

Future Generation Investor Webinar
Tuesday 25 July 2023

CAROLINE GURNEY: Thank you very much for joining the Future Generation Investor Webinar. So that's Future Generation Australia (ASX: FGX) Future Generation Global (ASX: FGG). So these are your companies, so thank you very much for joining us and for sending in your questions and we've had a fair few. My name is Caroline Gurney and I'm the CEO at Future Generation. Before we begin I'd like to acknowledge the Gadigal People of the Eora Nation, the traditional custodians of this land where I'm sitting. So as many of you reporting season gets underway in Australia late tomorrow and this is when we really find out she's weathering the current economic storm the best and the worst. So to give you a guide on what to expect, I'm delighted to be joined by two Future Generation Australia's leading pro bono Fund Managers. Jun Bei Liu Portfolio Manager at Tribeca Alpha Plus Fund and Matthew Kidman Founder of Centennial Asset Management.

MATTHEW KIDMAN: Hi.

JUN BEI LIU: Thank you for having us.

MATTHEW KIDMAN: Hi Caroline. Hi everyone.

CAROLINE GURNEY: Thank you for joining us and I'm also really thrilled to have Vicki Condon who is the Founder of Raise Foundation and she's joining us in the second half of this webinar to update us on the work that they are doing to support young Australians in real need. So before we begin I'd like to give you a very brief update on Future Generation Companies and I mean brief because Geoff Wilson and I will be giving you an in-depth update when we deliver our half year results which come out at the end of August. So you all know that Future Generation Companies are unique. They're the first listed investment companies in Australia to donate all management fees to charity, so this means like you our Shareholders get access to leading Australian and global fund managers whilst supporting high impact youth focused not for profit organisations which I think we really are all invested in. So we are going to talk about this later, but markets have been incredibly volatile over the past eighteen months and our performance has been impacted, but what we really know and what we believe is that we have a first class

group of managers and we have an Investment Committee that looks at them very diligently to get the right mix. At the moment we are very happy with the Managers we've got and we've got every confidence they're going to deal with the ongoing market conditions and continue to perform over the long term. But I think it's really important to note we take a medium long term view and aim to perform with less volatility the market. So if we look at both of our companies, the yield is key and I think this slide really illustrates that perfectly. So if you look at basically our yield and if you look at, sorry I can't actually see the slide, excuse me a second. So if you look at the Future Generation Australia that increased in fully franked full year dividend was 8.3% and then on FGG it was 16.7% and I think really what you can see there is that fully franked full year dividend yield for FGX was 5.8% and if you gross that up it's 8.3% yield and then for FGG you've got the fully franked full year dividend yield of 6% and grossed up that is 8.6%. The other thing that I really think that is really important to many of our Shareholders at the moment is that dividend coverage. So for FGX we have 4.2 years and for FGG we have 7.2 years. So turning to performance, we all know that small cap companies have been really belted recently due to rising interest rates and many other factors and both FGX and FGG operate in this space, so our performance has been impacted, but what I think does stand out if you look at FGX performance against the small caps where most of our Fund Managers are investing, we've outperformed on every time period. For instance, even though it's not this slide I think it's important to look at the financial YTD we've outperformed by 3.9% and I'm pleased to say that when you track against the all caps which is our benchmark we're up by 0.5% YTD, so that's not something we actually normally talk about, but I think because most of our Fund Managers are in this space I think it's important to talk about and we're going to do more than that in our half year results. So I know that Matthew has a very positive outlook for small cap companies and that's something I'm going to ask him later. So when you look at FGG which is the next slide in terms of our performance there, that's something that I see as being really continually working on. I mean we've had five new Fund Managers. We have Martin Currie. We have Vinva, Holowesko Partners, Lanyon and we've also changed a lot of our allocations to existing Managers. In the last sort of... when we first started changes in allocations and the Fund Managers which was August last year, you can really see the difference that's made in terms of the one year and the year financial YTD numbers and that's something we expect to continue. Turning now to the next slide. As I said before in terms of what we have profit reserve for 4.2 years for FGX and 7.2 years for FGG, we've just shown you this slide to show they're consistently increasing dividends over time and that really shows one of the benefits of LIC's especially in difficult markets. So really despite difficult market

conditions, we really feel that we're still delivering what you want us to do and that is investment and social returns. In order to achieve these dual objectives our pro bono Fund Managers we have Jun Bei and Matthew here, they waive their usual management performance fees and this allows us to donate 1% of our net assets each year to not for profits and so far we have given more than \$65 million which is truly astonishing and that is thanks to everyone. So I'm going to ask Jun Bei and Matthew what they're going to expect for reporting season, what their market outlook is and where they think opportunities lay. I'm also going to try and get their views time allowing on topics like AI, inflation and China. Thank you very much to everybody submitting questions, it's interactive so please do continue to do so. Jun Bei and Matthew thank you once again for joining us. So as I said earlier reporting season kicks off on tomorrow with Rio and it's coming at a really challenging time for markets, companies, investors, households and consumers, so what are you expecting, maybe if we could kick off with Jun Bei. What are you expecting to come out of it?

JUNE BEI LIU: Thank you so much for having me and it's been such an honour to be one of your Managers. Look we are expecting this reporting season to be a little bit tougher. The main points being that so we have seen incredible amount of pressure across the inflation so that means the costs will remain elevated for corporates whether they're Mining companies or Consumer companies costs will remain to be very tough and most of the companies will continue to point to increased wage pressure and just their like of availability of workers, so that's going to be one key thing. Secondly, we're going to see which is a little bit worrying the softening of the top line which is the demand environment. We have the Consumer companies like Retailers in recent weeks have been talking to slow down in protractor and the like so we expect that to be weaker and particularly for 2424 outlook things will be... will be certainly a little bit more softer than expected, so these two together we do think that probably by 2023 will be okay but in 24 in terms of outlook will be downgraded. I think there's another thing is that other certain sectors where there's a lot of leverage, sort of a lot of debt whether it's company or the whole sector there will be a bit of a surprise as to which company didn't hedge because the interest rate has really risen quite significantly and the sector a bit more exposed is they like to listed or listed property sector so that is the area where there might be a little bit more weakness as they devalue their property and then the interest rate is a lot higher, so these are some of the key themes coming out of the reporting season we expect to see. We don't expect that to be significantly worse but certainly we will see downgrades on these basis.

CAROLINE GURNEY: And Matthew what would you add to that and also what are the key themes you're expecting to emerge as well?

MATTHEW KIDMAN: Yeah thanks Caroline and I agree mainly with what Jun Bei has had. I obviously concentrate at the smaller end of the market. Costs, wages, energy, insurances, costs everywhere have gone up quite a bit over the last year and that brought us through now 12 months on from when they started into results. There are some offsetting features. If you remember 12 to 18 months ago we were talking about the costs of shipping, what costs were there, they've actually come down and some of the costs coming from importing goods are also a bit softer, so there's some offsets, but I think what might surprise us on the upside a little, I'm not saying enormously but a little would be if you go back a while ago maybe 12 months ago when prices started to be a big concern to everyone this inflation kind of juggernaut that hit the world including us was let's back companies that have pricing power and that was true, but pricing power probably is a bit broader than what we thought. What's actually happened and what's making inflation a bit stubborn is there's been this free kick that you can put prices up at the moment in all sectors just about. So maybe the gross margins aren't as bad. They're definitely not going to be great, but and that might surprise a little bit on the upside, so we're looking for that and I agree with Jun Bei that I think earnings will bottom in this next half. So you've got the result season we've had to go through and then of course for most companies you've got AGM season coming up October/November that could be the worst of it which as we'll talk about a bit later is maybe a buy signal, you don't want to wait when things are good.

CAROLINE GURNEY: I think that's really interesting from both of you. So Matthew did actually mention the small cap market and obviously I talked about it earlier because it's been really tough over that past 18 months and you mentioned to us earlier that it's starting to change which obviously is great news to Future Gen companies because they're both biased towards that small mid cap, but what's your reasoning behind that? Why do you think it's going to change and how much will it change?

MATTHEW KIDMAN: Yeah the trigger for the bear market of 2022 which we will look at the calendar years was inflation and then interest rates right on its heels and that was driving down valuations your discount rates were changing and they were going up quite rapidly. In the US,

which is obviously the biggest market in the world, most of the companies that took the pain there where those high flying tech companies that weren't profitable they were just chasing market share, it was broke at any value, that all went out the door they got hit hard. In Australia we don't have as many of those companies, we've got a handful, but we haven't got a lot, so what you found as the... everyone got a bit nervous, rates went up, it was more of a liquidity bear market. So people hid in companies that one having pricing powers we talked about but also trading liquidity. Where are they? They're in the top 20, top 50 companies and as you went down the market cap scenario into the mid-caps, the small caps and then the micros the selloff was greater, people were very nervous about that and that's probably been right, they're more fragile business models. Okay that was 12 months ago. Where are we today? The big caps have done alright. The Australian overall indexes which are dominated by them have held in quite well. They haven't rallied as much as the overseas companies in recent months, but they've done okay. So in there if we look at the US again, that kind of bounce back that they've experienced since the start of this year 2023 was very concentrated in the big tech companies in particular and everyone's been concerned about that, but in more recent times you've seen it has started to bleed into other companies this recovery that's going on there. Towards the end of their interest rate cycle they've got interest rates above the inflation rate and you've seen the Russell 2000 which is their proxy for small caps is actually up about 12% this year while the NASDAQ is up 30 odd percent, but it's been more recently that it's started to happen. So if you come to Australia that really hasn't happened yet. We might have had one decent month with small caps and we're a bit behind in the economic cycle, we're still fighting inflation, but if you look 12 months down the track I think we get on top of that, the wages and the energy problems that we see we'll probably follow America more slowly, so where we've been hiding is in those big caps in Australia like they did in the US with the tech companies it will start to filter out into other companies as we get to that interest rate cycle so comes to an end, so I'm quite bullish that over the next 3 or 4 months as we go through this and earnings model that's when you want to pick the eyes out of the small cap market because that's where the value is created by the selloff last year.

CAROLINE GURNEY: Excellent that is good news that is good news to hear. You both mentioned inflation, so I mean everybody now talks about inflation and you obviously are positive in terms of where it's going to go, but Jun Bei where do you think inflation and interest rates are going to go?

JUN BEI LIU: Look I'm with Matthew there 'coz I do think that if we use US as a leading indicator inflation has fallen quite drastically. It's fallen much faster than it rose many, many months ago, so clearly interest rate rise is making a difference and with where it is now I think it is really getting into that comfort zone for Central Banks and I think look there's one more interest rate increase to come but it is really getting into a zone that we know that's the top of the interest rate. When they're going to cut? Let's see how the economy goes first because at this point it doesn't look like the recess... it's... well even we will hit a recession in the US, so here in Australia we're looking into that market give us a bit of lead indicator of where we might go. Our inflation as Matthew said that we're a little bit slower on that path of putting up the interest rate, but it has been many, many months consecutively to have that rate rise and we're just beginning to see some of those impact now. CPI number coming out this week is going to be weaker than the previous quarter, still high but it is falling and hitting the right trajectory and with the commodity prices, energy prices it does look like we will head towards a similar sort of trajectory. We may have another... one or two... interest rate increase to come through but it certainly looks like things are cooling down quite quickly and is certainly from compared to 12 months ago we are in the much better position to call the top of interest rate compared to then and all that together it's actually really positive for the share market because share market always try to look forward 12 to 18 months to see where things are at, so rather than how we feel today, so I'm optimistic of these.

MATTHEW KIDMAN: We've got to be.

JUN BEI LIU: Yeah we've got to better, yeah we've got to be Fund Managers. But with this coming reporting season like Matthew said this coming reporting season and next 3 months is the opportunity to... or could be the opportunity of a lifetime to buy a lot of those quality companies because their earnings will get rebates but take forward 12 months and these earnings will recover quite quickly.

CAROLINE GURNEY: Excellent. I mean you obviously mentioned the RBA so, yeah we've got a new Governor in place, the very first female in the role, it sounds like that neither of you expect there will be any sort of changes and it will be very much just business as usual. Is that definitely your view?

JUN BEI LIU: That's... I'm not sure about Matt... that's how I see it. I think rather than an external candidate and the like I think it's very much business as usual. They've reduced the amount of meetings so we thought that it's probably really just bringing it in line with what's happening in the US as well, so give a bit more time for the economy to really process the rate rise. I think that yeah it's business as usual, it's good for yeah business pretty much.

CAROLINE GURNEY: And Matt?

MATTHEW KIDMAN: Yeah I agree with that. I think we've got a very good new Governor. I think we had a very good old Governor by the way, but I think the Government saved itself by picking someone who is a Reserve Bank person rather than someone from outside. I'm not worried about the process right now. I'd worry a bit about the overreach of the Government and how they've meddled with the Reserve Bank which has always been striving for independence, but I think in the end they saved themselves by picking a very well established, smart, new Governor who will stay the course and I don't think it changes on interest rates because they're cut from the same cloth, they're reading the same materials, their job is to get inflation to a certain level, they will stick at that and they've got generally good judgement.

CAROLINE GURNEY: Yeah very credible choice I would agree with you. Obviously, our Shareholders really like top companies in terms of stock picks, so obviously we've talked about what's going to be happening in the near future, so what are the two companies you think are going to weather the oncoming conditions and maybe if I go with Jun Bei for that two top picks from you please?

JUN BEI LIU: Look of course I was just going to say Matthew's going to have all this exciting stock picks 'coz they're so exotic, they're spoilt. I think I must say that in the last 12 months the market not only just hidden in that most of the investment, not only just hidden in the big cap space, they're actually hidden in companies who have earning certainty really just hiding in the likes of Woolworths (ASX: WOW) and Coles (ASX: COL) and sort of you know and they just keep becoming more and more expensive and so the opportunities where it lays I do agree majority of them sits in that small to mid-cap space, but today I would say the number one choice is actually the likes of CSL (NYSE: CSL). I know it's one of the largest...

CAROLINE GURNEY: I think I've heard you say that one before,

JUN BEI LIU: It is incredible because investors in the last 12 months just everyone's hiding in like defensive and incredible only certainty and CSL recently has pushed up its growth outlook just by a few percent still going to growth double digit for the next 12 months. Next 3 years it's going to deliver the highest growth within the whole Healthcare sector and that's all sort of structural growth irrespective of economic cycle. To us it's incredibly cheap, never been cheaper and that it's very defensive as well and sit with us in the large cap space but that's our number one topic. And then the second one is what we like is the Treasury Wine (ASX: TWE). The company has a very strong balance sheet, great brands and clearly the growth in the US has been somewhat deterred based economic activity but its growth across Asia, across the newer markets it's been doing really well. It's not expensive and the share price has completely decoupled from global beverage producers because of the tariff impact a few years ago of China. Now there's good opportunity the tariff might be reduced, but we're not hanging onto that. Stock looks cheap with double digit growth, very strong balance sheet and with a very strong portfolio of brands it's... I don't like to use this word, but it's almost like we're very happy with this market and that's it.

CAROLINE GURNEY: Thank you, thank you and Matthew what are your stock picks?

MATTHEW KIDMAN: No I'm going to get excited. I'm going to try and sound exotic. Yeah so two things I'd like to say is firstly I'm bullish on small cap, but it's a little bit over the next 3 or 4 months especially at this reporting season, Close Your Eyes and Buy Value and I won't give you those stocks because they'll be volatile. They are mainly around finance and consumer stocks that have been really thrown out, but names who I think who can perform in the next little while and going well, a lot of them sit around sectors that are quite strong at the moment which and the resources set that and we like to play Mining Services companies as opposed to the direct commodities, so three names there that we like is an Engineering company called Lycopodium (ASX: LYL). Another small one that does a lot of testing of mining samples is XRF Scientific (ASX: XRF) and a third one which supplies boats to both the offshore oil and gas producers but more interestingly another industry which is Offshore Wind which is becoming a big part of followed it down from Europe down to Asia now and needs vessels to help them implant those big wind

turbines out in the middle of the ocean is MRM Offshore (ASX: MRM) so MMA Offshore sorry, very confusing with all those letters, but there's three there and there's some other areas too that we like what we think believe it or not Novated Leasing which is a way of buying your car under a specific tax scheme that can be packaged up into your salaries, very good for the Public Service. The interesting thing that's happening there is the Government is giving big incentives if you want to package up an EV, an electric vehicle and there's leverage there and we've seen some of the companies already take off and the one that has been left behind which is more of a leasing company but does do Novated leases is a group called SG Fleet (ASX: SGF) and so we think that's been left behind a little bit, it's a little bit less liquid but we think it should have a good 12 or so months as those EV's come through the system and they get a better margin because of the Government subsidies.

CAROLINE GURNEY: So any Shareholders we've got some questions coming in, but if we don't get to all of your questions I will call you afterwards and go through it unless for Jun Bei or Matthew then I'm turning to asking them to give you a call if that's okay. So one thing I wanted to ask you was about China. And I mean China I think and most Shareholders everybody in Australia is actually really interesting I mean early indications are that the economic recovery isn't going to plan as we thought perhaps it would a while ago, so Jun Bei what's your view on this? What does it really mean for Australia and then maybe Matthew if you could then talk about how it might play out with regard to China in the medium term please?

JUN BEI LIU: Of course so look China's economic recovery is happening, it's just happening a lot slower than expected. Now first quarter to GDP actually hit a very strong start when China reopened in January was all go and we saw the economic activity really pick up significantly. Now one of the things that or many market participants didn't quite anticipate is that remember going back in GFC China has put out a significant amount of stimulus and it took them many, many years, though at the time it helped the market to recover and like but it took them many, many years to really wash through to manage through all that over stimulus that they put through. So with the Government they were quite conscious this time, so they initially at the beginning of the year when they reopened the economy they put a lot of credit incentive, they want to drive credit growth, they want to drive consumer movement, mobility and everything and then everything was all go so we had a very strong first quarter. But since then, many of their Local Government has been putting projects on hold because they want to see the economy itself

trying to pick up the momentum rather than over stimulate it because they don't want to experience the same thing, so in the second quarter we've seen all this growth data falter because the economy is yet to be that strong to really self-reignite that kind of growth, so but what the good news is that we have started that the Government is now stepping out in terms of stimulus talk targeted at the Consumer, targeted at the Housing, so we are seeing a Government trying to work out the path and try to get back to a bit of work back on track. Now that's positive for us in Australia, China be our biggest trade partner that is very positive for our regionals and commodities space it and particularly a few areas like the lithium and other areas it's very positive for us and also and in addition to that we have so many businesses as well as in our country we are beneficiary of the Tourism, the Travel, the Students which is yet to come. We've seen the Student numbers started improving, but they do take at least 12 months lead way before people start to come back in a big way. We're looking at some of the lead indicators are looking very strong. We're looking at the Travel data. The travel within China domestically it's already at least 20, 30% above the pre-pandemic level, but outbound, out of China is still something like 30%, less than 30% of the pre-pandemic level and we know travel is something that, what do they call it revenge travel, is something that's sort of pent up demand and we will all experience, so next couple of years will be incredibly strong and Australia has always been the very favourable destination for travel and we will see a lot of benefit for that, so that's good for our company, it's good for our country and it's good for many businesses and whether it's like Retail or whether it's a Holiday Home, so to us it's actually really, really positive.

CAROLINE GURNEY: And Matthew what's your view for the medium term with China?

MATTHEW KIDMAN: Yes. So I think Jun Bei is 100% right. I think it's a gradual recovery. It's not the 2009, 10 recovery where there was just a lot of money thrown at it and I think that's what we've got to get and that is very good for Australia as Jun Bei outlined we need a strong China and I think it does recover gradually, but they've got some issues, we know they've got a property market that's struggling and let's see how they deal with that. They've got high youth unemployment, so don't expect... I don't think we can expect too much out of China, it will be gradual, but it will be good. I think in the longer term what we've got to get used with China is it's an economic experiment in many ways. It's a Communist country that's opened itself up to the rest of the world. I don't think we've seen that many times and it's hit a few roadblocks over the time there, it's been fast growth but it's also caused some problems. In a capitalist society

that corrects quite quickly. It will be interesting to see how it corrects here, but I think as you say medium term I think we've got to get used to China's not this massive growth engine that it was. It's a much more moderated growth catheter story and we've got to get used to that and it's grappling with some other things too like demographic issues and so it's a bit of a social experiment that they're trying to handle internally and the fact that you've seen China kind of reopen itself to the world after a pretty aggressive combative period especially from the Australians and the Americans towards China and well that seems to be moderating quite significantly and I think that's a sign that everyone starts to realise hey we can't just buy it, we've got to work together to get the best out of it and that probably tells you a little bit about China that they're entering a different phase of this kind of stage in their life and they want to engage with everyone else, so I think it's a good thing, but it's a different story and we can't just say well everything is helter-skelter out of China and everything is going to grow at double digits, those days are over.

CAROLINE GURNEY: So maybe we could just segway into the rise of India. I mean and we've talked about it, for me for the last 10, 12 years in terms of how it's going to have a huge impact, especially for Australia. What's your view there? I mean is India going to be that powerhouse that we all hoped it would be?

MATTHEW KIDMAN: Jun Bei do you want to go?

JUN BEI LIU: Yeah sure. Look I think so, it seems to be on the right track and it will become the third largest economy and the incredible amount of opportunity and what's also quite amazing is that although it sits in the Asia pack, but it's proven to be incredibly sort of resilient and different from the rest of Asia where their all... generally their health is owing to what's happening in China and so we think that's an incredible opportunity for Australian companies and also for consumers, businesses too to work that way. However, India for the last many years has although been expanding, it does have a lot of... relies on also a bit of it relies in terms of sourcing products out of China. So when we do have Chinese experience in slower growth, there might be somewhat impact of that and so but they're still to be worked out, I just think the opportunity within India is quite incredible once they can get through the initial built up the infrastructure and sort of consistency of the legal framework and some of those early stage opportunities.

MATTHEW KIDMAN: Yeah quite quickly I'm going to agree with that. I think it's not going to be this seamless kind of rise like we saw out of China for that 10 or 15 year period where it just everything was built, it was just a machine that was expanding, it will be a lot more stop/start, but it is very big, it is growing quicker than most countries and it does have a good relationship with Australia in many ways especially around commodities and it's a good alternative. They've got a long way to go on alternative energies so and we know it does suffer from some pitfalls in its democracy and it's got to fix that up, but the pivot of US, European and the Australian Government towards India and to bring them into the loop is been significant and so politically that's important. I would love to see India and China mend their bridges a bit, as Jun Bei has worked out they're the two powerhouses in that part of the world, they're 35% of the world's population, they can add a lot. I'm not... and let's see how that goes, the Indians can hold grudges and we'll see how they go, but over the next 30, 40 years India is going to be one great source of growth if they can stay on track, so I think it's important.

CAROLINE GURNEY: Excellent thank you. So artificial intelligence or Ai. Everybody's talking about it, everybody has put something into ChatGPT we've all sort then dissected it, so what is your view of the Ai market and how do you think Australian investors can take advantage of that? Jun Bei what are your thoughts on that please?

JUN BEI LIU: I think there's a real opportunity. Look this is real. Over the last many years we have different things whether it's crypto currency hype and then so many different things and this certainly seems real. Now it's not something that just happened overnight. It's something that has been worked on by many industries for a very long time and it just... what's interesting though just in the last 8 months and or last 12 months it really just significantly got the sort of interest of the mass and how quickly it's really it's just been utilised by the mass which is quite incredible. Now I think there are opportunities everywhere, opportunity and threats because it filters through every sector. Now within Australia if you look at directly what companies sort of are exposed to that in terms of opportunity, things like the next PC. Clearly the data sender will have to be a beneficiary of it. Now not many of them not many of the data centres have now directly supply to these guys and in future infrastructure will be really different because it will be really hard you'll probably have to use cooling you can't use a fan, but MetNet for the data centre this is a huge amount of opportunity. I mean early in the year Microsoft came out who was a big

data centre builder themselves and also they outsource a lot of it, they have come out and said they expect the data centre usage will grow over 40% compounded over the next 3 years and they will build some of it but will have to use everyone else, so the demand is big, it will be incredible just because of this exponential usage of that. Now so data centre will be a beneficiary. There's a few other names that smaller companies which Matthew will probably talk to about potentially competitor from a still a very early stage we're not sure how they will yet but they certainly talked about it and but for investors they have to be a little bit mindful of even though the company may have talked about it they work with those Nvidia (NASDAQ: NVDA) and all these Ai companies, but it's a very early stage, so this reporting season actually is a good opportunity to talk to our portfolio companies about what they're doing about it. What are you doing to try and use the Ai tool and to help you to solidify your market position and how do they see the international competitor now coming in. So it's actually really fascinating at the moment.

CAROLINE GURNEY: What are those small companies there that we're looking at?

MATTHEW KIDMAN: There's not a lot of pure players to be honest. Some walked out as Jun Bei said, I mean we've had Appen (ASX: APX) which is... it does operate in that area. It was a darling a few years ago, it's struggled since but it does use Ai, it teaches Ai as well, it actually programs these computers and especially in voice what to look for and how to use that information to better interpret the information coming in and that's the Ai you get. I would say it's going to be more that... as we know there was a tipping point, ChatGPT became part of the vernacular all of a sudden. It's been around for a while, but all of a sudden that was the tipping point just like the environment maybe 2 years we all talked about the environment and then all of a sudden the environmental page, the ESG page went from the back of the company deck to the front and Jun Bei has hit it on the head, that's what will happen, but I think it presents itself in every line of work but it will be mainly in how you use it as a company. Like a lot... technology in Australia we don't invent it but we use it quite well, we're quite fast followers and investors demand that, so it will be making more efficient, more targeted and for all those people worried about job sure, jobs will go, there's no doubt, but jobs have been going out of industries for decades and so embrace it, it will help economies, it will help companies, it will help our standard of living. I don't like it when I'm listening to my music or watching movies. The machines don't get it right for me, but that's just me personally, I think overall whether it be Retail, whether it be Manufacturing, whatever it is they can use this information and it will start to... now that everyone

is aware of it and they must answer those questions, it will be on the front of every deck about what are doing, it will spread like wildfire and it will be the next leg up hopefully in efficiencies and productivity because we all learn how to use it. My take up will be this but hopefully that productivity problem we've had, Ai can start to work in our advantage which is great for companies.

CAROLINE GURNEY: So, but there seems to be quite limited opportunities for investors to actually take advantage...

MATTHEW KIDMAN: So work opportunities are hard to find. Jun Bei's talked about it, we've got NextDC who obviously deals with data centres, we've also got Macquarie, not Macquarie Bank, but Macquarie they've got data centres and then it starts to get a lot harder to work out who... like I say in Australia you tend to fast followers, there's not many pure players, so it's harder, but I think as I said it starts to bleed into those other companies and everyone will be using it to their advantage, so don't despair we haven't got an Nvidia or a whole bunch of companies like America does that are at the coalface, or the bleeding edge, but we will be beneficiaries.

JUN BEI LIU: Yeah that's right and I think each investor needs to be cautious with chasing some of smaller names, one example that's exactly the one I had in mind Matthew mentioned was Appen. Even though it may have a small exposure to it, doesn't make any money from it, but it's core business is shrinking 20% and then its business actually is the... going to be most impacted because that's the last mile of the Ai revolution, so where they use humans to train Ai, eventually Ai will train themselves so...

MATTHEW KIDMAN: That's right. That's something that all the people out there who are investors when there's a new boom sector or product you find money chases the most obvious things initially and the research and the observations are far too green to actually make an informed decision and invariably you have a bit of boom/bust where everyone dives in and then they realise oh wait a minute they're not... so just observe it, but embrace it, but just be a little bit careful of those hot stocks that appear first up.

CAROLINE GURNEY: Excellent. So thank you so much Jun Bei and Matthew, thank you so much for your insights. Yeah I think you've definitely given our Shareholders and others a lot to think about so that is excellent. But now I'd really like to invite Vicki Condon to join the webinar. Vicki is the Founder and CEO of Raise Foundation and it's one of Future Generations Australia social impact partners, they've been with us since inception and for those that don't know Vicki thank you so much for being here today. Explain what does Raise do?

VICKI CONDON: Thanks so much Caroline, thanks for having me. I'm thrilled to be here. Look at Raise Foundation we run early intervention mentoring programs. We run best practice mentoring and we go out into High Schools. We're working with young people who in the early years of school, so Year 7, 8 and 9 in High School and it's really identifying working with the wellbeing team to identify which young people would benefit most from having a trusted adult role model to talk to every week for 6 months and they're the ones who are most at risk of disengaging or poor wellbeing, so it's really about mentoring and it's about early intervention for us.

CAROLINE GURNEY: And I mean you've been incredibly successful over the years, but I mean just what Jun Bei and Matthew were saying things are getting... they are getting tougher, it's tough out there and there's going to be some pain to come for households, how is this impacting the young people you work with?

VICKI CONDON: Yeah it's pretty tough out there at the moment for our young people particularly the ones that we're working with. That economic pressure is being felt by the young people, they see their parents and they see their carers struggling with that economic pressure. Certainly, this year we're seeing a lot more of the mandatory reporting incidents that we need to work on, so a lot more suicidality, more self-harm and more domestic violence for the young people in our programs and I think that's just coming from all of that pressure that everyone's feeling, so and particularly in schools. We work in High Schools and they're having a really rough trot as well after the last couple of years of shutdowns and burnout for Teachers and Teachers leaving that industry, so it's pretty tough out there on the ground for the young people that we work with.

CAROLINE GURNEY: So COVID is still having an impact on those young people? You kind of hope that they would now be... it would have dissipated in terms of the impact, so it's interesting that you say that?

VICKI CONDON: Yeah it's... I think it's not so much the threat of the illness anymore but it's the after effects of what's been going on particularly for parents and jobs those kinds of things but more so in schools. I think schools are really struggling and trying to manage the catch-up from the trouble that they've had to go through over the last couple of years. Yeah it's hard work for them.

CAROLINE GURNEY: Oh it is it's really hard just the extra time they would've had to invest as well and managing their own family lives as well. So for you, I mean you are a... you're a successful not for profit, but I know that you've talked about how difficult it is to fundraise and find volunteers, especially in this environment. How is it for you? What do you need now?

VICKI CONDON: Yeah we're working pretty hard at Raise. We talk to people about needing mentors and money and I guess we're not your typical charity that's just out asking for fundraising all the time, we're also delivering really important services and we need volunteers for that, so there's a decline across our country in volunteering over the last couple of years. So it's been particularly tough for us to attract people who can give an hour or two every week for 6 months is quite a big ask, but I think it's also having a really huge impact for those young people who are struggling so much to have someone who's an independent person, a trained and trusted adult that's not a parent and not a counsellor and not a teacher to just come and sit and talk and have someone listen to you. You know that power of just showing up constantly and consistently goes a really long way for them, so yeah it's hard for us to find the volunteer mentors. The funding is tough as well. I think that downturn on the economic pressure that Jun Bei and Matthew were talking about is affecting us in our end of financial year appeal was down and we've got a big Gala Ball coming up next month in August and ticket sales are down, but we just keep pushing through and we keep trying to find innovative and different ways to find those volunteers and to find the funding that we need.

CAROLINE GURNEY: Maybe some of our Shareholders... I mean obviously the training you do is pretty thorough as well because it has to be, but maybe some of our Shareholders would like

to contact you just if they can. But anyway, so we give you untied funding and that means you use our donation where you need it most because we firmly believe that you know your organisation better than anyone, so how important is it to have flexible funding and is that the way most funding now happens?

VICKI CONDON: It's definitely not. The funding that we get from Future Generation is... I can't tell you it's such a relief for us. I can't thank you all enough and I can't thank your Shareholders and your Fund Managers enough because it's incredible for us sometimes we actually have to spend more money to raise more money or to acquit the money that we're getting and when you get untied funding like this, we can use it where we need it most. It's been remarkable for us and in fact you'd had to kind of encourage me just to let me know that it's okay to spend it on sometimes even on my salary which no one else will ever pay for and so even the marketing campaigns and there's so many for profit organisations that would never be asked to account for some of the costs in raising for profit, but when we're raising money for purpose we have to overcompensate sometimes, so this funding is remarkable for us. It goes such a long way and it's unusual, it's really unusual and I have people in my organisation always fighting for FGX funding like can we spend it on this and can we spend it on this, it's amazing.

CAROLINE GURNEY: Thank you, thank you. So obviously in terms of Future Generation we are aiming to deliver a measurable investment returns for our Shareholders, but we also really want to deliver that sort of measurable social return and you actually do look at that quite, quite closely, so what impact are you actually having?

VICKI CONDON: It's really important to us that we can prove and improve the impact that we're having for the young people. So we work really hard on that. I have at the Leadership table and an Advisory Council around data and youth insights so that we can measure what's going on. We do pre and post surveys. We do qualitative and quantitative research and we're doing an independent evaluation at the moment as well to have a look at our outcomes. But basically what we're doing for those young people in our programs by given them a trained and trusted adult to talk to every week, we're working 4 key things. It's help seeking skills, so we know that if young people are facing challenges often they're actually the least likely age group to go and ask for help and yet they're the highest age group that we lose by suicide. So that help seeking is really important for them, so it's something that we focus on very strongly, so help seeking

skills. Also resilience, so we know that challenges are always going to come up so teaching them how to push through those challenges and build their resilience. Hope for the future is another area that we work on, so it's growth mindset, setting goals, achieving goals with the help of their mentor and school belonging at the moment is really important too, so relationships with Teachers, getting your work in, being able to finish school, being able to find a job, those kinds of skills. So we see statistically significant impact in those outcomes from the beginning of the program to the end and we're really proud of that and yeah we're interested to see how the results of the independent evaluation come through.

CAROLINE GURNEY: Excellent. We're looking forward to that. So one thing I also wanted to mention is like Jun Bei who obviously is a Fund Manager and obviously a pro bono Manager for us, you met her at a FG Shareholder Roadshow and Jun Bei you're actually now on the Board, so Vicki, Jun Bei talk me through that? Like how did Jun Bei come to be on the Board and what does she add to your organisation? Maybe you could talk about before I get Jun Bei to say that?

VICKI CONDON: Yeah look it's been amazing, another gift. We think about our partner's kind of helping us with time, treasure and talent so the talent that Jun Bei brings to our organisation is extraordinary. You can see her energy and her vitality is second to none, but she's super smart and she sits around the table with us and just teaches us to think differently and she comes from a whole different world than what we are used to in terms of this finance sector, so my background is Human Resource Management, so I'm good at people, but the number's stuff Jun Bei is extraordinary at, so she's added so much value in so many ways. We're so grateful to have her here yeah.

CAROLINE GURNEY: Jun Bei what have you found most enjoyable about being involved with Raise?

JUN BEI LIU: Look I... well first of all I feel so honoured to be part of Raise and it is really Future Generations that has given me this opportunity actually to really met a charity like that. Look I have two young children, I've always wanted to use some of... wanted to be able to help in kind of in that whole education of youth space and Raise is just a... just an incredible organisation and every time we sit around the Boardroom all we can see is the... every day there's so much

demand on what so many young children wants to be helped and they want to talk to someone and a school knowing... know that these young children need help and on the other hand we need to find funding and to find mentors to find all of that out every day such an delicate balance of trying to find money and to find people and to help those young people and for me that's just an incredible journey. And I feel really happy that every time when we can come up with a project or something to raise money and I know exactly how many children that we helped and to me that is very, very rewarding and that it's a... Vicki say I'm teaching them, I feel like I'm learning, learning so much about that whole educative... education space and charity and then that journey that you go on.

CAROLINE GURNEY: Yeah I think that's incredibly true. I mean I think that not for profits and for profits have a lot to learn from each other without a doubt. Vicki so what... so tell the numbers that Jun Bei mentioned that you'd actually helped and what's your immediate need now? Like what are looking for?

VICKI CONDON: Yeah look our partnership with Future Generation as you say we've been here since the beginning and it's been an incredible partnership. I think over the years you've given us something like \$1.9 million dollars which is by far our biggest and most highly valued partnership, but in that time we've come from... so we used to... at the time when you first joined with us we were being able to provide mentors for about 600 young people. This year we're working with 2,600 young people. So we've been able to grow with your support and the foresight that you've given us to be able to plan for the future. Next year, we're on a big growth trajectory in that young people need the mentors so much that we're trying to offer the program as far and wide as we can. Next year we're looking to support 3,100 young people and that comes from having a group of schools on our Wait List who need and want the program, so I guess what we need from here is always more volunteers who are able to give up an hour or two a week to come and work with a young person in a High School near you. Just sit and listen, you get the training and support with our degree qualified Counsellor who is there, so the mentors and also the funding. I mean you give us so much already. Your Shareholders have given us so much already but for us to reach more young people it's \$2,000 dollars for every young person, so that all helps. Yeah I just can't thank you enough. It's just the most extraordinary partnership yeah it's solid gold for us.

CAROLINE GURNEY: I think the Board is... the Investment Committee everybody is just it's really amazed and at the work you do and supporting you is incredibly important to us. But one thing I wanted to ask you is so where are you mainly based? I mean in terms of our Shareholders if we did something to us is it mainly New South Wales?

VICKI CONDON: No, no we're national now, so over that time those 8 years we were just New South Wales in the beginning, but we're now in every State and Territory except for the Northern Territory and so we have schools running in every capital city. We started in Tassie this year and so we've got 4 schools there. So yeah we're everywhere, so yeah you can jump onto our website it's just [Raise.org.au](https://www.Raise.org.au) and you'll see where all the programs are or just sign up our programs will kick off in a few months and you can do the training in the meantime.

CAROLINE GURNEY: Brilliant. Thank you, thank you so much Vicki. Thank you Jun Bei. Thank you Matthew. All the work that you do is so valuable for us and also for our Shareholders so thank you. So I'm now going to open up questions to Shareholders and we have a fair few coming through. Actually the first one is for the Jun Bei but I might actually also give that to Matthew this is from Tom S. As a Shareholder I love the FG model, but in the current market with fund manager performance as it is am I better off in a passive vehicle? Jun Bei, Matthew what's your answer to that?

JUN BEI LIU: No. This is a fantastic opportunity to be with the active manager, this is where opportunity is. This is where you're going to help yourself with your return for many years to come. Passivity is not a great way to go and I'm an active investor I see... we live and breathe the share market, we watch it for you, we are top of the trend that is taking place, we talk about Ai and all these trends we are on top of those things.

MATTHEW KIDMAN: Yeah I'm probably a little bit more middle of the road. I think for a lot of people indexing is not a bad way to go because you can see it every day, it's tangible to you, the fund manager is a bit risk there's no doubt, but I would say at this point in the cycle if we go back to the Australian market what has performed in the last 18 months has been those big caps that run the... like they're the dominant players in those index. The opportunity for the next 18 months to me doesn't look like it's there. It's like Jun Bei said the world is about to go into its next phase, okay interest rates are higher, inflation is a bit higher, but we'll start going over and

picking through all those companies that are being left behind, that's where your stock picker should come to the fore, so I would say at the moment if the opportunity is not with the index players.

CAROLINE GURNEY: Thank you both for that. I mean I obviously agree. One of the next we got from Damien for both of you again, it's how do you view commodities at this part of the cycle and interest rates and that's something we didn't really talk about but maybe if I could kick off with you Matthew there first so?

MATTHEW KIDMAN: So typically in an interest rate cycle, when interest rates start to go up that normally indicates that the world is growing a bit too fast and it needs to be throttled back a little way and in those early stages, what really typically drives demand for commodities and pushes their prices up and helps the companies is a fast growing economy because all those metals are for expansion of economies. So your copper, your nickel, your iron ore that comes mainly up to China and the rest of South East Asia historically coal but obviously that's changing, so but and so just to finish that cycle but as rates go up and they eventually slow the economy down, commodities tend to underperform and we've been... we're going through that period now where we talked about demand overall is easing back and that's the idea of interest rates. So that's a normal cycle and it's playing true to a degree, but something has changed and always get in trouble for saying it's different this time. What has emerged is a structural change under that cyclical change which we all know about is the advent of batteries and battery technologies. Why is that so important? Because just about every metal seems to need to go into a battery, so all of a sudden and we talked about it with wind farms as well with that... talked about before MA, MMA Offshore, there are new industries being created that require commodities, so okay we're going through a bit of a tempering stage but I think the next 10 years as we build out the alternate energy market you will see demand for commodities at an elevated level unless something drastically goes wrong from here. So yes cyclically there is certainly and you've got to be aware of that, but structurally I think we're in a nice cycle that will last for a fair while, I don't know if Jun Bei disagrees or...?

JUN BEI LIU: No I absolutely agree, I think absolutely and also now that with China coming back online, we are going to see a lot more demand across they want the newer material, but there's lots of metals whether it's copper, nickel and you're right it's just about every metal and

the lithium in particular that we are seeing... electric vehicle is being well supported around the world not just the China story anymore and if it's real and that is going to continue to demand a lot of those materials to be pulling out of the ground, so we do think it's a much long lasting structural cycle until we have that significant advancement in technology where they just use less of those materials but we just don't see that yet.

CAROLINE GURNEY: Thank you. The next question we've got is in terms of whether or not we've considered a buy back. So maybe I'll just briefly answer that and Matthew and Jun Bei if you have anything to add please do in terms of your experience. So the Boards obviously look at buy backs on both FGX and FGG and the research that we've done on buy backs particularly in the LIC sector had shown really that they don't have a material impact on the share price premium discount to NTA, so especially for I would say medium size or small size LIC's it actually can cause a potential liquidity issue into the future. So economically although they might make sense you're buying back your assets at a discount, but investors obviously want to be in a growing company and when we look across the whole sector about 30% of the sector at the moment is conducting buy backs and there is no material impact to the discounts and obviously we're seeing that in the UK as well that they haven't been really working, but that's something we will be addressing on the next webinar so we will go more into that. I think we're running out of time, we're at 101 so I really apologise...

MATTHEW KIDMAN: So can I just rego on that?

CAROLINE GURNEY: Yes.

MATTHEW KIDMAN: Just on the buy backs. It's something that theoretically does work and sure if you've got a really big discount it's obvious benefits to the NTA and to... but as you just said history shows that people like being in a growth story and liquidity helps and when liquidity is at the gap narrows as liquidity increases and as you're growing your two vehicles over time because they're producing more for your beneficiaries, I think that becomes less of a problem.

CAROLINE GURNEY: Excellent, thank you. There is... I've got a fair few more questions but I'm just trying to work out in terms of time because we're probably going to cut off, but the one thing

that we did have a question for is your view on semi-conductors. Obviously, we've mentioned that a little bit. Matthew and Jun Bei do you have anything on that area at all?

MATTHEW KIDMAN: I'm going to go with you Jun Bei.

JUN BEI LIU: Look I think in view of all that is that I think that there's a huge amount of demand that is for the likes of lithium and future metal and we don't any new significant material or well significant technology advancement yet to change that view, so it's certainly for the foreseeable future we're very positive for that sector. It maybe volatile but because it's a newer sector but look at the amount of cashflow these big companies generate, we're sticking to the bigger names in those space and because they are generating really good cashflows with current prices. In but in terms of semi-conductors, look we're very excited about the future prospect of a... Australia we have a smaller exposure to that space but just with the rise of Ai and just the demand that what it might mean we talk to you before, I do think that it cannot be overlooked and then Australia though we have a smaller tech company sector but it is growing and hopefully it will become a bit more material part of our sector.

CAROLINE GURNEY: Thank you. So one final question that I've just got in and I think that's just a bit of plug for Future Gen to be honest is in the current climate how hard is it to find fund managers prepared to manage money pro bono? I mean I must admit we in terms of all the fund managers we've asked the majority of them say, say yes, I mean the ones that haven't is because probably they're closed or they have not got capacity at that moment, but I might turn that you two actually, like why do you work pro bono for Future Generation because we ask a lot of you really? Jun Bei what's your answer on that one and then Matthew briefly thank you?

JUN BEI LIU: I think for sure I love it because it's ability to give back by doing my everyday job. I'm very fortunate to be able to do what I love and then to give back at the same time it's incredible and also at the same time meeting all the charities that I don't know normally hear about I think it's an incredible experience.

MATTHEW KIDMAN: Yeah well I was forced to by Geoff and Kate. No only joking no. It is... the restriction on it is 'coz I obviously sit on the Investment Committee. The restriction on it is that it's really you can only get self-owned companies to do it. It's hard for the institutions

because it's not their money, but everyone who owns their funds management business has been approached and as you say unless they're absolutely full or something is going wrong, they've been quick to say yes and it's been... it's terrific that they're doing that. What it does is it promotes within your office a sense of goodwill. So sure we're helping people, but at the end of the day unless you get something out of it yourself that's the motivation, self-motivation and when we say in our office that we're managing money for Future Gen, people kind of you can see yeah that's, they sit up and they go that's a good thing and we're happy to do that, so internally it's good for us as well as the benefits that are obvious to the non... not for profits yeah.

CAROLINE GURNEY: Excellent. Thank you. Well thank you very much Jun Bei. Thank you very much Matthew, you are incredibly valuable to us. Vicki, your work is totally amazing and thank you very much for coming and sharing what Raise does and thank you everyone for listening in and we'll see you at our half year results webinar very shortly. Thanks very much, bye.

[End]