

Dear fellow shareholder,

Investment portfolio performance

Global equities rebounded in July, despite heightening inflation concerns and continued interest rate rises by central banks.

The Future Generation Australia (ASX: FGX) investment portfolio increased 5.5%* for the month, while the S&P/ASX All Ordinaries Accumulation Index rose 6.3%. The Future Generation Global (ASX: FGG) investment portfolio increased 4.8%* in July, while the MSCI AC World Index (AUD) rose 6.0% for the month.

Since inception, the Future Generation Australia investment portfolio has increased 8.7% per annum and the Future Generation Global investment portfolio has increased 7.2% per annum. The investment portfolios' performance has been achieved with less volatility than their indexes, as measured by standard deviation.

Meet our new Future Generation Global Social Impact partners

We are delighted to announce our [new Future Generation Global social impact partners](#), all of whom work tirelessly to promote wellbeing and the prevention of mental ill-health in young people across Australia; [BackTrack](#), [Big hART](#), [Happy Paws Happy Hearts](#), [Human Nature](#), [I CAN Network](#), [Mind Blank](#), [Prevention United](#), [Project ROCKIT](#), [ReachOut](#), [Smiling Mind](#), [WANTA](#), [The Westerman Jilya Institute for Indigenous Mental Health](#), [Youth Live4Life](#) and [Youth Opportunities](#). These partners were selected following an extensive Expression of Interest process, which attracted more than 175 applicants. We commend them on their exceptional work to date, and look forward to partnering with them to make a difference in the lives and mental health of young Australians.

Watch this [video](#) to hear Emily Fuller, Future Generation Social Impact Manager and myself discuss why Future Generation Global is now accelerating funding to promote wellbeing and the prevention of mental ill-health, and how our new impact measurement framework will track our social impact. To find out more, read the coverage in the [Sydney Morning Herald](#).

In July, we hosted an Exchange Event with our new Future Generation Global partners to give them an opportunity to meet, gain a deeper understanding of each other's work and exchange ideas about how to collaborate moving forward. The Event consisted of four panels, during which our partners outlined their work in promoting wellbeing and preventing mental ill-health in young people. Please enjoy this [video of the day](#) and visit our website to [learn more](#).

Investor Q&A Webinar

Listen to the [recording](#) of our Future Generation Investor Webinar to hear from **Geoff Wilson AO**, Chairman and Chief Investment Officer (CIO) of [Wilson Asset Management](#) and renowned Fund Manager **Peter Cooper**, Director, CIO and Portfolio Manager at [Cooper Investors](#), who manages funds for Future Generation Australia and Future Generation Global. Geoff and Peter provided their market outlook and top stock picks. Read the media coverage in [The Australian](#).

Have your say - Donation voting

Donation voting will open from 2 September until 30 September and we encourage you to have your say. By allocating your donation, you can support our social impact partners through a reliable source of funds that allows them to operate with confidence. We will share more information on how to vote in the coming weeks.

We hope you enjoy this month's [Meet the Manager](#) with Nick Griffin Founding Partner & CIO of Munro Partners and our [Q&A Interview](#) with Bernie Shakehaft, Founder of BackTrack Youth Works, one of our new Future Generation Global partners.

Thank you and best wishes,



Caroline Gurney
CEO, Future Generation



*Investment portfolio performance is before expenses, fees and taxes to compare to the relevant index which is also before expenses, fees and taxes.

\$52.9m

SOCIAL
INVESTMENT
TO 2021



\$5.3m

Future
Generation
Australia 2021

\$6.4m

Future
Generation
Global 2021

2021 total social
investment

\$11.7m

2021 management
fees, performance fees
and services forgone

Total fees forgone
since inception to
2021

\$24.0m

\$97.5m

Investment portfolio performance

Net tangible assets before tax	Gross assets	Profits reserve (per share)
130.00c	\$531.7m	29.0c
Net tangible assets after tax and before tax on unrealised gains	Market capitalisation [#]	Dividends paid since inception (per share)
128.14c	\$484.6m	33.3c
Net tangible assets after tax	Volatility [^]	2021 fully franked full year dividend
126.45c	12.0% S&P/ASX All Ordinaries Accumulation Index: 14.6%	6.0c

[#]Based on the 29 July 2022 share price of \$1.20 per share and 403,867,511 shares on issue.

The above NTA figures are not adjusted for the 400,206,835 options on issue which are trading under the ASX code FGXO with an exercise price of \$1.48 per option and expire on 28 April 2023.

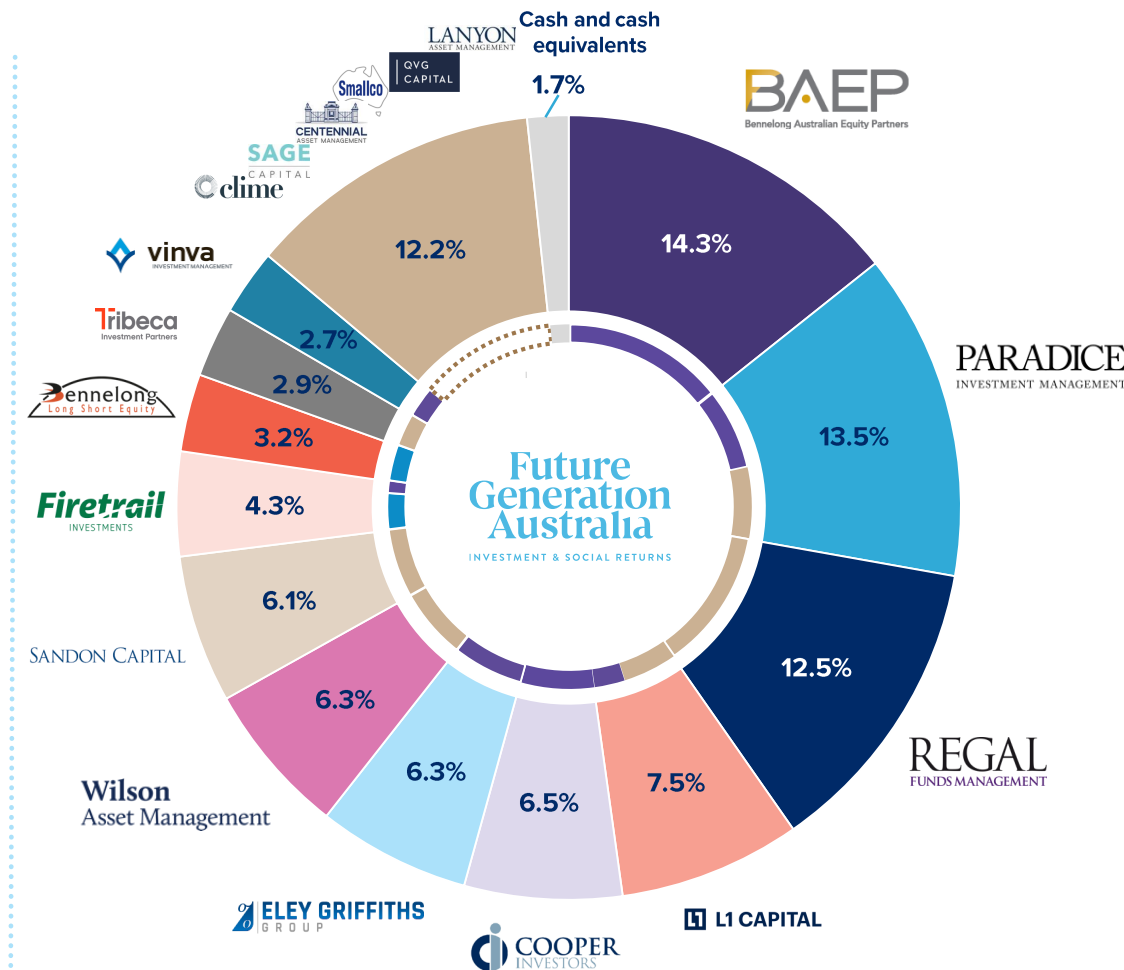
[^]Volatility is measured by standard deviation.

Investment portfolio performance at 31 July 2022	1 mth	6 mths	Fin YTD	1 yr	3 yrs %pa	5 yrs %pa	Since inception %pa (Sept-14)
Future Generation Australia	5.5%	-5.9%	-11.5%	-5.9%	7.0%	8.8%	8.7%
S&P/ASX All Ordinaries Accumulation Index	6.3%	0.7%	-5.9%	-2.6%	4.9%	8.4%	7.3%

Investment portfolio performance is before expenses, fees and taxes to compare to the relevant index which is also before expenses, fees and taxes.

Fund manager allocations

0% management fees
0% performance fees



Investment portfolio performance

Net tangible assets before tax	Gross assets	Profits reserve (per share)
138.87c	\$555.0m	45.2c
Net tangible assets after tax and before tax on unrealised gains	Market capitalisation [#]	2021 fully franked full year dividend
136.79c	\$473.2m	6.0c
Net tangible assets after tax	Volatility [*]	ESG aware [^] (of the portfolio)
135.10c	9.6% MSCI AC World Index (AUD): 10.7%	99.1%

Based on the 29 July 2022 share price of \$1.20 per share and 394,318,455 shares on issue.

^{*}Volatility is measured by standard deviation.

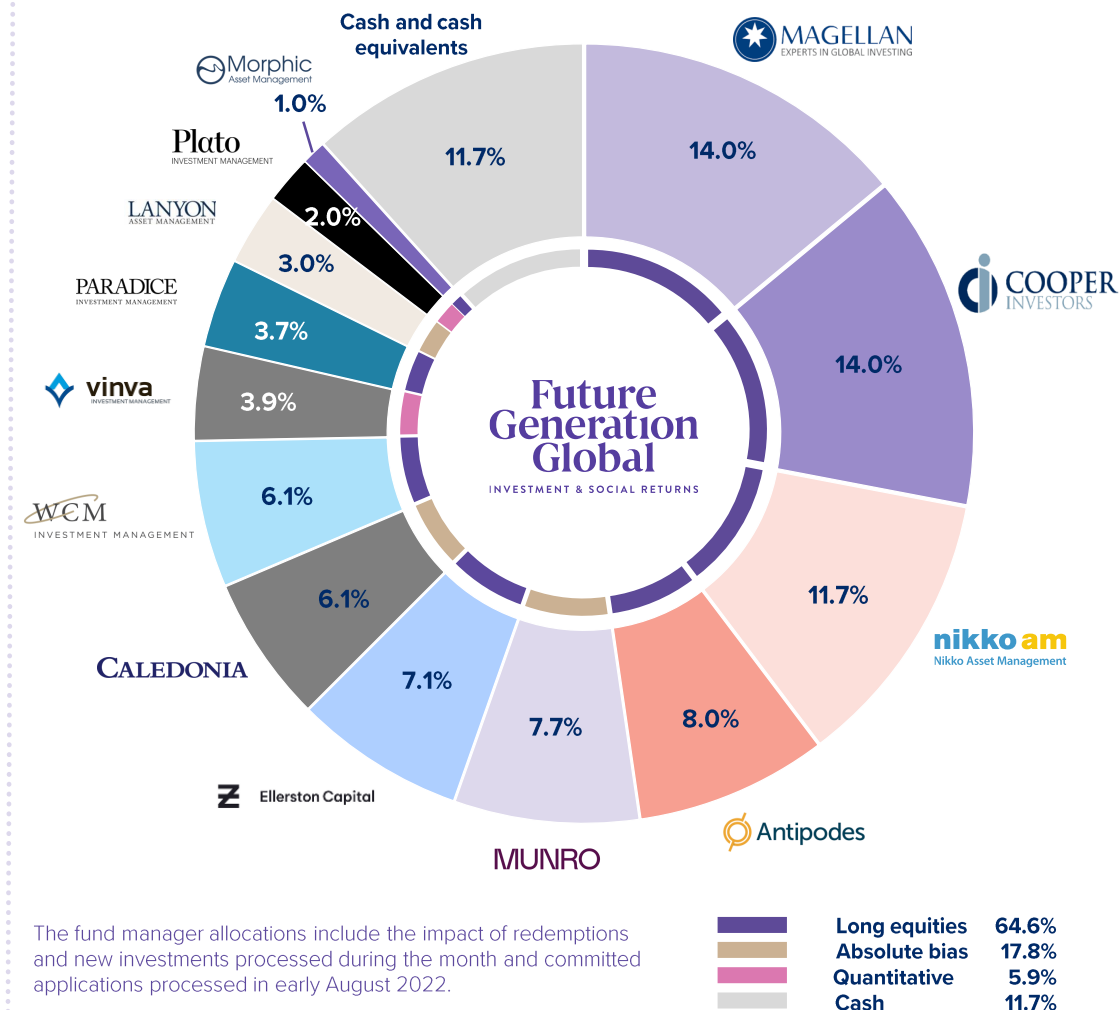
[^]As reported in the 2021 Annual Report.

Investment portfolio performance at 31 July 2022	1 mth	6 mths	Fin YTD	1 yr	3 yrs %pa	5 yrs %pa	Since inception %pa (Sept-15)
Future Generation Global	4.8%	-12.1%	-17.2%	-16.6%	3.6%	8.3%	7.2%
MSCI AC World Index (AUD)	6.0%	-9.1%	-10.9%	-5.8%	8.0%	10.8%	9.5%

Investment portfolio performance is before expenses, fees and taxes to compare to the relevant index which is also before expenses, fees and taxes.

Fund manager allocations

0% management fees
0% performance fees



The fund manager allocations include the impact of redemptions and new investments processed during the month and committed applications processed in early August 2022.

Nick Griffin

Founding Partner & Chief
Investment Officer of Munro
Partners

MUNRO

Global growth equity managers have had a really tough 12 months. What did you learn?

I think it's pretty simple. Growth parts of the market - like technology, e-commerce, digital payments and healthcare - got a huge acceleration out of the COVID lockdowns. People then started to extrapolate that this was a permanent shift. On top of that, interest rates went very low to deal with COVID, which enabled investors to value these companies even higher. Since then, we've learned two things. Firstly, the huge shift we saw during COVID was not permanent. Once COVID lockdowns subsided, we did want to go travelling again, we didn't want to sit at home all day, and there were only so many pairs of leggings we could buy online! The second thing we learned is that interest rates at 1% are not sustainable. They went back up to 3% very quickly, which killed the discount rate argument. Both these things combined to cause an implosion in high multiple stocks, as big as we've seen since the dot-com crash. The unprofitable tech basket went down by nearly 70% and the NASDAQ by 30%. It's one of the worst sell-offs I've seen in my career. Of course, in hindsight, you can see how it all came to be.

What are the major lessons you've learned from your two decades in the market?

The equity market has only a few great companies. Only 4% of all companies have created the entire value of the market over the past 90 years; 96% of them haven't created any value at all. So, for me, the biggest lesson is to be prepared to accept you've made a mistake and to move quickly.

Investing is a game of winners and losers. You've got to find your winners and run them for long periods of time, and cut your losers as quickly as you can. For example, you may have realised early on that smartphones would represent a huge structural shift. But if you weren't prepared to cut your losers, you'd still be holding BlackBerry (NYSE: BB) shares (and not Apple (NASDAQ: AAPL) shares) today!

We run stop-losses internally to help us recognise when we've got to act on a problem - and often that leads us to a winner. Amazon (NASDAQ: AMZN) wasn't the first e-commerce business I bought, that was eBay (NASDAQ: EBAY). I got that one wrong, but we worked out in 2013 that we had to be in Amazon and we've run that stock for a decade. Likewise, Alphabet (NASDAQ: GOOGL) wasn't the first investment we made in search, Yahoo! was. But again we recognised our mistake, and that led us towards the winner.

There will only ever be a few winners. The climate space is a really good, current example. Everyone's running around saying they can solve the problem, but in reality, only a few will. The quicker you can get to the winners, the quicker you will get to double digit returns.

We're in the thick of the US reporting season. What major themes are emerging?

For the first six months of the year, as interest rates were going up, there was a massive price-earnings (P/E) de-rating across the board. However, what we're now seeing clearly out of the US reporting season is that companies that have resilient earnings are being rewarded. Danaher (NYSE: DHR), Microsoft (NASDAQ: MSFT), Advanced Micro Devices (NASDAQ: AMD), Google, ASML (NASDAQ: ASML), Amazon and so on all saw their share price rise on their results. This is a pretty good sign of what I was talking about earlier. A lot of these companies have probably fallen enough. If you think their earnings aren't going to fall - and so far, so good - you should probably start nibbling away at them.



Even though your fund has been down over the past year, you've still done better than a lot of other global growth investors. Why?

It was reasonably obvious that things had become overly inflated last year and so between March and May, we sold our high-multiple growth stocks like Atlassian (NASDAQ: TEAM), The Trade Desk (NASDAQ: TTD), Twilio (NYSE: TWLO) and Mercadolibre (NASDAQ: MELI). We hit our price targets and did very well out of them. Fortunately, we were just ahead of the big growth sell-off, which started in June 2021, so this helped us outperform in the second half of last year.

We then gravitated to a very high-quality portfolio of companies that we felt would be able to withstand a higher interest rate environment. This included Microsoft, MasterCard (NYSE: MA), Visa (NYSE: V) and ASML - companies that we've owned for a long time, that we really like, and that can continue to grow. But even these positions suffered dramatically in January when it became clear that the Fed was miles behind on rates and that the interest rate rises were going to hurt not just high-multiple companies, but all companies. So, in the second week of January, we increased our cash weighting to roughly 40%, meaning our portfolio has around a 60% net exposure.

Read the full article [here](#).

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

Future Generation Australia fund managers



Future Generation Global fund managers



Social impact partner in focus:



BackTrack

BackTrack does “whatever it takes, for as long as it takes” to keep at-risk youth alive, out of jail and chasing their dreams. BackTrack offers these young people education, training, diversionary activities, transitional employment, youth work and residential accommodation.

“When kids end up at BackTrack, they’re at the end of the road. They’ve been through all the other services and fallen through all the cracks. The standard kid that we deal with has been kicked out of home, kicked out of school, kicked out of the shopping centre, kicked out of the footy team. Most of the kids have been in contact with the legal system; some have already been incarcerated. And we’re talking about kids who are 11, 12, 13 years of age! If somebody doesn’t step in at this stage, they’re going to end up in real trouble. So we step in - and we get them back on track. We start from scratch: we build trust and then we do whatever we need to do for as long as we need to do it.”

[Read a Q&A with Bernie Shakeshaft, Founder of BackTrack Youth Works.](#)

For more information, visit <https://backtrack.org.au/>

Our designated charities



Our pro bono service providers



**Fund manager
allocation and
investments at
market value as
at 31 July 2022**

Fund Manager	Investment	Strategy	% of Gross Assets
Bennelong Australian Equities Partners	Bennelong Australian Equities Fund	Long equities	14.3%
	Mid Cap/Equity Alpha Plus Funds (split out below)		13.5%
Paradice Investment Management	Paradice Australian Mid Cap Fund	Long equities	7.2%
	Paradice Equity Alpha Plus Fund	Absolute bias	6.3%
Regal Funds Management	Regal Australian Long Short Equity Fund	Absolute bias	12.5%
	Long Short/Catalyst Funds (split out below)		7.5%
L1 Capital	L1 Capital Long Short Fund	Absolute bias	4.8%
	L1 Capital Catalyst Fund	Long equities	2.7%
Cooper Investors	Cooper Investors Australian Equities Fund	Long equities	6.5%
Eley Griffiths Group	Eley Griffiths Group Small Companies Fund	Long equities	6.3%
Wilson Asset Management	Wilson Asset Management Equity Fund	Absolute bias	6.3%
Sandon Capital	Sandon Capital Activist Fund	Absolute bias	6.1%
	Absolute Return/High Conviction Funds (split out below)		4.3%
Firetrail Investments	Firetrail Absolute Return Fund	Market neutral	3.2%
	Firetrail High Conviction Fund	Long equities	1.1%
Bennelong Long Short Equity Management	Bennelong Long Short Equity Fund	Market neutral	3.2%
Tribeca Investment Partners	Tribeca Alpha Plus Fund	Absolute bias	2.9%
Vinva Investment Management	Vinva Australian Equities Fund	Long equities	2.7%
Clime Asset Management	Clime Australian Equities Fund	Long equities	2.7%
Sage Capital	Sage Capital Equity Plus Fund	Absolute bias	2.7%
Centennial Asset Management	The Level 18 Fund	Absolute bias	2.3%
Smallco Investment Manager	Smallco Broadcap Fund	Long equities	1.9%
QVG Capital	QVG Opportunities Fund	Long equities	1.5%
Lanyon Asset Management	Lanyon Australian Value Fund	Absolute bias	1.1%
	Cash and cash equivalents		1.7%

Fund manager allocation and investments at market value as at 31 July 2022

Fund Manager	Investment	Strategy	% of Gross Assets
Magellan Asset Management	Magellan Global Fund	Long equities	14.0%
Cooper Investors	Cooper Investors Global Equities Fund (Unhedged)	Long equities	14.0%
Nikko Asset Management Australia	Nikko AM Global Share Fund	Long equities	11.7%
Antipodes Partners	Antipodes Global Fund - Long	Long equities	8.0%
Munro Partners	Munro Global Growth Fund	Absolute bias	7.7%
Ellerston Capital	Ellerston Global Mid Small Cap Fund	Long equities	7.1%
Caledonia	Caledonia Global Fund	Absolute bias	6.1%
WCM Investment Management	WCM Quality Global Growth Fund (Hedged)	Long equities	6.1%
Vinva Investment Management	Vinva International Equity Alpha Extension Fund	Quantitative	3.9%
Paradice Investment Management	Paradice Global Small Mid Cap Fund (Unhedged)	Long equities	3.7%
Lanyon Asset Management	Lanyon Global Value Fund	Absolute bias	3.0%
Plato Investment Management	Plato Global Net Zero Fund – Class Z	Quantitative	2.0%
Morphic Asset Management	Morphic Ethical Equities Fund Limited	Absolute bias	1.0%
	Cash and cash equivalents		11.7%

The fund manager allocations include the impact of redemptions and new investments processed during the month and committed applications processed in early August 2022.