Zenith Investment Partners

Highly Recommended
**Recommended**
Approved
Not Rated
Redeem

# Product Assessment

## Future Generation Global Investment Company Limited

**Report data as at 30 Apr 2020**
**Rating issued on 02 Jun 2020**

### VIEWPOINT

The Company, listed on the ASX in September 2015, is one of two charitably focused Listed Investment Companies (LICs) created by Geoff Wilson, founder of Sydney-based Wilson Asset Management (Wilson AM). The Company adopts a multi-manager structure consisting of a range of actively managed international equity strategies. The underlying fund managers and service providers do not charge a fee for their services. Based on the Company's charitable aim and access to high-quality fund managers, Zenith believes it is an appealing option for socially conscious investors.

The Company is managed by an Investment Committee (IC), which comprises: Sean Webster (Chairperson), Aman Ramrakha, Chris Donohoe, Wilson, Lukasz de Pourbaix and Gary Brader. The IC is responsible for sourcing and the ongoing monitoring of fund managers. The IC meets formally on a quarterly basis to discuss changes to the portfolio. Zenith believes the IC is highly qualified to assess and select fund managers and effectively leverages its extensive network in order to identify high-quality managers.

The fund manager universe is largely derived from the IC's contact list garnered from their positions across the investment industry. The underlying universe consists of long-only and absolute return managers. The Company prefers to invest in boutique asset managers, often with a strategy that displays a truly active approach. The Company may also invest in new managers but only those whose key staff have extensive experience and a strong performance track record. Relative to other multi-manager funds, Zenith believes the Company's manager selection and monitoring process is less robust and structured. However, we believe this is yet to demonstrably compromise the Company's ability to source high calibre managers and the willingness of managers to participate.

The Company's portfolio construction process is the responsibility of the IC and ultimately the Board. In terms of strategic allocations, the IC aims to build a portfolio that is roughly equally weighted between long-only strategies and absolute return strategies. Zenith believes the Company's portfolio construction approach is less stringent than other multi-manager funds, who institute tighter bands or constraints to ensure adherence to a more defined manager mix. While we believe the Company's approach is aligned with its investment philosophy and focus of pursuing charitable and philanthropic causes, we would ultimately prefer to see greater sophistication in portfolio construction.

Zenith views Wilson AM's ongoing commitment to investor communication and engagement programs as best in class. Zenith believes that this is a critical aspect of successful LIC management given the ability of LIC's to materially trade away from their underlying asset values.

Despite Wilson AM's high engagement levels, Zenith believes its reporting of portfolio investment performance is sub-standard in quality. Portfolio performance is reported before allowances for charitable donations are made. Given that these donations reduce shareholder returns similar to management costs, Zenith believes that performance reporting should treat these in a similar manner. Accordingly, Zenith regards this as materially below best practice, out of keeping with contemporary LICs and views it as a detractor from the overall attractiveness of the Company.

### COMPANY FACTS

- 1% p.a. of Net Tangible Assets (NTA) is donated to Australian charities focused on youth mental health
- Access to high quality managers that are not typically available to retail investors
- Highly experienced Investment Committee

**ABSOLUTE RISK (SECTOR)**

VERY HIGH
HIGH
MODERATE
LOW
VERY LOW

**RELATIVE RISK (FUND WITHIN SECTOR)**

Geared
Active - Benchmark Unaware
Active - Benchmark Aware
Index - Enhanced/Fundamental
Index

**INCOME DISTRIBUTIONS PER**

MONTH QUARTER 6 MONTH ANNUM

**INVESTMENT TIMEFRAME**

1-2 YRS 3-4 YRS 5-6 YRS 7+ YRS

### APIR Code

ASX:FGG

### Asset / Sub-Asset Class

International Shares
Listed Investment Entities – LICs/LITs

### Investment Style

Growth

### Investment Objective

To provide long term capital growth, maximising total return with a combination of capital growth and income, thus allowing fully franked dividends to be paid.

### Zenith Assigned Benchmark

MSCI World ex Aust $A

### Net Returns (% p.a.)

| | 3 yrs | 2 yrs | 1 yr |
|---|---|---|---|
| LIC | 3.61 | -5.72 | -18.71 |
| Benchmark | 9.96 | 8.76 | 3.50 |

### Fees (% p.a., Incl. GST)

Management Cost: N/A
Performance Fee: N/A

## APPLICATIONS OF INVESTMENT

### SECTOR CHARACTERISTICS

#### Listed Investment Companies (LIC)

In assessing the performance of the LIC sector, it is vital to understand how their structure affects the final performance figures as it is materially different from unlisted funds. As listed companies, the portfolio returns generated are exposed to additional volatility from share price movements and can trade at significant premiums or discounts to Net Tangible Assets (NTA).

In addition, the impact of pre and post-tax returns need to be considered because LICs distribute returns net of company tax, whilst benchmark index returns are quoted on a pre-tax basis. Accordingly, it is difficult to accurately compare shareholder returns to either benchmark which do not account for tax or realised peer group LICs where the timing of company tax on realised gains differs.

As an indication, however, a series of return data can be viewed on the basis of the returns generated by:

- Share price and dividends
- Change in pre-tax NTA value and dividends
- Returns generated internally by the investment portfolio

For comparison purposes, the use of the internal portfolio returns versus the benchmark gives the closest measure of the investment manager's skill in generating returns. However, these returns may not be able to be fully crystallised to shareholders given the potential for share price movements.

Caution should be used in the comparison of these figures as share price and pre-tax asset NTA are measures which take into account company tax paid on realised capital gains and unfranked income, whereas benchmark performance is a wholly untaxed measure.

At various times when assessed on a purely quantitative basis, a LIC can trade away from its NTA which may represent good buying or selling opportunities. While these instances may boost investment returns, there is no guarantee that the discount or premium will persist.

#### International Equities

International equities offer Australian investors the ability to access a broader opportunity set, with the potential to invest in sectors not represented or not well represented in the Australian market. Given international markets are not perfectly correlated with the Australian market, International equities also afford portfolio diversification benefits.

The Zenith “International Shares - Global Long Short” sector consists of long/short funds that invest in international equities. Each long/short manager uses vastly different investment processes, with some managers being fundamentally driven, others using quantitative tools, while others have trading style biases. Funds in this sector employ active extension or variable beta investment styles.

Active extension funds can be used in place of a traditional long only fund where the investor wishes to increase the active risk of their fund allocations in equities. That is, the fund can build a higher conviction portfolio by shorting stocks that it thinks will underperform and use the proceeds to invest long in stocks that may outperform. Variable beta funds can be used by investors to vary market risk compared to a long only fund that must be close to fully invested. Variable beta funds can decrease their market exposures to protect against market falls (by increasing shorts or cash holdings). In general, investing in quality variable beta funds should provide investors a smoother return profile than simply investing in the index.

Funds in this sector vary by geographic concentration, investment style and fund structure. Some funds may focus on particular regions and fundamental analysis, whilst others may have a broad investment mandate focusing on thematic trends.

### PORTFOLIO APPLICATIONS

International equities provide investors with broad exposure to industries and countries. With such a broad universe, it is expected that managers can deliver superior returns to more conservative asset classes. However, the expectation of greater returns comes with increased volatility, especially when currency movements are considered. Therefore, it is recommended that investors adopt a longer time frame when investing in international equities. It is also recommended that investments in international equities are blended with domestic equities and other asset classes such as fixed income to improve portfolio diversification.

Zenith believes the Company offers investors exposure to a portfolio of well-diversified and actively managed multi-manager global equity funds. The Company is largely unconstrained, with each underlying fund being selected based on its ability to outperform its benchmark.

The Company may also suit investors seeking a consistent income stream, with the Board committed to paying a stream of fully franked dividends to shareholders.

From a portfolio perspective, the Company is suitable as a core allocation to global equities. However, given the low net market exposure of some of its managers, investors seeking market exposure should consider blending the Company with other long-only global equities funds. Given the Company's benchmark unaware approach, Zenith considers it a moderate to high-risk proposition with a long-term investment horizon. With the Company’s charitable aim, it is also potentially attractive for socially conscious investors as well as charitable or philanthropic trusts.

One of the potential benefits of the LIC structure is that the Company, unlike in an unlisted managed fund, does not have to sell holdings to fund redemptions. Zenith believes this feature is a key competitive advantage for the Company given its bias toward less liquid fund managers (monthly liquidity). That is, the Company will not have to sell positions at inopportune times to meet redemption requests.

Despite the relative merit of the strategy, investors should give consideration to the mode of access. While an unlisted fund structure may be less convenient for some investors, accessing a strategy via a listed vehicle will mean that the effectiveness of the strategy may be significantly diminished due to the vehicles own trading movements. That is, investors may not be able to benefit from the portfolio's performance, as the performance of the vehicle is driven by market sentiment.

## RISKS OF THE INVESTMENT

### SECTOR RISKS

Funds within the "International Equities/Listed Investment Entities" sector are exposed to the following broad risks:

**MARKET & ECONOMIC RISK:** Global equity markets present a risk in protracted downturns or bear markets. Changes to economic, social, technological or geopolitical circumstances of a region may lead to different risk return profiles as compared to historically. It may possibly change the equity risk premium profile of the region's equities asset class, impacting on returns. This risk can be mitigated by adhering to the LIC's prescribed investment timeframe.

**CURRENCY RISK:** Changes to currency values may alter an international equity investment's return if the denominated currency appreciates or depreciates by a material amount. This risk is greatly reduced by the Manager's ability to hedge currencies.

**REGULATORY RISK:** A change in the geopolitical circumstance of a global region may adversely impact on both the value of the underlying securities and the currency of denomination. In extreme cases, it may lead to exchange controls which limit the ability of foreign investors to repatriate funds to the home country.

**LIQUIDITY AND CAPACITY RISK:** In some cases, global equities may present low liquidity in particular regions. Emerging markets and small-cap stocks may display low liquidity due to low volume and fewer market participants than the major exchanges.

**PREMIUM/DISCOUNT TO NET TANGIBLE ASSETS (NTA):** Investors need to be aware that as a LIC, the Company's shares will have their own trading patterns and may trade away from their Net Tangible Assets (NTA) which at times may result in an investor's return differing from the portfolio investment return and/or expected risk return profile.

### COMPANY RISKS

Zenith has identified the following key risks of the Company. Although Zenith believes the risks noted are all significant, we have listed them in order of importance. In addition, we have not intended to highlight all possible risks.

**REMUNERATION RISK:** As all parties involved in the Company, with the exception of Louise Walsh (Chief Executive Officer) and Emily Fuller (Impact Manager), work on a pro bono basis (including Wilson Asset Management, advisers and the underlying fund managers), Zenith considers the lack of remuneration as a risk that may potentially cause parties to cease involvement due to lack of monetary incentives. This is partly mitigated by the Company limiting capital allocations to each manager at approximately 10% of net assets, with the aim of reducing the impact on managers' profit margins.

**SHORT SELLING RISK:** Underlying funds that the Company invests in may engage in short selling. Short selling involves borrowing and selling securities the funds do not own. The action of stock borrow creates an obligation to redeliver the securities borrowed (or their equivalent) on an agreed date, or if circumstances change on demand from the stock lender. Short sale positions create an unlimited risk for the portfolio, if the stock price of the security rises and the underlying fund is unable to buy the securities back in the market place. The act of buying securities in a rising market can add to the positive price momentum and add to the losses in the underlying funds and in turn, the Company.

**DERIVATIVES RISK:** Underlying funds can use various derivatives including options and futures. These investment securities can be volatile, speculative, illiquid and leveraged.

**RELATED PARTY RISK:** Zenith notes that there is a related party relationship with regards to one of the underlying fund managers and the Board. Although we believe that all activities and decisions are made with the best interest of all the Company's stakeholders, we would prefer fully independent parties in all investment functions. In addition, we note that these parties do not receive any monetary benefit for their services, which further alleviates our concerns.

## QUALITATIVE DUE DILIGENCE

### ORGANISATION

Future Generation Global Investment Company Limited (ASX:FGG) is one of two charitably focused Listed Investment Companies (LICs) offered to market by founder Geoff Wilson. The Company was listed on the ASX on 10 September 2015 and offers investors the opportunity to gain access to prominent global fund managers.

The Company, the underlying fund managers and the service providers do not charge any fees for managing investments and services. The Company aims to donate 1% of Net Asset Value per year to Australian charities focused on youth mental health.

Louise Walsh has been the Chief Executive Officer of the Company since inception. Walsh is also the CEO of Future Generation Investment Company Limited. Walsh and Emily Fuller, Impact Manager, are the Company's only two staff members.

The Board of Directors of the Company comprises the following individuals:

- Belinda Hutchinson, Chairman and Non-Executive Director, appointed May 2015
- Geoff Wilson, Non-Executive Director, appointed May 2015
- Frank Casarotti, Non-Executive Director, appointed May 2015
- Sarah Morgan, Non-Executive Director, appointed June 2015
- Kiera Grant, Non-Executive Director, appointed March 2018
- Geoff R. Wilson, Non-Executive Director, appointed March 2019
- Jonathan Nicholas, Non-Executive Director, appointed April 2019

Zenith notes that there were two Non-Executive Directors resignations from the Board in 2018, Susan Cato and Karen Penrose.

Zenith recognises that a modest amount of turnover in company boards tends to be healthy as new directors bring fresh perspectives and new skills, and can show a propensity to challenge on key issues more than long-serving incumbents.

However, there is a balance to Board turnover that also needs to be considered. Zenith will monitor Board turnover going forward.

Zenith is currently comfortable with the composition of the Board, which has a majority of independent directors. Given the high importance of shareholder engagement when operating LICs, Zenith believes the Board will need to ensure this is managed appropriately.

As at 31 March 2020, the Company had a market capitalisation of approximately $A 442 million.

## INVESTMENT PERSONNEL

| Name | Title | Tenure |
|---|---|---|
| Sean Webster | Investment Committee Member - Chairman | 4 Yr(s) |
| Aman Ramrakha | Investment Committee Member | 4 Yr(s) |
| Chris Donohoe | Investment Committee Member | 4 Yr(s) |
| Geoff Wilson | Investment Committee Member | 4 Yr(s) |
| Lukasz de Pourbaix | Investment Committeee Member | 2 Yr(s) |
| Gary Brader | Investment Committee Member | 1 Yr(s) |

### Investment Committee

Unlike more traditional externally managed LICs, the Company is managed by an Investment Committee (IC), the members of which are listed in the table above.

Sean Webster was appointed to chair the IC following the resignation of former Chair, Amanda Gillespie in February 2018.

The IC is responsible for sourcing and the ongoing monitoring of fund managers. Formally, the IC meets on a quarterly basis to discuss the portfolio and potential changes. Members of the IC typically have backgrounds in investment and/or fund manager research as well as investment management. Zenith believes the current IC is highly qualified in the assessment and selection of fund managers. In addition, we believe that the IC effectively leverages its extensive networks in order to identify high-quality managers.

Zenith notes that members of the IC are not solely dedicated to managing the Company. Given the number of strategies available, Zenith believes the Company would benefit from additional resources. However, given that underlying manager turnover is expected to be relatively low, we believe current resources are sufficient.

All parties involved in the Company, with the exception of Louise Walsh (Chief Executive Officer) and Emily Fuller (Impact Manager), work on a pro bono basis (including Wilson Asset Management, advisers and the underlying fund managers). Zenith believes this allows for the greatest possible proportion of management costs to be donated to charity, which is in line with the Company's philanthropic objectives.

## INVESTMENT OBJECTIVE, PHILOSOPHY AND PROCESS

The Company's investment objective is to achieve capital growth, preserve shareholder capital and provide a stream of fully franked dividends. The Company aims to outperform the MSCI AC World Index ($A). Zenith would prefer to see the delineation of a specific outperformance target, as opposed to a descriptive, qualitative objective.

To achieve the Company's investment objective, the IC selects from a range of actively managed international equities portfolios, with the aim to appropriately blend investment styles to achieve the desired outcome. The IC has in the past demonstrated a preference for boutique fund managers over those that are institutionally owned.

The Company generally expects to maintain exposure to between 10 to 20 fund managers, with diversification across a range of investment styles and strategies. The Company believes that the diversification of styles and strategies used by the different underlying funds in its portfolio is important in managing and mitigating risk in the Company's portfolio.

The Company has a dual investment objective of delivering shareholder and social returns. Given that all managers will not charge management and performance fees, the Company is generally fee-ambivalent, which allows for the selection of active managers that display genuine ability to outperform over the medium to long-term.

As a charitable LIC, the Company is not influenced by career or business risk in its decision making, which Zenith believes is conducive to meeting its investment objectives. Furthermore, as the Company donates 1% of net asset value per year to charity, Zenith believes there is a clear philosophical alignment.

## SECURITY SELECTION

The fund manager universe is largely derived from the IC's contact list garnered from their positions within the investment industry. The underlying universe consists of equity long-only, absolute return and market neutral managers.

The Company prefers to invest in boutique asset managers, often with a strategy that displays an active approach. The Company may also invest in new fund managers but only those whose key staff have extensive experience and a strong performance track record from previous businesses.

From a qualitative perspective, the manager selection process is based on an assessment of the underlying manager's investment process, investment team strength, performance history through various market cycles and an assessment of the manager's performance potential going forward. Other issues considered include fund capacity constraints, organisational stability and liquidity within the fund. The structure of the underlying fund is also important, including its income distribution profile, as wholesale investor redemptions could potentially impact on after-tax returns.

Relative to its multi-manager peers, Zenith believes the Company's manager selection process is less robust and structured and may fail to deliver optimum investment outcomes. However, we believe this is yet to demonstrably compromise the Company's ability to source high calibre managers, and the willingness of managers to participate.

## PORTFOLIO CONSTRUCTION

The Company's portfolio construction process is the responsibility of the IC and ultimately the Board. In terms of strategic allocations, the IC aims to build a portfolio that is roughly equally weighted between long-only strategies and absolute return strategies.

As at 31 March 2020, external manager exposure is gained through investments in:

- Cooper Investors (Long Only)
- Magellan Asset Management (Long Only)
- Antipodes Partners (Long Short)
- Marsico Capital Management (Long Only)
- VGI Partners (Long Short)
- Caledonia (Long Only)
- Nikko Asset Management Australia (Long Only)
- Manikay Partners (Long Short)
- Ellerston Capital (Long Only)
- Morphic Asset Management (Long Short)
- Munro Partners (Long Short)
- Paradice Investment Management (Long Short)
- Avenir Capital (Long Only)

Since our last review, the IC has made no changes to the investment manager line up.

It should be noted that changes in investment managers may occur without notice.

Investment guidelines for the Company are fairly broad, with the following parameters:

- Fund weight at initial purchase - maximum of 10%, minimum of 4%
- No geographic or sector biased strategies
- Preference for funds that have management operations based domestically

The Company's portfolio positioning is weighted according to the IC's conviction regarding the prevailing investment environment. Zenith believes the IC has significantly advanced their assessment capability in recent years regarding blending manager investment styles and analysing manager performance correlations, which we view positively. However, we believe that further refinement of these capabilities is required.

Investors should note that due to a range of factors, including performance generated by underlying managers, the prevailing investment environment and fund cash flows, weights may deviate materially from strategic allocations. Portfolio positions will generally be rebalanced if the underlying fund manager underperforms for a prolonged period of time or displays other operational or organisational issues.

For a manager to be introduced or removed from the Company, unanimous agreement is needed by the IC, who then presents the recommendation to the Board for final approval.

Zenith notes that there is a related party relationship with regards to one of the underlying fund managers and the Board. Although we believe that all activities and decisions are made in the best interest of all the Company's stakeholders, we would prefer fully independent parties in all investment functions, along with a formal conflict of interest policies to be in place. However, we note that these parties do not receive any monetary benefit for their services, which alleviates our concerns on this matter.

Zenith believes the Company's portfolio construction approach is less stringent than other multi-manager funds, who typically institute tighter bands or constraints to ensure adherence to a more defined manager mix. That said, we believe the Company's approach is aligned with its investment philosophy given it is dedicated to charity and philanthropy.

## RISK MANAGEMENT

| Portfolio Constraints | Description |
|---|---|
| Exposure to a single manager (%) | 4% to 10% at purchase, 20% thereafter |
| Cash (%) | max: 100% |
| ESG Constraints - Excluded Sectors | N/A |

Investment risk is considered during the identification and selection of the underlying investment managers. While the IC is willing to accept some investment personnel risk in the belief that highly experienced, well-credentialed boutique managers have greater potential to outperform, strong consideration and assessment is made of their risk management and downside protection processes.

In addition, the use of multiple investment managers also mitigates investment risk by diversifying the sources of return and reducing the reliance on any one manager to generate excess returns. Allocations to the underlying managers are also actively managed and capped at 10% at the time of investment to ensure no single manager dominates the portfolio.

The Company invests directly into each underlying manager's unit trust, which, in Zenith's opinion, allows for greater transparency of investments and returns. The Company will not hedge currency exposures.

While Zenith considers the Company’s risk management process and monitoring to be below that of rated peers, we are cognisant of the limitations imposed by the Company's charitable structure.

### Environmental, Social & Governance (ESG)

While the Company does not have any specific ESG investment exclusions in the traditional sense, it's underlying managers may utilise ESG factors as part of their own investment processes. Given the fund-of-funds approach and the stated investment objectives, Zenith is comfortable with the approach to ESG.

## INVESTMENT FEES

LICs/LITs can broadly be categorised into two groups from a management cost standpoint on the basis of whether they are internally or externally managed (operating under an IMA). Typically, internally managed LICs/LITs have lower proportional management costs due to a larger asset pool. Externally managed LICs/LITs tend to have management costs that are more in-line with unlisted managed funds.

The Company does not charge any management or performance fees. However, an annual donation of 1% of Net Asset Value is donated to Australian charities focused on youth mental health. Zenith believes that for the purposes of cost comparisons, the annual donation should be treated as a management cost. On this basis, the Company is a cheaper option than the sector average for internationally focused, externally managed LICs.

In addition, investment via the Company gives access to the underlying funds at a materially cheaper cost than if investing directly. In the majority of cases, the underlying funds have annual management fees well in excess of 1% p.a.

Given the excess return potential of the underlying managers, the performance fee can often be significant. As the underlying managers and service providers do not charge any fees for their services, Zenith believes investors in the Company are well placed to benefit from the strong expected performance of the high-quality manager line-up.

As at 31 March 2020, the charities the Company donates to are:

- Beyond Blue
- Black Dog Institute
- Brain and Mind Centre
- Butterfly Foundation
- Headspace
- Kids Helpline
- Orygen
- ReachOut Australia
- SANE Australia
- Youth Focus

Zenith views the charitable initiative embedded within the fee structure positively, with the aim of engaging the community in a positive manner.

| **Investment Fees** | | |
|---|---|---|
| Product | | Future Generation Global Investment Company Limited |
| Asset Class | | International Equities |
| Sub-Asset Class | | Int. Equities - Long Short |
| Management Structure | | Externally Managed |
| Management Cost | | 0.00% |
| Performance Fee | | Nil |
| **Annual Management Fee Comparision** | | **% p.a.** |
| International Equities | Peer Average - LICs/LITs (Internally Managed) [1] | N/A |
| | Peer Average - LICs/LITs (Externally Managed) | 1.25% |

[1] *Internally Managed LICs/LITs data use published Management Cost as a percentage of assets. All other vehicles quote management fees and costs inclusive of GST, less Reduced Input Tax Credits where available.*

## PERFORMANCE ANALYSIS

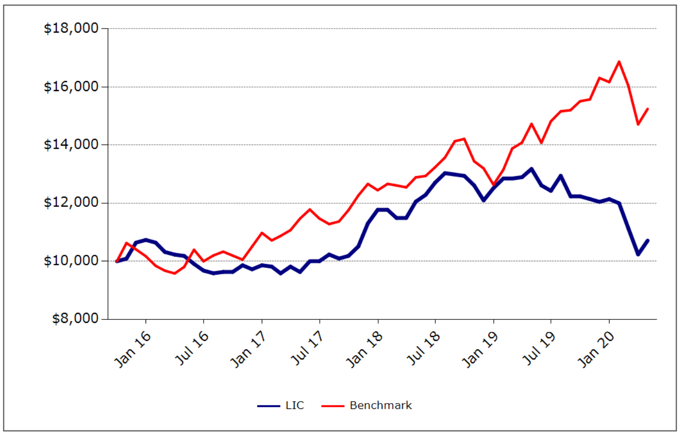
Report data: 30 Apr 2020, product inception: Oct 2015

### Monthly Performance History (%, net of fees)

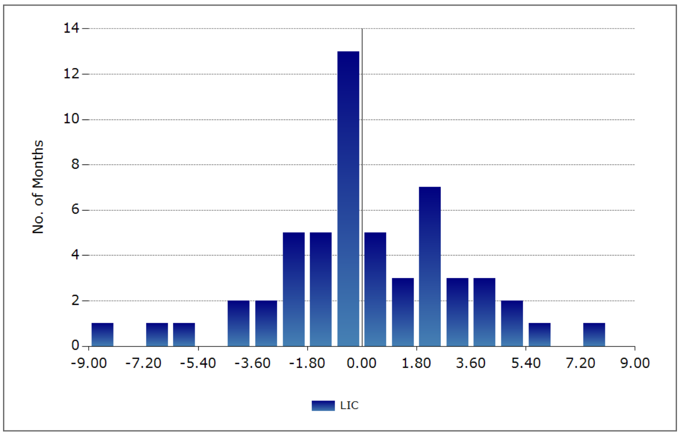
| | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC | LIC YTD | BENCHMARK YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2020** | -1.18 | -7.14 | -8.12 | 4.65 | | | | | | | | | -11.77 | -5.71 |
| **2019** | 2.63 | 0.00 | 0.37 | 2.19 | -4.29 | -1.49 | 4.17 | -5.45 | 0.00 | -0.77 | -0.80 | 0.79 | -3.02 | 27.97 |
| **2018** | 0.00 | -2.38 | 0.00 | 4.88 | 1.94 | 3.42 | 2.57 | -0.36 | -0.36 | -2.53 | -4.10 | 3.50 | 6.34 | 1.52 |
| **2017** | -0.47 | -2.36 | 2.42 | -1.89 | 3.85 | 0.00 | 2.31 | -1.36 | 0.92 | 3.18 | 7.56 | 4.13 | 19.36 | 13.38 |
| **2016** | -0.85 | -3.02 | -0.89 | -0.45 | -2.70 | -2.31 | -0.95 | 0.48 | 0.00 | 2.38 | -1.41 | 1.43 | -8.12 | 7.92 |

Benchmark: MSCI World ex Aust $A

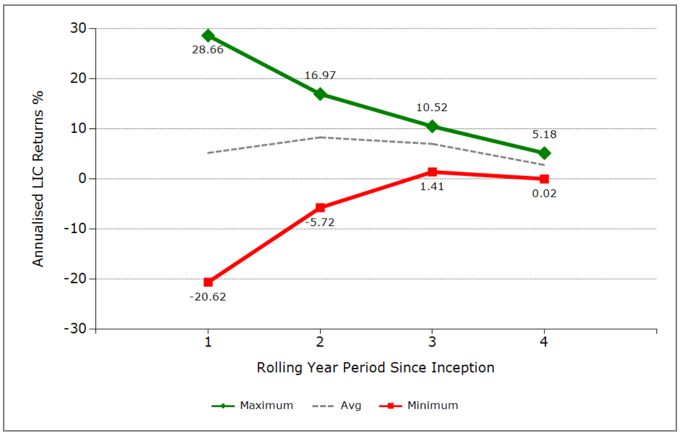
### Growth of $10,000




### Monthly Histogram




### Minimum and Maximum Returns (% p.a.)




### ABSOLUTE PERFORMANCE ANALYSIS

| Return | Incpt. | 3 yr | 2 yr | 1 yr |
|---|---|---|---|---|
| LIC (% p.a.) | 1.51 | 3.61 | -5.72 | -18.71 |
| Benchmark (% p.a.) | 9.64 | 9.96 | 8.76 | 3.50 |
| Median (% p.a.) | 2.53 | 2.52 | -1.75 | -4.04 |
| **Ranking within Sector** | **Incpt.** | **3 yr** | **2 yr** | **1 yr** |
| Fund Ranking | 4 / 6 | 3 / 6 | 6 / 9 | 8 / 10 |
| Quartile | 2nd | 2nd | 3rd | 3rd |
| **Standard Deviation** | **Incpt.** | **3 yr** | **2 yr** | **1 yr** |
| LIC (% p.a.) | 10.39 | 11.71 | 11.72 | 13.32 |
| Benchmark (% p.a.) | 11.29 | 11.58 | 13.07 | 14.27 |
| Median (% p.a.) | 16.27 | 16.67 | 16.77 | 19.22 |
| **Downside Deviation** | **Incpt.** | **3 yr** | **2 yr** | **1 yr** |
| LIC (% p.a.) | 6.20 | 7.20 | 8.30 | 9.93 |
| Benchmark (% p.a.) | 6.05 | 6.81 | 7.96 | 9.21 |
| Median (% p.a.) | 10.26 | 9.70 | 10.65 | 12.31 |
| **Risk/Return** | **Incpt.** | **3 yr** | **2 yr** | **1 yr** |
| Sharpe Ratio - LIC | -0.02 | 0.17 | -0.62 | -1.49 |
| Sortino Ratio - LIC | -0.04 | 0.28 | -0.88 | -2.00 |

*Readers should note that unless otherwise indicated, all performance, consistency and risk/return data is referenced to the Zenith assigned benchmark (as represented by Benchmark 1 in the above table) with the LIC returns representing those attributable to shareholders (i.e. share price + dividends).*

*Zenith typically includes the ongoing net returns of a LIC's investment portfolio as we believe this is the best measure of the investment manager's skill. Zenith notes however that the Company has declined to provide this information.*

*All commentary below is as at 30 April 2020.*

The Company's investment objective is to achieve capital growth, preserve shareholder capital and provide a stream of fully franked dividends. The Company utilises the MSCI AC World Index (unhedged, AUD) before fees as a performance benchmark.

Disappointingly, the Company has significantly underperformed the benchmark over all time periods. However, the Portfolio has outperformed the benchmark over the one and three year periods, before allowances for charitable donations are made.

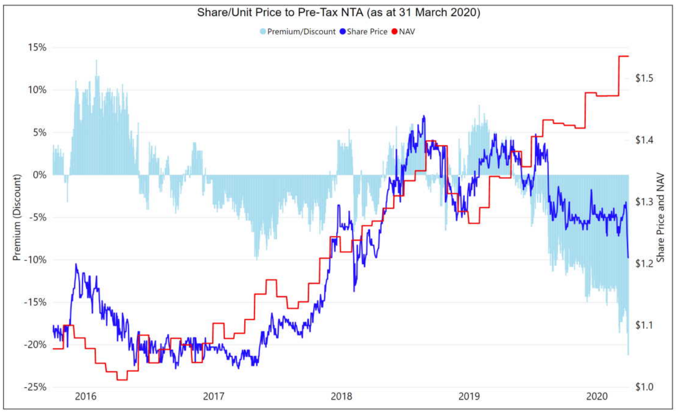
Zenith believes that transparency of performance reporting is essential for listed investments. As such, we view the Company's public reporting of portfolio investment performance as sub-standard on several measures.

Firstly, portfolio performance reporting is done on the basis of typically quoting returns before allowances for charitable donations are made. Given these donations reduce shareholder returns in a manner similar to the impact of management fees in other vehicles, Zenith believes that performance reporting should treat these in a similar manner. Accordingly, Zenith regards this as materially below best practice, out of keeping with contemporary Listed Investment Entities (LICs/LITs) and views it as a detractor from the overall attractiveness of the Company.

Secondly, the interval dates of public reporting is currently minimal. Zenith regards this as materially below best practice, out of keeping with contemporary LICs/LITs and views it as a detractor from the overall attractiveness of the Company.

### Share Price vs. NTA

The following chart shows the Company's premium/discount since inception.




***WARNING: Zenith ratings applied to listed vehicles do not explicitly take into account prices relative to net assets and do not represent a buy/sell recommendation based on a listed entity valuation. Potential investors should make their own determination of the appropriateness of prevailing premiums or discounts to net assets when acquiring or disposing of a LIC/LIT.***

## RELATIVE PERFORMANCE ANALYSIS

| Alpha Statistics | Incpt. | 3 yr | 2 yr | 1 yr |
|---|---|---|---|---|
| Excess Return (% p.a.) | -8.13 | -6.35 | -14.48 | -22.21 |
| % Monthly Excess (All Mkts) | 47.27 | 47.22 | 41.67 | 41.67 |
| % Monthly Excess (Up Mkts) | 26.47 | 33.33 | 29.41 | 25.00 |
| % Monthly Excess (Down Mkts) | 80.95 | 75.00 | 71.43 | 75.00 |

| Beta Statistics | Incpt. | 3 yr | 2 yr | 1 yr |
|---|---|---|---|---|
| Beta | 0.34 | 0.53 | 0.52 | 0.67 |
| R-Squared | 0.14 | 0.27 | 0.34 | 0.51 |
| Tracking Error (% p.a.) | 12.18 | 11.37 | 11.42 | 10.44 |
| Correlation | 0.37 | 0.52 | 0.58 | 0.72 |
| **Risk/Return** | **Incpt.** | **3 yr** | **2 yr** | **1 yr** |
| Information Ratio | -0.67 | -0.56 | -1.27 | -2.13 |

*All commentary below is at 30 April 2020.*

It is important to note that the Relative Performance Analysis shown above combines the Company's price returns with income reinvested and as such do not directly reflect the performance of the underlying portfolio.

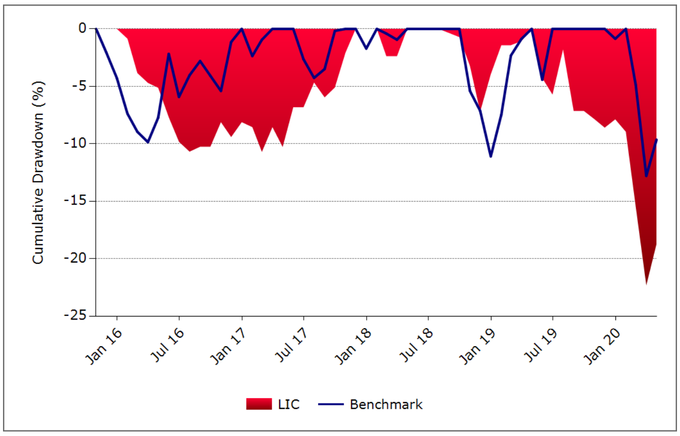
The Company has traditionally demonstrated strong levels of outperformance in down markets, due at least in part to the tenancy to hold high levels of cash.

## DRAWDOWN ANALYSIS

*Drawdown analysis assesses the relative riskiness of a Fund versus the benchmark, in reference to capital preservation. The maximum Drawdown is recorded as the percentage decline in the value of a portfolio from peak to trough (before a new peak is achieved). All Drawdown analysis is calculated commencing from the inception date of the Fund in question, and Drawdown analysis for the Fund and benchmark(s) are calculated independently. That is, the largest drawdown for the Fund and benchmark(s) will not always refer to the same time period.*

| Drawdown Analysis | LIC | Benchmark |
|---|---|---|
| Max Drawdown (%) | -22.32 | -12.79 |
| Months in Max Drawdown | 11 | 2 |
| Months to Recover | - | - |

| Worst Drawdowns | LIC | Benchmark |
|---|---|---|
| 1 | -22.32 | -12.79 |
| 2 | -10.71 | -11.10 |
| 3 | -7.20 | -9.86 |
| 4 | -2.38 | -4.43 |
| 5 | -2.38 | -4.27 |



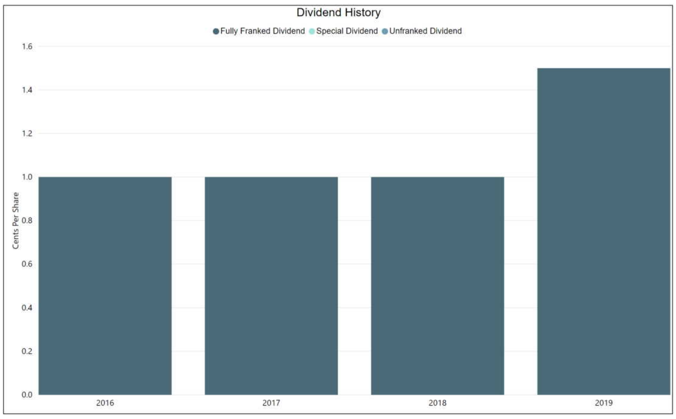

*All commentary below is at 30 April 2020.*

Zenith notes that in some cases, drawdowns experienced by the Company have been higher than the benchmark.

Investors should be aware that accessing a strategy via a listed vehicle will mean that the effectiveness of the strategy may be significantly diminished due to the vehicle's own trading movements. That is, investors may not be able to benefit from the portfolio's performance, as the performance of the Company is driven by market sentiment.

### Dividend Policy

The Board is committed to paying a stream of fully franked dividends to shareholders, provided the Company has sufficient profit reserves and franking credits and it is within prudent business practices. Dividends will be made with consideration to cash flow, cash holdings and available franking credits.




## REPORT CERTIFICATION

Date of issue: 2 Jun 2020

| Role | Analyst | Title |
|---|---|---|
| Author | Adele O'Shannassy | Investment Analyst |
| Sector Lead | Dugald Higgins | Head of Real Assets & Listed Strategies |
| Authoriser | Bronwen Moncrieff | Head of Research |

## RATING HISTORY

| As At | Rating |
|---|---|
| 2 Jun 2020 | Recommended |
| 23 May 2019 | Recommended |
| 5 Jun 2018 | Recommended |
| 8 Jun 2017 | Recommended |
| 6 Jun 2016 | Approved |
| 24 Mar 2016 | Not Rated - Screened Out |

Last 5 years only displayed. Longer histories available on request.

## DISCLAIMER AND DISCLOSURE

Zenith Investment Partners (ABN 27 103 132 672) is the holder of Australian Financial Services Licence 226872 and is authorised to provide general financial product advice. This Product Assessment Report (report) has been prepared by Zenith exclusively for Zenith clients and should not be relied on by any other person. Any advice or rating contained in this report is limited to General Advice for Wholesale clients only, based solely on the assessment of the investment merits of the financial product. This report is current as at the date of issue until it is updated, replaced or withdrawn and is subject to change at any time without notice in line with Zenith's regulatory guidelines. Zenith clients are advised to check the currency of reports and ratings via Zenith's website for updates and should also verify information in relation to the fund with the relevant Fund Manager. Any advice contained in this report has been prepared without taking into account the objectives, financial situation or needs of any specific person who may read it. It is not a specific recommendation to purchase, sell or hold the relevant product(s). Investors should seek their own independent financial advice, obtain a copy of, and consider any relevant PDS or offer document and consider the appropriateness of this advice in light of their own objectives prior to making any investment decision. Zenith charges an upfront flat fee to the Product Issuer, Fund Manager or other related party to produce research on funds that conform to Zeniths Research Methodology. Zenith's fee and Analyst remuneration are not linked to the rating outcome in any way. Views expressed in Zenith reports accurately reflect the personal, professional, reasonable opinion of the Analyst who has prepared the report. Zenith may also receive a fee for other non-research related services such as subscription fees for Zenith's research services and/or for the provision of investment consultancy services. Conflicts management arrangements are in place where Zenith provides research services to financial advisory businesses who provide financial planning services to investors and are also associated entities of the product issuers, with any such conflicts of interest disclosed within reports as appropriate. Full details regarding such arrangements are outlined in Zenith's Conflicts of Interest Policy
www.zenithpartners.com.au/ConflictsOfInterestPolicy

Zenith's research process seeks to identify investment managers considered to be the 'best of breed' through a comprehensive, multi-dimensional selection process. Zenith utilises both quantitative and qualitative factors in its ratings models. Models maximise commonality across different asset classes while retaining flexibility for specialist asset classes and strategies. The selection process is rigorous in both its qualitative and quantitative analysis and each component is equally weighted. Zenith does not manage any proprietary assets and as such Zenith is able to choose investment managers with absolute independence and objectivity. More detailed information regarding Zenith's research process, coverage and ratings is available on Zenith's website
www.zenithpartners.com.au/ResearchMethodology

This report is subject to copyright and may not be reproduced, modified or distributed without the consent of the copyright owner. The information contained in this report has been prepared in good faith and is believed to be reliable at the time it was prepared, however, no representation, warranty or undertaking is given or made in relation to the accuracy or completeness of the information presented in this report. Except for any liability which cannot be excluded, Zenith does not accept any liability, whether direct or indirect arising from the use of information contained in this report. Past performance is not an indication of future performance.

Full details regarding the methodology, ratings definitions and regulatory compliance are available at
www.zenithpartners.com.au/RegulatoryGuidelines



Zenith has charged Future Generation Global Investment Company Limited a fee to produce this report.