



FUTURE GENERATION
GLOBAL INVESTMENT COMPANY

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18

Annual Report

For the year ended 31 December 2018

Investing in Australia's future generations

ABN: 52 606 110 838

Future Generation Global Investment Company Limited

The principal activity of the Company is to provide diversified exposure to global equities while also helping to improve the lives of young Australians affected by mental health issues.

Chairman

Belinda Hutchinson AM

Directors

Frank Casarotti
Geoff Wilson AO
Kiera Grant
Sarah Morgan

Company Secretaries

Kate Thorley
Mark Licciardo

Investment Committee

Sean Webster (Chairman)
Aman Ramrakha
Chris Donohoe
Gary Brader
Geoff Wilson AO
Lukasz de Pourbaix

Chief Executive Officer

Louise Walsh

Auditor

Pitcher Partners

Country of Incorporation

Australia

Registered Office

Level 26, Governor Phillip Tower
1 Farrer Place, Sydney NSW 2000

Contact Details

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Sydney NSW 2001

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Australian Securities Exchange

Future Generation Global Investment
Company Limited Ordinary Shares (FGG)

Share Registry

Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000

T (02) 9290 9600

F (02) 9279 0664

For enquiries relating to shareholdings, dividends (including participation in the Dividend Reinvestment Plan and Dividend Donation Plan) and related matters, please contact the share registry.

Investment Forum

Sydney
Thursday 23 May 2019
1.45pm – 3.15pm
The Westin, 1 Martin Place
Sydney NSW 2000

Annual General Meeting

Sydney
Thursday 23 May 2019
4.00pm-4.30pm
The Westin, 1 Martin Place
Sydney NSW 2000



Future Generation Semi-annual Shareholder Presentations*

Launceston
Friday 10 May 2019
12.15pm - 1.15pm
Peppers Silo Hotel
89-91 Lindsay Street
Launceston TAS 7248

Melbourne
Tuesday 14 May 2019
12.15pm - 1.15pm
Sofitel Melbourne
25 Collins Street
Melbourne VIC 3000

Adelaide
Wednesday 15 May 2019
12.15pm - 1.15pm
Adelaide Convention Centre
North Terrace
Adelaide SA 5000

Perth
Thursday 16 May 2019
12.15pm - 1.15pm
Pan Pacific Perth
207 Adelaide Terrace
Perth WA 6000

Canberra
Monday 20 May 2019
12.15pm - 1.15pm
Hotel Realm Canberra
18 National Circuit
Canberra ACT 2600

Brisbane
Tuesday 21 May 2019
12.15pm - 1.15pm
Brisbane Convention & Exhibition
Centre, Cnr Merivale & Glenelg
Street South Bank QLD 4101

Sydney
Thursday 23 May 2019
12.15pm - 1.15pm
The Westin, 1 Martin Place
Sydney NSW 2000

*Dates and venues are subject to change. Please visit futuregeninvest.com.au for the latest details.

Key Highlights FY2018

Operating profit
before tax

\$17.1m

Investment portfolio
outperformance

+5.9%

Savings on management
fees, performance fees &
services foregone

\$5.8m

2018 investment in youth
mental health

\$3.6m

Summary of FY2018 results

For the year ended 31 December 2018 the investment portfolio increased 6.4%, outperforming the MSCI AC World Index (AUD) by 5.9%. Since inception, the investment portfolio has increased 7.3% per annum, outperforming the Index. FGG's investment portfolio outperformance has been achieved with less volatility as measured by standard deviation, 8.5% versus the Index's 9.8%.

The Company reported an operating profit before tax of \$17.1 million for the year ended 31 December 2018 (2017: \$3.4 million) and an operating profit after tax of \$12.8 million (2017: \$3.0 million). The increase in operating profit on the corresponding period is due to increased distributions from the investments with the underlying fund managers during the year.

In 2018, the Company grew its assets through a successful capital raising, with a combined \$127.9 million raised through a Share Purchase Plan (SPP) and Placement. Of existing FGG shareholders, 42.6% invested in the SPP, raising \$30.8 million for the Company. The Placement, at the same fixed price and terms as the SPP, raised \$97.1 million.

Snapshot as at 31 December 2018

ASX code	FGG
Listing date	Sept 2015
Gross assets	\$497.7m
Market capitalisation	\$521.1m
Share price	\$1.33
Net tangible assets (pre-tax)	\$1.27
Shares on issue	391,791,594
Fully franked dividend (June 2018)	1.0c
Management fees	0.0%
Performance fees	0.0%
Annual charity investment (% of NTA)	1.0%

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Chairman & Chief Executive Officer's Letter



Dear fellow shareholders,

We would like to thank you for your continued support of Future Generation Global Investment Company Limited (FGG or the Company) during the year ended 31 December 2018.

As you know, the objectives of the Company are to provide shareholders with an attractive investment and to provide a source of funding for Australian charities with a focus on youth mental health. We are delighted to have delivered on both objectives in 2018. We would like to thank and congratulate our generous fund managers for making this possible.

In 2018, the Company achieved an operating profit before tax of \$17.1 million (2017: \$3.4 million) and an operating profit after tax of \$12.8 million (2017: \$3.0 million). The increase in operating profit on the corresponding period is due to increased distributions from the investments with the underlying fund managers during the year. Total comprehensive income, including net realised and unrealised gains and losses on investments for the year was \$8.7 million (2017: \$29.1 million).

The Company made its third annual investment of \$3.6 million (2017: \$3.0 million) to improve youth mental health in Australia in October last year. Of this, \$2.7 million (2017: \$2.3 million) was allocated to the eight FGG designated charities and the remaining \$0.9 million (2017: \$0.7 million) contributed to other charities with Australian deductible gift recipient (DGR) status as nominated by shareholders with 1 million or more shares. The Company is on track to deliver its fourth annual investment of approximately \$5 million this year.

We are deeply engaged in the projects that are funded by the Company and it has been a privilege to be involved and see first-hand what your investment in the future of young Australians is achieving.

We are deeply engaged in the projects that are funded by the Company and it has been a privilege to be involved and see first-hand what your investment in the future of young Australians is achieving.

We have partnered with eight designated charities: Beyond Blue, Black Dog Institute, Brain and Mind Centre, Butterfly Foundation for Eating Disorders, headspace, Orygen – the National Centre of Excellence in Youth Mental Health, ReachOut and SANE Australia.

Company performance

The Company's primary investment objective is to provide shareholders with long-term capital growth through diversified exposure to high quality fund managers investing in global equities. As a listed investment company, there are three key measures we use to evaluate the performance of FGG, which are: investment portfolio performance; net tangible asset (NTA) growth; and total shareholder return (TSR). Investment portfolio performance measures the growth of investments with the underlying fund managers and cash before expenses, fees and taxes. The MSCI AC World Index (AUD) is also measured before expenses, fees and taxes. NTA growth is the change in value of the Company's assets, less liabilities and costs and is essentially the realisable value of the Company. The NTA is announced to shareholders on the ASX each month. TSR measures the tangible value shareholders gain from share price growth and dividends paid over the period.



Chairman & Chief Executive Officer's Letter

1. Investment portfolio performance

Performance at 31 December 2018	1 yr	3 yrs %pa	Since inception %pa (Sept-15)	Volatility (% standard deviation)
FGG Investment Portfolio*	6.4%	8.6%	7.3%	8.5%
MSCI AC World Index (AUD)	0.5%	7.8%	6.8%	9.8%
Outperformance	+5.9%	+0.8%	+0.5%	

*Investment performance and Index returns are before expenses and taxes.

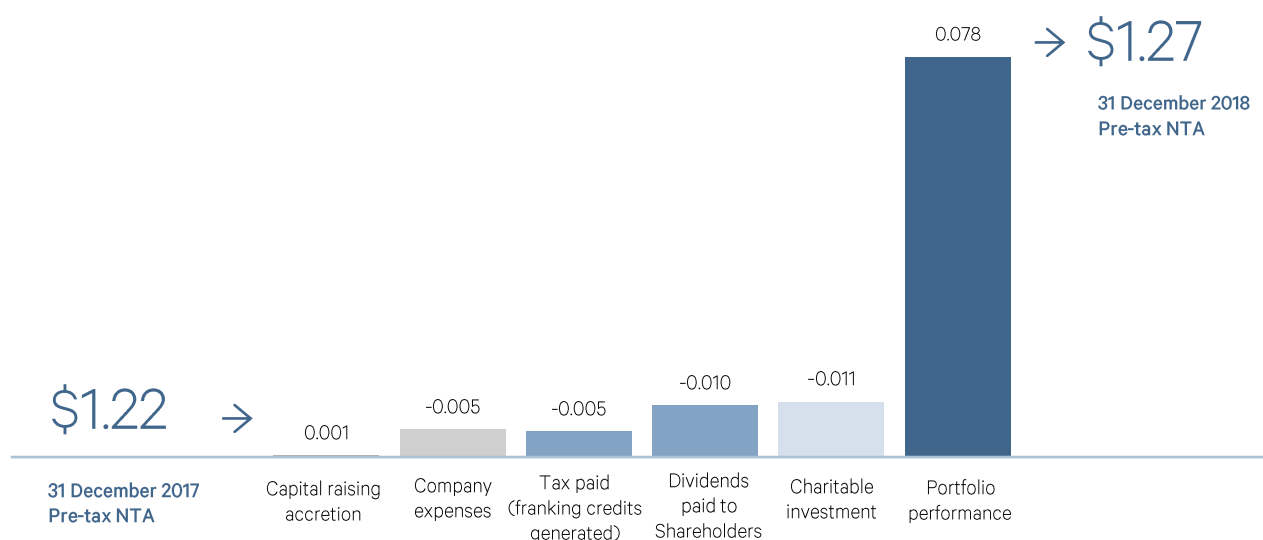
For the year ended 31 December 2018, the investment portfolio increased 6.4%, outperforming the MSCI AC World Index (AUD) by 5.9%. Since inception, the investment portfolio has increased 7.3% per annum, outperforming the Index. FGG's investment portfolio outperformance has been achieved with less volatility as measured by standard deviation, 8.5% versus the Index's 9.8%.

During the year, global equity market volatility increased significantly. The strong portfolio performance achieved in this volatile period can be attributed to the careful selection of high quality fund managers by the Investment Committee, the investment portfolio's highly diversified nature and the performance of the underlying fund managers.

2. NTA growth

FGG's pre-tax NTA increased 4.6% for the 12 months to 31 December 2018, including the 1.0 cents per share of fully franked dividend paid to shareholders during the year. This increase is after corporate tax paid of 0.5 cents per share or 0.5% during the year. Corporate tax payments made throughout the period and the charitable investment of 1.0% were the major items of difference between the investment portfolio outperformance of 6.4% and the net tangible asset performance. The franking credits attached to corporate tax payments are available for distribution to shareholders through fully franked dividends. Other items contributing to the change in value of the assets during the year were company related and capital raising expenses of 0.5%, being offset by capital raising accretion of 0.2%.

FGG's pre-tax NTA performance



3. Total shareholder return

This measure shows the tangible return to shareholders, being the change in the share price together with dividends, assuming the dividends are reinvested during the period. The TSR for FGG for the year to 31 December 2018 was 6.3% and was largely driven by FGG's investment portfolio performance. This measure does not value the potential benefit of franking credits distributed to shareholders through fully franked dividends.

Chairman & Chief Executive Officer's Letter

Dividends

The Company provides shareholders with a diverse exposure to global equities and as such its returns are predominately delivered through capital growth. The Board is committed to paying fully franked dividends to shareholders, provided the Company has sufficient profit reserves and franking credits and it is within prudent business practices. In August 2018, the Board announced a fully franked dividend of 1.0 cents per share. The dividend was paid in October 2018.

No further dividend has been declared by the Board during or since the end of the year. At this stage, the Board will consider a dividend payment following the June half year result, dependent on released profits from the fund managers over the next six months.

Capital management

During the year, the Company successfully raised a combined \$127.9 million through a Share Purchase Plan (SPP) and a Placement to professional and sophisticated investors. The SPP raised \$30.8 million, with a total of 2,727 shareholders participating. The Placement raised a further \$97.1 million for the Company. The Company achieved continued growth during the year increasing shareholder equity by 39.5% to \$449.3 million and total shareholder numbers by 15.6% to 7,060. This growth was achieved through the strong performance of the investment portfolio and capital management initiatives during the year.

Investment objectives and portfolio

The Company's primary investment objective is to provide shareholders with long-term capital growth, by providing shareholders with diversified exposure to global equities. The Company's investment philosophy is based on the belief that the diversification of the portfolio is important in managing and mitigating risk and by having a number of different fund managers, the Company has access to a range of investment styles and strategies.

As at 31 December 2018, the investment portfolio was comprised of 13 fund managers with investments in 13 funds and one direct listed investment company. The global fund managers were Antipodes Partners, Magellan Asset Management, Cooper Investors, VGI Partners, Marsico Capital Management, Nikko Asset Management Australia, Caledonia, Morpheic Asset Management, Manikay Partners, Ellerston Capital, Munro Partners, Avenir Capital and Paradise Investment Management.

The spread between the broad equities strategies as at 31 December 2018 was 36.7% long equities, 28.4% absolute bias and 34.9% cash.

The FGG Investment Committee commenced the allocation of capital raised from the SPP and Placement in early 2019. Additional investments were made in the Magellan Global Fund, Antipodes Global Fund, Cooper Investors Global Equities Fund (Unhedged), Nikko AM Global Share Fund, Munro Global Growth Fund, Paradise Global Small Mid Cap Fund (Unhedged), Caledonia Fund, Manikay Global Opportunistic USD Fund, Ellerston Global Mid Small Cap Fund, Marsico Global Fund, Avenir Global Fund and Morpheic Global Opportunities Fund.

After the deployment of these additional investments in the portfolio, the cash and cash equivalents of FGG is 13.2%.

Board and Investment Committee changes

During the year, Sue Cato and Karen Penrose resigned from the Board of Directors. The Board would like to thank Sue and Karen for their valuable contribution to the Company since its listing in September 2015.

In March 2018, the Board welcomed Kiera Grant as a Director. Kiera has extensive experience as a non-executive Director of public and private companies as well as senior management experience, having spent 15 years working in equity capital markets, most recently as Executive Director, UBS Australia.

The Investment Committee welcomed Lukasz de Pourbaix and Gary Brader as members of the Committee during the year. Lukasz leads Lonsec Investment Solutions Pty Limited (LIS) as Executive Director and Chief Investment Officer. Gary is the Group Chief Investment Officer at QBE and has held this position since 2011.

Fund managers and service providers

Through their investment in FGG, shareholders gain unprecedented access to leading global equity fund managers and make a significant contribution to youth mental health in Australia. This is made possible by our fund managers foregoing management and performance fees. The Board of Directors, the Investment Committee and most service providers also work on a pro bono basis.

We would like to thank our fund managers and service providers for their outstanding and continued generosity throughout the period. The value of the management and performance fees foregone by the fund managers for the period totalled \$5.1 million and the value of the leading service providers, including the Board and Investment Committee working on a pro bono basis, totalled \$0.7 million. These savings to shareholders exceed the annual investment to charities.

Chairman & Chief Executive Officer's Letter

We would also like to thank all shareholders for being part of the Company's innovative approach to wealth creation which demonstrates that both shareholder and social returns can be achieved together.



Belinda Hutchinson AM
Chairman



Louise Walsh
Chief Executive Officer

Dated this 27th day of February 2019

With thanks to the following service providers



“We would like to thank and congratulate our generous fund managers in helping us provide shareholders with an attractive investment and in providing a source of funding for Australian charities with a focus on youth mental health.”



Investment Committee Report

The Investment Committee of FGG is primarily responsible for selecting fund managers, managing the Company's investment portfolio and redeeming investments. The Company's Investment Committee consists of Sean Webster (Chairman), Aman Ramrakha, Chris Donohoe, Gary Brader, Geoff Wilson AO and Lukasz de Pourbaix. The Investment Committees experience and qualifications are provided in the Directors' Report.

The FGG investment portfolio provides a spread between long equities and absolute bias strategies, with the balance of the portfolio held in cash and cash equivalents. As at 31 December 2018, the portfolio was 36.7% long equities, 28.4% absolute bias and 34.9% cash. The capital raised through the Share Purchase Plan (SPP) and Placement contributed to the high cash level as at 31 December 2018. The composition of the portfolio will vary over time in terms of the allocation to the above strategies as well as allocating to various funds. The long equities portion of the portfolio is predominantly exposed to large-cap and mid-cap stocks with a very small allocation to small-cap stocks.

The investment portfolio was made up of 13 global fund managers with investments in 13 unlisted unit trusts and one direct listed investment company at the end of the period.

During the period, the Company fully redeemed its position in the Antipodes Asia Fund, the Ironbridge Global Focus Fund and the Neuberger Berman Systematic Global Equities Trust. The Company was provided with capacity and invested in the Munro Global Growth Fund and the Morpheic Ethical Equities Fund Limited.

The FGG Investment Committee allocated capital raised through the Share Purchase Plan and Placement in January and February 2019. Additional investments were made in the Magellan Global Fund, Antipodes Global Fund, Cooper Investors Global Equities Fund (Unhedged), Nikko AM Global Share Fund, Munro Global Growth Fund, Paradise Global Small Mid Cap Fund (Unhedged), Caledonia Fund, Manikay Global Opportunistic USD Fund, Ellerston Global Mid Small Cap Fund, Marsico Global Fund, Avenir Global Fund and Morpheic Global Opportunities Fund.

After the deployment of these additional investments in the portfolio, the cash and cash equivalents of FGG is 13.2%.

VGI Partners announced their intention to establish their own charitable investment vehicle during the year and as a result it is expected that FGG will redeem its position in the VGI Partners Funds later in the 2019 year. FGG thanks VGI Partners for their support since the Company's inception.

The Investment Committee notes that all managers have a belief that the assessment of Environmental, Social and Corporate Governance (ESG) factors adds value to investment returns and the majority have an ESG Charter or Responsible Investment Policy in place.

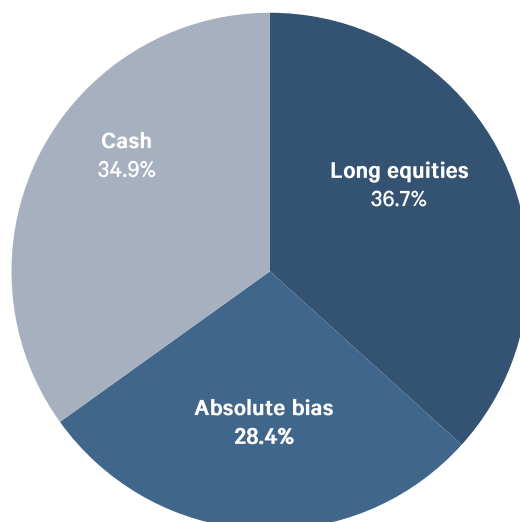
Investment portfolio performance

For the year ended 31 December 2018, the investment portfolio increased 6.4%, outperforming the MSCI AC World Index (AUD) by 5.9%. Since inception, the investment portfolio has increased 7.3% per annum, outperforming the Index. FGG's investment portfolio outperformance has been achieved with less volatility as measured by standard deviation, 8.5% versus the Index's 9.8%.

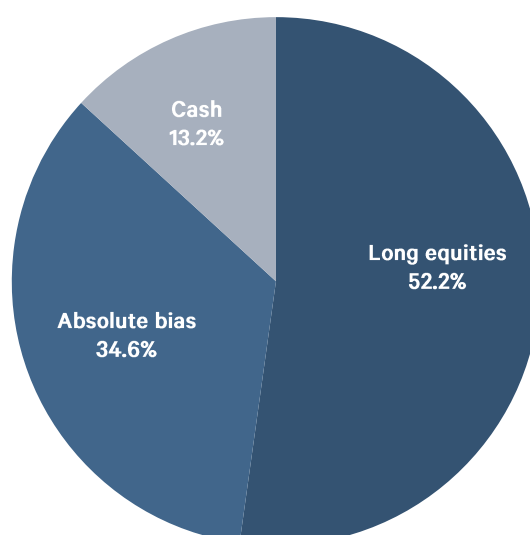
The 2018 year produced heightened volatility across global equity markets. During the six-month period to 31 December 2018, equity market volatility increased as investor sentiment oscillated with global macroeconomic and political news, in particular US-China trade wars, interest rate speculation in the United States and ongoing Brexit uncertainty. In Australia, the second half of the calendar year was defined by weaker economic growth, Federal Government instability and a number of interventionist policies from minority parties, the Royal Commission into the Banking, Superannuation and Financial Services Industry, falling property prices and diminishing consumer and business sentiment.

Investment Committee Report

Investment strategy allocation – as at 31 December 2018



Investment strategy allocation – as at 31 January 2019*



*The fund manager allocations at 31 January 2019 include the impact of committed applications for additional investments processed in early January and February 2019.

Long equities

Investing in a portfolio of equities based on the expectation 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. The long equities portion of the portfolio includes exposure to large-cap, mid-cap and small-cap stocks.

Absolute bias

An investment strategy that seeks to generate returns, irrespective of the performance of traditional asset classes. These strategies use innovative investment techniques (including but not limited to short selling and leveraging) to profit from rising and falling markets, providing portfolio protection in the event an equity market experiences a significant fall.

Investment Committee Report

Fund manager allocation and investments at market value

Fund manager	Investment	Strategy	\$ Value at 31 December 2018	% of Gross Assets at 31 December 2018	% of Gross Assets at 31 January 2019*
Antipodes Partners	Antipodes Global Fund	Absolute bias	41,214,897	8.3%	10.3%
Magellan Asset Management	Magellan Global Fund	Long equities	40,055,462	8.1%	11.2%
Cooper Investors	Cooper Investors Global Equities Fund (Unhedged)	Long equities	38,445,394	7.7%	10.1%
VGI Partners	VGI Partners Funds	Absolute bias	32,734,966	6.6%	6.4%
Marsico Capital Management	Marsico Global Fund	Long equities	29,557,613	5.9%	8.7%
Nikko Asset Management Australia	Nikko AM Global Share Fund	Long equities	23,432,715	4.7%	6.8%
Caledonia	Caledonia Fund	Long equities	22,870,481	4.6%	7.1%
	Global/Ethical Strategies (split out below)		20,319,293	4.1%	4.5%
Morphic Asset Management	Morphic Global Opportunities Fund	Absolute bias	15,718,077	3.2%	3.6%
	Morphic Ethical Equities Fund Limited	Absolute bias	4,601,216	0.9%	0.9%
Manikay Partners	Manikay Global Opportunistic USD Fund	Absolute bias	18,369,264	3.7%	5.2%
Ellerston Capital	Ellerston Global Mid Small Cap Fund	Long equities	16,336,273	3.3%	4.8%
Munro Partners	Munro Global Growth Fund	Absolute bias	15,366,427	3.1%	4.4%
Avenir Capital	Avenir Global Fund	Absolute bias	12,985,584	2.6%	3.8%
Paradice Investment Management	Paradice Global Small Mid Cap Fund Unhedged	Long equities	12,062,696	2.4%	3.5%
	Cash and term deposits		173,260,633	34.8%	13.2%
	Distributions, interest, rebates receivable		677,706	0.1%	
	Gross Assets		497,689,404		

*The fund manager allocations at 31 January 2019 include the impact of committed applications for additional investments processed in early January and February 2019.

Investment Committee Report

The following information summarises the performance, risk matrices and underlying holdings of the FGG investment portfolio at 30 September 2018, using data provided by the underlying fund managers and prepared and analysed by Lonsec and Style Research.

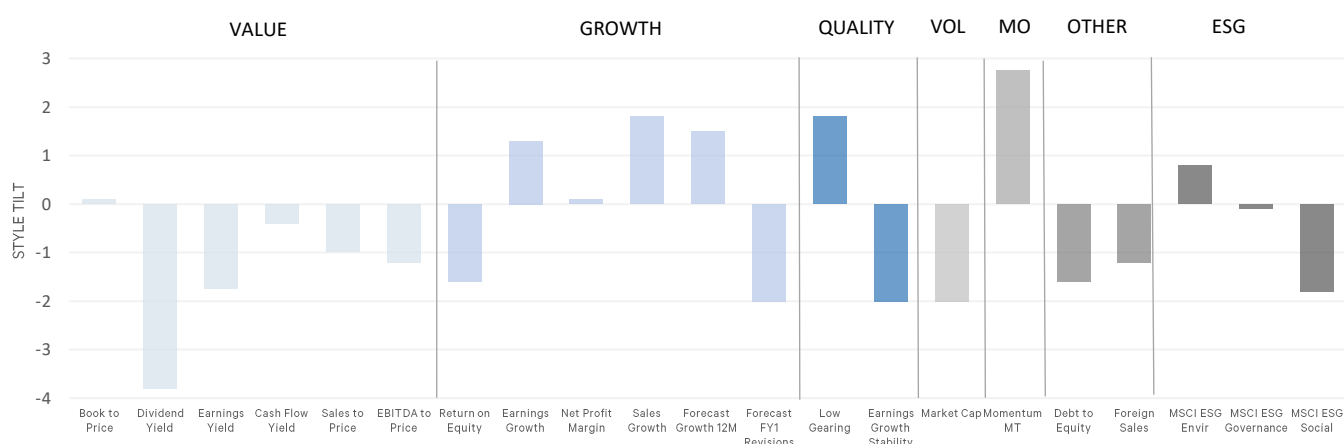
Holdings based analysis

This analysis is based on the stock holdings within the underlying managers' respective investment portfolios*. Note that the intention of this analysis is to provide a point in time snap-shot of the portfolio structures and it does not reflect any future biases within the portfolios.

Style analysis

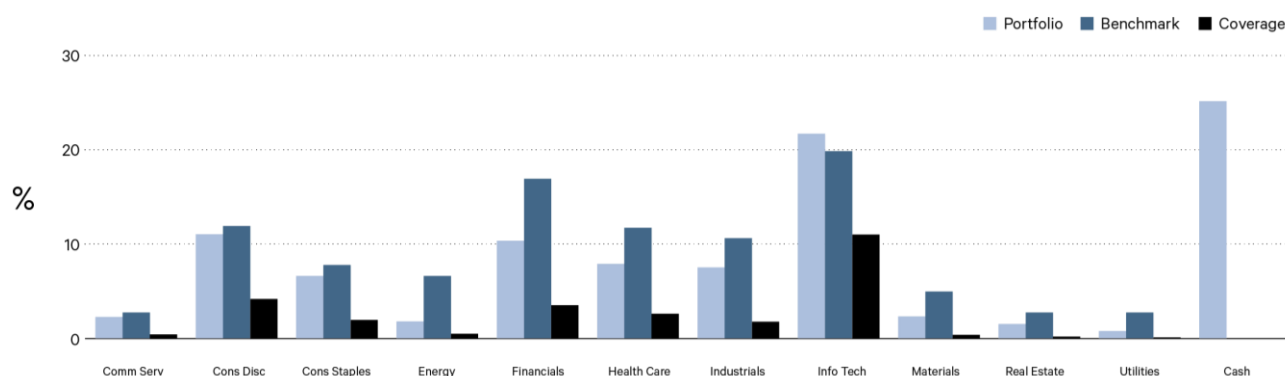
The below chart shows the country and sector-adjusted style tilts exhibited by the blend of global equities in the underlying portfolio of FGG's investments with the fund managers. The value bars (far left-hand side) represent factors associated with a value-based investment style, while the growth bars (second from left) represent factors associated with a growth-based investment style. The blend of global equities within the portfolio exhibited a slight growth style bias when compared to the MSCI AC World NR Index, a global equity investment benchmark.

Style Skyline (Country and Sector Adjusted)



This chart displays the sector weights of the blend of global equities in the portfolio of the underlying fund managers of FGG and the MSCI AC World NR Index. Coverage data reveals the diversification across the benchmark, for each sector and for the portfolio overall.

Sector Distribution



*The holdings based analysis includes over 92% of the investment portfolio.

Investment Committee Report

Risk attribution

The following table and chart examine the various risk factors associated with the blend of global equities in the portfolio of the underlying fund managers of FGG. Risk attribution focuses on the estimation, analysis and decomposition of Tracking Error (and Tracking Variance) risk. The decomposition of the Tracking Variance identifies the principal sources of risk and further reveals risk compounding and risk offsets (via the Cross-Terms).

Risk Estimates

Tracking Error	Coverage	Persistence Ratio	Portfolio Beta	Portfolio Volatility	Benchmark Volatility
2.3%	27.3%	1.3	0.81	7.7%	9.2%
Correlation (Port, BM)	Portfolio Actual Stocks	Benchmark Actual Stocks	Portfolio Effective Stocks	Benchmark Effective Stocks	
0.98	924	2,787	196.1	332.7	

For a description of the key risk measures listed above, please refer to Appendix A on page 14.

Risk Attribution

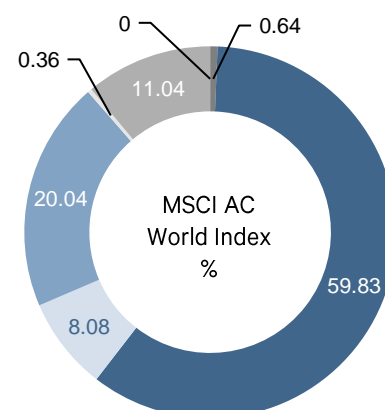
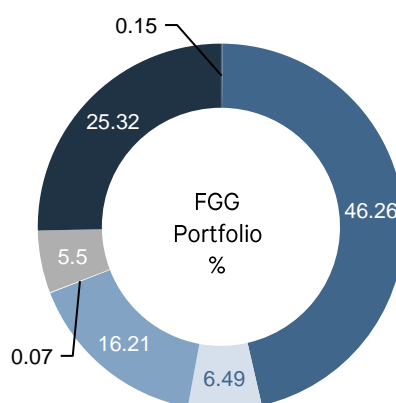


The above chart shows that 80% of the portfolio risk comes from market risk or the extent to which the portfolio exposures to equity markets differs from the benchmark. The next biggest contributor risk is currency at 45% and this shows the extent to which currency exposure of the portfolio differs from the benchmark. The biggest factor reducing risk in the portfolio is the Market Xterms which is the degree to which returns between the portfolio's currencies and markets move in tandem. In this case, these two factors do not move in tandem and therefore reduce overall risk.

Investment Committee Report

Regional allocations – as at 30 September 2018

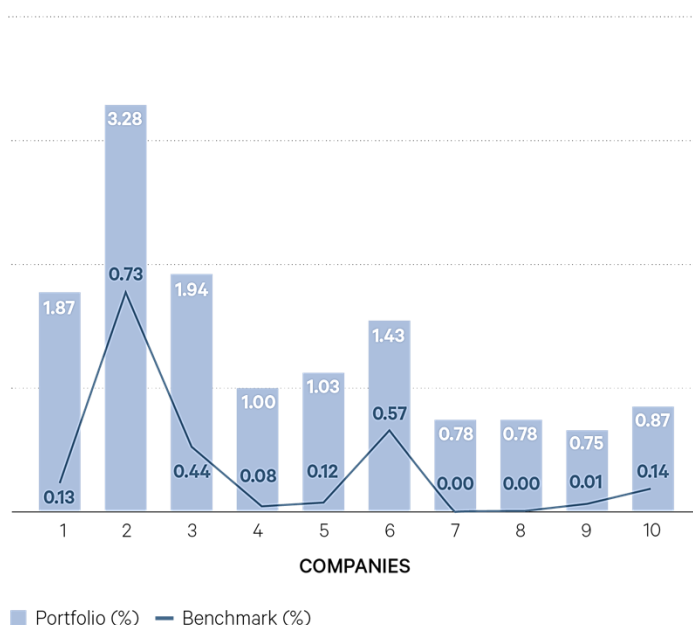
Region	Active position (%)
Africa	-0.49
Americas	-13.57
Asia	-1.6
Europe	-3.83
Middle East	-0.29
Pacific	-5.54
Cash	25.32



Detailed portfolio holdings – as at 30 September 2018

Global equities – top 10 overweights

Holding/Sector	Active position (%)
1 CME Group Incorporated <i>Financials</i>	1.75
2 Amazon.com Incorporated <i>Consumer Discretionary</i>	1.55
3 Mastercard Incorporated <i>Information Technology</i>	1.49
4 HCA Healthcare Incorporated <i>Health Care</i>	0.92
5 Colgate-Palmolive Company <i>Consumer Staples</i>	0.91
6 Visa Incorporation <i>Information Technology</i>	0.85
7 Spotify Technology S.A. <i>Information Technology</i>	0.78
8 Interxion Holding N.V. <i>Information Technology</i>	0.78
9 Medibank Private Limited <i>Financials</i>	0.74
10 Aetna Incorporated <i>Health Care</i>	0.73

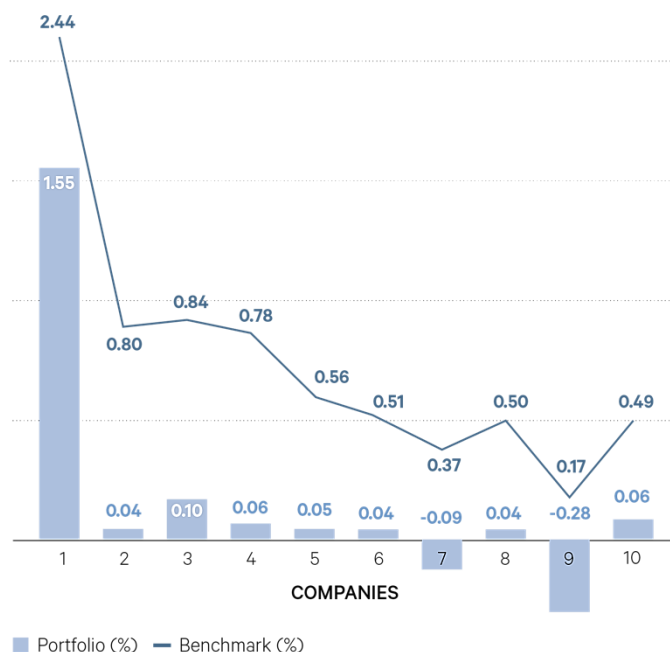


Investment Committee Report

Detailed portfolio holdings – as at 30 September 2018

Global equities – top 10 underweights

Holding/Sector	Active position (%)
1 Apple Incorporated <i>Information Technology</i>	-0.89
2 Johnson & Johnson <i>Health Care</i>	-0.75
3 JPMorgan Chase & Company <i>Financials</i>	-0.74
4 Exxon Mobil Corporation <i>Energy</i>	-0.72
5 Pfizer Incorporated <i>Health Care</i>	-0.51
6 Chevron Corporation <i>Energy</i>	-0.48
7 Walt Disney Company <i>Consumer Discretionary</i>	-0.47
8 Home Depot Incorporated <i>Consumer Discretionary</i>	-0.47
9 CVS Health Corporation <i>Health Care</i>	-0.45
10 Intel Corporation <i>Information Technology</i>	-0.43



Environmental, Social and Corporate Governance (ESG) summary - as at 30 September 2018

This table summarises the exposure of the FGG portfolio to selected industries which are considered to be less ESG aware.

Cash/Industry	Exposure (%)
Distillers and vintners	1.92
Casinos and gambling	0.04
Coal and consumable fuel	0.01
Tobacco	0.00
Brewers	-0.01
Total of FGG portfolio considered to be less ESG aware	1.96%

S Webster

Sean Webster
Chairman of the Investment Committee

Dated this 27th day of February 2019

Investment Committee Report

Appendix A – Risk estimates glossary

Tracking Error	Measures the degree to which the performance of the portfolio varies from that of the underlying benchmark, in this case the MSCI AC World Net Return Index. Tracking error shows an investment's consistency versus a benchmark over a given period of time. A lower tracking error means that the investment will deliver a return closer to the underlying benchmark. The FGG portfolio tracking error of 2.3%, as shown in Risk Estimates, is low.
Coverage	The coverage ratio is the market value of the securities that are in the portfolio as compared to the benchmark. The ratio of 27.3% above means that 27.3% of the value of portfolio overlaps shares in the MSCI AC World Index.
Persistence Ratio	A practical indicator of the extent to which a forecast Tracking Error may be underestimated due to time-varying weights and trending in returns.
Portfolio Beta	Shows the degree of sensitivity of the portfolio to a 1.0% change in the underlying Index. As shown in the table, the FGG portfolio beta is 0.81 and this means that if the Index rose 1.0% the portfolio would increase by 0.81% and likewise if the portfolio fell 1.0% it would fall 0.81%. The beta of 0.81 is well within what would be expected from a well-diversified portfolio.
Portfolio/Benchmark Volatility	Shows the degree to which the returns of the portfolio move around from their long-run average. It can be thought of as a measure of the risk in the portfolio. The volatility (or risk) for the portfolio of 7.7% is below the underlying Index, which is 9.2%.
Correlation	The correlation coefficient is a measure that determines the degree to which two variables' movements are associated. In this case it measures the degree of association between movements in the FGG portfolio and the underlying Index. A correlation of 0.98 is reasonably high and shows that the portfolio returns are reasonably highly correlated to movements in the underlying Index.
Portfolio/Benchmark Actual Stock	Indicates the number of stocks in the portfolio as well as the number of stocks in the benchmark.
Portfolio/Benchmark Effective Stock	Shows the number of stocks in terms of reducing the portfolio risk from holding a specific stock, it is a measure of how diversified a portfolio is. The 196.1 effective stocks count for the FGG portfolio is very high as any diversified holding of stocks above about 30 stocks indicates a good degree of diversification. No single stock holding can overly impact the portfolio.

Charity Report

We are proud to support our eight designated charities who are helping to improve the lives of young Australians affected by mental health issues. Our goal is to promote the mental health, wellbeing and resilience of young Australians from 0 to 25 years by supporting smarter service system development and investing in effective programs and services that allow young Australians to have access to the information, services and support they need, when they need it, to maintain their mental health and lead an active and engaged life.

During August 2018, shareholders voted their charitable allocation and we were delighted by the response. Thank you all for your active engagement in the allocation process. The specific allocation to each charity was determined by your votes and directions, as shown in the table below, with the Board distributing the undirected monies on a pro-rata basis between the designated charities. As at 31 December 2018, the Company is on track to deliver its fourth annual investment of approximately \$5 million for payment in October 2019, bringing the total payment since inception to approximately \$14 million.

The 2018 and 2017 allocations to each charity are:

Designated charities	2018 Investment	2017 Investment
Beyond Blue	\$313,325	\$285,815
Black Dog Institute	\$322,648	\$277,710
Brain and Mind Centre	\$317,202	\$263,524
Butterfly Foundation for Eating Disorders	\$346,964	\$333,132
headspace	\$382,954	\$267,340
Orygen - the National Centre of Excellence in Youth Mental Health	\$307,729	\$263,083
ReachOut	\$385,288	\$332,136
SANE Australia	\$304,239	\$255,042
Directed to other youth related charities*	\$280,124	\$252,841
Directed to other Australian charities*	\$669,802	\$513,689
Total charitable allocation	\$3,630,275	\$3,044,312

*Directed by shareholders with 1 million or more shares. These shareholders have the ability to direct their donation voting allocation to any non-profit organisation of their choosing, provided the organisation has deductible gift recipient (DGR) status.

Charity Report

Information on the projects the designated charities undertook with monies from their allocation of the \$3.0 million annual investment in 2017 (paid in October 2017) and progress to date for the year ended 31 December 2018 is detailed below. The impact of the 2018 investment (paid in October 2018) will be reported in the 2019 Annual Report.



Beyond Blue works to give everyone in Australia the confidence to speak openly about anxiety, depression and suicide – both to seek support when they need it and to check in with those close to them – and tackle prejudice and discrimination wherever they exist.

beyondblue.org.au
healthyfamilies.beyondblue.org.au

Funding: \$285,815

Impact 2018:

- Ensured the continued provision and promotion of the Healthy Families website, which provides free evidence-based information and mental health and wellbeing advice for men, women, parents and grandparents.
- The website reached 396,392 families, with over 60,000 parent and child mental health checklists completed and a return visit rate of 88 per cent among parents and caregivers.
- Enabled the release and promotion of the Children's Resilience Practice Guide to support educators and professionals in their work with children aged 0 to 12.
- The guide was downloaded more than 17,000 times – far exceeding the three-year target of 5,000 downloads.
- Supported the development and promotion of tips and advice for parents and caregivers that focus on building resilience in children at home; helping children cope with the ups and downs of life and bounce back from challenges. The tips were accessed by 37,390 parents and carers in 2018.



Black Dog Institute is recognised as a global pioneer in the identification, prevention and treatment of mental illness and a leader in suicide prevention.

blackdoginstitute.org.au

Funding: \$277,710

Impact 2018:

Funding supported three research projects in youth suicide prevention:

- Development of an app to help young people manage suicidal thoughts
 - Recruited a high-quality research fellow to lead the study;
 - Completed youth focus groups and commenced app development.
- Development of SMS system to provide continuity of care for young people discharged from hospital following a suicide attempt
 - First study showed strong engagement and large reductions in suicidal thinking after six weeks;
 - Commenced recruitment for second study, which will target co-morbid alcohol issues and suicidality.
- Development of smartphone technology to detect social withdrawal, a suicide risk factor
 - Second study demonstrated sensor data acquisition rate of 50% (on par with or better than other passive sensing apps);
 - Commenced third study to confirm behavioural markers to predict symptoms of poor mental health and suicide risk;
 - Secured funding to test in a large-scale trial of 20,000 youth, commencing 2019.



Brain and Mind Centre develops clinical, online and treatment programs for young people with emerging anxiety and depressive disorders. It partners with other FGG charities including Orygen, headspace, Black Dog Institute and ReachOut.

sydney.edu.au/brain-mind

Funding: \$263,524

Impact 2018:

- Supported the design, development and implementation of new and innovative online clinical assessment tools for young people experiencing mental ill-health or suicidal thoughts.
- Implementation of more specialised assessment to guide clinicians to deliver highly personalised treatments within five headspace sites in Sydney and one in South Australia.
- More than 10 participatory design and service mapping workshops conducted in headspace centres nationally, with an emphasis on regional Australia.
- Focus of participatory design workshops including culturally diverse groups and young people aged 12 to 15 years.



Butterfly Foundation is committed to ensuring that any Australian with an eating disorder can access affordable, evidence-based care irrespective of their location or economic status. In addition to advocacy work to raise awareness about eating disorders, Butterfly provides education, support and some treatment services.

thebutterflyfoundation.org.au

Funding: \$333,132

Impact 2018:

- Enabled Butterfly to deliver an innovative program, the Youth Intensive Outpatient Program, an evidence based early intervention program for young people aged 14 to 24 at risk of eating disorders.
- Aimed at those with subclinical presentations before they have a fully diagnosable eating disorder. The majority of participants this year were diagnosed with bulimia nervosa (BN) or binge eating disorders (BED). This is significant as people with BN and BED are less likely to present for treatment until they are very unwell. This program allows Butterfly to reach them much earlier.
- 95% of participants completed the program with those providing feedback rating the overall program very highly.
- The majority of participants experienced significant reductions in symptomatic/negative behaviours and thoughts.
- A key part of the program is to involve the person's family – feedback from families was very positive.



headspace is the National Youth Mental Health Foundation, providing early intervention mental health services to 12-25 year olds. headspace services cover four core areas: mental health, physical health (including sexual health), work and study support and alcohol and other drug services.

headspace.org.au

Funding: \$267,340

Impact 2018:

- The headspace Aboriginal and Torres Strait Islander Youth Mental Health Traineeship Program has created education and employment opportunities for young people in regional areas, who are interested in establishing a career in the mental health and wellbeing sector.
- The first two trainees from the 2017 donation who completed the program with headspace Darwin have gone on to secure permanent employment within the mental health sector.
- In 2018, the program was expanded to two additional headspace centres (Broome in Western Australia and Townsville in Queensland), with four trainees expected to graduate in early 2019.
- Success of the program has inspired Primary Health Networks and headspace centres from the Northern Territory and other regions to offer additional financial or in-kind funding to further support the traineeship program or implement it in their communities.



Established in 2002, Orygen is widely regarded as one of the world's leading research organisations focusing on mental ill-health in young people. Orygen has driven a shift in services and treatments to focus on early intervention.

orygen.org.au

Funding: \$263,083

Impact 2018:

- Launched #chatsafe guide: world-first guidelines for young people to communicate safely online about suicide.
- #chatsafe guidelines downloaded over 10,000 times; Orygen/Buzzfeed Facebook live launch event received over 20,000 views online.
- Ongoing data collection from three Victorian Western Health Emergency Department (ED) sites which commenced at Royal Melbourne Hospital.
- Developed training module for Western Health ED delivered to over 60 staff.
- Consultations with over 30 young people and 20 parents and carers for the development of a resource for families of young people who self-harm.
- Hosted co-designed workshops with young people to develop a national suicide prevention social media campaign.
- Completed pilot study of a moderated online social therapy platform for young people at risk of suicide.
- Hosted community forum on suicide prevention in educational settings.



ReachOut is Australia's leading online mental health organisation for young people and their parents. ReachOut has been changing the way people access help since launching as the world's first online mental health service 20 years ago. Practical support, tools and tips help young people get through anything from everyday issues to tough times.

[ReachOut.com](https://reachout.com)

Funding: \$332,136

Impact 2018:

- Directly supported 139,502 young people from regional, rural and remote Australia to improve their mental health and wellbeing in rural and remote Australia.
- With partner Mission Australia held the national launch of 'Lifting the Weight', a research report into young people's mental health and wellbeing. The report gained extensive national media coverage with an approximate audience reach of over 1.5 million and resulted in five policy briefings.
- Research findings also informed the submission to the Senate Inquiry into the accessibility and quality of mental health services in rural and remote Australia.
- Collaborated with young people and parents to convert key insights regarding work, money and family stress into over 30 pieces of multimedia and written content.
- Launched a national awareness campaign designed to facilitate self-help and early help-seeking. The campaign drove more than 68,000 young people to access self-help content on ReachOut.com.
- Disseminated the research findings at a national conference and published a journal paper.



Supporting people affected by complex mental illness

SANE Australia is a national mental health charity working to promote the wellbeing of the four million Australians affected by complex mental illness including schizophrenia, bipolar, personality disorders, eating disorders, Post-Traumatic Stress Disorder, and severe and enduring mood and anxiety disorders.

sane.org

Funding: \$255,042

Impact 2018:

- Enabled the advancement of work in improving access to evidence-based services, resources, information and referral pathways for young adults aged 18-30 years old, who are at risk of or experiencing complex mental health issues.
- Convened a group of 14 young adult peer ambassadors living with complex mental health issues to co-design the program of work.
- Produced 15 pieces of first-person peer-to-peer content addressing stigma and promoting help seeking, shared across digital networks which reached more than half a million people.
- Facilitated two workshops with 28 peers exploring experiences of online and telephone support which will inform the trial of two new interventions for the SANE Help Centre in 2019.
- Renewed cross-sector partnership with youth-serving organisation batyr to support capacity building.

Directors' Report to Shareholders

For the year ended 31 December 2018

The Directors present their report together with the financial report of Future Generation Global Investment Company Limited (FGG or the Company) for the year ended 31 December 2018.

Principal activity

The principal activity of the Company is investing in global equity fund managers while also investing in charities focused on improving the lives of young Australians affected by mental health issues.

The Company invests its capital with fund managers who have agreed to provide their services for 0.0% management fees and 0.0% performance fees. The pro bono support of the fund managers, the Board of Directors and service providers means an amount equal to 1.0% of the Company's average monthly net tangible assets for the relevant financial year can be provided as a source of funding for Australian youth mental health charities.

There was no change in the nature of the activity of the Company during the year or is likely in the future.

Operating and financial review

For the year ended 31 December 2018, the operating profit before tax and net realised and unrealised gains and losses on investments was \$17.1 million (2017: \$3.4 million). The increase in the Company's operating profit on the corresponding period is due to the increased distribution income received from the investments with the underlying fund managers during the year.

For the year ended 31 December 2018, the investment portfolio increased 6.4% outperforming the MSCI AC World Index (AUD) by 5.9%. Since inception, the investment portfolio has increased 7.3% per annum, outperforming the Index. FGG's investment portfolio outperformance has been achieved with less volatility as measured by standard deviation, 8.5% versus the Index's 9.8%. The net result after tax and net realised and unrealised gains and losses on investments for the year was a profit of \$8.7 million (2017: \$29.1 million). The pre-tax NTA for each share as at 31 December 2018 was \$1.27 per share (2017: \$1.22). The post-tax NTA was \$1.24 per share (2017: \$1.19).

The operating profit and other comprehensive income for the period includes the distribution income received from underlying fund managers, in addition to the unrealised gains and losses arising as a result of the changes in the market value of the investments held with the underlying fund managers. The level of distribution income received and the movement in the market value of the investments can add to or reduce operating profit and other comprehensive income in each period respectively. Because of this treatment under the Accounting Standards, this can cause large variations in reported operating profit and other comprehensive income between periods.

The operating profit and other comprehensive income is important to understand with context to the overall performance of equity markets in any given period. Given the potential variability, we believe the more appropriate measures of the financial results for the period are the investment portfolio performance, the change in net tangible assets (NTA) and fully franked dividends, together with total shareholder return.

Further information on the financial performance of the Company is contained in the Chairman and Chief Executive Officer's Letter on pages 3 to 6 of this report and in the Investment Committee Report on pages 7 to 14 of this report.

Financial position

The net asset value of the Company as at 31 December 2018 was \$484.7 million (2017: \$351.8 million).

Further information on the financial position of the Company is contained in the Chairman and Chief Executive Officer's Letter on pages 3 to 6 of this report.

Corporate tax rate

On 19 May 2017, the Federal Government enacted laws reducing the corporate tax rate to 27.5% for companies with a turnover below \$10.0 million in the financial year ended 30 June 2017. This legislation also introduced a new formula for determining the maximum franking credit entitlement for a frankable distribution, which is generally based on the Company's corporate tax rate for the prior income year. The turnover of FGG for the 2017 income tax year was less than \$10.0 million and as a result, the Company was eligible for the corporate tax rate of 27.5%. Accordingly, and in accordance with the impact of the legislation at the time, the 2017 fully franked dividend of 1.0 cents per share paid on 27 October 2017 was franked at the rate of 27.5%.

Directors' Report to Shareholders

For the year ended 31 December 2018

Corporate tax rate (continued)

An amendment to limit the entities subject to the lower corporate tax rate was introduced by the Federal Government and passed through both Houses on 23 August 2018. The Treasury Laws Amendment (Enterprise Tax Plan Base Rate Entities) Bill 2017 amended the law to limit the lower corporate tax rate to base rate entities with no more than 80.0% passive income. With these measures being passed, the Company is no longer eligible for the reduced corporate tax rate of 27.5%, and will be taxed at the current maximum corporate tax rate of 30.0% going forward.

As a result of the amended legislation that was introduced retrospectively, the franking credits distributed in relation to the June 2017 fully franked dividend of 1.0 cents per share paid on 27 October 2017 were affected. The franking credits contained in the dividend distribution statements previously provided were calculated at the lower corporate tax rate of 27.5% applicable at the time of declaration and payment. Shareholders who received the June 2017 fully franked dividend of 1.0 cents per share paid on 27 October 2017 are eligible for additional franking credits at the 30.0% corporate tax rate. All shareholders impacted by the amended legislation have received correspondence from the Company's share registry in relation to the change and an updated franking credit distribution calculation.

Dividends paid

Dividends paid are as follows:

	\$
Fully franked June 2018 dividend of 1.0 cents per share paid on 26 October 2018	2,961,124

Directors

The following persons were Directors of the Company during the financial period and up to the date of this report:

Belinda Hutchinson AM	Chairman
Frank Casarotti	Non-Executive Director
Geoff Wilson AO	Non-Executive Director
Sarah Morgan	Non-Executive Director
Kiera Grant	Non-Executive Director (appointed 12 March 2018)
Karen Penrose	Non-Executive Director (resigned 31 October 2018)
Sue Cato	Non-Executive Director (resigned 12 March 2018)

Information on Directors

Belinda Hutchinson AM (Chairman)

Experience and expertise

Belinda Hutchinson has over 20 years' experience as a non-executive director having served on the boards of Telstra, AGL Energy, QBE Insurance, Coles Myer, Energy Australia, TAB, Crane Group and Sydney Water. Belinda commenced her executive career with Andersen Consulting working in Australia and the USA. She moved to Citibank becoming a Vice President in project and corporate finance following which she joined Macquarie Group as an Executive Director and became head of Macquarie Equity Capital. Belinda is a Fellow of the Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors (AICD) and holds a Bachelor of Economics from the University of Sydney.

Belinda Hutchinson has been Chairman of the Company since May 2015.

Other current directorships

Belinda Hutchinson is currently the Chancellor of the University of Sydney (appointed February 2013), Chairman of Thales Australia Limited (appointed August 2015) and a Director of Qantas Airways Limited (appointed April 2018) and Australian Philanthropic Services. Belinda is also a member of the St Vincent's Health Australia NSW Advisory Council.

Former directorships in the last 3 years

Belinda Hutchinson resigned as a Director of AGL Energy Limited in December 2018.

Directors' Report to Shareholders

For the year ended 31 December 2018

Belinda Hutchinson AM (Chairman) (continued)

Special responsibilities

Chairman of the Board and member of the Audit and Risk Committee.

Interests in shares of the Company

Details of Belinda Hutchinson's interests in shares of the Company are included later in this report.

Interests in contracts

Belinda Hutchinson has no interests in contracts of the Company.

Frank Casarotti (Non-Executive Director)

Experience and expertise

Frank Casarotti joined Magellan Financial Group in March 2007 and is General Manager – Distribution. Frank began his career at Australian Eagle Insurance Group in 1979, later joining Colonial First State (then known as First State Fund Managers) as its Queensland State Manager in 1992 and relocating to Sydney to take up the role of Head of Adviser Distribution in 2001. His role at Colonial First State extended from the promotion of Colonial's asset management business capability to its entry into the platform market.

Frank Casarotti has been a Director of the Company since May 2015.

Other current directorships

None.

Former directorships in the last 3 years

Frank Casarotti has not resigned as a Director from any listed companies within the last three years.

Special responsibilities

None.

Interests in shares of the Company

Details of Frank Casarotti's interests in shares of the Company are included later in this report.

Interests in contracts

Details of Frank Casarotti's interest in contracts of the Company are included later in this report.

Geoff Wilson AO (Founder and Non-Executive Director)

Experience and expertise

Geoff Wilson has over 38 years' experience in the Australian and international securities industries. Geoff founded Wilson Asset Management in 1997. Geoff created Australia's first listed philanthropic wealth creation vehicles, Future Generation Investment Company and Future Generation Global Investment Company. Geoff holds a Bachelor of Science, a Graduate Management Qualification and is a Fellow of the Financial Services Institute of Australasia (FINSIA) and the Australian Institute of Company Directors (AICD). Geoff Wilson was awarded the Order of Australia in 2018 for distinguished service to the business and finance sectors, particularly in the field of asset management and investment, to professional financial bodies, and to the community as a supporter of charitable foundations.

Geoff Wilson has been a Director of the Company since May 2015.

Other current directorships

Geoff is Chairman of WAM Capital Limited (appointed March 1999), WAM Research Limited (appointed June 2003), WAM Active Limited (appointed July 2007), WAM Leaders Limited (appointed March 2016), WAM Microcap Limited (appointed March 2017), WAM Global Limited (appointed February 2018), Wealth Defender Equities Limited (appointed October 2018) and the Australian Stockbrokers Foundation.

Directors' Report to Shareholders

For the year ended 31 December 2018

Geoff Wilson AO (Founder and Non-Executive Director) (continued)

Other current directorships (continued)

He is the founder and a Director of Future Generation Investment Company Limited (appointed July 2014). Geoff is a Director of Australian Leaders Fund Limited (appointed October 2003), Global Value Fund Limited (appointed April 2014), Century Australia Investments Limited (appointed September 2014), 8IP Emerging Companies Limited (appointed April 2018), Hearts and Minds Investments Limited (appointed September 2018), Incubator Capital Limited (appointed February 2000), Sporting Chance Cancer Foundation, Australian Fund Managers Foundation and the Australian Children's Music Foundation. Geoff is a member of the Second Bite NSW Advisory Committee. He is also founder and Director of investment management companies Wilson Asset Management (International) Pty Limited and MAM Pty Limited.

Former directorships in the last 3 years

Geoff Wilson resigned as a director of Clime Capital Limited in March 2018.

Special responsibilities

Member of the Audit and Risk and Investment Committee.

Interests in shares of the Company

Details of Geoff Wilson's interests in shares of the Company are included later in this report.

Interests in contracts

Details of Geoff Wilson's interest in contracts of the Company are included later in this report.

Kiera Grant (Non-Executive Director) (appointed 12 March 2018)

Experience and expertise

Kiera Grant has extensive experience as a non-executive Director of public and private companies as well as senior management experience, having spent 15 years working in equity capital markets, most recently as Executive Director, UBS Australia.

Other current directorships

Kiera Grant is currently a non-executive Director of Samuel Smith & Sons Pty Limited (holding company of the Yalumba Wine Company and Negociants Distribution), Adairs Retail Group and of the Sydney Dance Company. Kiera is a trustee of the Art Gallery of NSW Foundation.

Former directorships in the last 3 years

Kiera Grant was previously a non-executive Director of Pacific Brands Limited and Murray Goulburn Co-Operative Co Limited.

Special responsibilities

None.

Interests in shares of the Company

Details of Kiera Grant's interests in shares of the Company are included later in this report.

Interests in contracts

Kiera Grant has no interests in contracts of the Company.

Sarah Morgan (Non-Executive Director)

Experience and expertise

Sarah is an experienced corporate financial advisor. Her previous executive roles included 16 years with independent corporate advisory firm Grant Samuel. Sarah is a member of the Australian Institute of Company Directors (AICD) and Australasian Institute of Mining and Metallurgy (AusIMM).

Sarah Morgan has been a Director of the Company since June 2015.

Directors' Report to Shareholders

For the year ended 31 December 2018

Sarah Morgan (Non-Executive Director) (continued)

Other current directorships

Sarah Morgan is currently a non-executive Director of Hansen Technologies Limited (appointed October 2014), Adslot Limited (appointed January 2015), National Gallery of Victoria Foundation (appointed August 2015), Melbourne Girls Grammar (appointed December 2018), Intrepid Group Limited (appointed January 2019) and Whispir Limited (appointed January 2019).

Former directorships in the last 3 years

Sarah Morgan has not resigned as a Director from any listed companies within the last three years.

Special responsibilities

Acting Chairman of the Audit and Risk Committee.

Interests in shares of the Company

Details of Sarah Morgan's interests in shares of the Company are included later in this report.

Interests in contracts

Sarah Morgan has no interests in contracts of the Company.

Chief Executive Officer

Louise Walsh

Louise Walsh is the Chief Executive Officer of the Future Generation companies (FGG and Future Generation Investment Company Limited (FGX)) founded by Wilson Asset Management Chairman Geoff Wilson. Louise also works closely with Wilson Asset Management on its philanthropic initiatives. Louise is a senior executive with a strong mix of experience in the not-for-profit, government and private sectors. A former solicitor at Allens, she has spent most of her career in sport, arts and philanthropy. Louise was previously the CEO of Philanthropy Australia, the peak body for philanthropy in Australia. Louise is a board member of St Vincent's Curran Foundation, the City Recital Hall in Sydney and the Snow Foundation. She is a member of the Australian Institute of Company Directors (AICD).

Company Secretaries

The following persons held the position of Company Secretary at the end of the financial period:

Kate Thorley

Kate Thorley has over 14 years' experience in the funds management industry and more than 20 years of financial accounting and corporate governance experience. Kate is the Chief Executive Officer of Wilson Asset Management, Director of WAM Capital, WAM Leaders, WAM Research, WAM Active, WAM Microcap, WAM Global and Future Generation Investment Company. She holds a Bachelor of Commerce, a Graduate Diploma in Applied Finance and Investment, Graduate Diploma of Applied Corporate Governance and is a fully qualified Chartered Accountant. She is a member of the Australian Institute of Company Directors (AICD).

Mark Licciardo

Mark Licciardo is the founder and Managing Director of Mertons Corporate Services. A former Company Secretary of Top 50 ASX listed companies Transurban Group and Australian Foundation Investment Company Limited, his expertise includes working with boards of directors in the areas of corporate governance, administration and company secretarial. Mark is a Fellow of the Australian Institute of Company Directors (AICD), the Institute of Company Secretaries and Administrators and the Governance Institute of Australia. Mark is a current director of a number of ASX listed public and private companies and a former Chairman of the Governance Institute of Australia Victoria division, Melbourne Fringe Festival and the Academy of Design Melbourne (LCI Melbourne).

Directors' Report to Shareholders

For the year ended 31 December 2018

Members of the Investment Committee

The experience and qualifications of the members of the Investment Committee at the end of the financial period, up to the date of this report are set out below:

Sean Webster (Chairman, appointed 20 February 2018)

Sean Webster is Senior Manager – Research and Investment Strategy in Advice-Research at AMP Financial Services. He has a strong research background that spans over 24 years bringing a wealth of investment research and management experience. Sean previously worked at Australian Fund Monitors, a boutique, research house specialising in absolute return funds. Before that he was at Pinnacle Financial Services Academy as a research writer. Sean has also been Head of Investment Research at Byron Capital Private Investors and a senior analyst with Berkley Group (now Findex) and has experience as an investment manager with Centuria Capital, a multi-manager funds management business. Sean has a strong economics background and experience across all asset classes including equities, fixed interest, property, and alternatives and has a Master of Arts from Clark University, Massachusetts, USA, a Bachelor of Commerce degree and is a Chartered Financial Analyst (CFA).

Aman Ramrakha

Aman is currently Director, Manager Research Ratings at Morningstar. Prior to this, Aman was an Executive Manager at the Commonwealth Bank of Australia where he was responsible for the investment and insurance research function within the Wealth Management Advice Business. In a prior role, Aman was responsible for constructing investment portfolios for high net worth individuals. Aman has over 20 years financial services experience and has held technical, consulting and advisory roles at BT Financial Group, Colonial First State, KPMG and the Commonwealth Private Bank. Aman holds a Bachelor of Commerce, majoring in Economics and Finance, a Graduate Diploma in Applied Finance and Investments, Diploma of Financial Planning and is a Certified Investment Management Consultant.

Chris Donohoe

Chris joined the Investment Committee in May 2016, after serving as the Co-Chief Executive Officer (CEO) in the Company's inaugural year. Chris is the founder of Seed Partnerships Pty Limited. He has CEO experience in funds management and considerable experience in the initiation, capital raising and management of Listed Investment Companies. Prior to forming Seed Partnerships Pty Limited, Chris was the CEO, Director and Compliance Committee Member at PM Capital Limited. He was also the CEO and Director of the PM Capital Global Opportunities Fund Limited and PM Capital Asian Opportunities Fund Limited. Prior to a 14-year career in funds management, Chris gained several years' experience trading in the derivatives and bond markets. Chris is a Graduate of the Australian Institute of Company Directors (AICD). He holds a Masters of Business in Finance, majoring in Funds Management, from the University of Technology, Sydney.

Gary Brader

Gary joined the Investment Committee in October 2018. Gary has worked at QBE since 2003 and was appointed Group Chief Investment Officer in January 2011. Prior to this, Gary worked at Alliance Capital in London, with 19 years investment experience including time with AXA Investment Managers in London and AXA Australia. He holds a Bachelor of Commerce and Administration.

Geoff Wilson AO

Geoff Wilson is also a Director. Please refer to pages 22 to 23 of the Directors' Report for details of Geoff's experience and qualifications.

Lukasz de Pourbaix

Lukasz leads the Lonsec Investment Solutions Pty Limited (LIS) business as Executive Director & Chief Investment Officer. LIS harnesses Lonsec's broad investment research and portfolio construction expertise delivering effective and efficient portfolio solutions to financial advisers. Lukasz is also Chairman of Lonsec's Asset Allocation Investment Committee and is a member of the Manager Selection and Direct Equities Investment Committees. Prior this, Lukasz was Lonsec's General Manager – Investment Consulting where he provided portfolio construction and manager selection advice to dealer groups, fund managers, super funds and private wealth institutions. Lukasz has over 18 years' industry experience commencing his research career at ING Australia where he was Research Manager. Prior to ING, he worked for BT Investment Management. Lukasz holds a Bachelor of Commerce degree and the CIMA designation.

Directors' Report to Shareholders

For the year ended 31 December 2018

Remuneration Report (Audited)

The responsibility of the Company's remuneration policy rests with the Board. Given the size of the Company, its charitable nature, the fact that the Company does not have any employees (other than the Chief Executive Officer) and has no intention to remunerate its Directors, no remuneration committee has been formed by the Company.

a) Remuneration of Directors and Other Key Management Personnel

The Chairman and the Directors have agreed to waive their Directors' fees on an ongoing basis. For the year ended 31 December 2018, no Directors' fees were paid by the Company (2017: nil).

The Company remunerates LW Consulting Pty Limited, an entity associated with Louise Walsh, \$100,000 (plus GST) per annum for providing her services as Chief Executive Officer.

During the year ended 31 December 2018, the Company paid LW Consulting Pty Limited a total of \$100,000 (plus GST) for services provided (2017: \$100,000 (plus GST)).

The term of the contract continues until June 2019 and will automatically be extended for successive periods of 12 months unless notice of termination is provided by either party no less than three months before the due date for extension of the term.

b) Director Related Entities Remuneration

Except as noted below, all transactions with related entities were made on normal commercial terms and conditions and at market rates.

Frank Casarotti is General Manager – Distribution of Magellan Asset Management Limited which is the Responsible Entity of the Magellan Global Fund. Magellan Asset Management Limited is a fund manager for the Company and has agreed to forgo management and performance fees on the funds managed on behalf of the Company. Notwithstanding Frank's interest in contracts with the Company, he is considered to be independent.

Wilson Asset Management (International) Pty Limited provides some company secretarial services, financial reporting, investor relations and marketing for the Company at no cost. Wilson Asset Management (International) Pty Limited is an entity associated with Geoff Wilson.

c) Equity Instruments Disclosures of Directors, Other Key Management Personnel and Related Parties

As at the date of this report, the Company's Directors, other key management personnel and their related parties held the following interests in the Company:

Ordinary shares held	Balance at 31 December 2017	Acquisitions	Disposals	As at the date of this report
Belinda Hutchinson AM	1,210,000	11,194	-	1,221,194
Frank Casarotti	50,000	-	-	50,000
Geoff Wilson AO	5,060,000	146,014	-	5,206,014
Sarah Morgan	90,909	-	-	90,909
Kiera Grant (appointed 12 March 2018)	-	108,616	-	108,616
Louise Walsh	31,820	11,433	-	43,253

Directors, other key management personnel and director related entities disposed of and acquired ordinary shares in the Company on the same terms and conditions available to other shareholders. The Directors have not, during or since the end financial period, been granted options over unissued shares or interests in shares of the Company as part of their remuneration.

For further details, please refer to Note 20 of the financial statements.

- END OF REMUNERATION REPORT -

Directors' Report to Shareholders

For the year ended 31 December 2018

Directors' Meetings

Director	No. eligible to attend	Attended
Belinda Hutchinson AM	5	5
Frank Casarotti	5	4
Geoff Wilson AO	5	5
Sarah Morgan	5	5
Kiera Grant (appointed 12 March 2018)	4	4
Sue Cato (resigned 12 March 2018)	1	1
Karen Penrose (resigned 31 October 2018)	5	5

Audit & Risk Committee Meetings

The main responsibilities of the Audit and Risk Committee are set out in the Company's 2018 Corporate Governance Statement.

Director	No. eligible to attend	Attended
Belinda Hutchinson AM	4	4
Geoff Wilson AO	4	3
Sarah Morgan	4	4
Karen Penrose (resigned 31 October 2018)	4	4

Investment Committee Meetings

Investment Committee Member	No. eligible to attend	Attended
Sean Webster	4	4
Aman Ramrakha	4	4
Chris Donohoe	4	2
Geoff Wilson AO	4	3
Lukasz de Pourbaix (appointed 20 February 2018)	3	3
Gary Brader (appointed 23 October 2018)	-	-

After Balance Date Events

No other matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial periods.

Future Developments

The Company's future performance is dependent on the performance of the Company's investments. In turn, the performance of these investments is impacted by investee company-specific factors and prevailing industry conditions. In addition, a range of external factors including economic growth rates, interest rates, exchange rates and macro-economic conditions impact the overall equity market and these investments.

As such, we do not believe it is possible or appropriate to accurately predict the future performance of the Company's investments and, therefore, the Company's performance.

Environmental Regulation

The Company's operations are not regulated by any environmental regulation under a law of the Commonwealth or a State or Territory.

Directors' Report to Shareholders

For the year ended 31 December 2018

Indemnification and Insurance of Officers or Auditors

During the year, the Company paid a premium in respect of a contract insuring the Directors and Officers of the Company, the Company Secretary and any related body corporate against liability incurred as such by a Director, Officer or Secretary to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

No indemnities have been given or insurance premiums paid during or since the end of the financial year, for any person who is or has been an auditor of the Company.

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Non-Audit Services

During the year Pitcher Partners, the Company's auditor, did not perform any non-assurance services in addition to their statutory duties for the Company. Related entities of Pitcher Partners perform certain taxation services for the Company on a pro bono basis. Details of the amounts paid to the auditors are disclosed in Note 7 to the financial statements.

The Board of Directors, in accordance with advice from the Audit and Risk Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed in Note 7 did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Audit and Risk Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with the APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 issued by the ASIC, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest dollar or unless otherwise indicated.

Corporate Governance Statement

The Company's Corporate Governance Statement for the year ended 31 December 2018 is provided on the Company website at futuregeninvest.com.au.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 29 of this Annual Report.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.



Belinda Hutchinson AM
Chairman

Dated in Sydney this 27th day of February 2019

Auditor's Independence Declaration**To the Directors of Future Generation Global Investment Company Limited****ABN 52 606 110 838**

In relation to the independent audit for the year ended 31 December 2018, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of any applicable code of professional conduct.

This declaration is in respect of Future Generation Global Investment Company Limited during the year.



S M WHIDDETT
Partner

PITCHER PARTNERS
Sydney

27 February 2019

Statement of Comprehensive Income

For the year ended 31 December 2018

	Note	2018 \$'000	2017 \$'000
Investment income from ordinary activities			
Distributions received		14,420	4,955
Investment management and performance fee rebates	3	4,240	2,750
Net foreign exchange gains/(losses)		2,193	(1,323)
Interest income		815	228
Other income		15	215
Net realised gains on financial assets held at fair value through profit or loss		-	245
		21,683	7,070
Expenses			
ASX listing fees		-	-
Share registry maintenance costs		-	-
Directors' fees		-	-
Accounting fees		-	-
Audit fees	7	-	-
Charity investment accrual	5	(4,191)	(3,292)
Share registry transaction costs		(99)	(89)
Executive remuneration	20	(110)	(110)
Other expenses		(190)	(117)
ASX CHESS fees		(12)	(26)
Tax fees		(6)	(4)
Profit before income tax		17,075	3,432
Income tax expense	4(a)	(4,314)	(385)
Profit after income tax attributable to members		12,761	3,047
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Net realised and unrealised (losses)/gains on investments taken to equity, net of tax		(4,077)	26,076
Other comprehensive (loss)/income for the year, net of tax		(4,077)	26,076
Total comprehensive income for the year		8,684	29,123
Basic and diluted earnings per share	16	4.07 cents	1.05 cents

The accompanying notes form part of these financial statements.

Statement of Financial Position

As at 31 December 2018

	Note	2018 \$'000	2017 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	13	173,261	25,073
Trade and other receivables	8	810	837
Other current assets		36	204
Total current assets		174,107	26,114
Non-current assets			
Financial assets at fair value through other comprehensive income	9	323,751	336,793
Intangible assets		4	6
Deferred tax assets	4(b)	1,664	2,404
Total non-current assets		325,419	339,203
Total assets		499,526	365,317
LIABILITIES			
Current liabilities			
Trade and other payables	10	66	87
Charity investment accrual	5	2,304	1,744
Current tax liabilities	4(c)	2,647	357
Total current liabilities		5,017	2,188
Non-current liabilities			
Deferred tax liabilities	4(d)	9,819	11,293
Total non-current liabilities		9,819	11,293
Total liabilities		14,836	13,481
Net assets		484,690	351,836
EQUITY			
Issued capital	11	449,303	322,172
Investment reserves	12(a)	23,784	27,861
Profits reserve	12(a)	11,603	1,803
Retained earnings	12(b)	-	-
Total equity		484,690	351,836

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2018

	Note	Issued capital \$'000	Investment reserves \$'000	Profits reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 January 2017		301,320	1,785	1,714	-	304,819
Net profit for the period		-	-	-	3,047	3,047
Transfer of profits reserve	12(b)	-	-	3,047	(3,047)	-
Other comprehensive income, net of tax		-	26,076	-	-	26,076
Transactions with owners:						
Shares issued via exercise of options	11(b)	20,516	-	-	-	20,516
Shares issued via Dividend Reinvestment Plan	11(b)	336	-	-	-	336
Dividends paid	6(a)	-	-	(2,958)	-	(2,958)
Balance at 31 December 2017		322,172	27,861	1,803	-	351,836
Net profit for the period		-	-	-	12,761	12,761
Transfer of profits reserve	12(b)	-	-	12,761	(12,761)	-
Other comprehensive loss, net of tax		-	(4,077)	-	-	(4,077)
Transactions with owners:						
Shares issued via Share Purchase Plan	11(b)	30,821	-	-	-	30,821
Shares issued via Placement	11(b)	97,087	-	-	-	97,087
Shares issued via Dividend Reinvestment Plan	11(b)	299	-	-	-	299
Share issue costs (net of tax)	11(b)	(1,076)	-	-	-	(1,076)
Dividends paid	6(a)	-	-	(2,961)	-	(2,961)
Balance at 31 December 2018		449,303	23,784	11,603	-	484,690

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2018

	Note	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Payments for financial assets held at fair value through profit or loss		-	(3,250)
Proceeds from financial assets held at fair value through profit or loss		-	3,495
Distribution income received		4,121	-
Interest received		815	228
Rebate income received		3	22
Income tax paid		(1,934)	(1,770)
Charity investment		(3,630)	(3,044)
Payments for other expenses		(386)	(392)
Net cash used in operating activities	14	(1,011)	(4,711)
Cash flows from investing activities			
Payments for financial assets		(31,834)	(34,277)
Proceeds from sale of financial assets		55,132	30,892
Payments for purchase of intangible assets		-	(7)
Net cash provided by/(used in) by investing activities		23,298	(3,392)
Cash flows from financing activities			
Shares issued via a Share Purchase Plan and Placement		127,909	-
Cost of raising capital (gross of tax)		(1,539)	-
Dividends paid to the Company's shareholders (net of Dividend Reinvestment Plan)		(2,662)	(2,622)
Shares issued via the exercise of options		-	20,516
Net cash provided by financing activities		123,708	17,894
Net increase in cash and cash equivalents		145,995	9,791
Cash and cash equivalents at the beginning of the period		25,073	16,605
Effects of exchange rate changes on cash and cash equivalents		2,193	(1,323)
Cash and cash equivalents at the end of the period	13	173,261	25,073
Non-cash investing and financing activities			
Distributions, rebates, equalisation income reinvested and shares issued via Dividend Reinvestment Plan	15	14,993	7,876

The accompanying notes form part of these financial statements

Notes to the Financial Statements

For the year ended 31 December 2018

1. General information

Future Generation Global Investment Company Limited (FGG or the Company) is a listed public company, incorporated and domiciled in Australia. The registered office is Level 26, Governor Phillip Tower, 1 Farrer Place, Sydney NSW 2000. The financial statements of the Company are for the year ended 31 December 2018.

The financial report was authorised for issue on 27 February 2019 by the Board of Directors.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

(a) Basis of preparation

These general purpose financial statements for the year ended 31 December 2018 have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The Company is a for-profit entity for the purpose of preparing the financial statements.

Australian Accounting Standards set out the accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions to which they apply. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

(i) Compliance with IFRS

The financial statements of the Company also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention

These financial statements have been prepared under the accruals basis and are based on historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss or through other comprehensive income.

(iii) New standards and interpretations not yet mandatory or early adopted

There are no new standards or interpretations applicable that would have a material impact for the Company.

(b) Revenue recognition

Revenue is measured at the fair value of consideration received or receivable.

(i) Investment income

Profits and losses realised from the sale of investments and unrealised gains and losses on securities held at fair value are included in the Statement of Comprehensive Income in the period they are incurred, in accordance with the policies described in Note 2(c).

(ii) Trust distributions

Trust distributions are recognised as revenue in the Statement of Comprehensive Income when the right to receive payment is established.

(iii) Interest income

Interest income is recognised as it accrues in the Statement of Comprehensive Income based on nominated interest rates available on the bank accounts held.

(iv) Management and performance fee rebate income

Fee rebates are recognised in the Statement of Comprehensive Income on an accruals basis.

Notes to the Financial Statements

For the year ended 31 December 2018

2. Summary of significant accounting policies (continued)

(c) Investments and other financial assets

Classification

Recognition and derecognition

The Company has designated long-term investments in unlisted unit trusts as fair value through other comprehensive income. All gains and losses on long-term investments and tax thereon are presented in other comprehensive income as part of the Statement of Comprehensive Income.

Purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures a financial asset at its fair value. Transaction costs for financial assets carried at fair value through other comprehensive income are included as part of the initial measurement.

Subsequent changes in fair value for financial assets at fair value through other comprehensive income are recognised through the investment portfolio revaluation reserve after deducting a provision for the potential deferred capital gains tax liability as these investments are long-term holding of equity investments.

When an instrument held at fair value through other comprehensive income is disposed, the cumulative gain or loss, net of tax thereon, is transferred from the investment portfolio revaluation reserve to the investment portfolio realised gains/losses reserve.

Determination of Fair Value

AASB 13 Fair Value Measurement defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

The Company's accounting policy on fair value is disclosed in Note 18.

The Board of Directors values the Company's investments in unlisted unit trusts using the unit prices derived from the unaudited net assets of the unlisted unit trusts.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Australian dollars, which is Future Generation Global Investment Company Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

Notes to the Financial Statements

For the year ended 31 December 2018

2. Summary of significant accounting policies (continued)

(e) Income tax

The Company is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on the Company's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. The Board periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Current and deferred tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(f) Impairment of assets

At each reporting date, the Company reviews the carrying values of its non-financial assets to determine whether there is any indication that those assets may be impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Comprehensive Income.

(g) Cash and cash equivalents

For the purpose of presentation in the Statement of Cash Flows, cash and cash equivalents includes cash on hand and deposits held at call with financial institutions.

(h) Trade receivables

Trade and other receivables are non-derivative financial assets and are stated at their amortised cost.

(i) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial period which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Notes to the Financial Statements

For the year ended 31 December 2018

2. Summary of significant accounting policies (continued)

(j) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the proceeds from the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(k) Profits reserve

A profits reserve has been created representing an amount allocated on a monthly basis from retained earnings that is preserved for future dividend payments.

(l) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period. In accordance with the *Corporations Act 2001*, the Company may pay a dividend where the Company's assets exceed its liabilities, the payment of the dividend is fair and reasonable to the Company's shareholders as a whole and the payment of the dividend does not materially prejudice the Company's ability to pay its creditors.

(m) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to shareholders of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense. Where applicable, the Company qualifies for Reduced Input Tax Credits (RITC) at a rate of at least 75%; hence fees for these services have been recognised in the Statement of Comprehensive Income net of the amount of GST recoverable from the taxation authority.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(o) Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data. There are no estimates or judgements that have a material impact on the Company's financial results for the year ended 31 December 2018.

(p) Rounding of amounts

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 issued by ASIC, relating to the 'rounding off' of amounts in the Financial Statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar, unless otherwise indicated.

Notes to the Financial Statements

For the year ended 31 December 2018

3. Investment income from ordinary activities

As at 31 December 2018, the investment portfolio was made up of 13 global fund managers, with investments in 13 unlisted unit trusts and one direct listed investment company.

Where available, the Company has invested in unit classes that have zero management and performance fees. The unit trusts with a zero fee unit class are the Avenir Global Fund, Caledonia Fund and Manikay Global Opportunistic Fund.

The aggregated amount of management and performance fees foregone by the unit trusts with a zero fee unit class for the year ended 31 December 2018 was \$0.9 million (2017: \$0.9 million).

The remaining investments are made in unit trusts with global fund managers that normally charge management and performance fees. These fund managers have rebated the fees charged. The aggregate amount of management and performance fees rebated to the Company was \$4.2 million for the year ended 31 December 2018 (2017: \$2.7 million). Management and performance fee rebates are recognised in the Statement of Comprehensive Income on an accruals basis.

The estimated value of the other pro bono services provided to the Company for the year ended 31 December 2018 totalled \$0.7 million (2017: \$0.7 million).

4. Income tax

(a) Income tax expense

The prima facie tax on profit before income tax is reconciled to the income tax expense as follows:

	2018 \$'000	2017 \$'000
Prima facie tax on profit before income tax at 30.0% (2017: 27.5%):	5,123	944
Imputation credit gross up	8	4
Foreign tax credits gross up on distributions	289	95
Franking credits on distributions received	(25)	(16)
Foreign tax credits on distributions received	(964)	(344)
Other non-assessable income	-	(57)
Over provision in prior period	-	(432)
Effect of change in corporate tax rate	(117)	191
Income tax expense	4,314	385
Effective tax rate	25.3%	11.2%

The effective tax rate of the Company in 2018 was 25.3% (2017: 11.2%) and reflects the benefit to the Company of franking and foreign tax credits on distribution income received. The increase in the effective tax rate from the prior year is as a result of the over provision for the 2016 tax year, foreign income tax offsets received on trust distributions during the year in addition to the impact of the change in the corporate tax rate.

Total income tax expense results in a:

	2018 \$'000	2017 \$'000
Current tax liability	4,328	120
Deferred tax asset	(14)	265
Total income tax expense	4,314	385

Notes to the Financial Statements

For the year ended 31 December 2018

4. Income tax (continued)

(a) Income tax expense (continued)

On 19 May 2017, the Federal Government enacted laws reducing the corporate tax rate to 27.5% for companies with a turnover below \$10.0 million in the financial year ended 30 June 2017. This legislation also introduced a new formula for determining the maximum franking credit entitlement for a frankable distribution, which is generally based on the Company's corporate tax rate for the prior income year. The turnover of the Company for the 2017 income tax year was less than \$10.0 million and as a result, the Company was eligible for the corporate tax rate of 27.5%. Accordingly, and in accordance with the impact of the legislation at the time, the 2017 fully franked dividend of 1.0 cents per share paid on 27 October 2017 was franked at the rate of 27.5%.

An amendment to limit the entities subject to the lower corporate tax rate was introduced by the Federal Government and passed through both Houses on 23 August 2018. The Treasury Laws Amendment (Enterprise Tax Plan Base Rate Entities) Bill 2017 amended the law to limit the lower corporate tax rate to base rate entities with no more than 80.0% passive income. With these measures being passed, the Company is no longer eligible for the reduced corporate tax rate of 27.5%, and will be taxed at the current maximum corporate tax rate of 30.0% going forward.

(b) Deferred tax assets

	2018 \$'000	2017 \$'000
Capitalised share issue costs	972	698
Provisions	692	480
Carried forward capital losses on investments	-	726
Carried forward revenue losses	-	500
At reporting date	1,664	2,404

Movement in deferred tax assets:

	2018 \$'000	2017 \$'000
Balance at the beginning of the period	2,404	2,286
Charged to profit or loss	(14)	(265)
Utilisation of prior year carried forward capital losses	(726)	383
At reporting date	1,664	2,404

(c) Current tax liabilities

Movement in current tax liabilities:

	2018 \$'000	2017 \$'000
Balance at the beginning of the period	357	2,008
Current year income tax expense on operating period	4,328	120
Utilisation of prior year carried forward revenue losses	(500)	-
Income tax on realised gains on investments	1,122	-
Utilisation of prior year carried forward capital losses on investments	(726)	-
Income tax paid	(1,934)	(1,771)
At reporting date	2,647	357

Notes to the Financial Statements

For the year ended 31 December 2018

4. Income tax (continued)

(d) Deferred tax liabilities

	2018 \$'000	2017 \$'000
Net unrealised gains on revaluation of investment portfolio	9,819	11,293
At reporting date	9,819	11,293

Movement in deferred tax liabilities:

	2018 \$'000	2017 \$'000
Balance at the beginning of the period	11,293	1,108
Charged to other comprehensive income	(1,474)	10,185
At reporting date	9,819	11,293

5. Charity investment

In line with the Company's stated objectives, the Company invests a percentage of its assets to Australian charities supporting youth mental health. The investment is accrued monthly and is equal to 1.0% of the Company's average monthly net tangible assets. All investments are made to charities with deductible gift recipient (DGR) status. The investment represents a tax deduction for the Company. The annual investment by the Company in supporting youth mental health is detailed further in the Charity Report on page 15 of this report.

For the 12 months ended 31 December 2018, the amount recognised in the Statement of Comprehensive Income was \$4.2 million (2017: \$3.3 million).

The Company paid its third annual investment of \$3.6 million in October 2018. The specific allocation to each charity was determined by shareholder votes and directions, with the Board distributing the undirected monies on a pro-rata basis between the designated charities.

As at 31 December 2018, the six-month accrued commitment is \$2.3 million (2017: \$1.7 million).

6. Dividends

(a) Ordinary dividends paid during the year

	2018 \$'000	2017 \$'000
June 2018 dividend: 1.0 cents per share fully franked at 30% paid 26 October 2018 (June 2017: 1.0 cents per share fully franked)	2,961	2,958

Notes to the Financial Statements

For the year ended 31 December 2018

6. Dividends (continued)

(b) Dividend franking account

	2018 \$'000	2017 \$'000
Opening balance of franking account	(485)	(1,148)
Franking credits on distributions received	25	15
Tax paid during the year	1,934	1,770
Franking credits on dividends paid	(1,415)	(1,122)
Closing balance of franking account	59	(485)
Adjustments for tax payable in respect of the period's profits and receipt of distributions.	2,271	357
Adjusted franking account balance	2,330	(128)

The above amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits from distributions after the end of the year and debits that will arise from the settlement of liabilities.

7. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

	2018 \$'000	2017 \$'000
Audit and review of financial statements	37	35
Other services provided by a related practice of the auditor:		
Taxation services	4	4
Total remuneration for audit and other assurance services	41	39

Steadfast Group Limited has agreed to pay for the audit and review of the Company's financial statements provided by Pitcher Partners.

The Company's Audit and Risk Committee oversees the relationship with the Company's external auditors. The Audit and Risk Committee reviews the scope of the audit and reviews the proposed fee. It also reviews the cost and scope of other services provided by a related entity of the audit firm to ensure that they do not compromise independence.

8. Current assets – Trade and other receivables

	2018 \$'000	2017 \$'000
Distribution income receivable	43	273
GST receivable	116	4
Rebate income receivable	635	560
Other receivables	16	-
Total trade and other receivables	810	837

Notes to the Financial Statements

For the year ended 31 December 2018

9. Non-current assets – Financial assets at fair value through other comprehensive income

	2018 \$'000	2017 \$'000
Financial assets at fair value through other comprehensive income	323,751	336,793

A breakdown of the fund manager allocation and investments at market value is included in the Investment Committee Report on page 9.

10. Trade and other payables

	2018 \$'000	2017 \$'000
Trade and other payables	66	87

Other payables are settled within the terms of payment offered. No interest is applicable on these accounts.

11. Issued capital

(a) Paid-up capital

	2018 \$'000	2017 \$'000
391,791,594 ordinary shares fully paid (2017: 296,112,380)	449,303	322,172

Holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at shareholder meetings; otherwise each member present at a meeting or by proxy has one vote on a show of hands. In the event of the winding up of the Company, ordinary shareholders rank after creditors and share in any proceeds on winding up in proportion to the number of shares held.

(b) Movements in ordinary share capital

	2018 \$'000	2017 \$'000
Balance at the beginning of the period	322,172	301,320
23,001,019 shares issued on 15 October 2018 under a Share Purchase Plan	30,821	-
72,453,436 shares issued on 24 October 2018 under a Placement	97,087	-
224,759 shares issued on 26 October 2018 under a Dividend Reinvestment Plan	299	-
Cost of raising capital (net of tax)	(1,076)	-
18,651,718 shares issued from the exercise of options	-	20,516
296,593 shares issued on 27 October 2017 under a Dividend Reinvestment Plan	-	336
At reporting date	449,303	322,172

Notes to the Financial Statements

For the year ended 31 December 2018

11. Issued capital (continued)

(c) Capital management

The Board manages the Company's capital by regularly reviewing the most efficient manner by which the Company deploys its capital. The Board believes that shareholder value should be preserved through the management of the level of distributions to shareholders, share placements, share purchase plans, options issues and share buy-backs. These capital management initiatives will be used when deemed appropriate by the Board. There have been no changes in the strategy adopted by the Board to manage the capital of the Company during the year. The Company is not subject to any externally imposed capital requirements.

During the period, the Company completed a Share Purchase Plan (SPP) and Placement, which raised a combined \$127.9 million, driven by strong demand from existing investors. The SPP raised \$30.8 million, with a total of 2,727 shareholders participating. The Placement raised a further \$97.1 million.

12. Reserves and retained earnings

(a) Reserves

	2018 \$'000	2017 \$'000
Reserves		
Investment portfolio revaluation reserve	22,914	29,774
Investment portfolio realised gains/(losses) reserve	870	(1,913)
Profits reserve	11,603	1,803
Total reserves	35,387	29,664

Movements:

	2018 \$'000	2017 \$'000
Investment portfolio revaluation reserve		
Net unrealised gains on investments	32,733	41,067
Income tax on net unrealised gains on investments	(9,819)	(11,293)
At reporting date	22,914	29,774

	2018 \$'000	2017 \$'000
Investment portfolio realised gains/(losses) reserve		
Net realised gains/(losses) on investments	1,257	(2,639)
Income tax on net realised (gains)/losses on investments	(387)	726
At reporting date	870	(1,913)

	2018 \$'000	2017 \$'000
Profits reserve		
Opening balance	1,803	1,714
Transfer from retained earnings	12,761	3,047
Dividends paid	(2,961)	(2,958)
At reporting date	11,603	1,803

Notes to the Financial Statements

For the year ended 31 December 2018

12. Reserves and retained earnings (continued)

(b) Retained earnings

Movements in retained earnings were as follows:

	2018 \$'000	2017 \$'000
Opening balance	-	-
Net profit for the period	12,761	3,047
Transfer to profits reserve	(12,761)	(3,047)
At reporting date	-	-

13. Current assets - Cash and cash equivalents

Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2018 \$'000	2017 \$'000
Cash at call	173,261	25,073

The accounts are earning interest at fixed rates. Of the above cash amount \$22.0 million (\$USD 15.5 million) (2017: \$19.5 million (\$USD 15.3 million)) is denominated in US Dollars.

Risk exposure

The Company's exposure to interest rate risk is discussed in Note 17. The maximum exposure to credit risk in relation to cash at the end of the reporting period is the carrying amount of cash at call.

Cash at call is with Australia and New Zealand Banking Group that have a Standard and Poor's short term rating of A-1+ and long term rating of AA-.

Notes to the Financial Statements

For the year ended 31 December 2018

14. Reconciliation of profit after income tax to net cash provided by operating activities

	2018 \$'000	2017 \$'000
Profit after tax for the year	12,761	3,047
Equalisation income reinvested	(3)	(24)
Rebate income reinvested	(4,172)	(2,768)
Distribution income reinvested	(10,529)	(4,748)
Amortisation of intangibles	2	1
Effects of foreign currency exchange rate changes on cash and cash equivalents	(2,193)	1,323
Change in operating assets and liabilities:		
Increase in trade and other receivables	128	(357)
Decrease in other current assets	168	-
Increase/(decrease) in deferred tax assets	(486)	265
Decrease in other trade and other payables	(14)	(47)
Increase in charity investment accrual	560	248
Increase/(decrease) in current tax liabilities	2,767	(1,651)
Net cash used in operating activities	(1,011)	(4,711)

15. Non-cash investing and financing activities

	2018 \$'000	2017 \$'000
Distribution income reinvested	10,529	4,748
Rebate income reinvested	4,162	2,768
Shares issued via Dividend Reinvestment Plan	299	336
Equalisation income reinvested	3	24
Total non-cash investing and financing activities	14,993	7,876

Notes to the Financial Statements

For the year ended 31 December 2018

16. Earnings per share

	2018 \$'000	2017 \$'000
Profit after income tax used in the calculation of basic and diluted earnings per share	12,761	3,047

(a) Basic and diluted earnings per share

	Cents	Cents
Basic and diluted earnings per share attributable to the ordinary equity holders of the Company	4.07	1.05

(b) Weighted average number of shares used as denominator

	Number '000	Number '000
Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted earnings per share	313,509	289,677

There are no outstanding securities that are potentially dilutive in nature for the Company.

17. Financial risk management

The Company's activities expose it to a variety of financial risks: market risks (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Board of the Company has implemented a risk management framework to mitigate these risks.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

(i) Foreign exchange risk

Exposure

The Company holds both monetary and non-monetary assets denominated in currencies other than the Australian dollar. Foreign exchange risk arises as the value of monetary securities denominated in other currencies fluctuates due to changes in exchange rates. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk not foreign exchange risk. However, the Company monitors the exposure on all foreign currency denominated assets and liabilities.

The Company does not hedge against its foreign exchange exposure, and consequently, the impact of foreign exchange movements are directly reflected in the Statement of Comprehensive Income.

Notes to the Financial Statements

For the year ended 31 December 2018

17. Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The Investment Committee formulates views on the future direction of foreign exchange rates and the potential impact on the Company and these are factored into its asset allocation decisions. While the Company has direct exposure to foreign exchange rate changes on the price of non-Australian dollar-denominated investments, it may also be indirectly affected by the impact of foreign exchange rate changes on the earnings of certain funds in which the Company invests, even if those funds are denominated in Australian dollars. For that reason, the sensitivity analysis below may not necessarily indicate the total effect on the Company's equity of future movements in foreign exchange rates.

The table below summarises the Company's financial assets and liabilities, monetary and non-monetary, which are denominated in US dollars.

	2018 \$'000	2017 \$'000
Cash and cash equivalents	22,003	19,514
Trade and other receivables	104	59
Financial assets at fair value through other comprehensive income	50,555	45,616
	72,662	65,189

Sensitivity

The following table illustrates the sensitivities of the Company's monetary assets and liabilities to foreign exchange risk. The analysis is based on the assumption that the Australian dollar weakened and strengthened by 10% against the US dollar.

Impact on net profit/(loss)	\$'000	2018	\$'000	2017
		\$'000		\$'000
	-10%	+10%	-10%	+10%
Cash and cash equivalents	(2,200)	2,200	(1,952)	1,952
Trade and other receivables	(11)	11	(5)	5
	(2,211)	2,211	(1,957)	1,957

(ii) Price risk

Exposure

The Company is exposed to price risk on its investments in unlisted unit trusts. This arises from investments held by the Company and classified in the Statement of Financial Position as financial assets at fair value through other comprehensive income.

The Company seeks to manage and constrain market risk by diversification of the investment portfolio across a number of prominent global equity fund managers with a focus on long equities and absolute bias strategies.

Notes to the Financial Statements

For the year ended 31 December 2018

17. Financial risk management (continued)

(a) Market risk (continued)

(ii) Price risk (continued)

Sensitivity

The following table illustrates the effect on the Company's equity from possible changes in the fair value of financial assets that were reasonably possible based on the risk that the Company was exposed to at reporting date, assuming a flat tax rate of 30.0%:

Impact on other components of equity	2018 \$'000	2017 \$'000
MSCI AC World Index (AUD)		
Change in variable +/-5% (2017: +/-5%)	16,188	12,209
Change in variable +/-10% (2017: +/-10%)	32,375	24,417

(iii) Cash flow and fair value interest rate risk

Exposure

The Company's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The table below summarises the Company's exposure to interest rate risks. It includes the Company's assets and liabilities at fair values, categorised by the earlier of contractual repricing or maturity dates.

	Interest bearing \$'000	Non-interest bearing \$'000	Total \$'000
2018			
Financial Assets			
Cash and cash equivalents	173,261	-	173,261
Trade and other receivables	-	810	810
Financial assets at fair value through other comprehensive income	-	323,751	323,751
Total financial assets	173,261	324,561	497,822
Financial Liabilities			
Trade and other payables	-	66	66
Total financial liabilities	-	66	66
Net exposure	173,261	324,495	497,756

Notes to the Financial Statements

For the year ended 31 December 2018

17. Financial risk management (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risk (continued)

2017	Interest bearing \$'000	Non-interest bearing \$'000	Total \$'000
Financial Assets			
Cash and cash equivalents	25,073	-	25,073
Trade and other receivables	-	837	837
Financial assets at fair value through other comprehensive income	-	336,793	336,793
Total financial assets	25,073	337,630	362,703
Financial Liabilities			
Trade and other payables	-	87	87
Total financial liabilities	-	87	87
Net exposure	25,073	337,543	362,616

Sensitivity

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates.

At 31 December 2018, if interest rates had increased by 100 basis points (bps) or decreased by 100 bps from the period end rates with all other variables held constant, post-tax profit for the period would have been \$1,733,000 higher/\$1,733,000 lower (2017 changes of 100bps: \$251,000 higher/\$251,000 lower), mainly as a result of higher/lower interest income from cash and cash equivalents.

(b) Credit risk

Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and Notes to the Financial Statements.

Credit risk is managed as noted in Note 13 with respect to cash and cash equivalents and Note 8 for trade and other receivables. None of these assets are overdue or considered to be impaired.

(c) Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Board and Investment Committee monitor the Company's cash-flow requirements in relation to the investment portfolio taking into account upcoming dividends, tax payments and investing activity.

Notes to the Financial Statements

For the year ended 31 December 2018

17. Financial risk management (continued)

(c) Liquidity risk (continued)

The Company's inward cash flows depend upon the level of distribution and interest revenue received and the funds received from capital raising initiatives from time to time. Should these decrease by a material amount, the Company would amend its outward cash flows accordingly. As the Company's major cash outflows are investments in underlying fund managers, dividends paid to shareholders and the annual investment in youth mental health, the level of these outflows are managed by the Board and Investment Committee.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The Company's cash is held at call which mitigates liquidity risk.

Maturities of financial liabilities

The following table analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on their contractual maturities at period end.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 month \$'000	1-12 months \$'000	Total contractual undiscounted cash flows \$'000
2018			
Non-derivatives			
Trade and other payables	-	66	66
Total non-derivatives	-	66	66

	Less than 1 month \$'000	1-12 months \$'000	Total contractual undiscounted cash flows \$'000
2017			
Non-derivatives			
Trade and other payables	-	87	87
Total non-derivatives	-	87	87

18. Fair value measurements

The Company measures and recognises its financial assets at fair value through other comprehensive income (FVTOCI) on a recurring basis.

Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy (consistent with the hierarchy applied to financial assets and financial liabilities):

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Financial Statements

For the year ended 31 December 2018

18. Fair value measurements (continued)

Fair value hierarchy (continued)

(i) Recognised fair value measurements

The following table presents the Company's financial assets and liabilities measured and recognised at fair value at 31 December 2018 on a recurring basis.

2018	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at FVTOCI	4,601	319,150	-	323,751

2017	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at FVTOCI	-	336,793	-	336,793

There were no transfers between levels for recurring fair value measurements during the year. The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

(ii) Disclosed fair values

For all financial instruments other than those measured at fair value their carrying value approximates fair value.

The carrying amounts of trade and other receivables and payables are assumed to approximate their fair values due to their short-term nature.

(iii) Valuation techniques used to determine fair value

Recurring fair value measurements

Included within Level 1 of the hierarchy is the Company's direct investment in a listed investment company. The fair value of the investment is based on the closing quoted last price at the end of the reporting period.

The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. The Board of Directors value the Company's investments in unlisted unit trusts using the unit prices derived from the unaudited net asset backing of the unlisted unit trusts at the end of the period.

19. Segment information

The Company is engaged in investing activities including cash, term deposits and investments in underlying funds managed by prominent global equity fund managers. It has no reportable business or geographical segment.

Notes to the Financial Statements

For the year ended 31 December 2018

20. Key management personnel compensation

The names and position held of the Company's key management personnel (including Directors) in office at any time during the year ended 31 December 2018 are:

Belinda Hutchinson AM	Chairman
Frank Casarotti	Non-Executive Director
Geoff Wilson AO	Non-Executive Director
Sarah Morgan	Non-Executive Director
Kiera Grant	Non-Executive Director (appointed 12 March 2018)
Karen Penrose	Non-Executive Director (resigned 31 October 2018)
Sue Cato	Non-Executive Director (resigned 12 March 2018)
Louise Walsh	Chief Executive Officer

(a) Remuneration

The Chairman and the Directors have agreed to waive their Directors' fees on an ongoing basis. For the year ended 31 December 2018, no Directors' fees were paid by the Company (2017: nil).

The Company remunerates LW Consulting Pty Limited, an entity associated with Louise Walsh, \$100,000 (plus GST) per annum for providing her services as Chief Executive Officer.

During the year ended 31 December 2018, the Company paid LW Consulting Pty Limited a total of \$100,000 (plus GST) for services provided (2017: \$100,000 (plus GST)).

The term of the contract continues until June 2019 and will automatically be extended for successive periods of 12 months unless notice of termination is provided by either party no less than three months before the due date for extension of the term.

(b) Shareholdings

As at 31 December 2018, the Company's key management personnel and their related parties held the following interests in the Company:

2018

Directors and Key Management	Balance at 31 December 2017	Acquisitions	Disposals	Balance at 31 December 2018
Belinda Hutchinson AM	1,210,000	11,194	-	1,221,194
Frank Casarotti	50,000	-	-	50,000
Geoff Wilson AO	5,060,000	146,014	-	5,206,014
Sarah Morgan	90,909	-	-	90,909
Kiera Grant (appointed 12 March 2018)	-	108,616	-	108,616
Louise Walsh	31,820	11,433	-	43,253

Notes to the Financial Statements

For the year ended 31 December 2018

20. Key management personnel compensation (continued)

(b) Shareholdings (continued)

2017

Directors and Key Management	Balance at 31 December 2016	Acquisitions	Disposals	Balance at 31 December 2017
Belinda Hutchinson AM	909,000	301,000	-	1,210,000
Frank Casarotti	50,000	-	-	50,000
Geoff Wilson AO	3,770,917	1,289,083	-	5,060,000
Sarah Morgan	90,909	-	-	90,909
Sue Cato*	91,001	-	-	91,001
Karen Penrose**	25,000	15,000	-	40,000
Louise Walsh	100,929	891	70,000	31,820

*Sue Cato resigned as a Director of FGG on 12 March 2018. On resignation, Sue held 91,001 shares in the Company.

**Karen Penrose resigned as a Director of FGG on 31 October 2018. On resignation, Karen held 43,371 shares in the Company.

Directors, other key management personnel and their related entities disposed of and acquired ordinary shares in the Company on the same terms and conditions available to other shareholders. The Directors and key management personnel have not, during or since the end of the financial year, been granted options over unissued shares or interests in shares of the Company as part of their remuneration.

21. Related party transactions

All transactions with related entities were made on normal commercial terms and conditions and at market rates, except as noted below.

Frank Casarotti is General Manager - Distribution of Magellan Asset Management Limited which is the Responsible Entity of the Magellan Global Fund. Magellan Asset Management Limited is a fund manager for the Company and has agreed to forgo all management and performance fees on the funds managed on behalf of the Company. Notwithstanding Frank's interest in contracts with the Company, he is considered to be independent.

Wilson Asset Management (International) Pty Limited provides some company secretarial services, financial reporting, investor relations and marketing for the Company at no cost. Wilson Asset Management (International) Pty Limited is an entity associated with Geoff Wilson.

22. Contingencies

The Company had no contingent liabilities as at 31 December 2018 (2017: nil).

23. Commitments

The Company contributes a percentage of its assets to Australian charities supporting youth mental health. The contribution is accrued monthly and is equal to 1.0% of the Company's average monthly net tangible assets. As at 31 December 2018, the six month accrued commitment is \$2.3 million (2017: \$1.7 million).

24. Events occurring after the reporting period

No other matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial periods.

Directors' Declaration

The Directors of Future Generation Global Investment Company Limited declare that:

- 1) The financial report as set out in pages 30 to 53 and the additional disclosures included in the Directors' Report designated as 'Remuneration Report', as set out on page 26, are in accordance with the *Corporations Act 2001*, including:
 - a) complying with Australian Accounting Standards, which, as stated in Note 2 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS), the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - b) giving a true and fair view of the financial position of the Company as at 31 December 2018 and of its performance, as represented by the results of the operations and the cash flows, for the year ended on that date; and
- 2) At the date of this declaration, in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 3) The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the persons and organisations who perform the Chief Executive Officer and Chief Financial Officer functions respectively, for the purpose of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Board of Directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.



Belinda Hutchinson AM
Chairman

Dated in Sydney this 27th day of February 2019

Independent Auditor's Report

to the Members of Future Generation Global Investment Company Limited
ABN 52 606 110 838

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Future Generation Global Investment Company Limited (the Company), which comprises the statement of financial position as at 31 December 2018, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Opinion

In our opinion, the financial report of Future Generation Global Investment Company Limited is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the Company's financial position as at 31 December 2018 and of its performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis of Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibility* section of our report. We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Company, would be on the same terms if given to the Directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. We have communicated the key audit matters to the Audit Committee, but they are not a comprehensive reflection of all matters that were identified by our audit and that were discussed with the Committee. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Independent Auditor's Report
to the Members of Future Generation Global Investment Company Limited
ABN 52 606 110 838**

<i>Key audit matter</i>	<i>How our audit addressed the matter</i>
<i>Existence, Valuation, and Classification of Financial Assets</i> <i>Refer to Note 9: Financial Assets at fair value through other comprehensive income, and Note 18: Fair Value Measurements</i>	
<p>We focused our audit effort on the valuation, existence and ownership of the Company's financial assets as they are its largest assets and represent the most significant driver of the Company's net tangible assets and results.</p> <p>The quantum of investments held inherently makes financial assets a key audit matter, in addition however, there may be judgements involved in determining the fair value of investments.</p> <p>In relation to financial assets, there is also a risk that these are not owned by the Company or do not exist.</p> <p>We therefore identified valuation, existence, and ownership of financial assets as an area of focus.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> ▪ Obtaining an understanding of the investment management process and controls; ▪ Reviewing and evaluating the independent audit report on internal controls (ASAE 3402 Assurance Reports on Controls at a Service Organisation) for the Administrator; ▪ Agreeing the investment holdings to investment holding statements from fund managers or trustees of the investee entities; ▪ Agreeing on a sample basis the units purchased, and the price, to purchase agreements or investment holding statements from the fund managers or trustees of the investee entities; ▪ Assessing the valuation by agreeing the units held and the exit price as at 31 December 2018 to reported unit pricing from investment holding statements and compared the value of investments to the valuation report of the Company; ▪ For a sample of investments held at balance date, obtaining their latest audited accounts and performing procedures including: <ul style="list-style-type: none"> ▪ Recalculating the net asset value and comparing it to the reported unit price; ▪ Considering the appropriateness of accounting policies; and ▪ Confirming that the audit opinion is unmodified; ▪ Evaluating the appropriateness of the accounting treatment of revaluations of financial assets for current/deferred tax and realised/unrealised gains or losses; and ▪ Assessing the adequacy of disclosures in the financial statements.

Other information

The Directors are responsible for the other information. The other information comprises the information in the Company's annual report for the year ended 31 December 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially consistent with

**Independent Auditor's Report
to the Members of Future Generation Global Investment Company Limited
ABN 52 606 110 838**

the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibility for the Financial Report

The Directors of Future Generation Global Investment Company Limited are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the Directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

**Independent Auditor's Report
to the Members of Future Generation Global Investment Company Limited
ABN 52 606 110 838**

- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the Company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on page 26 of the Directors' Report for the year ended 31 December 2018. In our opinion, the Remuneration Report of Future Generation Global Investment Company Limited for the year ended 31 December 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of Future Generation Global Investment Company Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



S M WHIDDETT
Partner

27 February 2019



PITCHER PARTNERS
Sydney

ASX Additional Information

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report.

Shareholdings

Substantial shareholders (as at 31 January 2019)

QBE Insurance Group Limited is currently a substantial shareholder in Future Generation Global Investment Company Limited and held 6.4% voting power as at 31 January 2019.

Distribution of shareholders (as at 31 January 2019)

	Number of shareholders ordinary Shares	Percentage of issued capital held
1 – 1,000	257	0.0%
1,001 – 9,999	1,843	2.5%
10,000 – 99,999	4,400	34.9%
100,000 – 999,999	549	26.6%
1,000,000 and over	41	36.0%
	7,090	100.0%

The number of shareholdings held in less than marketable parcels is 72.

Twenty largest shareholders – Ordinary shares (as at 31 January 2019)

Name	Number of ordinary shares held	Percentage of issued capital held
HSBC Custody Nominees (Australia) Limited	25,407,950	6.5%
Citicorp Nominees Pty Limited	22,844,682	5.8%
HSBC Custody Nominees (Australia) Limited	13,404,411	3.4%
Netwealth Investments Limited (Wrap Services A/C)	6,841,917	1.7%
Balmoral Financial Investments Pty Limited	6,038,038	1.5%
Entities associated with Mr Geoff Wilson AO	5,196,014	1.3%
Bridgestar Pty Limited	3,735,000	1.0%
Snow Foundation Limited	3,725,290	1.0%
Navigator Australia Limited (MLC Investment A/C)	3,389,006	0.9%
Kordamentha Nominees Pty Limited	3,209,091	0.9%
Clurname Pty Limited	3,062,905	0.8%
Netwealth Investments Limited (Super Services A/C)	2,938,832	0.8%
BNP Paribas Nominees Pty Limited	2,817,369	0.7%
Australian Philanthropic Services Foundation Pty Limited (APS Foundation A/C)	2,500,000	0.6%
Fendell Pty Limited	2,250,000	0.6%
National Nominees Limited	2,178,994	0.6%
The Smith Family	2,000,000	0.5%
Almavijo Pty Limited	2,000,000	0.5%
Spinifex (2007) Pty Limited	1,848,026	0.5%
Gumala Investments Pty Limited	1,829,194	0.5%
	117,216,719	30.1%

Securities Exchange Listing

Quotation has been granted for all of the ordinary shares of the Company on all Member Exchanges of the ASX Limited.

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