

Phil Lowe, Chair of Future Generation Australia (ASX: FGX)

Video with Caroline Gurney, CEO of Future Generation

**CAROLINE GURNEY:** Hello, I'm Caroline Gurney, the Chief Executive Officer of Future Generation, a company that delivers returns for you and better futures for young Australians. With me today in the studio is a man who really doesn't need an introduction, but I'm going to give you one anyway. Dr. Philip Lowe was the governor of the Reserve Bank of Australia from 2016 to 2023, where he oversaw monetary policy, including interest rates and Australia's financial stability.

Earlier this year we were thrilled when he joined as Chair of Future Generation Australia (ASX: FGX), his first board appointment since leaving the RBA. Phil, welcome. Thank you very much for joining me today.

**PHILIP LOWE:** Thanks so much, Caroline. It's great to be here with you.

**CAROLINE GURNEY:** I have a lot of questions for you and some of these have come in from our shareholders. I really want to ask you, first off, this is the only board you're on at the moment. Why? Why for future generation Australia? Why is it important to be part of what I think is a movement.

**PHILIP LOWE:** Well Future Generations Australia brings together two things that I'm really passionate about finance and helping kids. When I was the governor of the RBA, I'd see lots of fantastic people in the finance sector who really wanted to make a difference and the team at Future Generation was really part of that.

We've got funds managers and service providers who are prepared to give their time, their expertise and their services for free, which is fantastic. And that means there's an investment product that people get good returns on. Over time, it's generated better returns in the ASX and less volatility. So more return less variance is fantastic. And on the other side of the equation, money goes to kid's charities every single year to help kids in need.

So for me, being involved with people who want to make a difference, prepared to give their time to help society be a better place, it was a it was a perfect fit. And I was honored and thrilled to be invited to be part of it. Well, thank you. Thank you very much for joining us. I mean, I think one of the big things that future Generation Australia or future generation global are all about is really helping young Australians, making them you know, they're already incredibly strong, but giving them the tools to actually help them to adapt to have that resilience for their future life, you know.

**CAROLINE GURNEY:** What do you see is actually needed in this country to help more young Australians prosper?

**PHILIP LOWE:** Well, with all the research shows that the starting life is incredibly important for everything else that happens in your life. Kids who have a difficult childhood, whether it's because of family issues or for education reasons or health reasons, it's much harder for them through the rest of their lives.

So it's really important that society helps those kids who don't get a great start, either because of health or family reasons. And the not for profits that we're working with are helping those kids help give them a better start. And if you get a better start, you're going to have a better life, be a more productive member of society.

So I'm really pleased to be part of a funds management vehicle that actually recognizes that and setting out to help kids. So we will all benefit from it.

**CAROLINE GURNEY:** I agree with you wholeheartedly. I mean, I, I sort of look out at the moments in times of, you know, the cost of housing. You know, we have inflation increasing. You know, what can we actually do to help young people, you know, for the future? Like what can we do in terms of housing? You know, what is your view in that area?

**PHILIP LOWE:** Well, I think housing is probably the number one economic and actually social issue we face. If people can't have affordable, convenient housing that's well located to transport their lives more difficult, it puts stresses on relationship and on families. So the solution to housing is more supply.

We want the populations rising quickly for good reasons. We need to keep building and we need to keep building kind of on the outskirts of the city, on the in and the infill of the city. And if we can build supply, then people can have cheap, cheaper, well-located housing and that's going to make all our lives better. The fact that people are spending so much money on housing brings a lot of stress, their finances, their relationships.

People have to live a long way from where they work, so they spend a lot of time commuting, which reduces the quality of their lives and that puts stress on families. So, if there's one thing we can do as a society is build enough houses, enough dwellings for the population, we're not doing that. And when there's a strong demand and short supply prices go up, it's not rocket science.

And so rents have been rising quickly and prices are rising quickly. Put stress on everybody. So, we've got to add to supply.

**CAROLINE GURNEY:** You are widely regarded as one of Australia's best economists. What's in terms of the economy. What are the levers that we can pull to actually help young Australians in the future? What are we overplaying or underplaying?

**PHILIP LOWE:** Well, I think that the main economic issue that I'm kind of focus on at the moment is that we're kind of almost sleepwalking into a period of mediocre growth. We've had three decades of really strong growth in Australia and its boosted people's living standards. We had strong productivity growth, favorable demographics and a big increase in the price our exports.

So that generated a lot of extra national income and we all benefited from that going forward. Productivity growth is weak, demographic dividends are behind us and the price of exports aren't likely to be rising anymore. So we don't have those things going for us, then our living standards could stagnate and that means that people's real wages don't rise.

The returns for investors on assets are lower. The government budget's going to come under pressure and that's going to make life more difficult for everybody. So I hope that when my kids my age, the pie we're much bigger and we can all share in that. But if it doesn't get bigger, then then it's going to be difficult for everybody, including our kids, to the challenge we have as a nation is to do what we can to lift productivity so that we come smarter and better at doing stuff.

**CAROLINE GURNEY:** You have talked at length about improving productivity in Australia. I don't see there is a lot of research out there. I mean, what do you think could be the two key drivers to improve productivity in Australia?

**PHILIP LOWE:** Well, when I go to the parliamentary committees that always ask me what to do with productivity, and I do, I say, well, read the reports that have been commissioned and the reports in it and it's condensed.

It says there are the reports identify maybe more than two areas because there's no silver bullet here. The tax system, I think we still tax wealth generation and too heavily and consumption too lightly. The way we tax land is all screwed up. So, there's things we can do on tax. They're all politically difficult so we're not doing them.

But on tax is a lot infrastructure the way we plan the pipeline of infrastructure and then the way we price infrastructure is very important. Skills development, you know, our global rankings have slipped on in education. So we need to keep working on that. And I think the energy system, you know, we all our businesses need cheap, reliable energy to run effectively, and we've got work to do in that space so we can get tax infrastructure, skills and energy if we can get that right.

But the good news is there are things we can do in each of those areas that will make society better off and give our kids a higher standard of living than we have. But they're all politically difficult. So, the challenges, as I said, is really a political one, not an economic one.

**CAROLINE GURNEY:** How can government play a bigger role in sort of helping the economy for the long term?

**PHILIP LOWE:** I think it's got to address the areas we've been talking about. It's not just government. Business has a role to play. We need businesses to be dynamic, innovative, developing new products and pushing the boundaries all the time. So it's not just government, but in the areas just talked about government does have a leadership role. I think on housing.

Housing supply requires changes to zoning. It requires less regulation to make it easy for it to build. So there are things that can be done in that area. And in education, the government has a kind of my hands on many of the levers as well. So, it's not just an issue for the government, it's an issue for business and for all of us to do what we can to make the pie bigger so that we can all share in this.

**CAROLINE GURNEY:** Undoubtedly, I think one of the one of the questions that everybody talks about is interest rates. And I hate to do this to you, but what is your view on interest rates? I mean, you've been traveling recently, you've been in Europe. I mean, what are the other reserve banks doing about making sure that interest rates are lowered over the coming years?

**PHILIP LOWE:** Well, their objective isn't to make sure interest rates are coming down. It's to make sure inflation comes down and stays down, because that's really kind of critical that we achieve that because as we've been reminded in the last few years, inflation eats away at your real incomes. It makes life harder for people. So we've got to get inflation back to target globally and here in Australia.

And many central banks feel like they're on a reasonable path to doing that. Interest rates have peaked in most countries and they're actually starting to decline in some one day. We will follow that, but when's the right time? Who knows? So, the questions that other central banks have debating is how far interest rates are going to come down and over what speed and when that occurs.

Some here in Australia that the next move could be down, but it could well be up as well. We've still got work to do here.

**CAROLINE GURNEY:** You have said a number of times that the RBA's one of its roles is really to ensure Australia's future prosperity and stability. Obviously, this is one of my favorite subjects in terms of Future Generation and what we can do to help young Australians. How do you see your role at Future Generation playing a part in that?

**PHILIP LOWE:** I think if we can help those kids who are most disadvantaged, particularly because, as I said before, the start in life is the most important thing we will in my new role, well, I'll make a contribution. In a previous role, it was about keeping inflation low and helping people getting to jobs. And one of the

things I'm proudest of during my term of government got the unemployment rate down to the lowest in more than 40 years.

And when people get jobs, their families have opportunities of opportunities, they get skills, and it's easier to be kind of a productive member of society. So getting people into jobs and keeping them in jobs and keeping inflation down the financial system stable, that makes a big difference. But my new role is this big picture, but no less important in helping kids who are disadvantaged.

**CAROLINE GURNEY:** One question I love asking of our managers and a number of other very generous Australians, you know, what is what is your two fold in life? What are your dual purposes?

**PHILIP LOWE:** Well, at the RBA my objective was to do what we could to make the society a better place and the personal objective to look after my families, help my family as best I could.

And they're still the two driving things in my life contributing to public good and helping the private good as well. And being part of Future Generation is my new way of helping the public good by helping those who are most disadvantaged and who need it most. The kids.

**CAROLINE GURNEY:** Why should investors invest in Future Generation?

**PHILIP LOWE:** Well, you can come at this from different perspectives. One is a pure financial one. You're getting over the ten years it's been in existence, a better return and the ASX 200 endless period. So, you know, normally in economics you don't get this higher mean and less fear. And so that's good. I think a second thing that many people value is a steady stream of dividends.

Unlike some other investments we're in, in dividends go up and down in this fund of dividends have steadily risen over time. So that's the pure financial aspect of it. The other is being part of something that makes society better instead of the money. The fees going to funds manages the 1% of the assets each year go to charities and that helps the kids who most need it most.

So good financial return, steady stream of dividends and you helping kids, why not invest?

**CAROLINE GURNEY:** Thank you. Thank you very much. Phil, we are delighted that you've joined the board of Future Generation Australia's as Chair. And thank you very much for your time today.

**PHILIP LOWE:** Thank you. It's been good to be with you.

**CAROLINE GURNEY:** We hope you enjoyed today's video. Please join the Future Generation family, Australia's first listed investment company to provide investment and social returns. We are proud to have given more than \$75 million to Australian not-for-profit organisations. You can be part of this and

gain investment returns while contributing to improving the lives of young Australians. For more information, please visit our website, [www.futuregeninvest.com.au](http://www.futuregeninvest.com.au).

[end]