

# Investment Update & Net Tangible Assets Report

As at 31 October 2015



**FUTURE GENERATION**  
INVESTMENT COMPANY

## Net Tangible Assets (NTA) figures

The following NTA figures are after the 2.0 cents per share fully franked dividend paid on 23 October 2015.

|  |                 |
|--|-----------------|
| NTA before tax                                   | <b>115.10c</b>  |
| NTA after tax and before tax on unrealised gains | <b>114.86c*</b> |
| NTA after tax                                    | <b>114.48c*</b> |

The above figures are not diluted for 180,849,210 options on issue with an exercise price of \$1.10.

\*These figures are after the tax payment of \$174k (0.09 cents per share) in tax during the month.

## Portfolio

In the financial year to date, FGX has significantly outperformed the market with an 8.22% gain against the ASX All Ordinaries Index. The FGX portfolio has risen 6.75% while the index has fallen 1.47% in the period. This outperformance has been achieved with lower volatility than the market due to the skill of the fund managers and the diversification benefits presented by the Company. The spread between the three broad equities strategies – long equities, absolute bias, market neutral and cash – has also contributed to the outperformance and reduced volatility. FGX delivered another positive month in October, rising 3.86% while the index increased 4.59%. The company is currently 50.1% long equities, 24.3% absolute bias, 17.2% market neutral and 8.4% cash.

| Fund manager                            | Investment                                   | Strategy       | % of assets  |
|---|--|----------------|--------------|
| Paradice Investment Management          | <b>Large/Mid Cap Funds (split out below)</b> |                | <b>10.4%</b> |
|   | Paradice Australian Equities Mid Cap Fund    | Long equities  | 5.6%         |
|   | Paradice Large Cap Fund                      | Long equities  | 4.8%         |
| Regal Funds Management                  | Regal Australian Long Short Equity Fund      | Long equities  | <b>10.4%</b> |
| Bennelong Australian Equities Partners  | Bennelong Australian Equities Fund           | Long equities  | <b>10.1%</b> |
| Watermark Funds Management              | Watermark Absolute Return Fund               | Market neutral | <b>8.1%</b>  |
| Wilson Asset Management (International) | Wilson Asset Management Equity Fund          | Absolute bias  | <b>7.8%</b>  |
| Eley Griffiths Group                    | Eley Griffiths Group Small Companies Fund    | Long equities  | <b>7.6%</b>  |
| Tribeca Investment Partners             | Tribeca Alpha Plus Fund                      | Absolute bias  | <b>7.1%</b>  |
| Cooper Investors                        | Cooper Investors Australian Equities Fund    | Long equities  | <b>5.2%</b>  |
| Optimal Fund Management Australia       | Optimal Australia Absolute Trust             | Market neutral | <b>5.0%</b>  |
| Sandon Capital                          | Sandon Capital Activist Fund                 | Absolute bias  | <b>4.1%</b>  |
| Discovery Asset Management              | Discovery Australian Small Companies Fund    | Long equities  | <b>3.7%</b>  |
| LHC Capital                             | LHC Capital Australia High Conviction Fund   | Absolute bias  | <b>3.4%</b>  |
| Bennelong Long Short Equity Management  | Bennelong Long Short Equity Fund             | Market neutral | <b>3.0%</b>  |
| Smallco Investment Manager              | Smallco Broadcap Fund                        | Long equities  | <b>2.7%</b>  |
| Lanyon Asset Management                 | Lanyon Australian Value Fund                 | Absolute bias  | <b>1.6%</b>  |
| Qato Capital                            | Qato Capital Market Neutral L/S Fund         | Market neutral | <b>1.4%</b>  |
|   | Cash and Term Deposits                       | Cash           | <b>8.4%</b>  |

## Future Generation Investment Company Limited

|                                   |             |
|-----------------------------------|-------------|
| ASX Code                          | FGX         |
| Established                       | Sept 2014   |
| Gross assets                      | \$213.5m    |
| Market cap                        | \$201.5m    |
| Share price                       | \$1.09      |
| Net assets per share (before tax) | \$1.15      |
| Shares on issue                   | 184,858,446 |
| Options on issue                  | 180,849,210 |
| 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

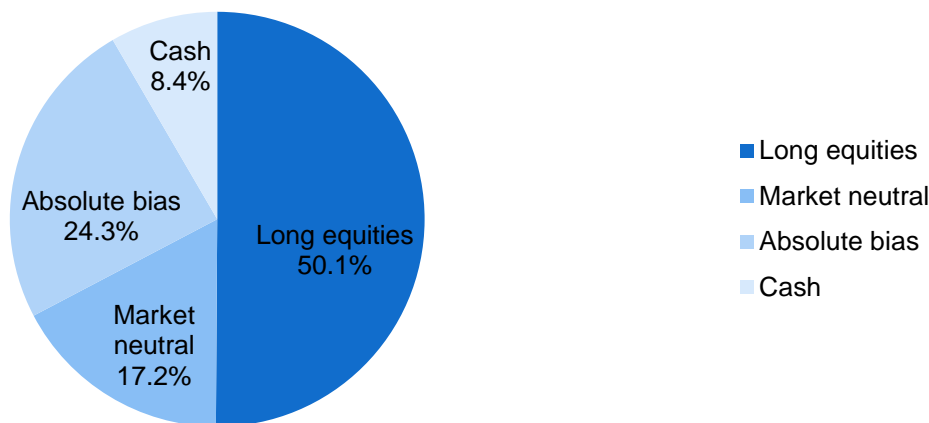
### Corporate Affairs

James McNamara

# Investment Update & Net Tangible Assets Report

As at 31 October 2015

## Investment strategy allocation (% of assets)



## Fund Managers

## Charities

## Service Providers

# Investment Update & Net Tangible Assets Report

As at 31 October 2015

## Fund manager in focus: Tribeca Investment Partners



### About Tribeca Investment Partners

Tribeca Investment Partners is an Australian based, boutique fund manager with a reputation for delivering on performance targets. It was established in 1998.

Our clients are those who actively seek innovation beyond the mainstream. Distinct in our market, we blend traditional fundamental qualitative research with quantitative analysis. We combine quality investment decisions with the insight of successful experience.

### Our investment style

The investment process is a fusion of fundamental and quantitative investment philosophies which enables a more consistent return outcome. The process benefits from the breadth and objectivity of the quantitative process as well as the extra insight and conviction gained from the fundamental process. The strategy is implemented through a long/short structure that provides for greater capture of investment ideas and greater diversification of positions across the portfolio.

### Our market outlook

The decision by the US Federal Reserve to hold off on raising rates recently caused the market to shift expectations for the first rise out well into 2016. This seems unwarranted given that many measures of labour market slack, including the unemployment rate, are highlighting that the output gap in the US is pretty much closed. Emerging signs of wage pressure are likely to combine with the rolling off of the deflationary shock from collapsing oil prices to push inflation higher next year. As such, we continue to expect that US Federal Reserve will begin tightening an extremely loose monetary policy by early next year, if not the end of this year.

Chinese growth, and steel production in particular, continues to remain soft and broad areas of the manufacturing and construction sectors are suffering from chronic overcapacity. This will continue to weigh on the pricing of iron ore and coal, despite a nascent recovery in China's property market. In combination with higher US rates and potential rate cuts domestically, this should see the A\$ continue to weaken.

The impact of the collapse in the terms of trade for Australia has so far been cushioned by a renewed east coast housing boom. There are now clear signs that the housing boom is peaking out. Actions by the RBA to limit investment lending growth and APRA to lift bank capital requirements has caused auction clearance rates and house prices to flatten out. The lower A\$ will steadily boost activity in the tradables sector, with Chinese tourism being a clear hotspot, but the risks of slower domestic growth or a recession are clearly rising.

The recent rebound in resources and energy stocks in the face of weaker commodity prices have left valuations looking stretched, particularly the large cap ones being supported by unsustainable dividends. We remain cautious on resources and mining services and retain a preference for offshore earners with currency leverage and exposure to stronger US growth. In the domestic market we have been moving away from housing and retail exposures towards those with leverage to tourism, although this is difficult to find.

# Investment Update & Net Tangible Assets Report

As at 31 October 2015



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## Designated charity in focus: Act for Kids

### About Act for Kids

Child abuse and neglect is one of Australia's biggest and most misunderstood social problems. Despite being under-reported, Australian authorities confirmed 40,844<sup>1</sup> children were abused or neglected in one year alone. That's one child every 13 minutes suffering physical, sexual, emotional abuse or neglect, often by someone they know and should be able to trust. Thousands more cases go unreported. Many of these kids get no professional help whatsoever, and end up with lifelong problems. A report by Adults Surviving Child Abuse, showed that, as a nation, Australia could save \$6.8 billion annually by addressing the impacts of child sexual, emotional and physical abuse.



Act for Kids believes every child has the right to a safe and happy childhood. Since 1988, we have provided free professional therapy to thousands of kids who have suffered abuse and neglect, and support services for families at risk. Act for Kids now has 19 centres from Adelaide to the Cape York Peninsula and in 2014-15 we helped 15,868 kids and families, a 9% increase from the previous year.

Thanks to recent generous funding from Future Generation Investment Company, Act for Kids will soon open its first Intensive Therapy Service centre in New South Wales, in Blacktown. We are currently in the recruitment phase and look forward to sharing our success stories in 2016.

### Callum\* – 2 ½ years old

At two-and-a-half years old Callum would scream for hours on end. He didn't want to play and had no interest in other children. He couldn't bear to be touched, was terrified of loud noises and had been diagnosed as Autistic.

Callum's little life had been marred by physical abuse and neglect by both mum and dad. His home was a violent place where dad beat mum, and there were frequent fights with strangers in the house. Police were called regularly. With drug and alcohol abuse rife in the home, Callum's 8 year old brother became the main carer for his brothers and sisters. The kids were eventually removed by Child Safety and placed in separate foster homes, before being referred to Act for Kids for help.



When we first met him, Callum showed significant developmental delays. We provided intensive occupational therapy, speech therapy and psychological services to help him process his traumatic experiences. Callum also participated in our Early Education Program until he was five years old. Our therapists then supported his transition to prep and worked with other services to address his complex needs.

After 2 ½ years of intensive therapy with Act for Kids, Callum is no longer diagnosed as Autistic. He plays well with friends and can communicate his needs clearly. Now attending school fulltime Callum does not require special education support and is seen as no different from his peers. We also provided intensive therapy to his mum and dad and worked to resolve the domestic violence, so that Callum and his siblings were able to finally return home to a safe and loving environment.

*\*Name has been changed to protect identity*

For more information go to [www.actforkids.com.au](http://www.actforkids.com.au)

<sup>1</sup> **Source:** Australian Institute of Health and Welfare. *Child protection Australia 2013–14. Child welfare series no. 61. Cat. No. CWS 52. Canberra: AIHW* <http://www.aihw.gov.au/publication-detail/?id=60129550762>

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As at 31 October 2015

## Dividend growth

The Board is committed to paying an increasing stream of fully franked dividends to shareholders, provided the Company has sufficient profit reserves and franking credits and it is within prudent business practices. The Company's ability to generate franking credits is dependent upon the receipt of franked dividends from investments and the payment of tax.

On 23 October 2015, the Company paid a fully franked dividend of 2.0 cents per share.

## Bonus Option Issue

The options issued on the 8 September 2014 as a result of the capital raising via the prospectus dated 7 July 2014, are exercisable at \$1.10 each and can be exercised at anytime on or before 16 September 2016. These options trade on the ASX under the code FGXO.

As at 31 October, 791,494 options had been exercised for a total consideration of \$870,647 with the remaining balance of outstanding options being 180,849,210.

## Investor presentation details

| Date             | City      | Location   | Time  |
|------------------|-----------|--|---|
| 19 November 2015 | Perth     | Parmelia Hilton<br>14 Mill St Perth  | 12.15 – 1.45pm  |
| 24 November 2015 | Sydney    | Wesley Conference Centre<br>220 Pitt Street  | FGX AGM<br>1.00 – 1.30pm<br>Presentation<br>1.30pm – 2.30pm |
| 25 November 2015 | Adelaide  | The Playford<br>120 North Terrace  | 12.15pm – 1.45pm  |
| 26 November 2015 | Melbourne | Rydges Hotel<br>186 Exhibition St  | 12.15pm – 1.45pm  |
| 27 November 2015 | Brisbane  | Brisbane Convention & Exhibition Centre<br>Cnr Merivale & Glenelg Street<br>South Bank | 12.15pm – 1.45pm  |
| 30 November 2015 | Canberra  | Belconnen Premier Inn<br>110 Benjamin Way<br>Belconnen                                 | 12.15pm – 1.45pm  |

If you wish to attend one of our investor presentations, please RSVP by email to [info@futuregeninvest.com.au](mailto:info@futuregeninvest.com.au).