Zenith Investment Partners

Highly Recommended
Recommended
Approved
Not Rated
Redeem

Product Assessment

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

Future Generation Investment Company Limited

VIEWPOINT

The Company, listed on the ASX in September 2014, 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 Australian 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, we believe the Company is an appealing option for socially conscious investors.

The Company is managed by an Investment Committee (IC) which comprises: Geoff Wilson (Chairperson), Gabriel Radzyminski, Matthew Kidman, Bruce Tomlinson and David Smythe. The IC is responsible for the sourcing and ongoing monitoring of fund managers. Formally, the IC meets 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/market neutral 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 given it is dedicated to charity and philanthropy.

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 children and youth at risk
- 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** (selected) | ANNUM

INVESTMENT TIMEFRAME

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

APIR Code
ASX:FGX

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

Investment Style
Growth

Investment Objective
To provide a stream of fully franked dividends; to achieve capital growth; and preserve Shareholder capital.

Zenith Assigned Benchmark
S&P/ASX 300 (Accum)

Net Returns (% p.a.)

	3 yrs	2 yrs	1 yr
LIC	4.26	5.26	6.94
Benchmark	5.80	11.45	5.71

Income (% p.a.)

	Income	Total
FY to 30 Jun 2017	3.70	1.50
FY to 30 Jun 2016	3.60	3.20

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.

Australian Equities

The sector incorporates both benchmark aware and benchmark unaware strategies but the funds focus predominantly on large capitalisation stocks. The sector is one of the most competitive in the investment landscape, based on the number of managers and strategies available to investors. Despite the competitiveness of the sector, the Australian share market has historically provided many opportunities for active management, with the median active manager outperforming a passive index over the longer term.

The Australian share market, as represented by the S&P/ASX 300 Accumulation Index, is highly concentrated and narrow. Technically, a company is assigned the large cap moniker if it falls within the S&P/ASX 50, with those companies falling between the S&P/ASX 50 and S&P/ASX 100 assigned to the mid cap category. All stocks below the top 100 are considered small capitalisation stocks.

As at 30 April 2017, the Financials and Resources sectors combined represented a significant portion of the S&P/ASX 300 Accumulation Index, with the Financials sector accounting for approximately 39% of the index, and Materials approximately 15%. The split between Industrials and Resources stocks was approximately 80%/20%. The top 10 stocks represented approximately 47% of the weighting of the Index, and the top 20 stocks represented over 60% of the Index.

In comparison to the S&P/ASX 300 Index, the S&P/ASX Emerging Companies Accumulation Index has a much lower weighting to the Financials sector and is represented by a larger weighting to the Resources sector, which reflects the importance of resources related industries to the micro-cap sector. A significant proportion of these resource companies are classified as "exploration" companies, and in many cases are not cash flow positive, can be highly volatile and their fortune can be linked to whether (or not) a resource body is discovered.

The Small and Micro Cap sector typically have a market capitalisation of less than $500 million and the sector is comprised of approximately 1,600 listed companies with a combined total value of circa $110 billion. Over the longer-term, active management in this sector has historically demonstrated an ability to significantly outperform a passive index given it is an "under researched" segment of the market.

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.

Investors should also be cognisant of the fact that the Australian equity market only represents approximately 1% of global equity markets (in terms of market capitalisation). Zenith recommends that investors diversify their investments across asset classes, both domestically and globally.

Zenith believes the Company offers investors an exposure to a portfolio of well-diversified and actively managed multi-manager Australian 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 increasing stream of fully franked dividends to shareholders.

From a portfolio perspective, the Company is potentially suitable as a core allocation to Australian equities. However, we believe it should be blended with other Australian 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

Companies within the “Australian Equities/Listed Investment Company” sector are exposed to the following broad risks:

MARKET & ECONOMIC RISK: As is the case with all long only Australian Share funds, the biggest risk to performance is a sustained downturn across the Australian share market. In addition, changes in economic, social, technological or political conditions, as well as market sentiment could also lead to negative fund performance. This risk can be significantly reduced by investors adhering to the LIC's prescribed investment time frame.

SPECIFIC SECURITY RISK: This is the risk associated with an individual security. The price of shares in a company may be affected by unexpected changes in that company’s operations such as changes in management or the loss of a significant customer.

LIQUIDITY RISK: This is the risk that a security or asset cannot be traded quickly enough, due to insufficient trading volumes in the market. When trading volumes are low, sellers can significantly impact the price of a security when attempting to quickly exit a material position.

STYLE BIAS RISK: Australian equity managers will either employ a Growth, Value or Neutral (combination of Value & Growth) styled approach to investing. Each style is conducive to certain market conditions, i.e. Growth should outperform Value in an upward trending market and vice versa in a downward trending market. As with Market Risk, investors should adhere to the LIC's investment time frame to avoid short-term market movements and style impact.

CAPACITY RISK: High levels of funds under management (FUM) can present additional challenges to an Australian equity manager, as high FUM has the potential to hamper the manager's ability to trade efficiently and/or be forced to disclose substantial shareholdings to the market (most common in smaller companies).

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 impact the effectiveness of the Company's investment process 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.

RELATED PARTY RISK: 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. In addition, we note that these parties do not receive any monetary benefit for their services, which further alleviates our concerns on this matter.

QUALITATIVE DUE DILIGENCE

ORGANISATION

Future Generation Investment Company Limited (ASX:FGX) 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 18 September 2014 and offers investors the opportunity to gain access to prominent Australian fund managers.

The Company, the underlying fund managers and service providers do not charge any fees for managing investments and services. The Company donates 1% of Net Asset Value per year to Australian charities focused on children at risk.

In March 2016, Louise Walsh was appointed Chief Executive Officer of the Company. Walsh is the Company's only staff member and is also the CEO of Future Generation Global Investment Company Limited.

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

- Jonathan Trollip, Chairman and Non-Executive Director, appointed October 2013
- Geoff Wilson, Non-Executive Director, appointed July 2014

- David Leeton, Non-Executive Director, appointed April 2015
- David Paradice, Non-Executive Director, appointed April 2015
- Gabriel Radzyminski, Non-Executive Director, appointed October 2013
- Kate Thorley, Non-Executive Director, appointed April 2015
- Scott Malcolm, Non-Executive Director, appointed April 2015

Zenith notes that Paul Jensen resignation his role as a Non-Executive Director of the Company in February 2017. 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 is currently comfortable with the composition of the Board which is technically independent. 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 $414.6 million in funds under management.

INVESTMENT PERSONNEL

Name	Title	Tenure
Geoff Wilson	Investment Committee Member	3 Yr(s)
Gabriel Radzyminski	Investment Committee Member	3 Yr(s)
Matthew Kidman	Investment Committee Member	3 Yr(s)
Bruce Tomlinson	Investment Committee Member	1 Yr(s)
David Smythe	Investment Committee Member	1 Yr(s)

Investment Committee

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

- Geoff Wilson (Chairperson)
- Gabriel Radzyminski
- Matthew Kidman
- Bruce Tomlinson
- David Smythe.

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 deliver investors a stream of fully franked dividends, provide capital growth and preserve capital. The Company aims to outperform the S&P/ASX All Ordinaries Accumulation Index. 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 selects from a range of actively managed Australian equities portfolios, with a preference for boutique fund managers.

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 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, 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 Company, the manager universe is largely derived from the IC's contact list garnered from their position within the investment industry. The underlying universe consist 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.

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.

Relative to its multi-manager peers, 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.

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 with the following medium-term targets:

- *Long-only strategies*: 50%, with a 30% to 70% range
- *Absolute return strategies*: 25%, with a 15% to 35% range
- *Market neutral strategies*: 20%, with a 10% to 30% range
- *Cash*: 5%, with a 0% to 10% range

In addition, the IC will also seek to broadly match the Australian All Ordinaries Index market capitalisation exposures.

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

- Paradice Investment Management
- Bennelong Australian Equity Partners
- Regal Funds Management
- Wilson Asset Management
- Watermark Funds Management
- Eley Griffiths Group
- Tribeca Investment Partners
- Cooper Investors
- Sandon Capital
- Discovery Asset Management
- LHC Capital
- Bennelong Long Short Equity Managment
- Smallco Investment Manager
- Lanyon Asset Management
- L1 Capital
- CBG Asset Management
- Centennial Asset Management
- ARCO Investment Management (formerly Optimal)
- Vinva Investment Management

Since our last review, the IC has made changes regarding the following managers:

- Removed - Qato Capital (Market Neutral)
- Added - Vinva Investment Management (Long only)
- Added - L1 Capital (Long Only)

The Company's portfolio positioning is weighted according to the IC's convictions regarding the prevailing investment environment. Zenith believes that IC has significantly advanced their assessment capability around blending manager investment styles and analysing manager performance correlations, which we see as a positive. However, we believe that further refinement of these capabilities would be preferable.

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 need by the IC who then, 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. In addition, we note 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 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 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% to ensure no single manager dominates the portfolio.

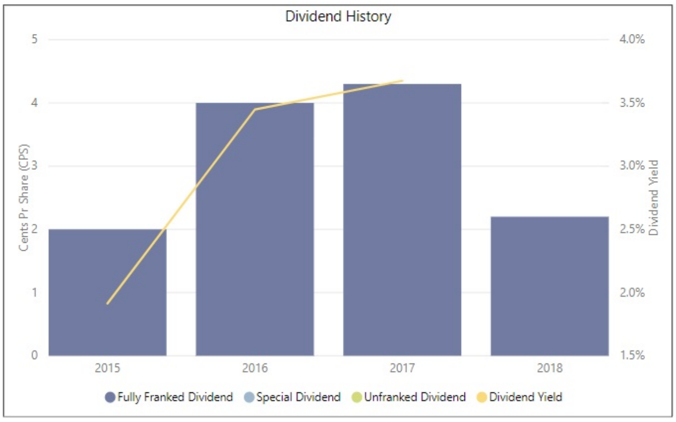
The Company invests directly into each underlying manager's unit trust, which, in Zenith's opinion, allows for greater transparency of investments and returns.

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 an increasing 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.

The Company has a Dividend Reinvestment Plan (DRP) in operation. Pricing is on the basis of the VWAP (volume weighted average price) of shares sold on an ex-dividend basis, three trading days from the ex-dividend date inclusive of the ex-dividend date.



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 children and youth at risk. 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 option than the sector average for Australian 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 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 providers 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:

- Act for Kids
- The Australian Children's Music Foundation
- Australian Indigenous Education Foundation
- DEBRA
- Father Chris Riley's Youth Off The Streets
- Giant Steps
- Kids Helpline
- Lighthouse Foundation
- Mirabel Foundation
- Raise
- Variety
- Youth Focus
- United Way
- Diabetes Kids Fund

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 Investment Company Limited
Asset Class	Australian Equities
Sub-Asset Class	Aust. Equities - Long Short
Management Structure	Externally Managed
Management Fee	0.00%
Performance Fee	Nil

Annual Management Fee Comparision		% p.a.
Australian Equities	Peers - LICs/LITs (Internally Managed) [1]	N/A
	Peers - LICs/LITs (Externally Managed)	1.02%

[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

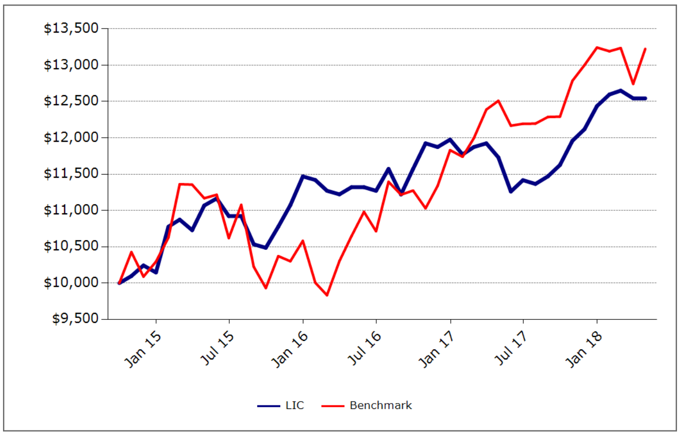
Report data: 30 Apr 2018, product inception: Oct 2014

Monthly Performance History (%, net of fees)

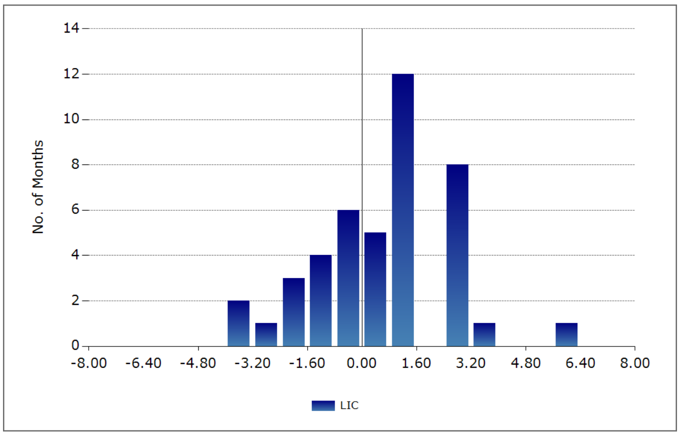
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	LIC YTD	BENCHMARK YTD
2018	1.28	0.42	-0.84	0.00									0.85	-0.14
2017	-1.71	0.87	0.43	-1.63	-4.00	1.39	-0.46	0.92	1.36	2.87	1.33	2.63	3.86	11.95
2016	-0.43	-1.30	-0.44	0.88	0.00	-0.44	2.68	-3.04	3.14	3.04	-0.43	0.86	4.42	11.80
2015	6.22	0.90	-1.34	3.17	0.88	-2.17	0.00	-3.56	-0.46	2.78	2.75	3.57	13.04	2.79
2014										0.97	1.44	-0.95	1.46	2.95

Benchmark: S&P/ASX 300 (Accum)

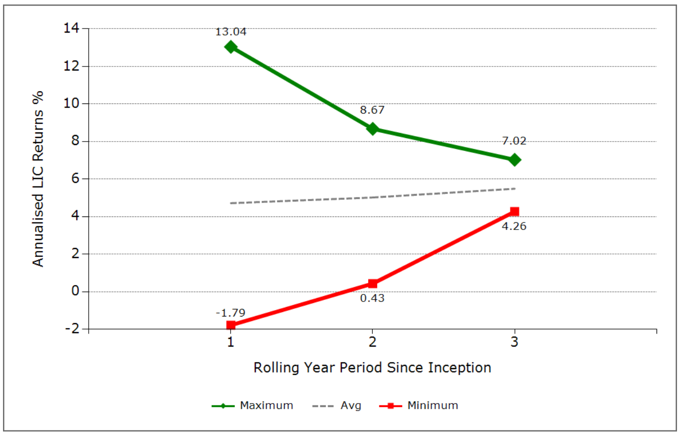
Growth of $10,000



Monthly Histogram



Minimum and Maximum Returns (% p.a.)



ABSOLUTE PERFORMANCE ANALYSIS

Return	Incpt.	3 yr	2 yr	1 yr
LIC (% p.a.)	6.53	4.26	5.26	6.94
Benchmark (% p.a.)	8.11	5.80	11.45	5.71
Median (% p.a.)	4.76	4.73	7.81	5.20
Ranking within Sector	**Incpt.**	**3 yr**	**2 yr**	**1 yr**
Fund Ranking	13 / 36	23 / 41	33 / 48	20 / 49
Quartile	2nd	3rd	3rd	2nd
Standard Deviation	**Incpt.**	**3 yr**	**2 yr**	**1 yr**
LIC (% p.a.)	6.99	6.53	6.28	6.03
Benchmark (% p.a.)	11.18	11.04	8.53	7.50
Median (% p.a.)	15.51	11.12	10.39	9.29
Downside Deviation	**Incpt.**	**3 yr**	**2 yr**	**1 yr**
LIC (% p.a.)	3.42	3.63	3.58	3.82
Benchmark (% p.a.)	6.15	6.46	3.70	4.20
Median (% p.a.)	8.65	5.82	5.26	4.99
Risk/Return	**Incpt.**	**3 yr**	**2 yr**	**1 yr**
Sharpe Ratio - LIC	0.64	0.35	0.55	0.86
Sortino Ratio - LIC	1.30	0.63	0.96	1.36

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 deliver investors a stream of fully franked dividends, provide capital growth and preserve capital. While the Company has no formal benchmark, informally it aims to outperform the S&P/ASX All Ordinaries Accumulation Index.

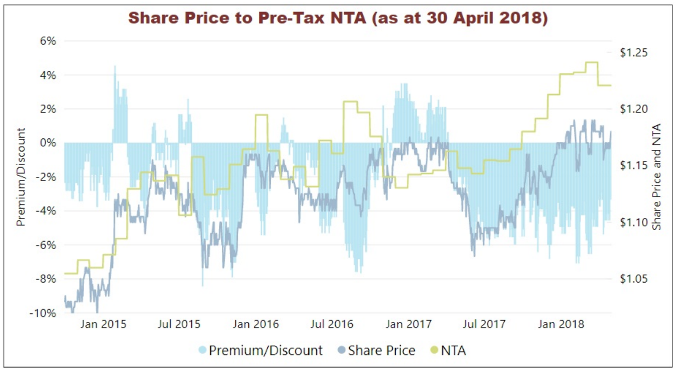
Dividend growth since inception has been positive, as has the growth of pre-tax NTA. On a gross of fees basis, the portfolio has also outperformed the S&P/ASX All Ordinaries Accumulation Index over all time periods.

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 3.3% discount 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.	3 yr	2 yr	1 yr
Excess Return (% p.a.)	-1.58	-1.54	-6.19	1.23
% Monthly Excess (All Mkts)	48.84	50.00	41.67	58.33
% Monthly Excess (Up Mkts)	33.33	34.78	35.29	55.56
% Monthly Excess (Down Mkts)	75.00	76.92	57.14	66.67
Beta Statistics	**Incpt.**	**3 yr**	**2 yr**	**1 yr**
Beta	0.28	0.32	0.32	0.54
R-Squared	0.20	0.29	0.19	0.44
Tracking Error (% p.a.)	10.19	9.32	8.07	5.69
Correlation	0.45	0.54	0.44	0.67
Risk/Return	**Incpt.**	**3 yr**	**2 yr**	**1 yr**
Information Ratio	-0.16	-0.16	-0.77	0.22

All commentary below is at 30 April 2018.

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

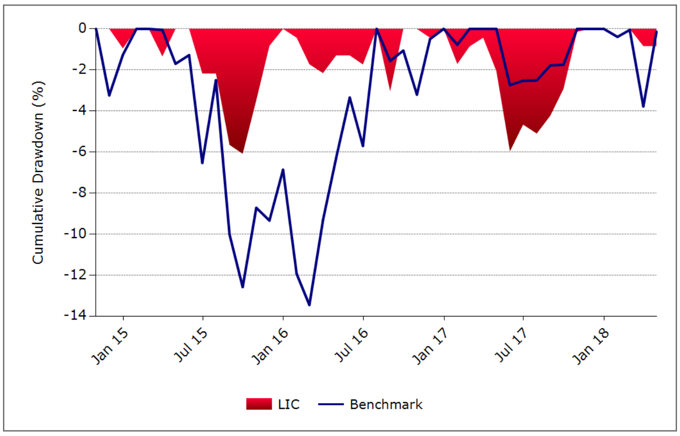
Zenith seeks to identify funds that can achieve an outperformance ratio above 50% of months in all market conditions as we believe this represents a persistence of manager skill. The portfolio has a better record of outperforming the benchmark in falling markets rather than rising markets given its ability to allocate to cash and short sell securities. Results on this measure for both the Company and the portfolio have been generally robust.

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 (%)	-6.09	-13.46
Months in Max Drawdown	4	12
Months to Recover	3	5

Worst Drawdowns	LIC	Benchmark
1	-6.09	-13.46
2	-5.97	-3.78
3	-3.04	-3.24
4	-2.16	-3.20
5	-1.34	-2.74



All commentary below is at 30 April 2018.

Consistent with the Company's capital preservation focus, drawdowns have been smaller than that of the benchmark.

Zenith expects stronger drawdown protection during periods of significant market corrections.

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.

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

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RATING HISTORY

As At	Rating
5 Jun 2018	Recommended
8 Jun 2017	Recommended
6 Jun 2016	Approved
3 Dec 2014	Not Rated - Screened Out

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

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