

Dear fellow shareholder,

### Investment portfolio performance

Rising inflation, interest rate hikes, increased commodity prices and continued supply chain distributions saw investor sentiment weighed down in June by further fears of a slowdown in economic growth globally.

The Future Generation Global (ASX: FGG) investment portfolio decreased 3.8%\* in June, outperforming the MSCI AC World Index (AUD) which fell 4.8% for the month. The Future Generation Australia (ASX: FGX) investment portfolio decreased 9.2%\* for the month, outperforming the S&P/ASX All Ordinaries Accumulation Index which fell 9.4%.

Since inception, the Future Generation Australia investment portfolio has increased 8.0%\* per annum and the Future Generation Global investment portfolio has increased 6.5%\* per annum. The investment portfolios' performance has been achieved with less volatility than their indexes, as measured by standard deviation.

### New Future Generation Global Social Impact partners

We are nearing the end of our [Expression of Interest \(EOI\)](#) process for Future Generation Global and look forward to sharing our new social impact partners with you at the beginning of August. We've identified prevention and wellbeing as the area where our contribution can punch above its weight in positively impacting youth mental health. We're excited to partner with 14 prevention-focused organisations who have ambitious impact growth strategies and have been carefully selected from 175+ applicants from all over Australia. If you'd like to see how our support has helped positively impact young people's lives, have a browse of [Our Impact Story So Far](#).

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

### Upcoming Future Generation Investor Webinar 27 July

Please [register here](#) and join our upcoming Future Generation Investor Webinar on Wednesday, 27 July at 3:00pm to hear from Geoff Wilson AO, Chairman and Chief Investment Officer (CIO) of [Wilson Asset Management](#) and renowned Fund Manager Peter Cooper, Director, CIO and Portfolio Manager at [Cooper Investors](#), who manages funds for Future Generation Australia and Future Generation Global. I will also speak to Jane Rowe OAM, Founder and CEO of [The Mirabel Foundation](#), an impact partner of Future Generation Australia whose mission is to break the destructive cycle of addiction and disadvantage. Geoff and Peter will provide their market outlook and top stock picks, while Jane will provide an update on the Foundation's work.

### Have your say - Donation Voting

As part of the Future Generation family, you know that our unique model of investment and social returns was established to meet the increasing need to do more for our communities. By allocating your donation, you can support our partner organisations through a reliable source of funds that allows them to operate with confidence. Voting is open from 2 September until 30 September and we encourage you to have your say. We will share more information on how to vote in the coming weeks.

We hope you enjoy this month's [Meet the Manager](#) with Mark Landau Co-Founder, Joint Managing Director and CIO of L1 Capital and our [Q&A Interview](#) with Andrew Frakes, Principal of Giant Steps.

Thank you and 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

Net tangible assets before tax	Gross assets	Profits reserve (per share)
<b>123.23c</b>	<b>\$503.8m</b>	<b>29.0c</b>
Net tangible assets after tax and before tax on unrealised gains	Market capitalisation <sup>#</sup>	Dividends paid since inception (per share)
<b>122.35c</b>	<b>\$458.4m</b>	<b>33.3c</b>
Net tangible assets after tax	Volatility <sup>^</sup>	2021 fully franked full year dividend
<b>121.04c</b>	<b>11.9%</b> S&P/ASX All Ordinaries Accumulation Index: 14.5%	<b>6.0c</b>

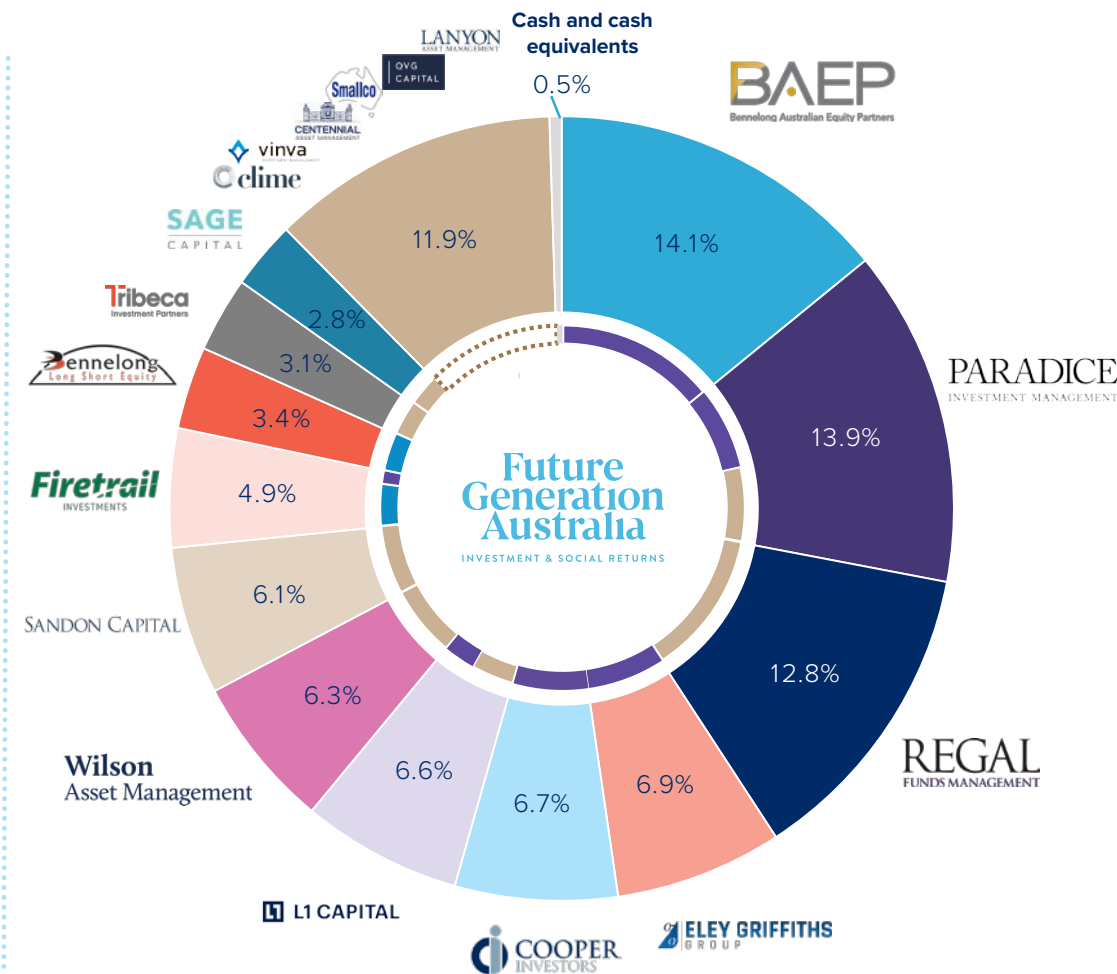
<sup>#</sup>Based on the 30 June 2022 share price of \$1.135 per share and 403,867,511 shares on issue.  
The above NTA figures are not adjusted for the 400,206,835 options on issue which are trading under the ASX code FGXO with an exercise price of \$1.48 per option and expire on 28 April 2023.  
<sup>^</sup>Volatility is measured by standard deviation.

Investment portfolio performance at 30 June 2022	1 mth	Fin YTD	1 yr	3 yrs %pa	5 yrs %pa	Since inception %pa (Sept-14)
Future Generation Australia	-9.2%	-16.1%	-9.2%	6.2%	7.7%	8.0%
S&P/ASX All Ordinaries Accumulation Index	-9.4%	-11.5%	-7.4%	3.8%	7.2%	6.5%

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



### 11.9% fund manager breakdown

Clime Investment Management	2.7%	Smallco Investment Manager	1.7%	Long equities	47.3%
vinva Investment Management	2.5%	QVG Capital	1.4%	Absolute bias	45.1%
Centennial Asset Management	2.4%	Lanyon Asset Management	1.2%	Market neutral	7.1%
				Cash	0.5%

## Investment portfolio performance

Net tangible assets before tax	Gross assets	Profits reserve (per share)
<b>132.53c</b>	<b>\$529.5m</b>	<b>45.3c</b>
Net tangible assets after tax and before tax on unrealised gains	Market capitalisation <sup>#</sup>	2021 fully franked full year dividend
<b>131.33c</b>	<b>\$419.9m</b>	<b>6.0c</b>
Net tangible assets after tax	Volatility* MSCI AC World Index (AUD): 10.6%	ESG aware <sup>^</sup> (of the portfolio)
<b>130.65c</b>	<b>9.5%</b>	<b>99.1%</b>

<sup>#</sup>Based on the 30 June 2022 share price of \$1.065 per share and 394,318,455 shares on issue.

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

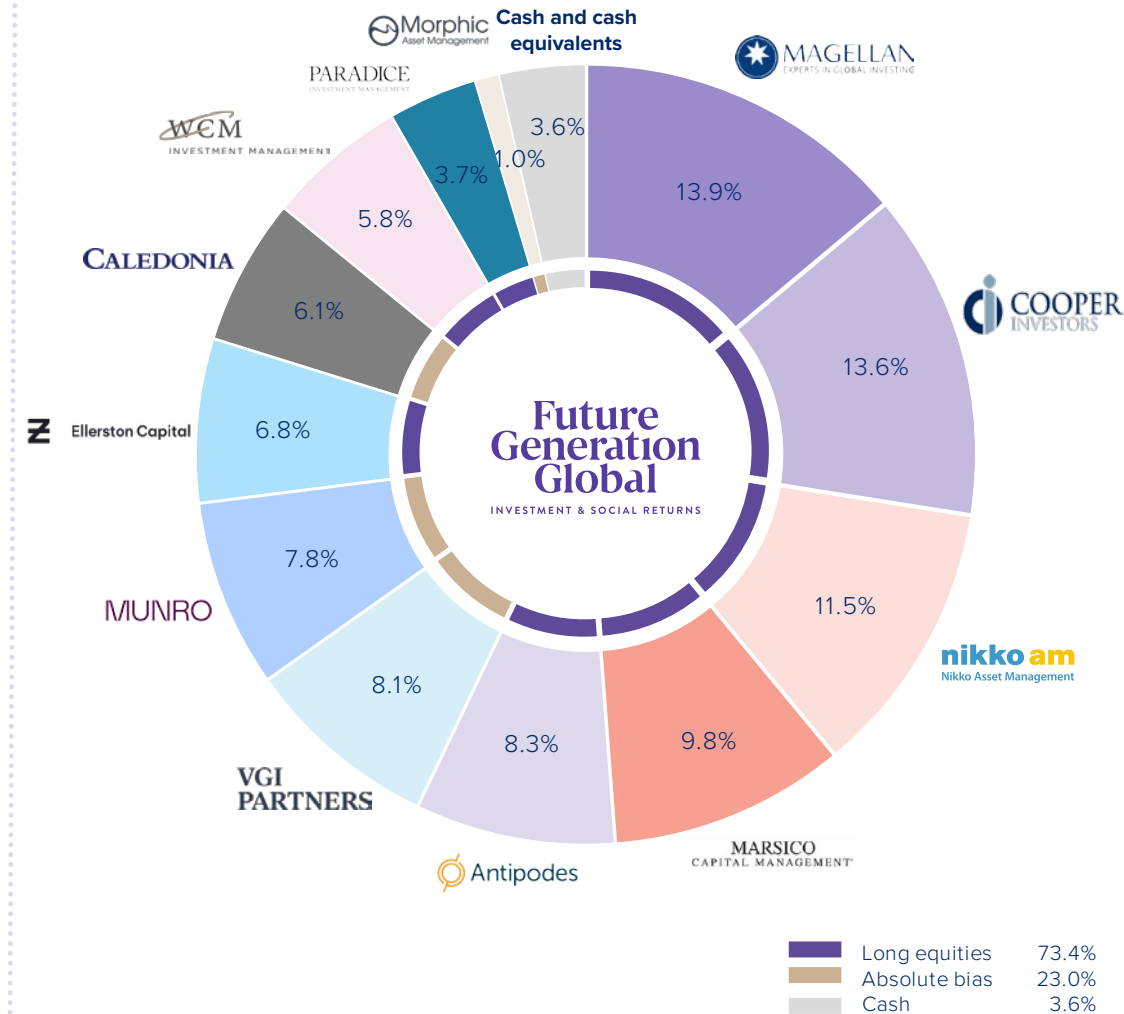
<sup>^</sup>As reported in the 2021 Annual Report.

Investment portfolio performance at 30 June 2022	1 mth	Fin YTD	1 yr	3 yrs %pa	5 yrs %pa	Since inception %pa (Sept-15)
Future Generation Global	-3.8%	-21.0%	-19.5%	2.6%	6.9%	6.5%
MSCI AC World Index (AUD)	-4.8%	-16.0%	-8.6%	6.7%	9.3%	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



## Meet the Manager

### Mark Landau, Co-Founder, Joint Managing Director & Chief Investment Officer of L1 Capital



#### **Your performance has been strong at a time when many others have floundered. What have been the most notable contributors?**

One of our biggest contributors has been the Canadian energy sector. Stocks like MEG Energy (TSE: MEG), Cenovus Energy (NYSE: CVE) and Teck Resources (NYSE: TECK) have all been really strong contributors, even though they're not stocks that are written about in the papers every day.

The other major contributor, where we've clearly had different positioning to most investors, has been our shorts in the U.S. profitless tech sector, along with shorts in several "COVID winner" stocks, like Peloton (NASDAQ: PENTON) and Logitech (SWX: LOGN), and on US retail stocks, like Williams-Sonoma (NYSE: WSM). All of these shares are down between 30% to 80% over the past six months.

In general, our performance tends to have low correlation with the market and peers. We hold a very different set of stocks and we are exposed to different themes, which is what you would expect from a contrarian value manager.

#### **When we spoke to you at our Future Generation webinar in April, you were pretty pessimistic about the market. Has your outlook changed? What do you see happening in equity markets over the next 1, 3 and 5 years?**

In a very short-term sense – say, over the next few months – we're still cautious. We think that the market will remain weak and erratic, given there are numerous fears that won't be resolved quickly. These are things like Central Bank policy tightening, a potential US recession and the impact of the Russia-Ukraine situation. On a one-year view, we're a little bit more positive because we think that some of the excessive fear and pessimism that has been driving markets will start to reduce. Central Banks should be able to stop tightening because we think inflation is peaking at the moment; the concerns about a US recession will lessen; and China will reopen, which will be positive for equity markets.

But that's not to suggest that the market will return to a bull market. We don't think markets will go dramatically higher – or lower – on a one-year, three-year or five-year view. Equity returns have been very strong over the past 30 years. We've typically seen a 10% return per annum – and it's been the same for property and bonds. A big driver of that has been falling interest rates, where rates have gone from roughly 18% to 0% as of a year ago. Now that that period has come to an end, it's going to be much harder to generate attractive real returns. A lot of the return that you'll need to find won't be available as the rising tide stops lifting all the boats. It will have to come through alpha, rather than beta, which is finance lingo for excess returns versus market returns. Unfortunately, I think the best years for investors are probably behind us. It will, however, still be possible to find attractive returns via active management – whether you do that yourself or whether you do it through a vehicle, like Future Generation.



#### **What sort of returns do you think are reasonable to expect going forward?**

For equities, on a five-year view, I would say around a 5% to 7% per annum (p.a.). nominal return is probably more realistic than the historical 10% p.a. And if we believe that inflation is likely to be above the 2% p.a. that the Central Banks have been targeting, that means that real returns are only a few percent positive. You might be up 5% to 7% p.a. on paper, but you're only going up slightly in terms of your standard of living.

#### **Why is managing Future Generation money important to you?**

I think that we are in an incredibly privileged position, where we're able to help a large number of people through the charities that Future Generation supports. Seeing the personal stories and the changes that Future Generation Australia makes on a day-to-day basis for people who've been doing it really tough is the part that we get enormous satisfaction from. Obviously, we do a lot of charity ourselves on a personal level, but to be able to do it on a much larger scale, positively impacting so many more charities, is what excites us.

To keep reading please read the [full article here](#).

# 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:**



Giant Steps' team of specialists work together to develop high-quality education and support for more than 120 students with Autism Spectrum Disorder and complex needs.

*"The most rewarding thing is seeing students engaged in learning. When the students are engaged in learning, we see their individual growth and, over time, their quality of life improves. For some of our students, progress can be slow and you have to wait to see the fruits of their engagement. It's a constant reminder that you need to check in over different time periods to see how the students have progressed."*

[Read a Q&A](#) with Andrew Frakes, Principal of Giant Steps.

For more information, visit <https://www.giantsteps.net.au/>

**Our designated charities**



**Our pro bono service providers**



**Fund manager  
allocation and  
investments at  
market value as  
at 30 June 2022**

Fund Manager	Investment	Strategy	% of Gross Assets
Bennelong Australian Equities Partners	Bennelong Australian Equities Fund	Long equities	14.1%
	<b>Mid Cap/Equity Alpha Plus Funds (split out below)</b>		<b>13.9%</b>
Paradice Investment Management	Paradice Australian Mid Cap Fund	Long equities	7.3%
	Paradice Equity Alpha Plus Fund	Absolute bias	6.6%
Regal Funds Management	Regal Australian Long Short Equity Fund	Absolute bias	12.8%
	<b>Small/Emerging Companies Funds (split out below)</b>		<b>6.9%</b>
Eley Griffiths Group	Eley Griffiths Group Small Companies Fund	Long equities	5.5%
	Eley Griffiths Group Emerging Companies Fund	Long equities	1.4%
Cooper Investors	Cooper Investors Australian Equities Fund	Long equities	6.7%
	<b>Long Short/Catalyst Fund (split out below)</b>		<b>6.6%</b>
L1 Capital	L1 Capital Long Short Fund	Absolute bias	3.8%
	L1 Capital Catalyst Fund	Long equities	2.8%
Wilson Asset Management	Wilson Asset Management Equity Fund	Absolute bias	6.3%
Sandon Capital	Sandon Capital Activist Fund	Absolute bias	6.1%
	<b>Absolute Return/High Conviction Funds (split out below)</b>		<b>4.9%</b>
Firetrail Investments	Firetrail Absolute Return Fund	Market neutral	3.7%
	Firetrail High Conviction Fund	Long equities	1.2%
Bennelong Long Short Equity Management	Bennelong Long Short Equity Fund	Market neutral	3.4%
Tribeca Investment Partners	Tribeca Alpha Plus Fund	Absolute bias	3.1%
Sage Capital	Sage Capital Equity Plus Fund	Absolute bias	2.8%
Clime Investment Management	Clime Australian Equities Fund	Long equities	2.7%
Vinva Investment Management	Vinva Australian Equities Fund	Long equities	2.5%
Centennial Asset Management	The Level 18 Fund	Absolute bias	2.4%
Smallco Investment Manager	Smallco Broadcap Fund	Long equities	1.7%
QVG Capital	QVG Opportunities Fund	Long equities	1.4%
Lanyon Asset Management	Lanyon Australian Value Fund	Absolute bias	1.2%
	Cash and cash equivalents		0.5%

**Fund manager  
allocation and  
investments at  
market value as  
at 30 June 2022**

<b>Fund Manager</b>	<b>Investment</b>	<b>Strategy</b>	<b>% of Gross Assets</b>
Magellan Asset Management	Magellan Global Fund	Long equities	13.9%
Cooper Investors	Cooper Investors Global Equities Fund (Unhedged)	Long equities	13.6%
Nikko Asset Management Australia	Nikko AM Global Share Fund	Long equities	11.5%
Marsico Capital Management	Marsico Global Fund	Long equities	9.8%
Antipodes Partners	Antipodes Global Fund - Long	Long equities	8.3%
VGI Partners	VGI Partners Funds	Absolute bias	8.1%
Munro Partners	Munro Global Growth Fund	Absolute bias	7.8%
Ellerston Capital	Ellerston Global Mid Small Cap Fund	Long equities	6.8%
Caledonia	Caledonia Global Fund	Absolute bias	6.1%
WCM Investment Management	WCM Quality Global Growth Fund (Hedged)	Long equities	5.8%
Paradice Investment Management	Paradice Global Small Mid Cap Fund (Unhedged)	Long equities	3.7%
Morphic Asset Management	Morphic Ethical Equities Fund Limited	Absolute bias	1.0%
	Cash and cash equivalents		3.6%