

# Appendix 4E

# Annual Report

for the year ended 31 December 2019

**Future  
Generation  
Global**

INVESTMENT & SOCIAL RETURNS

## Results for announcement to the market

All comparisons to the year ended 31 December 2018

Future Generation Global  
Investment Company Limited  
ABN 52 606 110 838

	UP/DOWN	% MVMT	\$'000
<b>Revenue from ordinary activities</b>	down	(11.8%)	19,121
<b>Profit from ordinary activities before tax</b>	down	(23.2%)	13,117
<b>Net profit from ordinary activities after tax</b>	down	(32.9%)	8,562
<b>Total comprehensive income for the period</b>	up	660.3%	66,026

Dividend information	Cents per share	Franked amount per share	Tax rate for franking
June 2019 dividend cents per share	1.5	1.5	30%
June 2018 dividend cents per share	1.0	1.0	30%

Net Tangible Assets (NTA)	31 DEC 2019	31 DEC 2018
NTA (after tax) per share	<b>\$1.39</b>	<b>\$1.24</b>

Future Generation Global  
Investment Company Limited

# Annual Report

For the year ended  
31 December 2019

ABN 52 606 110 838



**Future  
Generation  
Global**

INVESTMENT & SOCIAL RETURNS

# Future Generation Global Investment Company Limited

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**The principal activity of the Company is to provide diversified exposure to global equities while also helping to improve the lives of young Australians affected by mental ill health.**

## Chairman

Belinda Hutchinson AM

## Directors

Frank Casarotti  
Kiera Grant  
Sarah Morgan  
Jonathan Nicholas  
Geoff R Wilson  
Geoff Wilson AO

## Joint Company Secretaries

Mark Licciardo  
Kate Thorley

## Investment Committee

Sean Webster (Chair)  
Gary Bradar  
Chris Donohoe  
Lukasz de Pourbaix  
Aman Ramrakha  
Geoff Wilson AO

## Chief Executive Officer

Louise Walsh

## Auditor

Pitcher Partners

## Country of Incorporation

Australia

## Registered Office

Level 26, Governor Phillip Tower  
1 Farrer Place, Sydney NSW 2000

## Contact Details

Postal Address: GPO Box 4658  
Sydney NSW 2001

T: (02) 9247 9202  
F: (02) 9247 6855  
E: [info@futuregeninvest.com.au](mailto:info@futuregeninvest.com.au)  
W: [futuregeninvest.com.au](http://futuregeninvest.com.au)

## Australian Securities Exchange

Future Generation Global Investment Company Limited Ordinary Shares (FGG)

## Share Registry

Boardroom Pty Limited  
Level 12, 225 George Street  
Sydney NSW 2000

T: (02) 9290 9600  
F: (02) 9279 0664

For enquiries relating to shareholdings, dividends (including participation in the Dividend Reinvestment Plan and Dividend Donation Plan) and related matters, please contact the share registry.



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## Future Generation Semi-Annual Shareholder Presentations

### Sydney

**21 May 2020**

Sofitel Sydney  
61-101 Phillip Street  
Sydney NSW 2000

### Shareholder Update and Investment Forum

12.30pm – 2.15pm

### Annual General Meeting

3.15pm – 3.45pm

### Melbourne

**12 May 2020**

12.15pm – 1.15pm  
Sofitel Melbourne  
25 Collins Street  
Melbourne VIC 3000

### Brisbane

**19 May 2020**

12.15pm – 1.15pm  
Hilton Hotel  
190 Elizabeth Street  
Brisbane QLD 4000

### Perth

**14 May 2020**

12.15pm – 1.15pm  
Ritz-Carlton Perth  
1 Barrack Street  
Perth WA 6000

### Newcastle

**8 May 2020**

12.15pm – 1.15pm  
Rydges Newcastle  
Cnr Wharf Road & Merewether Street  
Newcastle NSW 2300

### Canberra

**18 May 2020**

12.15pm – 1.15pm  
Hotel Realm  
18 National Circuit  
Canberra ACT 2600

### Adelaide

**13 May 2020**

12.15pm – 1.15pm  
Hilton Hotel  
233 Victoria Square  
Adelaide SA 5000

### Launceston

**7 May 2020**

12.15pm – 1.15pm  
Peppers Silo Hotel  
89-91 Lindsay Street  
Launceston TAS 7248

Dates and venues are subject to change. Please visit [futuregeninvest.com.au](http://futuregeninvest.com.au) for the latest details.

# Key Highlights

Operating profit before tax

**\$13.1m**

Investment portfolio performance\*

**+20.5%**

Savings on management fees, performance fees & services forgone

**\$7.8m**

2019 investment in youth mental health

**\$4.9m**

## Summary of FY2019 results

The Company reported an operating profit before tax of \$13.1 million for the year ended 31 December 2019 (2018: \$17.1 million) and an operating profit after tax \$8.6 million (2018: \$12.8 million). 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 the year. Total comprehensive income for the year was \$66.0 million (2018: \$8.7 million) and reflects the solid investment portfolio performance and capital growth achieved on the investments with the underlying fund managers.

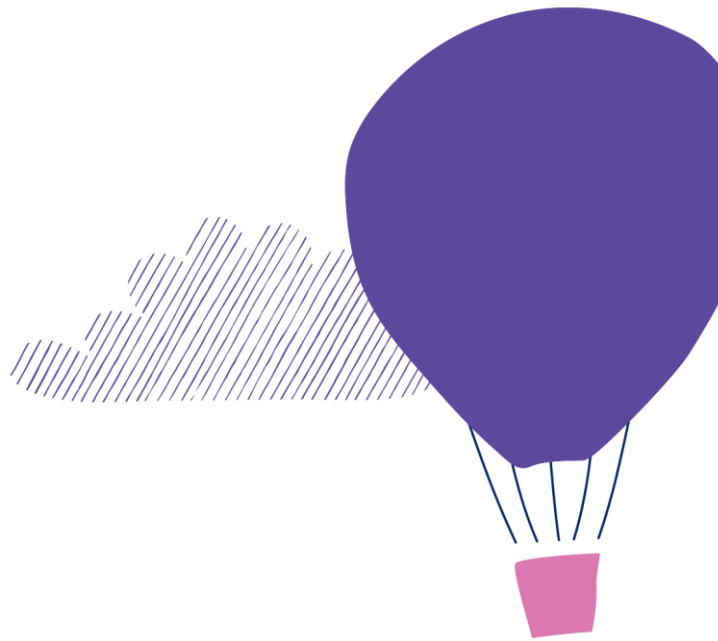
For the year ended 31 December 2019 the investment portfolio increased 20.5%\*. The MSCI AC World Index (AUD) rose 26.9% for the year. Since inception, the investment portfolio has increased 10.2% per annum. FGG's investment portfolio performance has been achieved with less volatility as measured by standard deviation, 8.4% versus the Index's 9.9%.

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

## Snapshot as at 31 December 2019

<b>ASX code</b>	<b>FGG</b>
<b>Listing date</b>	<b>Sept 2015</b>
<b>Gross assets</b>	<b>\$580.7m</b>
<b>Market capitalisation</b>	<b>\$500.4m</b>
<b>Share price</b>	<b>\$1.275</b>
<b>Net tangible assets (pre-tax)</b>	<b>\$1.47</b>
<b>Shares on issue</b>	<b>392,455,012</b>
<b>Fully franked dividend (June 2019)</b>	<b>1.5c</b>
<b>Management fees</b>	<b>0.0%</b>
<b>Performance fees</b>	<b>0.0%</b>
<b>Annual charity investment (% of NTA)</b>	<b>1.0%</b>





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# Chairman & Chief Executive Officer's Letter

Dear fellow shareholders,



We would like to thank you for your continued support of Future Generation Global Investment Company Limited (FGG or the Company).

During 2019 the Company delivered on its objectives of providing shareholders with an attractive investment and providing a source of funding for Australian charities with a focus on youth mental health. We wish to thank and congratulate our generous fund managers for making this possible.

In 2019, the Company reported an operating profit before tax of \$13.1 million for the year ended 31 December 2019 (2018: \$17.1 million) and an operating profit after tax \$8.6 million (2018: \$12.8 million). 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 the year. Total comprehensive income, including net realised and unrealised gains and losses on investments for the year was \$66.0 million (2018: \$8.7 million) and reflects the solid investment portfolio performance and capital growth achieved on the investments with the underlying fund managers.

The Company made its fourth annual investment of \$4.9 million (2018: \$3.6 million) to improve youth mental health in Australia in October last year. Of this, \$3.4 million (2018: \$2.7 million) was allocated to the ten FGG designated charities and the remaining \$1.5 million (2018: \$0.9 million) contributed to other charities with Australian deductible gift recipient (DGR) status as nominated by shareholders with 1 million or more shares. The Company is on track to deliver its fifth annual investment of approximately \$5.9 million this year.

**We continue to work closely with our charities and in 2019 conducted a comprehensive review of their performance to ensure FGG's significant social investment is contributing to improving mental health outcomes for young Australians.**

During the year, we undertook a comprehensive review of our designated charities' performance to ensure FGG's significant social investment continues to result in measurable improvements. As a result, two Future Generation Investment Company Limited (ASX: FGX) charities, Kids Helpline (part of Yourtown) and Youth Focus, were transferred to FGG as they are specifically focused on youth mental health and therefore more aligned to FGG's charitable investments.

## Company performance

The Company's primary investment objective is to provide shareholders with long-term capital growth through diversified exposure to high quality fund managers investing in global equities. As a listed investment company, there are three key measures we use to evaluate the performance of FGG, which are: investment portfolio performance; net tangible asset (NTA) growth; and total shareholder return (TSR). Investment portfolio performance measures the growth of investments with the underlying fund managers and cash before expenses, fees and taxes. The MSCI AC World Index (AUD) is also measured before expenses, fees and taxes. NTA growth is the change in value of the Company's assets, less liabilities and costs and is essentially the realisable value of the Company. The NTA is announced to shareholders on the ASX each month. TSR measures the tangible value shareholders gain from share price growth and dividends paid over the period. Importantly, TSR does not include the value of franking credits distributed to shareholders by way of fully franked dividends.



# Chairman & Chief Executive Officer's Letter

## 1. Investment portfolio performance

Performance at 31 December 2019	1 yr	3 yrs %pa	Since inception %pa (Sept-15)	Volatility (% standard deviation)
FGG Investment Portfolio	20.5%	13.3%	10.2%	8.4%
MSCI AC World Index (AUD)	26.9%	13.5%	11.2%	9.9%

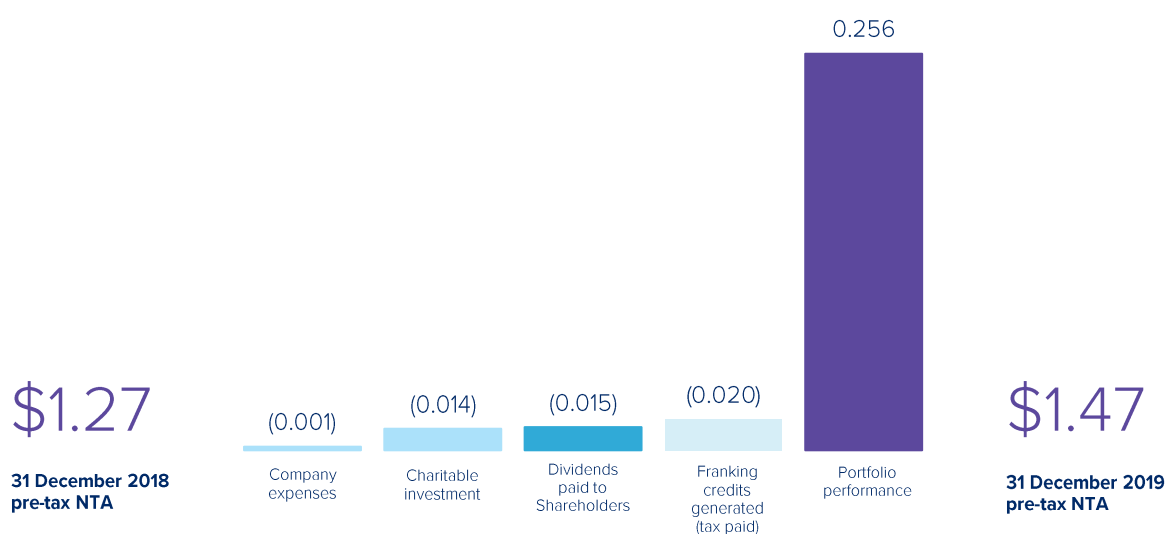
Investment portfolio performance and Index returns are before expenses, fees and taxes.

For the year ended 31 December 2019, the investment portfolio increased 20.5%. The MSCI AC World Index (AUD) rose 26.9% for the year. Since inception, the investment portfolio has increased 10.2% per annum. FGG's investment portfolio performance has been achieved with less volatility as measured by standard deviation, 8.4% versus the Index's 9.9%.

## 2. NTA growth

FGG's pre-tax NTA increased 17.5% for the 12 months to 31 December 2019, including the 1.5 cents per share of fully franked dividend paid to shareholders during the year. This increase is after corporate tax paid of 2.0 cents per share or 1.9% during the year. Corporate tax payments made throughout the period and the charitable investment of 1.0% were the major items of difference between the investment portfolio performance of 20.5% and the net tangible asset performance. The franking credits attached to corporate tax payments are available for distribution to shareholders through fully franked dividends. Company related expenses of 0.1% also contributed to the change in value of the assets during the year.

### FGG's pre-tax NTA performance



## 3. Total shareholder return

This measure shows the tangible return to shareholders, being the change in the share price together with dividends, assuming the dividends are reinvested during the period. The TSR for FGG for the year to 31 December 2019 was impacted by the decline in the share price premium to NTA and the resulting discount at the end of the period. As at 31 December 2019, the share price discount to NTA was 13.4% (2018: premium of 5.1%). This was partially offset by the investment portfolio performance, with TSR decreasing 3.0% for the year. This measure does not value the potential benefit of franking credits distributed to shareholders through fully franked dividends.

# Chairman & Chief Executive Officer's Letter

## Dividends

The Company provides shareholders with a diverse exposure to global equities and as such its returns are predominately delivered through capital growth. The Board is committed to paying fully franked dividends to shareholders, provided the Company has sufficient profit reserves and franking credits and it is within prudent business practices. In August 2019, the Board announced a fully franked dividend of 1.5 cents per share. The dividend was paid in October 2019.

No further dividend has been declared by the Board during or since the end of the year. At this stage, the Board will consider a dividend payment following the June half year result, dependent on released profits from the fund managers over the next six months.

## Investment objectives and portfolio

The Company's primary investment objective is to provide shareholders with long-term capital growth, by providing shareholders with diversified exposure to global equities. The Company's investment philosophy is based on the belief that the diversification of the portfolio is important in managing and mitigating risk and by having a number of different fund managers, the Company has access to a range of investment styles and strategies.

As at 31 December 2019, the investment portfolio was comprised of 13 fund managers with investments in 13 funds and one direct listed investment company.

The spread between the broad equities strategies as at 31 December 2019 was 56.1% long equities, 35.0% absolute bias and 8.9% cash.

## Board of Directors changes

In March 2019, the Board welcomed Geoff R Wilson to the Board of Directors and as Chair of the Audit and Risk Committee. Geoff's broad business experience across a range of sectors spans more than 35 years, holding numerous positions with KPMG in Australia, Hong Kong and Silicon Valley. Geoff was most recently KPMG's Asia Pacific Chief Operating Officer.

In April 2019, the Board welcomed Jonathan Nicholas to the Board of Directors. Jonathan has over 20 years' experience working in youth mental health with ReachOut, acting as CEO of its Australian operations between 2010 and 2018. In 2018, Jonathan established the Wellbeing Outfit, a consulting business specialising in mental health and wellbeing. Jonathan is the deputy chair of the Foundation for Alcohol Research and Education and was previously a director of Mental Health Australia.

## Fund managers and service providers

Through their investment in FGG, shareholders gain unprecedented access to leading global equity fund managers and make a significant contribution to youth mental health in Australia. This is made possible by our fund managers forgoing management and performance fees. The Board of Directors, the Investment Committee and most service providers also work on a pro bono basis.

We would like to thank our fund managers and service providers for their outstanding and continued generosity throughout the period. The value of the management and performance fees forgone by the fund managers for the period totalled \$6.8 million and the value of the leading service providers, including the Board and Investment Committee working on a pro bono basis, totalled \$1.0 million. These savings to shareholders exceed the annual investment to charities.

We would also like to thank all shareholders for being part of the Company's innovative approach to wealth creation which demonstrates that both shareholder and social returns can be achieved together.



**Belinda Hutchinson AM**

Chairman



**Louise Walsh**

Chief Executive Officer

Dated this 28<sup>th</sup> day of February 2020

# Chairman & Chief Executive Officer's Letter

With thanks to the following service providers



“We would like to thank and congratulate our generous fund managers in helping us provide shareholders with an attractive investment and in providing a source of funding for Australian charities with a focus on youth mental health.”



# Investment Committee Report

The Investment Committee of FGG is primarily responsible for selecting fund managers and managing the Company's investment portfolio. The Company's Investment Committee consists of Sean Webster (Chairman), Gary Brader, Chris Donohoe, Lukasz de Pourbaix, Aman Ramrakha and Geoff Wilson AO. The Investment Committees experience and qualifications are provided in the Directors' Report.

The FGG investment portfolio provides a spread between long equities and absolute bias strategies, with the balance of the portfolio held in cash and cash equivalents. As at 31 December 2019, the portfolio was 56.1% long equities, 35.0% absolute bias and 8.9% cash. The composition of the portfolio will vary over time in terms of the allocation to the above strategies as well as allocating to various funds. The long equities portion of the portfolio is predominantly exposed to large-cap and mid-cap stocks with a very small allocation to small-cap stocks.

The investment portfolio was made up of 13 global fund managers with investments in 13 unlisted unit trusts and one direct listed investment company at the end of the period.

At the beginning of the year, additional investments were made with existing fund managers following the successful capital raising at the end of 2018.

The Investment Committee notes that all managers have a belief that the assessment of Environmental, Social and Corporate Governance (ESG) factors adds value to investment returns and the majority have an ESG Charter or Responsible Investment Policy in place.

## Investment portfolio performance

For the year ended 31 December 2019, the investment portfolio increased 20.5%\*. The MSCI AC World Index (AUD) increased 26.9% during the year. Since inception, the investment portfolio has increased 10.2% per annum. FGG's investment portfolio performance has been achieved with less volatility as measured by standard deviation, 8.4% versus the Index's 9.9%.

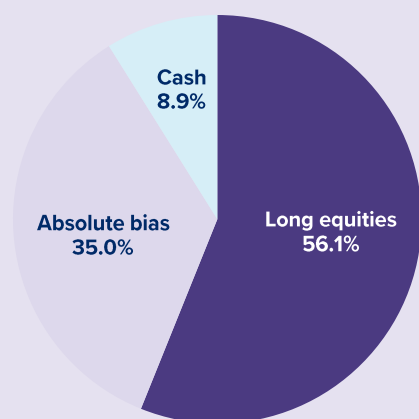
During the year, the FGG investment portfolio allocation to long equities (56.1% as at 31 December 2019) provided a weighted average return of 29.1%, outperforming the MSCI AC World Index (AUD) by 2.2%. This outperformance was offset by the investment portfolios exposure to absolute bias strategies and cash and cash equivalents.

The Investment Committee's allocation to absolute bias strategies provides the investment portfolio with downside protection and reduced volatility. Absolute return strategies seek to earn a positive return, over time, regardless of market conditions. During the year, the MSCI AC World Index (AUD) returned negative performance during three months (May, August and December). Collectively the MSCI AC World Index (AUD) fell 4.7% during these periods. In contrast the investment portfolio, aided by its absolute bias exposure, fell 2.0% during the same three months, resulting in an outperformance of 2.7%.

Since inception the Company's investment portfolio has provided investors with an upside capture ratio of 80% and a downside capture ratio of 68%, demonstrating the defensive characteristics of the investment portfolio.

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

## Investment strategy allocation – as at 31 December 2019



### 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. The long equities portion of the portfolio includes exposure to large-cap, mid-cap and small-cap stocks.

### 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.

# Investment Committee Report

## Fund manager allocation and investments at market value as at 31 December 2019

Fund manager	Investment	Strategy	\$ Value	% of Gross assets
Magellan Asset Management	Magellan Global Fund	Long equities	71,998,412	12.4%
Cooper Investors	Cooper Investors Global Equities Fund (Unhedged)	Long equities	66,312,549	11.4%
Antipodes Partners	Antipodes Global Fund	Absolute bias	57,982,970	10.0%
Marsico Capital Management	Marsico Global Fund	Long equities	45,756,337	7.9%
Caledonia	Caledonia Global Fund	Long equities	44,620,855	7.7%
Nikko Asset Management Australia	Nikko AM Global Share Fund	Long equities	43,705,048	7.5%
VGI Partners	VGI Partners Funds	Absolute bias	37,103,305	6.4%
Manikay Partners	Manikay Global Opportunistic USD Fund	Absolute bias	34,293,580	5.9%
Ellerston Capital	Ellerston Global Mid Small Cap Fund (Unhedged)	Long equities	31,678,234	5.5%
	<i>Global/Ethical Strategies (split out below):</i>		26,607,290	4.6%
Morphic Asset Management	Morphic Global Opportunities Fund	Absolute bias	21,370,326	3.7%
	Morphic Ethical Equities Fund Limited	Absolute bias	5,236,964	0.9%
Munro Partners	Munro Global Growth Fund	Absolute bias	25,039,865	4.3%
Avenir Capital	Avenir Global Fund	Absolute bias	22,050,735	3.8%
Paradice Investment Management	Paradice Global Small Cap Fund	Long equities	20,579,054	3.5%
	Cash and term deposits		51,863,048	8.9%
	Distributions, interest, rebates receivable		1,132,693	0.2%
	<b>Gross Assets</b>		<b>580,723,975</b>	



# Investment Committee Report

The following information summarises the performance, risk matrices and underlying holdings of the FGG investment portfolio at 30 September 2019, using data provided by the underlying fund managers and prepared and analysed by Lonsec and Style Research.

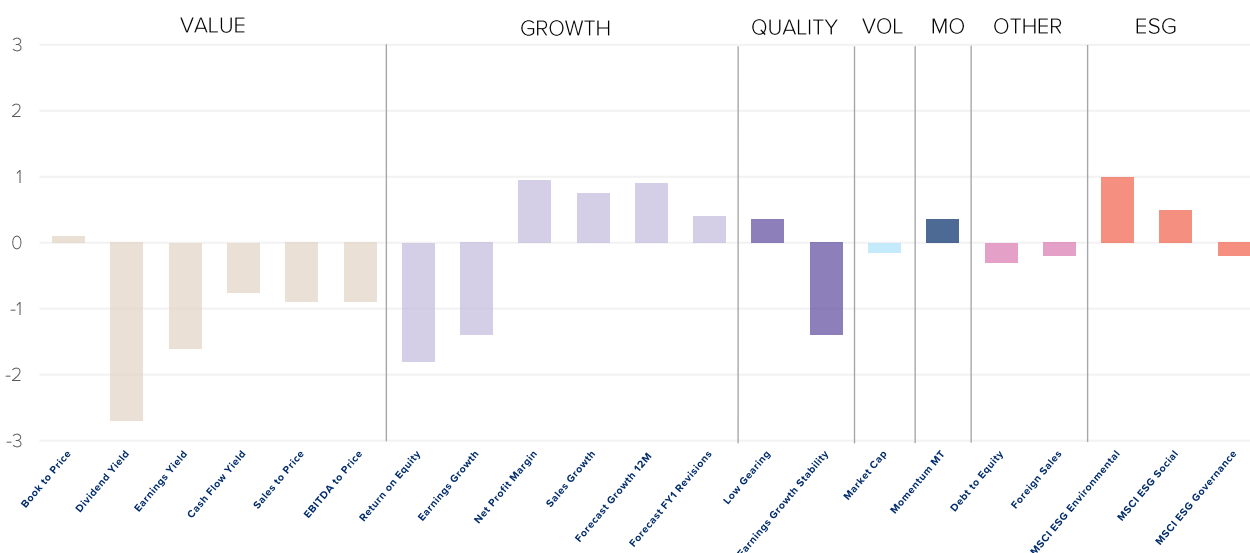
## Holdings based analysis

This analysis is based on the stock holdings within the underlying managers' respective investment portfolios\*. Note that the intention of this analysis is to provide a point in time snap-shot of the portfolio structures and it does not reflect any future biases within the portfolios.

## Style analysis

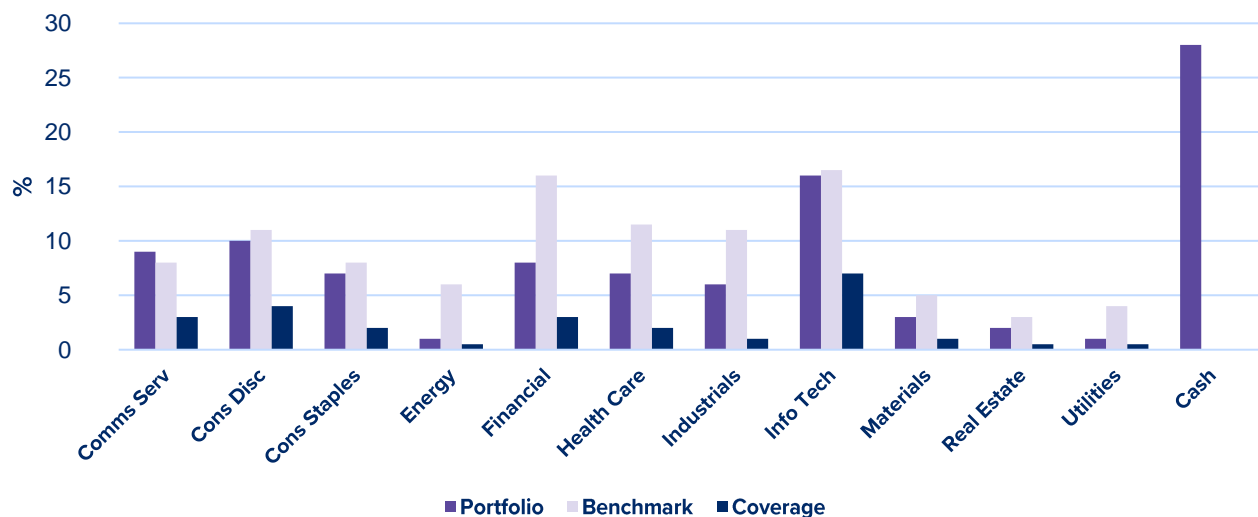
The below chart shows the country and sector-adjusted style tilts exhibited by the blend of global equities in the underlying portfolio of FGG's investments with the fund managers. The value bars (far left-hand side) represent factors associated with a value-based investment style, while the growth bars (second from left) represent factors associated with a growth-based investment style. The blend of global equities within the portfolio exhibited a slight growth style bias when compared to the MSCI AC World NR Index, a global equity investment benchmark.

### Style Skyline (Country and Sector Adjusted)



This chart displays the sector weights of the blend of global equities in the portfolio of the underlying fund managers of FGG and the MSCI AC World NR Index. Coverage data reveals the diversification across the benchmark, for each sector and for the portfolio overall.

### Sector Distribution



\*The holdings based analysis includes over 82% of the investment portfolio.



# Investment Committee Report

## Risk attribution

The following table and chart examine the various risk factors associated with the blend of global equities in the portfolio of the underlying fund managers of FGG. Risk attribution focuses on the estimation, analysis and decomposition of Tracking Error (and Tracking Variance) risk. The decomposition of the Tracking Variance identifies the principal sources of risk and further reveals risk compounding and risk offsets (via the Cross-Terms).

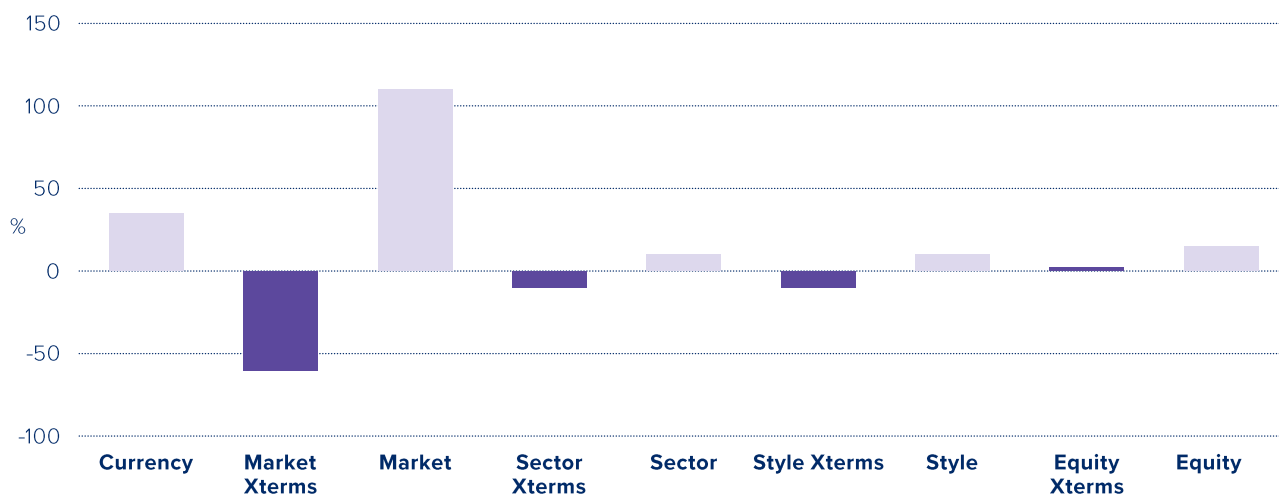
### Risk Estimates

Tracking Error	Coverage	Persistence Ratio	Portfolio Beta	Portfolio Volatility	Benchmark Volatility
<b>2.6%</b>	<b>25.9%</b>	<b>1.1</b>	<b>0.81</b>	<b>8.3%</b>	<b>10.1%</b>
Correlation (Port, BM)	Portfolio Actual Stocks	Benchmark Actual Stocks	Portfolio Effective Stocks	Benchmark Effective Stocks	
<b>0.98</b>	<b>6,067*</b>	<b>2,841</b>	<b>148.9</b>	<b>329.1</b>	

\*The number of Portfolio Actual Stocks includes positions held in Exchange Traded Funds and the underlying stock exposure on a look through basis.

For a description of the key risk measures listed above, please refer to Appendix A on page 11.

### Risk Attribution

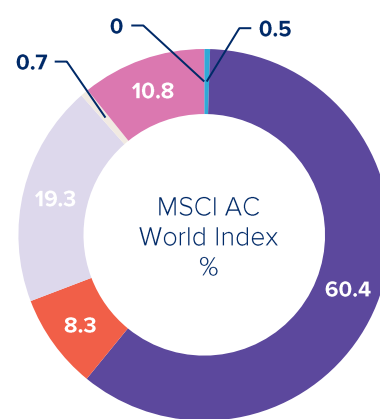
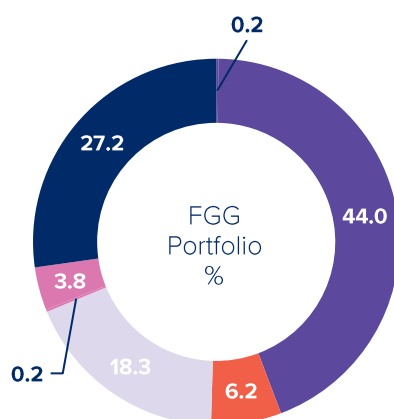


The above chart shows that 110% of the portfolio risk comes from market risk or the extent to which the portfolio exposures to equity markets differs from the benchmark. The next biggest contributor risk is currency at 35% and this shows the extent to which currency exposure of the portfolio differs from the benchmark. The biggest factor reducing risk in the portfolio is the Market Xterms which is the degree to which returns between the portfolio's currencies and markets move in tandem. In this case, these two factors do not move in tandem and therefore reduce overall risk.

# Investment Committee Report

## Regional allocations – as at 30 September 2019

Region	Active position (%)
Africa	-0.3
Americas	-16.4
Asia	-2.1
Europe	-0.9
Middle East	-0.5
Pacific	-7.0
Cash	-27.2

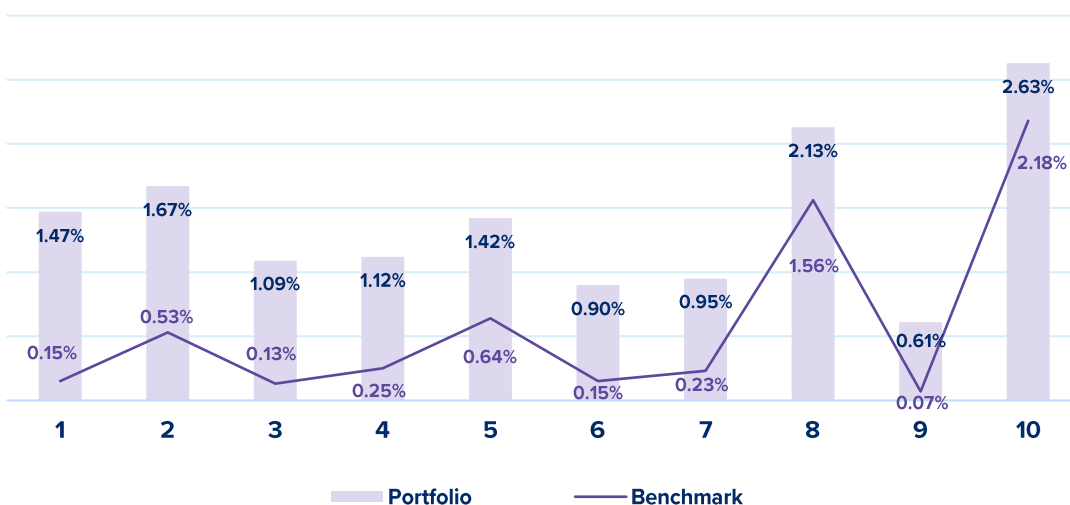


## Detailed portfolio holdings – as at 30 September 2019

### Global equities – top 10 overweights

Holding/Sector	Active position (%)	Holding/Sector	Active position (%)
1 CME Group Incorporated <i>Financials</i>	1.32	6 Celgene Corporation <i>Health Care</i>	0.75
2 MasterCard Incorporated <i>Information Technology</i>	1.14	7 Starbucks Corporation <i>Consumer Discretionary</i>	0.72
3 Colgate-Palmolive Company <i>Consumer Staples</i>	0.96	8 Amazon.com Incorporated <i>Consumer Discretionary</i>	0.57
4 SAP SE <i>Information Technology</i>	0.87	9 Yum! Brands Incorporated <i>Consumer Discretionary</i>	0.54
5 Visa Incorporated <i>Information Technology</i>	0.78	10 Microsoft Corporation <i>Information Technology</i>	0.45

### Active position portfolio and benchmark overweights



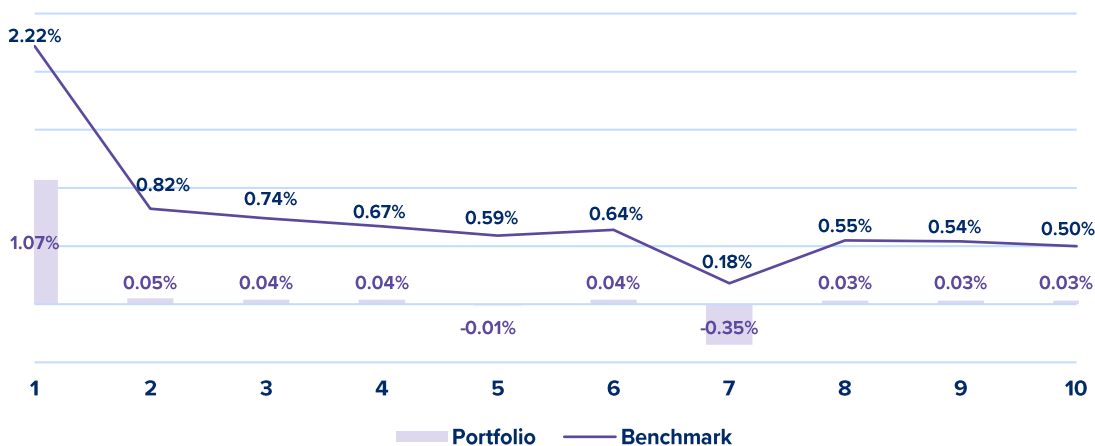
# Investment Committee Report

## Detailed portfolio holdings – as at 30 September 2019

### Global equities – top 10 underweights

	Holding/Sector	Active position (%)		Holding/Sector	Active position (%)
1	Apple Incorporated <i>Information Technology</i>	-1.15	6	Exxon Mobil Corporation <i>Energy</i>	-0.60
2	JPMorgan Chase & Company <i>Financials</i>	-0.77	7	Bristol-Myers Squibb Company <i>Health Care</i>	-0.53
3	Johnson & Johnson <i>Health Care</i>	-0.70	8	Home Depot Incorporated <i>Consumer Discretionary</i>	-0.52
4	Procter & Gamble Company <i>Consumer Staples</i>	-0.63	9	Verizon Communications <i>Communication Services</i>	-0.51
5	AT&T Incorporated <i>Communication Services</i>	-0.60	10	Intel Corporation <i>Information Technology</i>	-0.47

### Active position portfolio and benchmark underweights



## Environmental, Social and Corporate Governance (ESG) summary - as at 30 September 2019

This table summarises the exposure of the FGG portfolio to selected industries which are considered to be less ESG aware.

Cash/Industry	Exposure (%)
Distillers and vintners	0.49
Casinos and gambling	0.07
Coal and consumable fuel	0.00
Tobacco	0.03
Brewers	0.58
<b>Total of FGG portfolio considered to be ESG aware</b>	<b>98.83</b>

*S Webster*

### Sean Webster

Chairman of the Investment Committee

Dated this 28<sup>th</sup> day of February 2020

# Investment Committee Report

## Appendix A – Risk estimates glossary

<b>Tracking Error</b>	Measures the degree to which the performance of the portfolio varies from that of the underlying benchmark, in this case the MSCI AC World Net Return Index. Tracking error shows an investment's consistency versus a benchmark over a given period of time. A lower tracking error means that the investment will deliver a return closer to the underlying benchmark. The FGG portfolio tracking error of 2.6%, as shown in Risk Estimates, is low.
<b>Coverage</b>	The coverage ratio is the market value of the securities that are in the portfolio as compared to the benchmark. The ratio of 25.9% above means that 25.9% of the value of portfolio overlaps shares in the MSCI AC World Index.
<b>Persistence Ratio</b>	A practical indicator of the extent to which a forecast Tracking Error may be underestimated due to time-varying weights and trending in returns.
<b>Portfolio Beta</b>	Shows the degree of sensitivity of the portfolio to a 1.0% change in the underlying Index. As shown in the table, the FGG portfolio beta is 0.81 and this means that if the Index rose 1.0% the portfolio would increase by 0.81% and likewise if the Index fell 1.0% it would fall 0.81%. The beta of 0.81 is well within what would be expected from a well-diversified portfolio.
<b>Portfolio/Benchmark Volatility</b>	Shows the degree to which the returns of the portfolio move around from their long-run average. It can be thought of as a measure of the risk in the portfolio. The volatility (or risk) for the portfolio of 8.3% is below the underlying Index, which is 10.1%
<b>Correlation</b>	The correlation coefficient is a measure that determines the degree to which two variables' movements are associated. In this case it measures the degree of association between movements in the FGG portfolio and the underlying Index. A correlation of 0.98 is reasonably high and shows that the portfolio returns are reasonably highly correlated to movements in the underlying Index.
<b>Portfolio/Benchmark Actual Stock</b>	Indicates the number of stocks in the portfolio as well as the number of stocks in the benchmark.
<b>Portfolio/Benchmark Effective Stock</b>	Shows the number of stocks in terms of reducing the portfolio risk from holding a specific stock, it is a measure of how diversified a portfolio is. The 148.9 effective stocks count for the FGG portfolio is very high as any diversified holding of stocks above about 30 stocks indicates a good degree of diversification. No single stock holding can overly impact the portfolio.

# Charity Report

**We are proud to support our ten designated charities who are helping to improve the lives of young Australians affected by mental ill health. Our goal is to promote the mental health, wellbeing and resilience of young Australians up to 25 years of age.**

**Our investment supports smarter service system development and investing in effective programs and services that allow young Australians to have access to the information, services and support they need, when they need it, to maintain their mental health and lead an active and engaged life.**

During the year, we undertook a comprehensive review of our designated charities' performance to ensure FGG's significant social investment continues to result in measurable improvements in the mental health of young Australians. The review was undertaken by an external provider who assessed the charities in areas including funding outcomes and impact, finance and governance.

As a result, two Future Generation Investment Company Limited (ASX: FGX) charities, Kids Helpline (part of Yourtown) and Youth Focus, were transferred to FGG as they are specifically focused on youth mental health and therefore more complementary to FGG's charitable investments.

During August 2019, shareholders voted their charitable allocation and we were delighted by the response. Thank you all for your active engagement in the allocation process. The specific allocation to each charity was determined by your votes and directions, as shown in the table below, with the Board distributing the undirected monies on a basis between the designated charities. As at 31 December 2019, the Company is on track to deliver its fifth annual investment of \$5.9 million for payment in October 2020, bringing the total payment since inception to approximately \$20 million.

## The 2019 and 2018 allocations to each charity are:

Designated charities	2019 Investment	2018 Investment
Beyond Blue	\$313,325	\$313,325
Black Dog Institute	\$396,500	\$322,648
Brain and Mind Centre	\$348,041	\$317,202
Butterfly Foundation for Eating Disorders	\$374,021	\$346,964
headspace	\$382,954	\$382,954
Kids Helpline ( <i>transferred from FGX</i> )	\$266,772	-
Orygen - the National Centre of Excellence in Youth Mental Health	\$343,760	\$307,729
ReachOut	\$391,452	\$385,288
SANE Australia	\$344,983	\$304,239
Youth Focus ( <i>transferred from FGX</i> )	\$261,901	-
Directed to other youth related charities*	\$835,728	\$280,124
Directed to other Australian charities*	\$674,194	\$669,802
<b>Total charitable allocation</b>	<b>\$4,933,631</b>	<b>\$3,630,275</b>

\*Directed by shareholders with 1 million or more shares. These shareholders have the ability to direct their donation voting allocation to any non-profit organisation of their choosing, provided the organisation has deductible gift recipient (DGR) status.

# Charity Report

Information on the projects the designated charities undertook with monies from their allocation of the \$3.6 million annual investment in 2018 (paid in October 2018) and progress to date for the year ended 31 December 2019 is detailed below. The impact of the 2019 investment (paid in October 2019) will be reported in the 2020 Annual Report.



**Beyond Blue works to give everyone in Australia the confidence to speak openly about anxiety, depression and suicide – both to seek support when they need it and to check in with those close to them – and tackle prejudice and discrimination wherever they exist.**

[beyondblue.org.au](http://beyondblue.org.au)

[healthyfamilies.beyondblue.org.au](http://healthyfamilies.beyondblue.org.au)

**Funding: \$313,325**

**Impact 2019:**

- Ensured the continued provision and promotion of the Healthy Families website, which has helped over 1.5 million parents and carers with practical information and tools to support an estimated 3 million children since launching in 2016.
- The website supported 394,140 families in 2019, with over 68,000 parent and child mental health checklists completed and a return visit rate of 88%.
- Funding supported the promotion of tips and information for parents, carers and professionals on building resilience in children; helping children cope with the ups and downs of life and bounce back from challenges.
- The tips were accessed by 23,505 parents and carers, while the children's resilience guide was downloaded by 7,210 professionals to help inform their work.
- Funding enabled the design, implementation and evaluation of a fully optimised web chat service to better support over 23,000 young help seekers aged between 15 and 24.
- Evaluation showed that user satisfaction improved significantly; users satisfied or very satisfied increased (+18%), compliments increased (+34%), negative comments decreased (-33%).



**Black Dog Institute is recognised as a global pioneer in the identification, prevention and treatment of mental illness and a leader in suicide prevention.**

[blackdoginstitute.org.au](http://blackdoginstitute.org.au)

**Funding: \$322,648**

**Impact 2019:**

Funding supported three research projects in youth suicide prevention.

- Development of an app to help young people manage suicidal thoughts:
  - Led a new digital collaborative process with youth to design the app, and published the learnings in a research publication;
  - Completed development of app prototype.
- Development of SMS system to provide continuity of care for young people discharged from hospital following a suicide attempt:
  - Continued recruitment and data collection in three hospitals in NSW and QLD;
  - Established Lived Experience Advisory Panel to guide Crisis and Aftercare Research Program;
  - Further refined the SMS system for optimisation and user interface.
- Development of smartphone technology to detect social withdrawal:
  - Finalised refinements to the data collection app, and integrated two depression prevention apps, to prepare for trial with 20,000 young people;
  - Began recruitment and data collection of 450 students in 11 high schools;
- Learnings from large-scale smartphone passive data acquisition continuing to feed into our digital R&D pipeline.

# Charity Report



**Brain and Mind Centre develops clinical, online and treatment programs for young people with emerging anxiety and depressive disorders. It partners with other FGG charities including Orygen, headspace, Black Dog Institute and ReachOut.**

[sydney.edu.au/brain-mind](http://sydney.edu.au/brain-mind)

## Funding: \$317,302

### Impact 2019:

- Ongoing development of novel clinical assessment and longitudinal tracking tools using new and emerging technologies (InnoWell Platform) for young people experiencing mental ill-health and/or suicidal thoughts and behaviours.
- Continuous and iterative co-design of new functionality in response to everyday young person and health professional use, as well as changing in response to maturing service and technology environments.
- Successful implementation of the InnoWell Platform into five headspace sites in the Sydney metropolitan area, four in northern NSW and 1 in SA – consequently driving more specialised and multi-dimensional assessment to guide health professionals to deliver highly personalised and measurement-based care.
- Progressive implementation (and publication of a Supplement by the Medical Journal of Australia) of an education and training program to participating headspace sites to further assist health professionals in providing high quality, person-centred care for young people to prevent progression to more complex and severe forms of mental illness.
- Exploration of new implementations of the InnoWell Platform, as well as the education and training program in regional and rural Australia in NSW and QLD.



**Butterfly Foundation is committed to ensuring that any Australian with an eating disorder can access affordable, evidence-based care irrespective of their location or economic status. In addition to advocacy work to raise awareness about eating disorders, Butterfly provides education, support and some treatment services.**

[thebutterflyfoundation.org.au](http://thebutterflyfoundation.org.au)

## Funding: \$346,964

### Impact 2019:

The FGG funded Youth Intensive Outpatient Program (IOP) centres on evidence-based effective early intervention for young men and women aged between 14 and 24 years with disordered eating and eating disorders.

- During 2019 there were 10 participants in two rounds of Youth IOP.
- Participants reported overwhelmingly positive feedback about the program, particularly around feeling better understood and connected, and had improved communication with their families.
- The majority of participants had diagnosed Bulimia Nervosa or Binge Eating Disorder. People with these mental illnesses are unlikely to present for treatment until they have struggled for some time. This program allows Butterfly to reach and treat these individuals much earlier than usual.
- Families are key to the success of the program, and are included in treatment sessions where appropriate. Feedback from family members was overwhelmingly positive.
- Participants showed significant improvements, including a reduction in restraint and avoidance behaviours around food and eating; and a reduction in shape concern including preoccupation with shape and weight, decreased fear of weight gain, and reduced avoidance of body exposure.
- The next round (Round 7) of Youth IOP commences on 3 February 2020 with seven participants. There are four rounds planned for 2020, in line with school terms.
- Work is now underway to also launch a Virtual Youth IOP, thanks to FGG funding, due to start in April 2020 with six participants expected in the pilot round.

# Charity Report



**headspace is the National Youth Mental Health Foundation, providing early intervention mental health services to 12-25 year olds. headspace services cover four core areas: mental health, physical health (including sexual health), work and study support and alcohol and other drug services.**

[headspace.org.au](http://headspace.org.au)

## Funding: \$382,954

### Impact 2019:

- The headspace Aboriginal and Torres Strait Islander Youth Mental Health and Wellbeing Traineeship Program saw two young people successfully complete their traineeships.
- Following their traineeships, both graduates secured full time employment in the Youth Mental Health and Wellbeing Sector while another trainee transitioned into employment as an Aboriginal Youth Worker.
- Four new trainees commenced their traineeships mid 2019 in Broome and Darwin and will have 18 months to complete the traineeship program.
- Inspired by the FGG funded Traineeship Program, an additional six Aboriginal and Torres Strait Islander Youth Trainee positions were funded by Primary health Networks across the headspace network in WA, NT, NSW and SA.
- The program reached approximately 800 Aboriginal and Torres Strait Islander young people through mental health promotion and literacy sessions ran across Broome, Townsville and Darwin.



**Established in 2002, Orygen is widely regarded as one of the world's leading research organisations focusing on mental ill-health in young people. Orygen has driven a shift in services and treatments to focus on early intervention.**

[orygen.org.au](http://orygen.org.au)

## Funding: \$307,729

### Impact 2019:

- Hosted 'Youth Mental Health in the Digital Age' Symposium featuring presentations from local and international researchers and students.
- Commenced pilot study of suicide prevention awareness training with medical students.
- Delivered training to 52 Emergency Department staff on best practice for risk assessment and safety planning with young people.
- Developed and launched Coping with Self Harm – A Guide for Parents and Carers. Downloaded over 1,000 times and distributed to headspace, Emergency Departments and youth/primary care settings.
- Commenced suicide prevention gatekeeper training program for 200 parents of young people.
- Completed pilot study exploring 13 young people's experiences of presenting to Emergency Departments following self-harm or suicide attempt.
- Launched #chatsafe national social media campaign and research trial to measure the impact of campaign on young people. Reached over 3.5 million social media users in nine weeks.
- Hosted third Community Forum on youth suicide prevention. Opened by MP Martin Foley, Minister for Mental Health, with over 120 stakeholders.



# Charity Report

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**ReachOut is Australia's leading online mental health organisation for young people and their parents. ReachOut has been changing the way people access help since launching as the world's first online mental health service 20 years ago. Practical support, tools and tips help young people get through anything from everyday issues to tough times.**

[ReachOut.com](https://reachout.com)

**Funding: \$385,288**

**Impact 2019:**

- Funding received has allowed ReachOut to transform the mental health landscape, improving digital self-help so that ReachOut better meets the needs of young people living in regional, rural and remote (RRR) Australia.
- Directly supported the mental health and wellbeing of 167,209 young people, 37,964 parents and 25,021 educators.
- Delivered an awareness campaign facilitating self-help and early help-seeking, which drove more than 97,100 young people to access ReachOut.com.
- Collaborated with Aboriginal and Torres Strait Islander young people to develop new content and personal stories to highlight the strengths of their culture.
- Developed a new schools' resource to address priority issues in RRR school communities.
- Insights from the Lifting the Weight Report (funded by FGG) were used to support ReachOut's submission to the Productivity Commission inquiry into the social and economic benefits of improving mental health and the Royal Commission into Victoria's Mental Health System.



**SANE Australia is a national mental health charity working to promote the wellbeing of the four million Australians affected by complex mental illness including schizophrenia, bipolar, personality disorders, eating disorders, Post-Traumatic Stress Disorder, and severe and enduring mood and anxiety disorders.**

[sane.org](https://sane.org)

**Funding: \$304,239**

**Impact 2019:**

- Completed the reach engagement and capacity building phase of this project to inform service model design and development of the SANE Help Centre, which aims to improve access to evidence-based services, resources, information and referral pathways for young adults aged between 18 and 30 years old who are at risk of, or experiencing, complex mental health issues.
- Renewed partnership with youth-serving organisation batyr to support capacity building and training of 17 young adult ambassadors living with complex mental health issues.
- Produced 12 pieces of first-person content addressing stigma and promoting help seeking, shared across digital networks which supported nearly 1 million people.
- Young ambassadors co-designed and delivered professional development for SANE Help Centre Counsellors.
- Conducted a service innovation workshop with the young adult peer ambassadors and mental health sector organisations batyr, Orygen and headspace.

# Directors' Report to Shareholders

For the year ended 31 December 2019

The Directors present their report together with the financial report of Future Generation Global Investment Company Limited (FGG or the Company) for the year ended 31 December 2019.

## Principal activity

The principal activity of the Company is investing in global equity fund managers while also investing in charities focused on improving the lives of young Australians affected by mental health issues.

The Company invests its capital with fund managers who have agreed to provide their services for 0.0% management fees and 0.0% performance fees. The pro bono support of the fund managers, the Board of Directors and service providers means an amount equal to 1.0% of the Company's average monthly net tangible assets for the relevant financial year can be provided as a source of funding for Australian youth mental health charities.

There was no change in the nature of the activity of the Company during the year or is likely in the future.

## Operating and financial review

For the year ended 31 December 2019, the operating profit before tax and net realised and unrealised gains and losses on investments was \$13.1 million (2018: \$17.1 million). The operating profit after tax and before net realised and unrealised gains and losses on the investments was \$8.6 million (2018: \$12.8 million). The decrease in the Company's operating profit on the corresponding period is primarily due to the reduction in distribution income received from the investments with the underlying fund managers during the year. The net result after tax and net realised and unrealised gains and losses on investments for the year was a profit of \$66.0 million (2018: \$8.7 million) and is reflective of the solid investment portfolio performance and capital growth achieved on the investments with the underlying fund managers.

For the year ended 31 December 2019, the investment portfolio increased 20.5%. The MSCI AC World Index (AUD) increased 26.9% for the year. Since inception, the investment portfolio has increased 10.2% per annum. FGG's investment portfolio performance has been achieved with less volatility as measured by standard deviation, 8.4% versus the Index's 9.9%.

The pre-tax NTA for each share as at 31 December 2019 was \$1.47 per share (2018: \$1.27). The post-tax NTA was \$1.39 per share (2018: \$1.24). These figures are after the 1.5 cents per share fully franked dividend paid during the year.

The operating profit and other comprehensive income for the period includes the distribution income received from underlying fund managers, in addition to the unrealised gains and losses arising as a result of the changes in the market value of the investments held with the underlying fund managers. The level of distribution income received and the movement in the market value of the investments can add to or reduce operating profit and other comprehensive income in each period respectively. Due to this treatment under the Accounting Standards, this can cause large variations in reported operating profit and other comprehensive income between periods.

The operating profit and other comprehensive income is important to understand with context to the overall performance of equity markets in any given period. Given the potential variability, we believe the more appropriate measures of the financial results for the period are the investment portfolio performance, the change in net tangible assets (NTA) and fully franked dividends, together with total shareholder return.

Further information on the financial performance of the Company is contained in the Chairman and Chief Executive Officer's Letter on pages 1 to 4 of this report and in the Investment Committee Report on pages 5 to 11 of this report.

## Financial position

The net asset value of the Company as at 31 December 2019 was \$545.7 million (2018: \$484.7 million).

Further information on the financial position of the Company is contained in the Chairman and Chief Executive Officer's Letter on pages 1 to 4 of this report.

## Dividends paid

Dividends paid are as follows:

	<b>\$'000</b>
Fully franked June 2019 dividend of 1.5 cents per share paid on 25 October 2019	5,877

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

# Directors' Report to Shareholders

For the year ended 31 December 2019

## Directors

The following persons were Directors of the Company during the financial period and up to the date of this report:

Belinda Hutchinson AM	Chairman
Frank Casarotti	Non-Executive Director
Kiera Grant	Non-Executive Director
Sarah Morgan	Non-Executive Director
Jonathan Nicholas	Non-Executive Director (appointed 1 April 2019)
Geoff R Wilson	Non-Executive Director (appointed 4 March 2019)
Geoff Wilson AO	Non-Executive Director

## Information on Directors

### Belinda Hutchinson AM (Chairman)

#### *Experience and expertise*

Belinda Hutchinson has over 20 years' experience as a non-executive director having served on the boards of Telstra, AGL Energy, QBE Insurance, Coles Myer, Energy Australia, TAB, Crane Group and Sydney Water. Belinda commenced her executive career with Andersen Consulting working in Australia and the USA. She moved to Citibank becoming a Vice President in project and corporate finance following which she joined Macquarie Group as an Executive Director and became head of Macquarie Equity Capital. Belinda is a Fellow of the Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors (AICD) and holds a Bachelor of Economics from the University of Sydney.

Belinda Hutchinson has been Chairman of the Company since May 2015.

#### *Other current directorships*

Belinda Hutchinson is currently the Chancellor of the University of Sydney (appointed February 2013), Chairman of Thales Australia Limited (appointed August 2015) and a Director of Qantas Airways Limited (appointed April 2018) and Australian Philanthropic Services. Belinda is also a Trustee of the St Vincent's Curran Foundation.

#### *Former directorships in the last 3 years*

Belinda Hutchinson resigned as a Director of AGL Energy Limited in December 2018.

#### *Special responsibilities*

Chairman of the Board and member of the Audit and Risk Committee.

#### *Interests in shares of the Company*

Details of Belinda Hutchinson's interests in shares of the Company are included later in this report.

#### *Interests in contracts*

Belinda Hutchinson has no interests in contracts of the Company.

### Frank Casarotti (Non-Executive Director)

#### *Experience and expertise*

Frank Casarotti joined Magellan Financial Group in March 2007 and is General Manager – Distribution. Frank began his career at Australian Eagle Insurance Group in 1979, later joining Colonial First State (then known as First State Fund Managers) as its Queensland State Manager in 1992 and relocating to Sydney to take up the role of Head of Adviser Distribution in 2001. His role at Colonial First State extended from the promotion of Colonial's asset management business capability to its entry into the platform market.

Frank Casarotti has been a Director of the Company since May 2015.

#### *Other current directorships*

None.

# Directors' Report to Shareholders

For the year ended 31 December 2019

## Frank Casarotti (Non-Executive Director) (continued)

### *Former directorships in the last 3 years*

Frank Casarotti has not resigned as a Director from any listed companies within the last three years.

### *Special responsibilities*

None.

### *Interests in shares of the Company*

Details of Frank Casarotti's interests in shares of the Company are included later in this report.

### *Interests in contracts*

Details of Frank Casarotti's interest in contracts of the Company are included later in this report.

## Kiera Grant (Non-Executive Director)

### *Experience and expertise*

Kiera Grant has extensive experience as a non-executive Director of public and private companies as well as senior management experience, having spent 15 years working in equity capital markets, most recently as Executive Director, UBS Australia.

### *Other current directorships*

Kiera Grant is currently a non-executive Director of Samuel Smith & Sons Pty Limited (holding company of the Yalumba Wine Company and Negotiants Distribution), Adairs Retail Group and the Ascham School Foundation. Kiera is Chair of the Art Gallery of NSW Foundation.

### *Former directorships in the last 3 years*

Kiera Grant was previously a non-executive Director of the Sydney Dance Company.

### *Special responsibilities*

None.

### *Interests in shares of the Company*

Details of Kiera Grant's interests in shares of the Company are included later in this report.

### *Interests in contracts*

Kiera Grant has no interests in contracts of the Company.

## Sarah Morgan (Non-Executive Director)

### *Experience and expertise*

Sarah is an experienced corporate financial advisor. Her previous executive roles included 16 years with independent corporate advisory firm Grant Samuel. Sarah is a member of the Australian Institute of Company Directors (AICD).

Sarah Morgan has been a Director of the Company since June 2015.

### *Other current directorships*

Sarah Morgan is currently a non-executive Director of Adslot Limited (appointed January 2015), National Gallery of Victoria Foundation (appointed August 2015), Melbourne Girls Grammar (appointed December 2018), Intrepid Group Limited (appointed January 2019), Whispir Limited (appointed January 2019) and Nitro Software Limited (appointed November 2019).

### *Former directorships in the last 3 years*

Sarah Morgan resigned as a Director of Hansen Technologies Limited in December 2019.

### *Interests in shares of the Company*

Details of Sarah Morgan's interests in shares of the Company are included later in this report.

# Directors' Report to Shareholders

For the year ended 31 December 2019

## **Sarah Morgan (Non-Executive Director) (continued)**

### *Interests in contracts*

Sarah Morgan has no interests in contracts of the Company.

## **Jonathan Nicholas (Non-Executive Director)**

### *Experience and expertise*

Jonathan was one of the early staff members of ReachOut and served the organisation for more than 20 years, including as Founding CEO of ReachOut Ireland in 2009 and CEO of ReachOut Australia between 2010 and 2018. In 2018, Jonathan established the Wellbeing Outfit, a consulting business specialising in mental health and wellbeing. Jonathan is also an Executive Consultant at Ernst & Young specialising in mental health.

Jonathan has been a Director of the Company since April 2019.

### *Other current directorships*

Jonathan is the Deputy Chair of the Foundation for Alcohol Research and Education.

### *Former directorships in the last 3 years*

Jonathan resigned as a Director of Mental Health Australia in 2018.

### *Special responsibilities*

None.

### *Interests in shares of the Company*

Jonathan Nicholas has no interests in shares of the Company.

### *Interests in contracts*

Jonathan Nicholas has no interests in contracts of the Company.

## **Geoff R Wilson (Non-Executive Director)**

### *Experience and expertise*

Geoff's broad business experience across a range of sectors spans more than 35 years, holding numerous positions with KPMG in Australia, including as CEO in Hong Kong, as COO for Asia Pacific and as a Partner in Silicon Valley. He is a founding member of the Male Champions of Change, a member of the UNSW Business School Advisory Council, former President of the Business Schools alumni network in Hong Kong and has been active in the not-for-profit sector across education and indigenous engagement. Geoff is a graduate member of the Australian Institute of Company Directors (AICD) and a fellow of the Institute of Chartered Accountants in Australia.

Geoff R Wilson has been a Director of the Company since March 2019.

### *Other current directorships*

Geoff R Wilson is a non-executive director and chairman of the audit committee of Nanosonics Limited, HSBC Bank Australia Limited and Toll Group. Geoff is a non-executive director of Sydney Symphony Orchestra and ipSCAPE Pty Limited, and is an advisory board member for HitCheck.

### *Former directorships in the last 3 years*

Geoff R Wilson has not resigned as a Director from any listed companies within the last three years.

### *Special responsibilities*

Chairman of the Audit and Risk Committee.

### *Interests in shares of the Company*

Details of Geoff R Wilson's interests in shares of the Company are included later in this report.

### *Interests in contracts*

Geoff R Wilson has no interests in contracts of the Company.

# Directors' Report to Shareholders

For the year ended 31 December 2019

## **Geoff Wilson AO (Founder and Non-Executive Director)**

### *Experience and expertise*

Geoff Wilson has over 39 years' direct experience in investment markets having held a variety of senior investment roles in Australia, the UK and the US. Geoff founded Wilson Asset Management in 1997. Geoff created Australia's first listed investment companies to deliver both investment and social returns, Future Generation Australia and Future Generation Global. Geoff holds a Bachelor of Science, a Graduate Management Qualification and is a Fellow of the Financial Services Institute of Australia and the Australian Institute of Company Directors (AICD).

Geoff Wilson has been a Director of the Company since May 2015.

### *Other current directorships*

Geoff is Chairman of WAM Capital Limited (appointed March 1999), WAM Research Limited (appointed June 2003), WAM Active Limited (appointed July 2007), WAM Leaders Limited (appointed March 2016), WAM Microcap Limited (appointed March 2017), WAM Global Limited (appointed February 2018), Wealth Defender Equities Pty Limited (appointed October 2018) and the Australian Stockbrokers Foundation. He is the founder and a Director of Future Generation Investment Company Limited (appointed July 2014). Geoff is a Director of Australian Leaders Fund Limited (appointed October 2003), Global Value Fund Limited (appointed April 2014), Century Australia Investments Pty Limited (appointed September 2014), 8IP Emerging Companies Limited (appointed April 2018), Hearts and Minds Investments Limited (appointed September 2018), Wollongong 2022 Limited (appointed March 2019), Incubator Capital Limited (appointed February 2000), Sporting Chance Cancer Foundation, Australian Fund Managers Foundation and the Australian Children's Music Foundation. Geoff is a member of the Second Bite NSW Advisory Committee. He is also founder and Director of investment management companies Wilson Asset Management (International) Pty Limited and MAM Pty Limited.

### *Former directorships in the last 3 years*

Geoff Wilson resigned as a director of Clime Capital Limited in March 2018.

### *Special responsibilities*

Member of the Investment Committee.

### *Interests in shares of the Company*

Details of Geoff Wilson's interests in shares of the Company are included later in this report.

### *Interests in contracts*

Details of Geoff Wilson's interest in contracts of the Company are included later in this report.

# Directors' Report to Shareholders

For the year ended 31 December 2019

## Chief Executive Officer

### Louise Walsh

Louise Walsh is the Chief Executive Officer of the Future Generation companies (Future Generation Global and Future Generation Australia (FGX)) founded by Wilson Asset Management Chairman Geoff Wilson. Louise also works closely with Wilson Asset Management on its philanthropic initiatives. Louise is a senior executive with a strong mix of experience in the not-for-profit, government and private sectors. A former solicitor at Allens, she has spent most of her career in sport, arts and philanthropy. Louise was previously the CEO of Philanthropy Australia, the peak body for philanthropy in Australia. Louise is a board member of St Vincent's Curran Foundation, the City Recital Hall in Sydney and the Snow Foundation. She is a member of the Australian Institute of Company Directors (AICD).

## Company Secretaries

The following persons held the position of Company Secretary at the end of the financial period:

### Kate Thorley

Kate Thorley has over 15 years' experience in the funds management industry and more than 20 years of financial accounting and corporate governance experience. Kate is the Chief Executive Officer of Wilson Asset Management, Director of WAM Capital, WAM Leaders, WAM Research, WAM Active, WAM Microcap, WAM Global and Future Generation Investment Company. She holds a Bachelor of Commerce, a Graduate Diploma in Applied Finance and Investment, Graduate Diploma of Applied Corporate Governance and is a fully qualified Chartered Accountant. She is a graduate member of the Australian Institute of Company Directors (AICD).

### Mark Licciardo

Mark Licciardo is the founder and Managing Director of Mertons Corporate Services. A former Company Secretary of Top 50 ASX listed companies Transurban Group and Australian Foundation Investment Company Limited, his expertise includes working with boards of directors in the areas of corporate governance, administration and company secretarial. Mark is a Fellow of the Australian Institute of Company Directors (AICD), the Institute of Company Secretaries and Administrators and the Governance Institute of Australia. Mark is a current director of a number of ASX listed public and private companies and a former Chairman of the Governance Institute of Australia Victoria division, Melbourne Fringe Festival and the Academy of Design Melbourne (LCI Melbourne).

Elizabeth McGregor resigned from her position as Joint Company Secretary on 20 December 2019.



# Directors' Report to Shareholders

For the year ended 31 December 2019

## Members of the Investment Committee

The experience and qualifications of the members of the Investment Committee at the end of the financial period, up to the date of this report are set out below:

### Sean Webster (Chairman)

Sean Webster is Senior Manager – Research and Investment Strategy in Advice-Research at AMP Financial Services. He has a strong research background that spans over 24 years bringing a wealth of investment research and management experience. Sean previously worked at Australian Fund Monitors, a boutique, research house specialising in absolute return funds. Sean has also been Head of Investment Research at Byron Capital Private Investors and a senior analyst with Berkley Group (now Index) and has experience as an investment manager with Centuria Capital, a multi-manager funds management business. Sean has a strong economics background and experience across all asset classes including equities, fixed interest, property, and alternatives and has a Master of Arts from Clark University, Massachusetts, USA, a Bachelor of Commerce degree and is a Chartered Financial Analyst (CFA).

### Gary Brader

Gary joined the Investment Committee in October 2018. Gary has worked at QBE since 2003 and was appointed Group Chief Investment Officer in January 2011. Prior to this, Gary worked at Alliance Capital in London, with 19 years investment experience including time with AXA Investment Managers in London and AXA Australia. He holds a Bachelor of Commerce and Administration.

### Chris Donohoe

Chris joined the Investment Committee in May 2016, after serving as the Co-Chief Executive Officer (CEO) in the Company's inaugural year. Chris is the founder of Seed Partnerships Pty Limited. He has CEO experience in funds management and considerable experience in the initiation, capital raising and management of Listed Investment Companies. Prior to forming Seed Partnerships Pty Limited, Chris was the CEO, Director and Compliance Committee Member at PM Capital Limited. He was also the CEO and Director of the PM Capital Global Opportunities Fund Limited and PM Capital Asian Opportunities Fund Limited. Prior to a 14-year career in funds management, Chris gained several years' experience trading in the derivatives and bond markets. Chris is a Graduate of the Australian Institute of Company Directors (AICD). He holds a Masters of Business in Finance, majoring in Funds Management, from the University of Technology Sydney.

### Lukasz de Pourbaix

Lukasz leads the Lonsec Investment Solutions Pty Limited (LIS) business as Executive Director & Chief Investment Officer. LIS harnesses Lonsec's broad investment research and portfolio construction expertise delivering effective and efficient portfolio solutions to financial advisers. Lukasz is also Chairman of Lonsec's Asset Allocation Investment Committee and is a member of the Manager Selection and Direct Equities Investment Committees. Prior this, Lukasz was Lonsec's General Manger – Investment Consulting where he provided portfolio construction and manager selection advice to dealer groups, fund managers, super funds and private wealth institutions. Lukasz has over 18 years' industry experience commencing his research career at ING Australia where he was Research Manager. Prior to ING, he worked for BT Investment Management. Lukasz holds a Bachelor of Commerce degree and the CIMA designation.

### Aman Ramrakha

Aman is currently Director, Manager Research Ratings at Morningstar. Prior to this, Aman was an Executive Manager at the Commonwealth Bank of Australia where he was responsible for the investment and insurance research function within the Wealth Management Advice Business. In a prior role, Aman was responsible for constructing investment portfolios for high net worth individuals. Aman has over 20 years financial services experience and has held technical, consulting and advisory roles at BT Financial Group, Colonial First State, KPMG and the Commonwealth Private Bank. Aman holds a Bachelor of Commerce, majoring in Economics and Finance, a Graduate Diploma in Applied Finance and Investments, Diploma of Financial Planning and is a Certified Investment Management Consultant.

### Geoff Wilson AO

Geoff Wilson is also a Director. Please refer to page 21 of the Directors' Report for details of Geoff's experience and qualifications.



# Directors' Report to Shareholders

For the year ended 31 December 2019

## Remuneration Report (Audited)

The responsibility of the Company's remuneration policy rests with the Board. Given the size of the Company, its charitable nature, the fact that the Company does not have any employees (other than the Chief Executive Officer) and has no intention to remunerate its Directors, no remuneration committee has been formed by the Company.

### a) Remuneration of Directors and Other Key Management Personnel

The Chairman and the Directors have agreed to waive their Directors' fees on an ongoing basis. For the year ended 31 December 2019, no Directors' fees were paid by the Company (2018: nil).

The Company remunerates LW Consulting Pty Limited, an entity associated with Louise Walsh, \$100,000 (plus GST) per annum for providing her services as Chief Executive Officer.

During the year ended 31 December 2019, the Company paid LW Consulting Pty Limited a total of \$100,000 (plus GST) for services provided (2018: \$100,000 (plus GST)). This payment is exclusive of \$20,000 (plus GST) in performance based remuneration paid during the year (2018: nil).

The term of the contract expired in June 2019 and under the agreement, is automatically extended for successive periods of 12 months unless notice of termination is provided by either party no less than three months before the due date for extension of the term.

### b) Director Related Entities Remuneration

Except as noted below, all transactions with related entities were made on normal commercial terms and conditions and at market rates.

Frank Casarotti is General Manager – Distribution of Magellan Asset Management Limited which is the Responsible Entity of the Magellan Global Fund. Magellan Asset Management Limited is a fund manager for the Company and has agreed to forgo management and performance fees on the funds managed on behalf of the Company. Notwithstanding Frank's interest in contracts with the Company, he is considered to be independent.

Wilson Asset Management (International) Pty Limited provides some company secretarial services, financial reporting, investor relations and marketing for the Company at no cost. Wilson Asset Management (International) Pty Limited is an entity associated with Geoff Wilson.

### c) Equity Instruments Disclosures of Directors, Other Key Management Personnel and Related Parties

As at the date of this report, the Company's Directors, other key management personnel and their related parties held the following interests in the Company:

Ordinary shares held Directors and key management	Balance at 31 December 2018	Acquisitions	Disposals	As at the date of this report
Belinda Hutchinson AM	1,221,194	770,156	-	1,991,350
Frank Casarotti	50,000	-	-	50,000
Kiera Grant	108,616	-	-	108,616
Sarah Morgan	90,909	-	-	90,909
Jonathan Nicholas (appointed 1 April 2019)	-	-	-	-
Geoff R Wilson (appointed 4 March 2019)	-	23,046	-	23,046
Geoff Wilson AO	5,206,014	42,765	-	5,248,779
Louise Walsh	43,253	508	-	43,761

Directors, other key management personnel and director related entities disposed of and acquired ordinary shares in the Company on the same terms and conditions available to other shareholders. The Directors have not, during or since the end financial period, been granted options over unissued shares or interests in shares of the Company as part of their remuneration.

For further details, please refer to Note 20 of the financial statements.

**- END OF REMUNERATION REPORT -**

# Directors' Report to Shareholders

For the year ended 31 December 2019

## Directors' Meetings

Director	No. eligible to attend	Attended
Belinda Hutchinson AM	4	4
Frank Casarotti	4	3
Kiera Grant	4	4
Sarah Morgan	4	4
Jonathan Nicholas (appointed 1 April 2019)	3	3
Geoff R Wilson (appointed 4 March 2019)	3	3
Geoff Wilson AO	4	4

## Audit & Risk Committee Meetings

The main responsibilities of the Audit and Risk Committee are set out in the Company's 2019 Corporate Governance Statement.

Director	No. eligible to attend	Attended
Geoff R Wilson (Chair) (appointed 4 March 2019)	3	3
Belinda Hutchinson AM	4	4
Sarah Morgan	4	4
Geoff Wilson AO*	4	3

\*Geoff Wilson AO resigned from the Audit and Risk Committee on 18 February 2020.

## Investment Committee Meetings

Investment Committee Member	No. eligible to attend	Attended
Sean Webster	4	4
Gary Brader	4	4
Chris Donohoe	4	2
Lukasz de Pourbaix	4	2
Aman Ramrakha	4	4
Geoff Wilson AO	4	2

## After Balance Date Events

No other matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial periods.

## Future Developments

The Company's future performance is dependent on the performance of the Company's investments. In turn, the performance of these investments is impacted by investee company-specific factors and prevailing industry conditions. In addition, a range of external factors including economic growth rates, interest rates, exchange rates and macro-economic conditions impact the overall performance of the Company's investments and equity markets.

As such, we do not believe it is possible or appropriate to accurately predict the future performance of the Company's investments and, therefore, the Company's performance.

## Environmental Regulation

The Company's operations are not regulated by any environmental regulation under a law of the Commonwealth or a State or Territory.

# Directors' Report to Shareholders

For the year ended 31 December 2019

## Indemnification and Insurance of Officers or Auditors

During the year, the Company paid a premium in respect of a contract insuring the Directors and Officers of the Company, the Company Secretary and any related body corporate against liability incurred as such by a Director, Officer or Secretary to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

No indemnities have been given or insurance premiums paid during or since the end of the financial year, for any person who is or has been an auditor of the Company.

## Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

## Non-Audit Services

During the year Pitcher Partners, the Company's auditor, did not perform any non-assurance services in addition to their statutory duties for the Company. Related entities of Pitcher Partners perform certain taxation services for the Company on a pro bono basis. Details of the amounts paid to the auditors are disclosed in Note 7 to the financial statements.

The Board of Directors, in accordance with advice from the Audit and Risk Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed in Note 7 did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board of Directors to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditory independence in accordance with the APES 110: Code of Ethics for Professional Accountants (including Independence Standards) set by the Accounting Professional and Ethical Standards Board.

## Rounding of amounts

In accordance with ASIC Corporations (Rounding in Directors' Reports) Instrument 2016/191, the amounts in the Directors' Report have been rounded to the nearest dollar unless otherwise indicated.

## Corporate Governance Statement

The Company's Corporate Governance Statement for the year ended 31 December 2019 is provided on the Company website at [futuregeninvest.com.au](http://futuregeninvest.com.au).

## Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 27 of this Annual Report.

This report is made in accordance with a resolution of Directors, pursuant to Section 298(2)(a) of the *Corporations Act 2001*.



## Belinda Hutchinson AM

Chairman

Dated in Sydney this 28<sup>th</sup> day of February 2020

Level 16, Tower 2 Darling Park  
201 Sussex Street  
Sydney NSW 2000

Postal Address  
GPO Box 1615  
Sydney NSW 2001

p. +61 2 9221 2099  
e. [sydneypartners@pitcher.com.au](mailto:sydneypartners@pitcher.com.au)

**Auditor's Independence Declaration  
To the Directors of Future Generation Global Investment Company Limited  
ABN 52 606 110 838**

In relation to the independent audit for the year ended 31 December 2019, I declare that to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor's independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



**S M Whiddett**  
Partner

**Pitcher Partners**  
Sydney

28 February 2020

# Statement of Comprehensive Income

For the year ended 31 December 2019

	NOTE	2019 \$'000	2018 \$'000
<b>Investment income from ordinary activities</b>			
Distributions received		12,518	14,420
Investment management and performance fee rebates	3	5,250	4,240
Net foreign exchange gains		75	2,193
Interest income		1,263	815
Other income		15	15
		<b>19,121</b>	<b>21,683</b>
<b>Expenses</b>			
ASX listing fees		-	-
Share registry maintenance costs		-	-
Directors' fees		-	-
Accounting fees		-	-
Audit fees		-	-
Charity investment accrual	5	(5,480)	(4,191)
Share registry transaction costs		(77)	(99)
Executive remuneration	20	(132)	(110)
Other expenses		(293)	(190)
ASX CHESS fees		(15)	(12)
Tax fees		(7)	(6)
		<b>13,117</b>	<b>17,075</b>
<b>Profit before income tax</b>		<b>13,117</b>	<b>17,075</b>
Income tax expense	4(a)	(4,555)	(4,314)
<b>Profit after income tax for the year attributable to members</b>		<b>8,562</b>	<b>12,761</b>
<b>Other comprehensive income</b>			
<i>Items that will not be classified to profit or loss</i>			
Net unrealised and realised gains/(losses) on investments taken to equity, net of tax		57,464	(4,077)
<b>Other comprehensive income/(loss) for the year, net of tax</b>		<b>57,464</b>	<b>(4,077)</b>
		<b>66,026</b>	<b>8,684</b>
<b>Total comprehensive income for the year</b>		<b>66,026</b>	<b>8,684</b>
		<b>2.18 cents</b>	<b>4.07 cents</b>
<b>Basic and diluted earnings per share</b>	16	<b>2.18 cents</b>	<b>4.07 cents</b>

The accompanying notes form part of these financial statements.

# Statement of Financial Position

As at 31 December 2019

	NOTE	2019 \$'000	2018 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	13	51,863	173,261
Trade and other receivables	8	1,135	810
Current tax assets	4(c)	348	-
Other current assets		12	36
<b>Total current assets</b>		<b>53,358</b>	<b>174,107</b>
<b>Non-current assets</b>			
Financial assets at fair value through other comprehensive income	9	527,728	323,751
Intangible assets		4	4
Deferred tax assets	4(b)	1,960	1,664
<b>Total non-current assets</b>		<b>529,692</b>	<b>325,419</b>
<b>Total assets</b>		<b>583,050</b>	<b>499,526</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	10	134	66
Charity investment accrual	5	2,847	2,304
Current tax liabilities	4(c)	-	2,647
<b>Total current liabilities</b>		<b>2,981</b>	<b>5,017</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	4(d)	34,386	9,819
<b>Total non-current liabilities</b>		<b>34,386</b>	<b>9,819</b>
<b>Total liabilities</b>		<b>37,367</b>	<b>14,836</b>
<b>Net assets</b>		<b>545,683</b>	<b>484,690</b>
<b>Equity</b>			
Issued capital	11	450,147	449,303
Investment reserves	12(a)	81,248	23,784
Profits reserve	12(a)	14,398	11,603
Accumulated losses	12(b)	(110)	-
<b>Total equity</b>		<b>545,683</b>	<b>484,690</b>

The accompanying notes form part of these financial statements.

# Statement of Changes in Equity

For the year ended 31 December 2019

	NOTE	ISSUED CAPITAL \$'000	INVESTMENT RESERVES \$'000	PROFITS RESERVE \$'000	RETAINED EARNINGS \$'000	TOTAL EQUITY \$'000
<b>Balance at 1 January 2018</b>		<b>322,172</b>	<b>27,861</b>	<b>1,803</b>	-	<b>351,836</b>
Net profit for the period		-	-	-	12,761	12,761
Transfer of profits reserve	12(b)	-	-	12,761	(12,761)	-
Other comprehensive loss, net of tax		-	(4,077)	-	-	(4,077)
<b>Transactions with owners:</b>						
Shares issued via Share Purchase Plan	11(b)	30,821	-	-	-	30,821
Shares issued via Placement	11(b)	97,087	-	-	-	97,087
Shares issued via Dividend Reinvestment Plan	11(b)	299	-	-	-	299
Share issue costs (net of tax)	11(b)	(1,076)	-	-	-	(1,076)
Dividends paid	6(a)	-	-	(2,961)	-	(2,961)
<b>Balance at 31 December 2018</b>		<b>449,303</b>	<b>23,784</b>	<b>11,603</b>	-	<b>484,690</b>
Net profit for the period		-	-	-	8,562	8,562
Transfer of profits reserve	12(b)	-	-	8,672	(8,672)	-
Other comprehensive income, net of tax		-	57,464	-	-	57,464
<b>Transactions with owners:</b>						
Shares issued via Dividend Reinvestment Plan	11(b)	847	-	-	-	847
Share issue costs (net of tax)	11(b)	(3)	-	-	-	(3)
Dividends paid	6(a)	-	-	(5,877)	-	(5,877)
<b>Balance at 31 December 2019</b>		<b>450,147</b>	<b>81,248</b>	<b>14,398</b>	<b>(110)</b>	<b>545,683</b>

The accompanying notes form part of these financial statements.

# Statement of Cash Flows

For the year ended 31 December 2019

	NOTE	2019 \$'000	2018 \$'000
<b>Cash flows from operating activities</b>			
Distribution income received		46	4,121
Interest received		1,263	815
Rebate income received		72	3
Other income received		15	-
Income tax paid		(7,905)	(1,934)
Charity investment		(4,937)	(3,630)
Payments for other expenses		(302)	(386)
<b>Net cash used in operating activities</b>	14	<b>(11,748)</b>	<b>(1,011)</b>
<b>Cash flows from investing activities</b>			
Payments for financial assets		(104,691)	(31,834)
Proceeds from sale of financial assets		-	55,132
<b>Net cash (used in)/provided by investing activities</b>		<b>(104,691)</b>	<b>23,298</b>
<b>Cash flows from financing activities</b>			
Cost of raising capital (gross of tax)		(4)	(1,539)
Dividends paid to the Company's shareholders (net of Dividend Reinvestment Plan)		(5,030)	(2,662)
Shares issued via a Share Purchase Plan and Placement		-	127,909
<b>Net cash (used in)/provided by financing activities</b>		<b>(5,034)</b>	<b>123,708</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(121,473)</b>	<b>145,995</b>
Cash and cash equivalents at the beginning of the period		173,261	25,073
Effects of exchange rate changes on cash and cash equivalents		75	2,193
<b>Cash and cash equivalents at the end of the period</b>	13	<b>51,863</b>	<b>173,261</b>
<b>Non-cash investing and financing activities</b>			
Distributions, rebates and equalisation income reinvested	15	17,195	14,694
Shares issued via Dividend Reinvestment Plan	15	847	299

The accompanying notes form part of these financial statements.



# Notes to the Financial Statements

## 1. General information

Future Generation Global Investment Company Limited (FGG or the Company) is a listed public company, incorporated and domiciled in Australia. The registered office is Level 26, Governor Phillip Tower, 1 Farrer Place, Sydney NSW 2000. The financial statements of the Company are for the year ended 31 December 2019.

The financial report was authorised for issue on 28 February 2020 by the Board of Directors.

## 2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

### (a) Basis of preparation

These general purpose financial statements for the year ended 31 December 2019 have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The Company is a for-profit entity for the purpose of preparing the financial statements.

Australian Accounting Standards set out the accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions to which they apply. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

#### (i) Compliance with IFRS

The financial statements of the Company also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### (ii) Historical cost convention

These financial statements have been prepared under the accruals basis and are based on historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss or through other comprehensive income.

#### (iii) New standards and interpretations not yet mandatory or early adopted

There are no new standards or interpretations applicable that would have a material impact for the Company.

### (b) Revenue recognition

#### (i) Investment income

Profits and losses realised from the sale of investments and unrealised gains and losses on securities held at fair value are included in the Statement of Comprehensive Income in the period they are incurred, in accordance with the policies described in Note 2(c).

#### (ii) Trust distributions

Trust distributions are recognised as revenue in the Statement of Comprehensive Income when the right to receive payment is established.

#### (iii) Interest income

Interest income is recognised as it accrues in the Statement of Comprehensive Income using the effective rate method which, for floating rate assets, is the rate inherent in the instrument.

#### (iv) Management and performance fee rebate income

Fee rebates are recognised in the Statement of Comprehensive Income on an accruals basis and are based on the investment being held with the fund calculated on a monthly basis.

# Notes to the Financial Statements

## 2. Summary of significant accounting policies (continued)

### (c) Investments and other financial assets

#### *Classification*

The Company has designated long-term investments in unlisted unit trusts as fair value through other comprehensive income. All gains and losses on long-term investments and tax thereon are presented in other comprehensive income as part of the Statement of Comprehensive Income.

#### *Recognition and derecognition*

Purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

#### *Measurement*

At initial recognition, the Company measures a financial asset at its fair value. Transaction costs for financial assets carried at fair value through other comprehensive income are included as part of the initial measurement.

Subsequent changes in fair value for financial assets at fair value through other comprehensive income are recognised through the investment portfolio revaluation reserve after deducting a provision for the potential deferred capital gains tax liability as these investments are long-term holding of equity investments.

When an instrument held at fair value through other comprehensive income is disposed, the cumulative gain or loss, net of tax thereon, is transferred from the investment portfolio revaluation reserve to the investment portfolio realised gains/losses reserve.

#### *Determination of Fair Value*

AASB 13 Fair Value Measurement defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

The Company's accounting policy on fair value is disclosed in Note 18.

The Board of Directors values the Company's investments in unlisted unit trusts using the unit prices derived from the unaudited net assets of the unlisted unit trusts.

### (d) Foreign currency translation

#### *(i) Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Australian dollars, which is Future Generation Global Investment Company Limited's functional and presentation currency.

#### *(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

### (e) Income tax

The charge of current income tax expense is based on profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantially enacted at the reporting date. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

# Notes to the Financial Statements

## 2. Summary of significant accounting policies (continued)

### (e) Income tax (continued)

Deferred tax is accounted for using the balance sheet method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the Statement of Comprehensive Income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax assets relating to temporary differences and unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset only where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are only offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

### (f) Impairment of assets

The Company applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables from initial recognition (this has replaced the incurred loss model). All the trade receivables of the Company share the same credit risk characteristics. Indicators that there is no reasonable expectation of recovery include, amongst others, the Standard & Poor's credit risk rating of a debtor, and a failure to make contractual payments for a period of greater than 30 days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses in the Statement of Comprehensive Income. Subsequent recoveries of amounts previously written off are credited against the same line item. As at 31 December 2019, there are no expected credit losses recognised (31 December 2018: nil).

### (g) Cash and cash equivalents

For the purpose of presentation in the Statement of Cash Flows, cash and cash equivalents includes cash on hand and deposits held at call with financial institutions.

### (h) Trade receivables

Trade and other receivables are non-derivative financial assets and are stated at their amortised cost.

### (i) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial period which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

### (j) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the proceeds from the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

### (k) Profits reserve

A profits reserve has been created representing an amount allocated on a monthly basis from retained earnings that is preserved for future dividend payments.

### (l) Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

# Notes to the Financial Statements

## 2. Summary of significant accounting policies (continued)

### (m) Earnings per share

#### (i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares on issue for the year ended 31 December 2019.

#### (ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

### (n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense. Where applicable, the Company qualifies for Reduced Input Tax Credits (RITC) at a rate of at least 75%; hence fees for these services have been recognised in the Statement of Comprehensive Income net of the amount of GST recoverable from the taxation authority.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

### (o) Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data. There are no estimates or judgements that have a material impact on the Company's financial results for the year ended 31 December 2019.

### (p) Rounding of amounts

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 issued by ASIC, relating to the 'rounding off' of amounts in the Financial Statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar, unless otherwise indicated.

## 3. Investment income from ordinary activities

As at 31 December 2019, the investment portfolio was made up of 13 global fund managers, with investments in 13 unlisted unit trusts and one direct listed investment company.

Where available, the Company has invested in unit classes that have zero management and performance fees. The unit trusts with a zero fee unit class are the Avenir Global Fund, Caledonia Global Fund and Manikay Global Opportunistic Fund. The aggregated amount of management and performance fees forgone by the unit trusts with a zero fee unit class for the year ended 31 December 2019 was \$1.5 million (2018: \$0.9 million).

The remaining investments are made in unit trusts with global fund managers that normally charge management and performance fees. These fund managers have rebated the fees charged. The aggregate amount of management and performance fees rebated to the Company was \$5.3 million for the year ended 31 December 2019 (2018: \$4.2 million). Management and performance fee rebates are recognised in the Statement of Comprehensive Income on an accruals basis. The estimated value of the other pro bono services provided to the Company for the year ended 31 December 2019 totalled \$1.0 million (2018: \$0.7 million).

# Notes to the Financial Statements

## 4. Income tax

### (a) Income tax expense

The prima facie tax on profit before income tax is reconciled to the income tax expense as follows:

	2019 \$'000	2018 \$'000
<b>Prima facie tax on profit before income tax at 30.0% (2018: 30.0%):</b>	3,935	5,123
Imputation credit gross up	14	8
Foreign tax credits gross up on distributions	153	289
Franking credits on distributions received	(48)	(25)
Foreign tax credits on distributions received	(508)	(964)
Capital gains component from distribution income	234	-
Under provision in prior period	775	(117)
<b>Income tax expense</b>	<b>4,555</b>	<b>4,314</b>
Effective tax rate	34.7%	25.3%

The effective tax rate of the Company in 2019 was 34.7% (2018: 25.3%). The increase in the effective tax rate from the prior year is primarily as a result of the under provision in relation to the 2018 income tax return lodged during the year.

	2019 \$'000	2018 \$'000
<b>Total income tax expense results in a:</b>		
Current tax liability	4,912	4,328
Deferred tax asset	(296)	(14)
Deferred tax liability	(61)	-
<b>Income tax expense</b>	<b>4,555</b>	<b>4,314</b>

### (b) Deferred tax assets

	2019 \$'000	2018 \$'000
Capitalised share issue costs	552	972
Provisions	856	692
Temporary differences on current period income tax expense	552	-
<b>At reporting date</b>	<b>1,960</b>	<b>1,664</b>

### Movement in deferred tax assets:

Balance at the beginning of the period	1,664	2,404
Charged to profit or loss	296	(14)
Utilisation of prior year carried forward capital losses	-	(726)
<b>At reporting date</b>	<b>1,960</b>	<b>1,664</b>

# Notes to the Financial Statements

## 4. Income tax (continued)

### (c) Current tax liabilities

	2019 \$'000	2018 \$'000
<b>Movement in current tax liabilities:</b>		
Balance at the beginning of the period	2,647	357
Current year income tax expense on operating period	4,912	4,328
Utilisation of prior year carried forward losses	(2)	(1,226)
Income tax on realised gains on investments	-	1,122
Income tax paid	(7,905)	(1,934)
<b>At reporting date</b>	<b>(348)</b>	<b>2,647</b>

### (d) Deferred tax liabilities

	2019 \$'000	2018 \$'000
Net unrealised gains on revaluation of investment portfolio	34,386	9,819
<b>At reporting date</b>	<b>34,386</b>	<b>9,819</b>

### Movement in deferred tax liabilities:

Balance at the beginning of the period	9,819	11,293
Charged to profit or loss	(61)	-
Charged to other comprehensive income	24,628	(1,474)
<b>At reporting date</b>	<b>34,386</b>	<b>9,819</b>

## 5. Charity investment

In line with the Company's stated objectives, the Company invests a percentage of its assets in Australian charities supporting youth mental health. The investment is accrued monthly and is equal to 1.0% per annum of the Company's average monthly net tangible assets. All investments are made to charities with deductible gift recipient (DGR) status. The investment represents a tax deduction for the Company. The annual investment by the Company in supporting youth mental health is detailed further in the Charity Report on page 12 of this report.

For the 12 months ended 31 December 2019, the amount recognised in the Statement of Comprehensive Income was \$5.5 million (2018: \$4.2 million).

The Company paid its fourth annual investment of \$4.9 million in October 2019. The specific allocation to each charity was determined by shareholder votes and directions, with the Board distributing the undirected monies on a pro-rata basis between the designated charities.

As at 31 December 2019, the six-month accrued commitment is \$2.8 million (2018: \$2.3 million).

# Notes to the Financial Statements

## 6. Dividends

### (a) Ordinary dividends paid during the year

	<b>2019</b> <b>\$'000</b>	<b>2018</b> <b>\$'000</b>
June 2019 dividend: 1.5 cents per share fully franked paid 25 October 2019 (June 2018: 1.0 cents per share fully franked)	5,877	2,961

### (b) Dividend franking account

	<b>2019</b> <b>\$'000</b>	<b>2018</b> <b>\$'000</b>
Opening balance of franking account	59	(485)
Franking credits on distributions received	97	25
Tax paid during the year	7,905	1,934
Franking credits on dividends paid	(2,519)	(1,415)
<b>Closing balance of franking account</b>	<b>5,542</b>	<b>59</b>
Adjustments for tax (refundable)/payable in respect of the period's profits and receipt of distributions.	(348)	2,271
<b>Adjusted franking account balance</b>	<b>5,194</b>	<b>2,330</b>

The above amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits from distributions after the end of the year and debits that will arise from the settlement of liabilities.

## 7. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

	<b>2019</b> <b>\$'000</b>	<b>2018</b> <b>\$'000</b>
Audit and review of financial statements	41	37
<i>Other services provided by a related practice of the auditor:</i>		
Taxation services	6	4
<b>Total remuneration for audit and other assurance services</b>	<b>47</b>	<b>41</b>

Steadfast Group Limited has agreed to pay for the audit and review of the Company's financial statements provided by Pitcher Partners.

The Company's Audit and Risk Committee oversees the relationship with the Company's external auditors. The Audit and Risk Committee reviews the scope of the audit and reviews the proposed fee. It also reviews the cost and scope of other services provided by a related entity of the audit firm to ensure that they do not compromise independence.

# Notes to the Financial Statements

## 8. Current assets – Trade and other receivables

	2019 \$'000	2018 \$'000
Distribution income receivable	204	43
GST receivable	2	116
Rebate income receivable	929	635
Other receivables	-	16
<b>Total trade and other receivables</b>	<b>1,135</b>	<b>810</b>

## 9. Non-current assets – Financial assets at fair value through other comprehensive income

	2019 \$'000	2018 \$'000
Financial assets at fair value through other comprehensive income	527,728	323,751

A breakdown of the fund manager allocation and investments at market value is included in the Investment Committee Report on page 6.

## 10. Trade and other payables

	2019 \$'000	2018 \$'000
Trade and other payables	134	66

## 11. Issued capital

### (a) Paid-up capital

	2019 \$'000	2018 \$'000
392,455,012 ordinary shares fully paid (2018: 391,791,594)	450,147	449,303

Holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at shareholder meetings; otherwise each member present at a meeting or by proxy has one vote on a show of hands. In the event of the winding up of the Company, ordinary shareholders rank after creditors and share in any proceeds on winding up in proportion to the number of shares held.



# Notes to the Financial Statements

## 11. Issued capital (continued)

### (b) Movements in ordinary share capital

	2019 \$'000	2018 \$'000
Balance at the beginning of the period	449,303	322,172
663,418 shares issued on 25 October 2019 under a Dividend Reinvestment Plan	847	
23,001,019 shares issued on 15 October 2018 under a Share Purchase Plan	-	30,821
72,453,436 shares issued on 24 October 2018 under a Placement	-	97,087
224,759 shares issued on 26 October 2018 under a Dividend Reinvestment Plan	-	299
Cost of raising capital (net of tax)	(3)	(1,076)
<b>At reporting date</b>	<b>450,147</b>	<b>449,303</b>

### (c) Capital management

The Board manages the Company's capital by regularly reviewing the most efficient manner by which the Company deploys its capital. The Board believes that shareholder value should be preserved through the management of the level of distributions to shareholders, share placements, share purchase plans, options issues and share buy-backs. These capital management initiatives will be used when deemed appropriate by the Board. There have been no changes in the strategy adopted by the Board to manage the capital of the Company during the year. The Company is not subject to any externally imposed capital requirements.

## 12. Reserves

### (a) Reserves

	2019 \$'000	2018 \$'000
<b>Reserves</b>		
Investment portfolio revaluation reserve	80,378	22,914
Investment portfolio realised gains reserve	870	870
Profits reserve	14,398	11,603

The profits reserve is made up of amounts transferred from current year profits and are preserved for future dividend payments. The investment portfolio revaluation reserve is used to record increments and decrements on the revaluation of the financial assets at fair value through other comprehensive income, net of potential tax. The investment portfolio realised gains reserve records gains or losses arising from the disposal of financial assets at fair value through other comprehensive income, that are designated on revenue or capital account for taxation purposes respectively.

# Notes to the Financial Statements

## 12. Reserves and retained earnings (continued)

### (a) Reserves (continued)

Movements

	2019 \$'000	2018 \$'000
<b>Investment portfolio revaluation reserve</b>		
Net unrealised gains on investments	114,825	32,733
Income tax on net unrealised gains on investments	(34,447)	(9,819)
<b>At reporting date</b>	<b>80,378</b>	<b>22,914</b>
<b>Investment portfolio realised gains reserve</b>		
Net realised gains on investments	1,257	1,257
Income tax on net realised gains on investments	(387)	(387)
<b>At reporting date</b>	<b>870</b>	<b>870</b>
<b>Profits reserve</b>		
Opening balance	11,603	1,803
Transfer from retained earnings	8,672	12,761
Dividends paid	(5,877)	(2,961)
<b>At reporting date</b>	<b>14,398</b>	<b>11,603</b>

### (b) Accumulated losses

Movements in accumulated losses were as follows:

	2019 \$'000	2018 \$'000
<b>Opening balance</b>	-	-
Net profit for the period	8,562	12,761
Transfer to profits reserve	(8,672)	(12,761)
<b>At reporting date</b>	<b>(110)</b>	-

## 13. Current assets – Cash and cash equivalents

Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2019 \$'000	2018 \$'000
Cash at call	51,863	173,261

The accounts are earning interest at fixed rates. The weighted average interest rate for cash as at 31 December 2019 is 1.13% (2018: 1.04%). Of the above cash amount \$22.5 million (\$USD 15.8 million) (2018: \$22.0 million (\$USD 15.5 million)) is denominated in US Dollars.

# Notes to the Financial Statements

## 13. Current assets – Cash and cash equivalents (continued)

### *Risk exposure*

The Company's exposure to interest rate risk is discussed in Note 17. The maximum exposure to credit risk in relation to cash at the end of the reporting period is the carrying amount of cash at call.

Cash at call is with Australia and New Zealand Banking Group that have a Standard and Poor's short term rating of A-1+ and long term rating of AA-.

## 14. Reconciliation of profit after income tax to net cash provided by operating activities

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Profit after tax for the year</b>	8,562	12,761
Equalisation income reinvested	-	(3)
Rebate income reinvested	(4,884)	(4,172)
Distribution income reinvested	(12,311)	(10,529)
Amortisation of intangibles	-	2
Effects of foreign currency exchange rate changes on cash and cash equivalents	(75)	(2,193)
<b>Change in operating assets and liabilities:</b>		
(Increase)/decrease in trade and other receivables	(325)	128
Decrease in other current assets	24	168
Increase in deferred tax assets	(296)	(486)
Increase/(decrease) in other trade and other payables	68	(14)
Increase in charity investment accrual	543	560
(Decrease)/increase in current tax liabilities	(2,993)	2,767
Decrease in deferred tax liabilities	(61)	-
<b>Net cash used in operating activities</b>	<b>(11,748)</b>	<b>(1,011)</b>

## 15. Non-cash investing and financing activities

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Distribution income reinvested	12,311	10,529
Rebate income reinvested	4,884	4,162
Shares issued via Dividend Reinvestment Plan	847	299
Equalisation income reinvested	-	3
<b>Total non-cash investing and financing activities</b>	<b>18,042</b>	<b>14,993</b>

# Notes to the Financial Statements

## 16. Earnings per share

	2019 \$'000	2018 \$'000
Profit after income tax used in the calculation of basic and diluted earnings per share	8,562	12,761

### (a) Basic and diluted earnings per share

	CENTS	CENTS
Basic and diluted earnings per share attributable to the ordinary equity holders of the Company	2.18	4.07

### (b) Weighted average number of shares used as denominator

	NUMBER '000	NUMBER '000
Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted earnings per share	391,915	313,509

There are no outstanding securities that are potentially dilutive in nature for the Company.

## 17. Financial risk management

The Company's activities expose it to a variety of financial risks: market risks (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Board of the Company has implemented a risk management framework to mitigate these risks.

### (a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

#### (i) Foreign exchange risk

#### EXPOSURE

The Company holds both monetary and non-monetary assets denominated in currencies other than the Australian dollar. Foreign exchange risk arises as the value of monetary securities denominated in other currencies fluctuates due to changes in exchange rates. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk not foreign exchange risk. However, the Company monitors the exposure on all foreign currency denominated assets and liabilities.

The Company does not hedge against its foreign exchange exposure, and consequently, the impact of foreign exchange movements are directly reflected in the Statement of Comprehensive Income.

The Investment Committee formulates views on the future direction of foreign exchange rates and the potential impact on the Company and these are factored into its asset allocation decisions. While the Company has direct exposure to foreign exchange rate changes on the price of non-Australian dollar-denominated investments, it may also be indirectly affected by the impact of foreign exchange rate changes on the earnings of certain funds in which the Company invests, even if those funds are denominated in Australian dollars. For that reason, the sensitivity analysis below may not necessarily indicate the total effect on the Company's equity of future movements in foreign exchange rates.

The table below summarises the Company's financial assets and liabilities, monetary and non-monetary, which are denominated in US dollars.

	2019 \$'000	2018 \$'000
Cash and cash equivalents	22,449	22,003
Trade and other receivables	121	104
Financial assets at fair value through other comprehensive income	72,906	50,555
	<b>95,476</b>	<b>72,662</b>

# Notes to the Financial Statements

## 17. Financial risk management (continued)

### (a) Market risk (continued)

#### SENSITIVITY

The following table illustrates the sensitivities of the Company's monetary assets and liabilities to foreign exchange risk. The analysis is based on the assumption that the Australian dollar weakened and strengthened by 10% against the US dollar.

	2019		2018	
	\$'000	\$'000	\$'000	\$'000
<b>Impact on net profit/(loss)</b>	<b>-10%</b>	<b>+10%</b>	<b>-10%</b>	<b>+10%</b>
Cash and cash equivalents	(2,245)	2,245	(2,200)	2,200
Trade and other receivables	(12)	12	(11)	11
	<b>(2,257)</b>	<b>2,257</b>	<b>(2,211)</b>	<b>2,211</b>

#### (ii) Price risk

#### EXPOSURE

The Company is exposed to price risk on its investments in unlisted unit trusts. This arises from investments held by the Company and classified in the Statement of Financial Position as financial assets at fair value through other comprehensive income.

The Company seeks to manage and constrain market risk by diversification of the investment portfolio across a number of prominent global equity fund managers with a focus on long equities and absolute bias strategies.

#### SENSITIVITY

The following table illustrates the effect on the Company's equity from possible changes in the fair value of financial assets that were reasonably possible based on the risk that the Company was exposed to at reporting date, assuming a flat tax rate of 30.0%:

	2019 \$'000	2018 \$'000
<b>Impact on other components of equity</b>		
MSCI AC World Index (AUD)		
Change in variable +/-5% (2018: +/-5%)	26,386	16,188
Change in variable +/-10% (2018: +/-10%)	52,773	32,375

#### (iii) Cash flow and fair value interest rate risk

#### EXPOSURE

The Company's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The table below summarises the Company's exposure to interest rate risks. It includes the Company's assets and liabilities at fair values, categorised by the earlier of contractual repricing or maturity dates.

31 December 2019	INTEREST BEARING \$'000	NON-INTEREST BEARING \$'000	TOTAL \$'000
<b>Financial Assets</b>			
Cash and cash equivalents	51,863	-	51,863
Trade and other receivables	-	1,135	1,135
Financial assets at fair value through other comprehensive income	-	527,728	527,728
<b>Total financial assets</b>	<b>51,863</b>	<b>528,863</b>	<b>580,726</b>

# Notes to the Financial Statements

## 17. Financial risk management (continued)

### (a) Market risk (continued)

	INTEREST BEARING \$'000	NON-INTEREST BEARING \$'000	TOTAL \$'000
<b>Financial Liabilities</b>			
Trade and other payables	-	134	134
<b>Total financial liabilities</b>	<b>-</b>	<b>134</b>	<b>134</b>
<b>Net exposure</b>	<b>51,863</b>	<b>528,729</b>	<b>580,592</b>

	INTEREST BEARING \$'000	NON-INTEREST BEARING \$'000	TOTAL \$'000
<b>31 December 2018</b>			
<b>Financial Assets</b>			
Cash and cash equivalents	173,261	-	173,261
Trade and other receivables	-	810	810
Financial assets at fair value through other comprehensive income	-	323,751	323,751
<b>Total financial assets</b>	<b>173,261</b>	<b>324,561</b>	<b>497,822</b>
<b>Financial Liabilities</b>			
Trade and other payables	-	66	66
<b>Total financial liabilities</b>	<b>-</b>	<b>66</b>	<b>66</b>
<b>Net exposure</b>	<b>173,261</b>	<b>324,495</b>	<b>497,756</b>

### SENSITIVITY

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates.

At 31 December 2019, if interest rates had increased by 100 basis points (bps) or decreased by 100 bps from the period end rates with all other variables held constant, post-tax profit for the period would have been \$519,000 higher/\$519,000 lower (2018: changes of 100bps: \$1,733,000 higher/\$1,733,000 lower), mainly as a result of higher/lower interest income from cash and cash equivalents.

### (b) Credit risk

Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and Notes to the Financial Statements.

Credit risk is managed as noted in Note 13 with respect to cash and cash equivalents and Note 8 for trade and other receivables. None of these assets are overdue or considered to be impaired.

# Notes to the Financial Statements

## 17. Financial risk management (continued)

### (c) Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Board and Investment Committee monitor the Company's cash-flow requirements in relation to the investment portfolio taking into account upcoming dividends, tax payments and investing activity.

The Company's inward cash flows depend upon the level of distribution and interest revenue received and the funds received from capital raising initiatives from time to time. Should these decrease by a material amount, the Company would amend its outward cash flows accordingly. As the Company's major cash outflows are investments in underlying fund managers, dividends paid to shareholders and the annual investment in youth mental health, the level of these outflows are managed by the Board and Investment Committee.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The Company's cash is held at call which mitigates liquidity risk.

#### *Maturities of financial liabilities*

The following table analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on their contractual maturities at period end.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	<b>Less than 1 month \$'000</b>	<b>1-12 months \$'000</b>	<b>Total contractual undiscounted cash flows \$'0</b>
<b>2019</b>			
<b>Non-derivatives</b>			
Trade and other payables	-	134	134
<b>Total non-derivatives</b>	<b>-</b>	<b>134</b>	<b>134</b>
<b>2018</b>			
<b>Non-derivatives</b>			
Trade and other payables	-	66	66
<b>Total non-derivatives</b>	<b>-</b>	<b>66</b>	<b>66</b>

# Notes to the Financial Statements

## 18. Fair value measurements

The Company measures and recognises its financial assets at fair value through other comprehensive income (FVTOCI) on a recurring basis.

### Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy (consistent with the hierarchy applied to financial assets and financial liabilities):

**LEVEL 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.

**LEVEL 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

**LEVEL 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

#### (i) Recognised fair value measurements

The following table presents the Company's financial assets and liabilities measured and recognised at fair value at 31 December 2019 on a recurring basis:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>31 December 2019</b>				
Financial assets at FVTOCI	5,237	522,491	-	527,728
<b>31 December 2018</b>				
Financial assets at FVTOCI	4,601	319,150	-	323,751

There were no transfers between levels for recurring fair value measurements during the year. The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

#### (ii) Disclosed fair values

For all financial instruments other than those measured at fair value their carrying value approximates fair value.

The carrying amounts of trade and other receivables and payables are assumed to approximate their fair values due to their short-term nature.

#### (iii) Valuation techniques used to determine fair value

##### Recurring fair value measurements

Included within Level 1 of the hierarchy is the Company's direct investment in a listed investment company. The fair value of the investment is based on the closing quoted last price at the end of the reporting period.

The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. The Board of Directors value the Company's investments in unlisted unit trusts using the unit prices derived from the unaudited net asset backing of the unlisted unit trusts at the end of the period.



# Notes to the Financial Statements

## 19. Segment information

The Company is engaged in investing activities including cash, term deposits and investments in underlying funds managed by prominent global equity fund managers. It has no reportable business or geographical segment.

## 20. Key management personnel compensation

The names and position held of the Company's key management personnel (including Directors) in office at any time during the year ended 31 December 2019 are:

Belinda Hutchinson AM	Chairman
Frank Casarotti	Non-Executive Director
Kiera Grant	Non-Executive Director
Sarah Morgan	Non-Executive Director
Jonathan Nicholas	Non-Executive Director (appointed 1 April 2019)
Geoff R Wilson	Non-Executive Director (appointed 4 March 2019)
Geoff Wilson AO	Non-Executive Director
Louise Walsh	Chief Executive Officer

### (a) Remuneration

The Chairman and the Directors have agreed to waive their Directors' fees on an ongoing basis. For the year ended 31 December 2019, no Directors' fees were paid by the Company (2018: nil).

The Company remunerates LW Consulting Pty Limited, an entity associated with Louise Walsh, \$100,000 (plus GST) per annum for providing her services as Chief Executive Officer.

During the year ended 31 December 2019, the Company paid LW Consulting Pty Limited a total of \$100,000 (plus GST) for services provided (2018: \$100,000 (plus GST)). This payment is exclusive of \$20,000 (plus GST) in performance based remuneration paid during the year (2018: nil).

The term of the contract expired in June 2019 and under the agreement, is automatically extended for successive periods of 12 months unless notice of termination is provided by either party no less than three months before the due date for extension of the term.

### (b) Shareholdings

As at 31 December 2019, the Company's key management personnel and their related parties held the following interests in the Company:

2019

Ordinary shares held Directors and Key Management	Balance at 31 December 2018	Acquisitions	Disposals	Balance at 31 December 2019
Belinda Hutchinson AM	1,221,194	-	-	1,221,194
Frank Casarotti	50,000	-	-	50,000
Kiera Grant	108,616	-	-	108,616
Sarah Morgan	90,909	-	-	90,909
Jonathan Nicholas*	-	-	-	-
Geoff R Wilson**	-	23,046	-	23,046
Geoff Wilson AO	5,206,014	42,765	-	5,248,779
Louise Walsh	43,253	508	-	43,761

\*Appointed 1 April 2019. Jonathan Nicholas did not hold any shares in the Company on his appointment date.

\*\*Appointed 4 March 2019. Geoff R Wilson did not hold any shares in the Company on his appointment date.

# Notes to the Financial Statements

## 20. Key management personnel compensation (continued)

### (b) Shareholdings (continued)

2018

Ordinary shares held Directors and Key Management	Balance at 31 December 2017	Acquisitions	Disposals	Balance at 31 December 2018
Belinda Hutchinson AM	1,210,000	11,194	-	1,221,194
Frank Casarotti	50,000	-	-	50,000
Kiera Grant	-	108,616	-	108,616
Sarah Morgan	90,909	-	-	90,909
Geoff Wilson AO	5,060,000	146,014	-	5,206,014
Louise Walsh	31,820	11,433	-	43,253

Directors, other key management personnel and their related entities disposed of and acquired ordinary shares in the Company on the same terms and conditions available to other shareholders. The Directors and key management personnel have not, during or since the end of the financial year, been granted options over unissued shares or interests in shares of the Company as part of their remuneration.

## 22. Contingencies

The Company had no contingent liabilities as at 31 December 2019 (2018: nil).

## 23. Commitments

The Company invests a percentage of its assets in Australian charities with a focus on children and youth at risk, under the terms outlined in the Prospectus dated 9 July 2015. The investment is accrued monthly and is equal to 1.0% per annum of the Company's average monthly net tangible assets. As at 31 December 2019, the six month accrued commitment is \$2.8 million (2018: \$2.3 million).

## 24. Events occurring after the reporting period

No other matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial periods.

# Director's Declaration

The Directors of Future Generation Global Investment Company Limited declare that:

- 1) The financial report as set out in pages 28 to 49 and the additional disclosures included in the Directors' Report designated as 'Remuneration Report', as set out on page 24, are in accordance with the *Corporations Act 2001*, including:
  - a) complying with Australian Accounting Standards, which, as stated in Note 2 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS), the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - b) giving a true and fair view of the financial position of the Company as at 31 December 2019 and of its performance, as represented by the results of the operations and the cash flows, for the year ended on that date; and
- 2) At the date of this declaration, in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 3) The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the persons and organisations who perform the Chief Executive Officer and Chief Financial Officer functions respectively, for the purpose of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Board of Directors made pursuant to Section 295(5)(a) of the *Corporations Act 2001*.



**Belinda Hutchinson AM**

Chairman

Dated in Sydney this 28<sup>th</sup> day of February 2020

**Independent Auditor's Report  
To the Members of Future Generation Global  
Investment Company Limited  
ABN 52 606 110 838**

**Report on the Audit of the Financial Report**

*Opinion*

We have audited the financial report of Future Generation Global Investment Company Limited ("the Company"), which comprises the statement of financial position as at 31 December 2019, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Future Generation Global Investment Company Limited is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the Company's financial position as at 31 December 2019 and of its financial performance for the year then ended; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

*Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Company, would be on the same terms if given to the Directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<i>Key audit matter</i>	<i>How our audit addressed the matter</i>
<p><b><i>Existence and Valuation of Financial Assets</i></b>  <b><i>Refer to Note 9: Financial assets at fair value through other comprehensive income</i></b></p>	
<p>We focused our audit effort on the valuation and existence of the Company's financial assets as they are its largest asset and liability and represent the most significant driver of the Company's Net Tangible Assets and Profits.</p> <p>The quantum of investments held inherently makes financial assets a key audit matter, in addition however, there may be judgements involved in determining the fair value of investments.</p> <p>The Company's investments are considered to be non-complex in nature with fair value based on readily observable inputs. Consequently, these are classified as "Level 2" investments under Australian Accounting Standards (i.e. where key inputs to valuation are based on observable inputs).</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>▪ Obtaining an understanding of and evaluating the investment management processes and controls;</li> <li>▪ Reviewing and evaluating the independent audit reports on the design and operating effectiveness of internal controls (ASAE 3402 Assurance Reports on Controls at a Service Organisation) for the Administrator;</li> <li>▪ Making enquiries as to whether there have been any changes to these controls or their effectiveness from the periods to which the audit reports relate to and where necessary obtaining bridging letters and confirmations;</li> <li>▪ Agreeing the investment holdings to investment holding statements from fund managers or trustees of the investee entities;</li> <li>▪ Assessing the valuation of investments by agreeing the units held and the exit price at reporting date to the reported unit pricing from investment holding statements and comparing the value of investments to the valuation report of the Administrator;</li> <li>▪ For a sample of investments held at balance date, obtaining their latest audited accounts and performing procedures including:                         <ul style="list-style-type: none"> <li>○ Recalculating the net asset value and comparing it to the reported unit price;</li> <li>○ Considering the appropriateness of accounting policies; and</li> <li>○ Confirming that the audit opinion is unmodified;</li> </ul> </li> <li>▪ Evaluating the accounting treatment of revaluations of financial assets and financial liabilities for current/deferred tax and unrealised gains or losses; and</li> <li>▪ Assessing the adequacy of disclosures in the financial statements.</li> </ul>

**Independent Auditor's Report  
To the Members of Future Generation Global Investment Company Limited  
ABN 52 606 110 838**

*Other Information*

The Directors are responsible for the other information. The other information comprises the information included in the Company's Annual Report for the year ended 31 December 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the Directors for the Financial Report*

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

*Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we

**Independent Auditor's Report  
To the Members of Future Generation Global Investment Company Limited  
ABN 52 606 110 838**

are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on the Remuneration Report**

#### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in page 24 of the Directors' Report for the year ended 31 December 2019. In our opinion, the Remuneration Report of Future Generation Global Investment Company Limited, for the year ended 31 December 2019, complies with section 300A of the *Corporations Act 2001*.

#### *Responsibilities*

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



**S M Whiddett**  
Partner

28 February 2020



**Pitcher Partners**  
Sydney

# ASX Additional Information

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report.

## Shareholdings

### Substantial shareholders (as at 31 January 2020)

QBE Insurance Group Limited is currently a substantial shareholder in Future Generation Global Investment Company Limited and held 5.2% voting power as at 31 January 2020.

Category	Number of shareholders	Percentage of issued capital held
1 - 1,000	261	0.0%
1,001 - 5,000	969	0.8%
5,001 - 10,000	1,047	2.1%
10,001 - 100,000	4,187	36.0%
100,001 and over	524	61.1%
	<b>6,988</b>	<b>100.0%</b>

The number of shareholdings held in less than marketable parcels is 92.

### Twenty largest shareholders – Ordinary shares (as at 31 January 2020)

	Number of ordinary shares held	Percentage of issued capital held
HSBC Custody Nominees (Australia) Limited	27,827,761	7.1%
Citicorp Nominees Pty Limited	22,386,213	5.7%
HSBC Custody Nominees (Australia) Limited – A/C 2	12,844,849	3.3%
Netwealth Investments Limited	9,015,049	2.3%
Balmoral Financial Investments Pty Limited	6,038,038	1.5%
Entities associated with Mr Geoff Wilson AO	5,227,584	1.3%
Snow Foundation Limited	4,847,800	1.2%
Navigator Australia Limited	3,314,678	0.8%
Kordamentha Nominees Pty Limited	3,209,091	0.8%
Clurname Pty Limited	3,098,893	0.8%
BNP Paribas Nominees Pty Limited	2,873,818	0.7%
Netwealth Investments Limited	2,703,854	0.7%
Fendell Pty Limited	2,250,000	0.6%
The Smith Family	2,000,000	0.5%
Almavijo Pty Limited	2,000,000	0.5%
Bond Street Custodians	1,890,034	0.5%
Spinifex (2007) Pty Limited	1,869,739	0.5%
Gumala Investments Pty Limited	1,829,194	0.5%
Evalane Pty Limited	1,553,277	0.4%
National Nominees Limited	1,492,538	0.4%
	<b>118,272,410</b>	<b>30.1%</b>

## Securities Exchange Listing

Quotation has been granted for all of the ordinary shares of the Company on all Member Exchanges of the ASX Limited.



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