



FUTURE GENERATION
INVESTMENT COMPANY

Investment update

As at 28 February 2018

Snapshot

Pre-tax net tangible assets

\$1.24

Fully franked
dividend yield

3.7%

Gross assets

\$437.9m

Management and
performance fees

0%

futuregeninvest.com.au
ABN 97 063 935 553

Future Generation Investment Company Limited

ASX code	FGX
Date of listing	Sept 2014
Gross assets	\$437.9m
Market cap	\$417.2m
Share price	\$1.19
NTA before tax	\$1.24
Shares on issue	350,578,294
Management fees	0.0%
Performance fees	0.0%
Annual donation (% of NTA)	1.0%
Fully franked dividends (FY2017)	4.4c
Fully franked dividend yield	3.7%

Investment objectives

- Provide an increasing 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 the best Australian fund managers without paying management or performance fees.

Charities focused on children and youth at risk with a 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 AO

Chief Executive Officer

Louise Walsh

Directors

David Leeton

David Paradice

Gabriel Radzysinski

Kate Thorley

Scott Malcolm

Investment Committee

Geoff Wilson AO, Chair

Bruce Tomlinson

David Smythe

Gabriel Radzysinski

Matthew Kidman

Company Secretary

Mark Licciardo

FY2017 full year results and increased fully franked dividend

On 28 February 2018, FGX [announced](#) its FY2017 results to the market. Highlights from the announcement include:

- Record pre-tax profit of \$27.2 million
- Increased fully franked full year dividend of 4.4 cents per share
- \$7.1 million in savings delivered on management fees, performance fees and services foregone
- \$4.1 million expected investment in Australian children and youth at risk focused charities.

Net tangible asset (NTA) figures

NTA before tax	124.11c*
NTA after tax and before tax on unrealised gains	124.60c
NTA after tax	121.66c

*The NTA before tax figure is after the payment of \$348k (0.10cps) in tax during the month.

Investment portfolio

In February, the FGX investment portfolio increased 0.9%, outperforming the S&P/ASX All Ordinaries Accumulation Index which rose 0.2%.

Since inception, the investment portfolio has increased 10.4% per annum, outperforming the benchmark by 3.3%. The investment portfolio's outperformance has been achieved with less volatility as measured by standard deviation, 6.6% versus the market's 11.2%. The spread between the three broad equities is 46.2% long equities, 38.1% absolute bias, 13.4% market neutral and 2.3% cash.

Investor conference call

We look forward to providing an update on the Future Generation companies during our investor conference call on **Tuesday 27 March at 11.00am - 12.00pm (Sydney time)**. Founder and Director Geoff Wilson and CEO Louise Walsh will be joined by FGX fund manager Gabriel Radzysinski from Sandon Capital and FGG fund manager Frank Casarotti from Magellan to provide their views on the market and top stock picks. We will end the call with a Q&A so we encourage you to ask questions.

Dial-in number: 1800 200 232

Access code: 3013976#

Register now

Shareholder Presentations

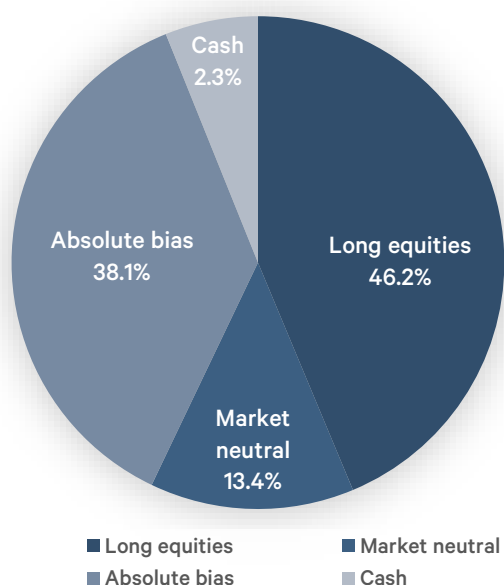
We look forward to meeting with our shareholders and interested investors at the upcoming Shareholder Presentations. You will receive an invitation shortly.

Location	Time	Day	Date
Launceston	1.00 – 2.00pm	Friday	11 May
Canberra	12.30 – 1.30pm	Monday	14 May
Sydney Presentation	12.30 – 1.30pm	Tuesday	15 May
Sydney Investment Forum	1.30 – 3.00pm	Tuesday	15 May
Sydney AGM	3.00 – 3.30pm	Tuesday	15 May
Brisbane	12.30 – 1.30pm	Wednesday	16 May
Toowoomba	12.30 – 1.30pm	Thursday	17 May
Perth	12.30 – 1.30pm	Monday	21 May
Adelaide	12.30 – 1.30pm	Tuesday	22 May
Melbourne	12.30 – 1.30pm	Thursday	24 May

Fund manager allocations

Fund manager	Investment	Strategy	% of portfolio
	Large/Mid Cap Funds (split out below)		11.6%
Paradise Investment	Paradise Mid Cap Fund – B Class	Long equities	6.5%
	Paradise Large Cap Fund	Long equities	5.1%
	Bennelong Australian Equities Partners	Bennelong Australian Equities Fund	Long equities
Regal Funds Management	Regal Australian Long Short Equity Fund	Absolute bias	10.1%
Wilson Asset Management	Wilson Asset Management Equity Fund	Absolute bias	8.8%
Tribeca Investment Partners	Tribeca Alpha Plus Fund	Absolute bias	7.3%
Watermark Funds Management	Watermark Market Neutral Trust	Market neutral	7.1%
	Small/Emerging Companies Funds (split out below)		6.8%
Eley Griffiths Group	Eley Griffiths Group Small Companies Fund	Long equities	5.9%
	Eley Griffiths Group Emerging Companies Fund	Long equities	0.9%
	Long Short/Aus Equities Funds (split out below)		6.0%
L1 Capital	L1 Capital Long Short Fund – Retail Class	Absolute bias	3.4%
	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	4.2%
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	2.9%
CBG Asset Management	CBG Asset Australian Equities Fund	Long equities	2.5%
Vinva Investment Management Limited	Vinva Australian Equities Fund	Long equities	2.5%
Discovery Asset Management	Discovery Australian Small Companies Fund	Long equities	2.2%
Centennial Asset Management	The Level 18 Fund	Absolute bias	1.7%
LHC Capital	LHC Capital Australia High Conviction Fund	Absolute bias	1.6%
Smallco Investment Manager	Smallco Broadcap Fund	Long equities	1.6%
Lanyon Asset Management	Lanyon Australian Value Fund	Absolute bias	1.0%
	Cash and Term Deposits		2.3%

Investment strategy allocation



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.

Pro bono fund managers



Fully franked dividends

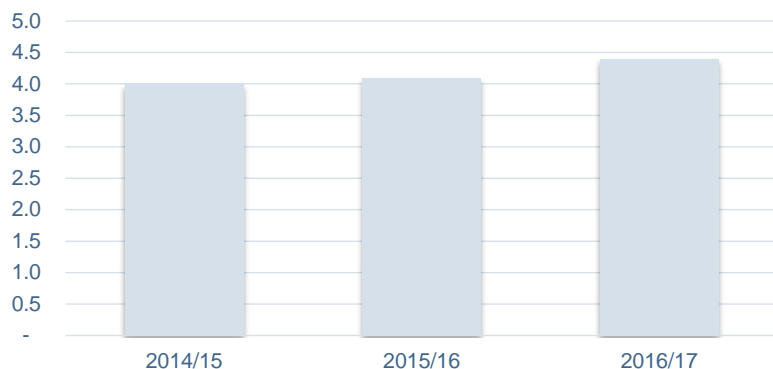
On 28 February 2018, the Board announced a fully franked final dividend of 2.2 cents per share, bringing the fully franked full year dividend to 4.4 cents per share, an increase of 7.3% on the previous year. The dividend will be paid on 27 April 2018 and the Company will trade ex-dividend on 12 April 2018. The DRP is available to shareholders for the final dividend. The last election date for the DRP will be 17 April 2018.

Key dividend dates

Dividend ex-date	12 April 2018
Record date	13 April 2018
Last election date for DRP	17 April 2018
Payment date	27 April 2018

Fully franked dividends since inception

cents per share



The Board is committed to paying an increasing stream of fully franked dividends to shareholders, provided the Company has sufficient profit reserves, franking credits and it is within prudent business practices.

Fund manager in focus: Smallco Investment Manager



Smallco commenced operations in April 2000 and currently manages funds spread across the Smallco Investment Fund, the Smallco Broadcap Fund and a broadcap mandate from a family office. The Smallco Broadcap Fund (SBF) was established in October 2008. SBF is a concentrated, long only, Australian equities fund that provides a broader exposure to the Australian equity market than the primarily small cap focused Smallco Investment Fund.

For more information, visit www.smallco.com.au

Our investment style

Smallco manages the Smallco Broadcap Fund (SBF) in a style neutral manner, employing a mix of both bottom up and top down analysis with a strong focus on earnings direction and risks. Smallco aims to deliver good medium term returns through overlaying a substantial core of reasonably priced quality long term growth stocks with, when they can be found, attractive value ideas where we believe a re-rating trigger is likely to occur within 6-12 months. The re-rating trigger is crucial as we do not invest in “cheap” stocks just because they appear to be “value”.

We are strong believers that earnings are the key driver of share prices and that more accurate forecasting of earnings will drive greater and more consistent outperformance. Focus is placed on identifying stocks through fundamental analysis which are likely to exceed consensus earnings expectations or stocks which are out of favour and we are confident will at least meet earnings expectations.

Our market outlook

At this point market expectations are for continued strong global profit growth in 2018 given that the factors which drove the 2017 earnings rebound - principally robust global economic growth and profit margins (outside of the US) below prior cycle highs - remain in place. The extent to which this translates into another year of solid returns for global equities will depend on a number of factors, in particular trends in inflation and changes to the earnings outlook as the year progresses. While global inflation yet again surprised on the downside in 2017, one must be cognisant of the eventual impact of continued robust global growth and the forward looking nature of markets. Valuations of certain high priced high growth stocks would be particularly sensitive to any greater than expected increase in inflation.

Performance as at 28 February 2018	6 mths	1 yr	3 yrs %pa	5 yrs %pa	Since inception %pa
Investment Portfolio	13.5%	20.9%	11.2%	17.1%	19.4%
S&P/ASX 300 Accumulation Index	7.7%	10.3%	5.2%	7.9%	6.6%
Outperformance	+5.8%	+10.6%	+6.0%	+9.2%	+12.8%

Charity in focus: Youth Focus



Q&A with Fiona Kalaf, CEO of Youth Focus

About Youth Focus

Established in 1994, Youth Focus is a for-purpose organisation that delivers innovative and accessible mental health services and programs across Western Australia to help at-risk young people aged 12 to 25 lead full and healthy lives.

Youth Focus believes that most suicides are preventable with the appropriate care and support. As a leader in youth mental health and suicide prevention, Youth Focus reduces unnecessary deaths and builds wellness in youth.

Youth Focus and FGX

Since 2015, FGX has donated \$390,059 to support Youth Focus. In the last financial year, the donation of \$185,685 enabled Youth Focus to deliver 1,440 potentially life-saving counselling sessions to young people with mental health issues.

The annual funding supports the provision of 1.5 full-time equivalent registered mental health professionals who understand the unique social and emotional needs of young people. During the course of the year, these clinicians will support more than 90 young people on their journey to wellness.

For more information, visit www.youthfocus.com.au

What impact does the FGX funding have on your organisation?

Our organisation is reliant on partnerships built with corporates, governments and individuals to invest in the future of Western Australia's youth. FGX's investment in our organisation makes a real and positive difference to young lives – we can't do it alone.

What is the biggest challenge for the organisation?

Sadly, one young Western Australian is lost to suicide each week in Western Australia. For every person who takes their life, 40 others attempt it. There are currently more than 82,500 young people in Western Australia dealing with a mental health condition and who would benefit from our professional counselling services. A challenge for our organisation is to ensure continued and sustainable income to fund our service delivery, so that we can reach more at-risk youth and prevent unnecessary deaths.

What is a burning issue in the area in which you operate?

Suicide is the leading cause of death for young men in Australia. Our organisation is committed to creating opportunities for young men to seek help, and has developed innovative programs to support them, such as the Young Men's Project (youngmensproject.com.au). As a result of these targeted efforts, our service delivery to young men continues to grow, increasing by 14% in the last two years.

Charities



Service providers

