

Future Generation and 2Fold: Investing for impact  
Episode Four | Michael Traill AM

*Future Generation acknowledges the traditional owners of country throughout Australia, and recognises their continuing connection to lands, waters and communities. We pay our respects to elders past and present.*

**CAROLINE GURNEY:** I'm Caroline Gurney, Chief Executive Officer of Future Generation and that was Michael Traill. Michael is an absolute legend in Australia's not-for-profit circles, but that is not how he started out. Like many other Harvard grads, Michael went into investment banking. He spent 14 years at Macquarie Bank, where he successfully co-founded the bank's private equity division. But, a career that provides profit above all else didn't sit comfortably with him. In 2002 at the peak of his career, Michael jumped ship to the not-for-profit sector. His idea was to bring corporate rigour to the charitable world. He was founding CEO of Social Ventures Australia, and he took a revolutionary approach with bridging the gap between privilege and property. These days, Michael Chair's the Paul Ramsay Foundation and the Federal Government social impact investing taskforce among his many other roles. In 2010, he was made a member of the Order of Australia in recognition of his service to the not-for-profit sector. I'm thrilled to have Michael on the podcast, let's jump into it.

**MICHAEL TRAILL AM:** Lovely to be with you Caroline.

**CAROLINE GURNEY:** This podcast is called 2Fold because at Future Generation our purpose is twofold. We aim to generate wealth for our shareholders by giving them access to leading Australian and global fund managers with no fees and we change the lives of young Australians by investing around \$13 million a year in youth at risk and youth mental health not-for-profits. Michael, and I ask all of our guests this question, what's your twofold? What are your two main purposes in life?

**MICHAEL TRAILL AM:** That's such a great question, I'm glad I had a bit of advanced notice to think about it. The only way I can make sense of existence Caroline is one purpose and it's kind at a spiritual level, it's that we're put on the planet to try and be of service. The bit of scripture

that speaks to me is Matthew 25 and it's the parable of the talents, the idea that you're given certain gifts and if we're born in families and in a country that has as many opportunities as this country provides us, the best way of utilising that and making sense of existence is how do you use those gifts to be of service. Service around family, around community and in what you do and you know lifelong and continuing journey of understanding and trying to make sense of existence is that which speaks to me most powerfully.

**CAROLINE GURNEY:** You have definitely done that and we're obviously going to talk about your work which is, to me, really reshaped the Australian philanthropy and the not-for-profit landscape. But before we focus on that, I want to know what really first sparked your interest in doing more and giving back?

**MICHAEL TRAILL AM:** I always think of that great Jesuit line that if you show me the young person at the age of seven, that'll give you a pretty good predictive direction about what the values of the adult will be. So, at seven I was a kid who grew up in country town Victoria in Morwell, in a loving family. My father who was a deep influence in many, many respects was the first in four generations to go past Year 10 at school and he became a man committed to the community and a high school teacher and principal. Mum and Dad were both great contributors to community and it was a pretty diverse community, a community with a pretty decent spread of social challenges where there are a bunch of kids in families who struggled and I think that sits with you and courtesy of the love and opportunities my parents provided my path took me to Melbourne University and Harvard Business School and a career at Macquarie, but I think all the way through the set of values around that and the idea that contributing to community and trying to make some sort of positive difference sticks with you.

**CAROLINE GURNEY:** We recently saw each other at Garma, an amazing cultural exchange in Arnhem Land in the Northern Territory and a lot of the conversations that we were both listening to and engaged in was really about the Indigenous Voice to parliament, you know how the Constitution may change and what Australians be asked to vote on. I'm really interested in your view and how important it is for Australian leaders and philanthropists and companies to get behind the Voice and how effective that will be. What are your thoughts on that?

**MICHAEL TRAILL AM:** It was a great shared opportunity to be at Garma. It's the first Garma that I've attended and what a propitious Garma it was. I thought our Prime Minister spoke eloquently and movingly in framing why the proposal for Voice was so powerful. I think that's been done in an astute way and I do think it has the capacity assuming the referendum passes to make a real difference. There's some controversy about that as we're all aware the specific shape of the Voice has been the subject of an ongoing debate, but my strong belief is that it's something that the community should support and I think it can make a difference and if I can just spell out briefly in practical sense why I think that matters. I had the subsequent opportunity to spend some time in Darwin. The Paul Ramsay Foundation which I Chair is a \$4 billion dollar foundation that's a legacy of the extraordinary generosity of Paul Ramsay who when he passed away left most of his shareholding in Ramsay Healthcare and so we do a range of work up there the focus is on issues of exclusion and disadvantage and subsequent to Garma I had the I must say scarifying opportunity to spend time visiting the Don Dale Juvenile Justice Prison and that afternoon I spent time visiting the Darwin Prison and here's some data and I'll come back Caroline to answer specifically why I think the Voice can matter with some pretty horrifying data. So in the Northern Territory there's a population of 248,000 with nearly 2,000 people in gaol. Population of the Territory is 31% indigenous. 86% of the gaol population is indigenous and having visited those sites and Don Dale houses mostly indigenous kids aged 12, 13, 14 and having visited that site, none of those kids in my view should be there and the idea of alternative pathways to justice and engaging with community and the indigenous Elder Voice is part of the solution to that I think is profoundly important. So let's come back to why I think the Voice matters. I think the Voice is an act in recognition and respect that's important. I'm of the belief that yes of course while there will be legislative challenges in making sure the Voice has a practical shape that can make a difference, frankly we have to try it and things could not be much worse than they exist you know particularly given the data that I quoted and as a quick supplementary positive to that you know one of the things we're exploring with the Ramsay Foundation had on there are a range of alternative justice programs. Pre COVID I visited an extraordinary site in Alice Springs which is a community Elder connected centre that provides support and resources for 20 indigenous women who have been in gaol and 2 and a half years down the track, the normal trajectory of people who are in those desperate and sad circumstances is that there is a really high incidence of repeat offending. But all but two of those women 2 and a half years down the track are on pathways to healing, they're not back in gaol, they're doing well and this tells us that if we listen to the voices respectfully of running alternative

programs, we can actually change the trajectory of lives and outcomes for our indigenous brothers and sisters, so in my strong view is that we need to get behind it.

**CAROLINE GURNEY:** Thank you. I mean I love hearing you talking about the work that the Ramsay Foundation is doing. I mean how important do you think it is for donors and for foundations to be transparent about their giving? To encourage others to get on board because I see often a reluctance in Australia for donors to put their hand up and say this is what we're doing. Do we need to be more forthcoming?

**MICHAEL TRAILL AM:** I think that's a really important question and one of the obligations we feel at the Paul Ramsay Foundation is to be clear about what we're trying to do and to share what we're doing that works and most important what doesn't, what's challenging and that's an obligation we feel is the country's largest foundation and it's in the hope of encouraging a culture of what I think of as being very important and that is strategic and thoughtful giving which is accountable. I've been involved over much of the 20 years since I left Macquarie Bank in 2002 when I was Founding Chief Executive of Social Ventures Australia and at the heart of the work of Social Ventures Australia or SVA was the idea of how do we in thoughtful and relevant ways bring business disciplines and some of the accountability that we're used to in the corporate world to the idea of thoughtful, strategic and accountable philanthropic giving and I think that's really important. I think the idea that we share in what we're doing, that we learn from what is not working is just rational. I learnt that in a 15 year business career at Macquarie. You want to understand what's working, you know the great line of my friend and mentor at Macquarie David Clark who was the Founding Chair is that you don't want to put good money after bad in the private equity business that I was involved as a Co-Founder of and I believe very strongly why should that logic not apply in the philanthropic and social purpose world. I think there's another part of that question Caroline which is while I get and respect that givers have a shyness about sharing what they do. I do think we are well served if people and particularly those who are involved in some of the larger donations that they share that basically because there's an advertorial in what they're doing which is good and I believe encourages others to give generously, but that idea of sharing what works and what doesn't I just think is critically important and what surely has to be an important question is that money making a difference or not.

**CAROLINE GURNEY:** I'm really with you there. Actually Mike Baird AO, as you might know the former Premier of New South Wales he has just come on board as Chair of Future Generation Australia (ASX: FGX) and as he explained it for the reasons why he joined he wants to use the role to be a bridge between corporate Australia and the not-for-profit sector. You've championed this space as you said for many years, so what do you see as sort of the next opportunities for business and not-for-profits to work together in Australia?

**MICHAEL TRAILL AM:** And what a fabulous appointment and terrific that Mike's taking on the Chair role there. I think Mike's a poster child in terms of his own experience both in government, as a leader in the business world and as CEO of Hammond Care, he's somebody who knows how to work across the sectors effectively and to answer your question. I do believe that there's great strengths across each of the sectors and we're more likely to be able to drive outstanding outcomes if we can draw on the collaborative partnerships and the potential that exists. You know while there's some... this might sound somewhat clichéd I do think there's a truth in the fact that the corporate sector can be pointy, but it's very accountable. You know and I know that if you work in the corporate world, it is results driven and I think there's something the social purpose sector can learn from that, equally I think from the social purpose sector the notion of client centred, high quality human services, preparedness to listen, patience in understanding what issues are, there's much in that that's relevant and helpful in the corporate world.

**CAROLINE GURNEY:** Before we actually go to what you think businesses can learn more from the not-profit sector, I'm interested in your book. In 2016 you wrote a book called Jumping Ship about your experience of moving from the corporate world into the social purpose sector. You've since said that you had a lot of discomfort with the title because it applies jump from the dark side to the good side and I'm interested in this because personally I find the distinctions between the business world and the social purpose world are often quite artificial and unhelpful and I think we, in corporates, often talk about the idea of harnessing the power of corporate Australia to do good. Do you think that's true and what are your thoughts on it?

**MICHAEL TRAILL AM:** Look I'm in heated agreement that this idea that there's some kind of black and white divide between those two worlds, I mean at a personal level I used to find it mildly irritating and my wife particularly so that you know it was though I'd put on a hair shirt and been a do-gooder when I moved from Macquarie Bank to Social Ventures in 2002 and I was

then proud and continue to be very proud of the time I had Macquarie, it was a highly quality organisation, it had a very strong set of culture and values that I was proud to be part of you know so the idea that all of a sudden I have an epiphany and I turn from this Darth Vader from the corporate world to this do-gooder in the social purpose world just didn't sit comfortably with me at all and it was reinforced in the work we did at SVA. The intel inside SVA in many ways was the contribution and generosity of many people who brought skills and funding and capability from a business background to support the work that SVA was doing. You know so the idea that there's some sort of divide between those two things I think is unfair and a bit irrational and we can think of plenty of examples of high quality, ethical and well run businesses you know in my 15 years at Macquarie in the PE business we invested close to half a billion dollars in 42 companies and there was no coincidence to me that the outstanding performers financial were those businesses where they were really well run, they were run by leaders who were ethical, who cared deeply about an ethic of customer service, who really cared about the people they hired and looked after them with a deep authenticity. So you know those ethics and values I think the idea that there's some sort of sharp divide I don't think is fair or appropriate. You know back to what I was saying before I think if we can harness the best of both worlds, we can make a lot of difference.

**CAROLINE GURNEY:** I'm very much in agreement there. I mean obviously you know we see you as being incredibly entrepreneurial. You've had a very distinguished career. But what I'm actually quite interested in is For PIP's, For Purpose Investment Partners. I mean you've just recently set that up, you've got a great Board there in terms of what you're doing. What's that about and how what you've learnt from the profit sector area is that helping you in this new endeavour?

**MICHAEL TRAILL AM:** Yes so For Purpose Investment Partners I was involved in forming with my friend and long term colleague Mark Carnegie four years ago and at the centre of that is the simple but I think really powerful idea that if we can mobilise business disciplines and access capital at scale in social purpose focus organisations, you can do two things. One is you can generate financial returns that are appropriately risk weighted and sufficiently attractive to be of interest to mainstream financial institutions and two, that you can do in correlation with that a really high quality and measurable job of social impact. A lot of that and the genesis of that in many ways I was involved in partnership with others in the buyout of the failed ABC Childcare

Centres in 2009, it was then and is now the largest provider of early learning in childcare in the country with close 700 centres and staff of 15,000 and 72,000 children and their families in those centres, so it's big business, very big business and when we acquired that, we turned it into a social enterprise. What does that mean? It means that we were very explicit about running it with both business disciplines and for social purpose and that organisation has a billion dollar social enterprise A) generated 12% return for those investors most of whom were high net worth individuals and foundations who got to believe what we were about and B) it's done an immeasurable and deeply impactful job around a whole series of key social purpose indicators. So back to For Purpose. What was striking to me and others then was that this is an opportunity that needs to be replicated and if you think about the many sectors of the mainstream economy, you think aged care, think further education, think social and affordable housing as well as early learning, these are multibillion dollar sectors and if you could apply the same logic as we successfully did at Good Start which is accessing decent chunks of capital, running it at Board and management level with the combined notion of the skills and talent to drive business disciplines for social purpose, you could do that at significant scale and make a real difference and so that's what For Purpose is about. We've got a fabulous quality team in place to do that. They're people like me who've got pretty strong business backgrounds, but are really passionate about making a difference, you know the quality of a team that includes people like Andrew Thorburn, Victoria Adams, Chris Yoo, Tim Shaw and these are all people who have come out kind of bulge bracket, PE, banking, finance experiences, deep social conscience, it's the sort of team that would look completely at home in any traditional bulge bracket PE outfit that we exist for social purpose and we think we can do both the business discipline and social purpose things, so we've just raised with a first close of \$67 million dollars and are in the process of doing a second close in the aspirations that we become a high quality multibillion dollar fund across those sectors that we've mentioned. I think of it as capitalism 2.0 Caroline. You know the idea that we can mobilise big chunks of capital including institutional and super fund capital, make a real difference and hold those two things at the centre of what we do, business discipline and decent financial returns and genuine measurable social impact.

**CAROLINE GURNEY:** I recently did a podcast with Tim Minchin and he talked about the importance of systematic giving and how he really is trying to build systems into his own philanthropy so that it's actually you know it's not reactive or emotional. Obviously at Future Generation we have a model that enables that systematic giving, it just happens year in, year

out for our shareholders. How important is it for philanthropy to be systematic rather than event driven?

**MICHAEL TRAILL AM:** I think that's really important and that highlights Tim Minchin who I'm a huge fan of. He's a man of many talents. He's not only a genius in music, he's got some pretty important insights into philanthropy. I think the idea of systematic philanthropy is really important, particularly because we know and I've certainly learnt over the last 20 years the idea that you can affect significant change in some of those entrenched issues of social disadvantage in 1 year or 2 year or even 3 years is pretty problematic. You know the idea that you need and I say this having had the first person experience of running a non-profit accessing reliable, thoughtful, long term funding is an existential challenge for many social purpose organisations and if you know you've got reliable funding tied to accountability of performance but that's over the longer term because it takes 3 to 5 to 10 years in many examples in many ways to drive social change in communities and in education and the sorts of things that matter. If you've got philanthropists who dip in and dip out of things it just makes it bloody hard, so at a structural level it's really important. I also think that the idea that it becomes engrained into who we are and what we do so that for families or those who have made money the idea that we do this in a thoughtful systemic way it really in many respects it replicates what's obvious good practice in business. You know to back people who know what they're doing, who've got a track record so the idea that you bounce from one thing to the other constantly is another thing that can be a bit of a curse of the sector. You know there are some philanthropists which I think is not particularly helpful held back things for short periods of time and even when they're working it's like oh well we do that that was fun for a couple of years, now we want to do something else, so consistent and reliable funding is as important and axiomatic for success in the social purpose world as it is in the business world and I'm not sure that all philanthropists are as sensitive or conscious of that as they perhaps need to be.

**CAROLINE GURNEY:** So there is a lot of talk in philanthropic circles about intergenerational transfer of wealth. How do you or how do we all reach young philanthropists? You know obviously you have your children, how are you encouraging them to get involved?

**MICHAEL TRAILL AM:** We for example have a family foundation encouraging the kids to engage in that and giving them allocations where they do some homework and think about areas to give



and things they're passionate about and care about is an obvious way which I think many families are starting to do. I think it's a values thing. I shared my family background which is one that was deeply community connected. My wife Jenny and I have always enjoyed the involvement in community and she's been very deeply involved in a range of things and I think your kids see that. I think the kids see that a really important part of existence is how you engage and contribute to community and you know our children are now 31 to 26 and in different ways I think we're starting to see which is lovely that they're engaging and contributing to community and we'd like to think that that reflects some of the things as both Jenny and I were when we were younger that they are exposed to within the family setting. I think the other thing as well you know there's a huge intergenerational transfer of wealth that's been pretty well documented, the explosion of wealth at the top end and what I found really quite gratifying in the work of SVA and more recently is that there have been more foundations set up. I see a lot of families with the next gen coming through in their twenties and thirties being really actively engaged and I'm a huge optimist on the Gen X value set. They care about the planet, they care about social issues and when given the opportunity many are voting with their feet in terms of both what they're doing career wise and where they're products of families with wealth being encouraged and appropriately so by their parents to actually engage more directly and that, so I'm kind of an optimist on that, I think these are really good things.

**CAROLINE GURNEY:** Actually we're beginning to see that at Future Generation as well. So how would you describe the state of philanthropy in Australia? How are we comparing with other developed countries and how can we encourage everyone to do more?

**MICHAEL TRAILL AM:** I think there's a good news, bad news story in this. So my response to the previous question gave you the good news story which I do think there's some positive movement at the station and agencies coming through, but it's a very topical question. There's the release of a report which the Centre for Social Impact has been involved in funded by Daniel Petre who has been a really positive activist on the data collection in this and what the data shows is pretty challenging and it suggests that despite that explosion of high net worth relative to reasonable comparables in the UK or the US our uber wealth you think net wealth of \$20 million or more are actually pretty miserable. The giving levels in aggregate are generally about a 1/5<sup>th</sup> to a 1/6<sup>th</sup> to what happens in other countries that you could reasonably regard as comparable. So that data is confronting and we can't run away from it. So that will tell you there

should be a lot more to come and Daniel has been quite a vocal activist, evidenced based activist on that. I think the way we encourage the change that is we need to profile that and I think we also need to highlight what good philanthropy looks like and emphasise those examples where there has been and I think there will be a lot more to come particularly from that kind of the tech billionaires who have been minted over the last 5 years or 10 years. A lot of them are that kind of next gen thirties and forties and they're starting to be proactive around that, so I think we've got to, it's back to your earlier question Caroline, we've got to find ways that that's profile that what good and strategic philanthropy looks like is visible and that there's a demonstration affect, you know things like the giving clubs or what the work that Gates did in attracting and encouraging and occasionally cajoling some of his peers in the billionaire space to actually get off their backsides and give more is something we do need to do more proactively in this country.

**CAROLINE GURNEY:** You've often talked to me about Future Generation and obviously your respect for Geoff Wilson. Why do you love this model?

**MICHAEL TRAILL AM:** Well I have a long history with Geoff and what an incredible visionary and just poster tried example of somebody who's been brilliant in funds management, but a person with a very deep and compassionate heart and so the model of Future Gen is very much back to that language of business disciplines for social purpose. So what's not to love about a model where you access one of the best funds management operators in the business and you can connect to thoughtful, strategic, long term and impactful giving and I think what you are doing with that is in a really powerful way both providing an investment opportunity but actually I've always felt that it's a really thoughtful and compassionate Trojan horse. I know in terms of what you and Geoff are doing in driving it's actually providing visibility on what good philanthropy looks like and for those who are introduced as investors I think there's all sorts of evidence that what you're doing is both providing a smart investment platform, but you're educating and encouraging people to be philanthropic and they're building a much more in depth understanding of what they can do. So hats off, I think it's fantastic.

**CAROLINE GURNEY:** Markets are really volatile at the moment and do you think this is going to impact philanthropy? What would be your words of wisdom to those that are thinking about doing something in the not-for-profit space?

**MICHAEL TRAILL AM:** Stick with it and stay the course. You know to your point, I think there's such a fundamental and positive dynamic about being involved in this field, that doesn't go away and you know I remember vividly back to SVA our funding base was very heavily dependent on high net worth's and foundations and when the crash of 2007 and 8 happened we thought that could potentially be an existential moment but it wasn't, it wasn't. You know the continuing generosity of spirit and practice of those who supported our work meant that that was absolutely sustained through what was a pretty challenging economic period and I think there's also a lesson in that to those in the social purpose world. The need in those periods often is correlated with more challenging economic times, so the need for impacting social purpose often accelerates in really difficult economic periods. But the other thing which is a deeply positive point is that I think people get that and stay the course and I think we certainly found and I think we did a pretty good job of communicating to our supporters and social investors why their continuing support mattered, how much difference it was making, they backed that and they continue to back that with great generosity in fact you know our giving levels increased during that period.

**CAROLINE GURNEY:** Thank you, thank you very much Michael, I really appreciate your time.

**MICHAEL TRAILL AM:** Great pleasure to be with Caroline, thank you.