Highly Recommended
Recommended
Approved
Not Rated
Redeem

Product Assessment

Report data as at 30 Apr 2018
Rating issued on 05 Jun 2018

Future Generation Global Investment Company Limited

VIEWPOINT

The Company, listed on the ASX in September 2015, is one of two charitably focused Listed Investment Companies (LIC) created by Geoff Wilson, founder of Sydney based Wilson Asset Management (Wilson AM). The Company adopts a multi-manager structure consisting of a range of actively managed International equity strategies. The underlying fund managers and service providers do not charge a fee for their services. Based on the Company's charitable aim and access to high quality fund managers, Zenith believes the Company is an appealing option for socially conscious investors.

The Company is managed by an Investment Committee (IC) which comprises: Sean Webster (Chairperson), Aman Ramrakha, Chris Donohoe, Geoff Wilson and Lukasz de Pourbaix. The IC is responsible for the sourcing and ongoing monitoring of fund managers. The IC meets formally on a quarterly basis to discuss changes to the portfolio. Zenith believes the IC is highly qualified to assess and select fund managers and effectively leverages its extensive network in order to identify high quality managers.

Due to the limited resourcing within the Company, the manager universe is largely derived from the IC's contact list garnered from their positions across the investment industry. The underlying universe consists of long-only, absolute return and market neutral managers. the Company prefers to invest in boutique asset managers, often with a strategy that displays a truly active approach. The Company may also invest in new managers but only those whose key staff have extensive experience and a strong performance track record.

Relative to other multi-manager funds, Zenith believes the Company's manager selection process is less robust and structured. However, we believe this has not compromised the Company's ability to source high calibre managers, and the willingness of managers to participate.

The Company's portfolio construction process is the responsibility of the IC and ultimately the Board. In terms of strategic allocations, the IC aims to build a portfolio that is roughly equally weighted between long-only strategies and absolute return strategies.

Zenith believes the Company's portfolio construction approach to be less stringent than other multi-manager funds, who institute tighter bands or constraints to ensure adherence to a more clearly defined manager mix. That said, we believe the Company's approach is aligned with its investment philosophy and focus of pursuing charitable and philanthropic causes.

Zenith views Wilson AM's ongoing commitment to investor communication and engagement programs as best in class and their involvement in the Company is positive in this context. Zenith believes that this is a critical aspect of successful LIC management given the ability of LIC's to materially trade away from their underlying asset values. However, Zenith views reporting of portfolio investment performance as sub-standard. Regular reporting on portfolio performance is largely absent and information that is disclosed by the Company is on the basis of quoting returns gross of fees rather than net. Zenith sees these issues as materially below best practice and out of keeping with contemporary LICs.

COMPANY FACTS

- 1% p.a. of Net Tangible Assets (NTA) is donated to Australian charities focused on mental illness
- Access to high quality managers that are not typically available to retail investors
- Highly experienced Investment Committee

ABSOLUTE RISK (SECTOR)

- VERY HIGH
- ▶ HIGH
- MODERATE
- LOW
- VERY LOW

RELATIVE RISK (FUND WITHIN SECTOR)

- Geared
- ▶ Active - Benchmark Unaware
- Active - Benchmark Aware
- Index - Enhanced/Fundamental
- Index

INCOME DISTRIBUTIONS PER

MONTH | QUARTER | **6 MONTH** | ANNUM

INVESTMENT TIMEFRAME

1-2 YRS | 3-4 YRS | 5-6 YRS | **7+ YRS**

APIR Code
ASX:FGG

Asset / Sub-Asset Class
International Shares
Listed Investment Companies - LICs

Investment Style
Growth

Investment Objective
To provide long term capital growth, maximising total return with a combination of capital growth and income, thus allowing fully franked dividends to be paid.

Zenith Assigned Benchmark
MSCI World ex Aust $A

Net Returns (% p.a.)

	2 yrs	1 yr	6 mth
LIC	8.79	25.14	14.67
Benchmark	14.65	12.40	5.08

Income (% p.a.)

	Income	Total
FY to 30 Jun 2017	0.90	3.30

Fees (% p.a., Incl. GST)
Management Cost: N/A
Performance Fee: N/A

APPLICATIONS OF INVESTMENT

SECTOR CHARACTERISTICS

Listed Investment Companies (LIC)

In assessing the performance of the LIC sector, it is vital to understand how their structure affects the final performance figures as it is materially different to unlisted funds. As listed companies, the portfolio returns generated are exposed to additional volatility from share price movements and can trade at significant premiums or discounts to Net Tangible Assets (NTA).

In addition, the impact of pre and post-tax returns needs to be considered because LICs distribute returns net of company tax, whilst benchmark index returns are quoted on a pre-tax basis. Accordingly, it is difficult to accurately compare shareholder returns to either benchmarks which do not account for tax or realised peer group LICs where the timing of company tax on realised gains differs.

As an indication however, a series of return data can be viewed on the basis of the returns generated by:

- Share price and dividends
- Change in pre-tax NTA value and dividends
- Returns generated internally by the investment portfolio

For comparison purposes, the use of the internal portfolio returns versus the benchmark gives the closest measure of the investment manager's skill in generating returns. However, these returns may not be able to be fully crystallised to shareholders given the potential for share price movements.

Caution should be used in the comparison of these figures as share price and pre-tax asset NTA are measures which take into account company tax paid on realised capital gains and unfranked income, whereas benchmark performance is a wholly untaxed measure.

At various times when assessed on a purely quantitative basis, a LIC can trade away from its NTA which may represent good buying or selling opportunities. While these instances may boost investment returns, there is no guarantee that the discount or premium will converge to NTA, therefore, gains can not be crystallised.

International Equities

International equities offer Australian investors the ability to access a broader opportunity set, with the potential to invest in sectors not represented or not well represented in the Australian market. Given international markets are not perfectly correlated with the Australian market, International equities also afford portfolio diversification benefits.

Each long/short manager uses vastly different investment processes, with some managers being fundamentally driven, others using quantitative tools, while others have trading style biases. Funds in this sector employ active extension or variable beta investment styles.

Active extension funds can be used in place of a traditional long-only fund where the investor wishes to increase the active risk of their fund allocations in equities. That is, the fund can build a higher conviction portfolio by shorting stocks that it thinks will underperform and use the proceeds to invest long in stocks that may outperform. Variable beta funds can be used by investors to vary market risk compared to a long-only fund that must be close to fully invested. Variable beta funds can decrease their market exposures to protect against market falls (by increasing shorts or cash holdings). In general, investing in quality variable beta funds should provide investors a smoother return profile than simply investing in the index.

Funds in this sector vary by geographic concentration, investment style and fund structure. Some funds may focus on particular regions and fundamental analysis, whilst others may have a broad investment mandate focusing on thematic trends.

PORTFOLIO APPLICATIONS

In general, compared to most other asset classes, equities offer investors the opportunity for higher capital growth over the longer term with some income. However, this higher growth is also often associated with higher volatility. Therefore, it is recommended that investors adopt a longer time frame when investing in equities.

International equities provide investors with a broad exposure to industries and countries. With such a broad universe, it is expected that managers can deliver superior returns to Australian equities and more conservative asset classes. However, the expectation of greater returns comes with increased volatility, especially when currency is factored in. Therefore, it is recommended that investors adopt a longer time frame when investing in international equities. It is also recommended that investments in international equities be blended with domestic equities and other non-correlated asset classes such as fixed income to diversify the impact of a downturn in the global economy.

Zenith believes the Company offers investors an exposure to a portfolio of well-diversified and actively managed multi-manager global equity funds. The Company is largely unconstrained, with each underlying fund being selected based on its ability to outperform its benchmark.

The Company may also suit investors seeking a consistent income stream, with the Board committed to paying an stream of fully franked dividends to shareholders.

From a portfolio perspective, the Company is potentially suitable as a core allocation to global equities. However, we believe it should be blended with other global equity funds. Given the Company's benchmark unaware approach, Zenith considers it a moderate to high risk proposition with a long-term investment horizon. With the Company’s charitable aim, it is also potentially attractive for socially conscious investors as well as charitable or philanthropic trusts.

Despite the relative merit of a strategy, investors should give consideration to the method of access. While the unlisted fund structure may be less convenient for some investors, accessing a strategy via a LIC will mean that the effectiveness of the strategy may be significantly diminished due to the Company's own trading movements. That is, investors may not be able to benefit from the portfolio's performance, as the performance of the Company is driven by market sentiment.

One of the benefits of the LIC structure is that the Company, unlike in an unlisted managed fund, does not have to sell holdings to fund redemptions. Zenith believes this feature is a key competitive advantage for the Company given its bias toward less liquid fund managers (monthly liquidity). That is, the Company will not have to sell positions at inopportune times to meet redemption requests.

RISKS OF THE INVESTMENT

SECTOR RISKS

Funds within the "International Equities/Listed Investment Company" sector are exposed to the following broad risks:

MARKET & ECONOMIC RISK: Global equity markets present a risk in protracted downturns or bear markets. Changes to economic, social, technological or geopolitical circumstances of a region may lead to different risk return profiles as compared to historically. It may possibly change the equity risk premium profile of the region's equities asset class, impacting on returns. This risk can be mitigated by adhering to the LIC's prescribed investment timeframe.

CURRENCY RISK: Changes to currency values may alter an international equity investment's return if the denominated currency appreciates or depreciates by a material amount. This risk is greatly reduced by the Manager's ability to hedge currencies.

REGULATORY RISK: A change in the geopolitical circumstance of a global region may adversely impact on both the value of the underlying securities and the currency of denomination. In extreme cases, it may lead to exchange controls which limit the ability of foreign investors to repatriate funds to the home country.

LIQUIDITY AND CAPACITY RISK: In some cases, global equities may present low liquidity in particular regions. Emerging markets and small cap stocks may display low liquidity due to low volume and fewer market participants than the major bourses.

PREMIUM/DISCOUNT TO NET TANGIBLE ASSETS (NTA): Investors need to be aware that as a LIC, the Company's shares will have their own trading patterns and may trade away from their Net Tangible Assets (NTA) which at times may result in an investors return differing from the portfolio investment return and/or expected risk return profile.

COMPANY RISKS

Zenith has identified the following key risks of the Company. Although Zenith believes the risks noted are all significant, we have listed them in order of importance. In addition, we have not intended to highlight all possible risks.

REMUNERATION RISK: As all parties involved in the Company, with the exception of Louise Walsh (Chief Executive Officer), work on a pro bono basis (including Wilson Asset Management, advisers and underlying fund managers), Zenith considers the lack of remuneration as a risk that may potentially cause parties to cease involvement due to lack of monetary incentives. This is partly mitigated by the Company limiting capital allocations to each manager at approximately 10% of net assets, with the aim of reducing the impact on managers' profit margins.

SHORT SELLING RISK: Underlying funds that the Company invests in engaged in short selling. Short selling involves borrowing and selling securities the funds do not own. The action of stock borrow creates an obligation to redeliver the securities borrowed (or their equivalent) on an agreed date, or if circumstances change on demand from the stock lender. Short sale positions create an unlimited risk for the portfolio, if the stock price of the security rises and the underlying fund is unable to buy the securities back in the market place. The act of buying securities in a rising market can add to the positive price momentum and add to the losses in the underlying funds and in turn, the Company.

DERIVATIVES RISK: Underlying funds can use various derivatives including options and futures and these investment securities can be volatile, speculative, illiquid and leveraged.

QUALITATIVE DUE DILIGENCE

ORGANISATION

Future Generation Global Investment Company Limited (ASX:FGG) is one of two charitably focused Listed Investment Companies (LIC) offered to market by founder Geoff Wilson. The Company was listed on the ASX on 10 September 2015 and offers investors the opportunity to gain access to prominent global fund managers.

The Company, the underlying fund managers and service providers do not charge any fees for managing investments and services. The Company aims to donate 1% of Net Asset Value per year to Australian charities focused on youth mental health.

Louise Walsh has been the Chief Executive Officer of the Company since inception. Walsh is the Company's only staff member and is also the CEO of Future Generation Investment Company Limited.

The Board of Directors of the Company comprises the following individuals:

- Belinda Hutchinson, Chairman and Non-Executive Director, appointed May 2015
- Geoff Wilson, Non-Executive Director, appointed May 2015
- Frank Casarotti, Non-Executive Director, appointed May 2015
- Sarah Morgan, Non-Executive Director, appointed June 2015
- Karen Penrose, Non-Executive Director, appointed June 2015
- Kiera Grant, Non-Executive Director, appointed March 2018

Zenith notes that Non-Executive Director, Susan Cato (appointed June 2015), resigned from the Board in March 2018 and has been replaced by Kiera Grant. This follows the resignation of Chris Donohoe as joint CEO in May 2016, where he then joined the Company's Investment Committee.

Zenith recognises that a modest amount of turnover in company boards tends to be healthy as new directors bring fresh perspectives and new skills, and new directors can show a propensity to challenge on key issues more than long serving incumbents. However, there is a balance to Board turnover which also needs to be considered. Zenith will monitor board turnover going forward.

Zenith is currently comfortable with the composition of the Board which has a majority of independent directors. Given the high importance of shareholder engagement when operating LICs, Zenith believes the Board will need to ensure this is managed appropriately.

As at 30 April 2018, the Company had a market capitalisation of $381.98 million.

INVESTMENT PERSONNEL

Name	Title	Tenure
Sean Webster	Investment Committee Member - Chairman	2 Yr(s)
Aman Ramrakha	Investment Committee Member	2 Yr(s)
Chris Donohoe	Investment Committee Member	2 Yr(s)
Geoff Wilson	Investment Committee Member	2 Yr(s)
Lukasz de Pourbaix	Investment Committeee Member	4 Mth(s)

Investment Committee

Unlike more traditional externally managed LICs, the Company is managed by an Investment Committee (IC) which comprises:

- Sean Webster, Chairman, appointed September 2015
- Aman Ramrakha, appointed September 2015
- Chris Donohoe, appointed September 2015
- Geoff Wilson, appointed September 2015
- Lukasz de Pourbaix, appointed February 2018

Sean Webster was appointed to chair the IC following the resignation of former Chair, Amanda Gillespie in February 2018. The Company also added Lukasz de Pourbaix to the IC following Gillespie's resignation.

The IC is responsible for the sourcing and ongoing monitoring of fund managers. Formally, the IC meets on a quarterly basis to discuss the portfolio and potential changes. Members of the IC typically have backgrounds in investment and/or fund manager research as well as investment management. Zenith believes the current IC is highly qualified in the assessment and selection of fund managers. In addition, we believe that the IC effectively leverages its extensive networks in order to identify high quality managers.

Zenith notes that members of the IC are not solely dedicated to managing the Company. Given the number of strategies available, Zenith believes the Company would benefit from additional resources. However given that underlying manager turnover is expected to be relatively low, current resources are deemed adequate.

Personnel involved with the Company do not receive any financial benefit, with the exception of Louise Walsh as CEO. Zenith believes this allows for the greatest possible proportion of management fees to be donated to charity, which is in line with the Company 's philanthropic objectives.

INVESTMENT OBJECTIVE, PHILOSOPHY AND PROCESS

The Company's investment objective is to achieve capital growth, preserve shareholder capital and provide a stream of fully franked dividends. The Company aims to outperform the MSCI World Index ($A). Zenith would prefer to see the delineation of a specific outperformance target, as opposed to a descriptive, qualitative objective.

To achieve the Company's investment objective, the IC draws from a range of actively managed international equities portfolios, with the aim to appropriately blend investment styles to achieve the desired outcome. The IC has in the past demonstrated a preference for boutique fund managers over those which are institutionally owned.

The Company generally expects to maintain exposure to between 10 to 20 fund managers, with diversification across a range of investment styles and strategies. The Company believes that the diversification of styles and strategies used by the different underlying funds in its portfolio is important in managing and mitigating risk in the Company's portfolio.

The Company has a dual investment objective of delivering shareholder and social returns. Given that all managers will not charge management and performance fees, the Company is generally fee-ambivalent, which allows for the selection of truly active managers that display genuine ability to outperform over the medium to long-term.

As a charitable LIC, the Company is not influenced by career or business risk in its decision making, which Zenith believes is conducive to meeting its investment objectives. Furthermore, the Company donates 1% of net asset value per year to charity, thus Zenith believes there is a clear philosophical alignment.

SECURITY SELECTION

Due to the limited resourcing within the IC, the manager universe has historically been largely derived from the IC's contact list garnered from their position within the investment industry. The underlying universe consists of equity long-only, absolute return and market neutral managers.

The Company prefers to invest in boutique asset managers, often with a strategy that displays a truly active approach. The Company may also invest with fund managers which have only recently been operational, however only where key staff have extensive experience and a strong performance track record in previous businesses.

From a qualitative perspective, the manager selection process is based on an assessment of the underlying manager's investment process, investment team strength, performance history through various market cycles and an assessment of the manager's likely performance on a forward basis. Other issues considered important in the selection of underlying managers include fund capacity constraints, organisational stability and liquidity within the fund. The structure of the underlying fund is also important, including its income distribution profile, as wholesale investor redemptions could potentially impact on after-tax returns.

Investment guidelines for the Company are fairly broad, with the following parameters:

- Fund weight at initial purchase - maximum of 10%, minimum of 4%
- No geographic or sector biased strategies
- Preference for funds that have management operations based domestically

Relative to multi-manager peer products, Zenith believes the

Company's manager selection process is generally less robust and structured. However, we believe this has not to date compromised the Company's ability to source high calibre managers, and the willingness of managers to participate.

PORTFOLIO CONSTRUCTION

The Company's portfolio construction process is the responsibility of the IC and ultimately the Board. In terms of strategic allocations, the IC aims to build a portfolio that is roughly equally weighted between long-only strategies and absolute return strategies. In addition, the IC will also seek to broadly match the MSCI World Index country exposures.

As at 30 April 2018, external manager exposure is gained through investments in:

- Cooper Investors
- Magellan Asset Managment
- Ironbridge Capital Management
- Antipodes Partners
- Marsico Capital Management
- VGI Partners
- Caledonia
- Nikko Asset Management Australia
- Manikay Partners
- Ellerston Capital
- Morphic Asset Managment
- Neuberger Berman Australia
- Paradice Investment Management
- Avenir Capital

The Company's portfolio positions are weighted according to the IC's convictions against the backdrop of the prevailing investment environment. Therefore, the IC does not place great importance on blending manager investment styles or correlation of manager returns, but rather on searching for managers that display the ability to generate strong returns over the longer-term.

Investors should note that due to a range of factors, including: performance generated by underlying managers; the prevailing investment environment; and fund cash flows, weights may deviate materially from strategic allocations. Portfolio positions will generally be rebalanced should the underlying fund manager underperform for a prolonged period of time or display other operational or organisational issues.

For a manager to be introduced or removed from the Company, unanimous agreement is needed by the IC who in turn, present its recommendations to the Board for final approval.

Zenith notes that there are a number of related parties with regards to the underlying fund managers and the members of the IC and the Board. Although we believe that all activities and decisions are made with the best interest of all the Company's stakeholders, we nonetheless would prefer fully independent parties in all investment functions, along with formal conflict of interest policies to be in place. Zenith notes that these parties do not receive any monetary benefit for their services, which further alleviates our concerns on this matter.

Zenith believes the Company's portfolio construction approach to be less stringent than other multi-manager funds, who typically institute tighter bands or constraints to ensure adherence to a more clearly defined manager mix. That said, Zenith believes the Company's approach is aligned with its investment philosophy given it is dedicated to charity and philanthropy.

RISK MANAGEMENT

Investment risk is considered during the identification and selection of the underlying investment managers. While the IC is willing to accept some investment personnel risk in the belief that highly experienced, well credentialed boutique managers have greater potential to outperform, strong consideration and assessment is made of their risk management and downside protection processes.

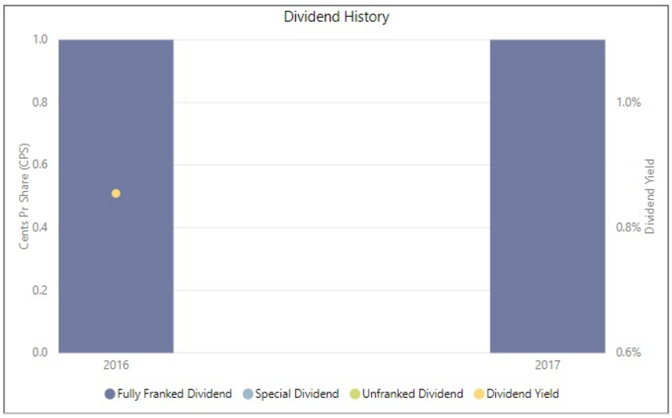
In addition, the use of multiple investment managers also mitigates investment risk by diversifying the sources of return and reducing the reliance on any one manager to generate excess returns. Allocations to the underlying managers are also actively managed and capped at 10% at the time of investment to ensure no single manager dominates the portfolio.

The Company invests directly into each underlying manager's unit trust, which, in Zenith's opinion, allows for greater transparency of investments and returns. The Company will not hedge currency exposures.

While Zenith considers the Company's risk management process and monitoring to be below that of rated peers, we are cognisant of the limitations imposed by the Company's charitable structure.

Dividend Policy

The Board is committed to paying a stream of fully franked dividends to shareholders provided the Company has sufficient profit reserves and franking credits and it is within prudent business practices. Dividends will be made with consideration to cash flow, cash holdings and available franking credits.



INVESTMENT FEES

LICs can broadly be categorised into two groups from a management cost standpoint on the basis of whether they are internally or externally managed (operating under an IMA). Typically, internally managed LICs have lower proportional management costs due to a larger asset pool. Externally managed LICs tend to have management costs that are more in-line with unlisted managed funds.

The Company does not charge any management or performance fees. However, an annual donation of 1% of Net Asset Value is donated to Australian charities focused on youth mental health. Zenith believes that for the purposes of cost comparisons, the annual donation should be treated as a management fee. On this basis, the Company is a cheaper options that the sector average for internationally focussed, externally managed LICs.

In addition, investment via the Company gives access to the underlying funds at a materially cheaper cost than if investing directly. In the majority of cases, the underlying funds have annual management fees well in excess of 1% p.a.

Given the excess return potential of the underlying managers, the performance fee can often be significant. As the underlying managers and service provides do not charge any fees for their services, Zenith believes investors in the Company are well placed to benefit from the strong expected performance of the high quality manager line-up.

As at 30 April 2018, the charities the Company donates to are:

- beyondblue
- Black Dog Institute
- Brain and Mind Centre
- Butterfly Foundation
- headspace
- Orygen
- ReachOut Australia
- SANE Australia

Zenith views the charitable initiative embedded within the fee structure as a positive, with the aim of engaging the community in a positive manner.

Investment Fees		
Product		Future Generation Global Investment Company Limited
Asset Class		International Equities
Sub-Asset Class		Int. Equities - Long Short
Management Structure		Externally Managed
Management Fee		0.00%
Performance Fee		Nil
Annual Management Fee Comparision		**% p.a.**
International Equities	Peers - LICs/LITs (Internally Managed) [1]	N/A
	Peers - LICs/LITs (Externally Managed)	1.21%

[1] *Internally Managed LICs/LITs data use published Management Cost as at 31 December 2017 and are ex-GST. All other fees are inclusive of GST, less Reduced Input Tax Credits where available. Source: ASX, Zenith.*

PERFORMANCE ANALYSIS

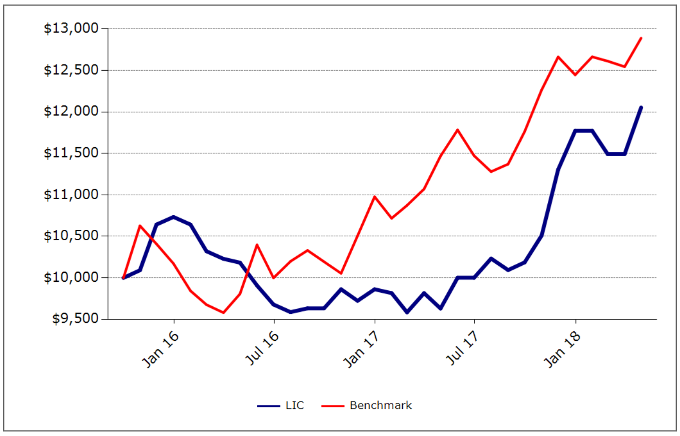
Report data: 30 Apr 2018, product inception: Oct 2015

Monthly Performance History (%, net of fees)

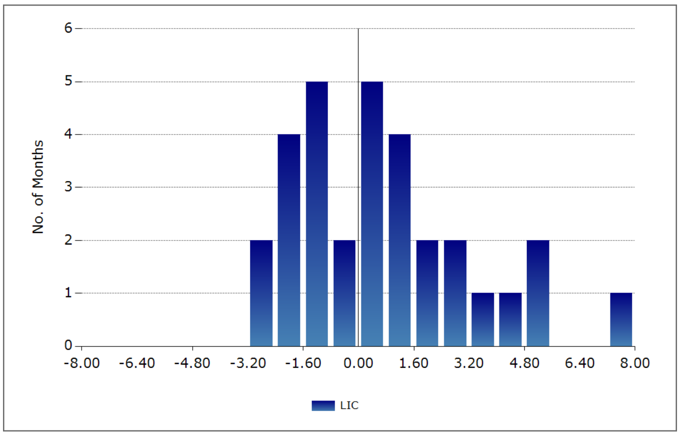
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	LIC YTD	BENCHMARK YTD
2018	0.00	-2.38	0.00	4.88									2.38	3.57
2017	-0.47	-2.36	2.42	-1.89	3.85	0.00	2.31	-1.36	0.92	3.18	7.56	4.13	19.36	13.38
2016	-0.85	-3.02	-0.89	-0.45	-2.70	-2.31	-0.95	0.48	0.00	2.38	-1.41	1.43	-8.12	7.92
2015										0.92	5.45	0.86	7.34	1.72

Benchmark: MSCI World ex Aust $A

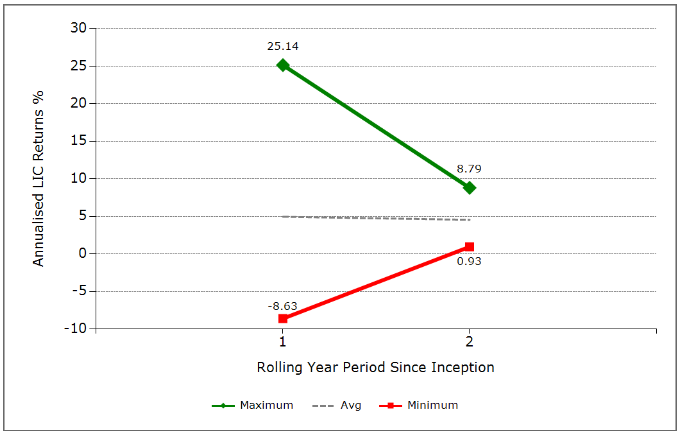
Growth of $10,000



Monthly Histogram



Minimum and Maximum Returns (% p.a.)



ABSOLUTE PERFORMANCE ANALYSIS

Return	Incpt.	2 yr	1 yr	6 mth
LIC (% p.a.)	7.49	8.79	25.14	14.67
Benchmark (% p.a.)	10.32	14.65	12.40	5.08
Median (% p.a.)	7.66	10.29	8.07	-0.04
Ranking within Sector	**Incpt.**	**2 yr**	**1 yr**	**6 mth**
Fund Ranking	10 / 16	10 / 16	5 / 19	2 / 21
Quartile	3rd	3rd	1st	1st
Standard Deviation	**Incpt.**	**2 yr**	**1 yr**	**6 mth**
LIC (% p.a.)	8.90	9.00	9.60	11.84
Benchmark (% p.a.)	9.69	9.04	7.78	6.35
Median (% p.a.)	13.95	13.02	12.54	9.69
Downside Deviation	**Incpt.**	**2 yr**	**1 yr**	**6 mth**
LIC (% p.a.)	3.35	3.31	2.52	3.07
Benchmark (% p.a.)	3.87	3.64	3.02	2.10
Median (% p.a.)	7.47	5.88	4.98	4.39
Risk/Return	**Incpt.**	**2 yr**	**1 yr**	**6 mth**
Sharpe Ratio - LIC	0.63	0.77	2.44	1.17
Sortino Ratio - LIC	1.66	2.10	9.29	4.49

Readers should note that unless otherwise indicated, all performance, consistency and risk/return data is referenced to the Zenith assigned benchmark (as represented by Benchmark 1 in the above table) with the LIC returns representing those attributable to shareholders (i.e. share price + dividends).

Zenith typically includes the ongoing net returns of a LIC's investment portfolio as we believe this is the best measure of the investment manager's skill. Zenith notes however that the Company has declined to provide this information.

All commentary below is as at 30 April 2018.

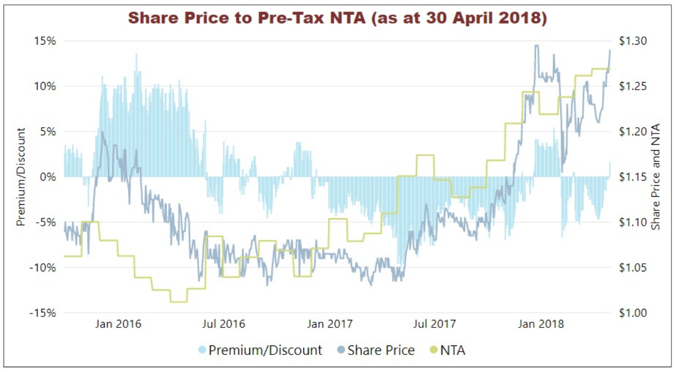
The Company's investment objective is to achieve capital growth, preserve shareholder capital and provide a stream of fully franked dividends. The Company utilises the MSCI World (ex- Australia) Index (unhedged) as a performance benchmark.

The Company has yet to gain a sufficient track record for Zenith to determine its success in achieving these aims.

Zenith believes that transparency of performance reporting is essentially for listed investments. As such, we view the Company's public reporting of portfolio investment performance as sub-standard. Regular reporting on portfolio performance is largely absent and information that is disclosed by the Company is on the basis of quoting returns gross of fees rather than net. Zenith sees these issues as materially below best practice and out of keeping with contemporary LICs.

Share Price vs. NTA

The Company was trading at 1.6% premium to NTA as at 30 April 2018. The following chart shows the Company's premium/discount since inception.



WARNING: Zenith ratings applied to LICs do not explicitly take into account share prices vs. NTA and do not represent a buy/sell recommendation based on a LICs valuation. Potential investors should make their own determination of the appropriateness of prevailing premiums or discounts to NTA when acquiring or disposing of a LIC.

RELATIVE PERFORMANCE ANALYSIS

Alpha Statistics	Incpt.	2 yr	1 yr	6 mth
Excess Return (% p.a.)	-2.83	-5.85	12.74	9.58
% Monthly Excess (All Mkts)	51.61	50.00	58.33	66.67
% Monthly Excess (Up Mkts)	23.53	26.67	42.86	66.67
% Monthly Excess (Down Mkts)	85.71	88.89	80.00	66.67
Beta Statistics	**Incpt.**	**2 yr**	**1 yr**	**6 mth**
Beta	0.09	0.10	0.51	0.98
R-Squared	0.01	0.01	0.17	0.28
Tracking Error (% p.a.)	12.53	12.09	9.53	10.08
Correlation	0.09	0.10	0.41	0.52
Risk/Return	**Incpt.**	**2 yr**	**1 yr**	**6 mth**
Information Ratio	-0.23	-0.48	1.34	0.95

All commentary below is at 30 April 2018.

It is important to note that the Relative Performance Analysis shown above combine the Company's share price returns with dividends to give the reader detail on the investor experience.

Zenith seeks to identify funds that can achieve an outperformance ratio above 50% of months in all market conditions as we believe this represents a persistence of manager skill.

The Company portfolio has traditionally evidenced strong levels of protection in down markets, due at least in part to the tenancy to hold high levels of cash. While Zenith generally prefers investment managers be fully invested, these results are coupled with historically strong levels of benchmark outperformance.

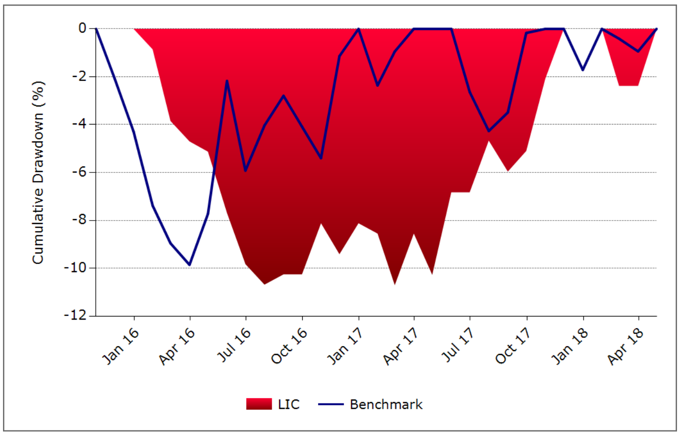
The Company has yet to gain a sufficient track record for Zenith to draw any conclusions from this data. Performance of the Company's total returns have also tended deliver stronger results in down markets, albeit to a lesser extent, along with lower excess returns.

DRAWDOWN ANALYSIS

Drawdown analysis assesses the relative riskiness of a Fund versus the benchmark, in reference to capital preservation. The maximum Drawdown is recorded as the percentage decline in the value of a portfolio from peak to trough (before a new peak is achieved). All Drawdown analysis is calculated commencing from the inception date of the Fund in question, and Drawdown analysis for the Fund and benchmark(s) are calculated independently. That is, the largest drawdown for the Fund and benchmark(s) will not always refer to the same time period.

Drawdown Analysis	LIC	Benchmark
Max Drawdown (%)	-10.71	-9.86
Months in Max Drawdown	14	5
Months to Recover	9	9

Worst Drawdowns	LIC	Benchmark
1	-10.71	-9.86
2	-2.38	-4.27
3	-2.38	-2.36
4		-1.71
5		-0.94



All commentary below is at 30 April 2018.

The Company has yet to gain a sufficient track record for Zenith to draw any meaningful conclusions from this data.

We note however that Company returns (as measured by movements in share price + dividends received), has delivered stronger results in down markets.

Investors should be aware that accessing a strategy via a LIC will mean that the effectiveness of the strategy may be significantly diminished due to the Company's own trading movements. That is, investors may not be able to benefit from the portfolio's performance, as the performance of the Company is driven by market sentiment.

REPORT CERTIFICATION

Date of issue: 5 Jun 2018

Role	Analyst	Title
Author	Dugald Higgins	Head of Property & Listed Strategies
Sector Lead	Dugald Higgins	Head of Property & Listed Strategies
Authoriser	Bronwen Moncrieff	Head of Research

RATING HISTORY

As At	Rating
5 Jun 2018	Recommended
8 Jun 2017	Recommended
6 Jun 2016	Approved
24 Mar 2016	Not Rated - Screened Out

Last 5 years only displayed. Longer histories available on request.

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