Future Generation Global HY2026 Interim Results Q&A Webinar

Friday, 31 July 2026 at 2:00pm (Sydney time)

Geoff Wilson AO, Founder & Director of Future Generation, Lee Hopperton, Chief Investment Officer, and Nick Markiewicz, Portfolio Manager at Ellerston Capital.

LEE HOPPERTON, CIO, FUTURE GENERATION: Hello, everyone. Thank you very much for making time on a Friday afternoon to join us for the Future Generation Global Half Year 2026 Webinar. Before we start, I'd like to pay my respects to the elders past, present, and future for the traditional owners of the land where we are currently. And I'd also like to introduce the two guests that we have with us today. Geoff Wilson, who is the Founder of Future Generation on the Boards and Investment Committees of the Future Generation vehicles. And also, we've got Nick Markiewicz, who is the Portfolio Manager of Ellerston Capital. We're invested with their Midcap Global Fund. Nick is going to talk to us today about what he's been doing - it's been a very strong performance from Nick over the last quarter and last year, nearly 30% up over the last year.

Geoff is going to give a quick overview of the last 6 months, update on the dividends and how Future Generation has been going. Then I'll give an update on the portfolio before we have a bit of a chat. So, with that, I'll just point to the disclaimer which basically says that anything that the three of us say today is general in nature. It's not personal financial advice, for that you need to see an advisor. So general in nature and don't take it as financial advice. And that gives you free reign Geoff, to talk about the results.

GEOFF WILSON, FOUNDER AND DIRECTOR, FUTURE GENERATION: Good, look, thank you, thank you, Lee, thank you very much. I know you wanted to talk for me to talk about the 6 months, but I'm going to talk about the 12 months. So now, for shareholders, it's been a good 12-month period and you know, we talked about Nick's performance, but in terms of all the various fund managers, we've got a portfolio of fund managers, some have different attributes some will be a bit more downside protection, etc. etc. But, for a shareholder we're looking at total shareholder return, about a little over 22%, which is really good and a lot of that includes the value of franking credits in there.

Now part of that will be the dividend, you would have noticed there was a special dividend there, and that was really a function of the fact there tends to be a lag between the profit we make when we pay tax on that profit, and that's how we can pay the franking out. In this company structure, even though we've got a really big profit reserve and we've got, 7/8 years of profit reserves, so ability to keep paying dividends for that period of time, the franking amount, that doesn't come until the various fund managers potentially recognise a profit. So, there is a bit of a lag but we did have a bit of excess franking, so the Board decided, hey look let's reward shareholders. The shareholders that have been at it for a while, back a year or two, it was trading at quite a bit of a discount, it's now gone back to trading a bit of a premium to NTA and we'll probably talk about that a little later, that's helped part of the return over 12 month period as well.

LEE HOPPERTON: Thanks Geoff. So, as Geoff said, decent total shareholder return for our investors over the last 12 months. I might talk about the investment portfolio that sits behind that. As you probably know, the way the model works is we persuade some of the best fund managers that we can find from Australia and around the world to invest on our behalf, but to do it fee-free. So, Nick is one of those very generous fund managers. We have Investment Committees who put those funds together in a diversified portfolio. And our objectives are simple. We want from an investment perspective to deliver lower volatility, great returns over long periods of time. And from a social impact perspective, we want that to be able to deliver great donations to the not for profits that we support.

So, as you can see on the screen there, we have 15 boutique active fund managers investing in global markets for us, they are very diversified. We achieve the lower volatility in our portfolios through diversification. We've got long short managers, systematic managers, long only managers, all sorts of different types of strategies within that portfolio. The pie chart on the right shows the current blend between long-only strategies, absolute quantitative strategies, and you can see that there are some biases in the portfolio. They change over time. Simply put, absolute bias strategies tend to have more levers at their discretion. They can typically hold a bit more cash, or they can take short positions or other levers to defend their returns. But the blend is constructed by the Investment Committee. With what we hope is the ability for the fund to deliver solid returns over the medium term.

If I can go to the next slide, you can see that the diversity in the fund managers that we have results in diversity in the exposures of the fund. So, we're showing there in the table on the left the geographic exposures of the fund. Now the MSCI, the global index is very heavily weighted to the US market. On most measures, and there's lots of different indices, it's somewhere between 2/3 and 3/4 of the world markets value that's captured by the US. Our portfolio is quite heavily exposed to the US, but we also have large exposures. We're underweight in the US and larger exposures to some of the other markets including the UK and Europe. So, more diversification at a global scale. And on the right-hand side there you can see the volatility that the portfolio has achieved over its life. It's a bit lower than the MSCI, about 10% lower than the MSCI. If you look at the small cap component of the MSCI, we're about 20% lower. So, the diversification generates lower volatility, that's essentially lower risk in the portfolio.

Now if we look at the underlying holdings, the portfolio, and Nick's a mid and small cap manager globally, so he's part of that bias that we're showing there on the left. We're quite underweight, some of the large companies in the world. We have a bias towards medium and smaller sized companies. We've talked many times about how markets have become concentrated over the last few years to the point that around about 30% of the MSCI is made up of just 10 companies. They've driven a lot of performance, that concentration's almost tripled over the last decade. We do have exposure to those through our managers, but our exposures are much more diversified. Future Generation Global's exposures are more like 10% to those top 10 companies. And that's important because those 10 companies are quite narrow in terms of what they do, very tech biased, very large, so from a thematic perspective also quite biased.

So, we'll talk to Nick a little bit about that in a moment as well. So, the portfolio itself, low volatility, highly diversified, it's delivered returns of about 14% per annum over the last 3 years. That's a little bit lower than the market itself, but we think an appropriate solid return which gives the Board the ability to continue to increase dividends over time and positions us for a sensible kind of risk metric that we feel should the market need to have any sort of wobble, particularly in some of those sectors will be somewhat protected.

Now our second objective is to be able to make donations to some great not for profits that we support. Future Generation Global specifically supports youth wellbeing and mental health. As you can see, there's a bunch of charities on the screen there which there's more detail on all of those on our website, but we've been supporting those. We're a great partner for the not for profits that we support because we give them significant funding and we do it in an untied basis, so not tied to a specific project. And we commit to it for multiple years. Future Generation Global donated $6.6 million to some of those not for profits last year. And has donated $50 million since inception. So, we're very proud of that.

Now, often in these presentations, we have a not-for-profit partner with us. We've decided this year to separate those out. So, an invitation will be going out in the next few weeks for a not-for-profit webinar that my colleague Bonnie and the Chair of Future Generation Global, Jennifer Westacott will be hosting. So, for more information on those, we'll talk about that in due course.

As I said, Future Generation Global's donated $50 million since inception. Collectively, Future Generation Global has donated $100 million. It's a very big number, but it's not as big as the fee savings which have been $175 million so far. And in fact, Nick, I don't know whether I should say this, but of that $175 million, we've saved about $2.7 million in fees from you alone. So, thank you for, thank you, thank you. You're a good man. So, we've saved $175 million we've donated $100 million so there's a fee advantage through the way that Future Generation has been set up. That difference essentially stays in the portfolios and is for the benefit of shareholders over time. This whole model works because of the generosity of the fund managers that we're lucky enough to work with. Nick is one of those, and Nick, we might start to hear from you, as I said, great year, great last quarter, really tricky markets, I mean. Interesting, I don't know if that's the right adjective to use for markets, but could you start by explaining how you invest, the strategy you use, how you think about investing?

NICK MARKIEWICZ, PORTFOLIO MANAGER, ELLERSTON CAPITAL: I mean we're relatively simple in terms of the investing world, we're a long only investor, which means we only buy stocks, securities, we don't short them. We invest in global companies as our name would suggest and being in the Future Generation Global Fund would also suggest. And we have a pretty broad mandate, we invest in any markets across any industries, but we sort of tend to have our favourite types of companies and types of industries we look at. You know, generally speaking, when we buy a company, and fill a portfolio, we're looking for two broad things. One is a company that sits in an attractive industry. It's a small part of that industry and hopefully, hopefully can grow within it. Within that itself they also have attractive IP, attractive assets, or are beneficially placed somehow. And then ultimately, does the unit economics of the business stack up? Can they grow profitably and can they return capital to shareholders. So, I would consider that the sort of table stakes of what we do.

The second part is what makes a good investment, and it's one thing to find a company that we like, but the market's pretty efficient these days and it's hard to find something that, isn't already picked over by the market, so we generally find companies with, typically speaking two setups. One is that they've got a big earnings growth ahead of them and we don't think the market has necessarily appreciated that earnings growth, and so those earnings numbers aren't in consensus forecasts and so the stock is going to get a lot cheaper in the future as those earnings come through. That's case number 1 and case number 2 is often the market overreacts to an event that's happened. So, you know, you get news events all the time and often stocks fall for whatever reason they do, and often, the market punishes companies or over penalises companies for something that is maybe only going to be impactful for 6 months to 12 months of a company's life, and fully discounts the growth that company has in the future.

So, we try to find companies with all the attributes I mentioned, all the sort of quantitative attributes, then on the qualitative side, we look for businesses within those two setups and we try and find 30 to 40 of those companies, and we typically buy companies from different industries, different geographies, and hopefully, have a bit of diversity in the portfolio. The one thing I would say is all our companies, they all, we think are very cheap, and we think that the earnings growth is inflecting higher, and we think that that's under-recognised by the market. Just for a bit of context, mid and small caps in a global context may be a bit different from what some people think of in an Aussie context. I actually had to look that up this morning, how my portfolio places relative to the Australian market, so, we own companies from say a billion dollars US dollars market cap up to say $25 billion. US market cap company would make it an ASX 20 company down here, so. Yes, we invest in small caps by the global definition, but by the Aussie definition, these are very, very large, well-established companies that absolutely dominate their niche in what they do, big, well capitalised. They're just not the mag 7, which we'll touch on later, so they get less attention from the market.

LEE HOPPERTON: And the last sort of year and particularly last quarter that's been so great for you, can you talk about what kind of drove that, how you managed to pick that as many failed to?

NICK MARKIEWICZ: This has been a really weird market over the last 12 months. The last quarter in particular. Two very odd things happened. One, you had a hot war with Iran, effectively. You had the Strait of Hormuz shut. So, you had a huge spike in volatility, oil prices go up to $100 a barrel. So the market sold off on that. And so, if you were conservative and sensible, then you would have maybe taken some profits and so the market traded lower, but then at the same time you had these huge pushing forces of AI. These massive forces of pushing the AI names higher and that basically overwhelmed a lot of the concern coming out of the Middle East. And then at the same time it looks like there may be a resolution there at some point in the future. So, those were sort of two, I would say it's a Middle Eastern war or a hot war is a very rare event, and then you have a massive bull market euphoria run in AI stocks which also hit a lot of records as well. So, you had two very interesting events. We were, call it luck I would say, but we were good investing. We didn't really have too many economically sensitive parts of our portfolio that traded down meaningfully when the war started. And then on the other side, we have a, a reasonable exposure to AI and so we sort of caught the benefit on the way up on the other side too, and we were more or less fully invested through that period.

LEE HOPPERTON: So, a lot of market participants talk about the AI haves and have-nots, and it's been a pretty interesting market from that perspective as well. So, you've just found yourself on the right side of that trade or managed to pick the right side of that trade at the right time?

NICK MARKIEWICZ: If you go back 2 years now for the AI trade, and I'm going to go back 2 years because the AI trade has been so fundamental to global equities, and it's been a genuinely once in a generation event in terms of the amount of money being spent on AI and how that's impacting capital markets, if you go back to share of GDP from AI investments, you'd have to go back to the railroad boom to get a similar wave of investment. So, this is early 1900s in theory there's questions of how long it will last, but this has been historic. You've had the 54 biggest companies in the world increasingly spend more and more of their operating cash flow on Capex, and that's driven the entire industry. And why that's important is because these are the 4 most profitable companies in the world, and they're today spending the entirety of their cash flow on Capex and what people need to remember is that Capex is revenue for a whole bunch of other industries. So that's what's drive the boom in AI, and it's filtered down into a lot of smaller companies and we've been pretty, call it luck given we have a small cap mandate, but we've definitely benefited from that.

I think the thing with AI that has changed though in the last six months, last year and the preceding year before that, the AI trade was really about the Mag 7 spending their money on Capex and who benefits, but I think there was still a hesitation in the market or there were still people waiting for that proof point of is AI real, does AI work? Because I think most people used, Chat GPT or Claude and it could do basic tasks but then maybe failed more often than it worked or it came back with some very spurious results. And what really changed for the whole AI trade at the start of this year was breakthroughs in terms of model capability. But also, commercial applications of that. One example of that would be coding. AI models are now very, very good at coding. They can autonomously code for very long extended periods of time, and people can rewrite code that used to take 10 software engineers to do with, with AI itself. And so, I think people then, worked out that maybe AI and the models that underpin AI actually have some potential commercial use.

But then what we saw after that was demand for tokens and tokens are the currency of AI, they're the input output of these frontier models. Token demand started accelerating, then GPUs, which are the computers that run models and produce tokens. GPU demand started going through the roof as well, and so the market saw this as a confirmation of AI if you want, and then after that you saw the huge blow off top in AI. So that's really what characterised the financial year.

Then if I can go so far as talk about the last few weeks because we're probably going to get questions on that, big run up in stocks and very specific stocks. There has been a, I guess a momentum roll off after that. And so, and I think that's been very much driven by a lot of hedge funds who grossed up, took on a lot of debt to buy a lot of stocks, and they shorted. Software and other things like that on the other side, and then those two factors basically reversed and they've had to basically sell everything they just bought in a pretty hurried fashion over the last 3 weeks. So, we've gone full cycle in the share prices, but the actual underlying industry dynamics are still pushing ahead. There's been no break in the AI thesis from an underlying basis. And that kind of leads nicely into volatility because there's been some of that. So the volatility's come in two parts this year, Very, very high dispersion in stocks, and so dispersion measures how stocks move relative to each other, but what you saw was, not just record dispersion and that occurs when say the oil price goes up and oil sensitive stocks fall, you get dispersion, that's totally normal. What we've seen for the first time in many, many years is dispersion amongst traditional factors or sectors. And by that, I mean, say within the telco media basket, because of AI there's AI winners, which is anything AI related, but then there's the AI losers which are the companies that are going to be potentially disrupted by AI.

A lot of those stocks used to trade together, whereas now within the basket they're all trading very, very differently, so in terms of valuations but also stock price movements after you have big D rates and valuation but also stock price movements. For example, within the, um, you know, US REITs, when people thought job losses were going to manifest from AI or the, the office tower REITs got sold off dramatically when the industrial REITs got bit up as a result of that. So, you've had record dispersion within sectors and factors, but then you've also had this volatility around AI itself which has been, to be perfectly frank, quite challenging to manage.

We're a long running strategy, we're fundamental, we take a 3 to 5 year view in what we do. So we found ourselves doing two things. One is when maybe the events like the Iran war happens or events like tariffs last year, everything sells off and you get to buy more of what you really like and what you have conviction in. And then 2 is just having a bit more of a mind for valuation as these stocks start going up and what you think's an appropriate valuation for the business. I think the challenge in the last couple of weeks for investors is valuation hasn't really mattered. The correlations amongst these stocks have gone to one, which means that they all move together up and down, regardless of what their margins are, what their starting valuations are, what their growth is, anything like that. So, it's been enormously challenging, but the other way you manage that is by having diversity in your portfolio and you have it in diversity in your site as well amongst different manager types. We have it amongst different types of stocks. So we have our largest stocks in the portfolio are typically, they're not AI they're industrial businesses that we think have, they're just beautiful, boring businesses, everything from, waste management to Aircraft leasing companies, really steady, boring businesses like that, and then we have a tale of what we consider to be higher risk but higher return AI stocks as well. So it's really about trying to strike that balance and being a bit level-headed when stocks start rising, as they did at the end of last quarter.

LEE HOPPERTON: And I think I read that you had been rotating the portfolio a little bit more recently, maybe into more sort of some cyclical.

NICK MARKIEWICZ: We started trimming some of our AI stocks at the end of last quarter. Probably not enough, given what's happened in the last few weeks, but we did start to look at a lot of cyclicals and there is a lot of opportunity out there in US cyclicals right now, given anyone looking for growth is in AI, so there's been a big sell-down in anything outside of AI that has potential growth. But also given interest rates have been still relatively high, there hasn't been much love on the cyclical side, and you've got US home builders, say, as an example, trading at 0.6 times book levels they traded at in the GFC when they're all about to go broke. So 40% below the value of their assets. So, if they're liquidated, 40% below the book value, let alone the, the marked-up land value that you could probably add in on top. So, there is extraordinary value out there in my opinion, but just no one wants to touch it because up until now it's been A too easy to make money in AI, but B, where's the catalyst, and the market these days. I don't think it looks really more than 3 months, 3 weeks ahead. I do think there's opportunities there, we've been slowly buying a few, businesses with those qualities, but we haven't a huge portfolio reallocation just yet, but we're certainly looking at a lot of prospects and we've got our list ready for when and if we do move bigger.

LEE HOPPERTON: We always like to ask about market outlook, but as you've just said, we're on about a 3 week kind of cycle at the moment, so maybe that's a bit of an unreasonable.

NICK MARKIEWICZ: I was having a chat to my colleague before I came here, what's the outlook for the market, and we both agreed there wasn't much of one that you could confidently hang your hat on. But, look, all I'd say is the recent sell-down we've had in AI has been historic. It's been a 1 in 50 year event, so we've had the momentum factor, the US tech momentum factor has fallen in the last month, the most it's ever fallen in its history. More than in the tech rec, more than any other period. And so, you ask me what my outlook is, and I'll tell you that the market looks 3 weeks ahead. History tells me that when you have a dislocation that big or a movement that big, then generally, there's opportunities there and I suspect that's an area that may recover given we've just had Amazon come out this morning, spectacular results. We've had Microsoft the day before or two days before, equally great results. So, I suspect near term the market starts to tentatively look back at AI but then outside of that. We're in a circumstance right now where EPS growth in the US is really good. We've got the highest EPS growth in a number of years. And that EPS growth is, is quite broad. One of the challenges of the US market over 10 years has been there's good EPS growth, but it's 7 companies at the top that are accounting for 80% of the EPS growth, whereas now we're in a situation where that growth is now broadening out and there's a lot of reason to actually look beyond the Mag 7 and own other companies. The industrial measures like the ISM and things that measure manufacturing activity are all very healthy. Yet manufacturing related real economy stocks haven't really moved too much, they've done ok. I think the market needs to pick itself up after this AI mini meltdown that we've had. I'm firmly of the view that AI is a multi-year investment cycle and we are going to get many, many more years of AI unfortunately or fortunately dominating narratives, if, you know, depending on how you're placed.

Then outside of that, we've got a real underlying recovery in the US economy as well. At the same time that a lot of other global economies are relatively weak still/ I think the lesson there is that, for me at least is that your EPS broaden out and so your portfolio holdings maybe should broaden out as well.

LEE HOPPERTON: And probably the final kind of unreasonable question on that is could you name names? Could you tell us a stock that you're particularly excited about and think has a great opportunity at the moment?

NICK MARKIEWICZ: I'll give you one stock and a basket of other stocks. I'll give you a really nice boring white bread easy to eat kind of stock which is Copay (NYSE: CPAY). Copay is a US payments company. It's the largest stock in our portfolio. It's effectively, as the name might suggest, it's a closed loop payments business, and then they have a global FX site or cross-border FX site as well. Just to give you some stats on this company, it's founder led, the CEO or the Chair Ron Clarke's been there for 25 years, still owns a lot of the business. The company has grown EPS earnings per share by 18% over 20 years or 25 years, and that puts it in one of, I think, 2% of the S&P 500 that's actually managed to do that. This business has great pedigree, it's an elite business in that compounding earnings sense.

Why I like it today is for lots of reasons, but one is that their EPS growth is still very strong. They're still doing 20% EPS growth. They've got a core payments business that they use the cash from that to buy a lot of other businesses, particularly in the cross-border side, which is growing very strongly, and they're a small player in that, so they can continue to expand. So they've got plenty of growth runway from an acquisition standpoint, from an organic growth standpoint, but also from their own shares.

They are cannibals of their own stock. They're buying back around 5% to 8% of their stock a year. And they're only on 13 times. So probably closer to 20. So, you've got a business that has beaten 98% of the market over 20 years, trading at nearly half the market with EPS growth at twice. the market. It’s just an example I think of a business that has sat in a relatively unloved sector. People haven't liked payments the last 12 months because AI has been more exciting and there's been other narratives around disruption in payments, which just haven't come true. Um, but you've got a business that is just still doing what it's been doing for 25 years, while buying back stock and doing the right thing by shareholders. So I think something like that I would imagine it would be very difficult to lose on that over on a 3 to 5 year view. I think you're going to be quite happy owning over that time frame.

On the other side, the flip side, on a maybe a more short-term basis, for short-term disruptions that maybe have gone too far. We’ve seen a lot of stocks wash out in the AI stack over the last 4 weeks. Not all of those stocks are created equal. There's a lot of AI stocks that have either incredibly expensive valuations, and you're paying, getting high earnings growth for that, or maybe their earnings growth isn't very sustainable because they're inherently cyclical businesses. What we're looking for in the AI trade today are what we consider to be, structurally well positioned businesses with a unique asset and contracted long duration cash flows. And we think the listed AI data centre space is exactly that. These companies have all fallen 30, 40, 50% over the last month. Part of the reason for the, how much they've fallen is there's been a lot of hedge fund liquidations and those hedge funds own those stocks, and so there's been forced selling in those businesses. Often a great time to be looking at stocks when you've got a forced seller who owns a lot of the stock. But these companies have all one thing in common, which we really love, and that is access to power. The number one shortage in the AI trade today is power. You can always make more GPUs, you can source more memory or make more memory. You cannot just create power overnight. Creating power is a very, very difficult long-term thing. These data centres or data centre prospects all have access to power, that goes back to their history as Bitcoin miners when they all bought up power on the cheap, almost for free in Texas, but they now have power and the number one thing everyone needs is power. So these guys have power a lot of them also have contracts, so these aren't just pieces of land with a power line, they're actually companies that have already signed contracts with tier one clients, hyperscales, major semiconductor companies, and so you've got companies today that have existing power, they've got an existing portfolio of land assets and power, they've got existing contracts that they've already signed, and then they've got a land bank and power bank for future growth as well.

And what's happened in the last 4 weeks isa lot of these companies have actually traded below the value of their already signed contracts. So, you could consider them to be trading at a discount to their book or NPV, however you want to phrase it, but they've got enormous growth on top of them as well. So, one in particular that we like is called Core Scientific (NASDAQ: CORZ). It's a $10 billion US market cap company, fully diluted. It’s going to do around a billion dollars of free cash flow per year in 3 years' time, all contracted with high-quality customers, so you're getting a 10% free cash flow yield on that. And then they can actually triple that business in the future as well based on existing power, and not sign contracts but agreements with customers as well. I think there are very lopsided opportunities now where you can actually buy real businesses, hard assets, difficult to replace assets with signed contracts, and all the growth as well and you're not really paying much for either, frankly. So, I think there's a lot of hunting to be done in the AI space, but the data centre side I think is particularly interesting.

LEE HOPPERTON: Good to hear there's some opportunities out there. We’ve asked you a lot of questions there, Nick. I'm going to go to the ones that are coming through. So, if anyone has questions, please do submit them through the website and we'll try and get to them. Maybe to give Nick a rest, there's a few that are probably appropriate for you here Geoff. I'll bucket them together, Marion, Garth, and others are asking about the CGT changes.

Will they have a detrimental impact on investment levels in the fund, particularly for retail investors, how do you see ways around that? How does the tax work? What are the impacts? Do you mind giving me a quick overview?

GEOFF WILSON: In terms of Future Generation, the only impact it has on FGG is positive. Now, why do I say that is because, well, let's take a step back. The capital gains tax, which has been brought in has been legislated and brought in the budget and impacts all assets in Australia. Now we all thought it was only going to be property, but then unfortunately, it's Australian shares, and Australian businesses. And, and when Nick, you were talking about in the US how the big tech companies, 100% of their earnings, they're ploughing back into Capex, unfortunately, with this new legislation that will never happen in Australia. Because what they're doing is they're forcing companies that make money in Australia, whether it's private companies, one of the 2.7 million private companies or one of the couple of 1000 listed companies. It's in those companies' interests. If they make, say $100 they pay $30 tax, they've got $70 they're better off paying that $70 out as a fully franked dividend. Particularly if you're a zero taxpayer, you know, a young student or a retired person, because you get the refund back, so you'll get that full $100.

If it stays in the company, and so they pay $30 tax, and the value of the company goes up by $70 and then you sell the shares, you're paying another, if you're a student or a pensioner, a zero taxpayer, you're paying another 30% tax on that $70 so you're paying 51% tax. If it's capital. If you're a maximum 47% taxpayer, you're paying 62.9%, if the money is held in the company. So, no, it's not in an Australian company, they're incentivised with this new legislation to pay out 100% of their earnings. Not to invest back into the business, not to invest in their staff, to me it's a disaster in terms of the negative impact it's going to have on the Australian economy.

In terms of how people's behaviour will change, the 7.7 million Australians that own shares outside their super. I'm sure people have seen or if they haven't seen there's been a number of articles talking about, if you're the asymmetry of returns, if you have a portfolio of say, I think someone used the four banks. If you own them over 10 years, CommBank has performed exceptionally well, and the others haven't performed as well. And so, in real terms, CommBank's made a lot of money for you, adjusted for inflation, but those others haven't. So, you haven't lost money in absolute terms, but you haven't made money in real terms, so if you sold the whole portfolio, I think, your average tax rate will be 60% or 70%, because of the asymmetry of returns, so it's actually in no-one's interest to have a portfolio of shares, so that's where a listed investment company or an ETF, you're better off having your money in a pool structure.

And that's why Jim Chalmers unfortunately was gaslighting all Australians when he put on LinkedIn or Twitter, oh how fantastic it was in June that we had record number of companies being established, 43,000. But they were established for two reasons. One is because if you have more than $50 million of revenue, you only pay 25%. Taxing your company, two reasons, and the two reasons are, A, if you're an investor, you're probably nearly better off, you can do it in a listed investment company, or you can do it in an unlisted investment company and you only pay 25% tax, they're not real operating businesses, and with the trust structures, you're paying at least 30% tax, there's double taxation in the trust, you're better off having a company structure, that's why all the unfortunately, the company structures turned up, but in terms from an investing perspective, it's going to skew people. Say if you're looking at getting a 10% return in Australia, in the old days, well how you wanted that 10% return was as capital. Because if you're a zero taxpayer, what's half your marginal tax rate, so you make it all, you pay no tax, and if you're a 47% taxpayer, or if you're getting all the return in the old days, in the old regime, as capital, you're only paying 23.5% tax.

But now, what do you want? You actually want it, say inflation in Australia is 3% or 3.5%, you want the capital growth to be about 3.5%, then you pay no tax on the capital growth, and you want the other to be

10%, you want the other 6.5% or 7% to be as a fully franked dividend. And so everyone's going for yield, so to me, Future Generation or listed investment companies or ETFs or listed investment companies are probably in the best position. Because, we're giving people a 5% fully franked yield, which sort of grossed up as 7.1% or something like that. Soto me it's actually very positive to the extent where one of our funds, WAM Income Maximiser, this is one of the Wilson Asset Management funds, we'd had since the budget, we've had a lot of brokers and financial planners ringing us and say look can you raise some money and we sort of just increased the size by 13, raised, $100 and $170 million in the end, we had more than $200 million in demand, so, to me Future Generation Global is beautifully positioned.

I think psychologically, I actually think and I was chatting to Nick before we started, I think psychologically, Australian investors will be looking at, in theory, we're going to make the big money in growth. So you've got companies that they're investing for growth. As you're saying, they're putting 100% of their cash flow in to grow their business, where in Australia, the new tax regime means they should spend zero of their cash flow. I think there'll be a skew of people in Australia looking for sort of low growth, they'll skew to the big companies, the top 10, top 20, low growth, high income paying, and there'll be a lot of people skewing, looking for global equities, and in terms of where do you put your money, obviously your home's not taxed at the moment, that'll probably change, I'd assume, your principal place of residence, I'd assume they're going through everything, superannuation, and like super's still, your capital gains tax, even if you're on the top rate, it's only 26%, that's if you're paying, if it's 40, if it's over 10 million, so I think you save under $3 million in super, keep putting it into super.

But then in terms of how the money in super, what are you going to do with that, like I know personally, now I'm putting all my risk in my super fund, because I want growth, because I'm paying a lower tax on growth in my super fund. Also if you're a person earning less than $225,000, $225,000 in Australia is when your average tax rate hits 30%. But if you're earning less than that, you're better off not being an investor. You're better off being a trader, because if you're a trader, then you're paying tax at that marginal tax rate. If you're a student, don't buy it and hold it for a year because you're an investor then. Then you've got to pay a minimum of 30% tax, you're a pensioner, just trade it. And what a weird psychology we're trying to tell people.

LEE HOPPERTON: There's a few sort of market related ones as well for you, Nick. One that's kind of topical at the moment is that a hedge fund just collapsed with some holdings that overlapped with yours. How's that affected the share price of some of those? How, how do you look at that?

NICK MARKIEWICZ: So a lot of our AI holdings had crossover with the hedge fund that collapsed and got liquidated last night. The last three weeks have been..

GEOFF WILSON: And what was it, was he a 24-year-old or something?

NICK MARKIEWICZ: Yes he was a young kid who worked at OpenAI, which is one of the big large language models. He left OpenAI, started a fund and did incredibly well. He did 1,200% returns over two years and then collapsed in 4 weeks. What we found out after the fact was he was 4 times levered and his short book was not within the same factor, it was not where it should have been. What we've seen is a huge unwind of his book. It wasn't small, he was running $40 billion US dollars. That was then grossed up multiple times.

So, you've seen over $100 billion I think come out of the AI stack or ecosystem. So, look, he owned a lot of stocks, we owned a lot of similar stocks. So the last couple of weeks has been a bit painful in that sense. But his portfolio was bought by Citadel last night. It was announced and a lot of the stocks that have been under pressure actually went up 20%, 30% last night because the mechanical selling pressure of getting margin called each day was just gone. So I think that's partly why I'm also more broadly for AI.

You've just had a huge amount of liquidity just get washed out, we've now had the liquidations, I think there’s one or two to come but certainly not as big. So that’s why I think coupled with good results from the hyper scales, I think people are looking to tip their toe back in again. But you know, it's been an uncomfortable month, but I think it looks like it's stabilising, if not improving again.

LEE HOPPERTON: Another one here from James who I think knows your portfolio quite well saying you invested in SharonAI (NASDAQ: SHAZ) via convertible note. Do you still hold that? Is it in convertible note or listed equity?

NICK MARKIEWICZ: Obviously he's done his homework. So we still own SharonAI, we participate in the convertible note, the price of the convertible note I think at the time was around $13 to $14. And I think around today it's $45 to $50 so it's still been a good investment. We still hold the convertible note, from what we understand, the convertible notes will convert into equity sometime soon in the next month or two, but, I don't have a specific timeline on that other than they are going to convert imminently in the next.

LEE HOPPERTON: There's one here from Jennifer, which makes me think that it's Jennifer Westacott, the Chair of Future Generation Global, so in the event it is, I'm going to ask you, Future Generation is now trading at a small premium, how has the discount closed, what have you done to achieve this?

GEOFF WILSON: I mean to me, the funny thing about listed investment companies is, it's sort of first year economics, and I shouldn't, I suppose we're talking about capital gains tax, but, and I only did first year economics, so I learned about supply and demand. Unfortunately, our current treasurer didn't do first year economics. But anyway, so I've knocked myself off balance, the question is, where should a listed investment company trade? You know, what is equilibrium? Equilibrium is NTA, it's the value of the assets.

Now how do you get something to equilibrium? In theory, more supply, sorry, more demand than supply. And, when we're trading, go back a year or two when we're trading at quite big discounts, then obviously people were prepared to sell below what the value of the assets were. Now, why do they want to sell at that price? Like, who knows? Now there might have been liquidity problems, we didn't have enough buying for them to be trading at, at NTA, and so there was more selling than buying, eventually I mean one of the reasons why we brought Lee on.

As Chief Investment Officer, he is another set of really good quality hands to be communicating with shareholders, so they fully understand what they've invested in. It's like all of us, as professional investors, the more you understand the company you invest in, the more comfortable you are with your decisions you make around investing in that. Now you might buy it and sell it. It doesn't mean you're going to own it forever, but the more you know about the company. What we've been doing since Lee's been on board, more recently with Bonnie replacing Caroline is to make sure that we're really communicating clearly with our shareholders, so they know exactly what they've invested in, and we meet their expectations or exceed them. This effectively tightens up the register, reducing the selling pressure by getting more buying, it eventually goes to NTA.

At the moment I think it's a 4% or 5% premium above NTA, so now people are saying, we're prepared to pay more than the NTA and actually the interesting thing is that Future Generation Global and Future Generation Australia their equilibrium isn't NTA, I think it's a premium. Because, as you pointed out early on it's a win win win for everyone. The big winner, I think in this is the investor or the shareholder, because they're getting access to nearly half price. Now like you talked about the $175 million of costs, and $100 million the managers haven't taken, their fees, etc. and $100 million going to charity, so that other $75 million, now, which is sort of 40% of it, is going to the investor. So, to me you could argue, if you did a NPV on that, you'd probably get, a 6% or 7% premium, which should be the embedded premium in FGX and FGG.

LEE HOPPERTON: Here is one from David. We, normally pay 2 dividends per financial year. Last year we paid 3. Will you pay 2 or 3 this year, or will it revert to 2 dividends as per the past years?

GEOFF WILSON: The reason we played the special was really the fact that we had traded at a bit of a discount, it was to reward shareholders, we had the excess ranking, we've got lots of, we've got probably a couple of years of ranking up our sleeve, so if the market does wobble, we can keep, keep paying the growing stream of fully franked dividends. But yeah, I would say just assume two. An interim and final, that we did the special was just it was a once off. There could be another special at some point, but that was the plan.

LEE HOPPERTON: Another question here about naming a manager that's no longer part of the group is about If FGG is actively considering new funds for the portfolio. I might just comment on that, that we're very fortunate that there are a number of fund managers in Australia who are really keen to be part of the Future Generation family. So we're always able to maintain a benchmark of managers that we think we could introduce if they fitted into our portfolio at a point in time. So, managers do come in and out of the portfolio, they come in and out for lots of different reasons, but one of them is just how they fit with the other managers that are in there to make sure that we've got a complementary, mix and bunch of people managing the money. So, we do actively manage it both with the number of and, and who the managers are in the portfolio, but also around the tolerances and the weights within their portfolio. That's all managed in conjunction with the Investment Committees. They're all super highly credentialed people and we use a lot of institutional tools to optimise the portfolios.

There's a good one to maybe finish. One for you, Nick, about why you do it, why you're working for us for free?

NICK MARKIEWICZ: I mean it's an easy one to answer. I've got 4 kids. I love the youth. The orientation to a lot of the charity partners. You know, a few years ago, one of my kids became quite ill, we spent a lot of time in hospital and fortunately we had all the resources and everything to get through it, but there a lot of people around us who didn't and I saw firsthand the impact of charities through the hospital system. I think it's just an unbelievable cause and from my perspective. From professionally it's really quite easy for me to incrementally manage this and then give my time to talk to you guys occasionally, so I think it's a, a nice win-win for, for me.

LEE HOPPERTON: And I can't remember who it was from now, but someone's asked why you started Future Generation at the start of this whole process.

GEOFF WILSON: I happen to be in the UK. My wife's a pom. I was over there and I was reading the FT and there was an article in the FT about a guy, Tom Henderson, his name was, he'd come from a hedge fund, I think his great-grandfather set up Henderson Asset Management, but he said they gave all the money away, by the time it got to him. He had to make his own money but he set up a structure like this, where it was called the Battle Against Cancer Investment Trust. So they're 1%, most of it went to, to the Institute of Cancer Research in the UK and he also spread it to I think 13 other charities. He used the listed, well they're called listed investment trusts over there, which is the same as a listed investment company here, and he used that structure, and I'm reading about it and I thought wow, you know, like we can do this back in Australia. Most of our businesses are listed investment companies and so I came back and then, you know what it's like, you socialize it, you talk to people about it and then try to find.

We actually didn't believe we could raise much money, so we actually found an Australian AIF, the Australian Infrastructure Fund, which owned the Melbourne airports, and it was a great fund, but it got sort of attacked. It could have been the GFC, yeah, I think it got attacked during the GFC by some hedge funds, and unfortunately the board wasn't strong enough, and so they rolled over and sold the assets to the hedge funds. Gave all the money back and there was just a little, there was, I think there was 6 million left in it. And then we thought, oh, if we're lucky, we'll raise 20. Then that was FGX and we had a prospectus of 200, raised 200. But yeah, that was, that was the model.

And why do it, it's because I think, my experience Nick sort of paralleled it, like we're all human beings, we have been incredibly fortunate in our lives from a working perspective and the financial services industry. You have got to take your hat off to everyone in the financial services industry here. You know, it's the fund managers, but the ASX doesn't charge us listing fees, like the service providers, you know, do it pro bono, the lawyers, etc. The brokers, when we raise the money, they did its pro bono, like everyone's in on it, and it's an opportunity. Yeah, to really give back and that's I think that's where it sort of it works well.

LEE HOPPERTON: Thanks very much, Nick, for coming in on a Friday afternoon. Very interesting to hear how you've navigated these markets, and good luck for the future. Geoff, thanks for joining us. Thanks everyone for joining. There's a survey will appear in a moment on the screen. We'd be grateful if you were able to give us some feedback and ask any other questions. There's probably a couple of other questions I missed. We'll endeavour to get back to you on those, next week. And as I said earlier, we'll be hosting a social impact webinar in September. Invites for that will go out soon. That's going to be hosted by Bonnie, my colleague, and Jennifer Westacott, who is the Chair of Future Generation Global. But until we see you next time, thanks very much for joining.