Investment Update & Net Tangible Assets Report

As at 31 October 2016

FUTURE GENERATION
INVESTMENT COMPANY

Net Tangible Assets (NTA) figures

The following NTA figures are after the 2.0 cents per share fully franked final dividend paid on 21 October 2016.

NTA before tax	113.57c
NTA after tax and before tax on unrealised gains	113.20c*
NTA after tax	112.98c*

*These figures are after the tax payment of $56k (0.01 cents per share) in tax during the month.

Portfolio

In October, the portfolio decreased 1.6% outperforming the S&P/ASX All Ordinaries Accumulation Index which fell 2.2%. In the 12 months to 31 October 2016, FGX's investment portfolio has increased 9.1%, outperforming the benchmark with less volatility as measured by standard deviation, 8.0% versus the market's 13.4%.The company is currently 37.4% long equities, 22.0% absolute bias, 14.1% market neutral and 26.5% cash. We are part-way through the process of allocating monies raised from the exercise of options.

Fund manager	Investment	Strategy	% of assets
Regal Funds Management	Regal Australian Long Short Equity Fund	Long equities	9.0%
Wilson Asset Management (International)	Wilson Asset Management Equity Fund	Absolute bias	8.5%
Watermark Funds Management	Watermark Absolute Return Fund	Market neutral	7.5%
Paradice Investment	Large/Mid Cap Funds (split out below)		7.0%
	Paradice Australian Equities Mid Cap Fund	Long equities	3.9%
	Paradice Large Cap Fund	Long equities	3.1%
Bennelong Australian Equities Partners	Bennelong Australian Equities Fund	Long equities	6.5%
Eley Griffiths Group	Eley Griffiths Group Small Companies Fund	Long equities	5.4%
Tribeca Investment Partners	Tribeca Alpha Plus Fund	Absolute bias	4.6%
Sandon Capital	Sandon Capital Activist Fund	Absolute bias	4.1%
Cooper Investors	Cooper Investors Australian Equities Fund	Long equities	3.3%
Bennelong Long Short Equity Management	Bennelong Long Short Equity Fund	Market neutral	3.1%
Optimal Fund Management Australia	Optimal Australia Absolute Trust	Market neutral	2.9%
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	2.0%
Centennial Asset Management	The Level 18 Fund	Absolute bias	1.7%
Smallco Investment Manager	Smallco Broadcap Fund	Long equities	1.6%
Lanyon Asset Management	Lanyon Australian Value Fund	Absolute bias	1.1%
Qato Capital	Qato Capital Market Neutral L/S Fund	Market neutral	0.6%
	Cash and Term Deposits	Cash	26.5%

Shareholder presentations

Beginning Wednesday 16 November in Adelaide, we will be holding nationwide shareholder presentations for the Future Generation companies. For full details and to RSVP, click here or visit www.futuregeninvest.com.au.

Future Generation Investment Company Limited

ASX Code	FGX
Established	Sept 2014
Gross assets	$397.2m
Market cap	$406.2m
Share price	$1.165
Net assets per share (before tax)	$1.136
Shares on issue	348,655,173
Management fees	0.0%
Performance fees	0.0%
Annual donation (% of NTA)	1.0%
Fully franked dividends (FY2016)	4.0c
Fully franked dividend yield	3.4%

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 charities, with a focus on children and youth at risk.

Chairman

Jonathan Trollip

Founder and Director

Geoff Wilson

Directors

Paul Jensen
Gabriel Radzyminski
Kate Thorley
David Leeton
Scott Malcolm
David Paradice

Investment Committee

Geoff Wilson, Gabriel Radzyminski, Matthew Kidman, Bruce Tomlinson, and David Smythe

Chief Executive Officer

Louise Walsh

Company Secretary

Mark Licciardo

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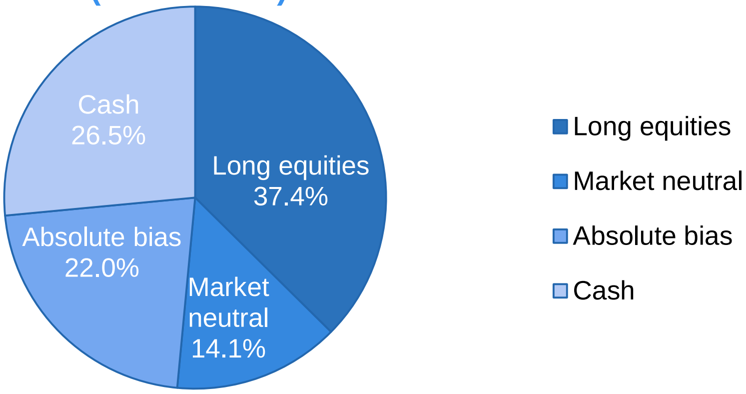
As at 31 October 2016

Investment strategy allocation (% of assets)



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.
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 to profit from rising and falling markets, providing portfolio protection in the event an equity market experiences a significant fall.

Fund Managers

Charities

Service Providers

FUTURE GENERATION
INVESTMENT COMPANY

Fund manager in focus: Eley Griffiths Group

About Eley Griffiths Group
Eley Griffiths Group is an boutique, independent fund manager specialising in listed Australian small companies established in 2002. EGG has a commitment to excellence in the management of small company portfolios, and the managers have extensive experience in this area. The business operates an outsourced service provider model, which allows the principals to concentrate their time and energy on portfolio management and the discovery of stocks that, in their opinion, have been inefficiently valued by the market.

Our investment style

The investment process involves a qualitative assessment of a company, chiefly a review of management, their experience, vision and alignment and an industry examination, where great weight is placed in the likely two to three-year growth outlook. The Investment Manager also assess stocks quantitatively. It uses a ‘growth-at-a-reasonable-price’ (GARP) style of valuation analysis, weighing up a company’s price to earnings ratio with its forecast three year earnings per share growth. The stock selection of the Investment Manager relies heavily upon a positive combination of the two disciplines subject to particular risk management filters.

Our market outlook

Bull markets typically end with a euphoric blow-off. Whilst there is some evidence of frothiness in pockets of the market (e.g. bond proxies three months ago) it is certainly not to the degree that has marked recent stock market tops. Whilst we may be seven years into this bull market, pessimism remains stubbornly high and cash levels remain elevated. Risk appetite has only been stirring for 12-18 months. We still believe equities are the place to be, albeit investors need be prepared for greater volatility than in recent years and careful attention needs to be paid to where one is invested within equities. As we look into 2017 investors will learn whether interest rates really can rise again, whether fiscal policy can accelerate real global demand and indeed whether the “great rotation” (bonds into equities) is upon us. Either way we remain bullish and are finding good risk reward opportunities for our investors.

Performance statistics to 31 October 2016

	1 month %	1 Year %	3 Year %	5 year %	10 Year %
EGG Small Companies Fund	-5.82%	+14.99%	9.08%	+10.88%	+6.13%
S&P/ASX Small Ordinaries Accumulation Index (XSOAI)	-4.72%	+14.90%	4.42%	+2.69%	+0.27%
Outperformance	-1.10%	+0.09%	4.66%	+8.19%	+5.86%

*Fund returns are calculated post fees

Top five stocks

Cleanaway Waste Limited
Fletcher Building Limited
Independence Group Ltd
Sims Metal Management Ltd
Steadfast Group Limited

Charity in focus: Australian Children's Music Foundation

About ACMF

The Australian Children's Music Foundation (ACMF) was founded in 2002 by Don Spencer OAM to address the needs of children who were not getting the benefits of music education. Worldwide research has proven that participation in music making has significant educational, emotional and social benefits, and yet 75% of Australian public schools do not have a dedicated music teacher. For the growing number of children who suffer trauma, hopelessness or despair, the ACMF can help make lives worth living.

Don Spencer AUSTRALIAN CHILDREN'S MUSIC FOUNDATION acmf.com.au *Changing young lives through music…*

FGX funding goes towards music programs for children in the Taree Schools Group, on the Mid-North Coast of NSW, and the Sunshine Schools Group in Melbourne, VIC. Overall, programs operate in 14 schools and kindergartens, employing nine teachers and reaching over 2000 students each week.

Children in the Taree Schools are from diverse backgrounds, with over 30% of all students from an Indigenous background and many students from a very low socio-economic background. Children in the Sunshine Schools are from enormously different cultural backgrounds, many of the students are refugees, and over 40 different nationalities are represented in the community.

As a result of our music programs in these areas, students are singing together, playing together and learning together, regardless of background, religion, race or language group affiliation. Attendance and classroom discipline has improved, and the student's self-esteem and creativity has increased. Over months and years, our Music Program builds trust between students and adults, where children are often 'let down' by grown-ups. In addition to benefitting the children involved, musical activity within schools provides an ideal focal point for events that bring together the wider school community and increases parental interesting in the schooling process.

Q&A with Don Spencer OAM, Founder and CEO

What is your driving motivation in your current role?

As a young child I used to find great solace in music. I would float away with music as a kid. It would take me away from my challenging childhood. After travelling the word as a performer, singer, songwriter and entertainer, it occurred to me that I wouldn't be the only child who would need the escape of music. Now, I see the magic of music every time I visit an ACMF music program - and it is that transformative power that keeps inspiring me.

2. What is the most challenging aspect of your role?

Trying to convince the Government and other funding bodies of the proven and irrefutable benefits of music education. Apart from the joy and creativity that music inspires, world-wide research has proven that children who study music are up to 35% more advanced academically than children who don't. We have a huge waiting list of schools who want our music programs.

3. What does it mean to have the support of FGX?

It is wonderful to know that the FGX money is guaranteed each year. We know from experience that the longer we stay at a school, the better the outcomes we achieve. It's a great relief to know that we can sustain these programs. By providing music education we are enabling transformative education across every area of learning. Our programs are giving kids the tools and resilience they need in their lives to realise their full potential.

For further information, visit: www.acmf.com.au