

# Investment Update & Net Tangible Assets Report

As at 31 July 2015



**FUTURE GENERATION**  
INVESTMENT COMPANY

## Net Tangible Assets (NTA) figures

NTA before tax	115.77c*
NTA after tax and before tax on unrealised gains	114.91c
NTA after tax	115.00c

\*Includes a provision of \$3.23m (1.76 cents a share) in tax relating to FY2015.  
The above figures are not diluted for 181,424,187 options on issue with an exercise price of \$1.10.

## Future Generation Global IPO closes 28 August 2015

Future Generation Investment Company Limited (FGX) shareholders with a registered address in Australia or New Zealand are entitled to a \$110m priority allocation in the Future Generation Global Investment Company Limited (FGG) initial public offering (FGG Offer).

FGG will be Australia's first internationally focused listed investment company with the dual objectives of providing shareholders with diversified exposure to selected global equities and improving the lives of young Australians affected by mental illness.

FGG will invest its capital with prominent global fund managers who have agreed to forgo their management and performance fees. Each year, 1.0% of FGG's NTA will be donated to selected Australian charities that operate in the mental health area. The FGG Board is aiming to raise up to \$550 million in the initial public offering (IPO).

## Portfolio

The portfolio continues to outperform the market despite challenging conditions. In July 2015 the FGX portfolio rose 4.7%, again outperforming the S&P/ASX All Ordinaries Accumulation Index, which increased 4.2%. The allocation to the managers has been structured to provide a spread between three broad equity strategies: long equities, absolute bias, market neutral and cash. The company is currently 49.7% long equities, 23.2% absolute bias, 16.1% market neutral and 11.0% cash.

Fund manager	Investment	Strategy	% of assets
Paradice Investment Management	<b>Large/Mid Cap Funds (split out below)</b>		<b>10.5%</b>
	Paradice Australian Equities Mid Cap Fund	Long equities	5.4%
	Paradice Large Cap Fund	Long equities	5.1%
Bennelong Australian Equities Partners	Bennelong Australian Equities Fund	Long equities	10.2%
Regal Funds Management	Regal Australian Long Short Equity Fund	Long equities	10.1%
Wilson Asset Management (International)	Wilson Asset Management Equity Fund	Absolute bias	7.8%
Watermark Funds Management	Watermark Absolute Return Fund	Market neutral	7.4%
Eley Griffiths Group	Eley Griffiths Group Small Companies Fund	Long equities	7.2%*
Tribeca Investment Partners	Tribeca Alpha Plus Fund	Absolute bias	7.0%
Cooper Investors	Cooper Investors Australian Equities Fund	Long equities	5.3%
Optimal Fund Management Australia	Optimal Australia Absolute Trust	Market neutral	4.7%
Sandon Capital	Sandon Capital Activist Fund	Absolute bias	4.0%
Discovery Asset Management	Discovery Australian Small Companies Fund	Long equities	3.6%
LHC Capital	LHC Capital Australia High Conviction Fund	Absolute bias	3.0%
Bennelong Long Short Equity Management	Bennelong Long Short Equity Fund	Market neutral	2.7%
Smallco Investment Manager	Smallco Broadcap Fund	Long equities	2.6%
Lanyon Asset Management	Lanyon Australian Value Fund	Absolute bias	1.5%
Qato Capital	Qato Capital Market Neutral L/S Fund	Market neutral	1.4%
	Cash and Term Deposits	Cash	11.0%

\*Distribution reinvested 1 July 2015

## Future Generation Investment Company Limited

ASX Code	FGX
Established	Sept 2014
Total assets	\$215.0m
Market cap	\$208.0m
Share price	\$1.13
Net assets per share (before tax)	\$1.16
Shares on issue	184,099,404
Options on issue	181,424,187
Management fees	0.0%
Performance fees	0.0%
Annual donation (% of NTA)	1.0%

## 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 children's charities, with a focus on children at risk.

## Experienced Board

**Chairman**  
Jonathan Trollip

**Founder and Director**  
Geoff Wilson

**Directors**  
Paul Jensen  
Gabriel Radzysinski  
Kate Thorley  
David Leeton  
Scott Malcolm  
David Paradise

**Investment Committee**  
Geoff Wilson, Gabriel Radzysinski and Matthew Kidman

**Joint Company Secretaries**  
Sarah Maddox/Mark Licciardo

**Corporate Affairs**  
James McNamara

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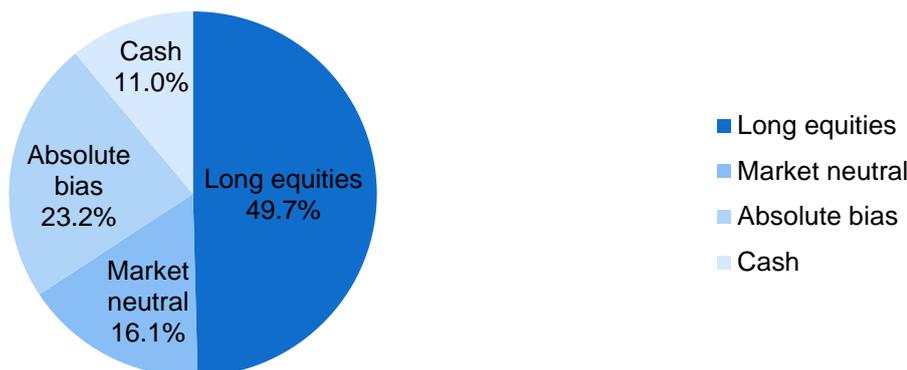


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## Portfolio performance to 30 June 2015

During FY2015, the investment portfolio outperformed the S&P/ASX All Ordinaries Accumulation by 3.2%. The portfolio rose 3.9% while the S&P/ASX All Ordinaries Accumulation increased 0.8%. This was achieved with extremely low volatility as the standard deviation of the investment portfolio was 7.0% while the market was nearly double that at 13.8%. The portfolio delivered a strong risk adjusted return in its first nine months of operation.

## Investment strategy allocation (% of assets)



## Fund Managers



## Charities



## Service Providers



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## Fund manager in focus: Bennelong Australian Equities Partners

### About Bennelong Australian Equities Partners



Bennelong Australian Equity Partners (BAEP) is a boutique fund manager focused on Australian equities. It was founded in 2008 in partnership with Bennelong Funds Management and it is based in Sydney. BAEP manages three Australian equities funds: the Bennelong Australian Equities Fund, the Bennelong Concentrated Australian Equities Fund, and the Bennelong ex-20 Australian Equities Fund. BAEP manages over \$4 billion on behalf of retail and institutional clients.

### Our investment style

BAEP is a genuinely active fund manager with a fundamental approach to stock picking that is biased towards quality.

Our investment philosophy is to selectively invest:

- in quality companies;
- with strong long term growth prospects;
- with the earnings strength to be able to meet or outperform expectations; and
- where the shares are mispriced, typically because the market underestimates the company's quality or growth outlook.

Our investment process is research-intensive and is based around an extensive program of company and industry engagement, as well as other proprietary field research. Our bottom-up stock picking is also supported by economic and quantitative analysis and insights. Ultimately we seek out those select opportunities where we believe that a company's earnings and longer term prospects are more favourable than is commonly perceived by the market.

### Our market outlook

The Australian equity market has been on the rise now for six years but we believe that sentiment is far from buoyant. To be sure, the overall market will likely struggle to repeat the strong returns of the past few years, but there is still the opportunity to earn decent returns. Valuations overall appear reasonable, especially when compared to bonds and other asset classes.

As at the end of July 2015, the market trades on approximately 16x consensus earnings forecasts for the current financial year, and sports a dividend yield of almost 5%. It will be necessary to invest selectively, given prospects differ quite markedly across industries and economies. Headwinds face the two largest sectors of the market, with resource stocks yet to fully reflect the step down in resource prices, and the banks facing the prospect of higher capital requirements and other prudential regulation.

The broader Australian economy remains sluggish but there are pockets of optimism. Examples include in industries such as healthcare, infrastructure and leisure, and in the economies of the dominant states of NSW and Victoria, as well as the economies of the US and even select European economies. The best opportunities will likely be those companies exposed to these pockets of strength, or that can otherwise invest to grow earnings through sluggish times. The earnings season in August will reveal more about the health of the companies that make up our stock market, although it is worth pointing out that earnings expectations have been lowered significantly over the past year.

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## Designated charity in focus: Giant Steps



### About Giant Steps

Twenty years ago, Giant Steps started a school for 12 children with autism. Today Giant Steps Sydney supports 92 children with a primary diagnosis of autism and their families. The children range in ages from three years in Early Learning to 26 years in the Community College. Children and young adults with autism have great difficulty sharing emotions, communicating and they display challenging behaviours often putting themselves and those around them in physical danger.



Giant Steps has had remarkable success teaching children with autism to communicate more effectively, integrating them into mainstream schools, helping them develop functional life skills and providing them the opportunity to reach their potential. The additional support offered at Giant Steps Sydney caters specifically to the needs of children with autism thereby enabling our children to achieve milestones previously thought unattainable.

### Giant Steps – supporting children with autism

Last year, Giant Steps established the Llewellyn-Jones Medical Clinic. This is the first such program in the world. Doctors and Giant Steps teachers, therapists and psychologists meet with the child and the parents in the familiar setting of the school instead of in the “hostile” environment of the doctor’s surgery or a hospital. The outcomes for the children and their families have been tremendous.

It costs nearly \$80,000 per year to support each student. Government funding covers approximately half of this. No fees are charged for children to attend the school. To maintain this, we need to raise approximately \$40,000 per student each year through tax-deductible donations and fund-raising events. All the money donated to Giant Steps is used to provide direct services for our children. Salaries, training and teaching resources account for over 90% of costs.

### Giant Steps and Future Generation Global

Giant Steps values the support of the shareholders and fund managers at FGX, which will go a long way towards helping us achieve this task.

Next year, Giant Steps plans to open a school in Melbourne. We have leased a property in Kew and are going through the process of getting accreditation from the Victorian Department of Education. We already have a long list of families wanting to send their children to the Melbourne school.

The support from FGX and its shareholders will make the Melbourne school a reality.

For more information on Giant Steps go to [www.giantsteps.net.au](http://www.giantsteps.net.au)