



# Investment update

As at 31 January 2019

## Snapshot

Pre-tax net tangible assets

**\$1.14**

Fully franked  
dividend yield

**3.9%**

Gross assets

**\$454.6m**

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	\$454.6m
Market cap	\$465.7m
Share price	\$1.175
NTA before tax	\$1.14
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 Paradise AO  
Gabriel Radzyninski  
Kate Thorley  
Scott Malcolm

### Investment Committee

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

### Company Secretary

Mark Licciardo

## Performance

### Performance at 31 January 2019

	1 yr	3 yrs % pa	Since inception %p.a. (Sep-14)
FGX Investment Portfolio*	-1.3%	7.2%	7.7%
S&P/ASX All Ordinaries Accumulation Index	0.7%	10.0%	5.7%
<b>Outperformance</b>	<b>-2.0%</b>	<b>-2.8%</b>	<b>+2.0%</b>

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

## Investment portfolio

In January, the FGX investment portfolio increased 2.9%. The S&P/ASX All Ordinaries Accumulation Index rose 4.0% for the month. Since inception, the investment portfolio has increased 7.7% per annum, outperforming the benchmark by 2.0%. The investment portfolio's outperformance has been achieved with less volatility as measured by standard deviation, 7.5% versus the Index's 11.1%.

The spread between the three broad equities strategies is 43.0% long equities, 33.0% absolute bias, 13.6% market neutral and 10.4% cash.

## Net tangible asset (NTA) figures

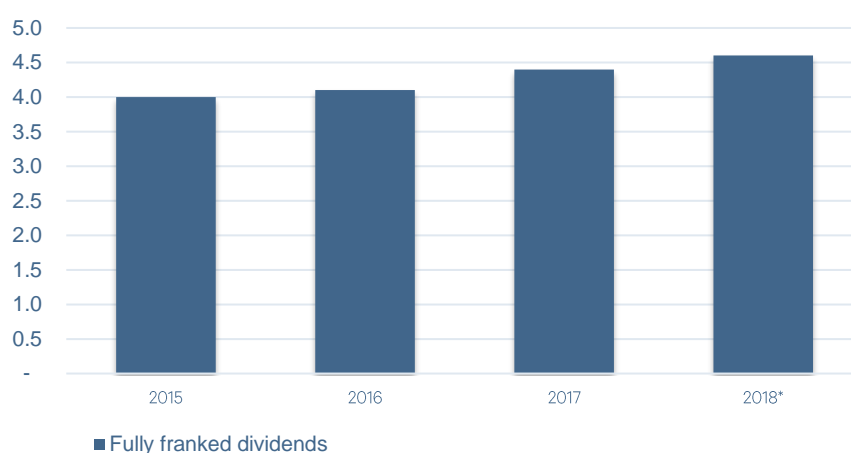
NTA before tax	114.01c
NTA after tax and before tax on unrealised losses	114.21c
NTA after tax	115.04c

## 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

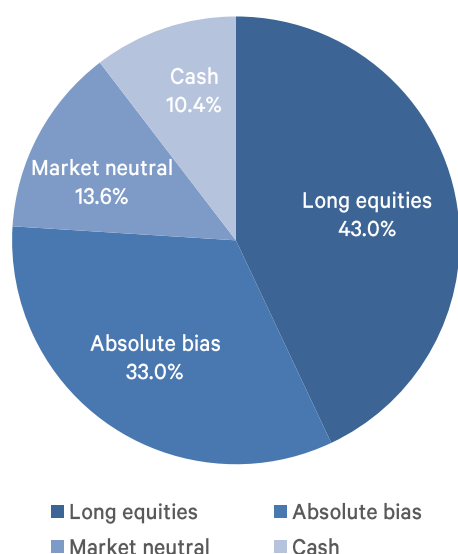


\*Annualised interim dividend

## Fund manager allocations

Fund manager	Investment	Strategy	% of portfolio
Bennelong Australian Equities Partners	Bennelong Australian Equities Fund	Long equities	10.9%
	Large/Mid Cap Funds (split out below)		10.8%
Paradise Investment	Paradise Australian Mid Cap Fund – B Class	Long equities	6.0%
	Paradise Australian Equities Fund	Long equities	4.8%
Regal Funds Management	Regal Australian Long Short Equity Fund	Absolute bias	9.4%
	Small/Emerging Companies Funds (split out below)		6.6%
Eley Griffiths Group	Eley Griffiths Group Small Companies Fund	Long equities	5.7%
	Eley Griffiths Group Emerging Companies Fund	Long equities	0.9%
Tribeca Investment Partners	Tribeca Alpha Plus Fund	Absolute bias	6.5%
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	4.5%
Sandon Capital	Sandon Capital Activist Fund	Absolute bias	4.3%
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	2.7%
CBG Asset Management	CBG Australian Equities Fund	Long equities	2.4%
Vinva Investment Management	Vinva Australian Equities Fund	Long equities	2.4%
LHC Capital	LHC Capital Australia High Conviction Fund	Absolute bias	1.9%
Centennial Asset Management	The Level 18 Fund	Absolute bias	1.6%
Smallco Investment Manager	Smallco Broadcap Fund	Long equities	1.5%
QVG Capital	QVG Opportunities Fund	Long equities	1.1%
Lanyon Asset Management	Lanyon Australian Value Fund	Absolute bias	1.0%
	Cash and Term Deposits		10.4%

## 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.

---

## Pro bono fund managers



## Fund manager in focus: Bennelong Australian Equity Partners



### About Bennelong Australian Equity Partners

Bennelong Australian Equity Partners (BAEP) is a boutique fund manager of ASX-listed equities that was founded in 2008 in partnership with Bennelong Funds Management. It is majority owned by its investment team, which is led by Mark East as its Chief Investment Officer. The firm has a successful track-record of investment outperformance and it now manages approximately \$6 billion on behalf of charitable, institutional and retail clients.

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

### Investment style

BAEP's investment style is to favour high quality, strongly growing ASX-listed companies. The firm is particularly focused on those companies it believes to have underappreciated earnings prospects and growth, as guided by its extensive stock-specific research and analysis. This focus typically means its portfolios have high conviction and are differentiated.

BAEP also relies on quantitative and macroeconomic insights as an overlay to its stock-specific decision making and the portfolio construction process. Its investment success owes itself to a proven investment approach, together with its methodical and rigorous research capabilities.

### Our market outlook

The investment team is optimistic on the opportunities currently presented by the market. For the market overall, valuations are relatively attractive, sentiment is cautious and supportive given the potential for improvement, and corporate fundamentals including earnings growth appear generally favourable. That said, there appear to be a number of macro risks of concern and, importantly, earnings risk abound. This leads to a selective approach to investing in the market, one that combines an appreciation of both macro and stock-specific risks and opportunities. The current opportunity set augers well for quite attractive returns at least over the medium term, even if the road in the short term is a bumpy one.

### Bennelong Australian Equities Fund Performance

Performance at 31 January 2019	1 yr	5 yrs %p.a.	Since inception %p.a. (Jan-09)
Bennelong Australian Equities Fund*	4.2%	9.2%	12.9%
S&P/ASX 300 Accumulation Index	1.1%	7.1%	9.9%
<b>Outperformance</b>	<b>+3.1%</b>	<b>+2.1%</b>	<b>+3.0%</b>

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

## Charity in focus: Giant Steps



### About Giant Steps

Established in 1995, Giant Steps Australia is a centre of excellence for the creation, implementation and dissemination of innovative and effective programs and services for individuals with autism and their families. Giant Steps operates schools in both Sydney and Melbourne, along with a Community College, Mental Health Clinic, and Diagnostic and Assessment Centre. The students at Giant Steps are diagnosed with moderate to severe autism and often have an intellectual disability together with complex mental health issues.

### Giant Steps and FGX

Giant Steps does not charge any fees. The cost to provide the specialised education and therapy each student requires is approximately \$90,000 per student per annum. The incredible support received from FGX has enabled Giant Steps to expand our services to Victoria, opening a school in Melbourne in 2016 and we are delighted to report the school has already doubled student enrolments. The funding received has also been used to implement an expressive communication system which seeks to teach students to use socially appropriate communicative behaviours including speech, picture exchange, pointing, gesture, high-tech devices and switches, together with repairing communication when it breaks down using a range of communicative strategies.

In 2018, the donation from FGX allowed Giant Steps to extend the expressive communication project into our Community College for young adults with autism and into the Melbourne school. This project is profoundly impacting the lives of our students and their families, and every student has made progress towards their key communication goals. One of the biggest gains is the reduction in self-harming behaviour used by students to express frustration.

For more information visit [giantsteps.net.au](http://giantsteps.net.au)



**Q&A with Kerrie Nelson, National Director of Schools and Colleges, Principal Giant Steps Sydney**

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

I have spent over 40 years working in the disability sector and the driving motivation in my current role is to establish models of service provision that are sustainable and produce great outcomes for students and their families. Achieving excellence in all that we do underpins my desire for Giant Steps to be the very best for the most vulnerable people in our community. I want every student to know they are valued, their families are valued and they are valuable contributors to society.

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

The most challenging aspect of my role is developing staff to meet the needs of a very complex group of people. In addition to this, we are faced with the ongoing task of increasing understanding about autism and engaging with the wider community to raise awareness and create opportunities for our students, as well as raising enough funds to do the work we need to do to.

#### **What is the impact of FGX's support?**

It is invaluable to have a recurrent source of funding from FGX that allows us to continue our work and maintain the dynamic momentum of the organisation. This funding is providing a foundation for innovation and expansion and creating lifelong impact on the lives of our students and their families.

## Charities



## Service providers

