Investment update

As at 31 March 2019

Snapshot

Pre-tax net tangible assets
$1.20

Fully franked dividend yield
3.8%

Gross assets
$477.3m

Management and performance fees
0%
Future Generation Investment Company Limited

ASX code: FGX
Date of listing: Sept 2014
Gross assets: $477.3m
Market cap: $479.0m
Share price: $1.21
NTA before tax: $120
Shares on issue: 396,348,525
Management fees: 0.0%
Performance fees: 0.0%
Annual donation (% of NTA): 1.0%
Full year fully franked dividends (FY2018): 46c
Fully franked dividend yield: 3.8%

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
Caroline Gurney
David Leeton
David Paradise AO
Gabriel Radzyminski
Kate Thorley
Scott Malcolm
Stephanie Lai

Investment Committee
Geoff Wilson AO Chair
Bruce Tomlinson
David Smythe
Gabriel Radzyminski
Matthew Kidman

Company Secretary
Mark Licciardo

Investment portfolio

In March, the FGX investment portfolio increased by 0.2%. The S&P/ASX All Ordinaries Accumulation Index rose 0.7% for the month. Since inception, the investment portfolio has increased 8.5% per annum, outperforming the benchmark by 1.5%. The investment portfolio's outperformance has been achieved with less volatility as measured by standard deviation, 7.6% versus the Index's 11.2%.

The spread between the three broad equities’ strategies is 43.7% long equities, 33.6% absolute bias, 12.8% market neutral and 9.9% cash.

Performance

<table>
<thead>
<tr>
<th>Performance at 31 March 2019</th>
<th>1 yr</th>
<th>3 yrs</th>
<th>% p.a.</th>
</tr>
</thead>
<tbody>
<tr>
<td>FGX Investment Portfolio</td>
<td>4.4%</td>
<td>8.9%</td>
<td>8.5%</td>
</tr>
<tr>
<td>S&amp;P/ASX All Ordinaries Accumulation Index</td>
<td>11.2%</td>
<td>11.3%</td>
<td>7.0%</td>
</tr>
<tr>
<td>Outperformance</td>
<td>-6.8%</td>
<td>-2.4%</td>
<td>+1.5%</td>
</tr>
</tbody>
</table>

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

Net tangible asset (NTA) figures

The below NTA figures are before the fully franked final dividend of 2.3 cents per share due to be paid on 26 April 2019. The shares traded ex-dividend on Wednesday, 10 April 2019. Since inception, FGX has paid 14.6 cents per share in fully franked dividends to shareholders.

| NTA before tax | 119.56c |
| NTA after tax and before tax on unrealised losses | 119.79c |
| NTA after tax | 118.94c |

Future Generation Investment Forum in Sydney

Eight of Future Generation’s fund managers will present their best stock picks at the Future Generation Investment Forum on Thursday, 23 May 2019. In addition, Hamish Douglass, Chairman and Chief Investment Officer of Magellan will be interviewed by Australian Financial Review’s Chanticleer columnist Tony Boyd.

FGX shareholders can claim three free tickets valued at $200 each.

May 2019 Shareholder Presentations

We will be travelling around Australia in May to catch up with our shareholders. You will have the chance to hear from our leading fund managers and our charities.

Register now!

Dates and venues:
Friday 10 May: Launceston, Peppers Silo Hotel
Tuesday 14 May: Melbourne, Sofitel on Collins
Wednesday 15 May: Adelaide, Adelaide Convention Centre
Thursday 16 May: Perth, Pan Pacific Perth
Monday 20 May: Canberra, Hotel Realm
Tuesday 21 May: Brisbane, Brisbane Convention & Exhibition Centre
Thursday 23 May: Sydney, The Westin

Annual General Meeting in Sydney

Thursday 23 May 2019
3.30pm–4.00pm
The Westin, 1 Martin Place
Sydney NSW 2000
### Fund manager allocations

<table>
<thead>
<tr>
<th>Fund manager</th>
<th>Investment</th>
<th>Strategy</th>
<th>% of portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bennelong Australian Equities Partners</td>
<td>Bennelong Australian Equities Fund</td>
<td>Long equities</td>
<td>11.0%</td>
</tr>
<tr>
<td>Paradice Investment</td>
<td>Large/Mid Cap Funds (split out below)</td>
<td></td>
<td>10.9%</td>
</tr>
<tr>
<td></td>
<td>Paradice Australian Mid Cap Fund – B Class</td>
<td>Long equities</td>
<td>6.0%</td>
</tr>
<tr>
<td></td>
<td>Paradice Australian Equities Fund</td>
<td>Long equities</td>
<td>4.9%</td>
</tr>
<tr>
<td>Regal Funds Management</td>
<td>Regal Australian Long Short Equity Fund</td>
<td>Absolute bias</td>
<td>10.1%</td>
</tr>
<tr>
<td>Eley Griffiths Group</td>
<td>Small/Emerging Companies Funds (split out below)</td>
<td></td>
<td>6.7%</td>
</tr>
<tr>
<td></td>
<td>Eley Griffiths Group Small Companies Fund</td>
<td>Long equities</td>
<td>5.7%</td>
</tr>
<tr>
<td></td>
<td>Eley Griffiths Group Emerging Companies Fund</td>
<td>Long equities</td>
<td>1.0%</td>
</tr>
<tr>
<td>Tribeca Investment Partners</td>
<td>Tribeca Alpha Plus Fund</td>
<td>Absolute bias</td>
<td>6.6%</td>
</tr>
<tr>
<td>Wilson Asset Management</td>
<td>Wilson Asset Management Equity Fund</td>
<td>Absolute bias</td>
<td>5.7%</td>
</tr>
<tr>
<td>Cooper Investors</td>
<td>Cooper Investors Australian Equities Fund</td>
<td>Long equities</td>
<td>5.2%</td>
</tr>
<tr>
<td>L1 Capital</td>
<td>L1 Capital Long Short Fund – Retail Class</td>
<td>Absolute bias</td>
<td>2.5%</td>
</tr>
<tr>
<td></td>
<td>L1 Capital Australian Equities Fund</td>
<td>Long equities</td>
<td>2.3%</td>
</tr>
<tr>
<td>Watermark Funds Management</td>
<td>Watermark Market Neutral Trust</td>
<td>Market neutral</td>
<td>4.3%</td>
</tr>
<tr>
<td>Sandon Capital</td>
<td>Sandon Capital Activist Fund</td>
<td>Absolute bias</td>
<td>4.3%</td>
</tr>
<tr>
<td>Bennelong Long Short Equity Management</td>
<td>Bennelong Long Short Equity Fund</td>
<td>Market neutral</td>
<td>3.1%</td>
</tr>
<tr>
<td>Firetrail Investments</td>
<td>Firetrail Absolute Return Fund</td>
<td>Market neutral</td>
<td>2.9%</td>
</tr>
<tr>
<td>ARCO Investment Management</td>
<td>ARCO Investment Management Absolute Trust</td>
<td>Market neutral</td>
<td>2.5%</td>
</tr>
<tr>
<td>CBG Asset Management</td>
<td>CBG Australian Equities Fund</td>
<td>Long equities</td>
<td>2.5%</td>
</tr>
<tr>
<td>Vina Investment Management</td>
<td>Vina Australian Equities Fund</td>
<td>Long equities</td>
<td>2.4%</td>
</tr>
<tr>
<td>LHC Capital</td>
<td>LHC Capital Australia High Conviction Fund</td>
<td>Absolute bias</td>
<td>1.9%</td>
</tr>
<tr>
<td>Centennial Asset Management</td>
<td>The Level 18 Fund</td>
<td>Absolute bias</td>
<td>1.6%</td>
</tr>
<tr>
<td>Smallco Investment Manager</td>
<td>Smallco Broadcap Fund</td>
<td>Long equities</td>
<td>1.6%</td>
</tr>
<tr>
<td>OVG Capital</td>
<td>OVG Opportunities Fund</td>
<td>Long equities</td>
<td>1.1%</td>
</tr>
<tr>
<td>Lanyon Asset Management</td>
<td>Lanyon Australian Value Fund</td>
<td>Absolute bias</td>
<td>0.9%</td>
</tr>
<tr>
<td></td>
<td>Cash and Term Deposits</td>
<td></td>
<td>9.9%</td>
</tr>
</tbody>
</table>

### 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
Fully franked dividends

On 28 February 2019, the Board announced a fully franked final dividend of 2.3 cents per share, bringing the fully franked full year dividend to 4.6 cents per share, an increase of 4.5% on the previous year. The dividend will be paid on 26 April 2019 and traded ex-dividend on Wednesday, 10 April 2019. The DRP is available to shareholders for the final dividend and will operate at a 2.5% discount. The last election date for the DRP will be 15 April 2019.

Key dividend dates
Dividend ex-date: 10 April 2019
Record date: 11 April 2019
Last election date for DRP: 15 April 2019
Payment date: 26 April 2019

Fully franked dividends since inception
(cents per share)

![Bar chart showing fully franked dividends from 2015 to 2018]

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.
Fund manager in focus: Sandon Capital

Sandon Capital was established in 2008 and is a deep-value fundamental investment manager that uses activism as a tool to preserve or enhance the value of its investments. Sandon Capital is the investment manager of Sandon Capital Activist Fund (SCAF) and Sandon Capital Investments Limited, an ASX listed investment company (ASX: SNC).

For more information, visit sandoncapital.com.au

Investment style

We are a value investor, employing activist techniques to unlock and enhance the value of the investments we make. We view activism as a critical, and often missing tool of value investing. It is the process of investing in under-valued companies using traditional value investing criteria and seeking to enact change to unlock the value inherent in the company for all shareholders.

Rather than trying to passively predict future events, we seek to play an active role in determining a company’s future. We do so by proposing changes in the areas of corporate governance, capital management, strategic and operational issues, management arrangements and other related activities. Our approach to activist investing is about ensuring companies operate in the best financial interests of shareholders.

The objective of Sandon Capital’s investment strategy is to deliver positive absolute returns for our investors. We aim to achieve this objective by investing in opportunities that we consider are trading below their intrinsic value that offer the potential for active engagement to alter the status quo and improve or extract value.

Our market outlook

We are bottom up stock pickers and don’t spend a lot of our time forecasting the direction of the economy or the stock market. Nevertheless, we are conscious of the external environment we are operating in. Whilst the US Federal Reserve is currently on pause, we do believe that continued strength in US employment markets and resulting strong wage growth will eventually translate to inflation that will require taming in the form of rising rates. The relationship between interest rates and share market valuations is a mathematical truism and we expect equity markets to come under pressure again as central banks continue with their tightening bias in the medium term.

Global equity markets do appear to be very expensive from a valuation perspective. We see a dichotomy in markets – those companies that have a semblance of growth (or even a perception of growth) are being bid up to nose bleed prices, whilst many companies that are not growing in the short term are being marked down to attractive valuations. This is the pond we fish in. The opportunity set for our style of event driven investing is as good as it has been for some time and we are finding a number of opportunities to reinvest capital as existing positions are liquidated, many through corporate activity and other events.

Sandon Capital Activist Fund Performance

<table>
<thead>
<tr>
<th>Performance at 31 March 2019</th>
<th>1 yr</th>
<th>3 yrs %p.a.</th>
<th>5 yrs %p.a.</th>
<th>Since inception %p.a. (Sept 09)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sandon Capital Activist Fund</td>
<td>6.1%</td>
<td>8.8%</td>
<td>8.2%</td>
<td>11.3%</td>
</tr>
<tr>
<td>RBA Cash Rate</td>
<td>2.0%</td>
<td>2.0%</td>
<td>2.2%</td>
<td>2.9%</td>
</tr>
<tr>
<td>Outperformance</td>
<td>+4.1%</td>
<td>+6.8%</td>
<td>+6.0%</td>
<td>+8.4%</td>
</tr>
</tbody>
</table>

1Investment performance is calculated net of all fees, assuming reinvestment of distributions and using unit mid-price.
Charity in focus: Kids Helpline

About Kids Helpline

Kids Helpline (KHL) is Australia’s only free confidential 24/7 online and phone counselling service for young people aged 5 to 25. Responding to more than 8 million contacts over 28 years, KHL plays a critical role in protecting children and young people across Australia. We do this by giving children and young people choices, support and someone to listen any time and for any reason, and by partnering with protection agencies, the corporate sector and educators to ensure the most vulnerable can always access help.

Kids Helpline and FGX

Thanks to the support of FGX, Kids Helpline created Kids Helpline Circles (KHL Circles), a free world-first purpose-built social media network for at risk young people that’s safe, free and confidential. Developed in collaboration with the University of Sydney, it is led by professional counsellors and encourages peer-to-peer support through group counselling for young people aged 13 to 25 years. Young people in the ‘Circle’ complete modules that support the key themes of resilience, self-care and self-management aimed at reducing symptoms of depression, anxiety and stress, and related concerns. In 2018, 31% of KHL Circles participants reported reduced anxiety and depression. KHL Circles will further evolve in 2019 with enhanced module content and engagement strategies responsive to the feedback of counsellors and the growing number of young people connecting with Circles.

For more information visit kids helpline.com.au

Q&A with Pablo, KHL Circles Counsellor

What is your driving motivation in your current role?

When I began training as a psychologist, online based counselling was still in its infancy but my imagination soared with its possibilities. Research was only just emerging to show that young people were at the highest risk of mental ill health and most likely to encounter service barriers to face-to-face care. Clinicians were just starting to speculate about how online based interventions could help address these service barriers. Now, thanks to FGX, we are breaching these barriers. I am very proud to be part of developing digital health interventions that dramatically increase the accessibility of emotional and psychological care to young people nationally.

What is the most challenging aspect of your role?

E-counselling care has come a long way since its humble beginnings and research shows strong evidence for its effectiveness yet numerous obstacles still prevent young people from accessing support with the prevailing obstacle being stigma. This creates a psychological barrier for young people seeking help for the first time, even when services are offered online, confidentially, without cost, and at all hours. Exploring new ways to engage and work with help-seekers early on preventing further health issues is at the core of the work we do.

What is the impact of FGX’s support?

Developing and refining digital health interventions can be time consuming and costly but is crucial if we are to engage with young people. Having the support of FGX means that we can research and refine new methods for providing young people with the emotional and psychological support that empowers them to realise their innate strengths, learn new skills, and develop resilience. It is exceptionally important to young people at risk.
Charities

Service providers