

Investment Update & Net Tangible Assets Report

As at 31 December 2017



FUTURE GENERATION
INVESTMENT COMPANY

Net Tangible Assets (NTA) figures

NTA before tax	123.08c*
NTA after tax and before tax on unrealised gains	123.07c
NTA after tax	120.58c

*This figure is after the payment of \$4.3m (1.2 cents per share) in tax during the month.

Portfolio

In December, the FGX investment portfolio increased 2.6%, outperforming the S&P/ASX All Ordinaries Accumulation Index, which closed up 2.0% for the month.

Since inception, the investment portfolio has increased 10.6% per annum, outperforming the benchmark by 3.2%. The investment portfolio's continued outperformance has been achieved with less volatility as measured by standard deviation, 6.7% versus the market's 11.5%.

The spread between the three broad equity strategies is 45.6% long equities, 38.3% absolute bias, 13.5% market neutral and 2.6% cash.

Investment strategy allocation (% of assets)

Fund manager	Investment	Strategy	% of portfolio
Paradice Investment	Large/Mid Cap Funds (split out below)		11.6%
	Paradice Mid Cap Fund – B Class	Long equities	6.5%
	Paradice Large Cap Fund	Long equities	5.1%
Bennelong Australian Equities Partners	Bennelong Australian Equities Fund	Long equities	10.7%
Regal Funds Management	Regal Australian Long Short Equity Fund	Absolute bias	10.1%
Wilson Asset Management	Wilson Asset Management Equity Fund	Absolute bias	8.9%
Tribeca Investment Partners	Tribeca Alpha Plus Fund	Absolute bias	7.2%
Watermark Funds Management	Watermark Market Neutral Trust	Market neutral	7.1%
Eley Griffiths Group	Small/Emerging Companies Funds (split out below)		6.7%
	Eley Griffiths Group Small Companies Fund	Long equities	5.8%
	Eley Griffiths Group Emerging Companies Fund	Long equities	0.9%
L1 Capital	Long Short/Aus Equities Funds (split out below)		5.8%
	L1 Capital Long Short Fund – Retail Class	Absolute bias	3.3%
	L1 Capital Australian Equities Fund	Long equities	2.5%
Cooper Investors	Cooper Investors Australian Equities Fund	Long equities	5.4%
Sandon Capital	Sandon Capital Activist Fund	Absolute bias	4.3%
Bennelong Long Short Equity Management	Bennelong Long Short Equity Fund	Market neutral	3.4%
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	1.7%
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%
	Cash and Term Deposits		2.6%

Future Generation Investment Company Limited

ASX code	FGX
Established	Sept 2014
Gross assets	\$433.6m
Market cap	\$410.2m
Share price	\$1.17
Net assets per share (before tax)	\$1.23
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	3.8%

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 Radzysinski
Kate Thorley
Scott Malcolm

Investment Committee

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

Company Secretary

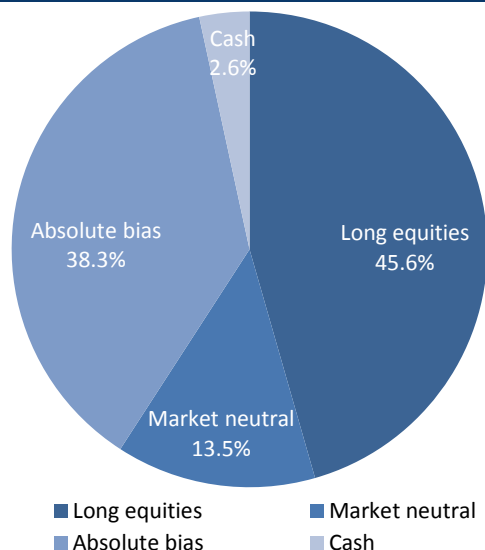
Mark Licciardo

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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.

Fund managers



Charities



Service providers



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Fund manager in focus: Bennelong Australian Equity Partners

Bennelong Australian Equity Partners (BAEP) is a boutique fund manager focused on Australian equities. It was founded in 2008 in partnership with Bennelong Funds Management, and is now established as an award-winning and highly-rated fund manager.



Investment style

BAEP is a genuinely active fund manager with a high conviction, consistent and disciplined investment approach based on three pillars:

1. Focusing on high quality and strongly growing companies. BAEP believes this sets the portfolio up for stronger returns and lower risk over time. Reflecting this, the portfolio has typically had a heavy concentration in defensible, quite predictable and lower-risk businesses such as those selling everyday consumer and healthcare products and services.
2. Seeking to identify companies with earnings prospects that are underappreciated by the market. The team attempts to identify under-appreciated earnings strength through extensive, real-world research. This provides opportunity for upside surprise, which manifests in companies beating earnings expectations, positive trading updates, bullish guidance and upward consensus earnings revisions. Generally, such events will lead to strong returns.
3. Constructing the portfolio with a view to optimising its risk-return dynamics. The portfolio construction process suffers few of the constraints that might otherwise impact the ability to limit downside risks and optimise upside exposures - providing the flexibility to completely avoid risky sectors or large benchmark positions, and allowing the team to take concentrated positions to leverage high conviction ideas.

The outcome is a selective, high conviction and differentiated portfolio.

Market outlook

The currently bullish tone in equity markets is understandable, as present conditions are ideal for stocks. Global economic growth is strong, causing similar growth in corporate earnings - although it hasn't been enough to meaningfully lift inflation and interest rates, which still remain extremely accommodative. In this environment, equities continue to look attractive relative to most other asset classes such as cash, bonds and property.

The market's good run of late, together with low levels of volatility, seems to be encouraging investors. This is important as the effect of investors' fears of an imminent market collapse can become self-fulfilling. In light of these dynamics, BAEP takes a constructive view of markets at present, neither bearish nor bullish.

Performance

The Bennelong Australian Equities Fund has outperformed its benchmark in all but one financial year since inception.

Bennelong Australian Equities Fund performance as at 31 December 2017

	6 Mths	1 Yr	3 Yrs %pa	5 Yrs %pa	Since inception (Jan-09) %pa
Fund	9.0%	19.1%	11.7%	13.0%	13.9%
S&P/ASX 300 Accumulation Index	8.6%	11.9%	8.8%	10.2%	11.0%
Outperformance	+0.4%	+7.2%	+2.9%	+2.8%	+2.9%

Performance figures are net of fees and expenses.

For more information, visit baep.com.au.

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Charity in focus: Kids Helpline



About Kids Help Line

Kids Helpline (KHL) is Australia's only free, private and confidential 24/7 phone and online professional counselling service for young people aged five to 25. Young people can contact KHL at any time and for any reason.

Responding to more than 7.5 million young people over 26 years, KHL is constantly evolving this crucial service responsive to what young people tell them and in partnership with protection agencies, educators and the corporate sector to ensure the most vulnerable individuals can always access help.

Kids Helpline Circles

Thanks to the generosity of FGX, KHL has developed and launched KHL Circles, a world-first, evidence-based national social networking platform for the group counselling of 13-25 year old young people experiencing mental health issues, including self-harm and suicide ideation.

Created in partnership with The University of Sydney, the 'Circles' platform provides a safe and private networking opportunity that offers a counsellor-led series of education modules about mental health, while also encouraging group members to share their experiences with each other and seek support.

KHL is on-target to exceed the goal of supporting 150 young people annually during KHL Circles' development stages. Feedback received to date shows young people have benefitted from this unique platform with 31% of participants in 2017 reporting improvements in their anxiety or depression symptoms. Some young people disclosed to the Circles group risks not disclosed to their counsellors, enabling Kids Helpline to take action to protect these young people from physical and sexual abuse, and suicide.

KHL Circles has provided tremendous information about how to provide an engaging online social network experience for young people and what benefits those who have not previously engaged in online counselling. In 2018, this information will be used to evolve KHL Circles' modules and engagement strategies in response to what we've learnt and support more young people at risk.

Q&A with Tracy Adams, CEO yourtown and Kids Helpline

What impact does the FGX funding have on your organisation?

The FGX funding is exceptionally important as it is enabling us to partner with The University of Sydney to develop a new way of supporting young people with mental health concerns. Research and innovation are critically important yet it can be very challenging to secure funds which enable new modes of support to be developed, tested and continually refined. The support of FGX is affording us this opportunity and is literally saving young lives.



What is the biggest challenge for the organisation?

Maintaining a focus on innovation and developing new models of service delivery and fundraising streams is a challenge when there is increasing demand for existing services and unfortunately, in some cases, a demand we are unable to meet.

What is a burning issue in the area you operate in?

The lack of alignment of compliance regulations and frameworks nationally is resulting in increasing costs for organisations. Compliance is important and a reality of doing business, however when we have a range of State and Federal frameworks which are not aligned or recognise each other it means resources are being used to duplicate or modify activities when they could be better used to support service delivery, create service innovation and stimulate fundraising.

For more information please visit: kidshelpline.com.au.