Future Generation
INVESTMENT & SOCIAL RETURNS

Future Generation Investor Q&A Call
16 April 2020

Louise Walsh: Thank you all for joining us today for the Future Generation Investor Conference call and webinar. Throughout today's presentation, which will be recorded, all participants will be in a listen-only mode. After the presentation, there will be an opportunity to ask questions. Thank you to those participants who have already sent in questions, we will cover the common questions sent in first before opening up to the webinar and caller questions. If we don't get through all questions today, we will come back to everyone who has asked a question over the coming days. Firstly, the reason for the call, with the uncertainty and volatility in the markets due to coronavirus and its impact, we thought it was opportune to schedule this investor update between our last investor call on 12 March, which covered our end of year results, and the next shareholder update, which is scheduled for 21 May. Here to discuss things with me is Future Generation founder and director, Geoff Wilson AO, who is also the chair of the Future Generation Australia (ASX: FGX) Investment Committee and also sits on the Future Generation Global (ASX: FGG) Investment Committee. We have also invited John Coombe, FGX Investment Committee member and principal consultant and a director at investment consulting firm, JANA. JANA is one of Australia's leading investment consultants, currently advising around 80 institutional clients, including corporate, industry and public sector superannuation funds, as well as charities, insurers, foundations and endowment funds. JANA's total assets under advice as at 31 December last year are approximately $600 billion. I don't think there is any person in Australia better qualified who knows and understands the funds management industry and the various fund managers than John, both within Australia and also globally. His advice is invaluable also for FGG, even though he's not on that particular investment committee.

Firstly, before we chat to Geoff and John, I'd like to update you on some matters, firstly what we've been up to since the last investor call. There have been a number of things. One of the big priorities has been calling our top shareholders in relation to our most recent results, highlighting the defensive nature of the portfolio and the downside protection. This week in our NTA that was actually released yesterday, we launched our first podcast series, in conversation with our first guest, Jono Nicholas. I'd encourage you to spread the word on that podcast and send it to any family, friends or colleagues. That will be a monthly series. The other thing we've been doing is some speaking engagements. Oddly enough, obviously with the coronavirus, it's not possible to do those live, but where I can I've been doing some of those virtually. For instance, tomorrow I'm pre-recording a panel session I'm doing at a conference on mental health funding, with some other panelists who are mental health funders, and we're doing that virtually. We're adapting.

The other thing I've been doing is update meetings with the various financial planners that we know, and also some discussions in the last week with our charities to really understand how they've been impacted by the virus. Of course, they have been, like we all have. The other thing is that we will be providing you with our next Shareholder Presentation. The update we normally do in May will be on 21 May, but rather than being part of our live roadshow, that will be done as a video presentation. We'll also be doing a series of presentations to brokers in April and May by virtual meetings as well. Finally, our six-monthly Investment Forum where we usually have ten stock picks presented by our Australian and global fund managers, this time they will be in written form and we'll be inviting all of our fund managers from both FGX and FGG to provide

their top stock pick. There will also be an interesting panel with two leading fund managers. That forum will be launched to each of you on 21 May.

Now I'd like to draw your attention to some of the slides that we have in the pack. I'd like to talk to you firstly about the March NTA report and also dividends. They're slides 3 and 4 that are actually in the pack itself, that you should have access to if you've joined us via the webinar. Firstly, covering off the pre-tax NTAs for both companies, for FGX $1.00 and for FGG $1.39. The share price as of close of market yesterday for FGX was 92 cents and that was a discount of 8.3 percent. With FGG, the share price yesterday was $1.11, representing a discount of 19.7 percent. Assuming we have performed in line with the index, those discounts will be larger than that and they will be adjusted for live estimates, which would be approximately 12 percent for FGX and 24 percent for FGG. Before we talk about the dividends, I want to talk a little bit about our strategy on closing those discounts. I think, as you are all aware from our previous investor call, what has caused those discounts has essentially been the churn from the capital raisings that we did at the end of 2018. Normally when you do a capital raise like this, you would have churned in the order of 25 to 30 percent of new people that come in in a placement and then unfortunately don't stay with us long-term. The churn that we had for both of those was in the order of 35 percent for FGX and 39 percent for FGG, the higher churn with FGG because we raised more money with that particular company. Obviously, those discounts have blown out with the severe downturn that we've had in recent months this calendar year. The strategy, the plan to close those discounts, I think I've touched on these in our last investor call, but essentially, it's a very detailed communication plan to stimulate more buying. That's what we need to do here to close these discounts. What we've done as part of that strategy is to boost the staffing resources that we have in the communications area. I would note here that that's been very generously funded by Wilson Asset Management (WAM), by the management company, not the actual Listed Investment Companies (LICs) themselves, so there's no cost to the Future Generation companies, nor to the WAM LICs in this particular instance. That is actually allowing me to focus more closely on closing the discounts. We've had to shift that communication strategy so that because of the coronavirus we're doing a lot of what we normally do live, whether it's speaking engagements, whether it's talks to groups like the Australian Shareholders Association or the Australian Investors Association, we're doing all of those virtually where we can. We're becoming very much experts, like I'm sure you are yourself, at doing Zoom meetings and Skype for business meetings, etc. The other important thing here on closing these discounts is that we do have the experience of Geoff Wilson. Geoff's experience with WAM, he's certainly had some of the LICs at WAM trade at discounts in the past. I think I remember him telling me that during the Global Financial Crisis (GFC), I think it was WAM Capital (ASX: WAM) that traded at one point at a 34 percent discount. Our FGX and FGG have traded at discounts before; I'm sure in the future they will trade at discounts again. But we are fully committed to closing those. There's no quick fix. It's not like we can turn on the switch. Obviously, probably they are a bit slower than we would have liked, due to the downturn and the impact of the pandemic. We certainly have no plans to do any further capital raisings at this stage until we're consistently trading at premiums again, or at least at NTA. That's obviously the case when we did the capital raising at the end of 2018.

What I might do now is talk a little bit about the dividends. Important here, you can see the total dividends that we paid since inception, 21.1 cents per share for FGX, in contrast with FGG that has been 4.5 cents per share. Of course, you would understand that the difference in the dividend

payments is very much because FGG is a global stock here, so we're relying on distributions from fund managers and in some cases with FGG, we have fund managers that are domiciled offshore. They're headquartered overseas with different tax and legal structures, so what that means is that in some cases we're not picking up distributions from those fund managers. I just remind our participants on the investor call that FGG is very much a capital growth stock, as opposed to a dividend stock. Importantly, we put here the profit reserve balances for both companies. It's 8.8 cents per share for FGX and it's 4.3 cents per share for FGG. Importantly there, the philosophy, the policy of the Board has always been to have at least a year or two in the kitty at the current level, so that if we get ourselves into a downturn, like we currently are, we won't have to be in a position that we would have to cut the dividends. That's really the philosophy, and we're on track on that going forward for when we announce the next dividends, which would be at the end of August with our next results. Just on the slide on page 4, it's talking about the 2.6 cents per share fully franked final dividend. That's the final dividend for 2019 for FGX. You can see that the payment date for that dividend is 28 April. Up until now, we certainly haven't made a dividend at the same time for FGG and the next dividend payment as per previous years will be announced at the end of August. We're on track to do that.

Now what I'd like to do is hand over to Geoff and firstly ask you what your view of the market is. We're back in a bull market after one of the shortest bear markets in history and need I say some quite extraordinary times. I know that you've been nervous for about three years before all of this that the bull market was coming to an end. The speed and the severity of the downturn has been quite unprecedented. What's your view on the market, Geoff? Then I'll ask John.

Geoff Wilson: Thanks, Louise. One of the things, in terms of looking at the big picture, the fantastic thing about investing in equities or investing in businesses that are listed on the stock market is over time you get a good return. Obviously, another strong thing we know about equity markets is they are cyclical in nature. Another thing we know is that bull markets last for a lot longer than bear markets and I think since the 1900s the average bear market has run for about a year and a half. Since the 1980s, the average bear market is a bit shorter. In terms of where we are, a bull market is when a market goes up at least 20 percent and a bear market is when a market falls at least 20 percent. As Louise quite rightly pointed out, technically we've gone from a bear market, when the market fell 35 odd percent, and the fact that it's rallied more than 20 percent, in theory we're back in a bull market. I believe we're probably still in that bear market or if not, we'll go back into it. As an investor, you usually get quite excited when the market falls because you know some real opportunities are going to present themselves. I think for everyone in the market, this time it's been a little bit different, only because with the market falling with the coronavirus, there's been a significant loss of life at the same time. In terms of the market, to me one of the interesting things is back in the GFC, the saying was that companies were too big to fail. If you were a small company, you'd go under, but you really wanted to be a large company and you had to be supported by the banks and the financial system. The interesting thing is this time, over this period, I would say the saying will be effectively, no one will fail. The thing that has probably surprised everyone is not only, as you mentioned, the speed at which the market fell, and to me that comes a little bit to the over-valuation that we had in the latter part of last year, but coupled with that, the speed at which governments have moved from a fiscal perspective in terms of stimulus, but also monetary authorities have moved. The latest US Federal Reserve injection of cash that they announced in the latter part of last week was another $2.3 trillion. That was really supporting unprecedented areas. It was supporting just operating businesses, which

they had never done before, and also putting liquidity into the junk bond market, which they had never done before. The amount of money they spent, I think the Federal Reserve up to a week or so ago, in a three-week period, was more than all the money they've pumped into the system in the year of the GFC and the two years after. The amount of liquidity that's been pumped into the system, and China said that last month it was something like 5.5 trillion RMB that they pumped into the system and that will probably be ongoing. Because there's not a great deal of economic activity at the moment, where does that liquidity go? It goes into assets. That has helped asset prices bounce back. In terms of the lockdown, or the recovery after that, that'll be staggered. Probably work will return first and the play or the leisure part will be quite a bit down the track. My current view is we'll probably be in this period for a bit longer than the market initially was anticipating. What we're seeing on the ground is that there is and there will be significantly more equity raised by companies. Back in the GFC, about 12 percent of the market back then was new capital that was raised. It wouldn't surprise me if over this period it'll definitely be greater than that. We're already starting to see it. My view on the market is that I think it's going to be a tough 2020. Whether the market will re-test its lows, who knows? I actually think the negative economic impact from the coronavirus will be longer than the market is currently expecting. That's my current view.

Louise Walsh: Sounds good. Thank you, Geoff. John, have you got any views that you'd like to share with us as well?

John Coombe: Yes. I think Geoff is right about the capital raisings. I think that's a really interesting part of the market. Unlike the GFC, we don't think the banks are going to have to raise as much capital. They actually go into this downturn having had to raise capital since the GFC and have probably got reasonable balance sheets. They may well raise a bit more capital just to shore up the balance sheets for the next couple of years. But if they're not paying out a reduced dividend, their balance sheets will be pretty good. This is quite a different recession. This is a policy-induced recession. As one fund manager said to me, policy will determine how fast and how quick we get back out of this. I use the analogy, it's a bit like having a heart attack. You're laying down there and you're prostrate, and you're just wondering whether the little shock treatment is going to kick you back to life. All of this government stimulus is like a little shock on the body. Can it get the economy back quickly? I personally think it can't. I don't think there will be policy mistakes. I've never seen governments deliver without some sort of errors occurring. That could well slow down. I think the market has rallied on the fiscal policies announced around the world. When the economic reality of this strikes, it'll be interesting to see how the market reacts to really horrendous numbers being printed on economic growth, number of people unemployed, the amount of money and balance sheets that the central banks will have, and the size of the central bank balance sheets. Who is going to pay for all of this will start to weigh on the market, I think.

Louise Walsh: Thank you, John. We might come back to some of that later, if we have more time. Geoff, during these volatile times, can you share with the participants the view of each of the investment committees for FGX and FGG? We have slides there as well. Also if there are any key outcomes of any recent meetings as well?

Geoff Wilson: Thanks, Louise. Obviously, the investment committees which operate are purely focusing on the individual fund managers and the makeup of those fund managers. They are

looking at the performance of those managers, consistently. In terms of the more formal meetings of the investment committees, because this is an unprecedented period and with the significant volatility, we're meeting more frequently than we usually do. Both committees had meetings yesterday. To take a step back, in terms of how both committees have selected the various managers, the logic is to try to get performance in line, if not better than the market and to have diversified portfolio managers that reduces the volatility. That's to have managers, we use the word 'absolute managers' and they are managers that can dial up their cash if they can't find good investment opportunities, or some managers that are looking for absolute return. They might have $100 million, and they might be $100 million invested in the market and $100 million short the market. They are trying to make money which is really about stock selection. If the ones they buy go up and the ones they sell go down, that takes out a lot of the volatility of the market. We use that more in FGX than we do in FGG. But it's having a combination of those two managers. Broadly, if you look at both the portfolios on the slides, it shows you that for FGX and FGG. Say for FGX, I think it's a little over 45 percent in managers that are focused on being invested in the market at all times, and we call that long equities. The rest is made up of absolute bias, market neutral in cash. If you look at FGG, that's on slide 9, it's 55 percent long equities and the rest of the portfolio is made up of absolute bias and cash. That's how we set up the portfolios. The reason why this meeting was called and it was called a few weeks ago was, assuming it was a normal bear market which runs its course, then when do we look at say increasing our exposure to the equities? We all know that you want to be buying when everyone else is selling and you want to be selling when everyone else is buying. At our meeting yesterday, because the market had rallied so strongly since we called it, then we haven't changed the makeup of the portfolios of both managers. But we're on alert to that. We've got another meeting in a month's time. Obviously, we're looking at this consistently. The whole idea is to give investors a better than market return with less volatility. If you look at slide 5, which is FGX, you'll see on the far right hand side the volatility of the market, the ASX All Ordinaries Accumulation Index volatility since we started was about 14.5 percent. The FGX portfolio was about 11 percent, so it was nearly 30 percent less volatile. In theory, you'd normally say that that would give you 30 percent, you're taking less risk, less volatility, so you get 30 percent less return. The fact is, FGX has outperformed. Obviously, we'd like for it to outperform by more, but that's what the numbers are. To me, it's difficult sometimes. As a fund manager, with say Wilson Asset Management, the other portfolios we manage, when we're in a bull market and you had a different economic environment that you're operating in, with different economic outcomes you're expecting, then you had a certain portfolio. When it became clear that the coronavirus was spreading internationally, it was that weekend or that Monday that it became clear, a number of weeks ago, that that was happening, then we seriously looked at our portfolio and said this is going to have a significant negative impact on global economies. All the assumptions we've got for growth, what do we have to change? What type of companies do we want to be exposed to? Over that month period, we significantly restructured our portfolios. In these inflexion points, you do get that happening. Therefore, you've got a portfolio that will benefit from what will play out over the next 6 and 12 months. Internally, at our morning meeting this morning, a lot of things we were talking about, and we've been talking about this for a while, like setting up the portfolio, how is the portfolio positioned for a recovery and what does a recovery look like? If you turn to FGG and slide there, again the performance and the volatility, you can see the numbers there. Does that pretty much explain that, Louise? It probably touches on most of the slides. In terms of the various fund managers there, we can't thank them enough on behalf of the investment

committee and the board, because we are invested in these fund managers' main funds. They are doing it pro bono. You can see the list of fund managers for both FGX and FGG, and they've all performed over time. And be aware that at various points in time, we do change fund managers. As investment committees, we're very happy to do that. If management changes, if they're performing not as we expected, and that's both ways, outperforming, taking more risk than we expected, or underperforming. I think we've added, between the two, about ten fund managers and removed about 11 fund managers since they've been operating.

Louise Walsh: Thank you very much, Geoff. John, is there anything you'd like to add from the point of view of being on the FGX investment committee?

John Coombe: Geoff was right. We spent the time just thinking about the future and whether we had the right mix, and it was a good meeting.

Louise Walsh: John, just another question to you, I'd like to know how you translate your views as an asset allocator for JANA into FGX?

John Coombe: From our point of view, I try to look at the mix that Geoff was talking about before, about how much have you got in absolute return, how much have you got in long/short managers or the extended markets and how much you've got in just long only. I try to just help the committee think about what mix we've got in there, because it will have certain attributes. Also the mix of managers, how many value managers we've got, how many growth managers do we have, is that particular manager going to do well in this environment or do poorly in this environment? It's a mixture of that, Louise.

Louise Walsh: I know you've been incredibly valuable when we're thinking about any potential managers that we might use in the future. Your network is quite extraordinary. Thank you for that. Another couple of questions, John, what are fund managers telling you at the moment? What's getting them excited?

John Coombe: If you're a value manager, you're super excited because all of the companies, the cyclical companies, etc, that you were probably were already starting to own are now 25 percent cheaper or 30 percent cheaper, because those companies have actually been really hit hard. A lot of the value managers are really excited about the opportunities that they're actually seeing in their portfolios. Potentially, when the economy rebounds, those cyclical companies will rebound quite hard. The growth guys are really interesting because they're getting excited as well about some of the opportunities and the playing out of the digital world, as they see it. Amazon, suddenly they get a free kick from all of this online buying, etc; struggling to get a foothold in Australia, but suddenly getting additional people shopping online because they're not going out to the shops. Both managers are getting excited. The quality managers or the managers who focus on the quality of management and companies are basically looking at their portfolios and going we've done a really good job here, because the market has turned to our style of company. The market is focusing on companies that can grow through any market environment and have strong management. Yes, the value guys are probably the most excited at the moment.

Louise Walsh: Thank you. One other question for you, talking to shareholders as frequently as I do, one of the interesting questions of course is do you think there is a prospect of more big falls

before the bottom is finally reached? Or has the bottom already come and gone? Can I ask Geoff first and then John, your thoughts on that?

Geoff Wilson: For me, the hard part is how much liquidity will be pumped into the system, from both the fiscal and monetary perspective. I'm more of a believer that we've got the sugar hit from that occurring. Then, as John was saying, then the stark reality of the economic slowdown or the significant recessions that we're going to have globally will occur. You'd assume probably the market is already factoring all that in. Where I'm grappling, and this is the difficult thing, you've just got to spend an enormous of time trying to do as much research as you can on the coronavirus, because as an investor, we're trying to work out how do global economies come out of this, and when do they come out of it, and when does economic activity pick up? Is it a V-shape? Is it a U-shape, or is it an L-shape? Maybe the L is lifted up at the bottom a little bit. My current view is that 2020 is going to be a really strange year. The negative economic impact is going to be bigger and larger than the market is currently thinking. Therefore, I'm of the view, which I think John was talking about, that we may have seen the bottom, but the market will dip down again. That's where I'm thinking.

Louise Walsh: John, anything to add?

John Coombe: I think it's interesting when you go around the world, Louise. If you talk to an American fund manager, they're all like the President – we're having this big V-shape recovery and we're going to come out like there's no tomorrow and it's going to all beautiful and wonderful! If you go to the UK, they're much more sanguine about the whole thing. They do believe they will have a recovery, but it will be extended and the fact that you've come into this in progression, you'll come out in progression. If we haven't got something to kill the coronavirus off, Geoff's right, if you haven't got a vaccine, then basically we'll be in semi-lockdown for a lot longer than people think. The politicians don't want to put the stress on the health system.

Louise Walsh: I recently spoke to Jono Nicholas, the CEO of Wellbeing Outfit, an FGG Board member, for our first podcast, which was about coronavirus and the impact on how we work and live. Interestingly enough, he argued that he doesn't think we will end up with a vaccine that works. But we discussed positive ways to manage the overload of information we're receiving each day and he suggested reading. What are you guys reading? It is an overload; I'm finding it quite overwhelming. I'm starting to adjust, but Geoff, what about you first?

Geoff Wilson: You've just got to read as much as you can. The interesting thing is in our game, whoever has the best quality information tends to do incredibly well. It's really collecting as much information as you can. I'm a great sleeper and I normally just sleep straight through. Normally when markets are falling and I'm getting semi-excited, then I wake up in the middle of the night and listen to the markets a little bit, on CNBC or something like that, then drift back to sleep. Probably for the last month, I've been doing that. I move from CNN to listen to the UK news, to try to find out what's going on over there, and then also just reading, reading everything you can, particularly the medical stuff that's based in fact. The Imperial College, the research they did initially talked about half a million people dying in the UK and I think two million people dying in the UK, if they did nothing. That was where Trump all of a sudden was quite flippant about everything, and then he switched around. They said he read that. What they talk about there is a four-month lockdown.

John Coombe: Someone told him about it, Geoff!

Geoff Wilson: Probably, that's right! Actually, just on that, a friend I used to cycle with is a doctor and he sent me a beautiful podcast about Trump, saying all the personality disorders he has. I think some type of narcissist – I'll flip it to you. But yes, to me, it's just read as much as you can.

John Coombe: I've picked out three or four that I'm following closely, because they're just really interesting pieces. The multimanager guys at Perpetual are putting out a daily one. Every now and again, they throw in a really interesting article, which is just fascinating. I've been reading that. I think the bond market is critical here, because at some point when do they stop buying all this stuff? I've been basically reading a bit from Bridgewater and a few of the other big bond managers and PIMCO and things like that, just to try and get a sense of how the bond market is operating and what they're seeing. The bond market could end up being equity holders for a lot of companies who are over-levied. It's interesting to get their view.

Geoff Wilson: Louise, I've just had a few people text me about that podcast. I'll just tell you, it's called The Jolly Swagman Podcast by Joe Walker. It's 31 March 2019, number 66, titled The Leader of The Free World is a Malignant Narcissist with Pre-Dementia. It's an interview of I think a psychologist, John Gartner. It's interesting.

Louise Walsh: Thank you very much, Geoff. Just for the remaining time, and we've got about 15 minutes, we'll take some questions now. I'll pass over to Future Generations Brand Manager, Alex Hopper Irwin to moderate those questions for us. Thanks, Alex.

Alex Hopper Irwin: Thanks, Louise, and thanks to everyone who submitted a question by email. We'll answer these first and then answer a few webinar questions and then finally open up to the call questions. Louise, there are a number of questions regarding discounts to NTAs in both FGX and FGG. I know you outlined your plans earlier. Is there anything you'd like to add? For instance, can you comment on whether a buy-back would be part of those plans?

Louise Walsh: Thanks, Alex. Not currently. I do get asked about that occasionally and obviously, there are a number of LICs that have done buy-backs in recent times, late last year for instance, to endeavour to reduce the discounts. At Wilson Asset Management and at Future Generation, our Head of Operations has done quite a bit of analysis looking at those LICs to see whether those buy-backs have been successful in reducing the discount. I think in just about all cases, we haven't been convinced that they have been successful, so it's not currently on our plan. I suppose you never say never. Based on our experience, it's not something we're looking at doing at this point in time. Geoff, I don't know whether you want to comment a bit further?

Geoff Wilson: No, I agree. The interesting thing is, even though logic tells you that a buy-back makes sense, say you're buying a dollar of assets for 80 cents, history shows that a lot of investors aren't keen on that. A) it shrinks the size of the company. The good thing about this company is there is no cost. Normally it shrinks the size of the company, so your costs become a bigger percentage. As virtually everyone is pro bono, except yourself, Louise, who gets paid from the company, there isn't that argument. Generally, people tend to like companies that are growing. The people that are looking at investments can find investment opportunities and we are very happy to. As an investment community, we've got other managers that we have on the bench that we can bring on at any point in time, if we believe that we've got access to liquidity to

invest. You tend to find that people tend to want you to do a buy-back at the wrong time. It'll tend to be when markets are negative. To me, one of the travesties of the thought process is when things are tough, give me my money back; when things are tough is when you want to be buying or investing, is Australian Infrastructure Fund. This actually was the shell that we used for FGX. That was listed on the stock market, had a great array of assets. Unfortunately, after the GFC, a number of shareholders, mainly hedge funds, became shareholders, who were trading out of discount assets, and they put pressure on the Board. The Board ended up selling the assets to the future fund. The future fund, to me it was a fantastic buy for the future fund and all the shareholders that had exposure to those fantastic assets, they lost the opportunity. They made a little bit of short-term money, but then they missed all the upside. That's the logic.

Alex Hopper Irwin: Thanks, Geoff. I've got another question for you, Geoff. We also received some queries about the frequency of our NTA update and whether we'd provide a weekly NTA. Can you please comment on this?

Geoff Wilson: Yes. There's quite a bit of debate about that. Some LICs do daily NTAs, some LICs do weekly NTAs; we do monthly NTAs. The interesting thing is, if you look at the various other ones that do dailies or weeklies, it actually doesn't help them whether they trade at either premiums or discounts to NTA. From our perspective, it would actually create another level of work, but we could do more regular ones. Louise mentioned if you looked at the indexes and used what you thought the index had performed, then you can get estimated NTAs, which a lot of brokers do provide. Since the end of the market, if you adjust by what the index has done, then it's a reasonable guess the NTA would be around there. The good thing is both funds have tended to outperform the indexes, so might be slightly better. Also, what we're trying to do is we probably don't want short-termism. We'd prefer not to have traders, people buying and selling just for a cent or two in the two entities. We'd prefer to have people that are taking a medium/long-term view and are happy with the managers that are in there and are invested for that reason. That's another reason why we've decided not to go with those, but it is open. I've seen no evidence that shows that if you're doing a more regular NTA, then it helps your premium or discount. To me, that would be the main logic for the driver.

Alex Hopper Irwin: Thanks, Geoff. Louise, I know you touched on dividends earlier, but can you outline the plans for dividends in 2020, please?

Louise Walsh: Thanks, Alex. As I mentioned earlier, for FGX, the 2019 fully franked full year dividend was 5.0 cents and for FGG, the 2019 fully frank dividend was 1.5 cents. Historically, we've paid an interim and a final dividend every year for FGX and only one dividend per year for FGG, which has been announced at the end of August and paid in October. That would be our current plan again. Those next dividends, we would be looking to announce them with our half-year results at the end of August. Obviously, at this stage we can't say too much because we're relying on the distributions that we get in from fund managers and they tend to come in in June/July. As I mentioned earlier, with those profit reserves of 8.8 cents for share for FGX and 4.3 cents per share for FGG, we have had that policy of making sure that we have enough in the kitty to at least pay the same amount again for the next dividend coming up. We have that in reserve and we've had that policy from day one. I'm not a CEO who wants to be in a position where I'm calling top shareholders after the next results and letting them know about a cut in the dividend; that's not what we're proposing to do. That's our plan at this stage.

Alex Hopper Irwin: Thanks, Louise. Now we'll go to some of the questions from the webinar and then we'll open up the phone to telephone questions. The first question is for Geoff from Eugene Bel – how will real estate investment trusts (REITs) be affected compared with the rest of the market?

Geoff Wilson: REITs aren't necessarily my expertise. Just as an observation as a fund manager, life is going to be very different now that we've all worked out how to work remotely. I've spoken to some people that are in that industry and they think that you could see 10 to 15 percent of the workforce, besides the ones that have lost their jobs, actually don't go back into working in office spaces. I know my experience at home, all our experiences, now we've got Zoom and we've got the various Skypes, Houseparty, and other ways of communicating. To me, that's for commercial. I actually think the REIT industry probably will need to raise some capital as well and a lot of them had been trading at reasonable premiums. I haven't got a strong view because I don't look at them closely. That's just a big picture observation.

Alex Hopper Irwin: Thanks, Geoff. John, do you want to add anything to that?

John Coombe: I think the retail REITs will take some time to come back. But as long as they keep all of their tenants, they should be back and functioning once the restrictions are off. But they will have cost themselves however months' amount of rent.

Alex Hopper Irwin: Thanks, John. Geoff, we've got a question from Mark Davies regarding the franking balance for FGX and FGG, if you could outline what they are?

Geoff Wilson: For FGX, it's just a little over 6 cents, 6.2 cents for FGX. For FGG, it's currently about 3.3 cents. As we get distributions or pay more tax, then they'll increase. When we get the next lot of distributions, which will be in June, you'd assume they'll be tax payable on that, which means they'll increase. The profit reserve will increase by the amount of the distributions and then the franking by the amount of the tax we pay on those distributions, or any franking that's inside those distributions.

Alex Hopper Irwin: Thanks, Geoff. Just to finish off, before we open up to phone questions, Geoff, David Oates has a question – can you please explain the definition of 'absolute bias'?

Geoff Wilson: Absolute bias is someone who's managing the money and trying to make money, where the relative fund manager might be managing money and if the market falls 20 percent and he falls 10 percent, he's very excited because he's outperformed by 10 percent. The absolute bias manager is someone that's actually trying to start at $1 and make it worth $1.2 or $1.3, no matter what the market does. The absolute bias managers we have are ones that can just tend to dial up their cash. In FGX, one of the absolute bias managers, during the reporting season (second week of February) we had 13 percent of the portfolio in cash. When things started to crack, then we increased our cash levels, we went to 42 percent. As of last night, I think we're 28 percent cash and we're taking the opportunities. We're using our cash at the moment to get positions in these capital raisings which have been occurring at the moment.

Alex Hopper Irwin: Thank you, Geoff. We'll open up to telephone questions now and we'll endeavour to answer as many as we can.

Moderator: We'll take our first question from Geoff Palmers. The line is open. Please go ahead.

Geoff Palmers: Good morning, Geoff and team. I'll ask a question, Geoff, but I think you better have a cup of a tea and a Bex before you answer it! Regarding the cash holding, we've got 10.7 percent cash, which I understand is physically cash held. The question is, are we able to get a look through value of the cash of say the top ten managers, and I know it can't be exact, but if you're doing it on a monthly basis and it doesn't create too much work, so that we might have a look through value of say another 10 percent, so overall it may be 20.7 percent cash? Is that feasible?

Geoff Wilson: Geoff, it is. Louise, do we do it annually or six-monthly?

Louise Walsh: I think we do it annually, but I'd have to check that, Geoff.

Geoff Wilson: We can do that. Obviously, things have changed. We had it as of the end of December, but the world has changed since then, so it would be a different dynamic now. It's possible again and we can do it.

Louise Walsh: We actually do it quarterly. I just checked that with our Head of Operations, and it is done quarterly. If that person was to contact us, we can talk to him.

Geoff Palmers: Just the point, if it's done quarterly, could it not be published quarterly in your presentation?

Geoff Wilson: Yes. Why don't we just put it in the NTA quarterly? It is a bit of lag, but at least it gives you an idea. Why don't we do that, Louise?

Geoff Palmers: That'd be good.

Louise Walsh: Good point. We'll do it quarterly and put it in the NTA.

Geoff Wilson: Particularly now. It would be good if we could work out, because everything is moving so quickly, if we pick a point in time and maybe put it in the next NTA.

Louise Walsh: We can do that. Thanks, Geoff.

Geoff Palmers: Thank you. Appreciate that.

Moderator: We'll take our next question from Ken Terry. Your line is open, please go ahead.

Ken Terry: Geoff and folks there, thanks very much. I've never seen an organisation keep investors in touch with as much as you people have. I've been with WAM for nearly 20 years and it's absolutely fantastic. Keep the good work up. My question is, can you actually explain the profit reserves? I believe it goes into the NTA. If you've got profit reserves of 5 cents, does that mean you really have to take that off the capital of the NTA? Thank you.

Geoff Wilson: Thanks for the question and thanks for your feedback. Effectively, say if we start with $1 of assets and they go up by 5 percent, so in theory we make 5 cents of profit, then the assets of the company are $1.05. That 5 cents would be put into the profit reserve, so the NTA would be $1.05 and that would be made up of $1 of capital that you started with, plus a 5 cent profit reserve. The reason we actually talk about the profit reserve is because to pay a dividend, if you want it franked you need franking credits; you need a profit reserve and franking credits if

you want it franked. If you want to pay a dividend, you need a profit reserve to pay a dividend, because you actually need profit to pay out the dividend. The reason we announce it, normally you'd just think the NTA is $1.05, but we announce the fact that the 5 cents is profit and that as a Board we've actually put in another, it's just accounting, a profit reserve which allows us to pay that 5 cents out as a dividend. It really gives us an opportunity to pay the dividends over time; that's the logic of the profit reserve.

Ken Terry: Thanks very much.

Moderator: It appears there are no further questions at this time.

Louise Walsh: Thank you. I know we finished our March Investor Call with some toilet paper buying or lack thereof stories! We don't really have any time for those now, but I'm sure that's still tough in many necks of the wood, because I know it is down south here, on the south coast of New South Wales.

Geoff Wilson: Eastern suburbs is still out, but we've got the hand towels! We've got as many hand towels as you want!

Louise Walsh: Good luck! Thanks again to everyone for dialing in. I especially want to thank Geoff and also John Coombe for joining us. Their insights were invaluable this morning. The recording of the call will be available on our website shortly. As always, please get in touch with us via phone or email at any time, with any questions or feedback that you might have. Thank you and enjoy the rest of your day