

**Future Generation Q&A Webinar**  
**Wednesday 27 July 2022**

**CAROLINE GURNEY:** Welcome to our Future Generation Webinar. It's lovely to see you and I'm delighted to welcome our leading fund managers Geoff Wilson AO and Peter Cooper. Before we start, I just really wanted to give you a quick overview on Future Generation and then we'll hear from our guest speakers and finish up with a Q&A. Thanks so much to many of you who have actually sent a lot of questions. I'm going to summarise some of those and I'll be asking Peter and Geoff. I saw a lot of you at our roadshow that we recently ran across ten cities and we talked about Future Generation. We talked about its uniqueness, the fact you get those investments and social returns for no management performance fees and we give 1% of the company's net assets to our charity partners, but what really makes it special is the fully franked final dividend and the yield and I have a slide where it actually lays it out and this is probably one of my favourite slides where we look at Future Generation Australia (ASX: FGX) and Future Generation Global (ASX: FGG). As you can see there, you know the dividends we actually increased their full year dividend for FGG by 200% to 6 cents per share last year and the gross dividend yield is 7.2%. You can see in the chart and we have a massive, massive dividend coverage which is just so fantastic. With FGX we increased a fully franked dividend by around 15% last year and now which gives us 4.8 years of dividend coverage. I think that chart really sort of says a lot and I'm not going to go through it anymore because we're really here to talk to Peter and Geoff. But what I really love and the next slide shows that is that actually increasing fully franked dividend, so you can see that we're actually... that was one of the charts that our shareholders really liked so I just wanted to share it widely. I think one of the big things that we talk is our social impact and it's important to you because you really care in terms of where your money goes and we offer the donation voting which will open at the beginning of September and we'll send you more information about that, so you actually vote where you want your 1% to go and excitingly we've got some new charities for Future Generation Global and we'll be announcing those in about ten days. So now to our guests and I think that's really what you want to hear from as well, so we have Geoff Wilson AO the founder of Future Generation and he is one of Australia's leading fund managers. He's built an incredible funds management business through the listed investment company structure and today that business Wilson Asset Management manages more than \$5 billion, so Geoff thanks very much for being on the webinar today. Peter, thank you so much as well. Peter is joining us from Melbourne which is fantastic

because we actually thought he'd be joining from somewhere else. He is the Director, Chief Investment Officer and Portfolio Manager at Cooper Investors and he has more than thirty years investment experience and he is one of the best known fund managers in the country. He is described as a titan which I quite like. He founded Cooper Investors in 2001 and today that business manages a massive \$12 billion, so Cooper Investors... the reason why we have Peter here is he manages shareholder money for both Future Generation Australia and Future Generation Global and like all of our fund managers he manages our money pro bono which means he doesn't charge any management or performance fees and Peter we are incredibly grateful for your generosity and so my first question is to you Peter. Australia for decades has been one of the better performing markets in the world. Going forward, how do you view the Australian market relative to opportunities overseas, Peter?

**PETER COOPER:** Hello Caroline and hello everyone thank you for joining. Let me just start with my career and just the wonderful things that have happened and some might say lucky. Over the last thirty years in Australia you've had the most incredible I guess multi decade themes running through this stock market that have been very positive contributors and I'm going to start with the good news and then move to the bad news and those things include the superannuation industry the fact that we've had some of the highest interest rates in the world, highest inflation rates in the world and over the last thirty plus years, thirty five years they have been trend negative which is very positive obviously for asset prices in Australia and it's also been a global phenomenon of course but Australia was a really big outlier country, considered high risk by those northern hemisphere investors and then we had something called risk-weighted assets come along ramped up in Bahl Switzerland the likes of Commonwealth Bank and Westpac for example were able to increase the size of the balance sheets massively because the effect of that Bahl Risk-weighted asset ratio really meant they could have more assets on balance sheet particularly the home mortgage side of things for less capital. We don't have time to go into the maths of that, but it was just a massive stimulus to the I guess the housing stock of Australia, the value and everything that goes into a house so you can sort of rattle off all those building material beneficiaries. Along came I guess the Asia phenomena in the late 1990's emergent China, emergent India and the rest of Asia have provided a massive stimulus for this economy particularly our resource sector and then finally the taxation system whilst depending how you sort of view superannuation some people would say that it's a tax on people but really the taxation system has been pretty good here. 30% corporate tax rate, offset by the

value of franking credits which is massive brings our effective tax rates down, our corporate tax rates down to low 20's and of course the discount you get on capital gains is very, very favourable. Those things have meant the stock market and I'll use the 120 years of actual data, Caroline there's no better stock market in the world than Australia and we churned out roughly, rounding out the numbers, 10% per annum. America is right up there but we beat them by a couple of percent, they did around 8% per annum. The last ten years has actually seen Australia underperform relative to the global and particularly the northern hemisphere and particularly the North American markets where the MSCI's done 13% versus ours roughly 9.2% in the last decade and in the last 12 months it's kind of interesting the worst market was Asia down 18%, global markets down roughly 8% in AUD terms, it's important that because the AUD as everyone probably realises was a beneficiary in the fact that it fell relative to the overseas market, so that 8% would be worst in local currency terms and the Australian market was down about roughly 6%. I think I'm going to start big picture going forward and what's interesting over the journey whilst the last 10 years we've underperformed, over the last 20 years the global markets of Australia have been roughly the same around 8% per annum and what happens over rolling with this when you look back in time you get sort of excess returns out of Australia over the world and vice versa, we've been through the last decade of somewhat underperformance relative to the rest of the world. I think big picture, Australia remains an attractive market place and you can see the private equity and alternative investment players pour into this market over the last five, ten years and the reason they're doing that is when they do their country analysis, Australia notwithstanding frankly the woeful political scenes if you watch our six o'clock news and 7:30 Reports it just looks atrocious, but in a relative basis and I think this is important Australia remains a fabulous country, resource rich, really strong population education, tax system as I mentioned, institutions are remarkably strong and the rule of law, one should not forget the rule of law. This is a very big thing for international investors when you go into the international markets there's lots of opportunities, but some of the I guess legal frameworks are less to be desired vis-a-vis Australia. I think once we get through this crunch the next year or two or problematical social political economic energy issues which we'll talk a little bit about later on, I'd put Australia in the top quarter of countries in terms of places you want to put your money in and for Australians the tax advantages of local is worth 1% to 2% a year which is a very significant number. So you know for my money we will stay here. But the advantages of overseas and we love as you know our firm is sort of half and half the advantages of the overseas and our approach is to find these wonderful companies that we see in Australia albeit a very, very limited list of companies, find

those equivalents in overseas markets and find industries that you can diversify into that you just can't here, it's just the fact that we're a small country and I think that maybe we can talk a little bit about it later on but there's some phenomenal value out there in the market, there's phenomenal risks that we see as well and one needs to sort of duck and dive and weave to identify those opportunities. The currency in Australia has been very weak in the last 12 months and so that sort of makes it a bit more expensive to go overseas, but there are other countries also with currency that you can sort of get around that problem like Japan for example.

**CAROLINE GURNEY:** Peter when you're actually talking about your approach and I know internally I mean you've told me before that's something in terms of investment styles you're continually thinking about internally, so for the past few years it's been quality growth investors who have been those really sort of big winners, so where does that style of investment sit in the current market and who do you expect to be the big winners going forward especially as we enter this high inflation environment that you have mentioned?

**PETER COOPER:** Well Caroline this is a great question and I talk about it a lot internally to younger people during our organisations so whether you're just starting or older people in the industry it's a good question, if you're starting out your career today, where would you want to go or if you're going to write the New York best seller investing book what would be on the front cover? When I started my career everyone was sort of a Warren Buffett value devotee and all the New York best sellers or the investment book best sellers were very, very heavily couched in value principles, value investing. The last 10 years or last frankly last 20 years probably if I rolled the clock back you just sort of leverage up on quality growth, now that's not had a pretty six months but that is sort of I guess the difference from when I started out to today so you know it's very growth orientated, lots of venture capital winners, lot of emphasis upon technology, so these kind of themes and styles change over the decades. Looking at it today, the way we approach it is basically there's kind of two broad areas of style or we call them sources of value and then there's six subsets or value and that's sort of the two broad areas that are compounders, these are the growth and stalwart type companies. Now from our point of view this is where the most money is made with one very big caveat which is why we have multiple sort of pools that we can draw upon when we can't find opportunity in that compounding area and the problem with that compounding area is just well everyone, every Tom, Dick and Harry is all over it and so it's extremely competitive and so it's the other pool that we kind of recently

dipped quite heavily into and this is that what I would call sort of reversionary styles is the asset plays, what we call low risk turnarounds, cyclical type businesses or industries where you can get opportunity in those and Australia has kind of taught us very well, we're quite a cyclical market and it's something that we've been able to export or transport into these overseas markets and just really understanding those different sources of value has been very important. So long story short, we're looking for both compounders and these reversionary opportunities. If you go back in... I think it's interesting looking back into the 1970's you know like it was a... they had that sort of nifty fifty from 1968 to '72 and these stocks got up sixty times they all blew up the nifty fifties, there's two... and in the 1970's was the era of deep value sort of cyclical energy stocks, value stocks, there's two little caveats that or interesting points that don't get talked about, the two things are this. The nifty fifty stocks, if you had of bought at the peak you basically lost half your money in two years in the 1974, '75 period or '73 to '74, but by the mid '80's to late '80's you actually made all of that money back and then the following 10 years you outperformed strongly, so not many institutional fund managers could possibly do this, but certainly plenty of your investors can. If you just hang onto those quality stocks of the nifty fifties you actually did quite well, it's just you had to hang onto 10 to 15 years to get your money back. The other really interesting point about the 1970's that's not often talked about is that all of the underperformance came quickly in the front end and so those high value stocks blew up very badly in the first two years, I can't remember the exact number but they were down sort of 30% each year so it was pretty horrendous and then the energy stocks might have been up roughly 100% in that early phase and so people look at the decade long returns but it's very, very important to get the timing of these asset locations or capital allocations into these different sectors. Look we see lots of opportunities in that reversionary space. There's lots of opportunities in those overseas markets. I'll get to some of the Asian markets are phenomenal, it's like John Templeton some of your audience may know made a name for himself back in the '50's and '60's investing in Asia, it's like a rerun of that and we can talk about that one later on, so pretty excited by those international opportunities and in the US in that cyclical market boy there's been some absolute carnage in what we would call good businesses, albeit they're a little bit cyclical, but people have thrown the baby out with the bath water in a number of areas in that North American market very high quality. I should say the US once again doesn't look very pretty from a social political perspective but I've spent quite a lot of time in the US in the last 12 months and you get down in those southern states, Texas and Florida, they're still very... they're growth markets, they're getting demographic beneficiaries from the south and the north, the great weather, low taxation

rates, you're almost in emerging market territory in terms of the growth with western market governance and rule of law, so we see plenty of opportunity in those markets and of course Europe has been a bit out of favour for a decade, so there's a bit of value there as well.

**CAROLINE GURNEY:** I'm actually now really looking forward to your stock picks that you're going to give us and which area so that will be great. Geoff staying with markets, people, shareholders are really fearful at the moment about surging inflation, rising interest rates, falling equity markets and early signs of a downturn in that property market and potentially the risk of recession. Is this a good time to be greedy or pro-risk or are we too early in that cycle? Geoff what are your thoughts on that and maybe Peter if you could just add to that afterwards it would be great.

**GEOFF WILSON AO:** Thanks Caroline and thanks Peter also because a number of years ago with this concept of Future Generation, Pete was one of the first fund managers that we spoke to and it was a very unique concept in Australia and Pete immediately put his hand up and on behalf of all the shareholders now we've got like one billion plus of assets there and it really was your generosity and being able to manage the money on a pro bono basis and as I was listening to you, to me it was taking me through my early days, early '70's when I was finishing university and I remember they said the oil price had gone through the roof and I think all property prices that were hundred... I was in Melbourne and down the Mornington Peninsula and all the prices fell because people said we can't afford cars anymore, now the petrol to drive down there and as you heard from how Pete managed the money and this is all the fund managers that we've got in Future Generation are really the best boutique fund managers in Australia and the best globally that can add value and I was impressed in terms of just listening through the process you used and the interesting thing is it is important to be flexible and that comes back to the question Caroline obviously I was around in the '87 crash so I've got those scars on my back which Pete was as well and so I do get nervous. We have had a period of falling interest rates. Obviously we've got a period of rising interest rates and obviously that has a negative impact on valuations and potentially company's earnings, you know slowing the economy and any companies that have debt and but in terms of what you've really got to be aware of is that over time that you get significant performance and there was a book I was reading recently and they were talking about a 20 year period, I think they looked at the US market and it had done about 7% per annum over that period and if you missed the 20 best days over that 20 year period, you

virtually got no performance. You always want to be buying when you feel scared and selling the other way. The reason why I'm probably a little bit more on the conservative side at the moment, and it's always worth having a bit of cash to find opportunities when they present themselves is just the fact that we have had a very long period of falling interest rates and now we've got a period of rising interest rates and higher inflation and so unfortunately everyone's crystal ball doesn't tell you exactly where the market is going. But yeah I think it could be a tough six to 12 months. But as we know, that always creates opportunity.

**CAROLINE GURNEY:** Geoff, one of the questions we've had from one of our shareholders was what impact do you think rising interest rates are going to have on company earnings and what are some of the other reporting season themes that we should be looking out for?

**GEOFF WILSON AO:** In interest rates in theory there's inverse relationship between valuations of companies or PE's (private equity) and interest rates, so interest rates go down, then PE's go up. If interest rates go up, the PE's go down so it has a negative impact on the valuation of companies. Now the million dollar question which no one knows the answer to is everyone knows interest rates are going up, it's very clear, the market knows that. The market is forecasting the interest rates to continue to go up. Now if interest rates don't go up at the rate the market is expecting, then the market will performance, will rally. If interest rates go up higher than the market expects, then in theory they will potentially be negative and obviously higher interest rates it slows the economy and companies that have debt and obviously all of a sudden more expensive to pay that debt so that's another negative factor. And you were saying what was the... Caroline what was the second part of your question?

**CAROLINE GURNEY:** It was really about reporting season themes that we should be looking out for?

**GEOFF WILSON AO:** There's been a little bit of reporting in the US and one of the things that's important is any comments from companies in terms of outlook statements. We saw I think a snap in the US all of a sudden their revenue started to slow and the share price was down 40 odd % with their result, but all costs like revenue there was probably a bit of growth in revenue but it will be... there's costs everywhere whether it's you know as you said before funding costs, whether it's employment costs, just trying to see to what extent company's margins are being

squeezed or which companies that can actually pass on those costs and are maintaining their margins and can actually benefit from this environment. I think that this reporting season will be the start of telling that tale.

**CAROLINE GURNEY:** Thank you. Geoff so one more thing, I have lots of questions for you but I think what our shareholders really love and I know that some of you don't like doing it is to give your two stock tips and tell me why you like those companies. So Peter perhaps you could go first please?

**PETER COOPER:** Well my first one, I'll just withhold the name just for a minute is sits in the what I call the equity endowment sort of category. It's been around over 100 years this company. This company has increased its dividend, I really love this point since 1976 every year okay so you can go through all the global crisis, all the meltdowns, the political turmoil in the '70's, '80's, '90's this company has just gone through it. They have components of vulture farm value PE but in a family linked company and you probably can all guess this company. Very diversified, fantastic balance sheet, close to net cash, thirty times interest cover and so the company is Brickworks (ASX: BKW) and I just want to sort of table the bias here. I was an analyst at State Super Board New South Wales and my biggest position was Brickworks about 10% of the company back then we owned. Been visiting the Millner's there for close to 30 years, so a big fan of the management team there, Rob Millner the Chairman, Lindsay Partridge CEO, Todd Bowers on the Board there as well and so this company is very diversified and the good news is that you get to buy it at a 25 to 30% discount to its net asset value, it has a 50% of the value would be a very broad ranging investment portfolio of quality stocks. They have a building materials division both here and America which they've established a bit of a beachhead there five or six years ago, strong Brickworks business here in Australia and they have a property business which is about a quarter of the total asset value. They have a fantastic joint venture with Goodman's, probably the best industrial warehouse designer and asset manager in the world. They have customers like Amazon (NASDAQ: AMZN) and Woolworths (ASX: WOW) and Wesfarmers (ASX: WES) etcetera in these modern day warehouses and in terms of the latent balance sheet just to read these out they have 3,700 hectares of land of which they have roughly 400 hectares available for development and so they've built up a \$1.7 billion dollar property portfolio, so you don't have to worry about the REIT sector it would be my view and you can stick your money in here and then go on holidays, come back and in 30 years to see it grow.

So it trades at \$20 dollars, \$28 dollar NAB, so that's one for the endowment portfolios. Do you want me to call out the international one?

**CAROLINE GURNEY:** Yes please that would be great.

**PETER COOPER:** I mentioned before, there's some amazing value and I don't want to discount the risks but we just can't help ourselves at CI, the value in Asia particularly and I'm going to go to China and so I'll give you the thesis and we searched for these companies we kind of know a little bit about domestic banks and domestic Telstra for example, so there's a company called China Mogul (SHA: 600941) . It has 957 million customers. 220 households are customers. Trades on a seven times PE and they own all of the mobile networks, it's the largest network provider... they own all the towers, they've already rolled out 5G and it's a massive CapEx program, now that's all behind us, it's already been done. They have a net cash balance sheet, so you can buy this company on an 8% yield, we're expecting that to grow to 11% yield. GDP per capita in China is roughly 10,000 versus about 50,000 here in US dollars I think here in Australia, so you've got tremendous latency in terms of the growth that can come from the value of that customer base. The RLE is better than Telstra's. As I said it trades on seven times PE versus 24 times for Telstra. The EV ratio which is the enterprise value netting out cash, in other words taking net cash balance so you take that off the market cap of this company, it trades at one times EV ratio. I mean you just... you can't go any lower. You're buying this thing at about .67 times of book value. So in terms of value it doesn't get better than that. Now here's my thesis or here's our thesis for those who don't like China, the government actually gets massive dividends from this organisation. We don't have a Geoff Wilson in China to defend the small shareholder's interests unfortunately Geoff, unless you want to relocate, but the government owns 70% of this company, we think the government of China has totally built this economy remarkable 20 year story out of backing national champions of which this is the lead Telco mobile, Telco tower owner in that country, so they already own 70% of it, so our view is that it's unlikely that you'll see these assets taken over at onerous prices or harm done to the value enterprise of China Mobile, so we're quite excited by that sort of compare and contrast approach across the Asian region of which China Mobile is one.

**CAROLINE GURNEY:** I think they sound great actually, I'm looking them up as you speak. So thank you. Geoff and for you and no you can't go to China.

**GEOFF WILSON AO:** I can't, but hey and Pete that sounds fascinating China Mobile and I was talking to the investment guys I said hey come on I need a couple of stocks, I had one up my sleeve and I said I need another one and the large cap guy said hey I'll give you one. Now unfortunately let me give you the... I'll give you the backdrop for this and then you work out whether you want to own China Mobile or this. This one is in the same business as China Mobile. After a decade of having no growth, it's finally getting a bit of growth and it trades... it doesn't trade on an EV multiple of 1 or doesn't trade on a PE of 7 which is just music to my ears, it trades on a PE of 20. Now and unfortunately that's one of my selections but that's the advantage I think of investing globally is that you can find these opportunities but if you just stick to Australia, this stock I was talking about is Telstra (ASX: TLS). You know for the first time in a decade, that it's finally showing some signs of growth so the thought was a re-rating because of that but in terms of if you're looking for value it's 10 to 1 China Mobile. The other one is more, sort of more a value play and to me the interesting thing is another sort of was a blue chip name but these days has been... has continually disappointed and that's AMP (ASX: AMP) and that is really an asset play. We think the assets could be worth between \$1.50 and \$1.80, more likely at the higher end. They've got some great assets. The new CEO in there has been doing a fantastic job cleaning it up. Since she's been in there they've sold 6 businesses so we think she'll keep cleaning it up and the result comes out in the next couple of weeks. We think there will be significant capital management, it's capped at a \$3 billion dollars and we think they'll have a couple of billion dollars in cash in the next 6 months, so it will either be a buy back or a capital return and so to me it's in the process of crystallising that value and you will get that value over the next few years. So they're pretty much the two stocks, but yeah obviously particularly after Pete's stock I nearly feel sort of embarrassed throwing my one in there. Telstra that is.

**CAROLINE GURNEY:** What I might do is I might actually go back to all the questions that I have for Geoff and Peter because there are a fair few of them from our shareholders, but I'm going to summarise them. I mean we all pick up the financial papers every day and obviously at the moment we're in a period where government policy has been incredibly influential over industry and both of you would understand a lot about government policy and its impact on various industries. So what do you think Pete perhaps if I can go to you with this one first. Who are going to be the winners and losers there?

**PETER COOPER:** I guess the way we approach it with a line down the middle of the page and whether it's the Australian Stock Market or the international companies we track, kind of ask the question who is going to be a beneficiary and who is going to be hurt. Is a kind of a framing question by government overreach or industry policy that actually reduces profit pools for the participants and I'm just going to start with one example as a call out and frankly we've taken this I guess observation of Australian company is globally significant and is the best organisation on the planet that we've seen but arbitrage government policy and it's called Macquarie Bank. God bless them we think they're very good. They deliver incredible value to the economy and the community so I don't say this in a negative light, but they're just the masters of working out the details of how to get on the right side of history. So if you look energy policy, probably the most obvious and topical industry under a bit of duress from government and government's handballing of some of the responsibility onto the private sector and let's just say that. I think the strategy and it's sort of one that we've adopted ourselves in a way in our portfolio is a bit of a bar bell approach, the underinvestment in traditional energy has been sort of highlighted I guess in recent times and so there is some opportunity not only to participate in that undervaluation or that underinvestment which has attracted higher returns in public markets, but also the opportunity to be part of the transition economy by bringing technology and new investment to older industries and particularly that energy sector. I guess that's one thing and Macquarie Bank is across both those topics globally and so we kind of like that opportunity, but one should be very... we're not really top down orientated in our approach because these government policies have different impacts in different jurisdictions, so I wouldn't want your clients to sort of run off on that generalisation or top down view. It's very nuanced and very specific. The other area I think around policy and just use the Australian example is our preference is to get snuggled alongside small Australia. The small enterprise or the individual middle-class, call it what you like, certainly regional areas, outer suburbs of Melbourne. If I use the kind the affordable housing sector we think this area will be the least impacted negatively by government policy. There are issues for sure, but some of these companies in the retirement village and the affordable housing sector are actually providing magnificent services to a very underserved area, they're delivering cheap housing which is... I think all these governments are having conferences on affordable housing should go and speak to some of these companies 'cos they're already doing it without government help, so we think that some of the I guess users and acquirers of their products and services are in that kind of lower socio economic category which is where governments are really, really looking to help people under these somewhat

difficult circumstances whether it be COVID or inflation and so forth , we think the risks are lower in that area and then thirdly every day needs businesses, I totally agree with Geoff's point of view leaning into a conservative mindset here going forward very, very keen to sort of identify areas of essential services just looking at Maslow's hierarchy it's a good place to start and looking for businesses that can deliver into that sector.

**CAROLINE GURNEY:** The RBA Governor recently said the path back to 2%, 3% inflation requires an increase in supply and some moderation in demand. But supply is really out of their control because we rely on China for most of our finished goods, Russia and Saudi Arabia for energy commodities. So how much demand destruction do you think is needed to bring inflation under control and how will we know when the RBA has done enough? I mean obviously [inaudible] one of the questions was do we see a series of rate falls followed by hikes as Central Banks really try to match demand with supply but it's out of their control.

**GEOFF WILSON AO:** What I want to add is the interesting thing is Matt Haupt manages our WAM Leaders (ASX: WLE) fund. I was talking to him yesterday and he was saying how in Australia already the five year forecast inflation figure is 2.8%, so it's actually in the zone, so and sort of the argument is that a lot of this inflation is cyclical. To me the hard part is but as Pete has lived through the '80's, the '90's when you've had... sat around the table with the Governor of the Reserve Bank and he gets everyone to write down on a piece of paper what their expectation for inflation is, then he spends the lunch explaining why we were wrong and you realise that it's sort of thinking makes it so. If everyone thinks that we're going to get inflation, then we actually get inflation. It looks like the market sort of accepting that that's not going to be the case. In terms of how the monetary authorities are performing that's not the way at all at the moment and to me I just wonder whether you know they were incredibly... they were a bit slow after the GFC, they were incredibly co-ordinated after COVID in terms of pumping money into the system and dropping interest rates and it looks like they're again co-ordinated in terms of lifting interest rates and this is the opportunity to get them high enough so that they've got another lever to pull at some point in time, so that's my thoughts at the moment. Yeah, at the moment sort of the plumbing is working and I think there's sort of a 5% chance that things might go off the rails and that's I suppose you know personally I'm just holding a little bit more cash so just in case I suppose like Peter and myself or probably most of the people on the call we love buying a dollar for 80¢, we love buying a dollar for 50 cents if we can and like with one of Peter's

callers you know Brickworks you're buying a dollar for 75 cents. You need to have a bit of cash to buy that cheaply. So I'm more hoping that there will be more significant dislocations, so more opportunities will present themselves.

**CAROLINE GURNEY:** Peter do you have anything to add to that?

**PETER COOPER:** I had a loan in 1992 that hit 20% and I've been waiting for nearly 30 years for interest rates to kind of be on the right side of that question and you know savers have really, really been hurt. People have taken a conservative position around cash and cash rates have negative returns for 15 years or 10 at least, so I'm sort of the view that the Governor that Geoff had his little... I was in Melbourne I can't remember it was about three and a half years ago and the Governor was berating the audience around this sort of anti-inflation view and he was saying like the problem we can't inflation up, okay well now he's got it up, so we're not in the business of predicting, they've got a sort of pretty blunt tool to get it under control and my money is really on stronger for longer and that might be sort of 3%, 4%, 5%, it doesn't have to be 7%, 8%, 9% but in terms of annual inflation, but I would be on the side of stronger and if you look at the Labour, I mean the Labour Government, unions are up and about, big sectors of the economy certainly for the social services sectors of the economy the nurses and the teachers and arguably I can understand the relevance of argument, you can see why they're up and about they've now got a government in power who is very supportive, so I think a lot of that inflation is going to stick around for a while and having just found myself in the middle of a house build being handed a 70% upgrade on the costs it's real out there, so I think it's going to take a fair while to wind out of the system and interest rates need to go up to... it's the cash rates need to go up to 2% to 3% just to get to normal let alone go through a corrective phase, so yeah we'll see.

**CAROLINE GURNEY:** Peter to stay with you. One of the big things is growth in Asia and obviously you talked about it and specifically trade with China. We've talked for many years the century being the Asian Century, so how do you see Australia being positioned for that and what do you think we need to do more of to ensure that Australians really benefit from that whether that's... and including India in that as well which I obviously know is obviously a vocal point for you as well.

**PETER COOPER:** It's a very complicated question because on paper you would say Australia is just fantastic, notwithstanding all of the geopolitical issues going on we remain rule of law, got agriculture, got minerals, got service sector so we're a safe haven country and I don't think that's any different than the last 10 years. I think the demographics here remain strong. I think immigration is another big issue that's gone from huge positive population growth, sort of skills and cheaper labour if you like, source of labour so that's been turned off in the last two years, so that needs to come back on stream. That's also a bit of a factor in the inflation question as well. I would say education system, so industrial policy needs to be regressed. If I was the Prime Minister of Australia, if I was the philosopher king if you like, you would make the Northern Territory Israel and have this dynamic innovation centre that's probably never going to happen in Australia and that's the problem with Australia we've got a lot of baked in inflexibility to seize the opportunity. I would take the Cabinet up to Singapore and just sit them down in front of the Singapore Cabinet Minister, I would link their portfolios to some sort of incentive of performance so there's a lot of radical things that this country needs to do around joining the opportunity that sits right under our nose, right on our doorstep. I do think India longer term and the diaspora of China, the Chinese diaspora or the Asian diaspora and the Indian is just huge in Australia now and it's not really reflected in the public markets Caroline it's another interesting thing more so in the private unlisted world, but I don't think people quite... just looking at the ASX 200 or 100 stocks doesn't really reflect I think the kind of integration going on, so I think India and the development of that trade deal and it's both sides, both India and Australia need to really make sure that that opens up and works, but Australia needs to address some of the inflexibility in the economy is my short answer to the question.

**CAROLINE GURNEY:** Thank you, thank you. So another specific question actually really about Future Generation so really for Geoff and I, the plans to eliminate or at least reduce the discount to NTA and from my point of view this is incredibly important that's something we are so focused on and I mean we're looking at our performance, we're looking at our dividends which I've already spoken about and respect really to make sure that we treat everybody in an equal manner and engagement which is really what we are trying to do as well and I think that's incredibly important that we actually speak about what we're doing within our portfolios and also in terms of the portfolio the mix in both of them so I think having like Geoff and Peter on you can really see the insight they have and we can look at the sort of diversification of the portfolios on both of the companies. Geoff perhaps you would like to add to that.

**GEOFF WILSON AO:** There tends to be the size thing. The bigger you are... like there was a good article I think in the back page of The Financial Review either yesterday or the day before about trading at 20% premium to NTA. If our fixed trading is 20% premium then the Future Generation entity should be at least... well you could argue probably better than that. At the moment if you look at just adjust to what the index has done I just was doing the numbers a minute ago and it looks like FGX is trading at about 8% discount and FGG is trading about 11% discount. And like we've got a number of our LIC's trade at premium, WAM Capital (ASX: WAM) is at a 20 odd % premium. We've got one of them WAM Research (ASX: WAX) which is at 30% premium, that's just ridiculous, there's the 20 on AFIC and WAM, so trading at NTA if not at premium is sort of where we're heading and on the line there was a question about the portfolio. Just talking about the diversification and you've got to remember we've got the best boutique fund managers, so you do get reasonable diversification or good diversification by the FGX and FGG. With FGG historically we've had a bit more growth in the portfolio and that has been with the Investment Committee has changed the portfolio and I know there was another question about the Investment Committee there, we've really got some high quality individuals. Effectively the people that decide where the money goes in Australia are on one of our investment committees whether it's Jana, Morningstar, Zenith, Founder, or Lonsec, so we have them on.

**CAROLINE GURNEY:** The next one actually was really to you both because how you are seeing active fund managers perform in a falling market which I think you've demonstrated both of you throughout this conversation, so maybe that one and aside from inflation what are the key themes in shaping your investment portfolios currently?

**GEOFF WILSON AO:** I'll answer the active portfolios, I mean they should do incredibly well. To me it's when the market is trending all one way you tend to find the indexes tend to... can catch up with the active manager. But when the market is under a bit of pressure, then the active manager can add value and so what was the other one for Pete there Caroline?

**CAROLINE GURNEY:** Peter if you could talk about aside from inflation what are some of the key themes that are shaping your investment portfolios currently and that will be our last one.

**PETER COOPER:** Well I think both internationally and domestically looking into the infrastructure areas it just continues to be a massive area of need, so looking for assets and stocks and even managers, listed managers with expertise in that front and I mentioned Macquarie before, Brookfield (NYSE: BAM) is another one we're invested in. I think the risk... I think you know people the last you'd argue the last 20, 30 years have been a good time for people to focus in on listed markets from a return perspective, but risk is something that is very, very important so looking for stocks you start with the insurance sector for example, globally we see lots of opportunities in the insurance sector and we prefer brokers over, but brokers don't take any risk really as opposed to just underwriters, but there are some good underwriters but we prefer the people who don't take the risk they just do the broking, take the margin in the middle, so there are a couple of areas and the healthcare sector has been amazing across my career and I don't think it's going to repeat itself in the next 30 years, but in terms of technology and devices the Health sector still remain very interesting, albeit I suspect returns will be lower than what they have been in the past because there's just such a need, the demographics, the demographics destiny it's just everywhere we look both in whether it's China or Japan or Western Europe all these countries including Australia have very, very significant demographic I guess changes compared to the last 20, 30 years which really drive a lot of obviously health expenditure is one area, the retirement living, insurance type products etcetera, so that's definitely something we are focusing on.

**CAROLINE GURNEY:** Thank you so much Peter. Thank you very much Geoff. Thank you everyone for joining us and your support of Future Generation.

**PETER COOPER:** Thanks Caroline.

**CAROLINE GURNEY:** Please enjoy their valuable insights and please contact us if you need anything else. Thank you very much.

[End]