding managers. Geoff Wilson AO knocked on the door and asked for support and we were there for him. Being involved in Future Generation is important for a couple of reasons, but none more important than knowing that what we are doing is actually making a difference. There were only a handful of charities when Geoff first set sail. They are all doing the most magnificent work, and it is just so satisfying. It is one thing to get stocks, right? Get the portfolio on the right side of the benchmark and do the job you are paid to do. It is another thing to know that in a small way you are making a contribution to the ongoing funding and success of some of those charities. I have a soft spot for the Diabetes Kids Fund, which I know is an important part of Future Generation Australia. I love the work they do. I see their annual reports each year and I love the programs that they set course on. It's very satisfying to know that we are making a difference.

### Future Generation Australia is predominantly small caps and you are a small cap specialist. Is there anything we should be telling our shareholders?

In difficult and volatile markets, it is very easy for investors to lose their nerve and panic. Investing is a long term game. Investors need to remember that and then look at opportunities such as when the market is under pressure, when good businesses get oversold, or when good stocks fall out of favour. They should be thinking about the long run and look to buy those businesses that are well managed, that have got robust business models, that have got sustainable earning streams, and that are conservatively funded. The market will always be here. The market will have good times and bad. It's the yin and yang of stocks. That is how the markets work. And investors must not lose sight of that. So, stay the course would be my suggestion.

### What is your outlook for the next six to 12 months?

Investors need to take note that the Australian share market is sitting nicely on a support line that projects out of the COVID lockdowns back in March 2020. That is what you see as an investor. That's what markets are made of, uptrends and downtrends – in this case, of uptrends. Unfortunately the complication that arises is there are a number of cross currents right now that are having a direct bearing on confidence. Citigroup released a great note talking about how the storm continues, but so does the global growth. I think that mostly underscores the fact that whilst there is volatility also, there is some movement in stock prices. There is also a growth impulse that is occurring.

Why is that happening? Well, simply, central banks have hiked rates quite aggressively over the last 12 to 15 months. There is now the great belief that the tightening cycle, the hiking cycle, is near an end. That is positive and I think stocks are sensing that that is where we are at. Now the outlook is a little bit cloudy, hence the storm analogy. I think central banks have done their bit and that is a positive. The fact they have done their bit and they are close to the conclusion of their hiking campaign. The final thing is that investors should be relieved about and comforted by the fact that credit markets are somewhat behaving. They are trading at where you would expect normal settings to be.



### What is your view on inflation? How long is it going to take to get under control?

It has been a long time between drinks for the market to have to grapple with inflation. We have had a very sudden surge over the last 12 to 15 months, and inflation tends to be a glacial thing. It is hard to eradicate, it takes a long time. I think central banks around the world have used perhaps the bluntest instrument of all, and that is the cost of money. That is interest rate settings. However there is a transmission mechanism from tightening rates to seeing the multiplier effects in the economy. It is up to 12 months. So we need to be a bit patient to see whether in fact the rapid fire hikes and interest rates have actually achieved what they set out to do. It does feel, if you look at some of the international US statistics, that the inflation numbers we are seeing have probably peaked. Maybe we have a bit more structural inflation in the system going forward.

Various central banks have got targets and objectives where they want to get inflation to. Whether they succeed remains to be seen. We have not beaten that into submission and central banks of the world are kind of on top of it. Now a little bit of inflation is also a good thing because that enables pricing power and corporates can put price increases through and that's the beginning of margin improvement. A little bit of inflation is a good thing. There will be exacerbating features, like we have just seen with the minimum wage increase and potential knock-on effects that higher salaries will put through on cost structures and so on. But inflation is the phenomenon we're dealing with at the moment. It's a phenomenon that central banks have reacted to appropriately. We just spent a bit of time to see whether we are in fact done and that the tightening works of the central banks globally is near an end. Equities as I mentioned in my first point, sense that the tightening regime is just about done and that's why stocks are rallying.

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:



Don Spencer OAM, Founder of Australian Children's Music Foundation (ACMF)

Listen to our [2fold: Investing for impact episode](#) with Don Spencer OAM, Founder of ACMF.

“Music was good because it did fire my imagination, take me away. And it was just a tremendous comfort and solace and that’s one of the reasons I started my foundation, because I figured music could do the same for a lot of other children.”

The Australian Children’s Music Foundation provides free, long-term music classes and instruments to more than 1,000 children in need to inspire their creativity, nurture self-esteem and improve educational and behavioural outcomes.

For more information, visit <https://acmf.com.au/>

Our social impact partners



Our pro bono service providers



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

Fund Manager	Investment	Strategy	% of Gross Assets
	<b>Mid Cap/Equity Alpha Plus Funds (split out below)</b>		<b>15.1%</b>
Paradice Investment Management	Paradice Australian Mid Cap Fund	Long equities	7.6%
	Paradice Equity Alpha Plus Fund	Absolute bias	7.5%
Bennelong Australian Equities Partners	Bennelong Australian Equities Fund	Long equities	14.1%
Regal Funds Management	Regal Australian Long Short Equity Fund	Absolute bias	10.2%
	<b>Long Short/Catalyst Funds (split out below)</b>		<b>9.1%</b>
L1 Capital	L1 Capital Long Short Fund	Absolute bias	5.9%
	L1 Capital Catalyst Fund	Long equities	3.2%
Cooper Investors	Cooper Investors Australian Equities Fund	Long equities	7.1%
Wilson Asset Management	Wilson Asset Management Equity Fund	Absolute bias	6.9%
Sandon Capital	Sandon Capital Activist Fund	Absolute bias	5.6%
	<b>Absolute Return/High Conviction Funds (split out below)</b>		<b>4.7%</b>
Firetrail Investments	Firetrail Absolute Return Fund	Market neutral	3.4%
	Firetrail High Conviction Fund	Long equities	1.3%
Bennelong Long Short Equity Management	Bennelong Long Short Equity Fund	Market neutral	3.7%
Tribeca Investment Partners	Tribeca Alpha Plus Fund	Absolute bias	3.3%
Sage Capital	Sage Capital Equity Plus Fund	Absolute bias	3.0%
Vinva Investment Management	Vinva Australian Equities Fund	Long equities	2.9%
Clime Investment Management	Clime Australian Equities Fund	Long equities	2.9%
Centennial Asset Management	The Level 18 Fund	Absolute bias	2.5%
Smallco Investment Manager	Smallco Broadcap Fund	Long equities	2.1%
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		3.0%

**Fund manager  
allocation and  
investments at  
market value as at  
31 May 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	10.6%
Yarra Capital Management	Yarra Global Share Fund	Long equities	10.0%
Antipodes Partners	Antipodes Global Fund - Long	Long equities	9.4%
Holowesko Partners	Holowesko Global Fund Limited - Class A	Absolute bias	8.1%
Caledonia	Caledonia Global Fund	Absolute bias	7.9%
Munro Partners	Munro Global Growth Fund	Absolute bias	7.9%
Magellan Asset Management	Magellan Global Fund	Long equities	7.4%
Ellerston Capital	Ellerston Global Mid Small Cap Fund	Long equities	7.3%
WCM Investment Management	WCM Quality Global Growth Fund (Hedged)	Long equities	6.1%
Martin Currie Investment Management	Martin Currie Global Long-term Unconstrained Fund	Long equities	4.5%
Vinva Investment Management	Vinva International Equity Fund	Quantitative	4.4%
Paradice Investment Management	Paradice Global Small Mid Cap Fund (Unhedged)	Long equities	3.8%
Lanyon Asset Management	Lanyon Global Value Fund	Absolute bias	3.5%
Plato Investment Management	Plato Global Alpha Fund – Class Z	Quantitative	2.4%
Morphic Asset Management	Morphic Ethical Equities Fund Limited	Absolute bias	0.9%
	Cash and cash equivalents		5.8%