

# Investment Update & Net Tangible Assets Report

As at 30 November 2016



**FUTURE GENERATION**  
INVESTMENT COMPANY

## Net Tangible Assets (NTA) figures

|  |                 |
|--|-----------------|
| NTA before tax                                   | <b>113.04c*</b> |
| NTA after tax and before tax on unrealised gains | <b>113.41c</b>  |
| NTA after tax                                    | <b>113.13c</b>  |

\*The before tax figure is after the payment of \$2.6 million (0.75 cents per share) in tax during the month

## Portfolio

In November, the portfolio increased 0.3% underperforming the S&P/ASX All Ordinaries Accumulation Index which increased 2.5%.

The company is currently 42.4% long equities, 22.4% absolute bias, 16.7% market neutral and 18.5% cash. We are in the final stages of allocating monies raised from the exercise of options.

| Fund manager                            | Investment                                 | Strategy       | % of assets  |
|---|--|----------------|--------------|
|   | Large/Mid Cap Funds (split out below)      |                | <b>10.5%</b> |
| Paradise Investment                     | Paradise Australian Equities Mid Cap Fund  | Long equities  | 5.8%*        |
|   | Paradise Large Cap Fund                    | Long equities  | 4.7%*        |
| Regal Funds Management                  | Regal Australian Long Short Equity Fund    | Long equities  | <b>9.1%</b>  |
| Wilson Asset Management (International) | Wilson Asset Management Equity Fund        | Absolute bias  | <b>8.6%</b>  |
| Watermark Funds Management              | Watermark Absolute Return Fund             | Market neutral | <b>7.5%</b>  |
| Bennelong Australian Equities Partners  | Bennelong Australian Equities Fund         | Long equities  | <b>6.6%</b>  |
| Eley Griffiths Group                    | Eley Griffiths Group Small Companies Fund  | Long equities  | <b>5.3%</b>  |
| Cooper Investors                        | Cooper Investors Australian Equities Fund  | Long equities  | <b>4.9%</b>  |
| Tribeca Investment Partners             | Tribeca Alpha Plus Fund                    | Absolute bias  | <b>4.7%</b>  |
| Sandon Capital                          | Sandon Capital Activist Fund               | Absolute bias  | <b>4.3%</b>  |
| Bennelong Long Short Equity Management  | Bennelong Long Short Equity Fund           | Market neutral | <b>3.1%</b>  |
| Optimal Fund Management Australia       | Optimal Australia Absolute Trust           | Market neutral | <b>2.9%</b>  |
| L1 Capital                              | L1 Capital Long Short Fund – Retail Class  | Market neutral | <b>2.5%</b>  |
| CBG Asset Management                    | CBG Asset Australian Equities Fund         | Long equities  | <b>2.4%</b>  |
| Discovery Asset Management              | Discovery Australian Small Companies Fund  | Long equities  | <b>2.1%</b>  |
| LHC Capital                             | LHC Capital Australia High Conviction Fund | Absolute bias  | <b>2.0%</b>  |
| Centennial Asset Management             | The Level 18 Fund                          | Absolute bias  | <b>1.7%</b>  |
| Smallco Investment Manager              | Smallco Broadcap Fund                      | Long equities  | <b>1.6%</b>  |
| Lanyon Asset Management                 | Lanyon Australian Value Fund               | Absolute bias  | <b>1.1%</b>  |
| Qato Capital                            | Qato Capital Market Neutral L/S Fund       | Market neutral | <b>0.6%</b>  |
|   | Cash and Term Deposits                     | Cash           | <b>18.5%</b> |

\*Includes committed applications which have been processed.

## Dividends

As the year end is now being changed to 31 December 2016, the next dividend to be announced with the release of FGX's next financial results in February 2017 will now be a final dividend

## Future Generation Investment Company Limited

|                                   |                    |
|-----------------------------------|--------------------|
| ASX Code                          | <b>FGX</b>         |
| Established                       | <b>Sept 2014</b>   |
| Gross assets                      | <b>\$395.7m</b>    |
| Market cap                        | <b>\$404.4m</b>    |
| Share price                       | <b>\$1.16</b>      |
| Net assets per share (before tax) | <b>\$1.13</b>      |
| Shares on issue                   | <b>348,655,173</b> |
| Management fees                   | <b>0.0%</b>        |
| Performance fees                  | <b>0.0%</b>        |
| Annual donation (% of NTA)        | <b>1.0%</b>        |
| Fully franked dividends (FY2016)  | <b>4.0c</b>        |
| Fully franked dividend yield      | <b>3.4%</b>        |

## Investment objectives

- Provide a stream of fully franked dividends
- Achieve capital growth
- Preserve shareholder capital

## Company overview

Future Generation Investment Company Limited gives investors the opportunity to gain unprecedented access to a group of prominent Australian fund managers in a single investment vehicle and also support Australian charities, with a focus on children and youth at risk.

## Chairman

Jonathan Trollip

## Founder and Director

Geoff Wilson

## Directors

Paul Jensen  
Gabriel Radzyski  
Kate Thorley  
David Leeton  
Scott Malcolm  
David Paradise

## Investment Committee

Geoff Wilson, Gabriel Radzyski, Matthew Kidman, Bruce Tomlinson, and David Smythe

## Chief Executive Officer

Louise Walsh

## Company Secretary

Mark Licciardo

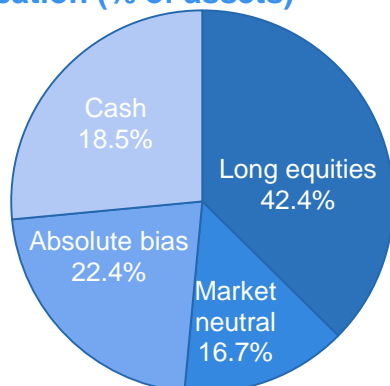
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## Investment strategy allocation (% of assets)



- Long equities
- Market neutral
- Absolute bias
- Cash

**Long equities** – investing in a portfolio of equities based on the expectation that the underlying equities will increase in value within a certain time horizon. Each equity represents an ownership claim in an underlying company which is generally listed on a public stock exchange.

**Market neutral** – an investment strategy that generally involves the simultaneous purchase and sale of equities, to generate returns that are not linked to the performance of underlying equity markets.

**Absolute bias** – an investment strategy that seeks to generate returns, irrespective of the performance of traditional asset classes. These strategies use innovative investment techniques to profit from rising and falling markets, providing portfolio protection in the event an equity market experiences a significant fall.

## Fund Managers

## Charities

## Service Providers

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## Fund manager in focus: L1 Capital



L1 Capital is a specialist equity fund manager established in Melbourne in 2007. The firm has offices in Melbourne and New York and has established a reputation for investment excellence. L1 Capital manages money for a range of clients including large superannuation funds, financial planning groups, asset consultants, family offices and high net worth individuals. L1 Capital is 100% owned by its employees.

### Our investment style

L1 Capital conducts detailed, fundamental, bottom-up stock research. The investment team has a modest value and contrarian bias. The key investment criteria focus on free cash flow generation along with an assessment of three qualitative factors – management, industry structure and operation trends. The combination of valuation and qualitative scores equates to the investment appeal of each stock.

### Our market outlook

We believe markets are fully valued in absolute terms, but remain attractive in relative terms. The market is being pulled in two different directions. The positive support is coming from a lack of attractive alternatives, given extreme pricing for bonds and depressed yields across property, infrastructure and cash. The negative pressure is a result of macro risks that are difficult to forecast with any precision. In general, small cap industrials look expensive; however the recent market volatility has thrown up numerous individual stock opportunities. We continue to see structurally supportive thematic in sectors exposed to global reflation, infrastructure spending and superannuation flows.

Importantly, given our concerns around macro tail risks, our portfolio is skewed to stocks with lower gearing. The fund's largest holdings having little-to-no debt and a very realistic prospect of capital management or attractive acquisitions, which will further enhance shareholder returns. The low debt levels also de-risk these stocks in the event of economic weakness or problems in credit markets.

### Performance statistics to 31 October 2016

|                              | 1 month<br>% | 3 month<br>% | 1 Year<br>% | Since inception<br>(p.a)<br>% | Since inception<br>% |
|------------------------------|--------------|--------------|-------------|-------------------------------|----------------------|
| Long Short Fund (Net Return) | 0.55%        | 0.89%        | 32.65%      | 40.18%                        | 113.85%              |

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## Charity in focus: Kids Helpline



### About Kids Helpline

Kids Helpline (KHL) is Australia's only free, private and confidential 24/7 phone and online counselling service for young people aged 5 to 25.

For 25 years, KHL has been playing a critical role in protecting children and young people across Australia. We do this by giving children and young people choices, support and someone to listen any time and for any reason, and by partnering with protection agencies, the corporate sector and educators to ensure the most vulnerable can access help.

### Kids Helpline Circles

With the support of FGX, KHL is launching a world-first purpose-built mental health social media network to help young people who are experiencing or are at-risk of mental illness.

Developed in collaboration with the University of Sydney, KHL Circles is a social media network led by a KHL counsellor that encourages peer-to-peer support through group counselling for young people aged 13-25 years. The network provides safe and private professional mental and emotional wellbeing services for young people nationally, and is accessible from a smart phone, tablet or computer 24 hours a day.

Upon entering a KHL Circles group (around 10 young people and their counsellor) each participant will complete a series of modules where they work through stages of understanding and managing mental health issues while connecting with peers who have similar concerns. The program is free to all young people and the modules support the key themes of building resilience, self-care and self-management.

We are in the final stages of testing the platform's functionality and our counsellors are identifying young people for our first 'Circle' ready to be launched in January 2017.

### Q&A with Tracy Adams, CEO yourtown/ Kids Helpline

#### What is your driving motivation in your current role?

To enable the organisation to be the best it can be and through that the contribution made by yourtown to individuals and communities achieves outcomes which not only change lives today but sustain that change into the future.

#### 2. What is the most challenging aspect of your role?

Managing competing priorities across diverse business units and functions, and balancing demand with resources. This includes the need to ensure that risk is managed well but that we don't become so risk adverse that innovation and new ideas are not given the opportunity to be brought to life.

#### 3. What does it mean to have the support of FGX?

For us it means innovation in service delivery. It allows for a new service to be developed within Kids Helpline, responding to need, supporting and developing capacity in young people. It also means that we can not only develop a service but we can also work with the University of Sydney to have a continuous learning model, and validation of the outcomes achieved.

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

