

Investment Update & Net Tangible Assets Report

As at 31 May 2017

Net Tangible Assets (NTA) figures

NTA before tax	117.39c [^]
NTA after tax and before tax on unrealised gains	118.43c
NTA after tax	115.50c

The above figures are not diluted for 272,464,814 options on issue with an exercise price of \$1.10.

[^]This figure is after the tax payable of \$1.7 million (0.6 cents per share) for the 2016 financial year.

Portfolio

In May, the FGG investment portfolio delivered strong performance, increasing 2.6%. The MSCI World Index (AUD) rose by 2.8%. FGG's investment portfolio continues to deliver performance with lower volatility than the benchmark. Since inception, the investment portfolio has recorded standard deviation of 8.9% against the market's 10.1%.

The spread between the three broad equities strategies is currently 54.7% long equities, 32.9% absolute bias, 4.0% quantitative strategies and 8.4% cash.

Fund manager	Investment	Strategy	% of assets
Magellan Asset Management	Magellan Global Fund	Long equities	10.4%
Ironbridge Capital Management	Ironbridge Global Focus Fund	Long equities	9.7%
Cooper Investors	Cooper Investors Global Equities Fund (Unhedged)	Long equities	9.2%
Antipodes Partners	Antipodes Global Fund	Absolute bias	8.6%
VGI Partners	VGI Partners Funds	Absolute bias	7.9%
Marsico Capital Management	Marsico Global Fund	Long equities	7.5%
Nikko Asset Management Australia	Nikko AM Global Share Fund	Long equities	6.1%
Manikay Partners	Manikay Global Opportunistic USD Fund	Absolute bias	5.2%
Ellerston Capital	Ellerston Global Mid Small Cap Fund	Long equities	4.8%
Morphic Asset Management	Morphic Global Opportunities Fund	Absolute bias	4.7%
Neuberger Berman Australia	Neuberger Berman Systematic Global Equities Trust	Quantitative strategies	4.0%
Avenir Capital	Avenir Value Fund	Absolute bias	3.6%
Paradise Investment Management	Paradise Global Small Mid Cap Fund Unhedged	Long equities	3.6%
Cooper Investors	Cooper Investors Asian Tiger Fund	Long equities	3.4%
Antipodes Partners	Antipodes Asia Fund	Absolute bias	2.9%
	Cash and Term Deposits	Cash	8.4%

Future Generation Global Investment Company Limited

ASX code	FGG
Established	Sept 2015
Gross assets	\$328.2m
Market cap	\$299.3m
Share price	\$1.08
Net assets per share (before tax)	\$1.17
Shares on issue	277,175,569
Options on issue	272,464,814
Fully franked final FY16 dividend	1.0c
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 Global Investment Company Limited (ASX: FGG) is Australia's first internationally focused listed investment company (LIC) with the dual objectives of providing shareholders with diversified exposure to selected global fund managers and changing the lives of young Australians affected by mental illness.

Chairman

Belinda Hutchinson

Founder and Director

Geoff Wilson

Chief Executive Officer

Louise Walsh

Directors

Frank Casarotti
Karen Penrose
Susan Cato
Sarah Morgan

Investment Committee

Chris Donohoe, Amanda Gillespie, Aman Ramrakha, Sean Webster and Geoff Wilson

Company Secretaries

Kate Thorley and Mark Licciardo

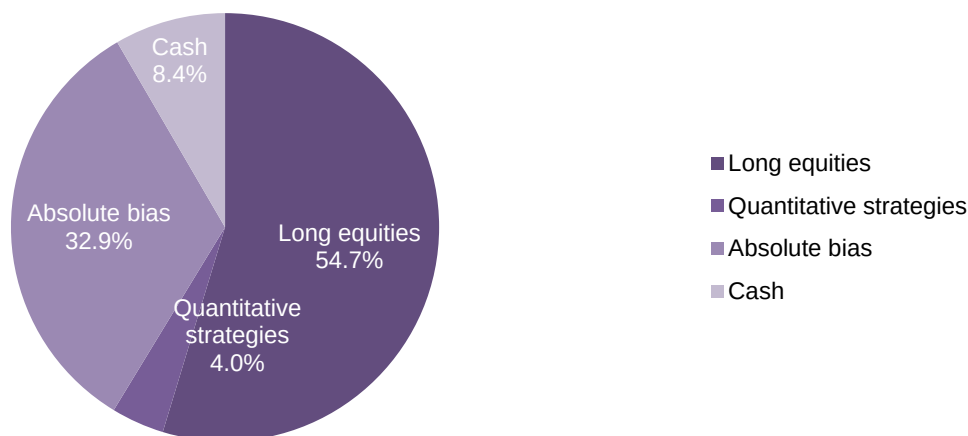
Head of Corporate Affairs

James McNamara

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Investment strategy allocation (% of assets)



Long equities – investing in a portfolio of equities based on the expectation 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.

Quantitative strategy – a style of investment management where quantitative techniques are used to analyse markets in order to ascertain information about future price movements. These are generally rules-based and applied in a systematic manner. A quantitative strategy seeks to replicate a fundamental investor without human biases influencing investment decisions.

Absolute bias – an investment strategy that seeks to generate returns, irrespective of the performance of traditional asset classes. These strategies use innovative investment techniques to profit from rising and falling markets, providing portfolio protection in the event an equity market experiences a significant fall.

Fund Managers



Charities



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Service Providers

 **Wilson**
Asset Management

 **LINK** Fund
Solutions

 **PITCHER PARTNERS**

 **BoardRoom**
Smart Business Solutions

 **Steadfast**
STRENGTH WHEN YOU NEED IT

 **Bloomberg**

 **mertons**
corporate governance specialists

 **CommSec**



 **liveWire**

 **PWN.**

 **complispace**
make it work

 **JLT**

 **Lonsec**

 **KARDOS-SCANLAN**
CORPORATE LAWYERS

Fund manager in focus: Paradise Global Small Mid Cap Fund

About Paradise Global Small Mid Cap Fund

Paradise Investment Management is a privately owned Australian boutique funds management business established in 1999 by David Paradise. The business is solely focused on providing asset management for institutional and wholesale clients.



The Paradise Australian Small Cap Fund was our initial product offering in 2000 and the business has subsequently expanded its investment range with three additional strategies, the Australian Mid Cap Fund launched in 2006 and the Australian Large Cap Fund launched in 2007. Our latest strategy, the Paradise Global Small Mid Cap Fund was launched in 2010. We currently manage \$13 billion in assets across these four distinct strategies with 31 staff and offices located in Sydney, Denver and San Francisco.

The Global Small Mid Cap Fund, headquartered in Denver, Colorado consists of six analysts based in North America and Australia. Each of the analysts are generalists in nature, though to ensure concise coverage, the world is divided up geographically with specific regions allocated amongst the team.

Our investment style

The fund employs a bottom-up investment process to build a diversified portfolio of undervalued global securities. Our investment process is focused on identifying securities that exhibit four key characteristics: undervaluation, business quality, strong financial metrics and shareholder friendly management teams. Of the four characteristics named above, the final hurdle for investment is valuation; the fund deploys a stringent approach to valuation and are strong believers that the price paid for an asset must reflect the economic reality of the underlying enterprise.

We pride ourselves on our detailed, extensive and ongoing bottom up research schedule, with the team conducting on average 120 company visits or calls each quarter. These calls are with both existing holdings, prospective investments and various channel checking across our geographies.

Our market outlook

We continue to observe the market with a perplexed look on our collective faces. On one hand, you can be somewhat constructive that the Chinese economy remains robust, whilst the USA should grow at circa 2% this year. These two factors ought to be supportive for asset prices in the medium term. On the other hand, geopolitical risks are at the highest levels in recent memory, valuations are stretched on almost all metrics and this bull market has been characterised by stimulus and a subsequent rise in asset prices, more so than tangible economic growth.

We also observe the incredible change in market structure, driven by astronomical flows into passive investment products. It seems at odds with our value facing style of investing that market participants continue to invest capital based solely on the market capitalisation of business. For example, in a typical S&P 500 ETF in the USA, 80% of capital flows into the top

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50 stocks, whilst the bottom 450 stocks share in the remaining 20% of flows – we expect that this statistic will only get further and further lopsided as passive investing continues to grow.

Whilst we are not entirely sure how or when this unwinds, we are certainly very pleased that we run a concentrated, diversified and value conscious portfolio for our investors during these uncertain times.

Paradice Global Small Mid Cap Fund Performance

	1 YR	3 YR	Since inception Annualised**
Paradice Global Small Mid Cap Fund (Gross)	15.18%	14.80%	21.49%
Benchmark*	14.24%	14.02%	18.47%
Value Added	0.94%	0.78%	3.02%

* S&P Global BMI (US\$1-5Bn Market Cap Range)

**17/01/2013

For more information, visit <http://www.paradice.com.au/>.

Charity in focus: SANE Australia

SANE Australia is a national mental health charity working to improve the wellbeing of four million Australians affected by complex mental illness.



Everyday there are 690,000 Australians living with a complex mental illness, including severe depression and anxiety, bipolar, borderline personality disorder, schizophrenia, eating disorders, obsessive compulsive disorder and post-traumatic stress disorder. And for every one of these people there will be at least five family members, friends, work colleagues or other people they know who are directly affected by their condition.

Four strategic pillars – better support, stronger connections, less discrimination and longer lives – guide SANE's work in mental health awareness, online peer support and information, stigma reduction, specialist helpline support, research and advocacy.

Q&A with CEO, Jack Heath

What impact will the FGG funding have on your organisation?

FGG's generous support is enabling SANE to connect with more young people living with complex mental illness, particularly those living in rural and regional communities where access to specialist support can be limited. This is deeply personal for me as I grew up on a farm in country Victoria and had a cousin develop schizophrenia who later died by suicide. I had first-hand experience of the impact that complex mental illness and suicide can have in rural communities and also the challenges around stigma.

Thanks to FGG's support, SANE ran a campaign during Schizophrenia Awareness Week (10th - 16th May 2017) that featured a video of an incredibly inspiring young woman who spoke candidly about her journey with schizophrenia. Hannah also encouraged young people to have hope emphasising that a diagnosis of schizophrenia doesn't set your destiny, and with appropriate care and treatment people can live meaningful and contributing lives. The video reached hundreds of thousands of people around Australia during the two-week campaign.



Hannah's story: <https://www.sane.org/people-like-us/1996-hannah>

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What is the biggest challenge for the organisation?

The biggest challenge for SANE is how to secure the resources and support that allows us to fulfil our mission of promoting the wellbeing of people with complex mental illness.

Much of our work is around reducing stigma, which remains a huge issue in mental health. This is especially so for the four million Australians who are directly affected by complex mental illness.

As a national mental health charity, we have big aspirations. We also have a great deal of experience in telling great real-life stories about people. The question is how to find more ways of getting those stories out across the community in a manner that is both safe and encourages help-seeking.

What's a burning issue for youth mental health in Australia?

We need to share real stories about people living with complex mental illness. We know that when these stories are told in a caring, authentic and optimistic way, they resonate strongly with young people and can offer real hope.

A recent phone call to the SANE Help Centre demonstrates how this kind of storytelling can have a positive effect on people's lives. The caller had seen Hannah's story during Schizophrenia Awareness Week and wanted to let us know that she had recently been diagnosed with schizophrenia and was filled with denial and fear. But after seeing the video she felt a new openness towards her doctors and less resistant about treatment.

Calls like this show how powerful real-life storytelling can be in helping to break down stigma and encourage people to get the support they need.

Whose work in the mental health space inspires you?

I recently had the privilege of meeting an amazing 84-year-old woman named Elaine who has been living with complex mental illness since she was a teenager.

Elaine has been a very generous long-term donor to SANE and I was keen to understand why she donates to us.

I was touched when I found out it was because of her own personal experiences. Elaine told me about the challenges she had faced over the years, the huge impediments she had overcome, and talked of the times when she thought there was no hope.

"Death came to my door four times," she told me "but I didn't let him in."

She said although she had lived with mental illness since she was a teenager, it was only recently that she felt she was in a good place with a new sense of hope and possibility for the future.

To meet someone who had been struggling on a day-to-day basis for more than 70 years and has only just recently found a sense of hope, meaning, and optimism, was a truly moving moment.

As wonderful as it was to learn of Elaine's breakthrough, we don't want young people to unnecessarily endure decades of struggle, pain and isolation due to a lack of services or stigma. This is why FGG's support for SANE is so important. Through sharing the stories of young people living with complex mental illness, we reduce the stigma and help ensure those young people get the help they need, early on.

For more information visit <https://www.sane.org/>.