

Investment Update & Net Tangible Assets Report

As at 31 December 2014



FUTURE GENERATION
INVESTMENT COMPANY

Net Tangible Assets (NTA) figures

| | |
|--|----------------|
| NTA before tax | 107.13c |
| NTA after tax and before tax on unrealised gains | 107.70c |
| NTA after tax | 108.12c |

The above figures are not diluted for 181,635,704 options on issue with an exercise price of \$1.10

Portfolio

The portfolio continues its solid performance, now that it has been invested with 14 of Australia's leading fund managers. In December, the portfolio was up 1.2%.

The allocation to the managers has been structured to provide a spread between three broad equity strategies: long equities, absolute bias, market neutral; and cash. The long equities portion of the portfolio includes exposure to large cap, mid cap and small cap stocks with an overweight position in mid and small cap stocks. The company is currently 48.4% long equities, 20.0% market neutral, 16.1% absolute bias and 15.5% cash.

| Fund manager | Investment | Strategy | % of assets |
|--|--|----------------|--------------|
| Paradice Investment Management | Large/Mid Cap Funds (split below) | | 10.4% |
| | Paradice Australian Equities Mid Cap Fund | Long equities | 5.3% |
| | Paradice Large Cap Fund | Long equities | 5.1% |
| Bennelong Australian Equities Partners | Bennelong Australian Equities Fund | Long equities | 10.1% |
| Regal Funds Management | Regal Australian Long Short Equity Fund | Long equities | 9.5% |
| Bennelong Long Short Equity Management | Bennelong Alpha 200 Fund | Market neutral | 7.8% |
| Wilson Asset Management | Wilson Asset Management Equity Fund | Absolute bias | 7.7% |
| Watermark Funds Management | Watermark Absolute Return Fund | Market neutral | 7.2% |
| Eley Griffiths Group | Eley Griffiths Group Small Companies Fund | Long equities | 7.1% |
| Cooper Investors | CI Australian Equities Fund | Long equities | 5.3% |
| Optimal Fund Management Australia | Optimal Australia Absolute Trust | Market neutral | 4.9% |
| Sandon Capital | Sandon Capital Activist Fund | Absolute bias | 4.3% |
| Discovery Asset Management | Discovery Australian Small Companies Fund | Long equities | 3.6% |
| LHC Capital | LHC Capital Australia High Conviction Fund | Absolute bias | 2.6% |
| Smallco Investment Manager | Smallco Broadcap Fund | Long equities | 2.5% |
| Lanyon Asset Management | Lanyon Australian Value Fund | Absolute bias | 1.5% |
| | Cash and term deposits | Cash | 15.5% |

Future Generation Investment Company Limited

| | |
|-----------------------------------|-------------|
| ASX Code | FGX |
| Established | Sept 2014 |
| Total assets | \$197.1m |
| Market cap | \$192.1m |
| Share price | \$1.05 |
| Net assets per share (before tax) | \$1.07 |
| Shares on issue | 183,835,887 |
| Options on issue | 181,635,704 |
| Management fees | 0.0% |
| Performance fees | 0.0% |
| Annual donation (% of NTA) | 1.0% |

Investment objectives

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

Company overview

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

Experienced Board

Jonathan Trollip
Chairman

Geoff Wilson
Founder and Director

Paul Jensen
Director

Gabriel Radzynski
Director

Investment Committee

Geoff Wilson, Gabriel Radzynski and Matthew Kidman

Company Secretaries

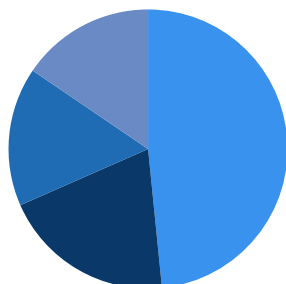
Kate Thorley
Mark Licciardo

Corporate Affairs contact
Melanie Shaw

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Investment strategy allocation (% of assets)



- Long equities: 48.4%
- Market neutral: 20.0%
- Absolute bias: 16.1%
- Cash: 15.5%

Fund manager in focus: Smallco Investment Manager

About us

Smallco Investment Manager (Smallco) commenced operations in April 2000 and currently manages in excess of \$500m of funds. Smallco's dominant investment tool is fundamental analysis. Focus is placed upon internal financial modelling as we are strong believers that earnings are the key driver of share prices and as such the greater the accuracy in forecasting earnings the more consistent the outperformance.

Smallco
Investment Manager

The Smallco Broadcap Fund (SBF) is a concentrated, long only, largely index unaware Australian Equities fund providing a broad exposure to the Australian listed market. SBF typically holds 20-30 stocks and targets returns of 5% p.a. above the ASX 300 accumulation index after fees on a rolling 3 year basis.

SBF can invest up to 40% of assets outside of the ASX 100 and will deviate significantly from the index when appropriate opportunities are found. The theoretical investable universe is anything which meets Smallco's liquidity requirements. In practice SBF very rarely invests in mining stocks other than the major miners, is very averse to loss making companies, and takes an extremely cautious approach to biotechs and structurally impaired industries.

Australian market outlook

Although the Australian equity market overall delivered a modest return during calendar year 2014, quality stocks, in particular defensive and defensive growth stocks, generally performed very well. These sectors benefited from the chase for yield and the flight out of resources respectively. The result of these gains, coming after strong gains for industrials in 2012 and 2013, is that many higher quality businesses (particularly some with more modest growth profiles) are priced at high levels relative to our expectations of their future earnings growth.

SBF's approach in this environment is to maintain its quality bias but focus on those stocks whose growth outlook we believe has been less factored in by the market.

The Fund recently established positions in both recent Outdoor Media listings (APN Outdoor and oOh!media). We expect the digitisation of this sector will lead to solid market share gains over the next 3-5 years.

For further information about Smallco Investment Manager, please go to: <http://www.smallco.com.au/>

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Designated charity in focus: Lighthouse Foundation

Philanthropic investors seeking meaningful high social impact projects often realize that investment in changing the future pathways of youth pays off in multiples over the subsequent years. Lighthouse Foundation's programs for homeless youth are an outstanding local example of such investments. An independent study by Social Ventures Australia found in 2011 that for every dollar invested in Lighthouse's youth programs, a social value of \$12 was generated through cost savings to the welfare and health sector plus the tax contributions from subsequent employment of a young person who may have been headed for a lifetime of welfare.



Founded 24 years ago by Susan Barton AM, Lighthouse Foundation has grown to be a national organisation which works to end youth homelessness by providing young people with a safe and nurturing home and a supportive program of psychological care which addresses their needs and the trauma they may have experienced. Young people stay in ordinary suburban family homes with three other young people and form a family with permanent live in carers. The teaching and training arm, the Lighthouse Institute, trains other practitioners in the theory and practice, and partners with other residential care providers to introduce the Lighthouse Model of Therapeutic Family Care into their own systems.

Lighthouse Institute worked in every Australian state for the Royal Commission into Child Sexual Abuse providing support services and training for those involved in the difficult process.



When Susan Barton first opened her home to young children sleeping on the streets three decades ago, she could barely have imagined that there would now be 750+ young people's lives impacted positively by their time with Lighthouse. Recently named as one of the Australian Financial Review's Westpac 100 Women of Influence, Barton is now a passionate advocate for the rights of homeless youth, and the benefits of investing in therapeutic programs for their care, rather than just focusing on putting a roof over their heads. There is proven to be a significantly enhanced chance of positive outcomes for the graduates of the Lighthouse programs compared to those leaving traditional residential care set ups. Tragically, 40% of those leaving residential care will find themselves homeless, including the 20% who don't even know where they will be sleeping the very first night they leave a residential care facility. *(Pictured left: Lighthouse's inspirational founder, Susan Barton AM)*

Lighthouse prepares its young people well for the transition to independent living and provides ongoing support where needed, including the chance to return 'home' and re-stabilize, just as other young people frequently do to their own family homes. One such person is Elle, who came to Lighthouse aged 16, after surviving a period of homelessness including couch surfing and sleeping in unsafe emergency refuges. Her family life had been affected by the drug addiction and mental illness of her mother and by the introduction of a violent and abusive male partner of her mother's into the home. She had disconnected from school and felt alienated from all authority figures. She was angry and very untrusting of her three new Lighthouse housemates and the live in permanent carers in her home. She needed urgent dental treatment and eyeglasses, which Lighthouse arranged with support of regular donors. She slept a great deal in her first weeks with Lighthouse and was reluctant to attempt a return to school. After a couple of failed starts, she eventually settled into a distance education program which enabled her to complete her education partially online. After discovering she was actually a capable student and with rising confidence, she ended up attending her final year of VCE back at school and is now sharing accommodation with other students as she commences a Certificate course in graphic design, which may lead to a Diploma. She stays in regular contact with her Lighthouse family and goes home for family dinners each week. She is proud that she is maintaining a part-time retail job successfully, including a month working full-time in the pre-Christmas period.

Lighthouse Foundation, which is a non-denominational organisation, maintains close relationships with its donor base. Patrons include Deborra-lee Furness and Michael Crawford. There are several upcoming direct opportunities for social impact investing, including the funding of a new mentoring program, as well as a personal development program which is long-awaited by Susan Barton. There are also opportunities in establishing supported housing projects and individual sponsorships and scholarships. Lighthouse is excited to be part of the Future Generation Investment Company. If you are interested in making a direct donation, please contact Susan Barton directly through Michelle Michie, michellem@lighthousefoundation.org.au or 0433 126620 or 03 90937500. Further information about the Foundation including its Annual Reports can be found at www.lighthousefoundation.org.au.