

Investment update

As at 30 November 2018

Snapshot

Pre-tax net tangible assets

\$1.15

Fully franked
dividend yield

3.9%

Gross assets

\$456.7m

Management and
performance fees

0%

Future Generation Investment Company Limited

ASX code	FGX
Date of listing	Sept 2014
Gross assets	\$456.7m
Market cap	\$464.4m
Share price	\$1.19
NTA before tax	\$1.15
Shares on issue	390,251,541
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 30 November 2018	Fin YTD	1 yr	3 yrs % pa	Since inception %p.a. (Sep-14)
FGX Investment Portfolio*	-2.1%	0.5%	6.9%	7.7%
S&P/ASX All Ordinaries Accumulation Index	-3.1%	-1.1%	7.7%	5.0%
Outperformance	+1.0%	+1.6%	-0.8%	+2.7%

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

Investment portfolio

In November, the FGX investment portfolio decreased 2.5% in what was another volatile month for the Australian equity market. The S&P/ASX All Ordinaries Accumulation Index fell 2.2% for the month. Since inception, the investment portfolio has increased 7.7% per annum, outperforming the benchmark by 2.7%. The investment portfolio's outperformance has been achieved with less volatility as measured by standard deviation, 7.5% versus the market's 11.2%.

The spread between the three broad equities is 41.9% long equities, 32.5% absolute bias, 13.8% market neutral and 11.8% cash.

Net tangible asset (NTA) figures

NTA before tax	114.68c
NTA after tax and before tax on unrealised losses	113.35c
NTA after tax	114.30c

During the month, 38,064,589 shares were issued under the Placement.

The shares allotted under the Share Purchase Plan were issued on 3 December 2018.

Share Purchase Plan and Placement

In November, the FGX Share Purchase Plan (SPP) and Placement were completed, raising a combined \$52.1 million. The SPP raised \$7.2 million and the Placement raised a further \$44.9 million. This will increase FGX's annual investment in charities focused on children and youth at risk by an estimated \$521,000 to an annualised rate of approximately \$4.8 million.

Shareholder Presentations

Thank you to all who attended our Future Generation Investment Forum and Shareholder Presentations during November. At the Investment Forum, our FGX and FGG fund managers presented their top stock picks. You can find the link to the recording [here](#). The event was covered in the [Australian Financial Review](#), in Livewire by [Alex Cowie](#) and as a [Livewire Exclusive](#), and [The Motley Fool](#).

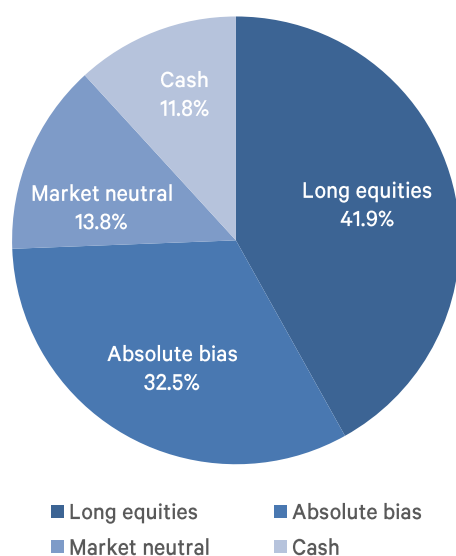
Thank you also for all who presented, in particular those who were part of the Investment Forum panel: Peter Cooper from [Cooper Investors](#), Jack Lowenstein from [Morphic Asset Management](#), and Geoff Wilson AO, FGX and FGG Founder and Director.

We greatly enjoyed the opportunity to meet many of you during our semi-annual Shareholder Presentations. It was fantastic to see record-breaking numbers across Australia, with more than 2,500 shareholders and interested investors in attendance, and over 1,500 watching the Sydney livestream. If you were unable to make it, you can access the [recording](#).

Fund manager allocations

Fund manager	Investment	Strategy	% of portfolio
Bennelong Australian Equities Partners	Bennelong Australian Equities Fund	Long equities	10.5%
	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	9.1%
	Small/Emerging Companies Funds (split out below)		6.6%
Eley Griffiths Group	Eley Griffiths Group Small Companies Fund	Long equities	5.6%
	Eley Griffiths Group Emerging Companies Fund	Long equities	1.0%
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	4.9%
	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	4.6%
Sandon Capital	Sandon Capital Activist Fund	Absolute bias	4.4%
Bennelong Long Short Equity Management	Bennelong Long Short Equity Fund	Market neutral	3.3%
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	1.8%
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	1.2%
Lanyon Asset Management	Lanyon Australian Value Fund	Absolute bias	0.9%
	Cash and Term Deposits		11.8%

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.

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.

Absolute bias

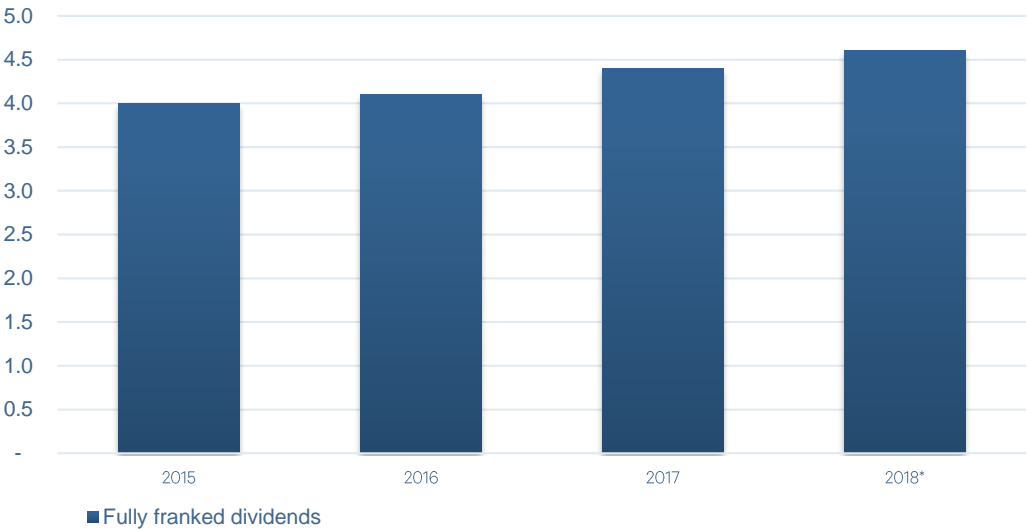
An investment strategy that seeks to generate returns, irrespective of the performance of traditional asset classes. These strategies use innovative investment techniques (including but not limited to short selling and leveraging) to profit from rising and falling markets, providing portfolio protection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

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

Pro bono fund managers



Fund manager in focus: Eley Griffiths Group



Eley Griffiths Group (EGG) is an independent staff-owned fund manager specialising in Australian small and emerging companies. The Small Companies Fund and Emerging Companies Fund are both open to new investors and have a 15-year track record of outperforming the market. The successful outcomes EGG have delivered to clients are the result of their alignment, committed investment team and time-tested investment process.

For further information, please visit eleygriffiths.com.au

Investment style

Eley Griffiths Group has a style-agnostic investment approach, combining fundamental bottom-up research of companies with an in-depth qualitative assessment of their management and industry structure. The outworking of this process are portfolios that typically exhibit both "growth" and "value" characteristics. EGG's goal is to construct portfolios that outperform the market over the long-term.

Market outlook

We have been consistently bullish on equities as an asset class since 2009. The recent price correction across global equities is a normal and frequent development in the later stages of a stock market advance. Decelerating US corporate earnings growth, a fading global growth backdrop and competition for capital (Federal funds close to 3%) will see this corrective phase continue into the new year. While the fundamental backdrop has deteriorated over the last three months, it has done so from elevated levels and we believe this to be another bull market correction (much like late 2015). Our core belief of an elongated economic and equity market cycle remains our base case at this stage.

Eley Griffiths Group Emerging Companies Fund Performance

Performance at 30 November 2018	6 mths	1 yr	Since inception %p.a. (Mar-17)
EGG Emerging Companies Fund*	-1.0%	+11.2%	+21.8%
S&P/ASX Small Ordinaries Accumulation Index	-8.0%	-1.6%	+8.7%
Outperformance	+7.0%	+12.8%	+13.1%

*Investment performance is net of all costs and fees.

Charity in focus: Diabetes Kids Fund



About Diabetes NSW

Diabetes NSW is Australia's oldest and largest member-based diabetes charity, supporting over 440,000 people living with diabetes across NSW and ACT. Diabetes is Australia's fastest growing chronic health condition with 280 Australians developing diabetes every day. Diabetes NSW is committed to providing education, information, programs and services to people living with all types of diabetes and those who care for them, to reduce the challenges and complications associated with the condition.

Diabetes Kids Fund and FGX

Ongoing support from FGX has enabled Diabetes Kids Fund, run by Diabetes NSW, to improve the lives of thousands of children and teenagers with type-1 diabetes across NSW and ACT through 'The Safe Kids Initiative'. This generosity has funded carer training workshops, teacher training seminars, one-on-one advocacy sessions and the development and distribution of informational resources. These programs and services combine to create safe environments for children living with this condition by ensuring that they receive proper support in looking after their diabetes outside the care of their parents.

Type-1 diabetes is an auto-immune condition with no identifiable cause, and no known cure. Over 4,600 children and teenagers live with this lifelong condition across NSW and ACT. With the support of FGX, Diabetes Kids Fund has already managed to engage and educate hundreds of teachers and carers, such as grandparents, relatives, and babysitters who directly support these children. This education is crucial – it builds confidence, improves management and understanding of the condition, thereby allowing children to live a healthy and normal life.

As our funding partnership continues, we intend to expand our reach by introducing programs into Queensland that will meet the needs of its community and further support children, families and carers.

For more information, please visit diabetesnsw.com.au



Q&A with Sturt Eastwood, CEO

What is your driving motivation in your current role?

Being able to meet and work with people living with diabetes and seeing the impact that the support and education they receive from the team at Diabetes Kids Fund can have on their ability to better self-manage their diabetes is a real driver. The person living with diabetes has little time in front of their health care team and successful self-management comes down to the efforts of the team.

What is the most challenging aspect of your role?

The sheer scale of the problem. The prevalence of diabetes in the community continues to grow at 7% per annum and our challenge is to come up with ways to reach one million people living in New South Wales and the ACT who have diabetes or at risk of developing it. We don't have the resources at hand to reach these people face to face so we need to come up with new and innovative ways to engage them in better self-management of their diabetes. This is where digital technology can play a role and we are looking at options all the time.

What does it mean to have the support of FGX?

FGX has been a tremendous supporter of Diabetes Kid Fund. Through the generosity of FGX, we have been able to pilot new services, prove their value and grow them to reach even more children living with diabetes.

Charities



Service providers

