

Investment Update & Net Tangible Assets Report

As at 31 July 2017



FUTURE GENERATION
INVESTMENT COMPANY

Net Tangible Assets (NTA) figures

NTA before tax	115.40c
NTA after tax and before tax on unrealised gains	114.35c
NTA after tax	114.70c

Portfolio

In July, the FGX investment portfolio closed flat while the S&P/ASX All Ordinaries Accumulation index increased 0.2%.

Since inception, the investment portfolio has increased 8.5% per annum, outperforming the benchmark by 3.1%. The investment portfolio's outperformance has been achieved with less volatility as measured by standard deviation, 7.0% versus the market's 12.0%.

The spread between the three broad equities is 43.3% long equities, 36.6% absolute bias, 14.3% market neutral and 5.8% cash.

Fund manager	Investment	Strategy	% of portfolio
Paradise Investment	Large/Mid Cap Funds (split out below)		10.9%
	Paradise Mid Cap Fund – B Class	Long equities	6.1%
	Paradise Large Cap Fund	Long equities	4.8%
Bennelong Australian Equities Partners	Bennelong Australian Equities Fund	Long equities	10.3%
Regal Funds Management	Regal Australian Long Short Equity Fund	Absolute bias	9.0%
Wilson Asset Management	Wilson Asset Management Equity Fund	Absolute bias	8.7%
Watermark Funds Management	Watermark Market Neutral Trust	Market neutral	7.5%
Tribeca Investment Partners	Tribeca Alpha Plus Fund	Absolute bias	6.9%
Eley Griffiths Group	Small/Emerging Companies Funds (split out below)		5.9%
	Eley Griffiths Group Small Companies Fund	Long equities	5.1%
	Eley Griffiths Group Emerging Companies Fund	Long equities	0.8%
L1 Capital	Long short/Aus Equities Funds (split out below)		5.6%
	L1 Capital Long Short Fund – Retail Class	Absolute bias	3.1%
	L1 Capital Australian Equities Fund	Long equities	2.5%
Cooper Investors	Cooper Investors Australian Equities Fund	Long equities	5.2%
Sandon Capital	Sandon Capital Activist Fund	Absolute bias	4.3%
Bennelong Long Short Equity Management	Bennelong Long Short Equity Fund	Market neutral	3.4%
ARCO Investment Management	Optimal Australia Absolute Trust	Market neutral	2.9%
CBG Asset Management	CBG Asset Australian Equities Fund	Long equities	2.4%
Vinva Investment Management Limited	Vinva Australian Equities Fund	Long equities	2.4%
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	1.7%
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	0.5%
	Cash and Term Deposits		5.8%

Future Generation Investment Company Limited

ASX Code	FGX
Established	Sept 2014
Gross assets	\$407.7m
Market cap	\$381.1m
Share price	\$1.09
Net assets per share (before tax)	\$1.154
Shares on issue	349,663,801
Management fees	0.0%
Performance fees	0.0%
Annual donation (% of NTA)	1.0%
Annualised fully franked dividends (FY2017)	4.2c
Fully franked dividend yield	3.9%

Investment objectives

- Provide a rising 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

David Leeton
David Paradise
Gabriel Radzyminski
Kate Thorley
Scott Malcolm

Investment Committee

Bruce Tomlinson
David Smythe
Gabriel Radzyminski
Geoff Wilson
Matthew Kidman

Chief Executive Officer

Louise Walsh

Company Secretary

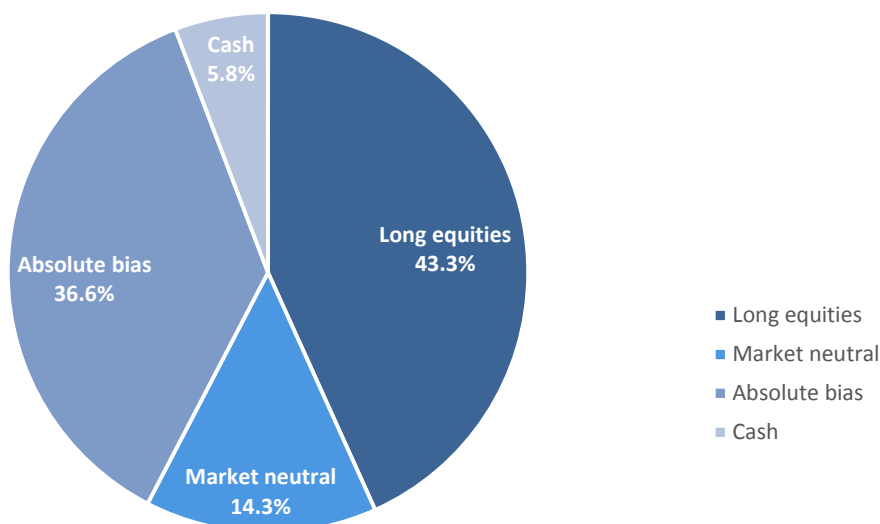
Mark Licciardo

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Investment strategy allocation (% of assets)



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 (including but not limited to short selling and leveraging) to profit from rising and falling markets, providing portfolio protection in the event an equity market experiences a significant fall.

Fund Managers



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Charities



Service Providers



Fund manager in focus: Paradise Investment Management

Paradice Investment Management is a privately owned Australian boutique funds management business established in 1999.



Our investment style

We adopt a long term “bottom–up” approach to investment. This involves assessing how a company will perform over a given period. If its potential performance appears strong, we then assess the outlook for its industry and finally the overall economy.

We believe that equity markets are inefficient and therefore offer excellent investment opportunities. The inefficiencies arise due to excesses in investor emotion, a focus on the short term and consistent focus on one of the least important aspects of a company’s financial health – the market’s insistence upon focusing on the profit and loss statement, which can be easily manipulated, as opposed to the real measure of a company’s health, its underlying cashflow.

In our view, one of the most important aspects of investing is objectivity. It is possible to benefit from changes in market inefficiencies by focusing on logical, ordered and objective investment decisions based on known facts.

We aim to buy shares which we believe are underpriced and expect to grow at rates greater than the market. Our strategy is to favour well-managed, good value companies that have significant growth opportunities through their comparative advantage.

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This comparative advantage can be via a combination of a better product or service, a more efficient organisational model, a favourable niche or a commanding leadership position within their industry. In our view, a good business requires good products and services and good execution.

The key to identifying these investment opportunities lies in our extensive insight and analysis of companies and the industries to which they belong. We achieve this through an intense company visitation program and experienced investment professionals using proven valuation techniques and models.

Market outlook

The August reporting season is fascinating as many companies have lofty multiple expectations to live up to. Reactions can be aggressive and this will provide opportunities. Whilst we have a bottom up focus, the larger top-down macro factors will continue to play a big role in the direction of markets.

China will continue to be a major focus as it heads towards the year end Party Congress. China has shown a serious intent with supply side reform initiatives to stamp out excess and dirty industrial activities, in particular with coal and steel production. This has been supportive for the markets. China has also shown a real intent on managing capital flows, with some repercussions for our housing market. Other areas of importance from an Australian perspective include flourishing inbound tourism.

In Australia, the economy continues to appear in reasonable shape. Exports remain strong following commodity price rebounds, employment has held up and housing has not collapsed. Our medium term view is more cautious. With the exception of infrastructure spending, we worry about the sources of economic growth. The consumer has held up remarkably well given benign wage inflation, primarily due to low interest rates and the property wealth effect. With banks squeezing rates and tightening lending practices and power prices rocketing, we struggle to see where the tailwinds for consumer spending are going forward.

Performance as at 31 July 2017

		3 Year (p.a.)	5 Year (p.a.)	Since inception (p.a.)
Paradice Mid Cap Fund	Portfolio	14.0%	16.2%	9.5%
Composite Index	Benchmark	10.9%	12.8%	4.7%
	Outperformance	3.1%	3.4%	4.8%

Composite Index: 70% S&P/ASX Mid Cap 50 Accumulation Index and 30% S&P/ASX Small Ordinaries Accumulation Index. Performance is shown net of fees, and fund inception is 26 September 2006.

For more information on Paradice Investment Management, please visit: www.paradice.com.au.

Charity in focus: Youth Off the Streets

About Youth Off the Streets

Youth Off The Streets is a non-denominational organisation offering a full continuum of care through a range of more than 35 services. Since 1991, we have assisted youth aged 12-25 facing challenges such as homelessness, mental illness, abuse, poverty and isolation. We help vulnerable young people turn their lives around through education and rehabilitation services.



Youth Off the Streets and FGX

Youth Off The Streets is a proud partner of FGX, who are supporting the Aboriginal Cultural Connections program, which provides one-on-one Aboriginal mentoring, supported service referrals, individual advocacy and participation in traditional cultural learning programs that aim to strengthen cultural identity, pride and community connections. The

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Aboriginal Connections program has recently launched an eight week music program in conjunction with the renowned performance troop Koomurri, working with eight young people that have been referred by the Family Court.

The group will reconnect with their traditional culture as participants make, and learn to play, their own didgeridoo. The program has connected over 150 youth to their culture since the program began. Through engaging the youth in cultural programs, with the support of mentoring and court support, we have seen a recidivism rate of just 29% among the group, as opposed to a rate of 79% among the local community of juvenile offenders. Cultural Connections utilises traditional cultural program in conjunction with one-on-one mentoring and practical support to help vulnerable Aboriginal youth in marginalised communities across NSW.

Q&A with Father Chris Riley, Founder and CEO

What is your driving motivation in your current role?

I started Youth Off The Streets in 1991 because I saw a gap in services for young homeless people. I decided to go directly to them and hand out food in the city. My first motivation has always been to help young people in need and that continues to be my driving motivation. It's the reason we now offer over 35 services to young people that includes everything from a crisis refuge to a registered training organisation.



What is the most challenging aspect of your role?

The most challenging aspect of my role is not being on the front line as much as I would like to be. As I've said above, my primary motivation is the young people that are most in need. Running an organisation with hundreds of employees and over 35 services takes up a lot of my time and I'm also constantly trying to learn. That means less time in the classroom, less time on the streets and less time with the young people we help.

What does it mean to Youth Off the Streets to have the support of FGX?

The support provided by FGX will ensure we can address one of the key issues facing one of the most marginalised communities in Australia. The Aboriginal and Torres Strait Islander population still suffer from a lower life expectancy gap, lower rates of literacy and general health and are over-represented in the justice system when compared to the non-indigenous population. With the backing of FGX, we will have the ability to effect meaningful change in these communities and restore a sense of hope.

For more information about Youth Off the Streets, visit www.youthoffthestreets.com.au.

Save the date for our November 2017 Shareholder Presentations

We look forward to seeing you at our [Shareholder Presentations](#) in November.

Investor conference call

Shareholders have the opportunity to take part in an investor conference call. FGX and FGG Founder and Director Geoff Wilson and CEO Louise Walsh will be joined by FGX fund manager Matthew Kidman from Centennial Asset Management and FGG fund manager Rob Luciano from VGI Partners to provide their views on the market and top stock picks.

Date: Tuesday 5 September 2017

Time: 11.00am – 12.00pm (AEST)

To register, please visit futuregenerationinvestorcall.eventbrite.com.au.