

Dear Fellow Shareholder,

Investment portfolio performance

Investors remained positive in July with inflation softening domestically and globally and gross domestic product (GDP) data proving resilient in most major economies.

The Future Generation Australia (ASX: FGX) investment portfolio increased 3.3%* for the month, outperforming the S&P/ASX All Ordinaries Accumulation Index which rose 3.0%. The Future Generation Global (ASX: FGG) investment portfolio increased 1.6%* in July, while the MSCI AC World Index (AUD) rose 2.8%.

Missed it? Watch our Investor Webinar recording

Please enjoy the recording of our [Investor Webinar](#) to hear from pro bono fund managers Jun Bei Liu from Tribeca Investment Partners and Matthew Kidman from Centennial Asset Management, about their views on reporting season, artificial intelligence, inflation and China's impact on the Australian economy. Vicki Condon AM from Raise Foundation also shared an update on the Foundation's youth mentoring programs. Read The Australian's media coverage of the webinar [here](#). We will also share an update and stock tips from our pro bono fund managers after the August reporting season.

I look forward to speaking with Geoff Wilson AO, Founder and Director of Future Generation, Chairman and Chief Investment Officer (CIO) of Wilson Asset Management, at our Future Generation HY2023 Results [Webinar](#) on Thursday 5 October. We will share more details in the coming weeks.

Have your say – social investment voting

Voting will open 1 September until 29 September. We will share more information on how to allocate your social investment online shortly.

New Future Generation podcast series – Take stock

We are excited to launch our new Future Generation podcast series, Take Stock. In this series, we get a backstage pass into the minds of our leading pro bono fund managers and Future Generation supporters. In the first episode, I speak to John Coombe, Executive Director of Jana Investment Advisers, and Investment Committee member for both Future Generation Companies. John advises some of Australia's biggest superannuation funds, and discusses the performance of small-cap companies domestically and globally, the performance of the largest global companies – which have coined the name the 'magnificent seven' – as well as both Future Generation Companies. The episode and transcript are available [here](#).

Please enjoy our [Q&A Interview](#) with Dr Katrina Lines, the CEO of Act for Kids, one of Future Generation Australia's social impact partners. Act for Kids provides vulnerable children with the support they deserve to stay safe, heal from trauma and lead happy lives.

Smiling Mind, one of Future Generation Global's social impact partners, launched a major advocacy campaign [Our Kids Count](#). The campaign is designed to raise awareness about the plight of kids mental health and the rising rates of mental illness in primary school aged children.

Thank you and best wishes,



Caroline Gurney
CEO, Future Generation



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

\$65.2m

SOCIAL
INVESTMENT
TO 2022



\$5.9m

Future
Generation
Australia
2022

\$6.4m

Future
Generation
Global
2022

2022 total social
investment

\$12.3m

2022 savings on
management fees,
performance fees and
service provider fees
forgone

\$16.2m

Savings on
management fees,
performance fees
and service
provider fees
forgone since
inception

\$112.3m

Investment portfolio performance

Net tangible assets before tax	Gross assets	Dividends paid since inception (per share)
132.74c	\$545.0m	39.8c
Net tangible assets after tax and before tax on unrealised gains	Market capitalisation [#]	Profits reserve (per share)
132.61c	\$469.0m	30.2c
Net tangible assets after tax	Volatility [^]	Fully franked dividend yield [#]
128.93c	11.9% S&P/ASX All Ordinaries Accumulation Index: 14.5%	5.6% Grossed-up dividend yield: 8.0% ^{^^}

[#]Based on the 31 July 2023 share price of \$1.155 per share and the FY22 full-year fully franked dividend of 6.5 cents per share. Future Generation Australia has 406,064,249 shares on issue.

[^]Volatility is measured by standard deviation.

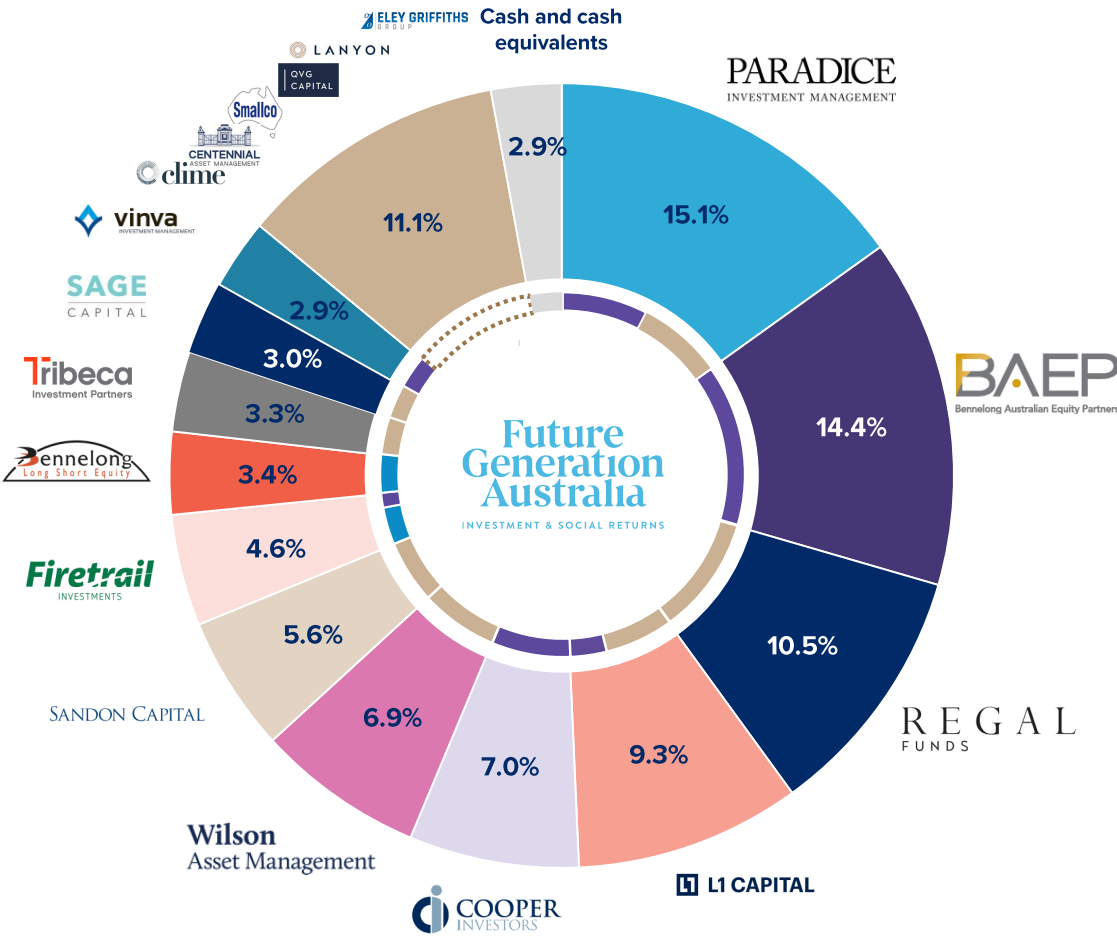
^{^^}Grossed-up dividend yield includes the benefit of franking credits and is based on a tax rate of 30.0%.

Investment portfolio performance at 31 July 2023	1 mth	6 mths	Fin YTD	1 yr	3 yrs %pa	5 yrs %pa	7 yrs %pa	Since inception %pa (Sept-14)
Future Generation Australia	3.3%	3.0%	8.7%	10.1%	11.1%	7.3%	8.3%	8.9%
S&P/ASX All Ordinaries Accumulation Index	3.0%	1.3%	7.8%	11.1%	12.2%	7.7%	8.6%	7.7%

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

Fund manager allocations

0% management fees
0% performance fees



11.1% fund manager breakdown

Cline Investment Management	2.8%	QVG Capital	1.5%	Absolute bias	46.5%
Centennial Asset Management	2.5%	Lanyon Asset Management	1.1%	Long equities	43.9%
Smalco Investment Manager	2.1%	Eley Griffiths Group	1.1%	Market neutral	6.7%
				Cash	2.9%

Investment portfolio performance

Net tangible assets before tax	Gross assets	Profits reserve (per share)
146.73c	\$587.8m	51.9c
Net tangible assets after tax and before tax on unrealised gains	Market capitalisation [#]	Fully franked dividend yield [#]
146.85c	\$475.6m	5.8% Grossed-up dividend yield: 8.3% [^]
Net tangible assets after tax	Volatility ^{**}	ESG aware ^{^^} (of the portfolio)
141.00c	9.7% MSCI AC World Index (AUD): 10.8%	98.3%

[#]Based on the 31 July 2023 share price of \$1.20 per share and the FY22 full-year fully franked dividend of 7.0 cents per share. Future Generation Global has 396,293,447 shares on issue.

[^]Grossed-up dividend yield includes the benefit of franking credits and is based on a tax rate of 30.0%.

^{**}Volatility is measured by standard deviation.

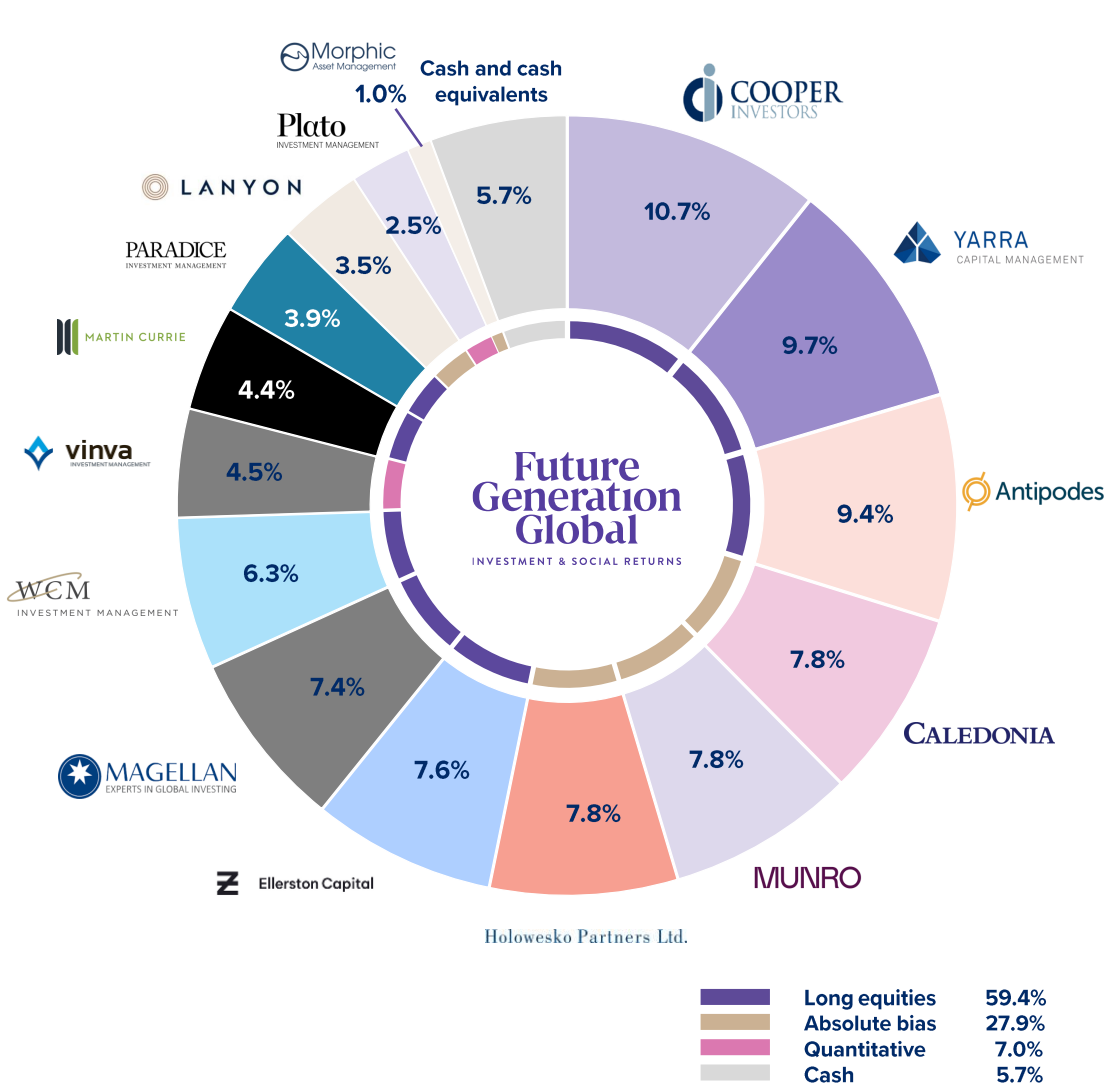
^{^^}As reported in the 2022 Annual Report.

Investment portfolio performance at 31 July 2023	1 mth	6 mths	Fin YTD	1 yr	3 yrs %pa	5 yrs %pa	7 yrs %pa	Since inception %pa (Sept-15)
Future Generation Global	1.6%	10.8%	15.8%	15.1%	5.8%	6.9%	9.3%	8.1%
MSCI AC World Index (AUD)	2.8%	15.5%	19.8%	17.2%	12.7%	10.4%	11.8%	10.4%

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



John Coombe

Executive Director of Jana Investment Advisers, and Investment Committee member for both Future Generation Companies.

We hope you enjoy our first episode of Take Stock, a new podcast series by Future Generation. The episode is available [here](#), and below is a short edited summary.



Future Generation Australia is weighted towards small-to-mid cap companies. Could you explain how that weighting occurred?

We're about 25% overweight small-caps and about the same underweight for large-caps. The reason that came about is because we tend to hire a lot of boutique Australian fund managers. And a lot of these boutique managers have identified that the small-cap area of the market is where you get the biggest bang for your dollar, in terms of return over the medium to long term for investors.

It is logical when you think about it. If you are a start-up company, you start down the bottom of the index and, as you grow your market share, grow your earnings, and build out your company profile, you will generally get bigger earnings as you become a bigger part of the index.

JB Hi-Fi (ASX: JBH) is a good example. It started off as a small boutique out of Melbourne and has grown into a national brand. Managers who bought it at the start and held it have made a fortune as it has grown over time. So, you can understand why managers who want to generate a lot of alpha tend to be overweight in mid-caps and small-caps. The irony is that, statistically, you don't really see a small-cap effect in Australia, but we know from the alpha generated by the managers we hire that there's a definite effect of managers being able to generate alpha from that part of the market.

Small-cap companies have underperformed in the last couple of years. Can you give us some context as to why that's happened in Australia?

Typically in a 'risk-off' environment, small-caps tend to underperform. They are more sensitive, so they tend to be linked to the economy more. This means they take the pain of any slowdown in the economy much worse than a large-cap company which has a much broader base. In Australia, we've benefited a lot in the last two years from the mining and resource sector. We have seen the big mining stocks such as BHP Group (ASX: BHP) and Fortescue Metals Group (ASX: FMG) do really, really well because the prices being paid for those commodities has stayed a lot higher than most people thought they would. It's really been a very interesting market from that perspective.

Has the Investment Committee consider changing the investment portfolio to remove or reduce the small-cap bias?

No, we haven't because over the medium and longer term, when you look at our 5-year and since inception numbers, it's been a really positive part of the investment portfolio in adding value over time. We genuinely believe in that small-cap alpha impact. We would have had to take money away from our leading managers and we might not have been able to get it back into their funds, given they are constrained about how much money they allocate to each of their strategies. Personally, I'm very comfortable with where we sit today looking on a 5-year view, because as the economy picks up again, after we come out of what might be a mild recession, those small-cap companies will outperform the larger companies.

You're on the Investment Committee for Future Generation Global and last year we brought in five new pro bono fund managers. What was the thinking behind making those changes?

We wanted a broader set of managers. We had a few managers who were also very keen to be a part of Future Generation. When we conducted our due diligence, they fitted well in areas that were missing in the portfolio. We wanted a bit more breadth, so we added a few quantitative managers. Also, that was fantastic, it gave us a bit more stability in the investment portfolio, in terms of broad market coverage. It also mitigated some of the stock specific risk that we had in the portfolio, strengthening the diversification.



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

Future Generation Australia fund managers



Future Generation Global fund managers



Social impact partner in focus:



Dr Katrina Lines, CEO of Act for Kids

Act for Kids provides vulnerable children with the support they deserve to stay safe, heal from trauma and lead happy lives. Since 1988, its team of psychologists, speech therapists, early education specialists, counsellors, occupational therapists and family support workers has worked with thousands of families to prevent and treat child abuse and neglect.

“The purpose of Act for Kids is to help keep kids safe, heal from trauma and lead happy lives. All of our work is around children who've experienced trauma – either through abuse, neglect or domestic and family violence – or around families that are at risk of harming their kids through emotional abuse, sexual abuse, physical abuse, trauma, and domestic and family violence.”

[Read a Q&A](#) with Dr Katrina Lines, CEO of Act for Kids.

For more information, visit
<https://www.actforkids.com.au/>

Our social impact partners



Our pro bono service providers



**Fund manager
allocation and
investments at
market value as at
31 July 2023**

Fund Manager	Investment	Strategy	% of Gross Assets
	Mid Cap/Equity Alpha Plus Funds (split out below)		15.1%
Paradice Investment Management	Paradice Australian Mid Cap Fund	Long equities	7.6%
	Paradice Equity Alpha Plus Fund	Absolute bias	7.5%
Bennelong Australian Equities Partners	Bennelong Australian Equities Fund	Long equities	14.4%
Regal Funds Management	Regal Australian Long Short Equity Fund	Absolute bias	10.5%
	Long Short/Catalyst Funds (split out below)		9.3%
L1 Capital	L1 Capital Long Short Fund	Absolute bias	6.1%
	L1 Capital Catalyst Fund	Long equities	3.2%
Cooper Investors	Cooper Investors Australian Equities Fund	Long equities	7.0%
Wilson Asset Management	Wilson Asset Management Equity Fund	Absolute bias	6.9%
Sandon Capital	Sandon Capital Activist Fund	Absolute bias	5.6%
	Absolute Return/High Conviction Funds (split out below)		4.6%
Firetrail Investments	Firetrail Absolute Return Fund	Market neutral	3.3%
	Firetrail High Conviction Fund	Long equities	1.3%
Bennelong Long Short Equity Management	Bennelong Long Short Equity Fund	Market neutral	3.4%
Tribeca Investment Partners	Tribeca Alpha Plus Fund	Absolute bias	3.3%
Sage Capital	Sage Capital Equity Plus Fund	Absolute bias	3.0%
Vinva Investment Management	Vinva Australian Equities Fund	Long equities	2.9%
Clime Investment Management	Clime Australian Equities Fund	Long equities	2.8%
Centennial Asset Management	The Level 18 Fund	Absolute bias	2.5%
Smallco Investment Manager	Smallco Broadcap Fund	Long equities	2.1%
QVG Capital	QVG Opportunities Fund	Long equities	1.5%
Lanyon Asset Management	Lanyon Australian Value Fund	Absolute bias	1.1%
Eley Griffiths Group	Eley Griffiths Group Small Companies Fund	Long equities	1.1%
	Cash and cash equivalents		2.9%

**Fund manager
allocation and
investments at
market value as at
31 July 2023**

Fund Manager	Investment	Strategy	% of Gross Assets
Cooper Investors	Cooper Investors Global Equities Fund (Unhedged)	Long equities	10.7%
Yarra Capital Management	Yarra Global Share Fund	Long equities	9.7%
Antipodes Partners	Antipodes Global Fund - Long	Long equities	9.4%
Caledonia	Caledonia Global Fund	Absolute bias	7.8%
Munro Partners	Munro Global Growth Fund	Absolute bias	7.8%
Holowesko Partners	Holowesko Global Fund Limited - Class A	Absolute bias	7.8%
Ellerston Capital	Ellerston Global Mid Small Cap Fund	Long equities	7.6%
Magellan Asset Management	Magellan Global Fund	Long equities	7.4%
WCM Investment Management	WCM Quality Global Growth Fund (Hedged)	Long equities	6.3%
Vinva Investment Management	Vinva International Equity Fund	Quantitative	4.5%
Martin Currie Investment Management	Martin Currie Global Long-term Unconstrained Fund	Long equities	4.4%
Paradice Investment Management	Paradice Global Small Mid Cap Fund (Unhedged)	Long equities	3.9%
Lanyon Asset Management	Lanyon Global Value Fund	Absolute bias	3.5%
Plato Investment Management	Plato Global Alpha Fund – Class Z	Quantitative	2.5%
Morphic Asset Management	Morphic Ethical Equities Fund Limited	Absolute bias	1.0%
	Cash and cash equivalents		5.7%