

### Dear fellow shareholder,

#### Investment portfolio performance

In March, the Future Generation Australia (ASX: FGX) investment portfolio increased 4.6%\*, while the S&P/ASX All Ordinaries Accumulation Index rose 6.9% for the month. The Future Generation Global (ASX: FGG) investment portfolio decreased 2.8%\* in March and the MSCI AC World Index (AUD) fell 1.2% for the month.

Since inception, the FGX investment portfolio has increased 10.5%\* per annum and the FGG investment portfolio has increased 8.4%\* per annum. The investment portfolios' performance has been achieved with less volatility than their indexes, as measured by standard deviation.

#### Fully franked final dividend dates

On 13 April 2022, Future Generation Australia commenced trading ex-dividend and the fully franked final dividend will be paid on 29 April 2022. The last election date for the Future Generation Australia dividend reinvestment plan (DRP) is 20 April 2022. Future Generation Global will trade ex-dividend on 16 May 2022. You can view the key dividend dates [here](#).

A company's share price tends to fall after the dividend ex date by an amount equal to the dividend and sometimes by more than the dividend due to the perceived value of the franking credits.

#### Insights from the Investment Committee

In the latest instalment of our [Insights from the Investment Committee](#) series, I spoke to JANA Investment Advisers Executive Director John Coombe, who sits on the Investment Committees of both Future Generation Australia and Future Generation Global.

John talked us through the diversification benefits of the portfolios, why he invested in the companies, and the performance of the Future Generation Australia and Future Generation Global pro bono fund managers. The interview was covered by [Livewire](#).

\*Investment portfolio performance is before expenses, fees and taxes to compare to the relevant index which is also before expenses, fees and taxes.

### Announcing Future Generation LIVE

In May, we will be travelling across the country to meet our shareholders at Future Generation LIVE, where you will have the opportunity to hear from some of our pro bono fund managers and charity partners. We encourage you to [register your interest](#) to attend and save the date for the event in your city. Our Sydney event will be livestreamed and recorded for all shareholders that are unable to attend the events in person.

The Future Generation Australia and Future Generation Global Annual General Meetings (AGMs) will be held on Thursday 26 May 2022 following our Sydney event. We will provide more details about Future Generation LIVE and our AGMs in the coming weeks.

### Introducing 2Fold: Investing for Impact podcast

We were excited to launch our new podcast series [2fold: Investing for Impact](#) in April, available on all major podcast platforms. Every month, I'll be speaking to leaders about their two driving purposes in life. In our first episode, I speak to Natasha Stott Despoja AO.

If you enjoy listening, we encourage you to subscribe and leave a rating on [Apple podcasts](#), and share the series with your family and friends. You can also read a transcript of the episode [here](#). We would love to hear your feedback!

### Register for our Future Generation Q&A webinar

Join me for a Q&A [webinar](#) on Tuesday 26 April 2022 at 1:00pm (Sydney time) with L1 Capital's Mark Landau, pro bono fund manager for Future Generation Australia; Ellerston Capital's Bill Pridham, pro bono fund manager for Future Generation Global; and Dr Eamonn McCarthy, CEO of Lighthouse Foundation. Mark and Bill will provide their market outlook as well as two top stock picks, while Eamonn will give an update on the Foundation's work.

We hope you enjoy this month's [Meet the Manager](#) with Bill Pridham from Ellerston Capital and our [Q&A interview](#) with Professor Samuel Harvey from the Black Dog Institute.

Best wishes,



Caroline Gurney  
CEO, Future Generation



# \$52.9m

SOCIAL  
INVESTMENT  
TO 2021



# \$5.3m

Future  
Generation  
Australia 2021

# \$6.4m

Future  
Generation  
Global 2021

2021 total social  
investment

# \$11.7m

2021 management  
fees, performance fees  
and services forgone

Total fees forgone  
since inception to  
2021

# \$24.0m

# \$97.5m

## Investment portfolio performance

The below NTA figures are **before** the fully franked final dividend of 3.0 cents per share due to be paid on 29 April 2022. The shares traded ex-dividend on 13 April 2022.

Net tangible assets before tax	Gross assets	Profits reserve (per share)
<b>146.70c</b>	<b>\$595.9m</b>	<b>32.1c</b>
Net tangible assets after tax and before tax on unrealised gains	Market capitalisation <sup>#</sup>	Dividends paid since inception (per share)
<b>147.23c</b>	<b>\$552.0m</b>	<b>30.3c</b>
Net tangible assets after tax	Volatility <sup>^</sup>	2021 fully franked full year dividend
<b>138.35c</b>	<b>11.4%</b> S&P/ASX All Ordinaries Accumulation Index: 14.2%	<b>6.0c</b>

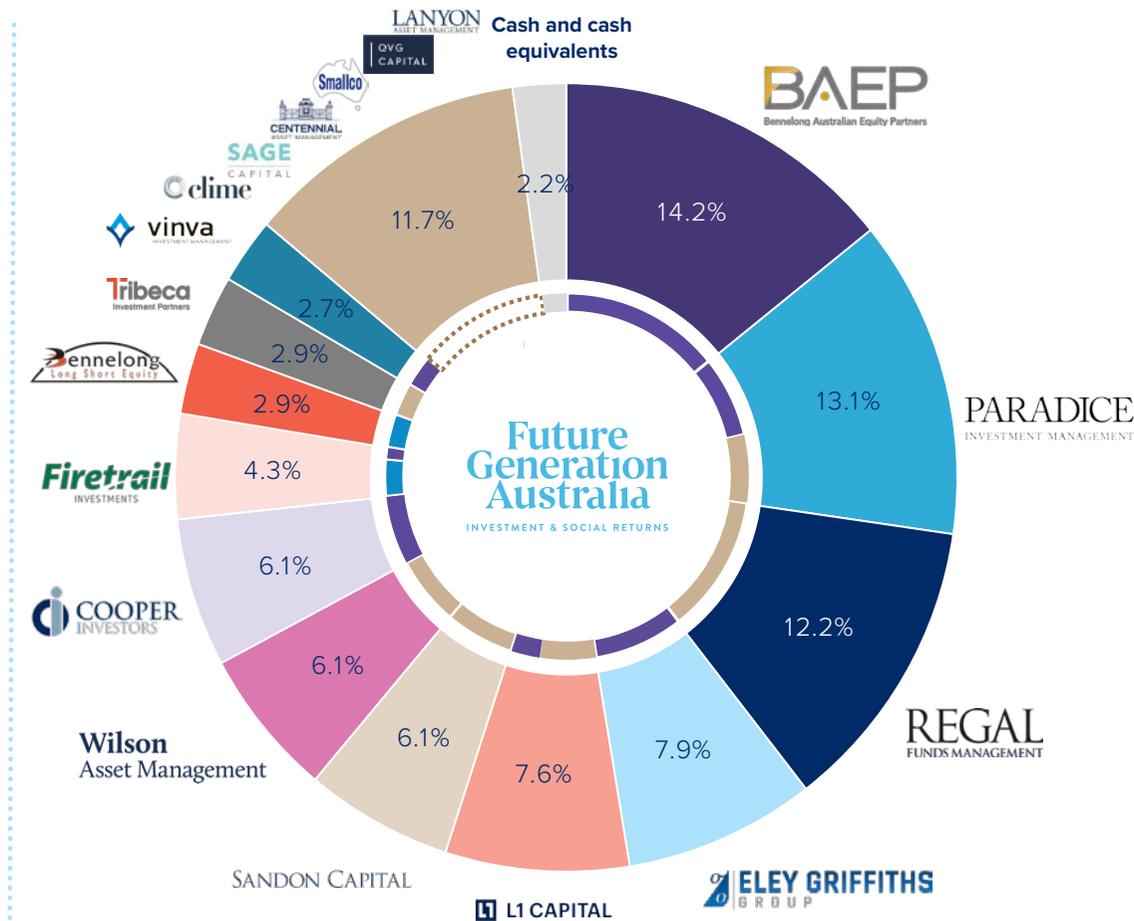
<sup>#</sup>Based on the 31 March 2022 share price of \$1.37 per share and 402,934,962 shares on issue. During the month, 2,739 options were exercised and allotted under the Bonus Issue of Options. The options are trading under the ASX code FGXO with an exercise price of \$1.48 per option and expire on 28 April 2023. The above NTA figures are not adjusted for the 400,226,835 options on issue with an exercise price of \$1.48 per option. <sup>^</sup>Volatility is measured by standard deviation.

Investment portfolio performance at 31 March 2022	1 mth	Fin YTD	6 mths	1 yr	3 yrs %pa	5 yrs %pa	Since inception %pa (Sept-14)
Future Generation Australia	4.6%	-2.7%	-0.7%	13.9%	13.5%	11.2%	10.5%
S&P/ASX All Ordinaries Accumulation Index	6.9%	1.6%	4.1%	15.5%	11.5%	9.8%	8.7%

Investment portfolio performance is before expenses, fees and taxes to compare to the relevant index which is also before expenses, fees and taxes.

## Fund manager allocations

0% management fees  
0% performance fees



### 11.7% fund manager breakdown

Clime Investment Management	2.6%	Smallco Investment Manager	1.8%	Long equities	47.6%
Sage Capital	2.5%	QVG Capital	1.5%	Absolute bias	44.1%
Centennial Asset Management	2.2%	Lanyon Asset Management	1.1%	Market neutral	6.1%
				Cash	2.2%

## Investment portfolio performance

The below NTA figures are **before** the fully franked final dividend of 3.0 cents per share due to be paid on 27 May 2022. The shares will trade ex-dividend on 16 May 2022.

Net tangible assets before tax	Gross assets	Profits reserve (per share)
<b>150.84c</b>	<b>\$599.1m</b>	<b>48.3c</b>
Net tangible assets after tax and before tax on unrealised gains	Market capitalisation <sup>#</sup>	2021 fully franked full year dividend
<b>147.47c</b>	<b>\$539.2m</b>	<b>6.0c</b>
Net tangible assets after tax	Volatility <sup>*</sup>	ESG aware <sup>^</sup> (of the portfolio)
<b>143.69c</b>	<b>9.3%</b> MSCI AC World Index (AUD): 10.4%	<b>99.1%</b>

<sup>#</sup>Based on the 31 March 2022 share price of \$1.37 per share and 393,612,280 shares on issue.

<sup>\*</sup>Volatility is measured by standard deviation.

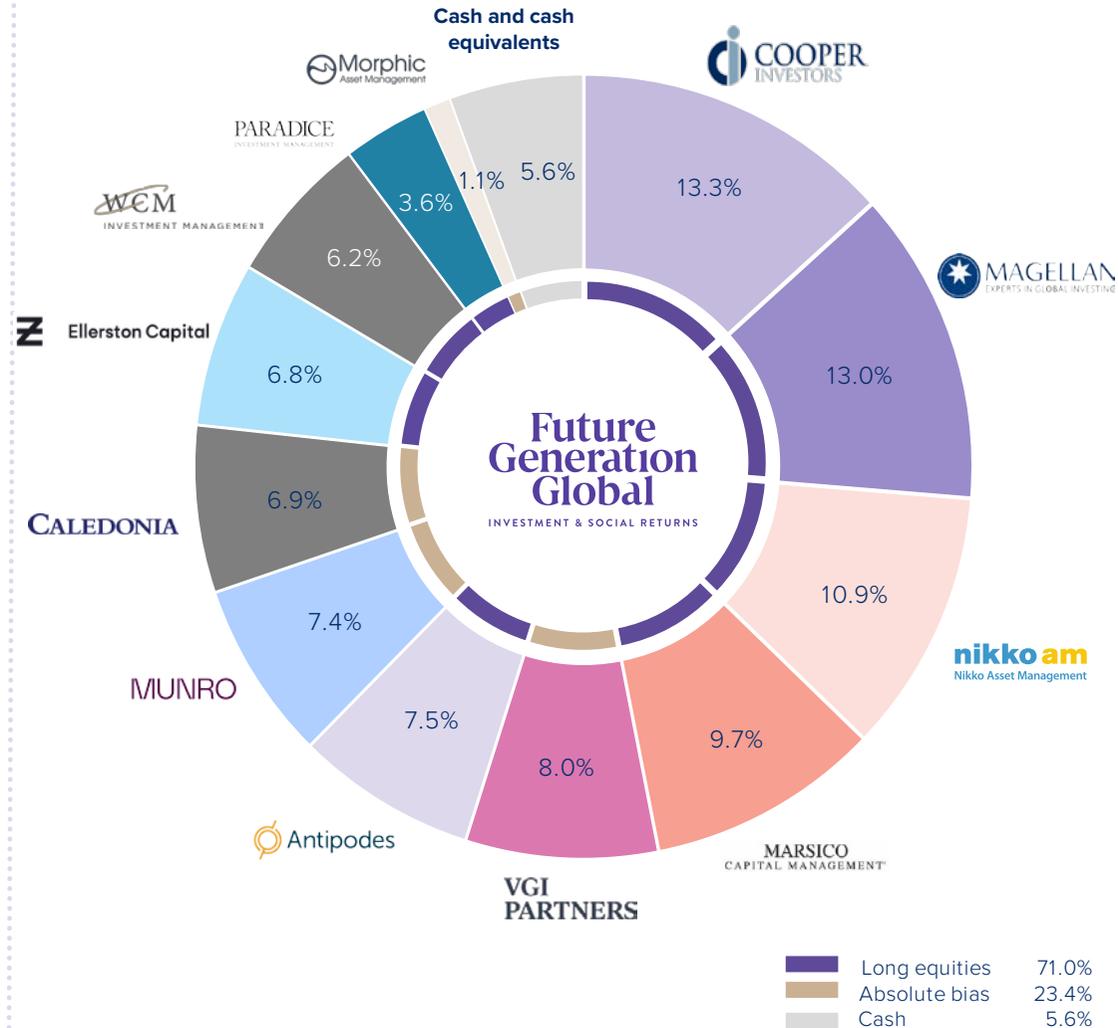
<sup>^</sup>Based on the 2021 Annual Report.

Investment portfolio performance at 31 March 2022	1 mth	Fin YTD	6 mths	1 yr	3 yrs %pa	5 yrs %pa	Since inception %pa (Sept-15)
Future Generation Global	-2.8%	-12.9%	-11.9%	-5.9%	8.0%	9.9%	8.4%
MSCI AC World Index (AUD)	-1.2%	-8.1%	-2.9%	9.0%	11.7%	12.1%	10.5%

Investment portfolio performance is before expenses, fees and taxes to compare to the relevant index which is also before expenses, fees and taxes.

## Fund manager allocations

0% management fees  
0% performance fees



Long equities 71.0%  
Absolute bias 23.4%  
Cash 5.6%



## Meet the Manager

**Bill Pridham**  
Portfolio Manager  
Ellerston Capital

### Can you describe your investment strategy?

Leonardo da Vinci once said “simplicity is the ultimate sophistication” and so I always say that I am very sophisticated! My strategy is to run a relatively concentrated portfolio of 20-40 stocks, typically focused on companies valued at US\$15 billion or below. These companies get far less coverage by analysts and so there is more scope to unearth value. The real sweet spot for me is the US\$2-8 billion range, where companies can double or even treble over time as their businesses grow, giving you real upside potential. I also try to find great companies that are going through price discovery ‘catalysts’, such as a corporate restructure, spin-off or management change. These events create uncertainty and the markets hate uncertainty. When the share price falls, you can get in at a lower price – then sit back and watch the catalyst bear fruit.

### Have you changed your investment style since joining Ellerston Capital in 2015?

I haven’t changed my fundamental investment style but two things have changed. First, I have formalised my ESG approach which was basically already in place, as I invest based on my personal values. For example, my minimum test is that the company does no harm, and I look for great companies that are also doing good for society or the environment.

Secondly, I have adapted to the volatile macro environment by adopting a barbell strategy, which means I have a balanced portfolio containing both growth and value stocks. Like a barbell, the weights of these stocks will hopefully counterbalance for adequate exposure to both. I am not going to end up concentrated in Tech stocks and losing 30-40 per cent when the market tanks. I don’t want to play that game!

### You mentioned the current market turbulence both here and overseas. What is your outlook for markets over the next 1, 3 and 5 years?

There are so many moving parts that I don’t spend my time worrying about what I think the markets will do. I mean, who could possibly have predicted the pandemic or the Russia-Ukraine conflict? Instead, I focus on a company’s long-term prospects to make sure that it can thrive in different market scenarios. What we have found is that in times of market and operational stress, strong companies emerge even stronger because they have gained market share.

### Are global equities looking expensive at the moment or is there still value in the small to mid-cap space?

We have definitely entered a paradigm shift in terms of inflation and interest rates. Investors haven’t experienced high rates or high inflation for ten years and this will create new pockets of value and new pockets of expensiveness. Small to mid-cap companies haven’t looked this cheap relative to the large caps for a long time.

### How does the current uncertainty around geopolitics and monetary policy inform your medium and long-term investment decisions?

Recent geopolitical events – like the US-China trade war, the pandemic and the Russia-Ukraine conflict – have put a huge spotlight on supply chains. Companies are all having to ask themselves, “Where do I get my raw materials, how do I manufacture them and how do I ship my products?” This is driving the trend towards on-shoring and deglobalisation.

This is a major structural shift and it is not going to change any time soon. It’s something we have been watching for a long time and we are constantly making sure that the companies we invest in are not only going to survive these changes, but are going to benefit from them.

When it comes to monetary policy, the impact is so much harder to predict. So again, I just focus on companies with strong balance sheets, strong cash flows, and strong underlying businesses.

### What are the best investment lessons you have learned?

I’ve been in the markets for 24 years now and the best lessons I have learned are the ability to say no, the importance of patience, and the need to understand risk. I look at hundreds of companies each year, so I obviously need to be able to say no to a lot of them.

Having patience is also critical, especially when it comes to periods of market turbulence. A stock can go down over a month, a quarter or even a year, but the only time you lose money is if you sell out. If you have patience and hold your nerve, you typically get your money back – and more. I have never been as inactive in terms of trading as I am currently because I have conviction around my investment story and so I am just tuning out the short-term noise.

Finally, you need to understand risk and take on measured risk in order to generate returns over the long term. People get really tied up in the short term and forget about the benefits of compounding over the long term. Look at how the bear market roared back to life after the early days of the pandemic. Those who were underweight didn’t benefit from the upswing. As Howard Marks, the co-founder of Oaktree Capital Management said, “Risk control is the best route to loss avoidance. Risk avoidance, on the other hand, is likely to lead to return avoidance as well.”

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:**



**Black Dog Institute**

Black Dog Institute investigates mental health across the lifespan. Their transnational approach aims for research findings to be quickly accessible through clinical services, education and e-health products that improve people's lives.

*“For many years, millions of people suffered mental ill health in silence. But there is also overwhelming evidence that the rates of mental illness are increasing, particularly among adolescents and young adults, and the honest answer is that we don't know why. There is a range of different theories relating to increased inequality, less job security, reduced social cohesion, the rise of social media, and unfiltered information coming through to developing brains. But nobody can say for sure exactly why it's happening – and that's one of the big questions we need to answer over the next few years.”*

[Read a Q&A](#) with Professor Samuel Harvey, Executive Director and Chief Scientist of Black Dog Institute.

For more information, visit

<https://www.blackdoginstitute.org.au/>

**Our designated charities**



**Our pro bono service providers**



**Fund manager  
allocation and  
investments at  
market value as  
at 31 March 2022**

Fund Manager	Investment	Strategy	% of Gross Assets
Bennelong Australian Equities Partners	Bennelong Australian Equities Fund	Long equities	14.2%
	<b>Mid Cap/Equity Alpha Plus Funds (split out below)</b>		<b>13.1%</b>
Paradice Investment Management	Paradice Australian Mid Cap Fund	Long equities	7.1%
	Paradice Equity Alpha Plus Fund	Absolute bias	6.0%
Regal Funds Management	Regal Australian Long Short Equity Fund	Absolute bias	12.2%
	<b>Small/Emerging Companies Funds (split out below)</b>		<b>7.9%</b>
Eley Griffiths Group	Eley Griffiths Group Small Companies Fund	Long equities	6.4%
	Eley Griffiths Group Emerging Companies Fund	Long equities	1.5%
	<b>Long Short/Australian Equities Funds (split out below)</b>		<b>7.6%</b>
L1 Capital	L1 Capital Long Short Fund	Absolute bias	5.0%
	L1 Capital Australian Equities Fund	Long equities	2.6%
Sandon Capital	Sandon Capital Activist Fund	Absolute bias	6.1%
Wilson Asset Management	Wilson Asset Management Equity Fund	Absolute bias	6.1%
Cooper Investors	Cooper Investors Australian Equities Fund	Long equities	6.1%
	<b>Absolute Return/High Conviction Funds (split out below)</b>		<b>4.3%</b>
Firetrail Investments	Firetrail Absolute Return Fund	Market neutral	3.2%
	Firetrail High Conviction Fund	Long equities	1.1%
Bennelong Long Short Equity Management	Bennelong Long Short Equity Fund	Market neutral	2.9%
Tribeca Investment Partners	Tribeca Alpha Plus Fund	Absolute bias	2.9%
Vinva Investment Management	Vinva Australian Equities Fund	Long equities	2.7%
Clime Asset Management	Clime Australian Equities Fund	Long equities	2.6%
Sage Capital	Sage Capital Equity Plus Fund	Absolute bias	2.5%
Centennial Asset Management	The Level 18 Fund	Absolute bias	2.2%
Smallco Investment Manager	Smallco Broadcap Fund	Long equities	1.8%
QVG Capital	QVG Opportunities Fund	Long equities	1.5%
Lanyon Asset Management	Lanyon Australian Value Fund	Absolute bias	1.1%
	Cash and cash equivalents		2.2%

**Fund manager  
allocation and  
investments at  
market value as  
at 31 March 2022**

<b>Fund Manager</b>	<b>Investment</b>	<b>Strategy</b>	<b>% of Gross Assets</b>
Cooper Investors	Cooper Investors Global Equities Fund (Unhedged)	Long equities	13.3%
Magellan Asset Management	Magellan Global Fund	Long equities	13.0%
Nikko Asset Management Australia	Nikko AM Global Share Fund	Long equities	10.9%
Marsico Capital Management	Marsico Global Fund	Long equities	9.7%
VGI Partners	VGI Partners Funds	Absolute bias	8.0%
Antipodes Partners	Antipodes Global Fund - Long	Long equities	7.5%
Munro Partners	Munro Global Growth Fund	Absolute bias	7.4%
Caledonia	Caledonia Global Fund	Absolute bias	6.9%
Ellerston Capital	Ellerston Global Mid Small Cap Fund	Long equities	6.8%
WCM Investment Management	WCM Quality Global Growth Fund (Hedged)	Long equities	6.2%
Paradice Investment Management	Paradice Global Small Mid Cap Fund (Unhedged)	Long equities	3.6%
Morphic Asset Management	Morphic Ethical Equities Fund Limited	Absolute bias	1.1%
	Cash and cash equivalents		5.6%