

Dear Fellow Shareholder,

### Investment Portfolio Performance

In January, the Future Generation Australia (ASX: FGX) investment portfolio outperformed the S&P/ASX All Ordinaries Accumulation Index, increasing 1.3%\* against the Index's 0.3% rise. The Future Generation Global (ASX: FGG) investment portfolio increased 0.1%\* during the month, while the MSCI AC World Index (AUD) rose 0.2%.

Since inception, the FGX investment portfolio has increased 9.7%\* per annum and the FGG investment portfolio has increased 10.8%\* per annum, outperforming their respective benchmarks. The investment portfolio's outperformance has been achieved with less volatility than their indexes, as measured by standard deviation.

We look forward to sharing our 2020 full year results with you later this month. In 2020 both FGX and FGG delivered strong investment portfolio performance. FGX increased 10.0%\*, outperforming the S&P/ASX All Ordinaries Accumulation Index by 6.4%. FGG increased 14.3%\*, outperforming the MSCI AC World Index (AUD) by 8.2%.

### Market Update

The global coronavirus vaccine rollout, conclusion of the Brexit trade deal and expectations of further US fiscal and monetary stimulus measures lifted equity markets globally early in January, following the surprise Democratic sweep in the two Senate seats in Georgia. Euphoria seen in the equity markets early in the month subsided as concerns over delays to the supply of vaccines to Europe increased, with most global indexes closing January lower. The final week of January was dominated by a short squeeze frenzy involving retail investors gathering on the online forum Reddit to coordinate a sky high rise of brick and mortar gaming retailer GameStop's share price,

causing hedge funds to post significant losses. The Reserve Bank of Australia (RBA) held its first board meeting for 2021 in early February and announced a \$100 billion extension to its quantitative easing (QE) program, surpassing the market's expectations.

### Future Generation named in top corporate philanthropist list

For the second year in a row, Future Generation has been named as one of [Australia's top 50 corporate philanthropists](#), donating 1.0% of net assets totalling \$10.5 million in 2020, to support charities focused on children and youth at risk and youth mental health. Our pro bono fund managers make this impact possible by forgoing fees to Future Generation Australia and Future Generation Global, and their shareholders. Our combined charitable investment since inception is \$41.2 million and our total fees forgone is \$69.6 million. Thank you to our fund managers, service providers and shareholders for your support!

### Conversations with Future Generation podcast

I recently spoke with Sky News Business Editor and anchor of Weekend Business, Ross Greenwood, for our first episode of season two of *Conversations with Future Generation*. I am excited to share the episode with you next week.

Kind regards,

Louise Walsh  
Chief Executive Officer



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



# \$41.2m

SOCIAL  
INVESTMENT  
TO 2020



# \$4.8m

Future  
Generation  
Australia 2020

# \$5.7m

Future  
Generation  
Global 2020

2020 total social  
investment

# \$10.5m

2020 annualised  
management fees,  
performance fees  
and services forgone

# \$13.1m

Total annualised  
fees forgone  
since inception to  
2020

# \$69.6m

## Investment portfolio performance

|  |  |   |
|--|--|---|
| Net tangible assets before tax                                   | Gross assets   | Investment portfolio performance (pa since Sept 2014) |
| <b>133.98c</b>   | <b>\$539.4m</b>  | <b>9.7%</b>   |
| Net tangible assets after tax and before tax on unrealised gains | Market capitalisation <sup>#</sup>                           | Volatility <sup>^</sup>                               |
| <b>133.92c</b>   | <b>\$482.4m</b>  | <b>11.7%</b>  |
|  |  | S&P/ASX All Ordinaries Accumulation Index: 14.8%      |
| Net tangible assets after tax                                    | Annualised fully franked interim dividend yield <sup>#</sup> | Dividends paid since inception (per share)            |
| <b>127.96c</b>   | <b>4.3%</b>  | <b>24.7c</b>  |

<sup>#</sup>Based on the 29 January 2021 share price of \$1.205 per share and the annualised fully franked interim dividend of 5.2 cents per share. Future Generation Australia has 400,343,988 shares on issue.

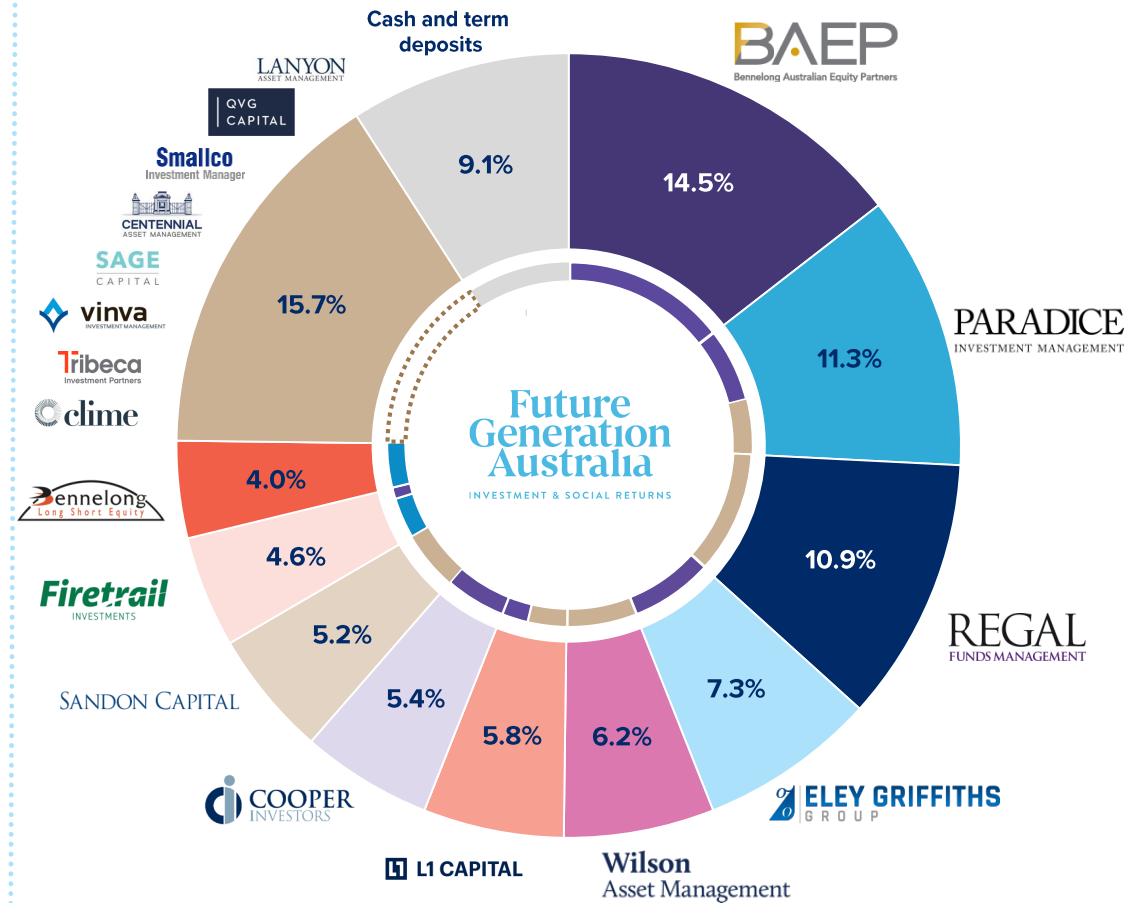
<sup>^</sup>Volatility is measured by standard deviation.

| Investment portfolio performance at 31 January 2021 | 1 mth | 6 mths | 1 yr  | 3 yrs %pa | 5 yrs %pa | Since inception %pa (Sept-14) |
|---|-------|--------|-------|-----------|-----------|-------------------------------|
| Future Generation Australia                         | 1.3%  | 16.8%  | 7.8%  | 8.9%      | 10.0%     | 9.7%                          |
| S&P/ASX All Ordinaries Accumulation Index           | 0.3%  | 14.9%  | -0.7% | 7.7%      | 10.5%     | 7.4%                          |

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

## Fund manager allocations

0% management fees  
0% performance fees



### 15.7% fund manager breakdown

|                             |      |                             |      |
|-----------------------------|------|-----------------------------|------|
| Clime Asset Management      | 2.6% | Centennial Asset Management | 2.0% |
| Tribeca Investment Partners | 2.6% | Smallco Investment Manager  | 1.7% |
| Vinva Investment Management | 2.4% | QVG Capital                 | 1.3% |
| Sage Capital                | 2.1% | Lanyon Asset Management     | 1.0% |

**Long equities** 45.0%  
**Absolute bias** 38.3%  
**Market neutral** 7.6%  
**Cash** 9.1%

## Investment portfolio performance

|  |                             |   |
|--|-----------------------------|---|
| Net tangible assets before tax                                   | Gross assets                | Investment portfolio performance (pa since Sept 2015) |
| <b>162.27c*</b>  | <b>\$641.4m</b>             | <b>10.8%</b>  |
| Net tangible assets after tax and before tax on unrealised gains | Market capitalisation#      | Volatility**  |
| <b>162.66c</b>   | <b>\$585.5m</b>             | <b>9.0%</b><br>MSCI AC World Index (AUD): 10.6%       |
| Net tangible assets after tax                                    | 2020 fully franked dividend | ESG aware^ (of the portfolio)                         |
| <b>150.52c</b>   | <b>2.0c</b>                 | <b>98.8%</b>  |

\*The NTA before tax figure is after the payment of \$0.94m (0.24 cents per share) in tax during the month.

#Based on the 29 January 2021 share price of \$1.49 per share and 392,947,106 shares on issue.

\*\*Volatility is measured by standard deviation.

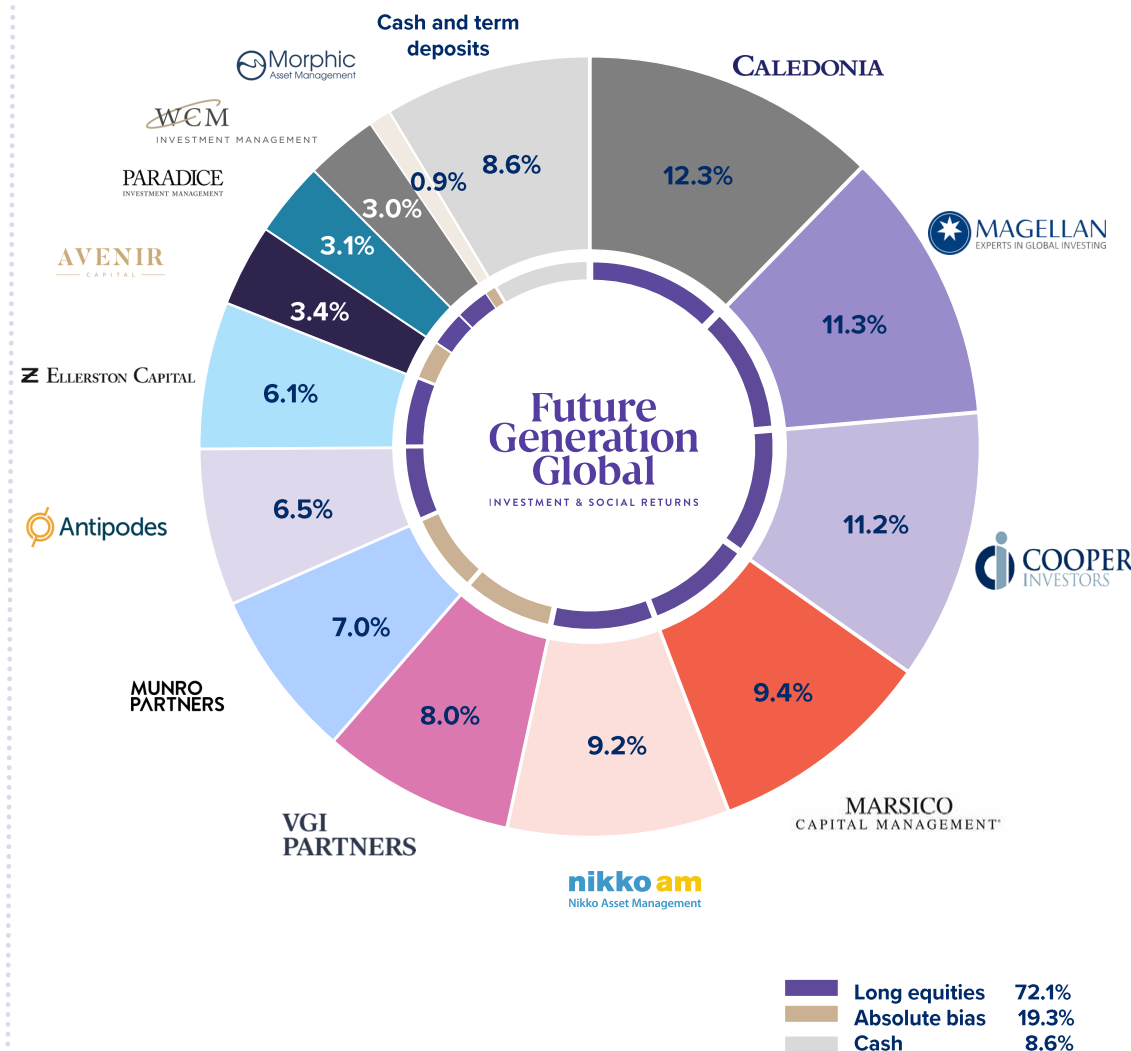
^Based on the 2019 Annual Report.

| Investment portfolio performance at 31 January 2021 | 1 mth | 6 mths | 1 yr | 3 yrs %pa | 5 yrs %pa | Since inception %pa (Sept-15) |
|---|-------|--------|------|-----------|-----------|-------------------------------|
| Future Generation Global                            | 0.1%  | 11.2%  | 9.5% | 13.0%     | 12.6%     | 10.8%                         |
| MSCI AC World Index (AUD)                           | 0.2%  | 9.6%   | 2.5% | 9.8%      | 11.8%     | 10.1%                         |

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

## Fund manager allocations

0% management fees  
0% performance fees



## Fund manager in focus:



### About us

L1 Capital is a global investment manager with offices in Melbourne, Sydney, Miami and London. The business was established in 2007 and is 100% owned by its senior staff, led by Founders, Joint Managing Directors and Chief Investment Officers Raphael Lamm and Mark Landau. The team is committed to offering clients best-of-breed investment products. L1 Capital manages money for a range of clients including large superannuation funds, pension funds, financial planning groups, asset consultants, family offices, high net worth individuals and retail investors.

L1 Capital uses a fundamental, bottom-up research process to identify investments with the potential to provide attractive risk-adjusted returns. The L1 Capital investment approach is largely style-neutral with modest value and contrarian characteristics. The firm launched its flagship L1 Capital Australian Equities Fund in August 2007 followed by the L1 Capital Long Short Fund in September 2014.

## L1 Capital Long Short Fund

### Our investment style

The L1 Capital investment team uses intensive bottom-up research and an independent thought process focused on assessing valuation and qualitative research to find mispriced investment opportunities arising from the emotional, short-term and backward-looking nature of markets. The core of the investment approach is a high level of interaction with a wide range of market participants to gain a deep understanding of the companies they invest in. Companies are ranked based on their valuation (which is relative to future expected cash flow) and quality of management, industry structure and operating trends. Stocks that rate highly are considered for portfolio inclusion as a long position, while low ranking stocks are considered as a short position where a negative catalyst also exists. The team builds a broad portfolio of positions with asymmetric return profiles by identifying companies with strong upside, but modest valuation downside if conditions deteriorate. As the expected risk adjusted returns on stocks change, the team reappraises and adjusts the weights and stocks within the portfolio.

### Our market outlook

The investment team remains extremely positive about the medium-term outlook for both funds, given the unusually large number of stocks that have significant upside to valuation. After a year dominated by the coronavirus pandemic and 'top-down' trends, the set-up for 2021 should be better suited to stock pickers like L1 Capital. Robust corporate earnings, massive fiscal and monetary stimulus and an imminent global coronavirus vaccine rollout creates a very positive backdrop for equities. The team also expects a wave of mergers and acquisition activity is likely to occur, which should further propel equity markets. The team expects global gross domestic product growth (GDP) to accelerate through 2021, triggering a rotation into value and cyclical stocks.

### Why we support Future Generation

L1 Capital is a very proud supporter of Future Generation stemming from our shared belief that we have a responsibility to give back to the community and to make a positive impact on the world.

### L1 Capital Long Short Fund

#### Investment portfolio performance at 31 January 2020

|                                | 6<br>mths     | 1<br>yr       | 5 yrs<br>%pa | Since<br>inception<br>%pa (Sept-14) |
|--------------------------------|---------------|---------------|--------------|-------------------------------------|
| L1 Capital Long Short Fund     | 48.2%         | 38.7%         | 13.8%        | 21.1%                               |
| S&P/ASX 200 Accumulation Index | 13.0%         | -3.1%         | 10.0%        | 6.8%                                |
| <b>Outperformance</b>          | <b>+35.2%</b> | <b>+41.8%</b> | <b>+3.8%</b> | <b>+14.3%</b>                       |

Investment portfolio performance figures are shown net of fees.

For more information, visit [www.L1.com.au](http://www.L1.com.au)

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

## Future Generation Australia fund managers



## Future Generation Global fund managers





## Charity in focus:



## About Black Dog Institute

Black Dog Institute is a medical research institute in Australia investigating mental health across the lifespan, aiming to create a mentally healthier world for everyone. Black Dog Institute focuses on addressing challenges and opportunities in mental health such as suicide prevention, digital innovation, lived experience, youth and workplace mental health.

Read a Q&A with Director and Chief Scientist at the Black Dog Institute, Scientia Professor Helen Christensen AO [here](https://blackdoginstitute.org.au).

## Black Dog Institute and Future Generation

In Australia, there are over 450 suicide deaths and 10,000 suicide attempts among 15-24 year olds annually. Future Generation's support employs talented senior researchers to conduct innovative research that develops and tests technology-based approaches to reducing suicide. This support is applied in the early part of the research cycle, which aims to determine and widely scale the most promising technologies.

For more information, visit  
[blackdoginstitute.org.au](https://blackdoginstitute.org.au)

## Our designated charities



## Our pro bono service providers



**Fund manager  
allocation and  
investments at  
market value as  
at 31 January  
2021**

| Fund Manager                           | Investment   | Strategy       | % of Gross Assets |
|--|--|----------------|-------------------|
| Bennelong Australian Equities Partners | Bennelong Australian Equities Fund                             | Long equities  | 14.5%             |
|  | <b>Mid Cap/Long Short Equities Funds (split out below)</b>     |                | <b>11.3%</b>      |
| Paradice Investment Management         | Paradice Australian Mid Cap Fund                               | Long equities  | 6.5%              |
|  | Paradice Long Short Australian Equities Fund                   | Absolute bias  | 4.8%              |
| Regal Funds Management                 | Regal Australian Long Short Equity Fund                        | Absolute bias  | 10.9%             |
|  | <b>Small/Emerging Companies Funds (split out below)</b>        |                | <b>7.3%</b>       |
| Eley Griffiths Group                   | Eley Griffiths Group Small Companies Fund                      | Long equities  | 6.0%              |
|  | Eley Griffiths Group Emerging Companies Fund                   | Long equities  | 1.3%              |
| Wilson Asset Management                | Wilson Asset Management Equity Fund                            | Absolute bias  | 6.2%              |
|  | <b>Long Short/Australian Equities Funds (split out below)</b>  |                | <b>5.8%</b>       |
| L1 Capital                             | L1 Capital Long Short Fund                                     | Absolute bias  | 3.5%              |
|  | L1 Capital Australian Equities Fund                            | Long equities  | 2.3%              |
| Cooper Investors                       | Cooper Investors Australian Equities Fund                      | Long equities  | 5.4%              |
| Sandon Capital                         | Sandon Capital Activist Fund                                   | Absolute bias  | 5.2%              |
|  | <b>Absolute Return/High Conviction Funds (split out below)</b> |                | <b>4.6%</b>       |
| Firetrail Investments                  | Firetrail Absolute Return Fund                                 | Market neutral | 3.6%              |
|  | Firetrail High Conviction Fund                                 | Long equities  | 1.0%              |
| Bennelong Long Short Equity Management | Bennelong Long Short Equity Fund                               | Market neutral | 4.0%              |
| Clime Asset Management                 | Clime Australian Equities Fund                                 | Long equities  | 2.6%              |
| Tribeca Investment Partners            | Tribeca Alpha Plus Fund  | Absolute bias  | 2.6%              |
| Vinva Investment Management            | Vinva Australian Equities Fund                                 | Long equities  | 2.4%              |
| Sage Capital                           | Sage Capital Equity Plus Fund                                  | Absolute bias  | 2.1%              |
| Centennial Asset Management            | The Level 18 Fund  | Absolute bias  | 2.0%              |
| Smallco Investment Manager             | Smallco Broadcap Fund  | Long equities  | 1.7%              |
| QVG Capital                            | QVG Opportunities Fund   | Long equities  | 1.3%              |
| Lanyon Asset Management                | Lanyon Australian Value Fund                                   | Absolute bias  | 1.0%              |
|  | Cash and term deposits   |                | 9.1%              |

**Fund manager  
allocation and  
investments at  
market value as  
at 31 January 2021**

| Fund Manager                     | Investment                                       | Strategy      | % of Gross Assets |
|----------------------------------|--|---------------|-------------------|
| Caledonia                        | Caledonia Fund                                   | Long equities | 12.3%             |
| Magellan Asset Management        | Magellan Global Fund                             | Long equities | 11.3%             |
| Cooper Investors                 | Cooper Investors Global Equities Fund (Unhedged) | Long equities | 11.2%             |
| Marsico Capital Management       | Marsico Global Fund                              | Long equities | 9.4%              |
| Nikko Asset Management Australia | Nikko AM Global Share Fund                       | Long equities | 9.2%              |
| VGI Partners                     | VGI Partners Funds                               | Absolute bias | 8.0%              |
| Munro Partners                   | Munro Global Growth Fund                         | Absolute bias | 7.0%              |
| Antipodes Partners               | Antipodes Global Fund - Long                     | Long equities | 6.5%              |
| Ellerston Capital                | Ellerston Global Mid Small Cap Fund              | Long equities | 6.1%              |
| Avenir Capital                   | Avenir Global Fund                               | Absolute bias | 3.4%              |
| Paradice Investment Management   | Paradice Global Small Mid Cap Fund (Unhedged)    | Long equities | 3.1%              |
| WCM Investment Management        | WCM Quality Global Growth Fund (Hedged)          | Long equities | 3.0%              |
| Morphic Asset Management         | Morphic Ethical Equities Fund Limited            | Absolute bias | 0.9%              |
|                                  | Cash and term deposits                           |               | 8.6%              |