

Future Generation FY2023 Results and Q & A Webinar
6 March 2024

CAROLINE GURNEY: Good afternoon and welcome to the Future Generation's full year results webinar. My name is Caroline Gurney. I am the CEO of Future Generation and I really wanted to thank all of you for joining us.

Before we begin, I'd like to acknowledge the Gadigal people of the Aurora Nation, the traditional custodians of this land and acknowledge the Elders past and present of the lands on which you are sitting today.

So today is going to be a little different from normal. We've had a very high level of interest from a number of our shareholders, so we've decided to break the webinar into 2 sections. So, for the first 45 minutes, we're going to be talking about Future Generation Global, and then we're going to move onto Future Generation Australia at 12.45 pm. As always, we're looking forward to taking all of your questions and we've actually got a lot of questions in. So, if we don't finish them before 12.45 pm, we'll continue to answer them afterwards until the very end.

So, we have Geoff Wilson our Future Generation founder and he's dialling in from New York so you can ask him about New York later. And we also, we have two of our pro bono fund managers. So, for the first section we have David Allen from Plato and then for the second section our FGG Fund Manager we have Blake Hendricks from Fire Trail. They're on at the moment so they're going to be sharing their market insight, updating your reporting season and giving their stock picks.

And I'm really delighted that we have Zoe Black from Happy Paws Happy Heart, one of our incredible not for profits we support. And last time a lot of you might have seen how she was in Brisbane and she actually brought some of her puppies and admittedly people were more interested in the puppies than they were on listening to what we were doing so I'm glad she's on the webinar today.

So, we've been talking internally and externally to many of you and the team within Future Generation and Wilson Asset Management, what it really means to be a Future Generation

shareholder, and a few weeks ago we did an amazing event with Rotary in Sydney and its very many members. And we're also going to be doing one in Melbourne as well. And the key takeaway was that being a Future Generation shareholder makes you both an investor and a philanthropist because you're investing with leading fund managers and getting financial returns they deliver. But at the same time, you're making such a real impact in the lives of young Australians.

So, the reason you get to do both of these things is because of the generosity of our fund managers and today we have people like David and Blake who manage your money pro bono. They don't charge any of their usual management performance fees and this means we can donate a net average asset to charities on your behalf without impacting your financial return. So far, we have donated an incredible \$75.8 million to Australian not for profit but as we always say, we are first and foremost an investment vehicle.

So, let's turn now to the performance of the companies starting with Future Generation Global and Geoff and I are very happy to take photographs on this afterwards. So hopefully you've all seen our full year results and read our Annual Report so I'm actually not going to cover everything here, but I really want to touch on a few highlights. Overall, we delivered a solid investment portfolio performance and strong fully franked dividend yield. As you can see from this slide, here are some of the Future Generation global highlights. Plus 16.7 investment portfolio performance. We have 7.2 cents per share fully franked full year dividend. I'm not going to go through all the boxes because I think it's incredibly self-explanatory, but what I do want to say is when the Board, and obviously Geoff Wilson is on the Board, when they met in February they agreed to increase the fully franked final dividend just 3.6 cents per share. So, our full year dividend is 7.2 cents per share. And this represents a fully franked dividend yield of 5.6% and a grossed-up dividend yield of 8%, including frank and credit. And that is really important to all of you. I think that's interesting to compare that to the average global equity market yield of 2% and the average US equity market yield of 1.5%. So, what you can see there is we're paying significantly greater.

So, turning to performance, the FGG investment portfolio increased as I said by 16.7 for the year and our Investment Committee has selected for you leading global fund managers who have a very much proven ability to outperform the market and their peers over the long term. And this

has resulted in Future Generation Global invests having a small cap tilt. I know we've talked about it again but I think it's really important. So, if you compare us to the MSGI, we do have a very low exposure to the seven mega-cap companies – Apple, Microsoft, Amazon, Meta, Tesla, Alphabet leader as well – so you know these companies have really driven that performance of the MSGI and they have alone contributed 40% and that's something we'll come to talk to David about because I know some of you have questions.

There's the slide on investment portfolio performance, and throughout 2022, the IC has really reintroduced an allocation to quantity strategies as well so it's great that we have David here to talk with us and we're going to go more into exactly what that means. So, the IC really believe that we have selected fund managers who have that very much disciplined investment approach. You know they're focused on a company's fundamentals, their earning growth and their valuation. And this will deliver for shareholders over the medium to long term and already this year we have got off to a good start. In January we delivered returns of 4.5 cents.

I think the other key deliverable for us, apart from dividends and capital, is that we have less risk than the market. Our volatility with 9.8 cents versus the MSGI of 10.8 cents less than global market. The other thing that I would also like to briefly touch on, and it gives you a lot of comfort, is the profit's reserve and that's very unique, the LIC structure. Future Generation Global have 6.8 years of dividend coverage for shareholders which equates to 48.9 cents per share and that's available in the profit's reserve which is continually working for you. It's not in a separate account. And this really smooths out income return for shareholders over a long term.

So, I'm looking at the questions now and they're coming in and what I want to address is the discount to NTA and what we're actually doing about it. And we do have a few questions there. We can definitely go into more detail with that with Geoff, but what I want to reassure you is that it's something we are working extremely hard on and we believe that there'll be an expected improvement in the investment portfolio performance and coupled with target communication, marketing our engagement strategy, this will meaningfully reduce the share price discount to NTA. You know we share your frustrations about the discount to NTA, but we're also pleased to have delivered a solid risk adjusted investment portfolio performance and a strong fully franked dividend yield.

Briefly I'm going to go now to our social investment because this is something you/we, we're very passionate about, and it's one of our key differentiators. So, this year Future Generation Global has donated \$5.4 million to our social impact partners and they've been focused on promoting wellbeing for preventing mental ill health in young Australians. So, our total social investment since inception is now \$38 million and this is made possible not just because of the fund managers, but also because of our Board, our Investment Committee, our lawyers, our accountants, our auditors etcetera and they waive their usual fees. The fees they have given up amount to about \$9 million for last year, 2023, and that's around \$1.6 of the net assets of the company. So, this money doesn't just go to our impact partners, but it also works for you, our shareholders.

So, without further ado, I want to introduce you to one of our pro bono fund managers. We have David Allen from Plato. David, are you there? Hi.

DAVID ALLEN: Hi Caroline. Thank you very much for having me on today.

CAROLINE GURNEY: So, David we're having quite a few questions come in for you but I mean I think one of the things is investors, shareholders, everybody's really nervous. You know markets are hitting you know fresh highs. You know how do you explain that and what is your outlook for the rest of the year?

DAVID ALLEN: Yeah, a really good question, and I guess thinking about it what over the last 18 weeks the S&P 500 has been up in 16 of those weeks so pretty, pretty extraordinary since the lows of COVID we're up 144%.

So yeah, what I keep hearing from investors that you know they're long, they're staying long but they're getting slightly uncomfortable and you know that makes sense. You know some people are drawing analogies to the tech bubble where a rationale exuberance crept in and all fundamentals seemed to go out the window. I think what's different though this time is these are real companies with real earnings though. Look at Nvidia for example, that makes the chips that make AI possible, they are now the third largest company in the world, but there's real revenue there. The net profit for the quarter is over ten billion, that's up 700% in a year. It's just phenomenal. So, while in the tech bubble there was a lot of hot air, you know, there certainly

maybe some froth at the moment, but these are real companies making a real difference in the world.

CAROLINE GURNEY: So, can you tell me exactly how you invest, how do you describe your strategy?

DAVID ALLEN: Yeah, sure thing so our approach is global so we're looking at ten thousand companies across the world in developed markets and that's an incredibly broad opportunity set and you know places us at a big advantage to a manager who just can look at Australian stocks. Australia's got some great companies, but very focused on mining and financials etcetera. Doesn't have a huge tech space, doesn't have a huge pharmaceutical space so, you know, we take a global approach and we'll look at any company in the world from your Apples right down to a hundred million free float. So, it's a very broad opportunity set and what we're really looking for is companies that are great quality, that aren't too expensive, they have good sentiment, good tail winds and critically an absence of big red flags that we need to be wary of.

CAROLINE GURNEY: So, we have a question from Daniel about what high conviction businesses are you excited about? Maybe if you could give us like one.

DAVID ALLEN: Yeah, yeah sure thing. Okay well I think previously when I've spoken to Future Gen, we spoke about Danish company Nova Nordisk the genius minds behind the anti-obesity drugs that are taking the world by storm. There's another pharma name in our portfolio at the moment that I think is very interesting and it's called Vertex Pharmaceuticals and they have transformed the treatment for people and children with cystic fibrosis. Just 25 years ago the life expectancy was 27 years for someone with a CF diagnosis so now it's well into the 50s and a lot of it is due to these medications. There's another drug on their horizon that's in late stage development and it's a treatment or it's a pain drug that's entirely non-addictive. It works on the peripheral nervous system rather than the central and it's almost as effective as opioids. We know in the US how the opioid epidemic has affected families and entire communities, and so this is a need that's crying out to be met. In the US for every 100 Americans there's 40 opioid prescriptions written each year. So, if Vertex have what it appears they do, this is a game changer in the treatment of pain and can transform lives which is fantastic.

CAROLINE GURNEY: So maybe you could also balance that in terms of what companies are you shorting at the moment?

DAVID ALLEN: So yeah, so just for the viewers we also take short positions so we look at companies that we think are in very challenged environments. A short name that we were short at the end of last year was Lointown. It's a lithium producer. What kind of piqued our interest with Lointown was that their CEO sold a million dollar's worth of stock right around Christmas time when no one's paying too much attention and what was particularly interesting, they sold stock right after a period of weakness in the share price which is unusual. Normally CEOs and CFOs sell after a period of strength. The company had I think 15 red flags on Plato's red flag process so this confirmed our short thesis. Sure enough a few weeks later, it comes out that they're financing syndicate had fallen over and the stock price fell 25% on the day. Lendlease is another name that we've been short for some time and has continued to generate free cash flow and to execute its turnaround plan.

CAROLINE GURNEY: Actually, David you've just mentioned your red flag system, perhaps you could briefly explain that just in case some of our shareholders weren't on your other call.

DAVID ALLEN: Yeah, sure thing Caroline. So, it's a big corny so forgive me, but Warren Buffett likes to say there's only two things you need to know in investing. Rule number one don't lose money. Rule number two, don't forget rule number one. And that's what the red flag is all about, making sure that there's no landmines in our portfolio. So, we've actually got 150 different red flags that we look at before we make any investment either long or short. You know what are those red flags? Like an example might be if some of the directors have been involved in a historical bankruptcy. We have some very interesting data on that. We'll look at who the auditor is, what's the quality of that auditor? Are there related party transactions that allow them to use creative accounting techniques? Do investors have call back, do management have call back provisions? Is there alignment between investors and executives in terms of remuneration structures? So, a lot of companies will have 1 or 2 red flags, but if a company has 8 or more, we'll pretty much we'll run for the hills. I remember Volkswagen had 17 red flags before their emissions gate you know cheating scandal. So, this is a really powerful tool we have to identify landmines on the long side and potential short ones as well.

CAROLINE GURNEY: So, I find that really fascinating in terms of how you do that, but what I want to talk about is you know Future Generation Global has a bias towards small to mid-cap companies, so what has been happening globally in that small cap market? Especially when everyone's talking about you know the performance of the so-called magnificent 7, but they're all so different.

DAVID ALLEN: Yes, they are like the magnificent 7 it's a catchy phrase, right but there's some companies in here that are incredible growth stories like Nvidia. So, you look at Apple for example, that's arguably ex growth and you know hasn't had a new category killer product in some time.

In terms of what's happening in small of course, the good news on smalls and mids is they look incredibly cheap - cheapest in 15-20 years so that's obviously a good thing. The other side is maybe that many of these companies are cheap for a good reason. The companies that are really benefiting from the AIA's if you like are the ones that have a huge amount of scale and the data needed to really make use of these technologies and that's much less important or available in the smaller mid cap space. So, part of the like you know value tells a story but you know maybe there's a reason for that as well. But I can see small and mids you know having their day in the sun for sure.

CAROLINE GURNEY: So, we've all read that more than half of humanity is going to be heading to the ballot box this year and that's the most ever in sort of human history, so that's what more than 60 elections? Obviously, the US, India, Russia and the UK and Indonesia, you know how is this going to impact global markets from your point of view?

DAVID ALLEN: Yeah, a great question. I think something like 85% of the world's people that live under democracy are going to the polls. So, you know like I won't talk about all of them, but the European ones are really interesting. Like people talk about the grand coalition in Europe where there's like 3 more centrist ruling parties that have garnered the vast majority of the votes since the founding of the EU really and if the polls are correct, for the first time ever that grand coalition of centrists will hold less than 50% after the elections and there'll be a potentially quite a hard turn to, to the right so that there's questions there what does that mean for the green energy transition within Europe is a valid question.

Another, like in the US, you know like there's a lot of water to pass under the bridge before then. Hopefully both candidates are alive and healthy by the time that comes around. But you know questions marks there like if Trump is to win, then that could precipitate a trade war with China. That could be very inflationary and interest rates could increase again.

CAROLINE GURNEY: So, what sectors don't you want to be in for example ...

DAVID ALLEN: Yes.

CAROLINE GURNEY: ... if Trump wins for example, you know, I mean I know I've heard you talking about stress testing...

DAVID ALLEN: Yes.

CAROLINE GURNEY: ... what's coming out of that?

DAVID ALLEN: Yeah sure, no, good question. So, what we actually do is we measure how sensitive each of the companies in our portfolio are to changes in the betting market odds that Trump or Biden are going to win. There's real money behind it and it's as good a prediction as any and the companies that are really sensitive to that is physical mining companies, energy companies will do very well if Trump gets elected. For Biden, it's more the green energy, transition companies that are likely to get an additional boost. So that's the kind of, the swing factor there if you like.

CAROLINE GURNEY: I find it really fascinating so thank you so much for your time, David. We really appreciate everything you do and all of your work so we can actually provide funding for Australian not for profit. So, I'm not sure... we do have some questions coming in but I'm worried about time so I think we're going to go to Zoe now. Zoe are you there?

ZOE BLACK: Yes, I'm here.

CAROLINE GURNEY: Fabulous. So, as I said earlier, Future General Global and Future Generation Australia have donated \$75.8 million since inception and we are on track to comfortably eclipse our target of giving \$100 million by 2030, and you are one of our recipients for Future Generation Global and you know what you've done in the 10 years since you've started, is really impressive. But I think if anybody wasn't at our Brisbane roadshow, tell us a little bit about your program.

ZOE BLACK: Yes, very happy to and I think probably the easiest way to describe Happy Paws Happy Hearts is to frame it around assistance therapy because a lot of people when they think about assistance dogs, you know, understand that those dogs are trained and matched to individuals who need them so you can think about you know dogs for blind and like. What we did is we flipped that completely around and we decided that well there's people in need, young people in need, what if we could bring them out of isolating situations and take them to where the animals already are, and there's you know tens of thousands of animals sitting in refuge shelters.

So, we do work with puppies like I brought to the Brisbane event, but we also work with cats and farmyard and reptiles and all of the animals that you can imagine come through these rescue centres and the young people go through our programs, they're grouped together and they learn how to work with the rescue animals. They build up their wellbeing, they build up their confidence, they make friends and then they go onto a pathway either back to school or onto an employment and really, we kind of you know say it's one of the coolest universities around 'coz they're getting those life experiences that they otherwise wouldn't but they get to do it with animals in every one of their sessions.

CAROLINE GURNEY: I love the fact that, you know, Happy Paws Happy Hearts is dual purpose because obviously that's what Future Generation is. So, when you're helping both sort of people and animals, do you also hope that they'll get a job with animals or is it just more to you know get their confidence up and help them for whatever they need?

ZOE BLACK: Yes we do hope they'll get jobs but we're really about their individual journey and so the natural assumption would be that they're coming into work with the animals, to end up working in that space, but actually our young people are so diverse, they have such different

desires for their futures, so some of them want to be aerospace engineers but they didn't get through school because of their social anxieties and the animals really bring them into a space where they can rebuild their confidence and reignite their love of learning to actually achieve those dreams.

So, we love that it's dual purpose as well because the other part of it is that the animals do truly benefit from the time with these young people. The animals are going on a very similar journey to these young people. Rescue animals are trying to re-find their confidence in people, they're trying to find their next stage in life, they're recovering from trauma which so many of our young people are so they go on this parallel journey together. Some of our participants definitely do end up in the animal world. They complete vet certificates to become vet nurses or they go and work in the farmyard space, but it's really you know it's individualised, what do they want to do and we're there to provide that confidence and that platform to help them you know go onto that next pathway.

CAROLINE GURNEY: So, I mean obviously you talked a little bit about the trauma. I mean we're all reading about youth mental health figures and you know it's really distressing. You know what are you actually seeing on the ground because you know you're dealing with the issues continually.

ZOE BLACK: Yeah, we really are and you know it's probably one of the worst phases that I have seen in living memory because we're seeing really terrible rates of youth suicide and we are working with young people who have not left their home apart from essential kind of medical trips for sometimes 3 years. We're working with young people who just, you know, simply cannot face school so a lot of school refusal is common in the participants that we see so we're really starting from a really difficult place to re-engage and then actually sometimes that journey can take a long time. We've just transitioned a young man and it's taken us 6 years of work with him and then he's gone on to get his vet certificate, his vet placement. So, it's really amazing that he's getting there, but it's a 6-year journey and that's just the level that we're working with, and there's also just a crisis across the hospital system, right? They actually can't keep up with this. We can't keep going, in my view, on this path of just reacting to the crisis. We need to come into the prevention space.

CAROLINE GURNEY: So maybe if I could briefly ask you why prevention is so important because obviously you know we now fund towards that area, but what's your view on that?

ZOE BLACK: Yeah, well prevention to me, and in so many settings you can understand that prevention just makes sense. What we see in our hospitals and overloading of the hospitals and even just access to psychologists right now it's really, really difficult. So, if we don't do something on the prevention side, it just leaves so many people without that important care and it's just like well it can lead to you know really disastrous consequences.

For me though like it's obviously really, it's really personal. Like we want to bring these young people into their own lives. We want to return them to life. You know I want to see these young people not shut out from that potential. So, if we can get in there in the prevention space and you know actually draw them out, bring them in, give them that confidence, return them to school you know? I tell the story of this young woman Shaya and when she first came in, she was not saying a word. She was so traumatised from that experience of school and her social anxieties were so high, that her mother never thought she would return to school and never thought that she would sort of, you know step outside of her own home. Now without the prevention space then we're leaving you know the likes of Shaya to languish for a very long time and then that just adds cost, adds cost, adds cost or you know results in consequences that we all don't like to think about, but that is the reality.

CAROLINE GURNEY: I mean I know that you're you know definitely in terms of expansion mode, but we have a question from Liz and it's why don't you operate in Victoria?

ZOE BLACK: Well, thank you Liz. It is our ambition.

CAROLINE GURNEY: I think you need to link up with Gerry ...

ZOE BLACK: [over talk] It is our ambition. We are in scale up mode as you flagged. We are you know from Darwin, Queensland, bits of New South Wales and down into Hobart. With the help of Future Generation, we've been able to add more locations but there's something like 40 odd locations across the country and Victoria has definitely got a number of those that we can scale up into for sure.

CAROLINE GURNEY: Excellent thank you. Thank you, Liz, so you know we need to connect the both of you. But Zoe I mean I think the work you do is incredibly important so I just want to thank you very much and I'm just going to now turn to our shareholder questions because we're getting a few in. So, Geoff are you online?

GEOFF WILSON AO: Yes, no all-good Caroline.

CAROLINE GURNEY: Because I am just going to start reading out quite a few of these questions so we've got a question from Janine. Is the profit's reserve of 6 years excessive? And the next question on that from Graham is he's confused about how to view the profit's reserve. Obviously, I'm saying that it's working for them, but does it mean it's invested and is it part of the NTA? Would you like to answer that or I can ...

GEOFF WILSON AO: No thanks. So, you know so the answer is like the profit reserve is part of the NTA. So effectively you know say we've got FGG something like \$550 million dollars of assets and they are invested and they're invested with the fund managers of which you know the Investment Committee think are the smartest you know operators. To me, we talk about large and small, I'd sort of put that to one side. In theory these guys and you just heard from one of them, they're looking for quality companies, undervalued quality companies. And that's why we've set this bunch management group together.

So, you know the profit reserve is an accounting figure. You know when you make profit you're allowed to, from an accounting perspective, put it into a profit reserve which allows you to pay dividends later on. Now for those dividends to be franked, there's got to be franking credits as well, but you know so in theory a hundred, I suppose when Caroline's saying the money's working for you, effectively the \$550 million is you know or a \$1, say \$1.50 odd a share in FGG is invested and working for you. The fact that the profit reserve may be \$0.40 of that it's not held in cash to give back to shareholders over time. It's all fully invested. That's purely accounting. In terms of why don't you pay bigger dividends? If you look at FGG and I think it's yielding, what is it closes to 5%?

CAROLINE GURNEY: No... [over talk]

GEOFF WILSON AO: On assets. Actually, on NTA, sorry on NTA about 5% but on share price because you know the shares are trading at a discount to NTA, you know say it's probably you know close to that 6% mark or just a little under – but that's after tax. So, if you look at it, we're giving you say a 6% return which at a pre tax level, to make that fully franked we've got to pay tax, about 30% tax. So therefore, the grossed-up return that we have to make to pay that out to you, is you know closer to 9%, you know 8 and a bit per cent. So therefore you know that is a very large pre tax amount of money you've got to make and the risk with listed investment companies and I've seen it before, and I can give you some examples more recently, when you start pushing the dividend too hard, you know then all of a sudden the investor, you know for their returns, they just assume their dividends, they get their dividends for free and they want their capital to go up and say, you know if these fund managers are going to deliver you, you know 10-12% per annum which you know say the market does, then if you're getting most of it as a fully franked dividend, then you virtually get no capital growth and the risk is, and this happened to one of our, you know one of the Wilson Asset Management listed investment companies, WAM capital. It has a portfolio out before the market over the last 4 years, you know gave a return of close to 7% you know when the market was 6 and a bit, but we were paying out 14% pretax. So where does the 14% come from? You actually lose 7% per annum.

So, you know the Future Gen board obviously is aware of what's happening in the market and they're happy to gently grow that dividend. In terms of franking, there is an excess franking because you only, you know, so in theory it's not as if you know we're sitting on you know 40 cents of franking, now that would be a different scenario. I think FGG it's a year and a bit of franking that we're sitting on, so that just means security for you getting a fully franked dividend over the next 12 months and the profit reserve there, it's just to give you confidence and that's why, I know there's questions about you know premiums and discounts, you know both, and maybe I'll touch on a little bit of that now, while I've got the floor. You know both FGX and FGG will trade at premiums again. Now they've traded at premiums before. You know I think FGG was trading, it got to a 10% premium at one stage. FGX the last premium I think back in 2019 was about a 6% premium.

You know why are they trading at discounts now? You know to me, from my perspective, forget what's happening in the rest of the market, in theory it's purely supply and demand. If all our

investors understand what we're doing and align what we're doing and happy with what we're doing, then you'll find you know there's very little selling and only a little bit of buying you know moves that equilibrium and gets you to equilibrium which is NTA.

What we had with both FGX and FGG back in 19 we raised a reasonable amount of money in both entities and what we saw soon after that unfortunately global markets and the Australian market you know all got a bit of a wobble so people who have put their money in, all of a sudden then decided oh maybe I want to take my money out and then we've just been working through that and to me it's like I mean we've been talking about it very recently. I think we've got to sort of reengage and repackage you know what the investment opportunity is. You know here you've got the smartest fund managers globally that we can assemble and they're working for you. But in terms of the smartest managers that we've assembled, what we've got there is a combination of managers that are long the market but some you know and you just heard earlier, you know some short the market so they're actually giving you protection and they're looking for the high-quality growth companies that are coming through. So, there's periods of time where you know from a risk adjusted perspective, you may be getting a really good return but you think oh well but the market's done better than that. Well, you know then you're in the wrong investment. If you want high beta, you know if you want high risk then you go into a fund manager that has less stocks. You know this is a less of a diversified portfolio that we believe will give you better than market returns with less than market risk over time. You're better off nearly buying one stock you know if you want high leverage.

So, you've just got to understand what you're investing in. I think what we've, you know since those last raisings you know which were amount, a lot of people who have put their money in, didn't understand what they're investing in and so we've actually had to work through those and as the share register tightens up and that will happen, you know then the share price slowly moves to NTA and then eventually you know eventually it'll trade at premium. So, I know I've covered, but hit me with the questions Caroline because I'm happy ...

CAROLINE GURNEY: [over talk] So basically, we've got a question which you have partially answered it but I think it's important to ask it again, the profit's reserve is enormous compared to total dividends paid since IPO, why does the Board hold back so much of these investor

earnings rather than putting them into investor's hands? Because then it would make the TFR look so much favourable.

GEOFF WILSON AO: Yes. In theory the profit reserve is accounting. It's realised profit on a monthly basis. So, you could have, it's not on an annual basis or a half yearly basis, so you could have a situation in a 12-month period where the first 6 months of the market goes up and the second 6 months of the market goes down. So, we as a Board try to get in to the position that we can keep giving you a growing stream of fully franked dividends. But in that example I gave you, you could have a situation like if the market went up by you know say 10%, you know we're talking about \$55 million going into the profit reserve, if then over the second half it went down by 10% then because it goes into profit reserve realised or unrealised, if the second half of the market falls back by \$55 million then at the end of the year, there's enough, there's still \$55 million has gone into the profit reserve but the assets haven't changed.

So, you've got to look at it from that perspective. It's not as if what's in the profit reserve is all money that's been made. They're unrealised profits and the reason, when they become realised, is when we pay our tax. And I mentioned I think the number, FGG in theory our ability is to you know frank a year and a bit. You know we've got enough franking to do that so it's not as if we've made all this money and we're sitting on all this, and we've paid all this tax and we're sitting on this money that we haven't paid out to you so and that's a classic example.

You know so there's the smart people that have called into the webinar and so they're getting their questions answered, but there'll be other people at home reading this and saying well I'm actually angry with the Board, they're not doing a great job, and they're not fully understanding the nuances. And it's really how we position that and the more we can communicate with, and that's why you know Caroline mentioned earlier, we're trying to more aggressively... well not aggressively, more consciously, you know call as many shareholders as we can and even go down the share register and communicate clearly to them and get all their questions answered because, you know, the more you understand the company, the more you're more comfortable in sitting there and letting the company perform for you.

CAROLINE GURNEY: So, Geoff I might go to some more questions because we have a fair few and I have to close this in five minutes to go to Future Generation Australia, but we'll ask them

again. So, Adrian has said how long will the sort of 15% discounts in FGG be permitted before major action like a conversion to open end happen? I mean obviously ...

GEOFF WILSON AO: [over talk] Yeah and I know there's another question about buy backs I think there somewhere.

CAROLINE GURNEY: Yes, there is.

GEOFF WILSON AO: To me, buybacks don't work and we can talk about that. It just reduces the size of the company. I know the economics makes sense, but there's no, you know we've studied them, you know that doesn't really work. In terms of open ending it, you know at what value is that? To me you're all smart. You know the people that are on the call here, we all know what the assets are worth. You know we're not going to be selling at this price. I'm not selling at this price and we know that at some point in time they'll trade at NTA if not at premium. And we all know that investing is a patience game. And we'd all love it to be at premium now, and so to me, there just doesn't, it doesn't make any sense open ending because then, when FGG's trading at a 10 or a 15% premium, you know then you would have been better leaving it as it was. So, and you could argue they should be at a premium 'coz to get access to these managers cheaply, you know you're actually, everyone's getting a good deal. You're not paying what they normally, these managers, you know only 1% is going to charity and all of these managers, most of them charge performance fees so you're not paying them. So, you're getting a really good deal. So, Caroline just keep hitting me in the last couple of minutes.

CAROLINE GURNEY: Okay so Rebecca would like an update on the FGG portfolio strategy and progress regarding environmentally sustainable investment and reducing our exposure to fossil fuels. Maybe if I actually say that you know our coal and consumable fuel exposure is 0% and obviously David just spoke about his red flag system and they have, they basically have short investments. Our exposure there is at -0.03. In the actual annual report, it goes through everything with FGG so for distillers and vintners, we have an exposure of 0.85, casinos is 0.93. We have no tobacco and we have assets in terms of very small in terms of consumables which I did said and brewers. But I mean obviously, I mean Geoff from the Investment Committee which obviously you're...

GEOFF WILSON AO: [over talk] Why don't we leave that there and if you can email more detail.

CAROLINE GURNEY: Yes, I will do. Okay the next question which was... a lot of them are about how many, I can actually email that one because it's quite a long question. These are at discount. Sorry they're just coming in quite... what else? From Craig, can we provide a graph illustrating both share price and NTA performance against the underlying [inaudible] since inception and can we also...

GEOFF WILSON AO: [over talk] Definitely. Yes, easily and like please send it to him and you've got to remember like these are listed investment companies so they actually pay tax. Now someone asked me recently, they said oh look my son's thinking, I'm trying to get him to buy shares in a listed investment companies saying maybe he should buy property. My answer to that is he should buy the property because if he gets no benefit from the franking credits, he's better off buying a property because if both, you know unless an investment company or a property increase 10% in a year and that's realised 10%, with the listed investment company, then you pay 30% tax and then you get that back as a fully franked dividend, a 7% fully franked dividend. If the property goes up 10% and if you haven't sold it, then your assets have gone up 10%. So, you only pay the tax when you sell it. So, with an investment company, the profit it makes it pays tax on so there's no use looking at an index versus that because you're actually just, you're putting both arms behind your back and one of your legs and tying yourself up because broadly 30% per annum is going and that's why you've got to add that back if you're going to do that. But we can provide all those numbers. What else have we got?

CAROLINE GURNEY: From Paul, are there any other fund managers replicating our investments and social impact model in Australia or elsewhere? And ...

GEOFF WILSON AO: [over talk/inaudible]

CAROLINE GURNEY: ... is our [over talk] higher?

GEOFF WILSON AO: Yeah, no look I copied this from a guy in the UK. His focus was you know the Battle Against Cancer Investment Trust. There's another group here, HM1 and they, but they you know support medical research. So, it's all you know different structures but there's probably

three or four unlisted ones as well in Australia. So, like to me it's good on the investment community and all these fund managers being prepared you know to give back and manage the money for nothing.

CAROLINE GURNEY: Okay so in terms of the franking credit balances FGX I can ask...

GEOFF WILSON AO: We'll do that in FGX.

CAROLINE GURNEY: And that's fine.

GEOFF WILSON AO: Yep.

CAROLINE GURNEY: Because the rest are coming through now for FGX so I might actually close that off because we're at 12.46 pm now and we've actually got more callers coming in.

GEOFF WILSON AO: But any questions for FGG, like it is your company and please the more you understand it then the better and we're very happy to spend time to taking you through you know the nuances and really if it's not for you, if you don't want like the smartest fund managers that we can assemble managing your money pro bono, then sell your shares because then the quicker that everyone sells the shares, then the quicker they'll trade at NTA and we have that alignment. Thank you.

CAROLINE GURNEY: Thank you very much Geoff and all the others I'll ring. Please give me your phone numbers. I think I'm getting them so it's all good.

So welcome to everybody that's joined in now for Future Generation Australia and I'm actually going to be joined on this webinar with one of our pro bono fund managers, Blake Henricks from Fire Trail as well as Geoff he'll be back to answer the rest of the questions.

So, before we get started, I just want to reiterate what I was saying earlier about being a Future Generation shareholder. You know we're talking about it a lot internally and externally and we realise it means you get to be both an investor and a philanthropist. So, you are investing with the best fund managers and you are reaping the financial returns they deliver and you're making

a real impact in the lives of young Australians. And they're all working pro bono. So, we're going to be hearing from Blake and we'll ask him you know why does he work with Future Generation Australia? Because the fact that they don't charge any management or performance fees for managing your money is pretty, pretty amazing. We are first and foremost an investment vehicle, so I think it's important to run through Future Generation Australia's performance for the full year and I want to remind you any questions for Geoff and me we'll answer afterwards.

So here we have the highlights on this slide. I'm not going to cover every aspect of the results because hopefully you've read our annual report and our full year results. But as you can see from this slide, investment portfolio out performed like both the ASX All Ords and the ASX Small Ords in 2023. And this is pleasing I think for all of us because the Future Generation Australia investment portfolio has a very strong biased towards small, mid and micro capped companies and as you know these stocks have faced really quite serious headwinds over the last couple of years. So, I think it's important that we give you some context about why we operate in this space.

So, we have a brilliant Future Generation Australia Investment Committee known as the IC, and they advise superannuation funds, it's got some very great financial names on there, and they choose the fund managers that we actually allocate to and they look for fund managers who have got proven long term ability to outperform the market and their peers. So, the IC really believe that fund managers who can generate the most out performance or ALPHA as it is known, are the small mid and micro capped managers.

As a result, the 50 biggest companies in Australia which make up 73.1% of the All Ords, make up just 39% of the Future Generation Australia investment portfolio. And the top 200 companies in Australia make up 97.2% of the All Ords and that just makes up 66.4% of the Future Generation portfolio. We've written this up also in the annual report in terms of how the IC invest. But I also think in terms of the mixed investment styles in our portfolio, our exposure to long ASX delivery return of 14.5 and our exposure to absolute bias got us a return of 13.4. And this drove us to outperform both the All Ords and the Small Ords with balancing strategies with market neutral strategies and cash and that very much gave us that downside protection and the reduced volatility.

So, I think let's turn now to dividends and Geoff's very happy to talk more about how the IC sees our portfolio later. So, with dividends, this is really important for many of us. Future Generation Australia declared an increased fully franked final dividend of 3.35 cents per share, bringing the full franked full year dividend to 6.7 cents per share and importantly we have 4.5 years of dividend coverage. This dividend represents a fully franked dividend yield of 5.8% and a grossed-up dividend yield of 8.3% including franking credits.

I'd like to also briefly go to our social investment. You know in 2023 Future Generation Australia delivered our 9th annual investment for 5.2 million to our social impact partners where we focus on children and youth at risk. Our total investment since inception is now 37.8 and we do this because our fund managers are Board members, our investment committee, our accountants, our lawyers, they all waive their usual fees. In 2023, the amount of fees forgone was around \$8.6 million or just 1.6% of the net assets of the company and one of our very generous fund managers is Blake Henricks from Fire Trail so thank you very much for joining us, Blake. I think I can hear you...

BLAKE HENRICKS: How we go, how's that? Can you hear me now?

CAROLINE GURNEY: Yes, I can, that's great.

BLAKE HENRICKS: It's great to be here, thanks for having me.

CAROLINE GURNEY: Thanks so much, I appreciate your time. So, you have some large caps in your portfolio and you're predominately a mid-cap player. I've just talked about Future Generation Australia has a very strong biased towards small, mid and micro capped stock. So, when do you expect the sector to recoup some of the relative under performance and why?

BLAKE HENRICKS: Yeah sure. Well, I'd make a couple of points but the first one is that as we look back through time what we generally see, and this is over the last 20 years, is that mid-caps and small caps tend to outperform large caps and so if you look over the last 20 years you know the top 50 have delivered about 8.9% per annum whereas the mid 50 have delivered something closer to 10%. So, over the long term, mid-caps generally outperform large caps.

The second thing is that coming out of economic slowdown in particular, mid and small caps do very well. So, if we look at the average recovery out the recession, we see large caps doing around 19%, we see the mid-caps deliver up to 29 or 30% coming out of those slow downs so that's when we see those big returns. And then the other thing is I think these mid-caps look very attractive. So, if you look at on multiple basis, the PE attained for a \$1 of earnings pays about the same, looking at a couple of years, but the earning's growth is much higher. I've just got these stats then but yeah, ASX 100 is expected to grow 2% per annum over the next 3 years so that sort of mid 50's is expected to grow at 5.3% per annum.

So, they're 3 really good reasons why you know being exposed to that mid and small area of the market is attractive. When it turns, I don't know, but if these companies continue to generation that cash flow, that earning's growth, those real ratings do happen often when you least expect it.

CAROLINE GURNEY: So, I mean obviously you've just sort of briefly talked about the market, you know what's your outlook for the rest of the year? What are you thinking in terms of how your portfolio might change?

BLAKE HENRICKS: What we can see out there is if I go, and when I think about the market, I think it's best to look in sort of three key sectors. So, the first one would be the banks because they're a large part around 20% of the market. We don't see a lot of opportunities in banks. In fact, in the portfolio, we manage we don't own any Australian banking shares and shares and the reason for that is the multiples are very elevated and the competition in particular is very high. You know even just this morning I spoke to a mortgage broker and they love using Macquarie. Now Macquarie you know as a mortgage player wasn't really around 5 or 10 years ago. They've really changed the market and made it very competitive and as a result, with declining return on equities and dividends that are pretty full now, we don't see a lot of opportunity there.

If I then move to resources, you know the market, there is China. If you open up the paper on any particular day you would hear how bearish it is but iron ore was \$135 a tonne. That is a very high price. BHP and Rio are making a lot of money, a reasonable balance sheet, so I think the resource side of the equation looks okay. And then you go to industrials and I think industrials

is probably a bit of a bright spot at reporting season and the main reason for that was because of very low expectation. I think what we've always got to remember is companies, people, we don't operate in vacuums and what I mean by that is, if the revenue's a bit lower, you don't just sit here and eat it. You typically reduce costs and so we saw a lot of cost control in reporting season. So, you know what that comes together is the market looks okay to us, moderate growth but I think where you invest is going to be really important.

CAROLINE GURNEY: So, you mentioned obviously the reporting season, you've mentioned cost control, what about consumer sentiment? Where, you know is that a really important thing for shareholders to think about?

BLAKE HENRICKS: It is, but you know consumer sentiment's been very low now. I think it's even lower than COVID at the minute because of the cost-of-living pressures which are real for many sectors of the economy. The offset to that is if we look at the over 50s and we look at the CBA credit card data, what it's suggesting is spending is extremely strong. So, while the media will focus on all the negatives and the cost-of-living pressures and high interest rates, there are you know probably a quiet proportion of the population who are actually doing pretty well. So, we don't look too much to consumer sentiment now. What we're looking at is some of those high frequency trading data points and it suggest there are consumers actually okay out there.

CAROLINE GURNEY: And maybe if we can go back to inflation and interest rates because they are spooking a lot of our investors and we've got a couple of questions on that, because we've got many fund managers predicting the first rates will come through in the middle of the year. You know John's asked, what do you think will happen with interest rates? It's a hard question.

BLAKE HENRICKS: Oh, it's very hard. Well, there's a lot of money that goes through on interest rate instruments all the time and I went and looked at those just before I came up here actually so the question's a good one. What the market's expecting is the first cut to be in August/September. What we're seeing on the ground is the consumer probably a little bit more resilient than expected. We're seeing house prices rebounding quite strongly. You know much stronger than we would have expected and even the equity market which is usually a pretty good barometer of how things are is you know hitting all time highs in the US and it's rebounded pretty strongly in Australia so I would, if you're going to put me on the spot which you have, I'd

say it may push back beyond August/September because the economy has been much more resilient to these high interest rates. And I think one of the things all of us fall in the trap of is extrapolating the future or as things change thinking they'll go back to where they were very quickly, interest rates were coming from a very, very low point. Current interest rates are actually pretty normal in a historical sense and so the idea is they need to be cut aggressively given the economy's holding up, I think that will prove to be a little bit optimistic. But I think it's also fair to say that with inflation coming back, the idea that interest rates need to go higher is also unlikely.

CAROLINE GURNEY: We've had a question from Daniel who is one of our shareholders, and he said your high conviction fund, what are the companies and sectors you're most excited by?

BLAKE HENRICKS: There's a couple of sectors we're exposed to. So, the first one is healthcare and it's CSL and ResMed in particular. ResMed to us looks amazing. There is a long-term threat out there and that is weight loss drugs. 80% of ResMed customers are obese so you know a lot of those customers if they were to lose a lot of weight, they could potentially get off the ResMed device. But there's a few reasons to really like it. The first one is their nearest competitor Phillips is out of the market at the moment and is likely to be so for the next 2-5 years so ResMed almost has a monopoly in the US in the next few years.

The second thing is long term threats are often overplayed. You know I'm sure all the people on the call would know when online shopping came around, JB Hi-Fi was going to be the big loser. Yet JB Hi-Fi is hitting all-time highs. And yet online shopping is now, you know in that electronics category, 15-20% of sales. Companies adapt to whatever circumstances they see so you know we think ResMed is very attractive and I'll contrast it for you against something like the Commonwealth Bank. Going back to 1999, Commonwealth Bank and ResMed have never traded on the same multiple as you would expect ResMed's always traded to a higher multiple. If you look into the year 2025 which is not far away now, I'm sure you'll agree, these two companies are on the same PE. That's never happened since 1999, since trading began, and so we think there's a really compelling argument to say as a high conviction investment manager, you know the likes of ResMed and CSL look very attractive, Commonwealth Bank on the other hand looks extremely expensive. The other thing I'd say about Commonwealth Bank great dividend payer, great company all those things but the earnings per share haven't changed since 2015.

CAROLINE GURNEY: Hmm yeah.

BLAKE HENRICKS: It's pretty amazing what's going on and where the stock is hitting all time highs.

CAROLINE GURNEY: So, talking to our shareholders you know and obviously you're sort of talking to a lot of consumers, they're very concerned about the cost of living. You know the government is going to impact perhaps their election results, you know you've got the Greens led cost of living enquiry into supermarket pricing. You know do you expect more regulation perhaps into energy companies and how are you thinking about that in terms of your portfolio?

BLAKE HENRICKS: This is a tremendous question and through reporting season it was a real theme where companies want to avoid what's happened to supermarkets which is now a parliamentary enquiry followed by an ACCC review which will conclude in February next year. Speaking to the supermarkets I think they're much more concerned about the parliamentary enquiry because that's when the gotcha's come and the bad press comes. They believe the ACCC enquiry and review which finishes next year is unlikely to turn up too much because if we look at their return metric, the margins, the costs they've incurred, they believe there'll be nothing to see there.

However, there are some sectors who are investing heavily to try and avoid any kind of regulation. Now a few companies I'm going to call out, the first one would be Qantas. There is an ACCC enquiry there on you know paying for no flights, they're investing \$230 million into customer experience. The company was down 8% on the result of that and has continued to fall since that moment. So, companies are trying to get ahead of it. We saw AGL and Origin and I know that was the question about energy regulation, they're also investing aggressively into hardship payments. AGL, I think called out \$45 million of extra hardship payments so companies are very aware that this Labor government likes to get involved into industry, but I would be a little bit, I think the government got over their skis a little bit, this is going back 18 months ago when they tried to intervene in the energy market, actually tried to cap gas prices. Now gas is a commodity, it moves up and down and at the time it was very high and so the government came in and said we're going to cap prices. What ended up happening was everyone said well we're

not investing and now we're going to probably face a shortage over the next couple of years on the east coast in terms of gas and so that \$12 cap in gas has now been all but fully abandoned.

So, I think the government's also learnt that you can't just step in, but certainly grandstanding, putting pressure on companies is more likely the way so more a gentle, a gentle in some cases, more aggressive in others, pressure down on profit but not a full-blown disaster for companies.

CAROLINE GURNEY: And is there anything else that shareholders should be thinking about when they look at the Australian market and influences from offshore?

BLAKE HENRICKS: Yeah, I mean one thing we've seen and I mean you heard my comments on Commonwealth Bank and just how expensive it's become is you know markets are now reacting a lot to very short-term news which is creating great opportunities for investment managers. The other thing is, people are investing more heavily in indexes and that's great news for us because it means that certain companies are getting bid up way above what they should be just because they're large and they get larger and in the case of the US, you know I guess AI is here. It is going to be real. The impacts on the negative side I don't think has been fully explored yet, but you know meeting with companies through reporting season and what they're telling me is you know we can control our labour costs. Labour costs this year will probably be up 4 or 5% but the one thing we're really struggling with is technology costs. You know the Microsoft's of the world are putting through 12, 15, 18% price increases and we all know we can't do without it so you know I think certainly some of the hype in AI is going to be real, but you know as always in these kind of moments, some of it is a bit overhyped as well.

CAROLINE GURNEY: Thank you. Well, thank you so much Blake. I really appreciate your support of Future Generation Australia and thank you very much for your time today in answering our shareholder questions.

BLAKE HENRICKS: Pleasure to be here.

CAROLINE GURNEY: Thank you. So, I'm know I'm going to get Geoff back on the screen. Hopefully he's still there in New York.

GEOFF WILSON AO: Yes, all good.

CAROLINE GURNEY: Brilliant. So, we've had, we're having a few discount questions now so I just thought we should sort of jump into it. Sarah's asked what strategies will FGX employ to reduce the share discount to NTA in 2024? And then Damien's adding to that, sort of when is the Board going to proactively manage the share price discount? This would contribute more to capital growth. The Board is failing shareholders when it does not proactively manage risk.

GEOFF WILSON AO: Yeah, well unfortunately that statement is incorrect because in terms of you know the Board has various jobs to do and in terms of saying that the share price trading at discount to NTA or trading at a premium to NTA is about the Board managing risk, in theory the Board obviously looks at the IC and the IC decides which managers to allocate the money to.

So, you know the scarce assets that we all have. You know the \$550 million that's in FGX you know that is invested wisely. And in terms of, you know, you heard from Blake. He's one of our investment managers. We've got the smartest group of fund managers managing this pool of capital and if you look at it, you know and they're investing in what they believe are really undervalued high quality companies that are going to show really good growth and you know Caroline mentioned the numbers earlier in terms of, you know if you look at those managers, they've probably got a skew to the smaller growth companies but they have high levels of skill so they'll actually be able to outperform the All Ords but also at the same time out perform the Small Ords over the last 12 months and also since inception. So, to me like that's, you know that's what the Board's there to do and the Investment Committee.

In terms of the share price, well that's another thing. You know as Warren Buffett says, that's a weighing machine you know in terms of the amount of people that are at the moment because it's trading at a discount NTA, then there is more sellers than buyers and part of it is that you know not an alignment, a full alignment of what the company and the Board and the Investment Committee are trying to do and the understanding of the investor. Because if you were, you know if I was an investor looking at what the, you know what the underlying fund management have done in terms of performance this last 12 months I'd be very happy. So that's that. But I don't think I answered, that was more the second part of the question. The first part of the question was more about the discount and I think you know what's been done on the discount?

Now like Caroline can touch on it, but you know we're acutely aware of the discount. Now the last time FGX was at a premium was 2019. You know I think it was at about a 5 or 6 % premium then and it's gone to a discount and it has been at a bigger discount. You know I think on, well I mean we haven't updated the numbers but on last month's numbers what was it, you know it was about a 12% discount. Now probably if you adjust for the market being up a per cent or two, you know then it's probably at maybe a 13 odd per cent discount now and the goal is you know for that to, for the share price to trade at a premium. And it's really, yeah, I mean we've got to position the company so you know that the people investing in it are the ones that want to be invested in this type of business. And at the moment you know obviously the ones selling you know we're rolling out of people that have you know for whatever reason been frustrated. Now they could have been, now I remember when you know soon after I think FGX floated a shareholder rang and said oh is it going to come on at a 10% premium? Well, it was never going to come, well actually it did go to a premium in the end... no, no it didn't, it went to a discount. FGG went to a premium early. But yeah, to me it's you know it's misalignment of expectation so acutely aware Caroline I mean one thing Caroline do you want to just go through what you've been working on you know for the last 12 months in terms of building the brand and then...

CAROLINE GURNEY: Yeah of course.

GEOFF WILSON AO: [over talk] ... and then the logic is to reap the benefits, but do you want to go through...

CAROLINE GURNEY: Sure, so obviously we are completely focused on getting it back to a premium. You know we've improved I believe the brand awareness and you know our media presence is incredibly strong. I mean we were online today in terms of you know one of the preferred companies to buy with sort of dividends and that just popped up. So, it's been really important I think to sort of raise that awareness of what we do and to actually make sure that people understand yes, we are an investment vehicle but we also give to not for profits to make a real difference. You know we're very lucky we are supported by a very good corporate affairs team and a shareholder engagement team and also our fund managers helped us there as well.

So, the other thing which I'm really delighted about is that we have across wealth and asset management we've got to full time distribution personnel and that's something we've never

really had and they give a lot of time and effort and thought in terms of how we're going to be talking to brokers and planners and wealth managers and we've had you know a lot of interest there.

I mean these are a lot of strategic measures that we're actually doing to make sure we return the share price to a premium to NTA but I also think you know it's a very challenging market there and we just have to work really hard to actually make sure we have that happen. I think as Geoff said, you know we've got a very strong investment portfolio in terms of performance. We've got that growing stream of fully franked dividends and I think with you know targeted communication and that engagement strategy, you know it's all going to make sure that we meaningfully return the share price to a premium and that's over the medium term. And we've very optimistic that that's going to happen. As Geoff said, it will happen and we're going to make sure it does by making sure we actually speak to our shareholders as much as we possibly can. You know we really pride ourselves on getting back to shareholders. Any of the questions we don't answer today we will definitely follow up like we always do. But I think it's also making sure everybody understands what exactly we do in terms of our investment, you know criteria and what we're trying to do on the bigger scale. So, I'm actually, unless Geoff you have anything else to add...

GEOFF WILSON AO: I would, and one of the things that we, you know obviously we're very aware of this and we'd all be a lot you know happier if they were trading at well, well we'd all be happy if they're trading at premium but that would be sad for the people paying a premium because you know they could have bought them at a discount and we've spent a lot of time more recently about positioning and you know and in terms of how you know we've positioned the entities, and we're still doing for you know quite a bit of further work on that and maybe historically we position them so like they are incredible investment vehicles. Like it's a great you know win for the investor to get exposed to these managers and not pay performance fees so you know both combined entities have saved investors I think a little over \$60 million since they were set up and you know so that's nearly half the fee. You're nearly getting this management for half, if you'd given your own money to the various managers that are managing you know and probably in terms of the positioning we've spent a bit of time you know I know the philanthropic side's very important and in terms of how it gives back, but maybe for the investor we've spent you know too much time on that and on that positioning, you know Jesse Hamilton,

our CFO, sent us all around this you know great article about our position, a person who just focuses on positioning and they talk about they live in the US, they talk about you know going for breakfast at 8 am and I had to write this down because I just thought it's incredible, you know? So, they're in the line for breakfast and the person in front of them orders a double chocolate salted caramel muffin. Now only in America, and the marketing or positioning person was standing behind that person and thought like what a stroke of marketing genius. If it was called a cake, then you can only have it for dessert, but because it was called a muffin, then you can have it at 8 o'clock in the morning.

And you know so in theory what, I mean effectively the listed investment company it's all about supply and demand, and where equilibrium is, is when supply and demand are equal and you know the equilibrium is when the share price is equal to the NTA. And we've just got to do a bit of work, you know a lot more work, you know we understand on that positioning because it is an incredible product and we have to have everyone aligned. And we've got to find the shareholders that want to invest in a listed investment company. If you want to invest in a managed fund, go and invest in a managed fund. If you want to invest in an ETF to get in and out of NTA go and invest in an ETF. If you don't want fully franked dividend yields, don't invest in an LIC. But to me, you know FGX and FGG they have incredible assets. You know they've got these profit reserves, they've got franking credits to frank the current dividends and there'll be more franking credits as time goes on. And you get exposure to these incredibly smart fund managers cheaply. So, to me it's a great package but I don't think we've been positioning it correctly. Caroline's done a fantastic job since she joined in terms of increasing the brand and the awareness, now we've got to sort of, you know that's the plough we've got to field, now we've got to harvest and over the next year or so, I think that's what will happen.

CAROLINE GURNEY: It will.

GEOFF WILSON AO: Anyway ... [over talk] thanks Caroline.

CAROLINE GURNEY: Thanks. So, we've got a question here from Tom what are FGX's biggest holding? For everyone it's actually on page 12 of our annual report, but I mean our biggest stocks are BHP, CSL, ANZ, GBE, CBA, Santos, Carr Group, Aristocrat, NAB and Goodman and you can

see all the portfolio ratings but Tom I'll email that to you as well and if anybody else wants it, please let me know. I'd be happy to go through it.

GEOFF WILSON AO: And basically, what that is, is we've gone to all the fund managers. You know we do this on a regular basis and find out what their weightings are and then put it together with the whole portfolio so we've got their weightings, and you'll there, you know that even though a number of those companies are large companies, because active managers tend to believe they can do better than just buying the large companies. If you just want to buy the large companies, you're better off buying an ETF. Where the active managers believe they can add value so their weighting, you know we're under weight the index because ...

CAROLINE GURNEY: Yes.

GEOFF WILSON AO: ... you know the active manager believes he can create value.

CAROLINE GURNEY: And the next question is would you please report return and volatility based on FGX share price as well as NTA? That's from Steve.

GEOFF WILSON AO: I mean it's a fair point. I mean we'll run the numbers and we'll send them to you Steve definitely. One of the things about you know performance and the reason why we quote it gross and now we all know that 1% of the assets goes to charity so you've got to take out 1% a year so that's your net performance, is because you're trying to look at the performance against the index. Now if that's what you should, but actually that's probably again bad positioning for us because the Investment Committee collected the managers not to give you the same risk as the index and the same reward as the index. We've actually collected managers that are absolute managers that can you know short stocks, that can hold cash, that will actively give you a significantly risk, a better risk adjusted return. But because we're getting the return in a listed investment company, you know if we make 10% on the assets in a year, then we pay 30% tax now if those assets are realised. If they're not realised then we provide 30% and we pay it when they're realised so you've got to remember the return, you know if the index returns you 10% a year, you know then the after-tax return on that index is 7% because paid is 3% tax and that's, you know so that's how you've got to look at the LIC.

CAROLINE GURNEY: So, we've got a question from John in terms of are there any future plans to increase the fund size, i.e. share purchase plan?

GEOFF WILSON AO: Yeah, I mean John that's all possible. It won't be done, well obviously I'm one member on the Board. It's obviously the Board's decision, but I would say it would be very unlikely that it would be done unless the company was trading at a premium NTA.

CAROLINE GURNEY: I've got another question from, actually from another John, would the share price to NTA change if FGX was a larger entity because 500 isn't a large fund these days.

GEOFF WILSON AO: Yeah, and there is, there's no doubt there's a correlation between the size of the fund and premium and discount. Like if you're a less than a \$200 million LIC all those you know smaller LIC's trade at quite big discounts and the larger LIC's, the ASX and Argo's you know trade you know a lot closer to NTA if not premiums and I think ASX and Argo a little while ago they were 10% plus premiums and we saw that when Soul Pattinson's bid for Milton. Milton was the third largest LIC, but now in the LIC space WAM Capital is the third largest and WAM Leaders is the fourth largest after ASX and Argo. But when Soul Pattinson's bid for Milton and all they were doing, you know and one investment company was taking over another investment company so there was no synergistical benefits, they weren't going to reduce staff etcetera etcetera but I think the Soul Pattinson share price, because it was going to increase in size, went up 20 odd per cent just during that period that the bid was announced. So, there's no doubt that people pay up for size and liquidity and I think it's a function of like the investment, you know the financial planners looking for you know there's a cost for liquidity in the space.

So therefore, if they can you know buy \$5 million worth of stock and sell \$5 million worth of stock in a very short period of time, then they're prepared to pay a little bit of a premium for that. So, I think that's the logic behind it. But we agree, what we've got to do is you know we've got to walk before we run. We've got to make sure that the positioning statement is correct. We've got to make sure all the shareholders, like that's you know seven and a half to eight thousand in FGX shareholders are happy and are supportive of what we're doing and then we've got to get more shareholders that want to come along for the ride and that's when we're then trading at a premium and then we can worry about increasing the size of the entity.

CAROLINE GURNEY: So, the next question from Bill is can you release the NTA more regularly or sooner than once a month?

GEOFF WILSON AO: You know Bill it's really tricky because you know we're getting the monthly, the end of month NTA's from all those fund managers that manage the money on our behalf and then the accountants have got to put that together. One set of accountants works on it and then they give it to another you know group and then they obviously check everything. So it is, it's difficult. To me if you want to try and work out what the end for month NTA is and what we tend to do as a rule of thumb is just assume that the performance is in line with the index. So even though over the last 12 months you know since inception we've beaten the index, but let's be conservative. If the index, you know you knew what the NTA was last month, if the index is up one and a bit one per cent since the last NTA was up, then you'd assume the NTA's up that amount and if it's trading at a discount then you're getting a good deal.

CAROLINE GURNEY: And we can't start our monthly NTA's until we've got all of the data from the fund managers, but we are looking to basically restructure our monthly NTA's so we're going to be doing them separately, one for FGG and one for FGX and we're also going to make them sort of easier to understand. We're going to put more about the investment philosophy in them as well and I would love your feedback.

GEOFF WILSON AO: Yeah, exactly that's what I was going to throw in, yeah definitely Caroline. You know any feedback please you guys own the company, any feedback you've got, you know, no matter what it is, you know please give it to us because it's only by fully understanding what all the investors think that we can do that and that's part of you know what we're talking about, part of our goal of getting it you know the entity FGX you know trading at a premium NTA is you know reducing the confusion. Same with FGG and that's part of that positioning statement we were talking about.

CAROLINE GURNEY: And we're going to, so we're basically going to talk about each of the different entities and then at the end of the month we're going to do a wrap with our fund managers so you actually have more of an insight from them as well and just an interview with one of our not for profit and as Geoff said, I love feedback so any would be fantastically received.

So, we have a question from Bruce which you have partially answered in terms of whether quarterly reports could provide more composite portfolio metrics re country exposure, developed emerging market value growth etcetera so they can understand more about what's under the hood. I mean I totally understand where you're coming from, but it's actually about more of the timing of when we get the reports that Geoff spoke about because we get that data it's provided on a quarterly or a semi-annual basis. But we are up dating our presentation there so hopefully we'll endeavour to get you more information that's relevant in that monthly investment update as well. I'm not sure...

GEOFF WILSON AO: Well, that's right. Maybe that's the secret. Rather than holding it out for the annual report or the half yearly, so maybe...

CAROLINE GURNEY: Yes, I think just before that.

GEOFF WILSON AO: ... putting it in the monthly as well as putting it in there so you know just in case you know not everyone sits down and reads the annual report, they might be focusing on the monthly and miss it.

CAROLINE GURNEY: So, one of the other questions we've had, we had a question from David and this is more for you Geoff in terms of is there any update on corporate raiders and their shareholdings?

GEOFF WILSON AO: Yeah well, the both FGX and FGG from what we understand is there aren't any corporate raiders on our register and very happy for there to be corporate raiders on our register. You know it just makes an efficient market. In New York I'm working over here. I'll be catching up, you know you're probably referring to the article in the Fin Review the other day about Saba how they play the closed end fund market. And I'm you know catching up with them next week. And actually, there's a couple of other fund managers that play the close end fund market over here. I think Bulldog Investors. I thought what a great name. And there's a couple of others that I'm thinking I might just catch up with.

CAROLINE GURNEY: Well, that's all we've got time for.

GEOFF WILSON AO: They don't invest in, well sorry Saba invest in the Australian market but that's only been in the last couple of years. You know they're new to the game down there. You know they've been playing around in credit swap, default swaps for a long time and equities, you know closed end funds more recently, but Australia just very recently. So yeah so the, if there was someone, like if there was you know someone buying you know because they're cheap, hey good on them. That's smart. I think that's a smart play.

CAROLINE GURNEY: So, we have one question from Andrew is how is Future Generation tracking with pay equity through its organisation? I mean...

GEOFF WILSON AO: I want you to

CAROLINE GURNEY: I can actually...

GEOFF WILSON AO: The Board doesn't get paid anything. And we've got more both FGX there's probably more males than females so but FGG...

CAROLINE GURNEY: Yes, I mean I came off the Board for FGX so yeah there's now only, but I mean it's, and they're both small Boards but in terms of the team that work on Future Generation we are all females so yes, I think in terms of you know comparing it, we're very good there so that's yeah something I'm very happy about.

One more question. We've got another question on the discount and I think we are, I think we're good. I think we've answered pretty much most of them. So, unless I get any final ones coming through... I think we're good. So well thank you very much Geoff. Is there anything else you'd like to say?

GEOFF WILSON AO: Not at all and look thanks for your support and please, as I said, it's your company so any feedback you've got, any ideas, any questions because the more you understand the company then you know we want to be aligned. Any thoughts you've got on positioning, on how we should position the company because we're spending a lot of time on that because you know our goal is to get both entities trading back at premium NTA where they

used to and that'll be a matter of time and a matter of hard work and you can you know follow us as we achieve that but thank you very much Caroline.

CAROLINE GURNEY: Thank you, I couldn't say that any better. So, I just also want to say my thanks to David, Blake and Zoe for joining us today. I hope you all enjoyed their insights as well. As Geoff said, any questions please call us. You own the company and we actually do this because you allow us to do it.

So, in terms of what we're going to do now, we're going to answer any of the other questions. If you have anything else or a follow up you want to fuller answer, just please email me. You know we are going to get the share price to trade at NTA and I think when we all get to you know premium we'll be a lot happier.

So, I've now got a survey that's going to pop up so I'd really appreciate your thoughts on this new structure of the webinar and anything else you can suggest and we have our roadshow coming up in April and if you go to our events page, you can register, but we're also emailing everybody on a regular basis. So, I really hope that we see you. It'll be our fund managers and a not for profit and also Geoff and I will be there. So, thank you very much for listening today. Thank you, Geoff.