

# Investment Update & Net Tangible Assets Report

As at 31 August 2017



**FUTURE GENERATION**  
GLOBAL INVESTMENT COMPANY

## Net Tangible Assets (NTA) figures

NTA before tax	113.83c
NTA after tax and before tax on unrealised gains	114.55c
NTA after tax	113.19c

The above figures are not diluted for 263,981,921 options on issue with an exercise price of \$1.10. After tax NTA figures have been calculated at a corporate tax rate of 27.5%.

## FGG options and fully franked dividend

In August, FGG announced a fully franked dividend of 1.0 cents per share. **Shareholders who exercise their options before 15 September 2017 will be eligible to receive the fully franked 1.0 cents per share dividend.**

Options provide holders with the opportunity to purchase FGG shares without paying brokerage fees at the exercise price of \$1.10. FGG options expire this Friday 15 September 2017.

### Key dates

Option expiry date	15 September 2017
Dividend ex-date	17 October 2017
Dividend record date	18 October 2017
Last election date for DRP	20 October 2017
Dividend payment date	27 October 2017

## Half year results

During the month, FGG announced its interim results for the six-month period to 30 June 2017. Highlights include:

- Pre-tax interim profit of \$3.3 million
- Total comprehensive income up 349.2%
- Investment portfolio increase of 5.0%, outperforming the MSCI AC World Index (AUD)
- \$3.8 million in annualised savings delivered from forgone management and performance fees and pro bono services – exceeding the annual donation to charities.

## Portfolio

In August, the investment portfolio increased 1.1% outperforming the MSCI AC World Index (AUD), which rose 1.0%. FGG's investment portfolio continues to deliver outperformance with lower volatility than the benchmark.

Since inception, the investment portfolio has recorded standard deviation of 8.7% against the market's 9.8%.

The spread between the three broad equities strategies is currently 53.4% long equities, 31.9% absolute bias, 3.9% quantitative strategies and 10.8% cash.

During the month, the Board announced leading independent global investment manager Caledonia as a pro bono fund manager. The investment in Caledonia will be made by deploying existing cash within the investment portfolio.

### Future Generation Global Investment Company Limited

ASX code	FGG
Established	Sept 2015
Gross assets	\$328.7m
Market cap	\$311.4m
Share price	\$1.09
Net assets per share (before tax)	\$1.138
Shares on issue	285,658,462
Options on issue	263,981,921
Fully franked dividend (June 2017)	1.0c
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 Global Investment Company (ASX: FGG) provides:

- Shareholders with exposure to leading global fund managers without paying management or performance fees
- Charities primarily focused on children and youth mental health with a consistent and growing stream of annual donations
- Fund managers with a unique opportunity to make a positive difference to Australia's future generations.

### Chairman

Belinda Hutchinson AM

### Founder and Director

Geoff Wilson

### Chief Executive Officer

Louise Walsh

### Directors

Frank Casarotti  
Karen Penrose  
Susan Cato  
Sarah Morgan

### Investment Committee

Amanda Gillespie, Chair  
Chris Donohoe  
Aman Ramrakha  
Sean Webster  
Geoff Wilson

### Company Secretaries

Kate Thorley and Mark Licciardo

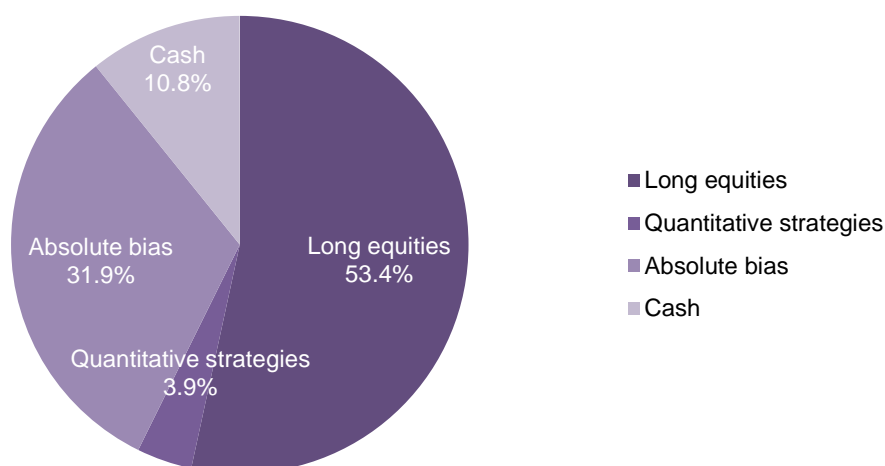
# Investment Update & Net Tangible Assets Report

As at 31 August 2017

## Asset allocation as at 31 August 2017

Fund manager	Investment	Strategy	% of portfolio
Magellan Asset Management	Magellan Global Fund	Long equities	10.1%
Ironbridge Capital Management	Ironbridge Global Focus Fund	Long equities	9.2%
Cooper Investors	Cooper Investors Global Equities Fund (Unhedged)	Long equities	8.9%
Antipodes Partners	Antipodes Global Fund	Absolute bias	8.5%
Marsico Capital Management	Marsico Global Fund	Long equities	7.6%
VGI Partners	VGI Partners Funds	Absolute bias	7.5%
Nikko Asset Management Australia	Nikko AM Global Share Fund	Long equities	6.0%
Manikay Partners	Manikay Global Opportunistic USD Fund	Absolute bias	5.0%
Ellerston Capital	Ellerston Global Mid Small Cap Fund	Long equities	4.6%
Morphic Asset Management	Morphic Global Opportunities Fund	Absolute bias	4.5%
Neuberger Berman Australia	Neuberger Berman Systematic Global Equities Trust	Quantitative strategies	3.9%
Paradice Investment Management	Paradice Global Small Mid Cap Fund Unhedged	Long equities	3.6%
Avenir Capital	Avenir Value Fund	Absolute bias	3.5%
Cooper Investors	Cooper Investors Asian Tiger Fund	Long equities	3.4%
Antipodes Partners	Antipodes Asia Fund	Absolute bias	2.9%
	Cash and Term Deposits	Cash	10.8%

## Investment strategy allocation (% of assets)



**Long equities** – investing in a portfolio of equities based on the expectation 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. The long equities portion of the portfolio includes exposure to large-cap, mid-cap and small-cap stocks.

**Quantitative strategies** – a style of investment management where quantitative techniques are used to analyse markets in order to ascertain information about future price movements. These are generally rules-based and applied in a systematic manner. A quantitative strategy seeks to replicate a fundamental investor without human biases influencing investment decisions.

**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.

# Investment Update & Net Tangible Assets Report

As at 31 August 2017

## Fund managers



## Charities



## Service providers



## Fund manager in focus: Magellan Asset Management



### About Magellan Asset Management

Magellan Asset Management is a Sydney-based investment-management firm that oversees A\$50.6 billion\* in global equity and listed infrastructure assets. The company is a wholly owned subsidiary of Magellan Financial Group, which is listed on the Australian Securities Exchange under the code MFG. Magellan was formed in 2006 by Hamish Douglass and Chris Mackay, two of Australia's leading investment professionals.

Magellan has eight\* offices in Australia, New Zealand and the US and employs 104\* talented people globally including 36\* highly regarded and experienced investment professionals. We aim to be transparent in our dealings so that investors can be assured of our integrity as we establish Magellan as a world-class fund manager.

### Our investment philosophy

Magellan seeks to invest in a portfolio of outstanding global companies – those that we consider to have highly attractive business characteristics – at a discount to our assessment of their intrinsic value. Magellan considers high-quality companies to be ones that have sustainable competitive advantages that translate into returns on capital in excess of their cost of capital for a sustained period of time. Magellan's unique investment approach is based on two principal objectives; to achieve attractive risk-adjusted returns over the medium to long term while reducing the risk of permanent capital loss.

# Investment Update & Net Tangible Assets Report

As at 31 August 2017

## Our market outlook

We are cautious about the outlook for equity markets. Abnormally loose monetary policies have distorted asset markets, particularly so-called bond-proxy equities, which are sensitive to movements in longer-term interest rates. The US Federal Reserve is likely to gradually normalise this position as US economic growth continues. The trajectory of any tightening, however, will depend on whether inflation stays under the Federal Reserve's 2% target. In Asia, North Korea's moves to dramatically advance its capability to a nuclear intercontinental ballistic missile could be destabilising. While China appears to have control over the yuan and capital flows, there is a risk Beijing could lose its battle to prevent a disorderly drop in the currency. There is a heightened risk that US trade protectionist policies could become more common and destabilise global growth. There is a risk that President Donald Trump could make a major mistake in the resetting of the US China relationship and in dealing with the nuclear threat from North Korea.

\*As at 30 June 2017

## Performance as at 31 July 2017

	6 Months	3 Year	7 Year	Since Inception** p.a
<b>Magellan Global Fund</b>	6.2%	13.6%	15.6%	10.7%
<b>Benchmark*</b>	5.2%	12.2%	12.5%	4.8%
<b>Outperformance</b>	+1.0%	+1.4%	+3.1%	+5.9%

\*MSCI World Net Total Return Index (AUD)

\*\*Inception date 01 July 2007

Calculations are based on the exit price with distributions reinvested, after ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable).

## Top holdings of the Magellan Global Fund as at 30 June 2017

Security	Magellan sector	Weight
Apple	Information technology	7.2%
Alphabet	Internet & ecommerce	5.9%
Visa	Payments	5.1%
Facebook	Internet & ecommerce	4.9%
Lowe's	Consumer discretionary	4.5%

For more information, visit [www.magellangroup.com.au](http://www.magellangroup.com.au).

## Charity in focus: ReachOut

ReachOut is Australia's leading online mental health organisation for young people and their parents. Their practical support, tools and tips help young people get through anything from everyday issues to tough times – and the information they offer parents makes it easier for parents to help their teenagers too.



## ReachOut and FGG

FGG's funding is enabling ReachOut to expand and improve the help they offer to young people who live in regional and remote Australia. Across five years, ReachOut will first investigate the barriers and challenges faced by these young people, and then use these insights to transform its service to better meet the needs, and improve mental health outcomes, of young people in country Australia.

# Investment Update & Net Tangible Assets Report

As at 31 August 2017

ReachOut has just completed a year-long project that involved talking to young people, and leaders from community services that support them, about what their lives are like and what they need from ReachOut. ReachOut conducted in-depth interviews with 17 service providers, ran six co-design workshops with 60 young people in places like Griffith, Geraldton, and Gympie. ReachOut also conducted an online diary study with 16 young people and a national online survey of over 400 young people.

Over the next year, ReachOut will use the research insights to plan and roll out service awareness campaigns, community outreach and multimedia content development. ReachOut will also share findings with policymakers to drive changes in the mental health system to better support country Australia.

## Q&A with Kathryn Cairns, ReachOut Evaluation Manager

Evaluation Manager Kathryn Cairns leads ReachOut's FGG-funded research across country rural and regional Australia – including visiting remote towns to hear firsthand from young people and local service providers.



### What impact will the FGG funding have on your organisation?

Hearing from young people in rural and regional areas is helping us make ReachOut better for all young people. Now that we know more about their experiences, we are creating more stories from young people from more varied walks of life. We are focusing on issues that they told us are important to them, like financial stress, worrying about the future, feeling lonely, and struggling to find work.

### What is the biggest challenge for the organisation?

Rates of suicide and mental health issues are higher outside of cities – so we need even more help to let young people in rural and regional Australia know that we are here for them. We have seen that in these areas there's a really strong culture of getting on with things, and it's common for young people to feel like they should just deal with the problem themselves. We need them to know they don't always need to carry the burden alone, and that it's okay for them to get help for all kinds of issues, big and small, through ReachOut.

### What's a burning issue for youth mental health in Australia?

We heard a lot that young people are suffering under the weight of expectations from places like family, school, social media, and even themselves. They told us they are feeling overwhelmed, worried, stressed, confused, and lost – and they don't always know how to cope with it.

It's a burning issue for us because we know we can help. ReachOut provides a safe space for young people to explore how they are feeling and hear from others who have been through the same thing. This makes them feel less alone and gives them practical things they can try to help them feel better.

### Whose work in the mental health space inspires you?

In one of my regional service interviews I heard about *Act Belong Commit*, which improves community wellbeing by developing community resilience. They are meeting communities where they are comfortable – like local sports clubs – with a focus on building stronger communities. It made me think about how we can leverage the strengths of rural communities in our work at ReachOut.

Now we are asking how we can draw on young people's motivation to deal with problems on their own and turn it into a positive so that they are supported to help themselves more effectively.

Learn more about ReachOut's research in this video: [www.reachout.click/FGGyearone](http://www.reachout.click/FGGyearone)

# Investment Update & Net Tangible Assets Report

As at 31 August 2017



## Save the date for our November 2017 Shareholder Presentations

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

## Future Generation Investment Forum in Melbourne

Following the outstanding success of the Future Generation Investment Forum in Sydney in May, we are taking the event to Melbourne for the first time on 30 November 2017 at 1.30 – 3.00pm at the Melbourne Convention Centre. The Future Generation Investment Forum will provide investors access to exclusive investment ideas in a series of five-minute presentations from FGG's global fund managers and Future Generation Investment Company's (ASX: FGX) Australian fund managers.

## Investor conference call recording and slides

Thank you to those who dialled in to our investor conference call on 5 September 2017. If you would like to listen to the recording and view the corresponding slides, please click [here](#).