

Dear Fellow Shareholder,

Investment portfolio performance

In August, the Reserve Bank of Australia (RBA) held its cash rate at 4.1% as Australian equities softened following underwhelming guidance from companies throughout reporting season. Globally, inflation, economic data from China and the US Federal Reserve's July meeting weighed on investor confidence with the MSCI AC World Index closing down 2.8% in USD terms. The US Dollar's appreciation against the Australian Dollar led to the MSCI AC World Index (AUD) to close up 1.0% in August.

The Future Generation Australia (ASX: FGX) investment portfolio increased 0.1%* for the month, outperforming the S&P/ASX All Ordinaries Accumulation Index which fell 0.7%. The Future Generation Global (ASX: FGG) investment portfolio increased 0.8%* in August.

Since inception, the Future Generation Australia investment portfolio has increased 11.8%* per annum and the Future Generation Global investment portfolio has increased 8.1%* per annum. The investment portfolios' performance has been achieved with less volatility than their respective indexes, as measured by standard deviation.

Future Generation Australia and Future Generation Global announce increased interim fully franked dividends

The Future Generation Australia Board of Directors [declared](#) an increased interim fully franked dividend of 3.35 cents per share. This provides shareholders an annualised fully franked dividend yield of 5.9%^{***} and a grossed-up dividend yield of 8.4%[^]. Since inception, Future Generation Australia has paid 39.8 cents per share in fully franked dividends to shareholders.

The Future Generation Global Board of Directors [declared](#) an increased interim fully franked dividend of 3.6 cents per share. This provides shareholders an annualised fully franked dividend yield of 6.1%^{^^} and a grossed-up dividend yield of 8.7%[^]. Since inception, Future Generation Global has paid 19.5 cents per share in fully franked dividends to shareholders.

Vote on our annual social investment

This year, Future Generation Australia will deliver its ninth annual investment of \$5.2 million to its social impact partners with a focus on Australian children and youth at risk and other not-for-profit organisations, taking the total social impact investment since inception to \$37.9 million.

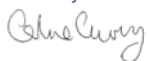
Future Generation Global will deliver its eighth annual investment of \$5.4 million to its social impact partners focused on promoting wellbeing and preventing mental ill-health in young Australians and other not-for-profit organisations, taking the total social impact investment since inception to \$38.0 million.

Voting on Future Generation's annual social investment is [now open](#) and we invite you to allocate your portion of the investment. Voting will close on Friday 29 September at 5:00pm (Sydney time).

Register for the Future Generation HY2023 Results Webinar

Join me for the [Future Generation HY2023 Results Webinar](#) on Thursday 5 October 2023 at 3:30pm (Sydney time). Hear from Geoff Wilson AO, Founder and Director of Future Generation and Future Generation pro bono fund managers Tom Richardson from Paradise Investment Management and Nicholas Markiewicz from Lanyon. Read more on Nicholas' stock selection process in our Take Stock podcast episode summary.

Thank you and best wishes,



Caroline Gurney
CEO, Future Generation



^{*}Investment portfolio performance is before expenses, fees and taxes to compare to the relevant indexes which are also before expenses, fees and taxes.

[^]Based on the 13 September 2023 share price of \$1.14 per share.

^{^^}Grossed-up dividend yield includes the benefit of franking credits and is based on a tax rate of 30.0%.

^{***}Based on the 13 September 2023 share price of \$1.19 per share.

\$75.9m

SOCIAL
INVESTMENT
TO 2023



\$5.2m

Future
Generation
Australia
2023

\$5.4m

Future
Generation
Global
2023

2023 total social
investment

\$10.6m

2023 annualised
management fees,
performance fees and
service provider fees
forgone

\$17.6m

Total annualised
management fees,
performance fees
and service provider
fees forgone since
inception to 2023

\$131.3m

Investment portfolio performance

*The August 2023 NTA before tax is after the payment of \$1.4m (0.34 cents per share) in tax during the month.

Net tangible assets before tax*	Gross assets	Dividends paid since inception (per share)
132.39c	\$544.1m	39.8c
Net tangible assets after tax and before tax on unrealised gains	Market capitalisation#	Profits reserve (per share)
132.59c	\$471.0m	30.2c
Net tangible assets after tax	Volatility^	Annualised fully franked interim dividend yield#
128.93c	11.8% S&P/ASX All Ordinaries Accumulation Index: 14.4%	5.8% Grossed-up dividend yield: 8.3%^^

#Based on the 31 August 2023 share price of \$1.16 per share and the FY23 annualised interim fully franked dividend of 6.7 cents per share. Future Generation Australia has 406,064,249 shares on issue.

^Volatility is measured by standard deviation

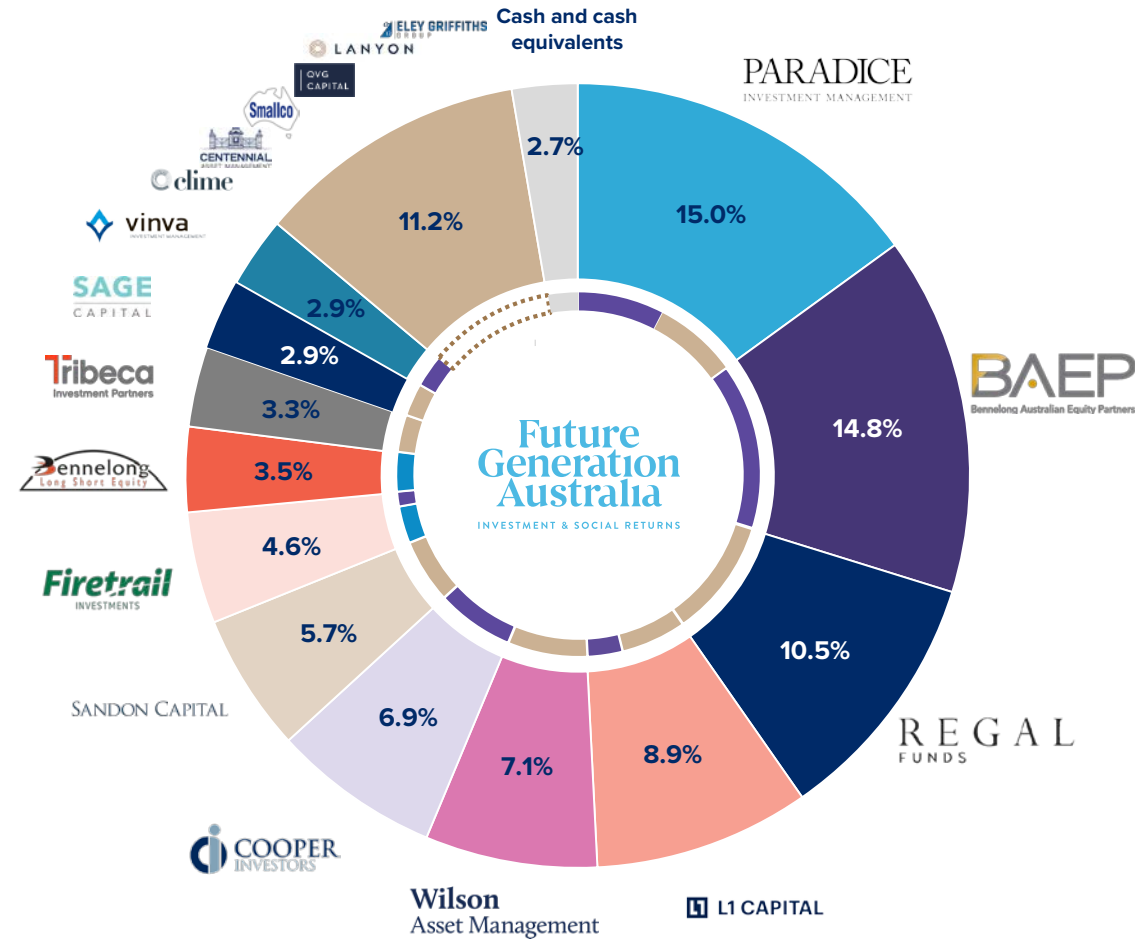
^^Grossed-up dividend yield includes the benefit of franking credits and is based on a tax rate of 30.0%.

Investment portfolio performance at 31 August 2023	1 mth	Fin YTD	1 yr	3 yrs %pa	5 yrs %pa	7 yrs %pa	Since inception %pa (Sept-14)
Future Generation Australia	0.1%	8.8%	7.3%	8.9%	7.0%	8.3%	8.8%
S&P/ASX All Ordinaries Accumulation Index	-0.7%	7.0%	8.9%	10.5%	7.2%	8.7%	7.6%

Investment portfolio performance is before expenses, fees and taxes to compare to the relevant index which is also before expenses, fees and taxes. Future Generation Australia's financial year is from 1 January to 31 December.

Fund manager allocations

0% management fees
0% performance fees



11.2% fund manager breakdown

Cline Investment Management	2.8%	QVG Capital	1.6%	Absolute bias	46.3%
Centennial Asset Management	2.5%	Lanyon	1.1%	Long equities	44.2%
Smallco Investment Manager	2.1%	Eley Griffiths Group	1.1%	Market neutral	6.8%
				Cash	2.7%

Investment portfolio performance

Net tangible assets before tax	Gross assets	Profits reserve (per share)
147.76c	\$592.4m	52.7c
Net tangible assets after tax and before tax on unrealised gains	Market capitalisation [#]	Annualised fully franked interim dividend yield [#]
147.85c	\$475.6m	6.0% Grossed-up dividend yield: 8.6% [^]
Net tangible assets after tax	Volatility [*]	ESG aware ^{^^} (of the portfolio)
141.72c	9.7% MSCI AC World Index (AUD): 10.7%	98.3%

[#]Based on the 31 August 2023 share price of \$1.20 per share and the FY23 annualised interim fully franked dividend of 7.2 cents per share. Future Generation Global has 396,293,447 shares on issue.

[^]Grossed-up dividend yield includes the benefit of franking credits and is based on a tax rate of 30.0%.

^{*}Volatility is measured by standard deviation.

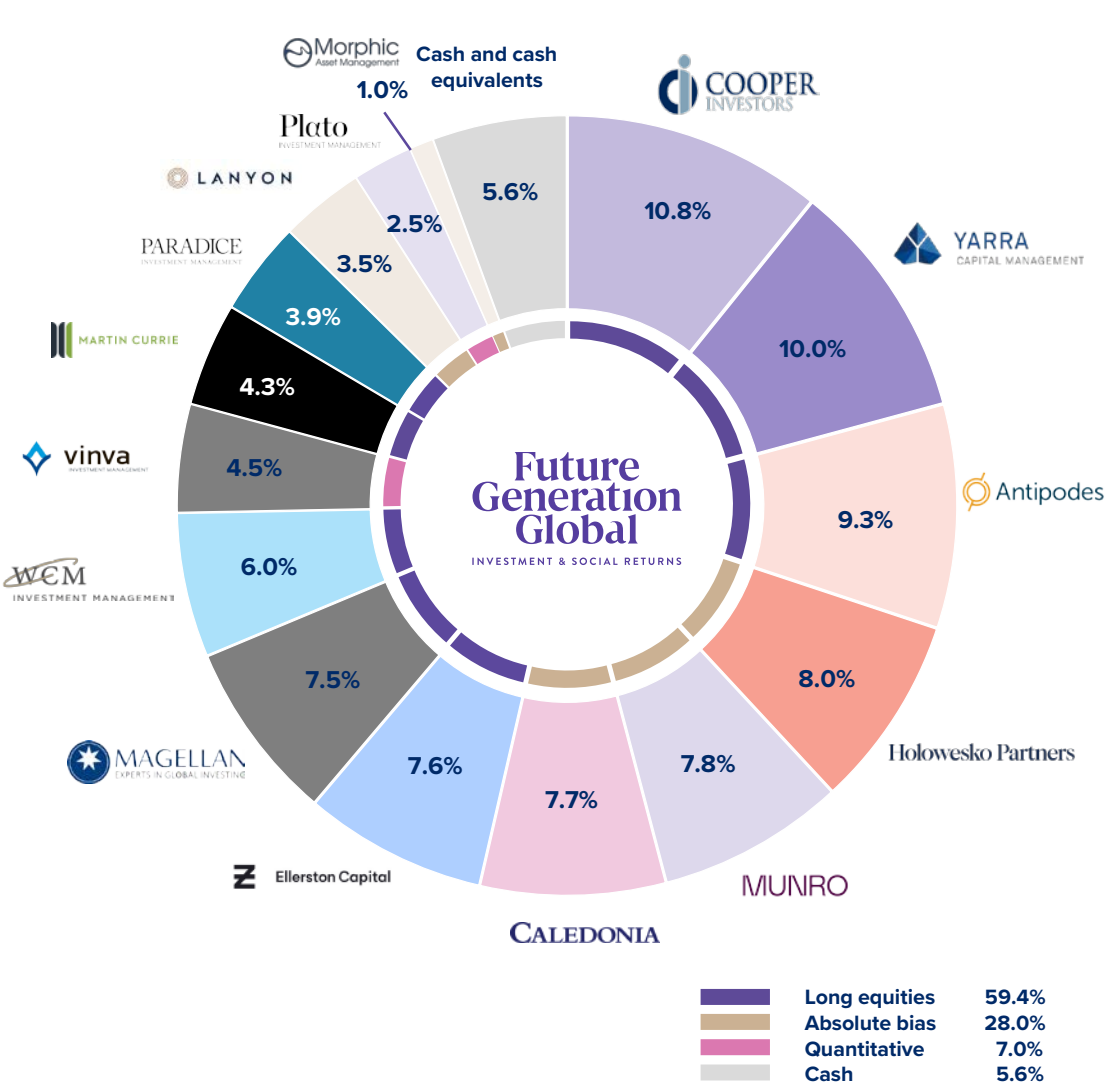
^{^^}As reported in the 2022 Annual Report.

Investment portfolio performance at 31 August 2023	1 mth	Fin YTD	1 yr	3 yrs %pa	5 yrs %pa	7 yrs %pa	Since inception %pa (Sept-15)
Future Generation Global	0.8%	16.7%	18.7%	4.9%	6.3%	9.2%	8.1%
MSCI AC World Index (AUD)	1.0%	21.0%	20.7%	12.1%	9.7%	11.7%	10.5%

Investment portfolio performance is before expenses, fees and taxes to compare to the relevant index which is also before expenses, fees and taxes. Future Generation Global's financial year is from 1 January to 31 December.

Fund manager allocations

0% management fees
0% performance fees



Nicholas Markiewicz

Portfolio Manager at Lanyon



We hope you enjoy this episode of Take Stock, a new podcast series by Future Generation. The episode is available [here](#), and below is a short edited summary.

At any given time, how many stocks are you looking at?

On my shortlist today there is around 30-40 companies and the reason it is such a small amount is at Lanyon we run small, concentrated portfolios. We typically have 15-25 businesses that we own and there is a very simple reason for that. It is because we think that the first 10 ideas are generally better than our last 10 ideas and the idea of running a 100 stock portfolio makes less sense to us than a 15-25 stock portfolio. Because of that smaller portfolio size, it means we can be really selective about the businesses that we have on our watch list. So typically, it is 30-40. Sometimes it could be more if there is a lot of opportunities out there. And sometimes it could be only a small number of stocks that we are actively considering if markets are expensive or nothing appeals to us.

How do you go about selecting a stock?

Finding companies to invest in is the core of what we do at Lanyon, and fund managers ultimately live and die by the quality and efficacy of their ideas. For Lanyon specifically, our goal for our investors is to preserve their capital and deliver strong risk-adjusted returns. We think that the best way to do this is by identifying and then buying what we would call a mispriced company. That is where there is a clear gap between the market value of a company, which is the stock price, and the underlying value, or the underlying fundamental value of the business. When you study finance at University, you get taught that markets are efficient and I think that's probably true for most stocks and most indices in aggregate, but experience tells us that there is often times when severe dislocations in value, that is the difference between the stock price and the underlying value of that company, can happen. And they happen for lots of different reasons, but at Lanyon we think it is our job to find those mispricing opportunities and then exploit them for our shareholders. So taking this a step further, we try and find these mispriced businesses, but the additional caveat would be that we try and do this in an incredibly low risk way. That is, we try and find businesses where there is a risk asymmetry, where the downside is low if we are wrong, but the upside is potentially very high if we are right. The best analogy I can give is the heads and tails analogy, where heads I win, and tails I don't lose too much.

How do you know when you are wrong about a stock?

The short answer is, you are wrong on the stock if the stock price is falling. For our investors, we are trying to preserve their capital and if their capital is being impaired, then ultimately you are wrong. Whether you know to double the position or increase the position, that is a function of why the stock price is falling. The stock price could simply be falling for any number of reasons, but it could be falling because the stock sits in a geography that is falling in unison. For example, Universal Music Group (AMS: UMG) listed in Amsterdam. 90% of its revenue is derived from the world in general, but when Ukraine was invaded by Russia, Universal Music Group fell 50% in US dollar terms alongside the rest of Europe. So we had a thesis on Universal Music Group and it fell in sympathy with Europe. However the underlying thesis didn't really change too much given 90% of its revenues were US dollar based and derived from around the world. In that sense, the decision to add or increase that position is just a function of the stock price being deviated for identifiable reasons and having the confidence to add to our position. But sometimes stock prices will fall because there has been a change in the investment case. Maybe there has been a downgrade to company earnings, or maybe there has been a change in management or the capital management policy, and then it is up to us to work out what that means for our investment case. Whether our investment case still stands, whether it has been diminished somewhat, whether it has improved, and so then it is up to us to make that call as to what we do with the underlying position.

The Future Generation companies provide exposure to leading Australian and global fund managers

Future Generation Australia fund managers



Future Generation Global fund managers



Social impact partner in focus:

**PREVENTION
UNITED**

Prevention United

Unlike other mental health organisations in Australia, Prevention United has an exclusive focus on promoting mental wellbeing and preventing mental health conditions – across the entire spectrum of conditions.

“In health, we always say that an ounce of prevention is worth a pound of cure. That doesn't mean we can prevent every condition every time. However, if we can reduce people's risk of mental health problems, then there are strong economic and moral reasons for doing so.”

[Read a Q&A](#) with Stephen Carbone, Founder and CEO of Prevention United.

For more information, visit
<https://futuregeninvest.com.au/>

Our social impact partners



Our pro bono service providers



**Fund manager
allocation and
investments at
market value as at
31 August 2023**

Fund Manager	Investment	Strategy	% of Gross Assets
	Mid Cap/Equity Alpha Plus Funds (split out below)		15.0%
Paradice Investment Management	Paradice Australian Mid Cap Fund	Long equities	7.6%
	Paradice Equity Alpha Plus Fund	Absolute bias	7.4%
Bennelong Australian Equities Partners	Bennelong Australian Equities Fund	Long equities	14.8%
Regal Funds Management	Regal Australian Long Short Equity Fund	Absolute bias	10.5%
	Long Short/Catalyst Funds (split out below)		8.9%
L1 Capital	L1 Capital Long Short Fund	Absolute bias	5.8%
	L1 Capital Catalyst Fund	Long equities	3.1%
Wilson Asset Management	Wilson Asset Management Equity Fund	Absolute bias	7.1%
Cooper Investors	Cooper Investors Australian Equities Fund	Long equities	6.9%
Sandon Capital	Sandon Capital Activist Fund	Absolute bias	5.7%
	Absolute Return/High Conviction Funds (split out below)		4.6%
Firetrail Investments	Firetrail Absolute Return Fund	Market neutral	3.3%
	Firetrail High Conviction Fund	Long equities	1.3%
Bennelong Long Short Equity Management	Bennelong Long Short Equity Fund	Market neutral	3.5%
Tribeca Investment Partners	Tribeca Alpha Plus Fund	Absolute bias	3.3%
Sage Capital	Sage Capital Equity Plus Fund	Absolute bias	2.9%
Vinva Investment Management	Vinva Australian Equities Fund	Long equities	2.9%
Clime Investment Management	Clime Australian Equities Fund	Long equities	2.8%
Centennial Asset Management	The Level 18 Fund	Absolute bias	2.5%
Smallco Investment Manager	Smallco Broadcap Fund	Long equities	2.1%
QVG Capital	QVG Opportunities Fund	Long equities	1.6%
Lanyon	Lanyon Australian Value Fund	Absolute bias	1.1%
Eley Griffiths Group	Eley Griffiths Group Small Companies Fund	Long equities	1.1%
	Cash and cash equivalents		2.7%

**Fund manager
allocation and
investments at
market value as at
31 August 2023**

Fund Manager	Investment	Strategy	% of Gross Assets
Cooper Investors	Cooper Investors Global Equities Fund (Unhedged)	Long equities	10.8%
Yarra Capital Management	Yarra Global Share Fund	Long equities	10.0%
Antipodes Partners	Antipodes Global Fund - Long	Long equities	9.3%
Holowesko Partners	Holowesko Global Fund Limited - Class A	Absolute bias	8.0%
Munro Partners	Munro Global Growth Fund	Absolute bias	7.8%
Caledonia	Caledonia Global Fund	Absolute bias	7.7%
Ellerston Capital	Ellerston Global Mid Small Cap Fund	Long equities	7.6%
Magellan Asset Management	Magellan Global Fund	Long equities	7.5%
WCM Investment Management	WCM Quality Global Growth Fund (Hedged)	Long equities	6.0%
Vinva Investment Management	Vinva International Equity Fund	Quantitative	4.5%
Martin Currie Investment Management	Martin Currie Global Long-term Unconstrained Fund	Long equities	4.3%
Paradise Investment Management	Paradise Global Small Mid Cap Fund (Unhedged)	Long equities	3.9%
Lanyon	Lanyon Global Value Fund	Absolute bias	3.5%
Plato Investment Management	Plato Global Alpha Fund – Class Z	Quantitative	2.5%
Morphic Asset Management	Morphic Ethical Equities Fund Limited	Absolute bias	1.0%
	Cash and cash equivalents		5.6%