

Future Generation Global FY2025 Q&A Webinar

Thursday, 26 February 2026 at 2:30pm (Sydney time)

Geoff Wilson AO, Founder & Director of Future Generation, Lee Hopperton, Chief Investment Officer, and Dr David Allen, Head of Long/Short Strategies at Plato Investment Management.

LEE HOPPERTON, CIO, FUTURE GENERATION: Thank you for joining us. This is the Future Generation Global Full Year Results webinar. I'd like to start by acknowledging the traditional owners of the land where we are, which is the Gadigal people of the Eora nation and pay my respects to elders past and present. I'd also like to introduce the gentleman here with me. To my right, I've got Geoff Wilson. Geoff, as you probably know, is the founder of Future Generation. He's also the Director of Future Generation Global. And we've also got Dr David Allen who is Head of Long/Short strategies at Plato. David's going to talk to us about his strategy. He's one of the top performing fund managers, let me correct myself, he is the top performing fund manager for Future Generation Global over 2025.

The agenda today is Geoff is going to make a few comments about the dividends we announced a couple of weeks ago now and explain the theory behind those and why the Board decided to do this. I'll give a quick update on the portfolio and how we're positioned, and then we'll spend a bit of time talking to David about his strategy. There'll be plenty of time for questions and answers and I can see that some people have already asked some questions online so thank you for that, please keep them coming. Before we move onto the main game, we will show you the disclaimer which essentially says that anything the three of us say today is general in nature, there's no personal financial advice being given here. Now Geoff, over to you for dividends.

GEOFF WILSON AO, FOUNDER & DIRECTOR, FUTURE GENERATION: Thanks everyone, thanks for all the shareholders that have dialled in and the people who are going to watch this, listen to this or read this later on. You know Future Generation Global only exists because of the shareholders and we like to do this every six months, so you've got an opportunity, to hold management - Lee and now Bonnie, who's joined us as General Manager recently, to account, and myself as someone sitting on the Board and a reasonable sized investor, like everyone else here and also being on the Investment Committee. In terms of Future Generation Global, and its performance and particularly over the last 3 years, but also more recently it's continued to perform very well in terms of the risk adjusted returns and to take you into the Boardroom for a minute, the discussion when we're looking at the results for this six month period, the discussion was, there's been a little bit of frustration. Future Generation Global was still trading at a discount, and Lee, what was it six months ago, about a 11%, 12% discount?

LEE HOPPERTON: Yes, it was about 18% roughly this time last year. It has closed progressively through

the year and is a bit narrower than that now.

GEOFF WILSON AO: The Board was aware of that and I'll come back a little later to what I think the share price should be relevant to the NTA, but the Board was aware of that. When we had the Board meeting to make the decision on dividends we had a really good profit reserve, it was 8 or 9 years of profit reserve and our franking levels were a little bit higher. There's usually a lag between paying tax and the profit reserve, so the profit reserve will be higher and the tax gets paid later and so therefore the ability to pay the dividend, there's a lag on that. But we're in a position where we thought, ok, we actually want the share price to fully reflect the NTA. And where is equilibrium and that's trading at NTA. Now for the share price to be at NTA, so that's about \$1.69 at the moment, and you could actually argue there's a fair argument that says that both Future Generation Global and Future Generation Australia, should actually be trading at a premium to NTA.

I remember when I started in the listed investment market when we floated WAM Capital probably 25, 26 years ago, now a lot of theorists said, oh your discount NTA should be the NPV of your forward, management fees, so there should be a better discount. You have to remember, when you're investing with one of the Future Generation entities, if you accept that 1% of that money is going to go to support youth mental health for Future Generation Global, if you put that to one side, then David and all the other fund managers, they're not taking their management fee or their performance fee. So, what the shareholder gets, it really is a win win win, and a lot of that winning is by the shareholders. They get about on average it's been for the last decade, about a 40% reduction in fees, so your NPV that comes up at about 6.5%, 7% over that period of time. So therefore, now what you could argue is a fair valuation, it's, in that 1.70, mid to high 1.70s, which is an embedded premium to NTA. The whole idea of the special dividend was just to reward shareholders. Now the performance has been excellent over the last three years, particularly risk adjusted, and to close that discount 20% gap, and it's pleasing that that's occurring.

Now they're still both trading cum dividend, the 4.0 cents, which is for the half year and the 3.0 cents special, and it's on the 11th of May, they go ex for the 4.0 cents, and the 11th of June it goes ex for the 3.0 cents special. And some people say, look, why is the dividend so far away? And what you tend to find is, well one of the great things about listed investment companies is they've got an ability to smooth their earnings over time, so to give shareholders a consistent growing stream of fully franked dividends. So, from my perspective, if I had a choice, if I was the only person on the Board, then I'd have the various listed investment companies trading cum dividend all the time but you have to pay the dividend sometime. So to me that's sort of the dividend and the Board's very happy with the performance of the portfolio, the profit reserve, and the position we're in.

LEE HOPPERTON: Dividends have been going up every year for the last 7 or so, so I think the Board's

very committed to keeping a steady growing stream of fully franked dividends. Now we'll just give you a look at the portfolio and I'll explain a little bit about what's going on there. As you probably know, our objective, as Geoff alluded to, is to try and deliver the strongest returns we can but manage volatility. So, to manage the risk in the portfolio and spread that risk through diversification. Currently we've got 16 fund managers in the portfolio, but we think they're the best fund managers in the world that we can find. They are very diversified, so we're diversified by the manager names that we use, the people investing, the strategies that they employ. David's going to talk to us about a particular strategy that he uses. And also, the style in which they invest. So, there is a great amount of diversification within the business, within the portfolio. And it's that diversification that's enabled us to deliver that 18% return over the last 3 years that Geoff mentioned. The total shareholder return which ties back to the dividend has been 16.2% over the last 12 months to the end of December. And that's comprised the share price appreciation, the dividends that have been paid out, the franking. The two things that sit behind that driver have been the investment portfolio performance and of course the closing of the discount which Geoff mentioned. And the discount's now we think live estimate is a bit less than 5% from having been closer to 12% or so months ago.

So, the portfolio is highly diversified. We thought it might be helpful to look through behind what these fund managers own. So, we are investing in the fund managers, they're investing in stocks and take a look at why we think diversification is particularly important at the moment. The chart on the left shows the top 10 stocks in the MSCI World Index. They make up interestingly about 25% of the total value of the world index. That's interesting because there's roughly 2,500 companies listed on that particular exchange and you know, a quarter of the total value is made up by 10 companies. It's also interesting because a lot of those companies and we've only got the tickers there, but the first 7 are all really tech companies exposed to the same sort of thing. So, you've got an enormous amount of concentration by the companies and the themes that are driving markets. You've also got concentration geographically and the table on the right shows that nearly 70% of global markets are listed in the US. So, a lot of concentration. And in times of heightened uncertainty, we think diversification is the best way to make sure that we're not too overly exposed to any one of those things. So, from a Future Generation Global perspective, rather than 25% in that top 10, we've got roughly 10%. And we've still got a lot of North America, but we're also overweight, UK and Europe as well. So, we think that diversification puts the portfolio in a fantastic position currently.

We are of course a dual objective organisation, so our primary objective, the first thing we're trying to do is make sure that we're achieving the types of returns that our investors want. Steady stream of income, franked income in particular, and lower volatility returns. But we're also trying to do good in the community. And to date, Future Generation has donated \$100 million to not-for-profit partners that we support. And as Geoff mentioned, we've saved \$175 million from the fees of our fund managers because

they're all working pro bono. Our Investment Committees and Boards, they all work for free and so do all our third-party suppliers. So, we've saved \$175 million. \$75 million has remained within the vehicles and \$100 million has been donated to our not-for-profit partners. From a Future Generation Global perspective, effectively the shareholders have got that \$75. The returns go back into companies and that's I think the argument you were making before Geoff, about why there's a structural reason that these companies could trade at a premium. Future Generation Global has donated a little over \$50 million since it started, and last year an amazing \$6.6 million went to not-for-profits. That's had a real genuine impact on young people in Australia. So, we really feel that we're meeting that objective as well.

So, we're happy to take any questions at any time on the portfolio, but we thought that overview gives everyone a bit of a clarity about how we're positioned and how we're hoping to perform over the next little while. Might be a good time now to turn to you, David. We're in a lucky position in that we get to meet a lot of fund managers and as a side observation, two of the things we really look for are the smartest of the smart and those who are resilient because being a fund manager is a hard job. And I'll just note that you've got a PhD in quantitative investing. And you've also played Northern Irish rugby professionally, so you're probably fairly resilient as well.

DR DAVID ALLEN, HEAD OF LONG/SHORT STRATEGIES, PLATO INVESTMENT MANAGEMENT:

Thank you for that. It is tough. It is frozen grounds.

LEE HOPPERTON: We won't ask you whether funds management is harder or easier than that, but the way that you invest is systematic investing, and that's quite different from most of the other fund managers we use. Would you mind just giving an overview of what that means and how that works?

DR DAVID ALLEN: Yes, for sure. Before I do, if you don't mind, I just want to say it's an honour to be a fund manager for Future Generation. I think it's a fantastic vehicle and you've definitely done an incredible job in terms of, as the motto says, getting investors to do well but also do a lot of good as well. I'm very proud to be part of it.

GEOFF WILSON AO: Thank you on behalf of all shareholders for managing this money on our behalf because you're managing it pro bono, and we're all getting a benefit. Thank you.

DR DAVID ALLEN: No, no, thank you, appreciate that, 100%. So systematic investing. The normal way of investing, the traditional fundamental approach of going out and meeting management, listening to earnings calls, pouring through financial statements, doing site visits, if you're absolutely working your guts out, your bandwidth of the amount of companies that you can actually analyse properly is maybe 20 to 25 stocks and that's about the limitation. Systematic investing, the way that it works, it utilises virtually all the same tools as traditional fundamental investing, so for example, we have 150 red flags,

fully automated so I can see what potential risk factors any company has before we make an investment. So, the same tools as a normal fund manager uses, but we've really systematised it at an industrial scale. So, we have our bandwidth in terms of the number of companies we can analyse and invest in is well over 10,000. So, this is what enables us to get outstanding results, because our opportunity set is just so broad.

The other great advantage in having a systematised approach is, I think in investing and probably in life as well, most of the bad decisions you make are when you're stressed, when you're emotional, when, you've got certain behavioural biases at work, so by systematising your decision making process, I'm saying the investment setup looks like this, in terms of the valuation, the earnings trends, the red flags, then every time I'm going to do this. It's nice and repeatable and makes it a bit less stressful as well.

LEE HOPPERTON: So given all of those companies and all of that information, I'm assuming the letters A and I feature in your world in some way. Do you use AI? Is it something that you're involved in, in the process, and then if it's involved in the process, does it help you in your investment decisions?

DR DAVID ALLEN: Really good and topical questions. Just as there was quite a bit of brainwashing on a few years ago, there's quite a bit of AI washing, everyone's tacking on AI and the domain name and saying oh this is the driving force, the secret sauce. We probably, no more than 10%, 15% of our process is AI driven, but it's absolutely additive. So, I'll give you just a couple of quick examples of how we utilise that. We analysed 25,000 earnings calls a year.

GEOFF WILSON AO: Now I know in the Australian market there's about 2,500 companies listed, and in the US market there's about 4000 an hour over there, yes. And then I suppose then you've got the UK, Europe, so if you cover, 25,000 calls. In theory is that nearly every company? You must go a fair way down.

DR DAVID ALLEN: We do, we do, and companies we go all the way from Nvidia, the biggest company in the world, larger market value than the entire UK stock market, which is just remarkable. All the way down to companies with 100 million free float. And do you know what, generating outperformance and finding gems in the Nvidia's of this world, that's hard. There's so many eyeballs on in that mid and small cap space, there are a lot more opportunities, so we're very, very active in that space as well.

In terms of those 25,000 earnings calls we take, if you listen to 25,000 earnings calls, CEOs, rattling on, you'd probably want to jump out that window by the end of it, right? So, fortunately, we've been doing that for over 10 years, the technology's evolved for how we do it, and we now use large language models. So just think really, ChatGPT, for example, we will utilise that same technology to analyse the sentiments of those earnings scores. How's that changing versus last quarter, how's it looking relative to peers?

GEOFF WILSON AO: How do you adjust for the human factor there where the CEO had a big night?

DR DAVID ALLEN: We'll normalise versus that CEO, we'll adjust based on that CEO over time, people have different personalities. Some are always very bullish, and so looking at the change in sentiment is the key thing really. And another thing that we do that is one of my favourite red flags that we use, and I'd always intuitively had the gut feeling that the most revealing thing in when you ask someone a question is what they won't reveal. That old politician trick if you ask a question and they pivot to their talking points and you don't even notice. So, we actually have been using AI to score each question and answer in those quarterly earnings scores for did they answer the question or did they evade the question? And sure enough those companies that are in the most evasive 5% where they're just being asked about the outlook and they're just obfuscating, they markedly underperform the stock price over the next 3 or 6 months. It's a whole new world that's absolutely fascinating and giving us ways we can add value to client's portfolio.

GEOFF WILSON AO: Now for people that do what you do, there's an enormous amount of passive money in the world and there's an enormous amount of active money in the world. The way you manage money, there must be other fund managers that use similar approaches. What percentage are you of?

DR DAVID ALLEN: Yes, it's an increasing minority. It varies from market to market, but well over 10%. Because traditional active managers, if you're being unkind, you'd say that it can be a little bit antiquated in the approach, have a hunch, buy a bunch, go to lunch type approach. And you know, we're certainly, at the top quartile hit rate of a fund manager. So, when a fund manager's doing really well, it's only 55%. It's not that high, we can get in the high 50s, so we're still getting 4 out of 10 wrong, but by being more systematic in our approach, we can do better over time.

LEE HOPPERTON: Interesting, interesting. And the red flags you mentioned before, do they just inform you about stocks to avoid, or I know you can take short positions as well, do you say, oh well, if it's got more than 10 red flags, we should short that one.

DR DAVID ALLEN: Absolutely. So, our research, and this is research that goes back to the mid-90s, shows that if a company has 8 or more of Plato's red flags, on average it underperforms the market by 20% over the next 12 months.

GEOFF WILSON AO: And it's 8 out of out of 150?

DR DAVID ALLEN: Yes, so 8 is a lot and because you know it's the most egregious in each category, and that's a big number. It's actually the most powerful method we've ever developed over the years for really doing two things. One, identifying great shorts, so domestically, there's a big hedge fund group in Australia that was long, Optia, and they lost half a billion. They had 18 red flags, so it's not a company we

ever would have maintained invested. It's a bit corny, but Buffett loves to say there's only two rules of investing. Rule number one, don't lose money. Rule number two, don't forget rule number one.

So the red flags really helps us, keeps us on target there, but also identifying some fantastic names, to be short. And if you actually look at the outperformance of the strategy today, since we launched the fund back in 2021, we're generating 24% return per annum after fees, and about half in terms of that outperformance that we've generated, about half come from shorting and for any of the people listening where shorting is really the opposite to traditional investing, you identify companies where you think, oh, there might be fraud here, there might be manipulation, terrible governance, and we'll actually bet against those companies, and the red flags is the key way we do that.

GEOFF WILSON AO: And with your portfolio, say you've got \$100 million then how much of that \$100 million a year long, how much are you short?

DR DAVID ALLEN: So for every 100 million that we have in the fund, we have 150 million invested in the most attractive ideas, so that amplifies the returns we can generate. But we'll have 50 million short where we're wagering against companies. Critically 150 long minus 50 short equals 100, so that's the same. Equity exposure is a traditional long only fund.

GEOFF WILSON AO: But in theory you can make more money on the 50 million year long and more money on the 50 year short, if you're right, if you do it the wrong way, then it can go the other way.

DR DAVID ALLEN: And most managers in Australia that have tried their hand at shorting haven't had the best track record. I think you need some sort of edge, and the red flags, like the fund managers love to think that their investment process is a unicorn, no-one else is doing what we're doing, but the truth is that there's a decent amount of commonality between different fund managers. The red flags is something that is very distinctive and what allows us to generate returns on the short side.

LEE HOPPERTON: The questions are flooding in, but before we move on to the questions, the one which we love to know is your outlook now, opportunities, how you're positioned, can you pick the market from where we are now, any particular sectors or stocks you think are interesting?

DR DAVID ALLEN: The big talking point is software at the moment, people think AI's are coming in and it's going to destroy the value chain of all these incredible software companies. So there's one company and we've actually done quite well out of that. We've been short, so wagering against some of these different companies. One example is Hemnet, which is Sweden's real estate.com. We've been short that it's off 80%, because people are worried that they're going to be circumvented by AI and my feeling is that the market is throwing the baby out with the bathwater a little bit with this, they've just sold now en masse and asking questions later. There's the network effects and inertia that are involved in the software

industry I think can't be understated, so something like Salesforce, for example, where everyone's using their client relationship management software, they're so embedded, everyone's so trained up, are you really going to shift for something that's so mission critical, for something that's a little bit cheaper? So, I wouldn't be surprised if some of these software names stage a bit of a comeback.

A great thematic for us has been European defence. The big Trump trade was supposed to be US onshoring, but he's put such pressure on the Europeans, which they probably needed to really rearm and protect themselves, they've increased their spending from 2 to almost getting towards 3%, 5% of GDP on defence. So, companies like Rolls-Royce and Rheinmetall and Safran, European defense leaders have been fantastic.

LEE HOPPERTON: That is awesome, thank you. I'm going to do my best to get through these. If we don't get to your question today, we will, I promise, come back to you with an answer very quickly. The first one's from Bruce, which is please provide more information on the nature of the quantitative portion of the fund. Well, this is a systematic strategy, and I think that's the right terminology, but they're often called quant funds because of the level of quantitative input, and there are two of those in Future Generation Global, David's Fund, and we also use Vinva which has the same sort of strategy, albeit differentiated. This one, David, I will hand to you. How risky is investing in the US market at present?

DR DAVID ALLEN: Sure, it's risky and if you look at valuation data for the US market as an example since 1880, this is the time of the second industrial revolution, and if you look at that, the valuation, so price earnings ratio of the market, it's actually at the second highest it's ever been over that entire period. So, if anyone tells you that the US market, it's not overvalued, you probably should politely excuse yourself from the conversation. But what's really interesting is there's huge dispersion in valuations. What I mean by that, you can see Tesla trading at a price earnings ratio of 400 to 1, which is quite extraordinary, versus General Motors, at a price earnings ratio of 8. So, there's a big dispersion.

GEOFF WILSON AO: You can own General Motors for 8 years, you get all your money back in earnings. You have to own Tesla for 400 years, to earn your money back.

DR DAVID ALLEN: Exactly, I think that's a very good way of thinking about it. I think certain pockets of the US where you need to be a bit careful and suddenly there's a blog post like there was a few days ago on the threat of AI to software companies and a lot of these software names fell 10%. That's always a risk when evaluations are extended, they're very vulnerable to just even a little bit of uncertainty.

LEE HOPPERTON: That was a great question from Christine. Thanks, and that's something our Investment Committee talks about a lot is why we try and be as diversified as possible. James has asked a question, how automated is your trading considering that you're managing hundreds of global

companies that trade overnight?

DR DAVID ALLEN: Great question, so it's entirely automated, we have a model portfolio that's generated automatically twice a day, so a buy list, a sell list, and for many years, this is while I was working in London and in the UK where I was Head of research there, we'd go through these automatically generated buy and sell lists, and we'd apply our judgment and subjectivity and say oh, I don't feel right about that name, maybe we'll do a bit more of that stock. And after 4 years, we measured how much value that we were adding, with our genius inverted commas, and the result was very, very little. And perhaps it's not surprising, you've got 150 red flags, you've got 25,000 earnings scores a year, every line of the financial statements. It's probably a bit naive to think that I can just through my gut feel pick winners and losers.

LEE HOPPERTON: The next one from Ashok, is the dividend sustainable going forward by paying a special dividend? I might just give some numbers on that. Prior to the announcement of the special dividend, Future Generation Global had a profit reserve of a little over 71 cents. That's 9 years' worth of dividend coverage. And after both these dividends, the full year and the special have been paid, that goes down to 64 cents, so that's 8 years, 8.1 years in fact of coverage. You have to be quite careful with profit reserves because they can move around and there are other factors the Board considers when paying.

GEOFF WILSON AO: Well, the good thing about the profit reserve, it only goes down when we pay the dividend. It goes up when we make money. Then the bigger thing for probably the Board is what franking there is. We're investing with global fund managers, we're investing in their main funds. Australia's 2% of the world by capitalisation, so they've got very little in Australia, if anything, so therefore the fully franked dividends we get, our ability to frank them as a function of the tax the company pays in Australia, we don't get a free kick of getting fully franked dividends as well. In terms of franking at the moment, I think we try to keep broadly about 2 years up our sleeve. Now that's FGX and FGG just in case there is a period where the market doesn't go up and there's no tax paid, we can keep that dividend to continue growing.

LEE HOPPERTON: From John, what are the ex-dividend dates? I think Geoff mentioned that they're the 11th of May and the 11th of June.

GEOFF WILSON AO: And just quickly, why do we do them separately? Most people when they announce a special dividend, they pay the dividend at the same time. I just like the idea you're still cum dividend, because obviously when the 4.0 cents and the 3.0 cents, and we pay them together, then the NTA drops by the amount of the dividend we pay. So, it's just to smooth it a little bit. If I had the choice, I'd pay in May and then pay in 3 or 4 months' time the 3.0 cents, but the boys said, hey, we've got to pay before June 30th for the franking of this year, for the investors.

LEE HOPPERTON: From Ivan, if your strategy is to invest through primary managers, doesn't that mean that investors in Future Generation Global are paying double fees?

GEOFF WILSON AO: Well, that's the beautiful thing is you're paying nothing. So there's no charge in the Company, and the manager's doing it, so that's sort of why I was arguing that there should be an embedded, 1% goes to charity, but if you're happy with that 1%, then in theory you could argue that shareholders do get a significant benefit, and that should be reflected in the share price premium to NTA, which I'm confident we'll get to.

LEE HOPPERTON: There's one from Michael here which is essentially how we select fund managers, decide how much they get, how often we change them, and whether we just take every fund manager that wants to be part of our network. Broadly speaking, we have Investment Committees for both of our companies and they're very well credentialed. They're CIOs from large super funds, they're asset consultants, Geoff's there, formulating the view as to how the portfolio should be positioned, which funds we should have and how much we should have in each of them. And for both companies we also maintain a list of managers that we would like to include at some point when the time's right, when we feel that their strategy will be additive to the portfolio. And we're trying to be active so we're constantly making adjustments to the weightings of the portfolio to make sure that we're hitting that objective. So, it's quite an active process in doing that.

GEOFF WILSON AO: We've got a simpler red flag, the Investment Committee's got a simpler red flag with the managers, if they perform better than we're expecting, then we look at them and you're one of those David, I mean you've performed exceptionally well for us, and again, thank you. We understand why that is the case because you were explaining it, particularly for the people here, the long/short, so you've got a bit more leverage if you can perform, but that can go both ways. Then for managers that that the other red flag is if they're performing worse than we expect, because different managers perform differently in different environments, and we understand that. Also, any personnel changes and any changes to their investment strategy, they're the main red flags. At the moment we have 16 managers, I think we've removed more than 24, 26, and we would have added sort of 20 plus, so it's not a passive strategy, it's quite active in terms of the other managers.

LEE HOPPERTON: And we're very fortunate. One of the concerns I had when I joined Future Generation is you're asking great fund managers like David to work for free and that might limit the potential investments that you can make and that is categorically not the case. There are a queue of fund managers who are happy to come and be part of our network and to donate their services to Future Generation, which is really encouraging for the industry and it's great to see, so we're super appreciative.

GEOFF WILSON AO: And I think what David said at the start to everyone, he thanked us, and it is really

an efficient way for the fund manager to manage a pool of capital pro bono, he still gets paid on all the other money he manages, and then I let some of that money support, as you said, since we've been going \$50 million for Future Generation Global is to help youth mental health in Australia, so it's just an efficient way of it.

LEE HOPPERTON: One for David. Is Dr Allen the East Rugby's coach who won the premiership in Sydney recently?

DR DAVID ALLEN: Yes, the President. The coach won't listen to me, which is probably for the best.

LEE HOPPERTON: Back onto finance for you, David. How do you manage the impact of FX on the performance of your portfolio, in particular given the appreciation of the Aussie dollar and negative impact on performance in recent months? Are you adjusting your portfolio or hedging or?

DR DAVID ALLEN: Very good question and topical question. Obviously, the Aussie dollar's done really well recently, as we all know, and because this is a global fund, virtually 98% of the fund is invested outside of Australia, 65% of it is in the US. So, when the Aussie dollar does really well, then that means that the value of the fund measured in Australian dollars will decline. We don't do any hedging within the fund, and the reason really is, generally when the market sells off aggressively, the stock market this is, then in that scenario, the Aussie dollar tends to sell off as well. And what that means is that you actually get a benefit to your portfolio, so the market might be down 20%, but because the FX moves in the same direction, in Aussie dollar terms, it means you've only lost 15%. So, paradoxically, it's actually, by being unhedged, it does help you when the market really sells off. That said, there are clients that are concerned about the US dollar, de-dollarisation and so forth. So, we are launching a hedge share class where we're hedging all of the currency risk, so it really is up to the investor, what they want to do.

GEOFF WILSON AO: Great, I mean for us, the Investment Committee, not speaking on behalf of them, but I'd assume we'll stay for the investors, we'll stay exposed as we are.

LEE HOPPERTON: I think that's likely. There's a question here on regional exposures, if Trump loses badly in November, what's the impact likely to be on Future Generation Global? From Future Generation Global's perspective, we're slightly underweight the US, we're trying not to take particularly large sort of macro bets. In that sense is the same true for you?

DR DAVID ALLEN: Very much so. We're a bit underweight the US compared to what the MSCI World Index or global equities are, but it's something that we monitor very quickly, very carefully. So, it's interesting, the academic evidence clearly shows that the best predictor of election outcomes isn't the pundits on TV, it's not the polls, but it's actually the betting markets. The good thing about that is that gives us a daily [probability of different outcomes that we can measure how sensitive our portfolio's value](#)

is to that. Because it looks like they could lose control, the Republicans, so we just want to make sure our portfolio is not going to be adversely affected if that was to happen.

LEE HOPPERTON: And from a Future Generation Global perspective, we let that decision be made by the fund managers like yourself who are the experts on that kind of thing. We're not trying to take a direct leaning. A question from Catherine here, I'm new to the Future Generation Company and thinking about buying some shares. Can you explain more about how it works?

So, the model is essentially summarised as fund managers like David work for us on a pro bono basis as do a bunch of other suppliers and people who contribute to Future Generation. We're able to therefore make a donation to not-for-profits without impacting the returns that our shareholders get. The savings that we make are greater than the donation that we make. Those companies can be Future Generation Global and also Future Generation Australia. They're listed investment companies. And they can be bought on the ASX through your broker. If you buy through CommSec, they will rebate your brokerage for that. But if you want a more detailed overview of how Future Generation works, how we contribute returns and social impact, we'll be happy to talk you through that.

From Gabriel, fund managers typically handle many different portfolios. What discretion do the selected fund managers have in deciding in which of their funds to invest on behalf of FGG and FGX?

GEOFF WILSON AO: The Investment Committee decides which fund that we want to go in, that Future Generation Global or Future Generation Australia wants to go into. As David said, he's got one fund. How many funds have you got?

DR DAVID ALLEN: So, I run a global fund and also an Australian long/short fund as well.

GEOFF WILSON AO: So we're talking about the global fund, which is unhedged, and David said they're creating one because a lot of people want their hedging, that'll be hedged. So in theory, the Investment Committee, if we had the option to do both of them, we'd have gone for the unhedged because effectively pretty much nearly all the funds are broadly unhedged.

LEE HOPPERTON: Another question for David, I think you've partially answered this, but did you see any opportunity in the current recent US tech sell-off?

DR DAVID ALLEN: I think many of those software names were probably a bit overdone, and people are sort of selling now and asking questions later, and as they rake over the debris, I think there's definitely some bargains to be had there. Names that they have proprietary data, that really embedded in companies, that will stand the test of time. A good example of that, just back in the day, people think of Microsoft Excel and how dominant that is today. But there were many other versions that were cheaper

than Excel that have come after that, but once you're using something and you're trained up in something are you going to trade that in for something that's maybe a little bit better, a little bit cheaper, are you really going to change? And I think the software companies will be beneficiaries of that.

LEE HOPPERTON: Fantastic. A question from Robin, what's the best way to find the NTA? So we announce the net tangible assets of the Company each month and that's available on our homepage, for our website. Our website is actually worth having a look at because it's got, first of all, more information about all of the managers that we use, but also it's got case studies from the social impact partners that we support. So, it's a great way of seeing where the money that's being donated to our not-for-profit partners is really going and what the impact is for that.

GEOFF WILSON AO: Also, if you look up the ASX on the 14th of each month, we announce the NTA's monthly. And people ask why don't you announce it more regularly? Well, we're getting the information from the fund managers at the end of the month, and we need to have it out by the 14th, and if anyone wants to try to work out, what's the difference between the NTA when we've announced it and where we are now, we don't know what the individual managers have done until we can get the information, but you could just work out what the MSCI World Index has done in Australian dollars and you can just adjust for that. It's pretty easy.

LEE HOPPERTON: But I think Robin, you asked that question, if we can help with locating any of that, please just call one of us and we can certainly point you in the right direction there.

Another one, from Bill. How are you planning on closing the discount? Do you want to have a go at that one Geoff? I think Geoff is the expert at this.

GEOFF WILSON AO: WAM has 9 listed investment companies and 6 of them are trading at premiums. There's a couple trading at a 30% premium, which is to me red flags. 100 red flags when you're trading at a premium, there's a 7th trading at NTA and 2 are trading at a discount.

LEE HOPPERTON: So, Geoff, please do correct me, but the thinking is that in order for people to realise the value in Future Generation, there's probably a few elements to that. One is we need to deliver the right kind of returns to our shareholders, so good investment performance, good fully franked income, the types of things that people would expect from us as an investment, and we should articulate what they should expect well, so making sure that we're explaining that well. I think the investment returns and the messaging is really important. The Board also are conscious that that income stream is really valued by a lot of our shareholders and I think that's been evident in the special dividend that's been paid recently in those seven years of constantly increasing dividends, so making sure that the dividend yield is in the right place and as Geoff said at the start, when you roll up the fully franked dividend that we're

paying for the full year and the special, we've got a fully franked yield of 10% or so for the 12 months.

GEOFF WILSON AO: That's brilliant.

LEE HOPPERTON: Having the right kind of dividend and then making sure that people understand that there is a natural fee advantage in the way the Future Generation model works, which is to the benefit of our shareholders. That's the plan and making sure we communicate that.

GEOFF WILSON AO: And it is supply and demand, and it's really making sure that you've got everyone aligned, and for us, a lot of that is communication. So, at Wilson Asset Management we've got about 15 in our shareholder engagement and communications area and that we see that as our sort of moat, the Warren Buffett motor around your business.

On the Future Generation side, we've got Lee and Bonnie, Elly and Jana, so a smaller team. If you're a shareholder, you may have been caught, the Wilson Asset Management team and the Future Generation team have been working together to communicate with the Future Generation Global shareholders, because, as Lee said, effectively, if everyone understands what you're doing and is happy with what you're doing, then they stay as shareholders, and it is supply demand. If there's no selling, then it gets to equilibrium pretty quickly, and all you need is someone buying at NTA or a slight premium and you're trading at a premium.

Now, for WAM Research it was the longest it took us to get one to a premium, it took us 7 years. And so we were communicating with shareholders, and trying to tighten up the register for 7 years, so we finally got it to a premium. And then because we'd done such a good job with explaining to the shareholders that were there, they were all happy with what they had, and they didn't want to sell. As crazy as the discount, it went to a 58% premium. This is only 4 years ago. I know, ridiculous, ridiculous. So in theory it is supply demand, and Future Generation, now they have been at bigger discounts, we've had a few activists in there, the Saba guys, they built a position, 1607 built a position in Future Generation Global, they've both sold out because the discount's narrowed, so they've gone. So, to me I think we're really well poised to go to a premium.

LEE HOPPERTON: David there is a question from Damon. What is David's view on emerging markets? He noted concerns about the US. Is he positive on some emerging markets? Are some looking more positive than others?

DR DAVID ALLEN: Definitely, the world in many ways is pivoting right at this point in time towards commodities and a lot of the mining operations that are central to various emerging market economies, like Brazil for example. I think a lot of US money as well that's getting a little bit nervous in the US will often pivot to Latin America in these times, it's in their own backyard, so to speak, and a lot of those

economies have been improving. I think there's absolutely some excellent opportunities. This strategy is just developing markets, emerging markets, I think there's some great opportunities and a lot more mispricing out there.

LEE HOPPERTON: I probably shouldn't have mentioned your rugby career in the introduction because there's a few of those, but there's one I think that's interesting. What drew you to the funds management industry from a career in rugby?

GEOFF WILSON AO: Oh, did you get paid? When you were playing rugby?

DR DAVID ALLEN: Yes, I did. At the time there were only 2 to 3 professional teams in Australia, way back then, so I wasn't good enough to get a contract behind the likes of Phil Waugh and George Smith, so I went over to Ireland, had an Irish passport, and then after the 18 months, I actually injured my neck. I kept losing feeling in my arms and so it was probably a blessing in disguise I got into finance, and I was probably going to do better in finance than I was in in rugby. I was a hard grafter but probably didn't have quite the talent that I needed, so I went to London and then within 2 weeks I was at JP Morgan. Thought I'd be there for 2 years, typical Aussie rite of passage, but I was there 15. In the research, in the buy side, so I was Head of research on, on the buy side.

GEOFF WILSON AO: You did 15 years there, then did you come straight back here or?

DR DAVID ALLEN: Yes, that's right, and then I was originally thinking of starting a new boutique and then in the end I partnered with the Plato guys and that was just back in 21, or was it 20? We did a couple of years of R&D before we launched the fund. It's going well, we're up past 3 billion, so fingers crossed, try not to stuff things up for me.

LEE HOPPERTON: Yes, that would be much appreciated. Geoff, there's a general one which is probably for you on the outlook for the LIC sector.

GEOFF WILSON AO: I mean I like the LIC sector. The funny thing is, what's a good way of explaining it? Because you've got the ETF sector which is an open-ended trust sector. That you know they're trusted and they're open-ended. So, they can raise money every day, every minute of the day, so they're always going to grow at an exponential rate. It's sort of like the tortoise and the hare. You've got the hare running off, which is ETFs, so everyone says new ETF's, that's great, etc. etc. And the LICs are sort of the tortoise. They're closed end structures, which is part of their sort of the holy grail for the Listed Investment Company, because you can take long-term, if you're managing money in a closed-in pool of capital, money never flows in and it never flows out. You've got a fixed pool of capital, so, you can take a 10 or 20 year view. And the interesting thing is, like every market, it has cycles, and we did get up to, was there 120 LICs, I know there's 400 odd LICs in the UK, but I think we got up, I think when I founded WAM there

were, mid-twenties, of LICs, 25, 26 LICs in Australia, that's probably 26 years ago, and then it got up to 120, which in the LIC world, that's big. ETFs, I don't know how many thousands of ETFs there are.

Then sort of, went through the rationalization period, but now it's expansion. So, there's been a few more pools of capital managed more on yielding, more like the Plato maximizer like you and I take my hat off to what the Plato guys have been able to achieve. Now we copied them in terms of creating WAM Income Maximizer. As I said, I rang Don just before we became official and just said hey look, just FYI I'm making a sector, and the maximizes, you're paying monthly income. So to me it's as vibrant, there's been probably 3 or 4 new capital raisings. Speaking to people in the industry, I think there's 3 or 4 more coming out, so it's in a growth phase again, but, going to go from, I think it was 87 or 88, it's not going to go from 88 to 2000. Now if it goes from 88 LICs to 100, it's a big growth period.

DR DAVID ALLEN: And I guess a lot of the thematic ETFs that are launched every other day, there's a really fascinating piece of research that came out of the US that looked at the performance of these thematic ETFs, so it might be all about crypto or cannabis or whatever's flavour of the month or robotics, and it said if you bought every single one of those the day it got launched, what would your performance be for the next 12 months? And the answer is atrocious. It's the worst possible time. So, these thematic ETFs are here today gone tomorrow and the test of time.

GEOFF WILSON AO: But I suppose you can't short the thematic, you're just aware of the thematic when it's coming. Well, that means if they can raise a lot of money, that means overvaluation in theory.

LEE HOPPERTON: We'll probably make this the last one, but there's several people who've asked for a stock pick. I know you've talked about software companies. Is there anything else you'd throw out there, people stealing your IP trading stocks?

DR DAVID ALLEN: One of the names that we really like is Rolls-Royce, it epitomises quality. People think car company, but it's really aerospace and defence, they're heavily involved in the UK's nuclear Trident deterrent with the submarines and their free cash flow has just gone absolutely through the roof and their future growth underpinned by the rearmament of Europe. So, I think that's a very good place to be. They're pretty reasonable, they're in their teens.

GEOFF WILSON AO: That is brilliant Rolls-Royce, good name too. I can remember that one.

LEE HOPPERTON: David, thanks so much. This whole thing works because of people like you, kindness and generosity and skill, you're much appreciated from all of us and our shareholders and most importantly the social impact partners.

DR DAVID ALLEN: Absolutely, it's an honour to do. In fairness, I do the easy part, setting it up and running

it as you guys have done, that's the hard part. It's not lost on me what goes on behind the scenes, so thank you.

LEE HOPPERTON: Thanks so much. And we've mentioned Bonnie a few times, we haven't yet introduced her, she's in week 3 or 4, who's recently joined us, Bonnie from the Packer Foundation where she's been for the last few years, and she's joined us as General Manager and she will be featuring in these types of events coming up. And speaking of events, I think as we close, you're going to get a slide which shows the upcoming roadshow that we've got in April where we visit all the capital cities. I'll be at all of those, as will most of the WAM team and we'd love to see as many of you there as can make it. But thank you for attending. If you've got any feedback or questions, we'd love to take them at any time and thank you for your time and attention. Thank you.