

Dear Fellow Shareholder,

I recently had the pleasure of sitting down with [Financial Standard](#) to share my story of how I joined Future Generation and press the case for impact investing.

During January, the Future Generation Global investment portfolio increased 4.4% for the month, outperforming the MSCI AC World Index (AUD) which rose 3.7%. The Future Generation Australia investment portfolio increased 3.4% and the S&P/ASX All Ordinaries Accumulation Index rose 4.7% during the month.

We look forward to sharing our 2019 full year results with you later this month. In 2019, both Future Generation Australia and Future Generation Global delivered solid investment portfolio performance and demonstrated their defensive qualities.

The Future Generation Australia portfolio increased 20.7% with an average cash level of 9.9%. The S&P/ASX All Ordinaries Accumulation Index returned negative performance in three months of the year (August, October and December) and fell 4.4% during these periods. In contrast the Future Generation Australia portfolio declined 0.7% during the same three month period, resulting in an outperformance of 3.8% during these negative months.

The Future Generation Global portfolio increased 20.5% with an average cash level of 11.4%. The MSCI AC World Index (AUD) returned negative performance during three months of the year (May, August and December) and fell 4.7% during these periods.

In contrast the Future Generation Global portfolio decreased 2.0% during the same three month period, resulting in an outperformance of 2.7% during these negative months. This outperformance reflects the work of the Investment Committees in positioning the respective investment portfolios to deliver risk-adjusted returns to shareholders.

Since inception, Future Generation Australia's investment portfolio has increased 10.1% per annum and Future Generation Global's investment portfolio has increased 11.1% per annum. This performance has been achieved with less volatility than their respective indices, as measured by standard deviation.

Future Generation Australia and Future Generation Global are currently trading at attractive discounts to net tangible assets (NTA) of 12.2%* and 16.6%**. We have active strategies in place and are focussed on closing the discounts.

I look forward to speaking with shareholders in [Noosa](#) on 28 February along with founder and director Geoff Wilson AO and during our Investor Conference Call scheduled for 12 March at 11.00am to 12.00pm Sydney time.

Kind regards,



Louise Walsh
Chief Executive Officer



*Based on 13 February 2020 share price of \$1155 per share.

**Based on 13 February 2020 share price of \$1.28 per share.

\$30.6m

SOCIAL
INVESTMENT
TO 2019



\$4.6m

Future
Generation
Australia 2019

\$4.9m

Future
Generation
Global 2019

2019 total social
investment

\$9.5m

2019 annualised
management fees,
performance fees
and services forgone

\$12.8m

Total fees
forgone since
inception to 2019

\$54.0m

Investment portfolio performance

Net tangible assets before tax	Gross assets	Performance (pa since Sept 2014)
131.55c	\$527.0m	10.1%
Net tangible assets after tax and before tax on unrealised gains	Market capitalisation [#]	Volatility [^]
131.11c	\$460.0m	7.3%
		S&P/ASX All Ordinaries Accumulation Index: 10.8%
Net tangible assets after tax	2019 annualised fully franked interim dividend	Fully franked dividend yield
126.62c	4.8c	4.2%

[#]Based on the 31 January 2020 share price of \$1.155 per share and 398,238,435 shares on issue.

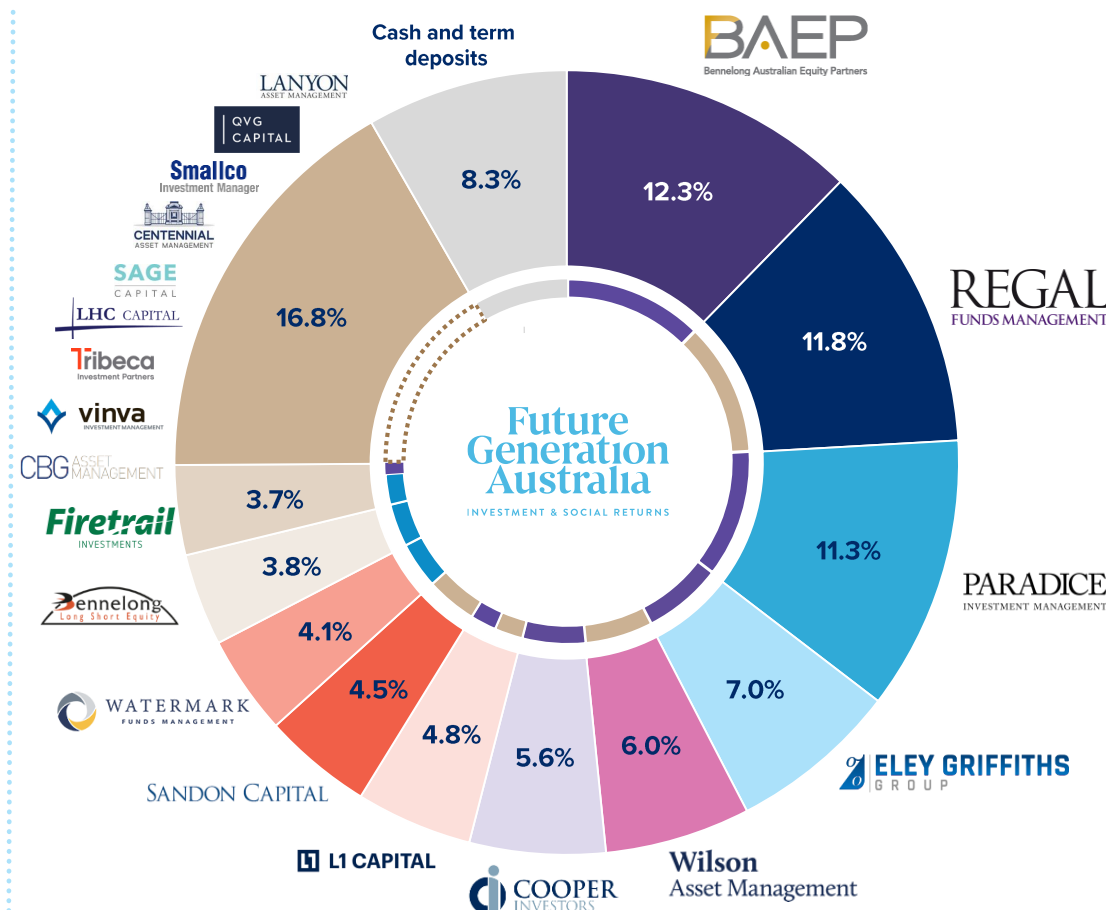
[^]Volatility is measured by standard deviation.

Performance at 31 January 2020	6 mths	1 yr	3 yrs %pa	5 yrs %pa	Since inception %pa (Sept-14)
Future Generation Australia	6.7%	21.4%	11.1%	10.7%	10.1%
S&P/ASX All Ordinaries Accumulation Index	5.3%	24.9%	12.4%	9.6%	9.0%

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

Fund manager allocations

0% management fees
0% performance fees



16.8% fund manager breakdown

CBG Asset Management	2.6%	Centennial Asset Management	1.6%
Vinva Investment Management	2.5%	Smallco Investment Manager	1.5%
Tribeca Investment Partners	2.4%	QVG Capital	1.3%
Sage Capital	2.0%	Lanyon Asset Management	1.0%
LHC Capital	1.9%		

Long equities	47.4%
Absolute bias	33.7%
Market neutral	10.6%
Cash	8.3%

Investment portfolio performance

Net tangible assets before tax	Gross assets	Performance (pa since Sept 2015)
153.55c	\$606.0m	11.1%
Net tangible assets after tax and before tax on unrealised gains	Market capitalisation [#]	Volatility [*]
154.11c	\$494.5m	8.5% MSCI AC World Index (AUD): 9.9%
Net tangible assets after tax	2019 fully franked dividend	ESG aware [^] (of the portfolio)
143.53c	1.5c	98.0%

[#]Based on the 31 January 2020 share price of \$1.26 per share and 392,455,012 shares on issue.

^{*}Volatility is measured by standard deviation.

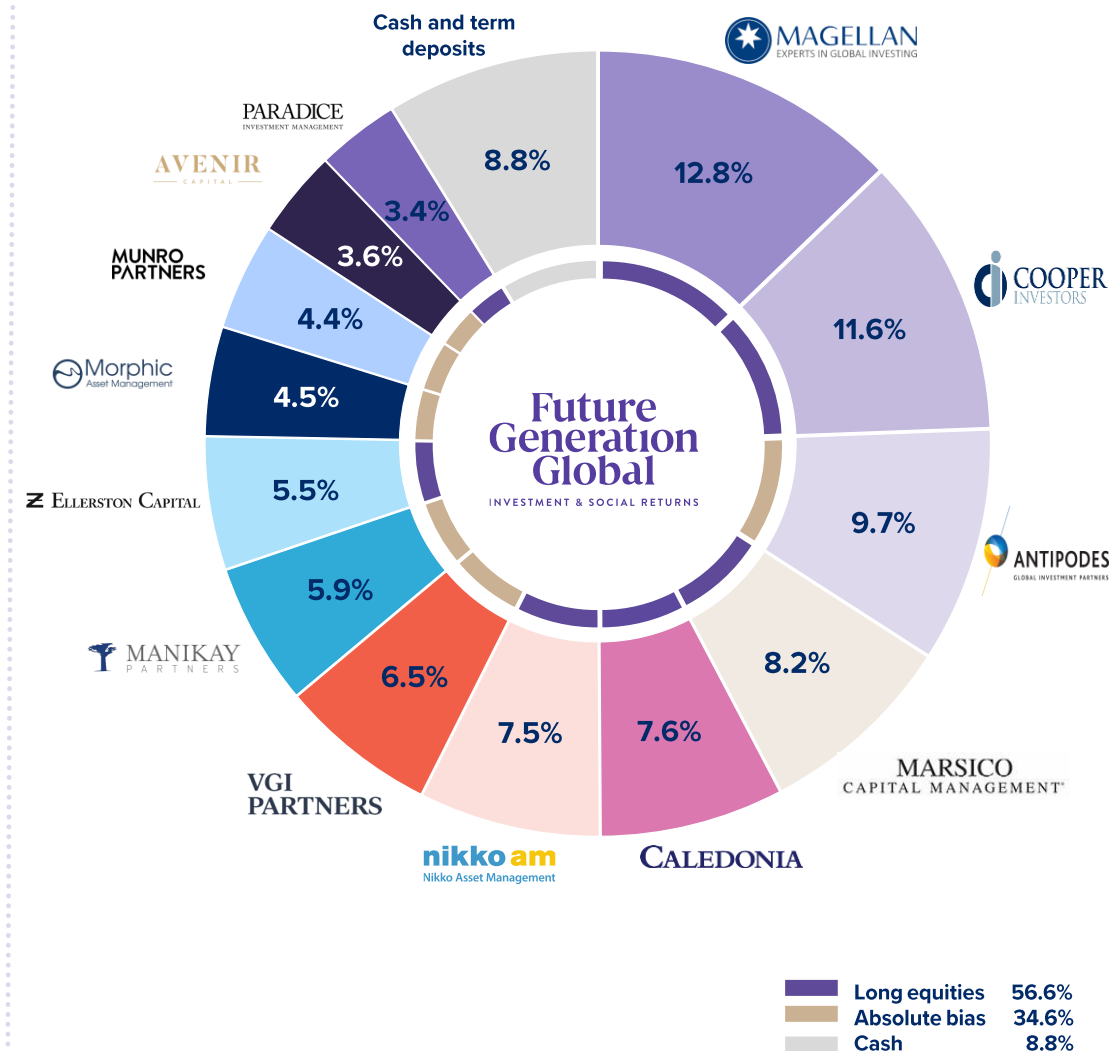
[^]Based on the 2018 Annual Report.

Performance at 31 January 2020	6 mths	1 yr	3 yrs %pa	Since inception %pa (Sept-15)
Future Generation Global	9.6%	23.2%	15.7%	11.1%
MSCI AC World Index (AUD)	10.4%	26.0%	15.7%	11.9%

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

Fund manager allocations

0% management fees
0% performance fees



The Future Generation companies provide exposure to leading Australian and global fund managers.

Future Generation Australia fund managers:



Future Generation Global fund managers:



Fund manager in focus:

Z ELLERSTON CAPITAL

About us

Ellerston Capital is a specialist investment manager providing a range of innovative investment strategies. Ellerston Capital has been managing money since 2002 across Australian and global equities and private equity. As a firm majority owned by its principals and employees, the clients' objectives are the company's objectives.

Our investment style

Ellerston Global manages a concentrated portfolio of Global Mid/Small Cap companies (20-40 stocks) unlikely to be found in most global equity portfolios. The highly experienced team take an active, absolute and often contrarian approach to identify opportunities in global equity markets. At Ellerston Global, the strategy is to connect tomorrow's returns today by identifying high quality businesses undergoing a period of change with future potential returns being mispriced by the market. By focusing on business quality, key drivers and the ability to compound returns, Ellerston Global grows returns on invested capital over time. The objective is to outperform over the long term while maintaining a clear focus on capital preservation.

Our market outlook

Despite the many macro driven headlines over the past several months such as the US-China trade discussions, Brexit, Hong Kong protests, impeachment proceedings and inverted yield curves, equity markets have climbed the wall of worry and delivered very solid returns. We are mindful of the macro, but are focussed on the businesses the company owns and the potential to invest in new opportunities which are constantly being offered as a result of market volatility.

Ellerston Global Mid Small Cap Fund (Unhedged) performance

Performance at 31 December 2019	6 mths	1 yr	2 yrs %pa	Since inception %pa (Mar-17)
Ellerston Global Mid Small Cap Fund (Unhedged)	15.4%	36.0%	13.3%	15.7%
MSCI World Mid Cap Index (AUD)	7.7%	27.6%	10.9%	12.9%
Outperformance	+7.7%	+8.4%	+2.4%	+2.8%

Investment performance is net of fees and expenses.

Why we support Future Generation

Ellerston is proud to be a founding fund manager for Future Generation as it invests in improving the lives of young people with mental health issues. In an industry with plenty of financial resources, Ellerston believes it has a fiduciary duty to give back to society. Future Generation is an example of how small contributions can have a big impact to the next generations and Ellerston is honoured to be part of this.

Top five stocks in alphabetical order



For more information, visit ellerstoncapital.com

Charity in focus:



About the Brain and Mind Centre

The Brain and Mind Centre is a global leader in neurosciences and mental health research and treatment. By building partnerships with industries, government, communities and healthcare providers and researchers, the Brain and Mind Centre aims to understand individual circumstances and develop solutions that improve the quality of life for both patients and their loved ones.

Brain and Mind Centre and Future Generation

Through the continued investment from Future Generation, Brain and Mind Centre's Youth Mental Health and Technology Program is in its fourth year of research. The team has developed the Brain and Mind Centre Youth Model which allows planning for an individualised and more effective long-term intervention to mental ill-health. To date, the Brain and Mind Centre Youth Model is progressively being implemented into five headspace sites in metropolitan and rural New South Wales and one headspace site in South Australia. The Brain and Mind Centre will continue to expand the model to be implemented across regional, rural and remote areas.

Q&A with Co-Director, Health and Policy, Ian Hickie AM



What is your driving motivation in your current role?

It is really the young people and families we work with and the users of mental health care whose lives are turned around by effective care. I believe that if we are placed in a position to be able to help others, it is our absolute duty to give a voice to those who would otherwise not be heard. That is what we are hoping to achieve through our programs of research in youth mental health and technology.

What is the most challenging aspect of your role?

If I had to narrow it down to one, I would say that it has been a fun challenge to fully appreciate working in close partnership with young people for their opinions and thoughts on what tools they would find useful to improve their mental health and wellbeing. It has been a great learning curve to engage with young people and look to their experience, to ensure that we deliver a program of research using emerging and new e-tools that are designed by young people, for young people.

What does it mean to have the support of Future Generation?

Private funding sources are critical for taking mental health forward. We need smart, informed and collaborative funders who can clearly see the bigger picture when it comes to investing in mental health. We are extremely grateful to be partnering with Future Generation and more than 1,500 individuals, supportive others, health professionals and service providers have benefited through improved access to support, increased individual agency, and strengthened early intervention. The support of Future Generation means this number will only exponentially increase.

For more information, visit sydney.edu.au/brain-mind

Our designated charities



SANE AUSTRALIA



Our pro bono service providers

Wilson
Asset Management



PWN.



Lonsec



**Fund manager
allocation and
investments at
market value
as at 31 January
2020**

Fund Manager	Investment	Strategy	% of Gross Assets
Bennelong Australian Equities Partners	Bennelong Australian Equities Fund	Long equities	12.3%
Regal Funds Management	Regal Australian Long Short Equity Fund	Absolute bias	11.8%
	Mid/Large Cap Funds (split out below)		11.3%
Paradise Investment Management	Paradise Mid Cap Fund – B Class	Long equities	6.2%
	Paradise Large Cap Fund	Long equities	5.1%
	Small/Emerging Companies Funds (split out below)		7.0%
Eley Griffiths Group	Eley Griffiths Group Small Companies Fund	Long equities	5.9%
	Eley Griffiths Group Emerging Companies Fund	Long equities	1.1%
Wilson Asset Management	Wilson Asset Management Equity Fund	Absolute bias	6.0%
Cooper Investors	Cooper Investors Australian Equities Fund	Long equities	5.6%
	Long Short/Aus Equities Funds (split out below)		4.8%
L1 Capital	L1 Capital Long Short Fund – Retail Class	Absolute bias	2.5%
	L1 Capital Australian Equities Fund	Long equities	2.3%
Sandon Capital	Sandon Capital Activist Fund	Absolute bias	4.5%
Watermark Funds Management	Watermark Market Neutral Trust	Market neutral	4.1%
Bennelong Long Short Equity Management	Bennelong Long Short Equity Fund	Market neutral	3.8%
	Absolute Return/High Conviction (split out below)		3.7%
Firetrail Investments	Firetrail Absolute Return Fund	Market neutral	2.7%
	Firetrail High Conviction Fund	Long equities	1.0%
CBG Asset Management	CBG Asset Australian Equities Fund	Long equities	2.6%
Vinva Investment Management	Vinva Australian Equities Fund	Long equities	2.5%
Tribeca Investment Partners	Tribeca Alpha Plus Fund	Absolute bias	2.4%
Sage Capital	Sage Capital Equity Plus Fund	Absolute bias	2.0%
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	1.3%
Lanyon Asset Management	Lanyon Australian Value Fund	Absolute bias	1.0%
	Cash and term deposits		8.3%

**Fund manager
allocation and
investments at
market value
as at 31 January
2020**

Fund manager	Investment	Strategy	% of Gross assets
Magellan Asset Management	Magellan Global Fund	Long equities	12.8%
Cooper Investors	Cooper Investors Global Equities Fund (Unhedged)	Long equities	11.6%
Antipodes Partners	Antipodes Global Fund	Absolute bias	9.7%
Marsico Capital Management	Marsico Global Fund	Long equities	8.2%
Caledonia	Caledonia Fund	Long equities	7.6%
Nikko Asset Management Australia	Nikko AM Global Share Fund	Long equities	7.5%
VGI Partners	VGI Partners Funds	Absolute bias	6.5%
Manikay Partners	Manikay Global Opportunistic USD Fund	Absolute bias	5.9%
Ellerston Capital	Ellerston Global Mid Small Cap Fund	Long equities	5.5%
	Global/Ethical Strategies (split out below):		4.5%
Morphic Asset Management	Morphic Global Opportunities Fund	Absolute bias	3.7%
	Morphic Ethical Equities Fund Limited	Absolute bias	0.8%
Munro Partners	Munro Global Growth Fund	Absolute bias	4.4%
Avenir Capital	Avenir Global Fund	Absolute bias	3.6%
Paradice Investment Management	Paradice Global Small Mid Cap Fund Unhedged	Long equities	3.4%
	Cash and term deposits		8.8%