

Investment Update & Net Tangible Assets Report

As at 31 January 2017



FUTURE GENERATION
INVESTMENT COMPANY

Net Tangible Assets (NTA) figures

| | |
|--|----------------|
| NTA before tax | 114.30c |
| NTA after tax and before tax on unrealised gains | 114.53c |
| NTA after tax | 114.04c |

Portfolio

In January, the portfolio increased 0.2% outperforming the S&P/ASX All Ordinaries Accumulation Index which fell 0.8%. The company is currently 33.5% long equities, 34.2% absolute bias, 14.0% market neutral and 18.3% cash. We are in the final stages of allocating monies raised from the exercise of options.

| Fund manager | Investment | Strategy | % of assets |
|---|--|----------------|--------------|
| | Large/Mid Cap Funds (split out below) | | 10.5% |
| Paradice Investment | Paradice Australian Equities Mid Cap Fund | Long equities | 5.8% |
| | Paradice Large Cap Fund | Long equities | 4.7% |
| Regal Funds Management | Regal Australian Long Short Equity Fund | Absolute bias | 9.1% |
| Wilson Asset Management (International) | Wilson Asset Management Equity Fund | Absolute bias | 8.6% |
| Watermark Funds Management | Watermark Absolute Return Fund | Market neutral | 7.4% |
| Bennelong Australian Equities Partners | Bennelong Australian Equities Fund | Long equities | 6.7% |
| Eley Griffiths Group | Eley Griffiths Group Small Companies Fund | Long equities | 5.2% |
| Cooper Investors | Cooper Investors Australian Equities Fund | Long equities | 5.0% |
| Tribeca Investment Partners | Tribeca Alpha Plus Fund | Absolute bias | 4.8% |
| Sandon Capital | Sandon Capital Activist Fund | Absolute bias | 4.5% |
| Bennelong Long Short Equity Management | Bennelong Long Short Equity Fund | Market neutral | 3.1% |
| Optimal Fund Management Australia | Optimal Australia Absolute Trust | Market neutral | 2.9% |
| L1 Capital | L1 Capital Long Short Fund – Retail Class | Absolute bias | 2.7% |
| CBG Asset Management | CBG Asset Australian Equities Fund | Long equities | 2.3% |
| Discovery Asset Management | Discovery Australian Small Companies Fund | Long equities | 2.1% |
| LHC Capital | LHC Capital Australia High Conviction Fund | Absolute bias | 1.8% |
| Centennial Asset Management | The Level 18 Fund | Absolute bias | 1.6% |
| Smallco Investment Manager | Smallco Broadcap Fund | Long equities | 1.6% |
| Lanyon Asset Management | Lanyon Australian Value Fund | Absolute bias | 1.1% |
| Qato Capital | Qato Capital Market Neutral L/S Fund | Market neutral | 0.7% |
| | Cash and Term Deposits | Cash | 18.3% |

Future Generation Investment Company Limited

| | |
|-----------------------------------|--------------------|
| ASX Code | FGX |
| Established | Sept 2014 |
| Gross assets | \$400.7m |
| Market cap | \$400.9m |
| Share price | \$1.15 |
| Net assets per share (before tax) | \$1.14 |
| Shares on issue | 348,655,173 |
| Management fees | 0.0% |
| Performance fees | 0.0% |
| Annual donation (% of NTA) | 1.0% |
| Fully franked dividends (FY2016) | 4.0c |
| Fully franked dividend yield | 3.6% |

Investment objectives

- Provide a stream of fully franked dividends
- Achieve capital growth
- Preserve shareholder capital

Company overview

Future Generation Investment Company Limited gives investors the opportunity to gain unprecedented access to a group of prominent Australian fund managers in a single investment vehicle and also support Australian charities, with a focus on children and youth at risk.

Chairman

Jonathan Trollip

Founder and Director

Geoff Wilson

Directors

Paul Jensen
David Leeton
Scott Malcolm
David Paradice
Gabriel Radzysinski
Kate Thorley

Investment Committee

Matthew Kidman, Gabriel Radzysinski, David Smythe, Bruce Tomlinson, and Geoff Wilson

Chief Executive Officer

Louise Walsh

Company Secretary

Mark Licciardo

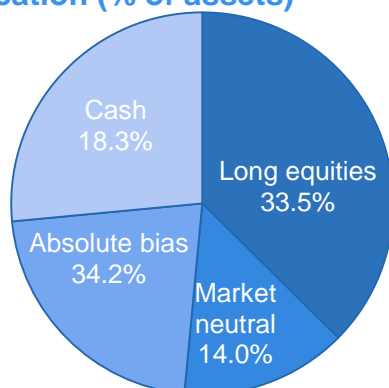
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Investment strategy allocation (% of assets)



- Long equities
- Market neutral
- Absolute bias
- Cash

Long equities – investing in a portfolio of equities based on the expectation that the underlying equities will increase in value within a certain time horizon. Each equity represents an ownership claim in an underlying company which is generally listed on a public stock exchange.

Market neutral – an investment strategy that generally involves the simultaneous purchase and sale of equities, to generate returns that are not linked to the performance of underlying equity markets.

Absolute bias – an investment strategy that seeks to generate returns, irrespective of the performance of traditional asset classes. These strategies use innovative investment techniques to profit from rising and falling markets, providing portfolio protection in the event an equity market experiences a significant fall.

Fund Managers



Charities



Service Providers



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Fund manager in focus: Sandon Capital

SANDON CAPITAL

Sandon Capital is an activist investment firm established in 2008. We are relentless in our pursuit of identifying opportunities and unlocking value for our investors. Sandon Capital is the investment manager of Sandon Capital Activist Fund and Sandon Capital Investments Limited, an ASX listed investment company (ASX: SNC).

Our investment style

We are a value investor, employing what are commonly known as “activist” techniques to extract and enhance the value of the investments we make. We seek to identify companies that offer value, coupled with an opportunity to encourage change to realise that value.

We seek to actively play a role in determining a company’s future, rather than attempting to passively predict future events. We do so by taking an active role in devising, proposing and encouraging improvements we believe will enhance value. These might be, for example, in corporate governance, management, capital management, strategic and operational matters. Our approach to activist investing is about ensuring companies operate in the financial interests of their owners, the shareholders.

The objective of Sandon Capital’s investment strategy is to deliver positive absolute returns to investors. We aim to achieve this objective by seeking to invest in opportunities that we consider are trading below our assessment of their intrinsic value and that offer the potential for active engagement to alter the status quo and improve or extract value.

Our market outlook

We do not make predictions about where markets might be headed. We do however observe that for some time markets have been characterised by volatility, uncertainty and a propensity for market prices to over-react or under-react to events, leading to mispricing of securities. We consider such conditions as being ideal for our approach to investment.

Current activities

We are actively and publicly campaigning in several companies including Tatts Group Ltd (Tatts) and Iluka Resources Ltd (Iluka).

We believe Tatts should spin off its valuable lotteries business. We set out our thesis for this in early 2016. In particular, we considered the lotteries business to share many characteristics with infrastructure assets. Despite an initially cool reception to our valuation of the lotteries, Tatts has since become the target of a merger proposal from Tabcorp as well as an indicative proposal from a consortium of investors including Macquarie Bank and private equity firm KKR (which specifically seeks to own the lotteries business). We believe the fight for control of the Tatts lotteries business will continue throughout 2017. In November 2016, we published a report outlining our thesis that Iluka is undervalued and that it should spin off its valuable iron ore royalty. Unsurprisingly, the company does not agree with our spin off proposal. We will be working on this project throughout 2017. A consequence of how we invest is we tend to find many of our investments eventually become targets of corporate activity. For example, since the beginning of 2017, three companies whose shares we own found themselves subject to takeover proposals: Warrnambool Cheese & Butter Factory Holdings Ltd, Macmahon Holdings Ltd and Specialty Fashion Group Ltd. These will play out over the coming months.

Performance to 31 January 2017

| | 1 month | Financial YTD | 1 yr | 3 yr p.a. | 5 yr p.a. | Since inception (p.a.) ² | Volatility |
|---|-------------|---------------|--------------|--------------|--------------|-------------------------------------|-------------|
| Sandon Capital Activist Fund¹ | 4.4% | 16.5% | 19.6% | 12.7% | 15.3% | 13.8% | 7.7% |
| S&P/ASX 200 Accumulation Index | -0.8% | 9.7% | 17.3% | 7.4% | 10.6% | 7.8% | 12.5% |
| S&P/ASX Small Ordinaries Index | -2.4% | 3.3% | 16.4% | 6.4% | 2.8% | 2.7% | 15.5% |

1. SCAF returns are net of all fees and expenses
2. SCAF inception date is 4 Sept 2009

For more information visit <http://www.sandoncapital.com.au>

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Charity in focus: Youth Focus



About Youth Focus

Youth Focus aims to put a stop to youth suicide and depression. Sadly, every week in Western Australia, one young person is lost to suicide; incredibly, a further 20 attempts are made. At the same time, thousands of young people quietly suffer the despair that anxiety, depression and self-harming bring to their lives.

Youth Focus operates with a team of outstanding mental health professionals to provide young people and their families with a range of free, unlimited and expert early intervention and prevention services.

Youth Focus and FGX

Youth Focus will use the FGX funding to cover the cost of one full-time Youth Counsellor for 12 months. Based in Burswood WA, this Youth Counsellor will provide intensive and ongoing face-to-face counselling from the office and at a number of schools. At least 60 young people dealing with complex mental health issues will be directly supported by this Counsellor.

Youth Focus Counsellors are tertiary qualified professionals with the skills necessary to assist young people in identifying coping strategies to deal with issues associated with suicide, depression and self-harm. Last year, Youth Focus provided intensive and ongoing professional mental health support to almost 2,000 young people. A recent client survey said that 86% of the respondents had improved psychological wellbeing when they finished their counselling relationship while 92% of respondents found that the counselling met or exceeded their expectations.

Q&A with Youth Focus CEO, Fiona Kalaf

1. What is your driving motivation in your current role?

Tragically, and unacceptably, suicide is the leading cause of death for young Australians aged 25 or under. Even more unacceptable is that suicide is the leading cause of death for Australian children aged seven to 17. If these statistics alone aren't enough to keep me motivated, I am also spurred on daily by the professionalism, energy and compassion of my colleagues at Youth Focus.

What really drives me is the knowledge that most suicides are preventable. We know this not only through local, national and international research, but also from our 22 years of clinical data at Youth Focus.



2. What is the most challenging aspect of your role?

The most challenging aspect of my role is being able to separate the professional from the personal. I hear a lot of stories about the suffering of young people who are trying to cope with mental health issues as well as overcome the stigma that still surrounds this subject. I also hear a lot of stories from parents who are doing whatever they can to support their children on their journey to recovery.

To that end, I have a renewed focus on my 'work-life balance'. I try to get some of the basics right, such as exercising everyday (even if some days it's just a gentle walk around the park), staying hydrated and taking in good nutrition (and the occasional chocolate or two!) and ensuring I get consistently good sleep. I also make time to spend with family and friends – this role requires a lot of after-hours activities, so it's important to me that I balance that with personal time and space. These simple steps make such a positive difference in helping me keep my energy and focus, as well as keeping the job in perspective.

3. What does it mean to have the support of FGX?

The support of FGX and its shareholders makes an immense difference to the vital work we do at Youth Focus. The support enables us to engage one additional professional Counsellor to work directly with youth at risk of anxiety, depression, self-harm and/or suicide.

Additionally, the support of FGX helps Youth Focus spread the word about the importance of good mental health and wellbeing, reducing the stigma and encouraging young people to seek professional care when they need it the most.

For more information visit <http://youthfocus.com.au/>