

Investment Update & Net Tangible Assets Report

As at 31 October 2017



FUTURE GENERATION
INVESTMENT COMPANY

Net Tangible Assets (NTA) figures

The below NTA figures are after the 2.2 cents per share fully franked interim dividend paid on 27 October 2017.

NTA before tax	119.15c*
NTA after tax and before tax on unrealised gains	118.48c
NTA after tax	116.97c

*This figure is after the payment of \$554k (0.16 cents per share) in tax during the month. During the month, 914,493 shares were issued under the Dividend Reinvestment Plan (DRP) for the interim fully franked dividend.

Portfolio

In October, the FGX investment portfolio increased 3.0%. The S&P/ASX All Ordinaries Accumulation Index rose 4.1% for the month.

Since inception, the investment portfolio has increased 9.7% per annum, outperforming the benchmark by 3.1%. The investment portfolio's outperformance has been achieved with less volatility as measured by standard deviation, 6.8% versus the market's 11.7%.

The spread between the three broad equity strategies is 45.6% long equities, 37.5% absolute bias, 13.5% market neutral and 3.4% cash.

Future Generation Investment Forum

We'd love to see you at our upcoming Investment Forum in Melbourne on Thursday, 30 November 2017 in Melbourne where you will hear exclusive investment ideas from Future Generation's leading Australian and global fund managers.

Stock ideas shared at the inaugural Investment Forum in May 2017 have increased by an annualised average of 34.0%. [Reserve your place](#) now.

If you are unable to make it to Melbourne, register for the [livestream](#).

November 2017 Shareholder Presentations

We are looking forward to our upcoming shareholder presentations, which begin in Adelaide on 20 November 2017. [Reserve your place](#) to hear from FGX founder and Director Geoff Wilson, CEO Louise Walsh, and a selection of fund managers and designated charities.

Future Generation Investment Company Limited

ASX code	FGX
Established	Sept 2014
Gross assets	\$419.2m
Market cap	\$394.4m
Share price	\$1.125
Net assets per share (before tax)	\$1.192
Shares on issue	350,578,294
Management fees	0.0%
Performance fees	0.0%
Annual donation (% of NTA)	1.0%
Annualised fully franked dividends (FY2017)	4.4c
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 (ASX: FGX) provides:

- Shareholders with exposure to leading Australian fund managers without paying management or performance fees
- Charities focused on children and youth at risk 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

Jonathan Trollip

Founder and Director

Geoff Wilson

Chief Executive Officer

Louise Walsh

Directors

David Leeton
David Paradise
Gabriel Radzysinski
Kate Thorley
Scott Malcolm

Investment Committee

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

Company Secretary

Mark Licciardo

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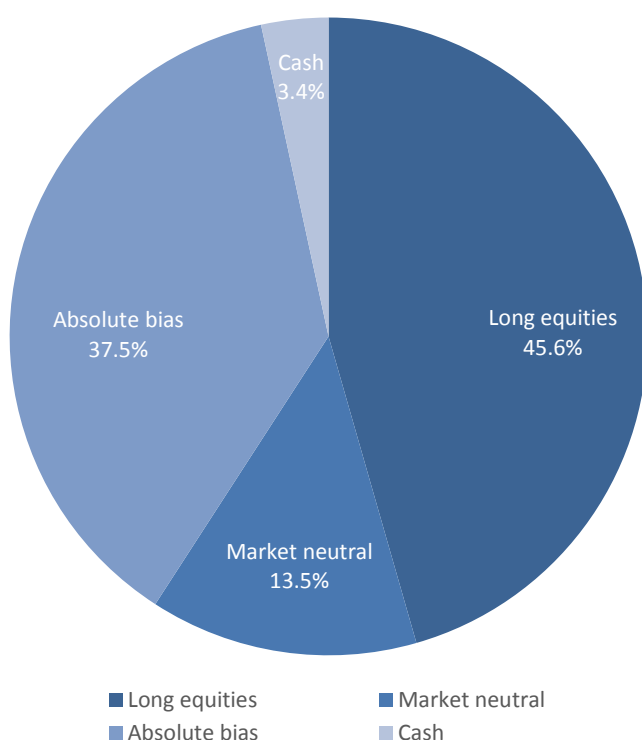
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Investment strategy allocation (% of assets)

Fund manager	Investment	Strategy	% of portfolio
Paradice Investment	Large/Mid Cap Funds (split out below)		11.4%
	Paradice Mid Cap Fund – B Class	Long equities	6.4%
	Paradice Large Cap Fund	Long equities	5.0%
Bennelong Australian Equities Partners	Bennelong Australian Equities Fund	Long equities	10.9%
Regal Funds Management	Regal Australian Long Short Equity Fund	Absolute bias	9.7%
Wilson Asset Management	Wilson Asset Management Equity Fund	Absolute bias	8.8%
Watermark Funds Management	Watermark Market Neutral Trust	Market neutral	7.1%
Tribeca Investment Partners	Tribeca Alpha Plus Fund	Absolute bias	6.9%
Eley Griffiths Group	Small/Emerging Companies Funds (split out below)		6.6%
	Eley Griffiths Group Small Companies Fund	Long equities	5.7%
	Eley Griffiths Group Emerging Companies Fund	Long equities	0.9%
L1 Capital	Long Short/Aus Equities Funds (split out below)		5.8%
	L1 Capital Long Short Fund – Retail Class	Absolute bias	3.2%
	L1 Capital Australian Equities Fund	Long equities	2.6%
Cooper Investors	Cooper Investors Australian Equities Fund	Long equities	5.3%
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	ARCO Investment Management (Optimal Australia) Absolute Trust	Market neutral	3.0%
Vinva Investment Management Limited	Vinva Australian Equities Fund	Long equities	2.5%
CBG Asset Management	CBG Asset Australian Equities Fund	Long equities	2.4%
Discovery Asset Management	Discovery Australian Small Companies Fund	Long equities	2.2%
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	1.7%
Lanyon Asset Management	Lanyon Australian Value Fund	Absolute bias	1.1%
	Cash and Term Deposits		3.4%



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. The long equities portion of the portfolio includes exposure to large-cap, mid-cap and small-cap stocks.

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.

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Fund managers



Charities



Service providers



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Fund manager in focus: ARCO Investment Management



ARCO Investment Management was established in 2008 as a specialist Australian equities manager. The investment team has an aggregate 90+ years of equities experience. ARCO's shareholders are also long-term investors in the absolute return strategy, demonstrating a high conviction in the strategy and alignment of interest with all investors. 'Arco' is derived from the Latin term 'to protect'.

Our investment style

We are an absolute return manager with a fundamental research approach to stock selection. Our dual objective is to generate consistent absolute returns through a market cycle along with an overarching focus on preserving invested capital. We believe that, subject to intensive research, a company's stock has a calculable 'fair value' range. Over time, stock prices often overshoot or undershoot this range, creating an opportunity for us to take a position (long or short) in stocks that we understand well, in order to capitalise on the reversion to fair value. Fundamental company research, active stock rebalancing as prices move and strict risk management each play an important role in delivering our absolute return objective for investors. This strategy typically outperforms when the broader equity market is trading sideways-to-down.

Our market outlook

At the present time, we believe the Australian equity market offers little value, and potential downside risk for investors. Economic growth remains positive but uninspiring, with increasing risks due to high household indebtedness and rising interest rates. Banks have aggressively repriced investor credit this year, and Australian borrowers have switched almost c\$100 billion in previously interest-only mortgage loans to an amortising basis. These changes directly impact consumer cash flow, at a time when wage growth remains under pressure, real estate prices are plateauing, and politics farcical. The consumer outlook continues to be very much at odds with the strength in equity markets and prevailing valuations, which are much more directly influenced by international markets. Now is an important time to be as focused on preserving invested capital as well as growing it.

Performance

Since its inception in September 2008, our absolute return strategy has delivered investors a net return of 8.3% per annum (compared to the broader market return of 6.7%), with 80% positive return months (compared to 54% for the broader Australian market over the same timeframe).

ARCO Absolute Trust (AAT) portfolio performance as at 31 October 2017

	Fund	Benchmark*	Cash
Return	8.3%	6.7%	3.1%
Volatility	3.8%	13.5%	-
Sharpe ratio	1.5	0.3	-
Market correlation	0.1	-	-

Annualised returns and volatility since fund inception date: 15 September 2008.
*S&P/ASX 200 Accumulation Index.

In the most recent months, this strategy has benefited from its exposure to a rally in select lithium stocks, along with select financial (ex-major banks) and consumer discretionary stocks.

For more information about ARCO Investment Management, visit www.arcoim.com.

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Charity in focus: DEBRA Australia

About DEBRA Australia

DEBRA Australia is a volunteer-based not for profit charity that supports families across Australia living with a disease known as Epidermolysis Bullosa (EB). EB is a rare genetic skin disorder causing painful external cutaneous blistering and internal mucosal blistering, likened to third degree burns. EB is a painful condition and in more severe cases life is often cut short due to secondary health complications.



DEBRA aims to improve the lives of children and adults living with EB by providing necessary support services, home aids and information to individuals and their families, as well as supporting research to improve treatment and work towards a cure.

DEBRA and FGX

The generous funds we have received from FGX have allowed us to provide specialised hospital and home nursing care for children and teenagers with EB in states where government funding is not provided. We have funded two part-time paediatric EB Nurses in Brisbane and Melbourne and also a nurse who focuses on young people in Sydney. This year we have established a new role, the Transition EB Nurse in Melbourne, to assist teenagers moving from the paediatric to the adult hospital setting. Eight high-need families are also being supported at home, with regular nurse visits, including extra help for a family with a new severely affected EB baby.



In Brisbane, utilisation statistics that we have collected regularly for over six years, have helped demonstrate the value of the paediatric EB nurse we have funded. It is pleasing that from July 2017, the Lady Cilento Children's Hospital has taken over funding this position in its general budget. We are now looking at the special needs of teenagers in Queensland and whether a Transition Nurse role should be established there in future.

Q&A with DEBRA Chair, Dr Jennifer Marty

What impact will the FGX funding have on your organisation?

DEBRA is extremely grateful for the support of FGX, as it has allowed us to have more confidence and security about ongoing funding of our EB nurses, rather than wondering whether we can continue these positions from year to year. This means that we have been able to add more nursing cover to give our families a better service. We do not receive any government funds and depend entirely on donations by our supporters.



What is the biggest challenge for the organisation?

Our main challenge is to build a sustainable organisation with the best impact we can achieve. We have a small team sparsely spread across Australia, and we try to carefully assess what activities we should focus on to make the most difference, balancing expected outcomes, resources and costs. EB is a rare but devastating disease that most people have never heard of, so creating awareness is a very important challenge.

What's a burning issue in the area you operate in?

A burning issue that DEBRA is dealing with at the moment is setting up a psychological support program for our young people, to help them deal with the impact of their chronic illness. Major areas of need include strategies for pain management, dealing with physical disability, bullying, improving self-esteem, and addressing depression and anxiety. We hope to establish a pilot program for this in 2018.

For more information about DEBRA, visit www.debra.org.au.