Investment Update & Net Tangible Assets Report

As at 30 November 2017

FUTURE GENERATION
INVESTMENT COMPANY

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Net Tangible Assets (NTA) figures

NTA before tax	121.27c
NTA after tax and before tax on unrealised gains	120.30c
NTA after tax	118.45c

Portfolio

In November, the FGX investment portfolio continued to deliver sound performance, increasing 1.9% for the month, in line with the S&P/ASX All Ordinaries Accumulation Index.

Since inception, the investment portfolio has increased 10.0% per annum, outperforming the benchmark by 3.0%. The investment portfolio's outperformance has been achieved with less volatility as measured by standard deviation, 6.8% versus the market's 11.6%.

The spread between the three broad equity strategies is 45.5% long equities, 37.7% absolute bias, 13.5% market neutral and 3.3% cash.

Future Generation Investment Forum

At the Future Generation Investment Forum in November, attendees were given 13 new investment ideas from some of the best Australian and global fund managers supporting FGX and Future Generation Global Investment Company (FGG).

Thank you to the following fund managers:

- Nikki Thomas, Magellan Asset Management
- Hamish Chalmers, Watermark Funds Management
- Douglas Tynan, VGI Partners
- David Prescott, Lanyon Asset Management
- Andrew Baud, Antipodes Partners
- Matthew Kidman, Centennial Asset Management
- Jack Lowenstein, Morphic Asset Management
- George Colman, ARCO Investment Management
- Mark Landau, L1 Capital
- Geoffrey Di Felice, Cooper Investors
- Matthew Haupt, Wilson Asset Management.

If you were unable to attend the Investment Forum you can watch a recording along with the presentation slides. The Investment Forum was also covered in the Australian Financial Review and in an article and podcast by Livewire.

November 2017 Shareholder Presentations

Thank you to those who attended our Future Generation Shareholder Presentations, we greatly enjoyed the opportunity to meet almost 4,000 of our shareholders. If you were unable to attend, you can access the full recording of our Sydney presentation along with the presentation slides, also available on our website.

Future Generation Investment Company Limited

ASX code	FGX
Established	Sept 2014
Gross assets	$427.0m
Market cap	$399.7m
Share price	$1.14
Net assets per share (before tax)	$1.213
Shares on issue	350,578,294
Management fees	0.0%
Performance fees	0.0%
Annual donation (% of NTA)	1.0%
Annualised fully franked dividends (FY2017)	4.4c
Fully franked dividend yield	3.9%

Investment objectives

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

Company overview

Future Generation Investment Company Limited (ASX: FGX) provides:

- Shareholders with exposure to leading Australian fund managers without paying management or performance fees
- Charities focused on children and youth at risk with a consistent and growing stream of annual donations
- Fund managers with a unique opportunity to make a positive difference to Australia's future generations.

Chairman
Jonathan Trollip

Founder and Director
Geoff Wilson

Chief Executive Officer
Louise Walsh

Directors
David Leeton
David Paradice
Gabriel Radzyminski
Kate Thorley
Scott Malcolm

Investment Committee
Geoff Wilson, Chair
Bruce Tomlinson
David Smythe
Gabriel Radzyminski
Matthew Kidman

Company Secretary
Mark Licciardo

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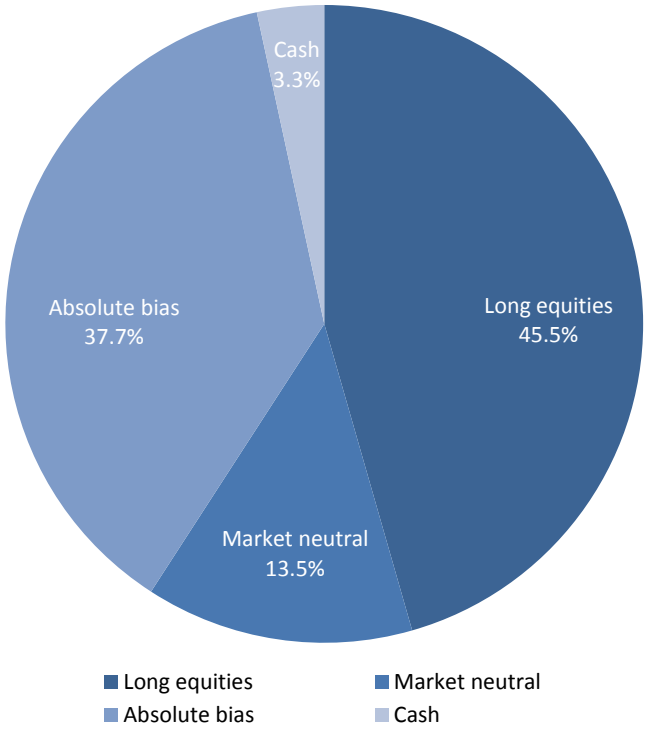
Investment strategy allocation (% of assets)

Fund manager	Investment	Strategy	% of portfolio
	Large/Mid Cap Funds (split out below)		**11.5%**
Paradice Investment	Paradice Mid Cap Fund – B Class	Long equities	**6.5%**
	Paradice Large Cap Fund	Long equities	**5.0%**
Bennelong Australian Equities Partners	Bennelong Australian Equities Fund	Long equities	**10.7%**
Regal Funds Management	Regal Australian Long Short Equity Fund	Absolute bias	**9.8%**
Wilson Asset Management	Wilson Asset Management Equity Fund	Absolute bias	**8.8%**
Watermark Funds Management	Watermark Market Neutral Trust	Market neutral	**7.2%**
Tribeca Investment Partners	Tribeca Alpha Plus Fund	Absolute bias	**7.1%**
	Small/Emerging Companies Funds (split out below)		**6.6%**
Eley Griffiths Group	Eley Griffiths Group Small Companies Fund	Long equities	**5.7%**
	Eley Griffiths Group Emerging Companies Fund	Long equities	**0.9%**
	Long Short/Aus Equities Funds (split out below)		**5.8%**
L1 Capital	L1 Capital Long Short Fund – Retail Class	Absolute bias	**3.2%**
	L1 Capital Australian Equities Fund	Long equities	**2.6%**
Cooper Investors	Cooper Investors Australian Equities Fund	Long equities	**5.3%**
Sandon Capital	Sandon Capital Activist Fund	Absolute bias	**4.2%**
Bennelong Long Short Equity Management	Bennelong Long Short Equity Fund	Market neutral	**3.3%**
ARCO Investment Management	ARCO Investment Management (Optimal Australia) Absolute Trust	Market neutral	**3.0%**
Vinva Investment Management Limited	Vinva Australian Equities Fund	Long equities	**2.5%**
CBG Asset Management	CBG Asset Australian Equities Fund	Long equities	**2.4%**
Discovery Asset Management	Discovery Australian Small Companies Fund	Long equities	**2.2%**
LHC Capital	LHC Capital Australia High Conviction Fund	Absolute bias	**1.8%**
Centennial Asset Management	The Level 18 Fund	Absolute bias	**1.7%**
Smallco Investment Manager	Smallco Broadcap Fund	Long equities	**1.7%**
Lanyon Asset Management	Lanyon Australian Value Fund	Absolute bias	**1.1%**
	Cash and Term Deposits		**3.3%**



Long equities – investing in a portfolio of equities based on the expectation that the underlying equities will increase in value within a certain time horizon. Each equity represents an ownership claim in an underlying company which is generally listed on a public stock exchange. The long equities portion of the portfolio includes exposure to large-cap, mid-cap and small-cap stocks.

Market neutral – an investment strategy that generally involves the simultaneous purchase and sale of equities, to generate returns that are not linked to the performance of underlying equity markets.

Absolute bias – an investment strategy that seeks to generate returns, irrespective of the performance of traditional asset classes. These strategies use innovative investment techniques (including but not limited to short selling and leveraging) to profit from rising and falling markets, providing portfolio protection in the event an equity market experiences a significant fall.

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Fund managers

PARADICE INVESTMENT MANAGEMENT
Bennelong Long Short Equity
CENTENNIAL ASSET MANAGEMENT
WATERMARK FUNDS MANAGEMENT
Wilson Asset Management
COOPER INVESTORS
REGAL FUNDS MANAGEMENT
L1 CAPITAL
CBG ASSET MANAGEMENT
ARCO INVESTMENT MANAGEMENT
Tribeca Investment Partners
LHC CAPITAL
SANDON CAPITAL
BAEP
Eley Griffiths Group
LANYON ASSET MANAGEMENT
DISCOVERY ASSET MANAGEMENT
vinva
Smallco Investment Manager

Charities

AIEF AUSTRALIAN INDIGENOUS EDUCATION FOUNDATION
diabetes Kids fund
Act for kids Preventing and creating child abuse and neglect
Kids Helpline We care. We listen.
raise THE YOUTH MENTORING FOUNDATION
LIVE UNITED United Way Australia
acmf acmf.com.au Changing young lives through music...
GIANT STEPS
Lighthouse® Foundation Ending youth homelessness together
Father Chris Riley's Youth Off The Streets®
variety the children's charity
youthfocus
debra Working for a life free of pain.
the mirabel foundation

Service providers

Wilson Asset Management
LINK Fund Solutions
PITCHER PARTNERS
BoardRoom Smart Business Solutions
CommSec
JLT
KARDOS·SCANLAN CORPORATE LAWYERS
livewire
mertons corporate governance specialists
complispace make it work
Bloomberg
PWN.

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Fund manager in focus: L1 Capital

L1 CAPITAL

L1 Capital is a global investment manager with offices in Melbourne, New York and London. The business was established in 2007 and is 100% owned by its senior staff, led by founders Raphael Lamm and Mark Landau. The team is committed to offering clients best of breed investment products. The investment team invests the majority of its personal wealth in L1 Capital funds alongside clients.

Our investment style

L1 Capital invests in high quality businesses trading well below their intrinsic value. The L1 Capital investment approach is largely style-neutral with modest value and contrarian characteristics. The proven investment process recognises the equal importance of both 'value' and 'quality' in investing. Our investment process combines discounted cash flow valuation with qualitative considerations such as management quality, industry and company structure and business trends to identify attractive investment opportunities.

The core of the investment approach is a high level of interaction with a wide range of market participants. This enables the investment team to generate the most complete fundamental, bottom-up assessment of each investment opportunity. Successful bottom-up investing requires a disciplined approach, detailed research and an independent thought process to deliver sustainable outperformance. Markets tend to be emotional, short-term and backward looking. Opportunities are continually presented to investors who are unemotional and long-term in their assessment of business potential.

Our market outlook

While equities appear fully valued, we believe the market could be poised for a relatively strong period ahead, given rising merger and acquisition activity, along with large institutional investors looking to shift their asset allocation away from bonds (which are currently offering no real returns). Volatility remains very subdued across all asset classes. Were inflation to rise from the currently contained levels, this would pose an additional risk. Investors should expect the slowdown of central bank asset purchases to result in higher sharemarket and fund volatility in the future.

Performance

Since inception in September 2007, the L1 Capital Long Short Fund has returned 36.9% p.a. (after fees). The fund has achieved outstanding risk-adjusted returns (maximum drawdown 2.4%, sharpe ratio 4.1, sortino ratio 24.4). The Fund's cumulative net return of 177.4% since September 2014 was delivered with significantly lower volatility than the 22.8% return of the S&P/ASX 200 Accumulation Index.

L1 Capital Long Short Fund portfolio performance as at 30 November 2017

	1 Yr	2 Yrs	3 Yrs	Since Inception % p.a (Sep-14)
L1 Capital Long Short Fund	29.7%	31.1%	38.9%	36.9%

Annualised returns and volatility since Fund inception date 1 September 2014.

For more information about L1 Capital, visit www.l1.com.au.

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Charity in focus: Giant Steps

About Giant Steps

Established in 1995 for children and young people with autism, Giant Steps operates an early intervention program, a school-aged program, a college for young adults with autism as well as outreach and training programs. It operates in Sydney and Melbourne and does not charge fees. The cost per student at Giant Steps Sydney is approximately $90,000 per annum. There are currently 98 students with autism at the Sydney school and 12 students at the Melbourne school.

Giant Steps and FGX

Thanks to the support of FGX, Giant Steps has initiated a project that focuses on how students with autism communicate using different strategies and techniques. Communication is one of the major challenges that individuals with autism face and we hope to decrease the resulting frustrations many students with autism experience. Data has been collected to track improvements and progress. Overall, there has been a marked increase in socially appropriate behaviour as a result of students acquiring improved communication skills. The Autism Hub, www.theautismhub.net.au, has been launched by Giant Steps Australia and contains a range of resources supporting a number of students across the spectrum. This site is freely accessible to anyone.

Q&A with Giant Steps CEO, Kerrie Nelson

What impact will the FGX investment have on your organisation?

The FGX investment has had an enormous impact on our organisation. It enables us to embark on ground-breaking research; it has assisted in the establishment of a new school in Melbourne; and, it has provided the opportunity to establish a much needed web-based platform for professionals in the field to share resources and information to allow for greater reach beyond the confines of the Giant Steps community.

What is the biggest challenge for the organisation?

Funding is the greatest challenge for our organisation. As a charity we continually need to fundraise and rely on the generosity of others to support our work. We do not charge fees and support students from all socio-economic backgrounds.

What's a burning issue in the area you operate in?

Over the past few years, funding has continued to be a burning issue. Schools have experienced huge changes with the introduction of the Gonski model and subsequent changes to the model. Likewise NDIS funding is having major impacts in the disability sector. As Giant Steps operates within the education as well as the disability sector, we are experiencing the impacts of changes as a result of new government initiatives in funding. Having a trained workforce able to support increased demand due to NDIS is a challenge. Developing a training unit where we can accredit staff is a focal point for future growth at Giant Steps. Dealing with increased demand and finding additional space for our services from which to operate is another a burning issue.

For more information about Giant Steps, visit www.giantsteps.net.au.

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