

Future Generation Investor Update and Q&A webinar
Thursday, 16 September 2021

GEOFF WILSON: Good afternoon and thank you all for joining us today for the Future Generation Investment Webinar. As you would be aware Future Generation Australia (ASX: FGX) and Future Generation Global (ASX: FGG) are both your companies. We are here today to report to you on the last six and 12 month period and also answer any questions you have. If we don't end up answering your question today we will come back to you and we will definitely answer your questions by email.

The highlights of the last six months for FGX, was a significant increase in dividend payment. The dividend for the last six months increased from 2.6 cents to 3.0 cents, that is a little over a 15% increase. The annualised fully franked dividend now is running at 6.0 cents. You would have seen in the announcement that we were able to significantly increase our profit reserve. That was due to a conversation with the auditors about how we should look at investments and how they should be categorised and we have been able to increase the profit reserve. And that is incredibly important. At the end of August the profit reserve was 33.5 cents. You need a profit to pay fully franked dividends to shareholders, and that increase in profit reserve gives the Directors a lot of confidence in terms of being able to continue to pay a growing stream of fully franked dividends to shareholders. And that is why the Board decided on the sizeable increase in dividend for the period.

That is another reason why the Board decided on using some capital management initiatives and that was the announcement of the bonus option issue. Shareholders get it at no cost. And it gives the shareholder the option, not the obligation, to buy another share at \$1.48. Now some people are saying look why not give us the shares more cheaply. The logic was at the end of the previous month the pre-tax NTA was around \$1.48, so the Directors didn't want it to be dilutionary. Since then the numbers have come in for the fund managers and they really had a good month last month and the current NTA, which you would have seen announced the other day, is a little over \$1.54. So that's really solid. It was a good month last month. So those options are there. If you buy shares you get the options. If you own shares of course you'll get them. The ex-bonus option entitlement date is the 30th of September.

We have Ben Griffiths who's the brains behind one of Australia's pre-eminent mid and small cap investment fund managers and that's Eley Griffiths. He's Managing Director and Senior Portfolio Manager. He's joining us and he'll be giving us his views of the market and talking about a couple of stocks that he likes at the moment. And Ben will also be available for Q and A. And Ben is one of the fund managers for FGX. But also we've got one of the fund managers for FGG and that is Ryan Quinn. He's one of the senior members of the team, again one of the other pro bono fund managers at WCM Investment Management. And so it's well into late evening for him over in the US but he's joining us and he will be open to talk about the market and in Q and A available for questions and answers as well. On behalf of all the shareholders we'd like to thank both Ben and Ryan and all the fund managers that manage the money on behalf of ourselves on a pro bono basis.

In terms of the performance of FGX, the portfolio over the last 12 months outperformed the market again. It was up 33.6%. One of the pleasing things is the total shareholder return, that's the share price plus dividends, was 51%. It's a very solid performance from FGX. Now turning to FGG. The Board was delighted with the increase in profit reserve. The actual profit reserve increase was actually a lot greater than FGX. And so the profit reserve now in FGG is a little over 50 cents. With FGG that the dividend 12 months ago was 2 cents. It was 2 cents paid for the full year. You would have seen the most recent result for the six month period the dividend that's been announced has been a 50% increase, from 2 cents to 3 cents. And now with that large profit reserve, there's nearly 17 years of profit reserve there at this rate, you would assume that the Board in six months' time will look very closely at paying a dividend and you'd assume it would be of a similar magnitude. So all of a sudden FGG, which had been mainly a growth stock with not much yield, I would say

over the next six to 12 months will come into its own and be providing shareholders with a very nice growing stream of fully franked dividends.

In terms of the NTA, FGX and FGG look good value because they are trading below NTA. I always love buying a dollar of assets for 80 cents if I can. And FGG the NTA at the end of last month was nearly \$1.84. In terms of FGG's portfolio performance for the last 12 months, solid portfolio performance of 25% and total shareholder return was better than that and that was 36.5%, which again was a very solid result.

As I mentioned before the incredible generosity of the fund managers, and really everyone that's involved in FGG, the service providers, the ASX, our share register, Boardroom, the accounting staff, there's been an incredible amount of generosity there. In terms of the fund managers managing this money on a pro bono basis, we're going into the best funds. It really is the best boutique fund managers that are focused on Australian equities and the best boutique fund managers that are focused on global equities. But just looking at both of them, in terms of the great deal that shareholders have received in the last 12 months, not only the performance, the increased dividends, but broadly with FGX the total cost, if FGX had charged normal management and performance fees and the Boards and the Investment Committees had charged and been paid what they normally would get for a listed investment company the total cost of that would have been \$12.7 million. You would all be aware that 1% of the assets of the company are invested with charities. With FGX it's children at risk and with FGG it's youth mental health, which obviously is incredibly important at this point in time. The actual FGX money, the 1% of those assets was \$5.3 million. So effectively it was a significant saving for all the FGX shareholders. With FGG the annualised savings in terms of the costs that we would have paid to fund managers was \$9.1 million. And 1% of the assets in FGG was \$6.4 million. So just in terms of rounding it out, that's a little over \$11 million that was given to or invested with charities that focus on children at risk and youth mental health. And since both these vehicles were set up it's \$52.9 million that has gone to support those charities. On behalf of all the people involved I just can't thank shareholders enough and the fund managers enough for their incredible generosity to allow this to occur.

Now what I'd like to do is I'd like to really move over to the brains of this show and I'd like to ask both Ben and Ryan a couple of questions. Why don't I start off with our local boy Ben Griffiths. Ben do you want to give us a little bit of an idea of what you're seeing in terms of the market, how you're positioning your portfolio, and maybe if you can let us in on one or two stock picks.

BEN GRIFFITHS: Thank you Geoffrey and always good to see you, always good to catch up. We don't normally catch up virtually, we normally do it on the street when times are normal. But Geoff I feel, or Eley Griffiths Group feels pretty constructive on equities. I'd acknowledge that with interest rates at record lows you might expect to see PEs on the wrong side of long term averages and that's fine. But I like to look at valuations through two lenses and I like to think about whether the market's cheap or expensive through two lenses. One is, what is the health of the credit market and what are we seeing in terms of credit spreads and how does the credit impulse look and I look at that to see whether in fact equities are a place I should even be contemplating. And looking at credit markets I see benign conditions. I see no great stresses or strains in the system. So that makes me quite upbeat about equities.

And then I say well okay knowing that the backdrop is satisfactory and constructive what about that valuation question. Are stocks cheaper? Should we be looking at them? And I normally revert to my tried and true tool which is the equity risk premium. And Geoff that's basically the trade-off between cost of equity and fixed interest markets or bond markets. Are you being paid enough to risk an equity exposure versus a fixed interest exposure? In Australia the equity risk premium is currently at about 8.3%. In the United States it's about 5.6%. These are incredible margins for safety for investors to contemplate. They're almost telling you that a risk on position is safe and should be contemplated. So I think equity risk premiums are at a very generous position. And that makes me feel pretty good about equities right now. The fundamental backdrop is good.

Apart from having a valuation indicator we have just had a very constructive reporting season and a number of economic indicators as well coming in behind that would suggest that consumers and businesses are looking through the current state of lockdown and talking about recovery and economic revival. So I feel pretty good about things to be honest.

As always there's a few things on the horizon that an equity manager should be concerned about but right now I feel valuations are snug. I feel liquidity is strong which is the other key driver of equity markets. And did you know, Geoff I'm sure this point won't have been lost on you because I know you have somewhat of a focus and fascination for dividends as probably all of our viewers do, but in the next nine weeks we would expect to see something like \$40 million worth of dividends paid from about 350 companies. And about \$30 million of that \$40 million will be paid in the last two weeks of September. So that's an extraordinary fill up for equity market interests. So I think that should hold the market in good stead.

GEOFF WILSON: No look thank you for that Ben and I don't know if that was a joke when you said you want to look at things with two lenses and I notice you've got, I know I haven't seen you in the street for a while, you've got a new pair of glasses. Thank you for your thoughts on the big picture. In terms of looking at a couple of stocks, what have you already bought that you're happy to tell us about?

BEN GRIFFITHS: Well there's a couple of stocks Geoff. As you could imagine we've been busy through reporting season. We've been moving the portfolio around. There's a couple of stocks that we're particularly fond of and I'd be happy to talk to today.

The first one is an IPO counter that came to the market only so many months ago called DGL Group (ASX: DGL). DGL Group is a chemical formulator, manufacturer, logistics, storage of chemicals, transport of chemicals and ultimate recycling of waste materials. This business has performed particularly strongly certainly in terms of the share market reaction but what we like about it is Simon Henry who's the founder of the business. When he bought the business to market he didn't sell a single share. He actually only raised capital and he raised capital for the purposes of business expansion. The company reported its result the other day and it reported a result that was nicely above prospectus. He articulated his argument that he is keen to acquire businesses and he'll acquire businesses in the field that he's involved in at the moment but he'll be disciplined on what he pays and the metrics that he adheres to. And he's going to take advantage of the process of reshoring and we're seeing more and more Australian companies and New Zealand companies, because DGL is a Kiwi company, more and more companies are going to be reshoring their supply chains back to Australia. And he sees himself playing a crucial role in assisting companies with the whole reshoring trend. So we see a great story there in DGL. It's had a spectacular debut but we like the management. We like Simon's energy. We like the runway that he's got ahead of him which is long and extensive. I think the stock has a fair way to go.

The other stock that I would like to talk to and I'll give you two today Geoff because it's you. And that's another Kiwi stock. This one actually isn't listed in Australia it's only available on the New Zealand market. And that's basically, sorry I should say liquidity is greater in the New Zealand market, and that's Serko (NZX: SKO). And Serko is a travel technology platform which essentially aggregates the myriad of buyers and consumers of travel products. It aggregates that into a central marketplace where the providers of various travel services can also meet. So it has a technology that's quite extraordinary. It operates in 35 countries. It has 6,000 corporate customers. It has some \$4.5 billion of travel booked through its site every year. Quite an extraordinary number. We see it as a great high beater sort of re-opener stock to be on as travel and travel bookings re-open and we start seeing travel become a bigger part of people's lives again having had a period of abstinence there. We see a great growth plan articulated for where Serko will take their business through Australia, Europe and through North America. So there's enormous growth there in that stock. Both stocks look good to us. And you're right Geoff both stocks are well represented in the Ely Griffiths Group portfolios.

GEOFF WILSON: Perfect. No look thank you very much Ben and we'll come back to you when we get into questions and answers from shareholders a little later. Ryan, we all know being fund managers that when you're investing in the market you're working 24 hours a day anyway, but thank you for being up late tonight to talk to us. Ryan do you want to give us a little bit of an idea of what you're seeing in the market and maybe a couple of stocks that you're interested in.

RYAN QUINN: Absolutely. And first of all I'd like to say thank you for having us here and including us in the Future Generation portfolio. It's an incredible mission that you all have and we're very proud to work hard to grow your capital. WCM as a whole we tend to do things a little bit differently. It's led to some good results. But at the end of the day we're not going to be like every other money manager. So we don't tend to have very succinct macro- economic outlook. We don't tend to predict or try to predict what's going to happen in the marketplace at a given time. We do manage a concentrated portfolio of 30 to 40 stocks and the globe is our marketplace. We're trying to find the best names we can find that are supported by long term tailwinds with long runways in front of them. It's led us to the traditional growth sectors in the marketplace, specifically technology and healthcare being our largest two overweights.

And so what we try to do is find businesses that we can act as equity owners. We want to be business owners of these companies and that extends our time horizon out to five years and longer. And when you're investing with a company in that kind of a timeframe quarter to quarter or month to month changes or headlines that impact the overall market don't tend to impact the holdings that you have or the view you have on those holdings. It will bring volatility to the market and we tend to try to use that volatility in our favour so that we can manipulate our portfolio, trim names that have won for some time, add to names that might have a better outlook in the forward three to five year period.

So the economy right now on a global basis feels good to us. The long term trends that we're betting on are the growth of the middle class, the increase of disposable income of that group. What that leads to is a higher consumption into higher quality healthcare. That demand expands across the globe. It also leads to increased consumption of technology across the board from the very low tech items to the very high tech items. That leads to a lot of excellent trends that we're going to try to get in front of over time. The expansion or extension of penetration across emerging markets as well as developed countries that may be behind some of the other developed countries of the world. So we want to find companies that can benefit from those long term tailwinds and then in that interim volatility use that volatility from a competitive advantage standpoint to get better, to separate themselves from their peer group.

The fundamental thing that makes us different in the way we invest is that we're focused on the trajectory of a businesses mode. Is there competitive advantage growing over time? Are they getting better? And if we can point to drivers that say that their mode trajectory is positive and their competitive advantage is growing then that's a company that we will hold in our portfolio, our very selective portfolio of global businesses. And then the second piece of the puzzle is corporate culture. We spend a significant amount of time analysing and interviewing businesses on their corporate culture because we believe that corporate culture drives employee behaviour whether things are going well or things are going poorly. And that corporate culture is going to be the thing that enables the competitive advantage to expand.

So in that light I'll talk about a couple of different companies. The first one being in the healthcare sector and one of our largest overweights, a company called WuXi Biologics (HKG: 2269). WuXi Biologics is a contract development and manufacturing organisation, or CDMO, based in China. The company basically acts as an outsource developer for the biologics in the healthcare industry. They can do everything from formulation, analytics, processing, even down to shipment of these biologics. What's attractive about CDMOs is they bring depth and breadth to the process through their expertise, their equipment, facilities, and their scale. WuXi Biologics has customers from around the global, but they have 80% market share in China. And that is driven by a number of factors. They're known for being the best in China. Reputation in this industry is paramount because quality really really matters, but also will attract the top scientists in the country to join the company. This reputation has led to a backlog of drugs in development which really provides a long term

runway of visibility into top line growth. WuXi Biologics is what we like to call a picks and shovels play, because we're not betting on the individual drugs that are being developed, we're betting on WuXi being utilised as an outsource developer or manufacturer of those drugs. And there's a booming demand coming from China in addition to globally as we've just lived through a pandemic. We expect that demand to grow and at the very least be high for quite some time. WuXi we find has the experience, the ability and the technology to assist at any stage of the drug development process which makes them the premium player in this space.

The other business that I'm going to highlight or a holding we have is something we've owned since the inception of our strategy called Taiwan Semiconductor (NYSE: TSM). Anyone's who's paying attention to the headlines knows that there is a huge demand imbalance in the semiconductor space. The dearth of supply of chips in the world really has impacted everything from automobile sector to the highest of high tech. We've also view Taiwan Semi as a picks and shovels play. They're a picks and shovel play on advanced chip making logic. As long as there's demand for these semiconductor chips that go into everything from low tech items to things that are involved in artificial intelligence or 5G networks or even the increases in technologies in our cars and handsets, Taiwan Semi is the independent foundry that will be utilised to produce these chips for companies like Apple, Qualcomm, Huawei and others. They're mode trajectory grows as the complexity of chip making increases. We are now at the bleeding edge of technology. We're producing chips at the seven and five nanometre node. And Taiwan Semi has with more than 20 years of R and D and capex in the ground proven itself to be the leading provider of manufacturing in this space. They've recently also announced more than a \$100 billion capex programme that will be expanding their footprint, that will be reinvested in the processes, that should sustain their number one position in the chip making space.

GEOFF WILSON: Thank you very much and as an investor I love the way you guys think. I love how you've really focused on culture. We've all worked for organisations and we understand that that is a big driver. And from an investment perspective you're sort of a shining light in terms of really focusing in on that. So congratulations and well done. And I'm sure Ben's the same as me, we always love the picks and shovels investments too. You don't necessarily go for the one that's pulling the gold out of the ground, you're better off buying the guy that's making the tools to get it out. You find over the long term they're great investments. So thank you. And thank you Ryan as a more recent joining to the family at Future Generation and on behalf of all shareholders thank you for again doing that on a pro bono basis.

Just before we move over to questions and answers from shareholders, at Future Generation we understand yourselves as shareholders you own the company, so we're here to report to you so please do go onto the Future Generation website and sign up for the emails because you'll get the updated newsletter, the NTA, any insights we're seeing from a philanthropic perspective but also any insights we're seeing from the managers that are managing your money. So that's really good.

Also exciting news that the new CEO of Future Generation Caroline Gurney starts next week. So you'll see a new level of enthusiasm. Obviously things will change for the better. Caroline is one of the senior executives at UBS and has been there for a long time, has global experience, and we think will really bring significant value. I mean one of the fortunate things is we brought Caroline onto the Board of FGX a number of years ago because we were always impressed with her while she was UBS. And then when we went on an extensive search for a new CEO we really had some high quality people, global people looking to come back to Australia to do this, and the Board, both Boards in the end, decided on Caroline. We were very excited that she was prepared to accept the opportunity and we're very happy about that. What I'd like to do now is Olivia Harris who is one of Wilson Asset Management's senior Corporate Affairs executives will run the Q and A. So let me pass over to Olivia who'll take us through the next part of the presentation. Thank you.

OLIVIA HARRIS: Thanks very much Geoff. And thank you to everybody who is sending questions through the webinar platform. We'll try to get through as many as possible and we'll give you a call if we don't get to your question during today's webinar. Geoff the first one is for you from David. In light of the reserves

indicated for FGX and FGG can you discuss a little bit about the prospect of the likelihood of an increase in future dividends?

GEOFF WILSON: Yes and good question David. And I'm a Board member on both FGX and FGG. There are a lot of other Board members. On a six monthly basis the Boards look at the profit reserve, the amount of tax that's been paid, the franking credits that are there, and then they decide the dividend. You've seen in the last six months the change in accounting policy which has significantly increased those profit reserves. So now both companies are in fantastic positions. I would expect that you'll see a growing stream of fully franked dividends for both companies over the medium to long term. So really both companies can pay dividends and that profit reserve gets topped up on an annual basis assuming FGX or FGG's NTAs go up. Yeah so to me the expectation for a growing stream of fully franked dividends from both companies is, it's the most confident I've ever been, because historically if you look at our profit reserve we only had one, well two years profit reserve at the max, but now we've got a significant cushion. So yeah you'd expect that there will be growing dividends.

OLIVIA HARRIS: Thanks Geoff. And we do have a number of questions coming through on the options issue. So I'll ask you a couple on that. So this one is from Rebecca. How will the Future Generation Australia bonus issue of options benefit shareholders. So what's the benefit to shareholders having an options issue?

GEOFF WILSON: First of all if you buy shares now before the ex-bonus option issue date of 30th of September you will end up owning options according to how many shares you own. Say you bought 10,000 shares in FGX then you'd end up getting 10,000 options. And those options give you the opportunity if you want to buy more shares at \$1.48. I noticed during the break that the share price has gone up a little bit today, so it is trading at around \$1.46 level, but if the share price was trading at above \$1.48 then you could exercise that option and pay \$1.48 and get another share. So it really gives you exposure to the company. There was a significant debate at Board level about what price we should issue them at. We thought the last reported NTA was a fair price. So if people end up buying after the ex-bonus option issue date if someone buys shares they don't get the option. But the price the options are exercisable at was the most recent NTA. So we think that was a fair price. Effectively what we've done is those options will trade on the market. So some people might buy more options because they want to get more exposure. Some people might sell their shares and take some cash, if they're worried about the market take some cash off the table, and then use some of that money to buy more options so they get the upside. So the company's doing a massive buy on behalf of all shareholders. And also if someone does want to commit capital to the company as it performs and grows then they can do that over time because those options will be trading for about a year and a half. So it really gives you a lot of flexibility. The other strategies could have been to raise capital to do a share purchase plan, to do a placement, to do an entitlement offer or a rights issue, that means you've got to put the money in straight away. And we just thought, FGX as I mentioned the total shareholder return was a little over 50% for the period, we thought a very equitable and fair way of growing the company was to have that option issue.

OLIVIA HARRIS: Thanks Geoff. And just following on from that, you did touch on this a little bit, but Terry has asked do the options themselves trade on the ASX? So could you maybe talk to the mechanics of that a little bit.

GEOFF WILSON: Yeah. So what happens is if you buy FGX shares now until they go ex-bonus option on the 30th of September then for every share you own you'll get a free option. And early October the options will be starting to trade on the stock market. So what will they be worth? Obviously it depends what the share price is trading at. And usually there's some time value of money in the options and some leverage in the options. So the options will trade. You as a shareholder you might decide, they might be trading like at 1 cent or 2 cents and you thought well gee that's very cheap I'll buy some and then if FGX does well then I can make a multiple on my money or I can exercise them and get some more FGX shares, or if the options are expensive, say they're trading at a high price, then you might think oh well actually I'll sell my options, it's like

getting another little dividend. So they will trade on the stock market until a week before the options expire and that's in a year and a half's time.

OLIVIA HARRIS: Thanks very much for that Geoff. And we do have quite a few people asking this question. Still on options issue. Are there any considerations or has the Board discussed anything about an options plan for FGG?

GEOFF WILSON: Sounds as though someone was on the FGG Board meeting. The interesting thing is, FGX the share price was trading very close to NTA. The share price I think was \$1.45. And the NTA was \$1.48. And then the Board decided let's do the option issue. With FGG the NTA is around \$1.84. And the share price is at quite a big discount. Now my view is when people really digest how big the profit reserve is, look at what the Board did in terms of increasing the dividend from 2 cents to 3 cents, also look at that profit reserve and think well in six months' time wouldn't the Board think of paying another dividend of a similar magnitude, and with Caroline coming on board and probably just really accelerating the shareholder communication that you'd assume that FGG's share price would move a lot closer to NTA. And as I said NTA's around \$1.84. And then if the share price was trading a lot closer to that \$1.84 then the FGG Board could well look at an option issue. But I would say that would probably be six months down the track. So yeah.

OLIVIA HARRIS: Thanks very much Geoff. I think that was all the questions on the options issue. I'll let you know if any other questions come up on that. Geoff the next question is from James. Can you explain the benefit of the diversification in the portfolios and how the Investment Committee applies that?

GEOFF WILSON: FGX has an Investment Committee and FGG has an Investment Committee, I sit on both. And also John Coomb who is probably thought of as the godfather of effectively selecting fund managers in Australia. So he's a great resource. He sits on both of them as well. And the other members are totally separate. What both FGX and FGG are looking for, first of all they're looking for the best boutique fund managers they can find to manage money in Australia and also manage money globally. And that's the real focus. Also both Investment Committees are trying to find managers that work together. And that's trying to find managers that are long equities but also some that have some more defensive characteristics. We talk about absolute return managers and they're managers that might if they think the market's a bit expensive they might significantly increase the amount of cash. Some of them actually might short sell some shares they own. But really what both Investment Committees are trying to do is they're trying to get better performance than the market with less volatility than the market or less risk. And that's why there's a combination of managers. So that gives you good diversity and also gives you some asset protection. And one of the interesting things is FGG, I know the numbers there, like over the last 12 months incredibly there's only been two months that the index was down, but on both those periods FGG outperformed the market. So we're trying to capture as much of the upside as we can but also protect people on the downside. So that's why we have the combination of managers.

OLIVIA HARRIS: Thanks very much Geoff. And we'll flip back to the pro bono fund managers now. There's quite a few questions coming through for them. Ben I think we'll go to you for this first question. This is from Christopher. Why is the yield curve important in the current value cyclical market cycle?

BEN GRIFFITHS: Thanks Olivia. The yield curve is very important and it's important because it's somewhat of a lead indicator on where the economy's going. And yield curves kind of work the same way whether it's here or whether it's in the US but the most commonly watched yield curve of course is that of the US. It's important because the slope tells you a lot about the economic predicament for a given economy. When the yield curve inverts or goes negative it tends to presage a recession or a slow down in activity. And when it turns positive as it is now it points to economic expansion and the steeper it gets it generally dictates that an economy's fortunes are improving and rallying and widening. It also hints that inflation is returning. So the steeper the yield curve gets the stronger the growth and the more implicit or it becomes implicit that inflation will visit you. It's important for cyclical stocks and resource stocks because it is exactly that, it's the

barometer of where the levels of demand are and where consumer activity is and where investment activity is at. So it absolutely dictates the interest levels in cyclical stocks. And you can look at a map or a chart of where the yield curve has gone over the [unclear] and it'll tell you possibly how much steeper the yield should get. At the moment if you look at the three month US three month to ten year section of the curve it's about 130 basis points of steepness. Having steepened to about 170 basis points in March quarter of this year. But in previous cycles of economic expansion the curve the yield curve has steepened beyond 170 basis points. It's gone out to almost 300 basis points of steepness in that part of the curve. So that should tell investors as it in fact informs us that there's further economic expansion ahead, that all the liquidity and interest rate settings that we're enjoying will foster further activity, and therefore that underwrites to some extent interest in cyclical stocks and mining stocks.

OLIVIA HARRIS: Thanks very much Ben. And we'll stick for you for the next question. This one's from Richard. What are some of the key things or the key indicators that you're looking at in the Australian economy right now given that we're approaching some vaccination milestones?

BEN GRIFFITHS: Yes Richard that's a good question and clearly the fortunes of the Australian economy have been hinging heavily on lockdown and how quickly we get out of lockdown. So clearly vaccination rates are a key focus. But if we just look in terms of economic activity and markers and indicators, I mean certainly I always look to certain indicators. I always look at consumer sentiment indicators and surveys. And I look at business surveys and indicators. And in both cases we're seeing prints that suggest that consumers and businesses are essentially looking through the lockdown and the lockdown induced weakness. We are expecting of course to have a pretty soft third quarter GDP print in Australia. But interesting to see the National Australia Bank the NAB Business Confidence Survey that came out for July printed above average readings. I would have thought as we're in full-blown lockdown that business confidence would have been ebbing but in fact it's been tracking quite strongly. So it's confidence surveys that you should be looking at and keeping an eye on those for a lead indication of where things are going. I mean house prices provide another obvious level of confidence and they suggest that as house prices rise clearly people are happy to become indebted and people are happy to expand their home and their household balance sheets, that's a positive. And the final thing is job ads. The labour market is performing quite strongly. And the level of job ads is increasing each week. So I think you should be looking at each of those indicators to take a temperature check on the strength of the economy and how forward looking the economy is becoming. So there a few of the things in my toolbox. I can't share them all, but they're just a couple of indicators that I would recommend to Richard.

OLIVIA HARRIS: Thanks Ben that's great. Ryan we'll turn to you now. We have a question from Adam. So Adam says economic data is continuing to show strong growth, do you think that that will hit a peak soon?

RYAN QUINN: If I knew when the peak in growth was going to happen I'd be a very valuable commodity. We are seeing signs of durable growth in the companies we own. Growth in the overall economic situation it may be finite, it may be infinite, it's hard to tell. Again it's something that we don't try to predict because we're much more better off focusing on the qualities of the underlying companies that we own. And when we look at the businesses we own we tend to own very high quality companies. And again we look for those long term tailwinds. And so one of the other defining characteristics of these very high quality global businesses is the durability of their ability to grow their revenues. In the consumer space we tend to favour luxury items, think things like Louis Vuitton and Pernod-Ricard and Ferrari. These companies have been incredibly resilient through multiple different types of market cycles looking back in history, and they've been able to withstand growth ebbs and flows as they happen in the market because of the aspirational quality of the products that they put out. Many of our other businesses have pricing power. So if growth does slow down or inflation does pick up these companies can pass their prices through to the end consumer and continue to grow over time. So you could argue that growth is at a peak today but you could have probably argued that growth was at a peak a few years ago and that's a bit of a fool's errand to predict when these things will happen. We're blessed that we only have to focus on a very concentrated pool of businesses to make sure that the economic drivers of those companies competitive advantages continue to be healthy. We don't

need the entire world to be being in a growth mode for our companies to perform well and have durable revenue growth. And so we very much look at the health of economies. We look at the health of the consumer. However we tend not to pay too much attention to it because we're busy focusing on not only our existing companies but the companies that are on our watch list that are competing for capital in our very concentrated portfolio.

OLIVIA HARRIS: Thanks very much for that Ryan. I think we'll stay with you for this next question. This one is from Sam. Are you optimistic about the equity market given uncertainty we're seeing right now around the US Federal Reserve tapering talks?

RYAN QUINN: Yeah the Federal Reserve has been in the spotlight ever since the great financial crisis that occurred in 2008. The quantitative easing that has happened and the asset purchases that they've enacted to help steady our economy here in the US have had global implications. We pay attention to those things as another thing that goes into the list of things we pay attention to but we really don't make decision off of. However, we did see some examples of these moves in the past right. So there was a tapering that occurred in around 2013 2014 that had economic impact. There was a quantitative tightening that happened in and around 2017 that also had some implications to markets. The general comment around that is that it brought volatility. And as I said earlier volatility allows us to really make offensive moves in our portfolio. We tend to be able to take advantage of that volatility to add businesses to the portfolio we've long waited to invest in, whether it was valuation or timing or portfolio construction. But in general when markets provide us volatility we tend to be operating from a front foot and taking advantage of that volatility, rather than acting reactively and try to prognosticate what these new moves will do to the portfolio as a whole going forward.

OLIVIA HARRIS: Thanks very much Ryan. And we'll just get through one more question for each of you. Maybe we'll flip back to Ben first for this. Could each of you actually share some of your most notable contributors to your portfolios over this recent period? Ben could you start.

BEN GRIFFITHS: Sure. Happy to start there. Obviously we have two portfolios represented in the FGX LIC so I'd be happy to share a couple of great contributors in each of them. I would suggest in our Emerging Companies Fund that we'll shortly close for those that are onlooking Mainfreight (NZX: MFT) which is the big New Zealand freight group, freight forwarding logistics group, has been an extraordinary contributor to our portfolio. Aussie Broadband (ASX: ABB) also new to the Boards has been a substantial contributor to our funds performance in recent times. I mentioned DGL Group before, the chemical manufacturer and storage group, has been a significant contributor. As has Capricorn Minerals (ASX: CMM) and AFG (ASX: AFG) the home loans originator. On the Small Companies Fund we've enjoyed terrific performance in recent times from IRIS which is a shareholding we put in place at the beginning of this business actually, the inception, so 18 years ago and it's been taken over, it's in the midst of a takeover now, so IRIS has been a great contributor. As has Pinnacle, Pinnacle Investments (ASX: PNI), which of course is a big investor and supporter and owner of investment and fund management boutiques. EBOS (ASX: EBO), Breville (ASX: BRG) and IDP Education (ASX: IEL) would also be up there as substantial contributors. And in fact I would say almost every stock has pulled its weight, but the ones I've mentioned are the ones that have pulled probably the heaviest.

OLIVIA HARRIS: Thanks very much for that Ben. And Ryan what about you?

RYAN QUINN: Yeah when we look at the construction of our portfolio we tend to include a few different types of growth stocks. There are defensive growth, cyclical growth and secular growth. Defensive growth businesses are the ones that are anchored to the win and lose periods. Those historically have carried performance. Then when we come out of those volatile periods it's typically the secular growth businesses, the very fast growing companies that dominate performance. And then through periods of economic expansion or better periods we look at the cyclical growth businesses that tend to carry performance. So in general the portfolio performance will be driven by any one of those few buckets. And in the recent period coming from the top performers one of the best performers that we've had has been Shopify (NYSE: SHOP). This is an online business that allows companies to sell their products directly to consumers. It's been a real

COVID winner because many businesses have had to pivot from their brick and mortar sales or their traditional ways to get to consumers by increasing their online presence and Shopify competes directly with Amazon.com and provides a really terrific alternative for these businesses both large and small. From the healthcare space WuXi Biologics has been a great contributor to performance. We touched on that one a little bit earlier. But another one from the healthcare space would be West Pharmaceuticals (ASX: WST). West Pharmaceuticals is a business that's the dominant supplier of pharmaceutical packaging. You can think rubber stoppers used in vials and plungers that are in syringes. They've got a 70% global market share and that business has done extremely well with the long term tailwind of increase in biologics as well as the need for inoculations specifically related to COVID. Obviously not part of our investment thesis in the first place but this is a business that's sitting right in that value chain that will benefit from the growth in biologics. From the consumer side, Louis Vuitton Moët Hennessy (PAR: MC) has been a great performer for us. Their fashion and leather area has grown significantly and quite strongly through what's been a very challenging period. It really points to the aspirational quality of their products as well as the adept management team being able to get these products out to market and really maintain that demand in the marketplace.

OLIVIA HARRIS: Thanks very much for that Ryan. And we're just down to the final minutes here. So Geoff I will pass back to you if you have any closing words you'd like to say.

GEOFF WILSON: Look thanks very much Olivia for doing the Q and A. And thank you very much to Ben for making yourself available. And Ryan thanks very much for staying up very late to communicate with Future Generation shareholders. We all appreciate immensely your incredible generosity and both your organisations. So on behalf of all shareholders please thank everyone in your organisation for what you're doing for us.

The webinar is being recorded so it'll be up on the website very soon. And I'd like to on behalf of the Boards thank all the shareholders for your support. My view is the future is very bright for both these organisations. We've got the smartest and the best fund managers in Australia and globally managing the money on our behalf. We are investing in and providing money to children at risk and youth mental health in Australia which really needs it at the moment. And I suppose the icing on the cake is more recently you've seen with the last results that the profit reserves are significantly higher than they have been historically so we should assume a nice growing stream of fully franked dividends as these companies continue to grow and prosper. So thank you very much. If there are any other questions please come through to us. As I said this is your company and we're only here because you allow us to be here. So thank you very much.