

# Investment Update & Net Tangible Assets Report

As at 31 May 2015



**FUTURE GENERATION**  
INVESTMENT COMPANY

## Net Tangible Assets (NTA) figures

NTA before tax	114.14c
NTA after tax and before tax on unrealised gains	114.39c
NTA after tax	113.08c

The above figures are not diluted for 181,456,187 options on issue with an exercise price of \$1.10

## Portfolio

In May the FGX portfolio rose 0.51%. The allocation to the managers has been structured to provide a spread between three broad equity strategies: long equities, absolute bias, market neutral; and cash. The company is currently 50.2% long equities, 23.1% absolute bias, 15.5% market neutral and 11.2% cash.

Fund manager	Investment	Strategy	% of assets
Paradice Investment Management	<b>Large/Mid Cap Funds (split out below)</b>		<b>10.7%</b>
	Paradice Australian Equities Mid Cap Fund	Long equities	5.5%
	Paradice Large Cap Fund	Long equities	5.2%
Bennelong Australian Equities Partners	Bennelong Australian Equities Fund	Long equities	10.2%
Regal Funds Management	Regal Australian Long Short Equity Fund	Long equities	9.9%
Wilson Asset Management (International)	Wilson Asset Management Equity Fund	Absolute bias	7.7%
Eley Griffiths Group	Eley Griffiths Grp Small Companies Fund	Long equities	7.6%
Watermark Funds Management	Watermark Absolute Return Fund	Market neutral	7.0%
Tribeca Investment Partners	Tribeca Alpha Plus Fund	Absolute bias	7.0%
Cooper Investors	Cooper Investors Australian Equities Fund	Long equities	5.4%
Optimal Fund Management Australia	Optimal Australia Absolute Trust	Market neutral	4.8%
Sandon Capital	Sandon Capital Activist Fund	Absolute bias	4.1%
Discovery Asset Management	Discovery Australian Small Companies Fund	Long equities	3.8%
LHC Capital	LHC Capital Australia High Conviction Fund	Absolute bias	2.8%
Smallco Investment Manager	Smallco Broadcap Fund	Long equities	2.6%
Bennelong Long Short Equity Management	Bennelong Long Short Equity Fund	Market neutral	2.3%
Lanyon Asset Management	Lanyon Australian Value Fund	Absolute bias	1.5%
Qato Capital	Qato Capital Market Neutral L/S Fund - S4 0515	Market neutral	1.4%
	Cash and Term Deposits	Cash	11.2%

### Future Generation Investment Company Limited

ASX Code	FGX
Established	Sept 2014
Total assets	\$211.5m
Market cap	\$211.6m
Share price	\$1.15
Net assets per share (before tax)	\$1.14
Shares on issue	184,015,404
Options on issue	181,456,187
Management fees	0.0%
Performance fees	0.0%
Annual donation (% of NTA)	1.0%

### 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 children's charities, with a focus on children at risk.

### Experienced Board

#### Chairman

Jonathan Trollip

#### Founder and Director

Geoff Wilson

#### Directors

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

#### Investment Committee

Geoff Wilson, Gabriel Radzysinski and Matthew Kidman

#### Company Secretaries

Sarah Maddox/Mark Licciardo

#### Corporate Affairs

James McNamara

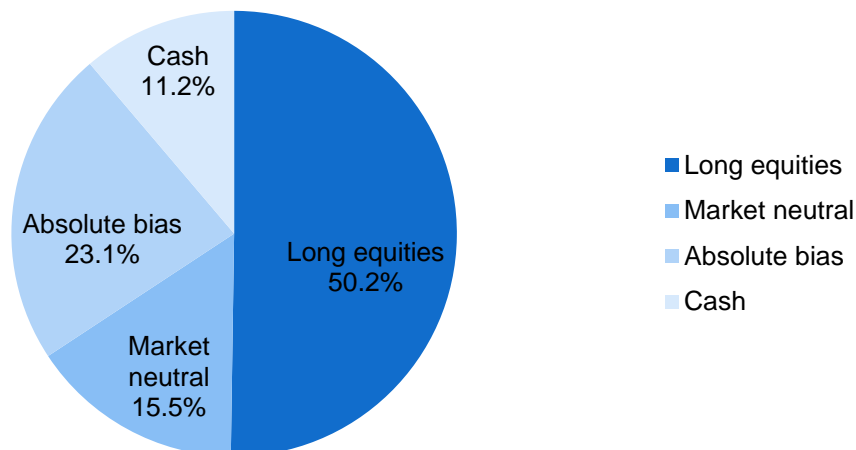
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## Investment strategy allocation (% of assets)



## Fund Managers



WILSON  
ASSET MANAGEMENT



SANDON CAPITAL



## Charities



## Service Providers



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## Fund manager in focus: Watermark Funds Management



### About us

Watermark is an active, high conviction investor in Australian public companies. As an absolute return investor, Watermark seeks to deliver superior risk adjusted returns while limiting our investors' exposure to share market risk through the use of hedging strategies.

Watermark was established in 2003 by Justin Braithling and comprises a team of dedicated investment professionals, based in Sydney. With a 10-year track record managing funds on behalf of over 10,000 investors, Watermark is a well-established boutique manager and one of only a handful of specialist long/short investors in Australia.

### Our investment style

At its heart, our investment philosophy is based on quality and value. By conducting deep, fundamental analysis of public companies, we seek to identify opportunities to buy the shares of good quality companies at attractive prices and short-sell shares of weaker businesses that are overvalued. By constructing well-diversified long and short portfolios, Watermark is able to express a wide range of investment ideas and capture excess returns through stock selection and the identification of sectoral themes.

Long/short investment strategies such as those employed by Watermark are more active in seeking to profit from the mispricing of shares and less reliant on share market appreciation. The investment process provides greater flexibility in managing market risk through the cycle as 'shorts' are a natural hedge for the Fund's investments when share markets fall.

### Our market outlook

In general, our outlook for share markets is somewhat circumspect. The low interest rate/low growth environment we find ourselves in will be with us for some time, with demographic and productivity trends and an ever increasing weight of debt impeding companies' ability to grow profits. Furthermore, there remains for the time being, a dearth of political will required to make the sorts of reforms that might lead to more sustainable economic growth both in Australia and abroad.

Australian companies are not investing to sustain growth and have been paying out more of their earnings to sustain their shareholders' insatiable thirst for yield. This will have serious implications for many public companies where exorbitant returns on capital invested start to come under pressure from increased competition and changing industry dynamics. We see particular vulnerability in the banking, insurance and consumer staple sectors where large incumbents have enjoyed benign competitive environments and very high returns.

Notwithstanding our cautious view of the market, we continue to find opportunities to invest in high quality companies with solid growth prospects at reasonable prices. Australian companies with international businesses will continue to grow while receiving a benefit from further weakness in the Australian dollar. Healthcare and education are also preferred sectors which are supported by positive demographic trends.

For further information about Watermark Funds Management, please go to: [www.wfunds.com.au](http://www.wfunds.com.au)

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## Designated charity in focus: DEBRA Australia

### About DEBRA Australia

DEBRA Australia is a not-for-profit volunteer-based organisation that supports kids and families living with Epidermolysis Bullosa (EB). EB is a rare disease whereby the skin blisters and peels at the slightest touch. Living with EB has been likened to living with third degree burns.

EB is very painful, and sufferers must be bandaged every day with dressings to protect and medicate their wounds. It is estimated that there are around 1,000 people in Australia who have some form of EB and over 500,000 worldwide.

DEBRA Australia offers support to EB sufferers in variety of ways by:

- Educating and support families living with EB
- Investigating and implementing programs to help EB sufferers to improve their care and quality of life
- Offering financial and emotional support to families
- Educating health professionals and the general public about EB
- Raising vital money for research to one day find a cure.

### Future Generation Investment Company and DEBRA Australia

DEBRA Australia does not receive any government funding, so the support we will receive from Future Generation Investment Company will greatly impact the families and kids we support.

The programs we can support because of FGX include the EB Nurse program, Family Support Services and research  
*EB Nurse program*

EB Nurses are a vital point of contact for members with EB and especially for new families with an EB baby. To provide a national nursing service to families with children and adults, EB Nurses are required across Australia to act in the capacity of rapid response nurses when new babies are born and to support existing families.

#### *Family Support Services*

An essential service provided by DEBRA Australia is the Family Support Service. Our support workers engage closely with families to ensure they have the tools and capacity to access relevant services as provided by government agencies and health service providers. As an intimate support service, it is vital that key family support staff are well versed and qualified to provide these essential services and we are forever faced with the challenge of funding this necessary resource.

#### *Research*

DEBRA Australia supports clinical and laboratory based research opportunities in Australia to improve EB services and ultimately find a cure. Research is vital in the ongoing search for a cure.

For more information or to make a direct donation, please visit [www.debra.org.au](http://www.debra.org.au)

