

Future Generation: Investment Insights
Caroline Gurney and Gabriel Radzyski
Shareholder Activism | 22 April 2022

CAROLINE GURNEY: Today I'm going to be speaking to the Founder and Chief Investment Officer of Sandon Capital and the exciting world of activist fund managers. Gabriel is one of the top activist fund managers and it's a pleasure to have you here today. The point of these interviews is actually to make you as shareholders understand more about what's going on in the portfolio. We're delighted that Gabriel is an actual holder of shares within Future Generation Australia (ASX: FGX). He sits on the Board and he is on the Investment Committee as well. He manages 6.1%* of Future Generation Australia. So Gabriel, you are a value investor. You're also an activist. Tell us more about what it is. It's a growing movement in Australia, what does it really mean and why is it important?

GABRIEL RADZYMSKI: Thanks Caroline. I think activism and activists are words that get banded around in lots of different context. To some people it relates to the environment, to other people it might to the union movement. For us it's about investing. We're basically, as you've said, we're value investors. What we firmly believe in is that as shareholders we have rights. Everyone has them. What we're prepared to do is simply use all of those rights to try and get the best outcome for our investment. We really don't see the companies that we're invested in as bits of paper that trade on the exchange. What we own is a proportionate share of the company, and as a result we want to have an interest in how that company performs.

CAROLINE GURNEY: Activist shareholders to me has always been sitting in between that traditional fund manager and the private equity manager world. Is that accurate?

GABRIEL RADZYMSKI: I think that's a great way of thinking about it. I'll use the word passive for the majority of investors who simply buy and sell shares. That's great, that's what they do. What we're trying to do is sit in between those investors and private equity investors who are looking to pay a premium in the companies they buy to take full control. The way to think about it is what we're trying to do as a value investor is buy things at a discount, and then try to have influence, rather than paying a premium and having control. We're concentrated. We've got about 28 stocks in the portfolio today. But our top five holdings represent more than half of the

portfolio. The bulk of our money is in our top five holdings, and they're the things that we spend the most amount of time on.

CAROLINE GURNEY: Tell me about your performance.

GABRIEL RADZYMINSKI: Since inception we've done around the 13.0% mark net of all fees and expenses. What we're very tolerant of is price volatility, and most of what people see in the market is price volatility, where shares go up, shares go down. What we've learned to do is to be somewhat indifferent to that because that is not representative of value. Value is what a company delivers, what its operations are showing. Frankly that's what helped us deliver some pretty spectacular returns throughout COVID. Not because we chopped and changed and anticipated or predicted what might have happened, but rather because we assessed the survivability of our companies and determined that for the most part they were going to survive and if they needed additional capital we would gladly put more in. For us the so-called recovery trade was actually a portfolio that we had put together painstakingly over the previous four, five years, and we didn't really change it. It sort of reinforces the benefits of taking that long term view of what to invest in.

CAROLINE GURNEY: Gabriel, give us some examples of activism.

GABRIEL RADZYMINSKI: There are different ways of describing it and for us the way we engage with companies, and we call it engagement because we are trying to engage with companies, it works across a spectrum. Sometimes it takes place in private behind closed doors, just us and the company. More often than not what happens is that we end up concluding that the company is perhaps not receptive to the suggestions we're making in which case we pivot and then we begin speaking to other shareholders. That's where we spend most of our time. And what we're trying to do is elaborate or put forward an alternate way of doing things that a company might pursue. Sometimes it could be improving its business operations. Other times it could be splitting itself, perhaps dividing the company into two different assets and listing them separately. We've had experience in over 40 different campaigns and each one of them is different in its own way. Basically we get involved in trying to put forward an alternative. We're trying to influence an outcome. What's important to remember is that as a shareholder we cannot tell the company what to do. At the end of the day a Board has full authority to do what

a company does. What we can do though as a shareholder is sometimes influence the composition of the Board, sometimes change it. The challenge with influencing other shareholders is that you have to be careful to not be seen acting in concert which is in breach of the law. There's some legal restrictions about how many shareholders can get together and agree on something, and we're very conscious of all of those restrictions and so we always play it straight down the line.

CAROLINE GURNEY: Gabriel, how else would you describe activism?

GABRIEL RADZYMINSKI: We're simply trying to use the laws and the rights that we have as shareholders. Another way of thinking about it in let's say the real world, if you're at home and say the median strips or the nature strips around your house aren't well kept by the Council or the rubbish hasn't been collected, what you'll typically do is pick up the phone and complain to the Council. If things escalate you might even write a letter. Sometimes you might even join a neighbourhood action group and try and lobby the Council to get the changes that you're looking for, improvements. What you're not going to do is simply go on the first day that they forget to pick up the rubbish, you're not going to simply ring the agent and say right I'm moving out, it's over, I want to leave. That's what we're doing. What we're doing, a lot of other investors will do that. If something doesn't go their way, they don't like what's happening, they simply sell and move onto the next thing, we're simply a proud homeowner who wants the best for the companies that we invest in.

CAROLINE GURNEY: Thank you very much Gabriel. If shareholders have any other questions we're very happy to put them to other members or Gabriel of the IC. Thank you.

GABRIEL RADZYMINSKI: Thanks Caroline.

*As at 31 March 2022.