

# Investment Update & Net Tangible Assets Report

As at 28 February 2017



**FUTURE GENERATION**  
INVESTMENT COMPANY

## Net Tangible Assets (NTA) figures

NTA before tax	114.59c
NTA after tax and before tax on unrealised gains	114.83c*
NTA after tax	114.27c*

\*These figures are after the tax payment of \$96k (0.02 cents per share) in tax during the month.

## Portfolio

In February, the portfolio increased 0.3%. The S&P/ASX All Ordinaries Accumulation Index rose 2.1% during the month. The company is currently 36.7% long equities, 36.3% absolute bias, 14.0% market neutral, 11.2% cash and 1.8% cash allocation for the declared final dividend payable 21 April 2017. 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)		10.7%
Paradice Investment	Paradice Australian Equities Mid Cap Fund	Long equities	5.9%
	Paradice Large Cap Fund	Long equities	4.8%
	Bennelong Australian Equities Partners	Bennelong Australian Equities Fund	Long equities
Regal Funds Management	Regal Australian Long Short Equity Fund	Absolute bias	9.3%
Wilson Asset Management (International)	Wilson Asset Management Equity Fund	Absolute bias	8.5%
Watermark Funds Management	Watermark Absolute Return Fund	Market neutral	7.4%
Tribeca Investment Partners	Tribeca Alpha Plus Fund	Absolute bias	7.0%*
Eley Griffiths Group	Eley Griffiths Group Small Companies Fund	Long equities	5.1%
Cooper Investors	Cooper Investors Australian Equities Fund	Long equities	5.0%
Sandon Capital	Sandon Capital Activist Fund	Absolute bias	4.3%
Bennelong Long Short Equity Management	Bennelong Long Short Equity Fund	Market neutral	3.1%
Optimal Fund Management Australia	Optimal Australia Absolute Trust	Market neutral	2.8%
L1 Capital	L1 Capital Long Short Fund – Retail Class	Absolute bias	2.7%
CBG Asset Management	CBG Asset Australian Equities Fund	Long equities	2.3%
Discovery Asset Management	Discovery Australian Small Companies Fund	Long equities	2.1%
LHC Capital	LHC Capital Australia High Conviction Fund	Absolute bias	1.8%
Centennial Asset Management	The Level 18 Fund	Absolute bias	1.6%
Smallco Investment Manager	Smallco Broadcap Fund	Long equities	1.6%
Lanyon Asset Management	Lanyon Australian Value Fund	Absolute bias	1.1%
Qato Capital	Qato Capital Market Neutral L/S Fund	Market neutral	0.7%
	Provision for final dividend payable 21 April 2017		1.8%
	Cash and Term Deposits	Cash	11.2%

\* Includes committed applications, which have been processed.

## Fully franked final dividend

On 27 February 2017 the board announced a record fully franked final dividend of 2.1 cents per share, a 5% increase on the previous period.

Ex-dividend date:	6 April 2017
Record date:	7 April 2017
Last election date for dividend reinvestment plan (DRP):	11 April 2017
Last election date for dividend donation plan (DDP):	11 April 2017
Payment date:	21 April 2017

## Future Generation Investment Company Limited

ASX Code	FGX
Established	Sept 2014
Gross assets	\$402.1m
Market cap	\$404.4m
Share price	\$1.16
Net assets per share (before tax)	\$1.15
Shares on issue	348,655,173
Management fees	0.0%
Performance fees	0.0%
Annual donation (% of NTA)	1.0%
Annualised fully franked dividends (FY2017)	4.2c
Fully franked dividend yield	3.6%

## 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

David Leeton  
David Paradice  
Gabriel Radzysinski  
Kate Thorley  
Scott Malcolm

## Investment Committee

Bruce Tomlinson  
David Smythe  
Gabriel Radzysinski  
Geoff Wilson  
Matthew Kidman

## Chief Executive Officer

Louise Walsh

## Company Secretary

Mark Licciardo

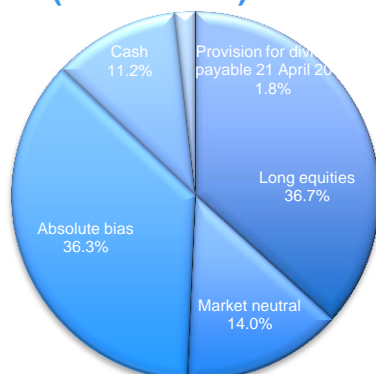
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## Investment strategy allocation (% of assets)



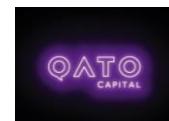
- Long equities
- Market neutral
- Absolute bias
- Cash
- Provision for dividend payable 21 April 2017

**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: Paradise Investment Management



Paradice Investment Management is a privately owned Australian boutique funds management business established in 1999 by David Paradise. The business is solely focused on providing asset management for institutional and wholesale clients.

### Our investment style

PIM Large Cap is an active equity manager focusing on bottom-up stock selection in the construction of our investment portfolios. As such we seek to maximise our range of investment and money making opportunities for clients and therefore do not restrict ourselves to investing in only “value” or “growth” companies. We are not proponents of style investing, especially in an investment market as shallow as the Australian equity market. It is nonsensical to limit ones investment universe to an arbitrarily pre-defined group of companies on the basis of a high price-to-earnings ratio or a low price-to-earnings ratio. We therefore seek to maximise the range of investment opportunities open to clients by not having either value or growth filters embedded within the investment process.

We use a range of valuation metrics to determine the existence or otherwise of value. These include short-duration earnings multiples for more cyclical businesses, like manufacturing companies, to long-duration net present value or discounted cash-flow valuation techniques for companies with very long life assets, toll roads for example. Sum of the parts valuations are also used in order to determine divisional valuations in the event of a company break-up or merger and acquisition activity.

### Our market outlook

Global growth has been picking up in most geographies through calendar year 2016. This growth has been most pronounced in China but also in development market industrial production (IP) indicators. IP growth is now expanding at the fastest pace in seven years which augers well for current and future corporate profitability. Listed company earnings have also been subject to substantial upgrades as the higher level of IP activity has flowed into higher corporate profitability. This has been the main driver of the recent equity market rally both domestically and in the USA. Earnings for the S&P/ASX200 index have increased by 15% since the nadir in earnings in March 2016 so whilst the market is almost 20% higher since that time the price to earnings (PE) multiple has expanded to only 15.6x. This PE is broadly consistent with historical valuations for the ASX200 at this point in the profit cycle.

We expect markets to continue to push higher over the medium term as corporate profits respond to the underlying improvement in economic growth both globally and domestically. A key risk to this view is that the bond markets experience a disorderly sell-off as they continue to ignore the significant improvement in economic data of late. Global bond markets are one of the biggest and most distorted markets in the world as central banks continue to implement their Quantitative Easing (QE) programs which artificially suppress real interest rates around the world. The unwind of QE may not be smooth!

### Performance to 28 February 2017

	Financial YTD	1 Year	2 Year	3 Year	4 Year	5 Year	Since inception* Annualised
<b>Paradice Australian Large Cap Fund</b>	<b>15.21%</b>	<b>23.47%</b>	<b>4.90%</b>	<b>9.35%</b>	<b>10.09%</b>	<b>13.00%</b>	<b>6.65%</b>
S&P/ASX 200 Accumulation Index	12.19%	22.13%	2.65%	6.46%	7.49%	10.64%	3.54%

1. Returns are gross of all fees and expenses
2. Inception date is 12/05/2007

### Largest overweight holdings

- BHP Billiton
- QBE Insurance
- Woodside Petroleum
- Santos
- Computershare

For more information visit [www.paradice.com](http://www.paradice.com)

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## Charity in focus: Raise Foundation



### About Raise Foundation

Raise Foundation impacts the wellbeing of young people at risk of disengagement in Australia, through best practice youth mentoring programs. Since our inception in 2008, we have trained 1,734 volunteers from the community to be mentors for 2,438 young people who are struggling. This year alone, we have trained over 700 new mentors and we are mentoring 1,000 young people in high schools across NSW, VIC and QLD.

### Raise and FGX

It takes a village to raise a child, and having FGX in our village is extremely significant for us. Your support is not just a drop in the ocean, it makes a huge impact in the work that we are able to do, and in the number of young people we are able to support as a direct result.

We are working hard to address the major youth concerns in Australia by providing our children with highly skilled and accredited mentors to talk to and set goals with. The young people in our own back yards are dealing with more issues than ever before, like bullying, anxiety, health concerns, depression, alcohol and drug issues, self-harm, and disordered eating. Suicide is the leading cause of death amongst 14-25 year olds in our country. This is not okay.

Raise Mentors make a difference. Research tells us that only 31% of school students will go to their School Counsellor for help, but we know that 79% of our mentees will now ask an adult for help because their Raise Mentor has taught them to place trust in the adults around them.

Raise and FGX are making this difference together.

### Q&A interview with Vicki Condon, Founder and CEO

1. What is your driving motivation in your current role?

Raise Mentors support young people to shine and flourish. They build better relationships, learn coping strategies, increase confidence, develop resilience, identify and achieve smart goals, engage with education and develop employability skills. Every time I talk to one of our mentees or attend one of our graduation celebrations, I see the impact that our mentors are having and it drives me to ensure that we bring our mentors to as many young people as we possibly can in our country.



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

Ongoing sustainability is always a focus for us at Raise, but this is to be expected and we are working hard to step in to the challenges. We will always need enough funding to support our programs, that is a given, but more than this, we are always looking for enough volunteer mentors to support the young people we mentor. This year, we were lucky enough to even have FGX Chairman, Jonathan Trollip and his wife Liz join us for our TAFE accredited mentor training, along with Simon Glazier from Ellerston Capital who supports FGG. We know they will make great mentors and we are grateful for their support and involvement.

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

As a direct result of the FGX contribution this year, we were able to accept eight more schools from our wait list and run our program for a whole year for up to 15 young people in each program. This results in 120 more young people being matched with a Raise Mentor for a whole year because of FGX. It is just remarkable, and we are so grateful to be part of such an innovative initiative which helps us to plan so far in advance. Your involvement is making a huge difference to an organisation like Raise.

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