Investment Update & Net Tangible Assets Report

As at 31 December 2015

FUTURE GENERATION
INVESTMENT COMPANY

Net Tangible Assets (NTA) figures

NTA before tax	**119.48c**
NTA after tax and before tax on unrealised gains	**119.03c**
NTA after tax	**117.54c**

The above figures are not diluted for 178,373,156 options on issue with an exercise price of $1.10.

Portfolio

The investment portfolio delivered strong performance in December, again outperforming the S&P/ASX All Ordinaries Accumulation Index. The investment portfolio increased 2.8% while the market grew 2.6%. Over the calendar year the portfolio has returned 15.2%, outperforming the index by 11.4%, which increased 3.8%. The spread between the three broad equities strategies – long equities, absolute bias and market neutral is currently 49.5% long equities, 24.2% absolute bias, 17.1% market neutral and 9.2% cash.

Fund manager	Investment	Strategy	% of assets
Regal Funds Management	Regal Australian Long Short Equity Fund	Long equities	**10.3%**
Bennelong Australian Equities Partners	Bennelong Australian Equities Fund	Long equities	**10.2%**
Paradice Investment	Large/Mid Cap Funds (split out below)		**10.1%**
	Paradice Australian Equities Mid Cap Fund	Long equities	5.4%
	Paradice Large Cap Fund	Long equities	4.7%
Wilson Asset Management (International)	Wilson Asset Management Equity Fund	Absolute bias	**8.3%**
Watermark Funds Management	Watermark Absolute Return Fund	Market neutral	**7.8%**
Eley Griffiths Group	Eley Griffiths Group Small Companies Fund	Long equities	**7.6%**
Tribeca Investment Partners	Tribeca Alpha Plus Fund	Absolute bias	**7.0%**
Cooper Investors	Cooper Investors Australian Equites Fund	Long equities	**5.0%**
Optimal Fund Management Australia	Optimal Australia Absolute Trust	Market neutral	**4.8%**
Sandon Capital	Sandon Capital Activist Fund	Absolute bias	**4.0%**
LHC Capital	LHC Capital Australia High Conviction Fund	Absolute bias	**3.6%**
Discovery Asset Management	Discovery Australian Small Companies Fund	Long equities	**3.5%**
Bennelong Long Short Equity Management	Bennelong Long Short Equity Fund	Market neutral	**3.1%**
Smallco Investment Manager	Smallco Broadcap Fund	Long equities	**2.7%**
Lanyon Asset Management	Lanyon Australian Value Fund	Absolute bias	**1.5%**
Qato Capital	Qato Capital Market Neutral L/S Fund	Market neutral	**1.3%**
	Cash and Term Deposits	Cash	**9.2%**

Future Generation Investment Company Limited

ASX Code	**FGX**
Established	**Sept 2014**
Gross assets	**$225.0m**
Market cap	**$217.3m**
Share price	**$1.16**
Net assets per share (before tax)	**$1.19**
Shares on issue	**187,334,500**
Options on issue	**178,373,156**
Management fees	**0.0%**
Performance fees	**0.0%**
Annual donation (% of NTA)	**1.0%**

Investment objectives

- Provide a stream of fully franked dividends
- Achieve capital growth
- Preserve shareholder capital

Company overview

Future Generation Investment Company Limited gives investors the opportunity to gain unprecedented access to a group of prominent Australian fund managers in a single investment vehicle and also support Australian children's charities, with a focus on children at risk.

Experienced Board

Chairman
Jonathan Trollip

Founder and Director
Geoff Wilson

Directors
Paul Jensen
Gabriel Radzyminski
Kate Thorley
David Leeton
Scott Malcolm
David Paradice

Investment Committee
Geoff Wilson, Gabriel Radzyminski and Matthew Kidman

Joint Company Secretaries
Sarah Maddox/Mark Licciardo

Corporate Affairs
James McNamara

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Maiden interim dividend – fully franked 2.0 cents per share

The Board of Directors announced on Tuesday 12 January a fully franked 2.0 cents per share interim dividend to shareholders. The interim dividend announcement follows the payment of the Company's final fully franked dividend of 2.0 cents per share on 23 October 2015 and a $1.64 million donation to supported charities on 12 October 2015.

The Board is committed to paying an increasing stream of fully franked dividends to shareholders, provided the Company has sufficient profit reserves and franking credits and it is within prudent business practices. The Company's ability to generate franking credits is dependent upon the receipt of franked dividends from investments and the payment of tax.

Key interim dividend dates

Last day to exercise options to be eligible for interim dividend*:	7 April 2016
Ex date:	13 April 2016
Record date:	14 April 2016
Last election date for dividend reinvestment plan:	15 April 2016
Payment date:	29 April 2016
Option expiry date:	16 September 2016

*As at 31 December, 3,267,548 options had been exercised for a total consideration of $3,594,306 with the remaining balance of outstanding options being 178,373,156.

Fund Managers

Charities

Service Providers

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Fund manager in focus: Bennelong Australian Equity Partners

BAEP

About Bennelong Australian Equity Partners

Bennelong Australian Equity Partners (BAEP) is a boutique fund manager focused on Australian equities. The firm was founded in 2008 in partnership with Bennelong Funds Management (BFM). BFM is responsible for all non-investment related business, leaving the BAEP team of professionals to focus entirely on the task of investing client funds.

BAEP manages four Australian equities funds: the Bennelong Australian Equities Fund, the Bennelong Concentrated Australian Equities Fund, the Bennelong ex-20 Australian Equities Fund, and the Bennelong Twenty20 Australian Equities Fund. BAEP currently manages funds of approximately $5 billion on behalf of retail and institutional clients. The firm is highly rated and highly awarded. Most recently, the firm won the prestigious Golden Bull Award for the top fund manager in 2015 as part of the Australian Fund Manager Awards.

BAEP's investment style

BAEP is a genuinely active fund manager with a fundamental approach to stock picking. This approach involves undertaking very detailed and specific research and analysis on prospective companies, with consideration given to macroeconomic and other 'big picture' issues to the extent considered relevant. Its process is research-intensive and is built around an extensive program of company meetings and industry engagement.

The firm favours high quality companies with strong growth prospects. It attempts to identify those stocks whose future earnings prospects are more favourable than is commonly perceived by the market. BAEP believes that companies that outperform market expectations are most likely to give rise to investment outperformance. BAEP' selective stock picking typically results in relatively concentrated portfolios that aim to optimise the exposure of client funds to what are considered the best risk-return opportunities in the market.

BAEP's market outlook

There is a tug of war going on in the market that is so far being evenly fought. Thus, despite significant day-to-day volatility, the Australian stock market is not making any significant moves up or down over time, and it trades at a level pretty much where it was three years ago. Market's returns are therefore coming almost entirely from dividends.

At one end, valuations appear reasonable, especially compared to alternatives such as property, bonds and cash deposits. The S&P/ASX300 index trades on an average PE multiple of 15.5x and offers a dividend yield of 5%. The relative valuation appeal reflects, and trading volatility evidences, a nervous underbelly to the share market. This caution, although somewhat justified, is not ordinarily associated with steep market falls. At the other end, the broader market is lacking in earnings growth, with current expectations for EPS growth of just 1% for the coming year. A large part of this is attributable to commodity price falls, but the problem is much broader than this. The economy is sluggish overall, and most companies are unable or unwilling to invest back into growing their businesses. A lack of meaningful earnings growth is likely to hold back any meaningful advances in the market.

Underneath the overall picture there is a wide dispersion between those companies struggling, particularly those in the energy and resources sectors, and those enjoying quite decent business momentum. As to the latter, there are some companies benefiting from sectoral tailwinds. For example, Ramsay Health Care continues to benefit from the growing healthcare needs of an ageing population. In addition, there are some companies that are taking charge of their own destiny and are finding growth via acquisitions, market share gains, new product innovation, and other means. Examples include TPG Telecom and Domino's Pizza, both of which operate in mature and low growth industries but which are growing earnings strongly regardless. In this environment, it will pay to adopt a selective approach that gains exposure to the more prospective stocks and sectors. Doing so is likely to continue to provide reasonably attractive returns over time, even if the overall market stays range-bound.

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Designated charity in focus: Raise

About Raise

Raise is a registered Australian charity which provides mentoring programs for young people at risk of social disengagement. Raise has provided accredited mentors for over 1,600 struggling young Australians since inception, and has trained over 1,200 volunteers from the community in its TAFE accredited mentor training program.

Raise and FGX – providing strong social returns

As a direct result of the generous charitable donation Raise received from FGX in 2015, it was able to run an In School Mentoring program at an additional 6 high schools across Sydney and Melbourne for an extra 90 struggling young people. According to the National Survey of Mental Health and Wellbeing, only 13% of males and 31% of females aged 16-24 will seek professional help. However, initial findings in the 2015 Raise Foundation Evaluation Report show that 79% of its mentees said they would now ask an adult for help as a result of being part of the mentoring program. Raise also saw increases in academic achievement, school attendance, relationships with family and friends, coping strategies, self-confidence, and the ability to set and achieve goals. The ripple effect from Raise In School Mentoring not only reaches the mentees, but also their families, schools, workplaces and communities. Professional mentoring skills are of value across all facets of life, and Raise is currently looking for partners for our corporate social responsibility initiative which has extraordinary results for staff looking to do something meaningful in their community and become more engaged in their work as a result.

Q&A with Vicki Condon, Founder and CEO

How does Raise support young people?

Raise Foundation is working hard to address major youth concerns in Australia. Suicide is the leading cause of death amongst 14-25 year olds, one in four young Australians live with a mental illness, one in five kids will be victims of sexual abuse before they turn 18, 23% of 12-17 year olds consume alcohol weekly, and one quarter of young people say they are unhappy with their life. Raise supports young people to shine by providing school and community based mentoring programs. We put into practise the idea that it takes a village to raise a child.

How does the School Mentoring Program affect the young people involved?

Our programs conclude with a graduation celebration where the mentees and mentors stand up and speak about their experience together. It is often very daunting for the mentees to do this in front of their Principal, their Teachers and worst of all, their friends. But they proudly do it, and it is a very heart warming and inspiring part of our program.

One boy last year stood up, gave a card to his mentor, and said “I don’t really like public speaking so I’m just going to say thanks to my mentor, because he is a legend!” The mentor pat him on the back, and the crowd smiled as the pair sat down. When the mentor opened his card later that day, the words took his breath away. Part of it read, “My Dad left us when I was 3, and my Mum’s new boyfriend hits me, so you are the only man I have met in my life that I know I can really trust. Thank you for all you have done for me.”

What does it mean to Raise to have the support of FGX?

The thanks that our mentees give publicly are often simple and short because it is difficult to say thanks and truly have the recipient understand the depth of the emotion that is being projected behind the words. This is actually very much how we feel at Raise when we try to convey our thanks to FGX for choosing us as a recipient of this initiative. We can say “thank you”, but we really hope that those who are part of the FGX initiative really do understand that the words represent a huge depth of impact. Thank You.

More information is available at www.raise.org.au