WHO IS IIR?

Independent Investment Research, "IIR", is an independent investment research house based in Australia and the United States. IIR specialises in the analysis of high quality commissioned research for Brokers, Family Offices and Fund Managers. IIR distributes its research in Asia, United States and the Americas. IIR does not participate in any corporate or capital raising activity and therefore it does not have any inherent bias that may result from research that is linked to any corporate / capital raising activity.

IIR was established in 2004 under Aegis Equities Research Group of companies to provide investment research to a select group of retail and wholesale clients. Since March 2010, IIR (the Aegis Equities business was sold to Morningstar) has operated independently from Aegis by former Aegis senior executives/shareholders to provide clients with unparalleled research that covers listed and unlisted managed investments, listed companies, structured products, and IPOs.

IIR takes great pride in the quality and independence of our analysis, underpinned by high calibre staff and a transparent, proven and rigorous research methodology.

INDEPENDENCE OF RESEARCH ANALYSTS

Research analysts are not directly supervised by personnel from other areas of the Firm whose interests or functions may conflict with those of the research analysts. The evaluation and appraisal of research analysts for purposes of career advancement, remuneration and promotion is structured so that non-research personnel do not exert inappropriate influence over analysts.

Supervision and reporting lines: Analysts who publish research reports are supervised by, and report to, Research Management. Research analysts do not report to, and are not supervised by, any sales personnel nor do they have dealings with Sales personnel.

Evaluation and remuneration: The remuneration of research analysts is determined on the basis of a number of factors, including quality, accuracy and value of research, productivity, experience, individual reputation, and evaluations by investor clients.

INDEPENDENCE – ACTIVITIES OF ANALYSTS

IIR restricts research analysts from performing roles that could prejudice, or appear to prejudice, the independence of their research.

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Widely-attended conferences: Analysts are permitted to attend and speak at widely-attended conferences at which our firm has been invited to present our views. These widely-attended conferences may include investor presentations by corporate clients of the Firm.

Other permitted activities: Analysts may be consulted by Firm sales personnel on industry trends, conditions and developments and the structuring, pricing and expected market reception of securities offerings or other market operations. Analysts may also carry out preliminary due diligence and vetting of issuers that may be prospective research clients of ours.

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1) The research process has complete editorial independence from the company and this is included in the contract with the company;
2) Our analyst has independence from the firm’s management, as in, management/ sales team cannot influence the research in any way;
3) Our research does not provide a recommendation, in that, we do not provide a “Buy, Sell or Hold” on any stocks. This is left to the Adviser who knows their client and the individual portfolio of the client.
4) Our research process for valuation is usually more conservative than what is adopted in Broking firms in general sense. Our firm has a conservative bias on assumptions provided by management as compared to Broking firms.
5) All research mandates are settled upfront so as to remove any influence on ultimate report conclusion;
6) All staff are not allowed to trade in any stock or accept stock options before, during and after (for a period of 6 weeks) the research process.

For more information regarding our services please refer to our website www.independentresearch.com.au.
Future Generation Investment Company Limited (FGX)

COMPANY OVERVIEW
Future Generation Investment Company Limited (ASX: FGX) listed on the ASX in September 2014. FGX invests in a portfolio of Australian equity fund managers who forego the management and performance fees in order to donate 1% of the average NTA in a financial year to a selection of charitable causes.

INVESTMENT OBJECTIVE
The company seeks to provide a stream of fully franked dividends, capital growth and preserve shareholder capital, as well as contribute to Australian charities with a focus on children at risk.

STYLE AND PROCESS
FGX seeks to invest in a portfolio of between 15 and 25 Australian fund managers. No more than 10% of the portfolio will be allocated to an individual manager at the time of initial investment. FGX seeks to be fully invested at all times with minimal cash holdings, however, this remains at the discretion of Investment Committee. The company seeks to diversify the portfolio by investment strategy, seeking to hold long only, absolute return and market neutral funds. FGX has a buy and hold approach with respect to the underlying funds, with the Investment Committee selecting a portfolio of funds which they believe to be managed by quality fund managers.

PORTFOLIO CHARACTERISTICS
The portfolio comprises 23 managed funds across 20 fund managers. FGX invests in managers who have agreed to forgo their management and performance fees. The forgone fees allow 1% of the average annual NTA to be donated to a variety of charities, with the difference between the value of the foregone fees and the donation amount flowing to shareholders. During the June quarter the company exited its position in the Discovery Australian Small Companies Fund and added the Firetrail Absolute Return Fund and the QVG Opportunities Fund. The portfolio has a bias to long only funds, with 56.1% of the portfolio allocated to this style of fund. The largest exposure is to the Bennelong Australian Equities Fund with 12.0% of the portfolio allocated to this fund. The portfolio is fully invested with a cash holding of 1.7% at 30 June 2018.

INDEPENDENT INVESTMENT RESEARCH COMMENTS
FGX provides investors an opportunity to invest in a diversified portfolio of Australian managed funds with the added benefit of contributing to charitable causes. The underlying funds forego their management and performance fees, enabling investors to access these funds on a pre-fee basis. Any gap between the foregone fees and the annual donation will flow through to shareholders. In addition to the underlying managers not charging fees, the Directors, Investment Committee and some other service providers are providing their services free of charge. The Board and Investment Committee receive a summary of underlying manager performance and contribution monthly and the Investment Committee meets formally on a quarterly basis to review managers and make changes as required. We note that some of the Board members are fund managers and have an allocation in the portfolio. The portfolio (pre-tax NTA after tax on realised gains but before tax on unrealised gains plus dividends) outperformed the All Ordinaries Accumulation Index over the 12 months to 30 June 2018, however has marginally underperformed over the three years to June-end. Dilution from the exercise of options issued at the IPO contributed to the underperformance. FGX continues to trade at a discount to pre-tax NTA, although the discount narrowed over the June quarter with the share price rising at a greater pace than the portfolio. FGX provides exposure to a well diversified portfolio Australian equity funds for a reduced fee level than if the funds were invested in directly.
PERFORMANCE ANALYTICS

<table>
<thead>
<tr>
<th>Fund</th>
<th>Portfolio (%)</th>
<th>Fund</th>
<th>Portfolio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bennelong Australian Equities Fund</td>
<td>12.0</td>
<td>L1 Capital Long Short Fund – Retail Class</td>
<td>3.0</td>
</tr>
<tr>
<td>Regal Australian Long Short Equity Fund</td>
<td>10.5</td>
<td>ARCO Investment Management (Optimal Australia) Absolute Trust</td>
<td>2.8</td>
</tr>
<tr>
<td>Wilson Asset Management Equity Fund</td>
<td>8.6</td>
<td>L1 Capital Australian Equities Fund</td>
<td>2.5</td>
</tr>
<tr>
<td>Tribeca Alpha Plus Fund</td>
<td>7.4</td>
<td>Viva Australian Equities Fund</td>
<td>2.4</td>
</tr>
<tr>
<td>Watermark Market Neutral Trust</td>
<td>4.8</td>
<td>CBS Asset Australian Equities Fund</td>
<td>2.5</td>
</tr>
<tr>
<td>Paradice Mid Cap Fund – B Class</td>
<td>6.6</td>
<td>LHC Capital Australia High Conviction Fund</td>
<td>1.7</td>
</tr>
<tr>
<td>Eley Griffiths Group Small Companies Fund</td>
<td>5.5</td>
<td>The Level 18 Fund</td>
<td>1.7</td>
</tr>
<tr>
<td>Cooper Investors Australian Equities Fund</td>
<td>5.4</td>
<td>Smalco Broadcap Fund</td>
<td>1.4</td>
</tr>
<tr>
<td>Paradice Large Cap Fund</td>
<td>5.3</td>
<td>Lanyon Australian Value Fund</td>
<td>1.0</td>
</tr>
<tr>
<td>Sandon Capital Activist Fund</td>
<td>4.4</td>
<td>Eley Griffiths Group Emerging Companies Fund</td>
<td>1.0</td>
</tr>
<tr>
<td>Bennelong Long Short Equity Fund</td>
<td>3.6</td>
<td>QVG Opportunities Fund</td>
<td>1.0</td>
</tr>
<tr>
<td>Firetrail Absolute Return Fund</td>
<td>3.5</td>
<td>Cash</td>
<td>1.7</td>
</tr>
</tbody>
</table>

Source all figures: FGX/Independent Investment Research/IRESS.
All data as at 30 June 2018 unless otherwise specified.
APPENDIX A – RATINGS PROCESS

Independent Investment Research Pty Ltd “IIR” rating system

IIR has developed a framework for rating investment product offerings in Australia. Our review process gives consideration to a broad number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: management and underlying portfolio construction; investment management, product structure, risk management, experience and performance; fees, risks and likely outcomes.

<table>
<thead>
<tr>
<th>LMI Ratings</th>
<th>SCORE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highly Recommended</td>
<td>83 and above</td>
</tr>
<tr>
<td>Recommended +</td>
<td>79–83</td>
</tr>
<tr>
<td>Recommended</td>
<td>70–79</td>
</tr>
<tr>
<td>Investment Grade</td>
<td>60–70</td>
</tr>
<tr>
<td>Not Recommended</td>
<td>&lt;60</td>
</tr>
</tbody>
</table>

This is the highest rating provided by IIR, indicating this is a best of breed product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved exceptionally high scores in a number of categories. The product provides a highly attractive risk/return trade-off. The Fund is likely effectively to apply industry best practice to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors. This should result in returns that reflect the expected level of risk.

This rating indicates that IIR believes this is a superior grade product that has exceeded the requirements of our review process and achieved high scores in a number of categories. In addition, the product rates highly on one or two attributes in our key criteria. It has an above-average risk/return trade-off and should be able to consistently generate above average risk-adjusted returns in line with stated investment objectives. The Fund should be in a position effectively to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors. This should result in returns that reflect the expected level of risk.

This rating indicates that IIR believes this is an above-average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an above-average risk/return trade-off and should be able to consistently generate above-average risk adjusted returns in line with stated investment objectives.

This rating indicates that IIR believes this is an average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an average risk/return trade-off and should be able to consistently generate average risk adjusted returns in line with stated investment objectives.

This rating indicates that IIR believes that despite the product’s merits and attributes, it has failed to meet the minimum aggregate requirements of our review process across a number of key evaluation parameters. While this is a product below the minimum rating to be considered Investment Grade, this does not mean the product is without merit. Funds in this category are considered to be susceptible to high risks that are not reflected by the projected return. Performance volatility, particularly on the down-side, is likely.
APPENDIX B – MANAGED INVESTMENTS COVERAGE

The below graphic details the spread of ratings for managed investments rated by Independent Investment Research (IIR). The managed investments represented below include listed and unlisted managed funds, fund of funds, exchange traded funds and model portfolios.

Spread of Managed Investment Ratings

- Not Recommended: 2.2%
- Speculative: 0.0%
- Investment Grade: 5.6%
- Recommended: 50.0%
- Recommended Plus: 30.0%
- Highly Recommended: 12.2%
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