



**FUTURE GENERATION**  
GLOBAL INVESTMENT COMPANY

# Investment update

As at 31 July 2018

## Snapshot

Pre-tax net tangible assets

**\$1.35**

Management fees

**0%**

Gross assets

**\$404.6m**

Performance fees

**0%**

[futuregeninvest.com.au](http://futuregeninvest.com.au)

ABN 52 606 110 838

## Future Generation Global Investment Company Limited

ASX code	FGG
Date of listing	Sep 2015
Gross assets	\$404.6m
Market cap	\$413.1m
Share price	\$1.395
NTA before tax	\$1.35
Shares on issue	296,112,380
Management fees	0.0%
Performance fees	0.0%
Annual donation (% of NTA)	1.0%
Fully franked dividend (FY2017)	1.0c

### Investment objectives

- Achieve capital growth
- Preserve shareholder capital
- Provide a stream of fully franked dividends

### Company overview

Future Generation Global Investment Company (ASX: FGG) provides:

**Shareholders** with exposure to leading global fund managers without paying management or performance fees.

**Charities** focused on youth mental health with a stream of annual donations.

**Fund managers** with a unique opportunity to make a positive difference to Australia's future generations.

#### Chairman

Belinda Hutchinson AM

#### Founder and Director

Geoff Wilson AO

#### Chief Executive Officer

Louise Walsh

#### Directors

Frank Casarotti

Karen Penrose

Kiera Grant

Sarah Morgan

#### Investment Committee

Sean Webster, Chair

Chris Donohoe

Aman Ramrakha

Geoff Wilson AO

Lukasz de Pourbaix

#### Company Secretary

Kate Thorley and Mark Licciardo

## Investment portfolio

In July, the investment portfolio increased 1.5%. The MSCI AC World Index (AUD) rose 24% for the month. Since inception, the investment portfolio has increased 10.3% per annum. FGG's investment portfolio performance has been achieved with less volatility as measured by standard deviation, 8.0% versus the market's 9.1%

The spread between the three broad equities strategies is currently 50.9% long equities, 34.6% absolute bias, 3.7% quantitative strategies and 10.8% cash.

## Performance

Performance at 31 July 2018	6 mths	1 yr	Since inception %pa (Sep-15)
FGG Investment Portfolio*	10.1%	22.7%	10.3%
MSCI AC World Index (AUD)	5.1%	19.1%	10.4%
<b>Outperformance</b>	<b>+5.0%</b>	<b>+3.6%</b>	<b>-0.1%</b>

\*Investment performance and Index returns are before expenses, fees and taxes.

## Net tangible assets (NTA) figures

NTA before tax	135.05c
NTA after tax and before tax on unrealised gains	134.45c*
NTA after tax	128.63c*

\*After tax NTA figures have been calculated at a corporate tax rate of 27.5%.

## Defending the current dividend imputation system

The Federal Opposition has proposed changes to the current dividend imputation system that would impact self-funded retirees, older workers and low income earners. It is vital to encourage your family and friends to sign Wilson Asset Management's **[petition](#)** to maintain the momentum. Wilson Asset Management continues to fight against the proposed changes to the current dividend imputation system. You can view the results of its recent poll in the Australian Financial Review's **[coverage](#)**.

## Investor conference call

We look forward to providing an update on Future Generation during our investor conference call on Tuesday, 4 September at 11.00am - 12.00pm (Sydney time). Founder and Director Geoff Wilson and CEO Louise Walsh will provide an update on Future Generation Investment Company (FGX) and Future Generation Global Investment Company (FGG). We will end the call with a Q&A so we encourage you to ask questions.

Dial-in number: 1300 254 410

Access code: 5276493#

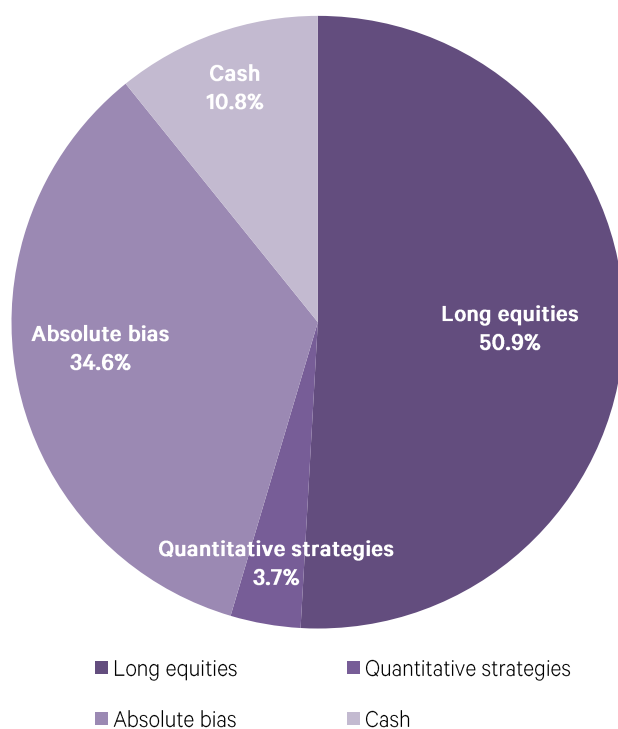
International dial-in number: +61 3 8687 0634

**[Register now](#)**

## Fund manager allocations

Fund manager	Investment	Strategy	% of portfolio
Antipodes Partners	Antipodes Global Fund	Absolute bias	10.6%
Cooper Investors	Cooper Investors Global Equities Fund (Unhedged)	Long equities	10.0%
Magellan Asset Management	Magellan Global Fund	Long equities	9.9%
Caledonia	Caledonia Fund	Long equities	8.8%
Marsico Capital Management	Marsico Global Fund	Long equities	8.2%
VGI Partners	VGI Partners Funds	Absolute bias	7.9%
Nikko Asset Management Australia	Nikko AM Global Share Fund	Long equities	6.1%
Manikay Partners	Manikay Global Opportunistic USD Fund	Absolute bias	4.6%
Ellerston Capital	Ellerston Global Mid Small Cap Fund	Long equities	4.6%
Morphic Asset Management	Morphic Global Opportunities Fund	Absolute bias	4.2%
Munro Partners	Munro Global Growth Fund	Absolute bias	4.0%
Neuberger Berman Australia	Neuberger Berman Systematic Global Equities Trust	Quantitative strategies	3.7%
Paradice Investment Management	Paradice Global Small Mid Cap Fund Unhedged	Long equities	3.3%
Avenir Capital	Avenir Global Fund	Absolute bias	3.3%
	Cash and Term Deposits	Cash	10.8%

## 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.

### Quantitative strategies

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

### Absolute bias

An investment strategy that seeks to generate returns, irrespective of the performance of traditional asset classes. These strategies use innovative investment techniques (including but not limited to short selling and leveraging) to profit from rising and falling markets, providing portfolio protection in the event an equity market experiences a significant fall.

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## Pro bono fund managers



## Fund manager in focus: Nikko Asset Management



### About Nikko Asset Management Global Share Fund

Nikko Asset Management's Global Equity investment team comprises five dual role portfolio managers and analysts, with an average of 21 years' industry experience. The team's size, culture and flat structure allows them to discuss ideas or themes and to join the dots between sectors and stocks.

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

### Our investment style

The Global Equity strategy seeks to achieve long term capital appreciation by investing in future quality companies with sustainable growth characteristics at attractive valuations which the investment team believes will lead to outperformance over the full market cycle. It is a fundamental, bottom-up research strategy; sector and country allocations are a function of stock selection. It is a concentrated, high conviction portfolio comprised of 40 to 50 stocks.

### Our top holdings

Holdings as at 31 July 2018	Weight
Microsoft Corporation	5.6%
Amazon.com, Inc.	4.6%
Livona Plc	4.3%
Progressive Corporation	3.4%
Anthem, Inc.	3.2%

### Our market outlook

With global trade and corporate confidence shaken by ongoing debates around terms of trade, investors have crowded into parts of the market where growth seems underpinned by secular rather than cyclical factors. Recent disappointments at Facebook (NASDAQ: FB) and Netflix (NASDAQ: NFLX), however, show what can happen when these darling stocks offer even the slightest weakness. In both cases, we can see grounds for a slight slowdown in growth continuing at the same time as the amount of investment required in the business continues to increase. Whilst these investments are undoubtedly the right thing for the businesses to do in the long run, current valuations do not yet fully capture this dilution to returns in our view.

One secular trend in technology that we continue to support is the accelerating push towards the cloud and more just in time manufacturing via edge computing. We do not see this shift being substantially impacted by broader macroeconomic considerations and it continues to underpin a number of Nikko Asset Management's portfolio holdings.

Underestimated competitive advantage remains an important source of future quality. The pricing power that this generally affords will likely become increasingly important during a period of rising cost inflation – as we are seeing at present – and helps differentiate between future and historic quality. Consumer staples continue to represent the clearest example of this bifurcation. While some stocks in the sector continue to struggle with outdated products and routes to market, other management teams are reinventing their businesses and championing local products for millennial consumers. While the sector still looks no better than fair value to us in aggregate despite its relative underperformance, we can still find future quality in these areas.

We also continue to find reasonably valued future quality within healthcare. New technologies like cloud connectivity are accelerating the speed of drug development and allowing more and more patients to be safely treated outside of the expensive hospital setting. They are also allowing healthcare providers to more accurately measure the clinical benefit of the treatment that patients are receiving and pay for it accordingly.

### Performance

Performance at 31 July 2018	1 yr	3 yrs %pa	5 yrs %pa	10 yrs %pa	Since inception %pa (Nov-95)
Nikko AM Global Share Fund (Net return)*	25.0%	9.7%	15.6%	10.7%	7.6%
MSCI AC World TR Index (AUD)	19.2%	8.5%	13.7%	9.4%	6.7%
<b>Outperformance</b>	<b>+5.8%</b>	<b>+1.2%</b>	<b>+1.9%</b>	<b>+1.3%</b>	<b>+0.9%</b>

\*Total Fund returns are post fees, pre-tax using redemption prices and assume reinvestment of distributions.

## Charity in focus: Black Dog Institute



**Q&A with Helen Christensen,  
Director and Chief Scientist at  
Black Dog Institute**

### About Black Dog Institute

The Black Dog Institute is a not-for-profit Medical Research Institute, a global leader in translational mental health research, and a leading authority on mental health issues. We harness the latest technology and other tools to quickly turn our world-class research findings into clinical services, education, and e-health products that improve the lives of people with mental illness and the wider community.

### Black Dog Institute and FGG

We established the Youth Centre for Research Excellence in Suicide Prevention aimed at reducing suicide attempts and deaths in young people. This is sadly the leading cause of death in young Australians aged 15 to 24 years old. Through generous funding from FGG, we have been able to appoint three researchers each tasked to lead a research study that develops new solutions to reduce suicide risk in young people. We are pleased with the progression of each FGG funded study:

- Study 1: Development of a therapeutic smartphone app that helps a young person to manage suicidal thoughts. Planning for the co-design process with young people to build and test the app prototype is underway.
- Study 2: Development of a text messaging system to provide continuity of care for youth discharged from hospital following a suicide attempt. The system has been trialled in three hospitals to date, where strong user engagement has been demonstrated and we have observed large reductions in suicidal thinking by participants after six weeks.
- Study 3: Development of smartphone technology to detect social withdrawal, a known risk factor for suicide. Extensive refinements have been made to enhance passive sensor data collection within the app, and a second feasibility study has since been completed, demonstrating good data collection rates.

For more information, visit [www.blackdoginstitute.org.au](http://www.blackdoginstitute.org.au)

### What is your driving motivation?

What drives me is the knowledge that suicide prevention can be improved. We can save lives. I am deeply motivated by the goal of reducing the prevalence of mental illness in young people and in reducing suicide rates in Australia. Our efforts are focused on putting what we know works into practice – I strongly believe research that stays on the shelf is wasteful. As a scientist, I am also motivated by the contribution science can make to our everyday lives which makes us stronger and healthier.

### What is the most challenging aspect of your role?

I just find it so hard to disengage from the work we are doing. Another challenge is the continued stigma that surrounds mental health, less than one in five Australians who experience mental health problems each year get access to treatment. It is our job to change that.

### What is the Impact of FGG's support?

It is immensely humbling. Knowing the FGG shareholders have put their trust in us and our ability to deliver results in the face of our great challenge – suicide prevention – is a source of inspiration. Quite simply, the careers of young scientists need to be supported and developed – this is exactly what FGG does. It also enables a long term approach, which empowers us to do better, more sustainable, seamless research, and helps us to attract the most passionate and talented people.

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## Charities



## Service providers

