ASX announcement

17 June 2021

Future Generation Australia
INVESTMENT & SOCIAL RETURNS

Future Generation Australia Chairman's Address – Annual General Meeting

Delivered by Jonathan Trollip at the Annual General Meeting of shareholders on Thursday, 17 June 2021.

Introduction and welcome

Good morning everyone and a warm welcome to the seventh Annual General Meeting of Future Generation Investment Company Limited (Future Generation Australia or the Company). I am Jonathan Trollip, Chairman of the Board of Directors, and I will be chairing the meeting today. Due to ongoing health concerns as a result of the coronavirus pandemic, this is a hybrid meeting, held both online and in person here at the Museum of Sydney.

Before we begin, I would like to acknowledge the Gadigal people of the Eora nation and pay my respects to their Elders past and present who have been the custodians of this land, on which I stand, for tens of thousands of years. I also acknowledge the custodians of the land on which our shareholders currently stand to view and listen to today's AGM.

Joining me today are my fellow Directors: Future Generation Founder Geoff Wilson AO, Acting CEO of Future Generation Kate Thorley, who is also the CEO of Wilson Asset Management, Stephanie Lai, David Leeton and Gabriel Radzyminski.

I am delighted to also be joined by my fellow Director Caroline Gurney who has accepted the role of CEO of Future Generation following a thorough recruitment process. Caroline has more than 25 years of experience in the financial services sector focused on corporate affairs, marketing and corporate social responsibility. Caroline will bring an impressive skillset, network and energy to the companies when she commences in September 2021.

We are also joined by Jesse Hamilton, CFO at Wilson Asset Management, together with James Williams from Mertons and a representative from our auditor Pitcher Partners, Sylvia Wallace who will be available to address any questions relating to the Company's financial statements. Jesse will also act in the capacity of moderator, assisting to address any questions submitted during this meeting.

Chairman's address

Over the past 15 months the world has faced the monumental challenge of managing the social, economic and human cost of a pandemic. In both management and recovery, there is still a long road ahead. Yet extreme challenge has been matched with human ingenuity, including the record-speed development and rollout of a vaccine. This has been a critical and life-changing development for humanity, and has also helped fuel a reopening of trade that is seeing developed countries – notably Australia and the United States – surpass recovery expectations.

The pandemic has also been met with great humanity and compassion from our charity partners. Partners in community-facing roles experienced surges in demand and increased distress among young people and their carers. Most rapidly re-engineered their services and support to be delivered online or in other ways to align with new circumstances. Their resilience and ingenuity to continue and increase support for young people, even with reduced income, was both humbling and inspiring.

The social footprint of our charity partners is widespread and goes to the heart of our purpose – providing both investment returns and changing the lives of at-risk children and youth in Australia.

2020 financial results and investment performance

Turning to financial performance, in 2020 Future Generation Australia reported an operating profit before tax of $15.3 million (compared to $25.5 million in 2019) and an operating profit after tax of $14.4 million (compared to $22.4 million in 2019). The decrease in operating profit on the corresponding period is primarily due to the reduction in distributions received from the investments with the underlying fund managers during what was a volatile year for equity markets. The total shareholder return (TSR) for the 12 months to 31 December 2020 was 12.9%.

Since inception to 31 December 2020, the investment portfolio has increased 9.6%* per annum, outperforming the Index by 2.1%*. Future Generation Australia's investment portfolio performance has been achieved with less volatility as measured by standard deviation, 11.8% versus the Index's 14.9%.

For the year ended 31 December 2020 the investment portfolio increased by 10.0%* while the S&P/ASX All Ordinaries Accumulation Index rose 3.6%, an outperformance of 6.4%*. Total comprehensive income for the year was $33.5 million (compared to $63.3 million in 2019) and reflects the solid investment portfolio performance and capital growth achieved on the investments with the underlying fund managers. Total comprehensive income is driven by the change in dollar value of the investment portfolio in each period. In 2019, the value of the investment portfolio, or the gross assets of the Company, increased by $89.4 million** as the investment portfolio performance increased 20.7% for the year. In the year ended 31 December 2020, the value of the investment portfolio increased by $47.9 million** as the investment portfolio performance increased 10.0%.

The Future Generation Australia investment portfolio is structured to provide shareholders with access to leading boutique Australian fund managers, portfolio diversification and reduced volatility.

Future Generation Australia's Investment Committee, which met regularly during the year, works to provide investors with risk-adjusted returns derived from a balanced and diversified portfolio allocated to leading Australian fund managers. The Investment Committee has selected 18 fund managers with investments in 22 unlisted unit trusts that employ three broad investment strategies: long equities, absolute bias and market neutral. A number of the underlying funds are closed to new investors or closed to retail investors providing a unique access opportunity for shareholders of the Company. As at 31 December 2020, the portfolio was 45.2% long equities, 37.9% absolute bias, 7.6% market neutral and 9.3% cash.

Increased fully franked dividend

In February 2021, Future Generation Australia declared a fully franked final dividend of 2.6 cents per share to shareholders bringing the fully franked full-year dividend to 5.2 cents per share, a 4.0% increase on the prior year during a time when many companies and shareholders were facing dividend cuts.

The Board is committed to paying a stream of fully franked dividends to shareholders, provided the Company has sufficient profit reserves, franking credits and it is within prudent business practice. Since inception in September 2014, Future Generation Australia has paid 27.3 cents per share in fully franked dividends to shareholders. As at 31 December 2020, Future Generation Australia had a profits reserve of 7.1 cents per share.

Company's objectives and operation

The objectives of the Company are to provide shareholders with an attractive investment and to provide a source of funding for Australian charities with a focus on children and youth at risk.

The Company provides shareholders with unprecedented access to leading Australian equity fund managers without paying management or performance fees.

*Investment portfolio performance and Index returns are before expenses, fees and taxes.

**Representing total income and other comprehensive income, before tax.

All participating fund managers have agreed to forgo management and performance fees and Directors, the Investment Committee and most service providers are working on a pro bono basis. This allows the Company to invest an amount equal to 1.0% of its average monthly net tangible assets primarily in Australian children and youth at risk charities each financial year.

We are grateful for our fund managers having forgone management and performance fees for the period totalling $7.5 million in savings during 2020. To our fund managers, thank you for your outstanding generosity in managing Future Generation Australia's capital entirely pro bono. The value of the leading service providers, including the Board and Investment Committee working on a pro bono basis, totalled $1.1 million. These savings to shareholders exceeded the 2020 annual investment to charities.

Through an investment in Future Generation Australia, shareholders have the opportunity to gain unprecedented access to leading Australian fund managers in a single investment vehicle while providing a stream of income to charities working to better the lives of young Australians. I would like to thank you, our shareholders, for your continued support of Future Generation Australia and for being part of the Company's innovative approach to wealth creation which demonstrates that both shareholder and social returns can be achieved together.

Social impact update

In October 2020, Future Generation Australia made its sixth annual investment of $4.8 million in its 12 charity partners who work with children and youth at risk, supporting them to thrive. As I mentioned, our partners have demonstrated resilience and ingenuity in delivering their various support services for young people in the last 12 months. We are also pleased that the Company is on track to deliver its seventh annual investment of approximately $5.2 million for payment in October 2021, bringing the total charitable investment since inception to over $26.7 million.

In May 2020, Emily Fuller commenced in the newly created role of Social Impact Manager, bringing a wealth of experience spanning philanthropy, research, international development and communications. Emily oversees all charitable aspects related to Future Generation Australia.

It is important for us to work closely with our charity partners, to ensure that our shareholders' investment achieves an impactful social return. Throughout the year, we undertook detailed analysis of the outcomes of the work of each of our partner organisations since we started supporting them. Partners have provided a huge range of different supports to young people at risk. The outcomes are broad and some very profound. Some young people have broken the cycle of disadvantage – by ending their homelessness or stopping criminal offending. Many have made social and emotional wellbeing leaps – improved self-esteem, resilience, confidence and improved relationships. There have been numerous educational achievements – improved school attendance, engagement in learning, improvements in numeracy and literacy, Indigenous students graduating from school and university, often the first in their families to do so.

Across the board, our charity partners tell us that having Future Generation Australia's support has often been the impetus for innovating and driving improvements in their work. This is critical in the pursuit of a brighter future for all young Australians.

I would also encourage you to visit our website, futuregeninvest.com.au, where you can find all relevant information and join over 20,000 subscribers to our investment and charitable newsletters. And we will continue to update shareholders through our weekly investment insights newsletter, monthly investment update and other communications.

Before I conclude, there are a number of people I would like to acknowledge and thank. In April 2021, Louise Walsh stepped down as CEO after almost six years of exceptional service to the Company, and we thank her for her outstanding contribution. My thanks to Kate Thorley for so seamlessly performing the Acting CEO role, and we are very excited about the next stage when fellow director Caroline Gurney will take over as permanent CEO in a few months' time.

I thank my fellow Directors and Committee members who give generously of their time, skills and experience. I also thank our fund managers and service providers who also so generously give their time and effort to support Future Generation Australia on a pro bono basis. And a very special thank you to the team at Wilson Asset Management.

Above all, on behalf of all of us, I reiterate my thanks to you, our shareholders, for your continued support of Future Generation Australia.

This announcement has been authorised for release by the Board of Directors.

About Future Generation Australia

Listed in 2014, Future Generation Investment Company Limited (ASX: FGX) provides:

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

For more information visit www.futuregeninvest.com.au or contact:

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