

Investment Update & Net Tangible Assets Report

As at 30 September 2017



FUTURE GENERATION
INVESTMENT COMPANY

Net Tangible Assets (NTA) figures

NTA before tax	118.00c
NTA after tax and before tax on unrealised gains	117.09c
NTA after tax	116.71c

The above NTA figures are before the 2.2 cents per share fully franked interim dividend due to be paid on 27 October 2017. The shares will trade ex-dividend on 17 October 2017.

Key dividend dates

Ex-dividend date	17 October 2017
Record date	18 October 2017
Last election date for DRP	20 October 2017
Payment date	27 October 2017

Portfolio

In September, the FGX investment portfolio increased 1.5% outperforming the S&P/ASX All Ordinaries Accumulation Index, which closed relatively flat for the month.

Since inception, the investment portfolio has increased 8.9% per annum, outperforming the benchmark by 3.5%. The investment portfolio's outperformance has been achieved with less volatility as measured by standard deviation, 6.8% versus the market's 11.7%.

The spread between the three broad equities is 43.6% long equities, 36.9% absolute bias, 13.4% market neutral and 6.1% cash.

FGX invests \$3.8 million in children and youth at risk

During October, the Company will invest \$3.8 million in Australian charities focused on programs to protect and support children at risk. Read the full announcement [here](#).

Future Generation Investment Forum

Following the success of our inaugural Future Generation Investment Forum in Sydney in May, we will be holding our second Investment Forum in Melbourne from 1.30pm – 3.00pm on Thursday 30 November.

Shareholders will be given access to exclusive investment ideas in a series of five-minute presentations from FGG's global and Future Generation Investment Company's (ASX: FGX) Australian fund managers. [Reserve your place](#) now.

If you are unable to make it to Melbourne, register for the [livestream](#).

November 2017 Shareholder Presentations

This week we sent out invitations to our Shareholder Presentations in November. [Reserve your place](#) to hear from FGX founder and Director Geoff Wilson, CEO Louise Walsh, and a selection of fund managers and designated charities.

Future Generation Investment Company Limited

ASX code	FGX
Established	Sept 2014
Gross assets	\$417.6m
Market cap	\$389.9m
Share price	\$1.115
Net assets per share (before tax)	\$1.18
Shares on issue	349,663,801
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 Paradise
Gabriel Radzysinski
Kate Thorley
Scott Malcolm

Investment Committee

Geoff Wilson, Chair
Bruce Tomlinson
David Smythe
Gabriel Radzysinski
Matthew Kidman

Company Secretary

Mark Licciardo

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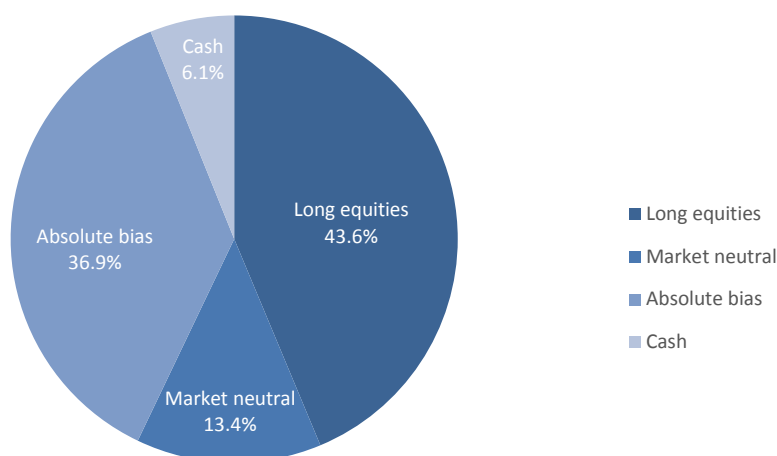
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Investment strategy allocation (% of assets)

Fund manager	Investment	Strategy	% of portfolio
Paradice Investment	Large/Mid Cap Funds (split out below)		10.9%
	Paradice Mid Cap Fund – B Class	Long equities	6.1%
	Paradice Large Cap Fund	Long equities	4.8%
Bennelong Australian Equities Partners	Bennelong Australian Equities Fund	Long equities	10.5%
Regal Funds Management	Regal Australian Long Short Equity Fund	Absolute bias	9.4%
Wilson Asset Management	Wilson Asset Management Equity Fund	Absolute bias	8.6%
Watermark Funds Management	Watermark Market Neutral Trust	Market neutral	7.3%
Tribeca Investment Partners	Tribeca Alpha Plus Fund	Absolute bias	6.9%
Eley Griffiths Group	Small/Emerging Companies Funds (split out below)		6.1%
	Eley Griffiths Group Small Companies Fund	Long equities	5.3%
	Eley Griffiths Group Emerging Companies Fund	Long equities	0.8%
L1 Capital	Long Short/Aus Equities Funds (split out below)		5.6%
	L1 Capital Long Short Fund – Retail Class	Absolute bias	3.2%
	L1 Capital Australian Equities Fund	Long equities	2.4%
Cooper Investors	Cooper Investors Australian Equities Fund	Long equities	5.1%
Sandon Capital	Sandon Capital Activist Fund	Absolute bias	4.3%
Bennelong Long Short Equity Management	Bennelong Long Short Equity Fund	Market neutral	3.2%
ARCO Investment Management	ARCO Investment Management (Optimal Australia) Absolute Trust	Market neutral	2.9%
CBG Asset Management	CBG Asset Australian Equities Fund	Long equities	2.4%
Vinva Investment Management Limited	Vinva Australian Equities Fund	Long equities	2.4%
Discovery Asset Management	Discovery Australian Small Companies Fund	Long equities	2.1%
LHC Capital	LHC Capital Australia High Conviction Fund	Absolute bias	1.7%
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		6.1%



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



Charities



Service providers



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Fund manager in focus: Sandon Capital

SANDON CAPITAL

Sandon Capital was established in 2008 and is a deep-value fundamental investment manager that uses activism as a tool to preserve or enhance the value of its investments. Sandon Capital is the investment manager of Sandon Capital Activist Fund (SCAF) and Sandon Capital Investments Limited, an ASX listed investment company (ASX: SNC).

Our investment style

We are a value investor, employing activist techniques to unlock and enhance the value of the investments we make. We view activism as a critical, and often missing, tool of value investing. It is the process of seeking and investing in undervalued companies using traditional 'value' investing criteria and, as an active shareholder, seeking to enact change to unlock the value inherent in the company for all shareholders. We seek to identify companies that offer value, coupled with an opportunity to create change to realise that value.

Rather than trying to passively predict future events, we seek to actively play a role in determining a company's future. We do so by taking an active role in proposing changes in the areas of corporate governance, capital management, strategic and operational issues, management arrangements and other related activities. Our approach to activist investing is about ensuring companies operate in the best financial interests of the shareholder.

The objective of Sandon Capital's investment strategy is to deliver positive absolute returns to investors. We aim to achieve this objective by seeking to invest in opportunities that we consider are trading below their intrinsic value and that offer the potential for active engagement to alter the status quo and improve or extract value.

Our market outlook

From an activist perspective, we see the upcoming AGM season as an interesting one. A number of leading companies face potential "second strikes" on their remuneration reports. More broadly, corporate scandals at Commonwealth Bank of Australia (ASX: CBA) and governance issues at other companies have raised more widespread questions about the effectiveness of current governance practices. The headline and content of a press article entitled "["Graeme Samuel flags concerns over quality of directors at CBA"](#)" reporting on Mr Samuel's appearance at a Senate hearing should provoke serious thought from investors about whether the evolved norms of what constitutes good governance are indeed effective.

We see any turmoil in markets and individual companies as laying the groundwork for our future investment opportunities. Portfolio companies like Tatts Group Limited (ASX: TTS) and Iluka Resources Limited (ASX: ILU) remain targets of our attempts to alter the status quo. We remain convinced that TTS Directors have erred by supporting the scheme proposal with Tabcorp, believing instead that a demerger of lotteries and wagering would yield a better outcome for TTS shareholders. Similarly, we continue to advocate that ILU should be considering a spin-off of its MAC Iron Ore royalty.

Performance as at 30 September 2017	1 yr	3 yrs %pa	5 yrs %pa	Since inception %pa	Total return since inception
SCAF	7.0%	6.5%	13.2%	12.3%	155.2%
S&P/ASX All Ordinaries Accumulation Index	9.2%	7.1%	10.1%	7.8%	83.4%
S&P/ASX Small Ordinaries Accumulation Index	3.0%	8.1%	5.1%	3.5%	32.3%

*Calculated net of all fees, assuming reinvestment of distributions and using unit mid-price. Indices are also before fees.

For more information about Sandon Capital, visit www.sandoncapital.com.au.

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Charity in focus: The Mirabel Foundation

About Mirabel

Mirabel supports children (0-17) who have been orphaned or abandoned due to parental drug use and who are now being raised by extended family (kinship care), generally grandparents. Most Mirabel children have experienced extreme loss and trauma and have a higher risk of self-harm or drug use during adolescence. Mirabel's programs work at restoring a sense of hope and belonging whilst providing children with opportunities needed to reach their full potential as young adults.



Mirabel and FGX

The FGX donations for the Toddler to Teen program provide a range of Mirabel services to a child or young person when most needed. This includes initial assessments, crisis intervention, therapeutic groups and critical educational support. Different emotional challenges arise as children grow up and having the resources to immediately offer assistance for specific issues allows Mirabel to provide not merely intervention, but prevention.

To date, FGX has had a significant impact on the lives of over 250 children, resulting not only in providing them with a childhood but also breaking the destructive cycle of addiction. This program has undoubtedly turned around the lives of vulnerable young people who are now leading positive lives in the community. The support from FGX has made it possible for Mirabel to continue our mission and, despite a 20% increase in referrals, never turn a child away who is in need.

Q&A with Founder and CEO Jane Rowe

What is your driving motivation in your current role?

To improve the lives of current and future children who present to Mirabel. To lessen the feelings of stigma and social isolation these children experience by raising awareness in the community. To lobby governments to start providing equitable support to kinship families and the children they are caring for.

What is the most challenging aspect of your role?

To raise enough income annually to support the increasing number of Mirabel children. An average of eight new children a week are referred to Mirabel.

What does it mean to have the support of FGX?

The support of FGX has been literally life changing to Mirabel and the children we support. No amount of thanks can ever express our gratitude.

For more information about Mirabel, visit www.mirabelfoundation.org.au.

