



# Investment update

As at 31 December 2018

## Snapshot

Pre-tax net tangible assets

**\$1.11**

Fully franked  
dividend yield

**3.9%**

Gross assets

**\$442.0m**

Management and  
performance fees

**0%**

[futuregeninvest.com.au](http://futuregeninvest.com.au)  
ABN 97 063 935 553

## Future Generation Investment Company Limited

|   |             |
|---|-------------|
| ASX code                                    | FGX         |
| Date of listing                             | Sept 2014   |
| Gross assets                                | \$442.0m    |
| Market cap                                  | \$465.7m    |
| Share price                                 | \$1.175     |
| NTA before tax                              | \$1.11      |
| Shares on issue                             | 396,348,525 |
| Management fees                             | 0.0%        |
| Performance fees                            | 0.0%        |
| Annual donation (% of NTA)                  | 1.0%        |
| Annualised fully franked dividends (FY2018) | 4.6c        |
| Fully franked dividend yield                | 3.9%        |

## Investment objectives

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

## Company overview

Future Generation Investment Company Limited (ASX: FGX) provides:

**Shareholders** with exposure to the best Australian fund managers without paying management or performance fees.

**Charities** focused on children and youth at risk with a stream of annual donations.

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

### Chairman

Jonathan Trollip

### Founder and Director

Geoff Wilson AO

### Chief Executive Officer

Louise Walsh

### Directors

David Leeton  
David Paradice AO  
Gabriel Radzynski  
Kate Thorley  
Scott Malcolm

### Investment Committee

Geoff Wilson AO, Chair  
Bruce Tomlinson  
David Smythe  
Gabriel Radzynski  
Matthew Kidman

### Company Secretary

Mark Licciardo

## Performance

### Performance at 31 December 2018

|   | 1 yr         | 3 yrs % pa   | Since inception %p.a. (Sep-14) |
|---|--------------|--------------|--------------------------------|
| FGX Investment Portfolio*                 | -3.8%        | 5.3%         | 7.1%                           |
| S&P/ASX All Ordinaries Accumulation Index | -3.5%        | 6.6%         | 4.8%                           |
| <b>Outperformance</b>                     | <b>-0.3%</b> | <b>-1.3%</b> | <b>+2.3%</b>                   |

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

## Investment portfolio

In December, the FGX investment portfolio decreased 1.8%. The S&P/ASX All Ordinaries Accumulation Index fell 0.4% for the month. Since inception, the investment portfolio has increased 7.1% per annum, outperforming the benchmark by 2.3%. The investment portfolio's outperformance has been achieved with less volatility as measured by standard deviation, 7.5% versus the market's 11.1%.

The spread between the three broad equities strategies is 42.0% long equities, 33.0% absolute bias, 14.1% market neutral and 10.9% cash.

## Net tangible asset (NTA) figures

|   |          |
|---|----------|
| NTA before tax                                    | 110.93c* |
| NTA after tax and before tax on unrealised losses | 111.14c  |
| NTA after tax                                     | 112.86c  |

\*This figure is after the payment of \$6.6m (1.7 cents per share) in tax during the month in relation to the 2018 income tax year.

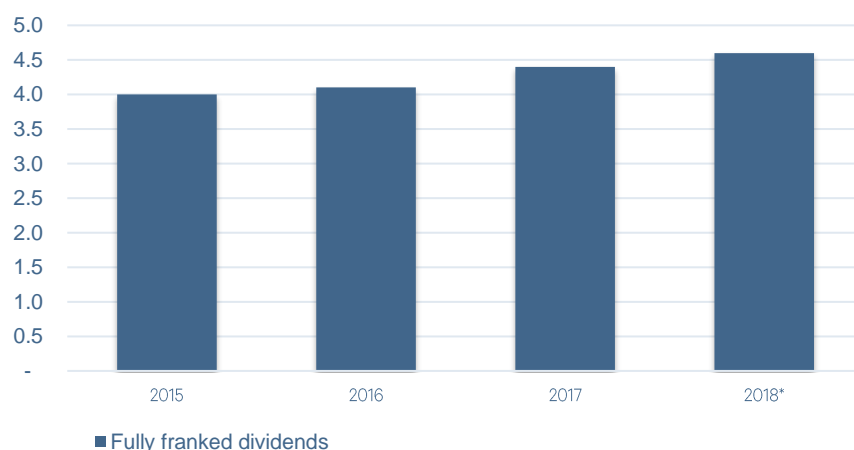
On 3 December 2018, 6,096,984 ordinary shares were issued under the Share Purchase Plan.

## Fully franked dividends

The Board is committed to paying an increasing stream of fully franked dividends to shareholders, provided the Company has sufficient profit reserves, franking credits and it is within prudent business practices. Since inception, FGX has paid 14.8 cents per share in fully franked dividends to shareholders.

## Fully franked dividends since inception

cents per share

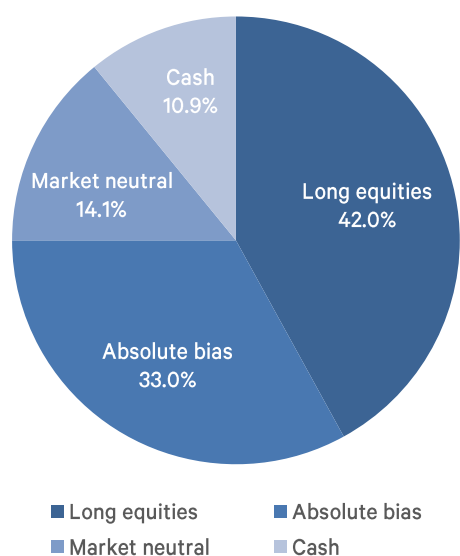


\*Annualised interim dividend

## Fund manager allocations

| Fund manager                           | Investment                                       | Strategy       | % of portfolio |
|--|--|----------------|----------------|
| Bennelong Australian Equities Partners | Bennelong Australian Equities Fund               | Long equities  | 10.7%          |
|  | Large/Mid Cap Funds (split out below)            |                | 10.4%          |
| Paradise Investment                    | Paradise Australian Mid Cap Fund – B Class       | Long equities  | 5.8%           |
|  | Paradise Australian Equities Fund                | Long equities  | 4.6%           |
| Regal Funds Management                 | Regal Australian Long Short Equity Fund          | Absolute bias  | 9.4%           |
|  | Small/Emerging Companies Funds (split out below) |                | 6.5%           |
| Eley Griffiths Group                   | Eley Griffiths Group Small Companies Fund        | Long equities  | 5.6%           |
|  | Eley Griffiths Group Emerging Companies Fund     | Long equities  | 0.9%           |
| Tribeca Investment Partners            | Tribeca Alpha Plus Fund                          | Absolute bias  | 6.3%           |
| Wilson Asset Management                | Wilson Asset Management Equity Fund              | Absolute bias  | 5.8%           |
| Cooper Investors                       | Cooper Investors Australian Equities Fund        | Long equities  | 5.1%           |
|  | Long Short/Aus Equities Funds (split out below)  |                | 4.7%           |
| L1 Capital                             | L1 Capital Long Short Fund – Retail Class        | Absolute bias  | 2.5%           |
|  | L1 Capital Australian Equities Fund              | Long equities  | 2.2%           |
| Watermark Funds Management             | Watermark Market Neutral Trust                   | Market neutral | 4.7%           |
| Sandon Capital                         | Sandon Capital Activist Fund                     | Absolute bias  | 4.4%           |
| Bennelong Long Short Equity Management | Bennelong Long Short Equity Fund                 | Market neutral | 3.5%           |
| Firetrail Investments                  | Firetrail Absolute Return Fund                   | Market neutral | 3.1%           |
| ARCO Investment Management             | ARCO Investment Management Absolute Trust        | Market neutral | 2.8%           |
| CBG Asset Management                   | CBG Australian Equities Fund                     | Long equities  | 2.3%           |
| Vinva Investment Management            | Vinva Australian Equities Fund                   | Long equities  | 2.3%           |
| LHC Capital                            | LHC Capital Australia High Conviction Fund       | Absolute bias  | 1.9%           |
| Centennial Asset Management            | The Level 18 Fund                                | Absolute bias  | 1.7%           |
| Smallco Investment Manager             | Smallco Broadcap Fund                            | Long equities  | 1.5%           |
| QVG Capital                            | QVG Opportunities Fund                           | Long equities  | 1.0%           |
| Lanyon Asset Management                | Lanyon Australian Value Fund                     | Absolute bias  | 1.0%           |
|  | Cash and Term Deposits                           |                | 10.9%          |

## 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.

### 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.

### Market neutral

An investment strategy that generally involves the simultaneous purchase and sale of equities to generate returns that are not linked to the performance of underlying equity markets.

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## Pro bono fund managers



## Fund manager in focus: Bennelong Long Short Equity Management



Bennelong Long Short Equity Management was established in 2002. We are a boutique asset manager focussed on one investment strategy – market neutral.

For further information, please visit [www.blsem.com.au](http://www.blsem.com.au)

### Investment style

The Bennelong Long Short Equity Fund's objective is to achieve consistent positive returns regardless of market conditions. We are fundamental, long-term investors and create a diversified portfolio of larger (predominantly ASX 100) Australian listed equities by pairing a long and a short within the same industry or sector. Portfolio structure produces a low volatility return which enables us to apply leverage to enhance returns. Returns are uncorrelated to other asset classes.

Our fundamental analysis revolves around companies and their prospects. We constrain exposure to market and macro risk. The Bennelong Long Short Equity Fund is skewed to stock specific risk.

### Bennelong Long Short Equity Fund Performance

The fund returned 2.5% over the last year which compares favourably to the ASX 200 Accumulation Index performance of -2.8% (although it should be noted that this is not the fund's benchmark). In the last year, the fund has experienced an increasing level of volatility, however portfolio volatility remains within the range previously experienced during market turbulence.

Across calendar year 2018, the fundamental company news for our portfolio was mostly positive which we believe was not reflected in the investment portfolio performance and as a result, the relative value and quality of the long portfolio versus the short portfolio remains attractive and has improved.

| Performance at<br>31 December 2018 | 1<br>yr      | 5 yrs<br>%p.a. | Since<br>inception<br>%p.a.<br>(Feb-02) |
|------------------------------------|--------------|----------------|---|
| Bennelong Long Short Equity Fund*  | 2.5%         | 6.7%           | 15.6%                                   |
| RBA Cash Rate                      | 1.5%         | 1.9%           | 4.0%                                    |
| <b>Outperformance</b>              | <b>+1.0%</b> | <b>+4.8%</b>   | <b>+11.6%</b>                           |

\*Investment performance is net of all costs and fees.

## Charity in focus: Debra Australia



### About Debra Australia

DEBRA Australia is a volunteer-based, not for profit organisation which aims to improve the lives of those living with Epidermolysis Bullosa (EB), a rare, debilitating and sometimes fatal genetic skin condition. Individuals living with EB are faced with many daily challenges as their skin blisters and peels at the slightest touch. EB is extremely painful, likened to living with third degree burns that do not heal, and requires daily use of medication and protective dressings. DEBRA assists families by providing information and support, nursing care, and funding home aids not covered by current government programs.

### Debra Australia and FGX

The generous funds we have received from FGX have allowed us to deliver specialised nurse support in major hospitals and home nursing care for children and young people with EB where government funding is not provided. We currently fund a part-time paediatric EB Nurse in Melbourne and two nurses who focus on young people moving from the paediatric to the adult hospital setting in Sydney and Melbourne. We are investigating the extension of this service to Brisbane in the coming year. Several high-need families are also being supported at home, with regular nurse visits, including extra help for those with new severely affected EB babies. Special educational programs are conducted each year so health professionals involved with EB care have up to date knowledge about patient management and a forum for sharing ideas and practices.

In 2018, the generous support from FGX has enabled us to establish a new pilot psychology program, with two psychologists now available for consultation with individuals and families living with EB in Melbourne and Sydney. These psychologists have expertise in coping strategies for chronic health conditions and have participated in some training sessions to give them an understanding of the special challenges associated with EB.

One individual with severe EB recently described what a difference the new Transition Nurse in Melbourne, has made to her life:

“As a patient I rely very heavily on Lauren’s assistance and without it I believe that I would get lost in the system. She was my point of contact between myself and all the medical staff so that everyone was always on the same page. I look back and I think to myself how did I ever manage without her?”

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



### Q&A with Jennifer Marty, Chair of Debra Australia

#### What is your driving motivation in your current role?

As an individual with no direct family connection with EB I had a lot to learn when I first became involved with DEBRA. Over my 10 years since joining DEBRA, I have met some amazing and resilient people. They have taught me so much about making the most of life, no matter what challenges you face. My main motivation is the belief that the skills I bring from a health and business environment can help DEBRA make a difference for families living with EB. It is a rare condition and many families are often so busy coping with their everyday challenges that they can feel quite isolated. The services we offer can help to make daily living a little bit easier, so that individuals feel supported and know that someone cares. I hope I can assist in achieving this.

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

As EB is a rare condition, finding adequate resources, both human and financial, to enable us to achieve our plans, is always a challenge. For the past few years our main focus has been to develop a sustainable organisation which can deliver our current programs and introduce new ones in a professional and financially responsible manner. My role as Chair involves finding ways to balance all of these demands. This has required establishing a more structured approach to our program planning and fundraising, whilst not losing the agility, compassion and responsiveness important for addressing patient needs. We do not receive any direct government funding, so we try to keep our administrative expenses to a minimum and depend on lots of support from our generous volunteers.

## Charities



## Service providers

