

28 March 2022

The Manager
ASX Market Announcements
Australian Securities Exchange
Exchange Centre
Level 4
20 Bridge Street
Sydney NSW 2000

Australian Foundation
Investment Company Limited
ABN 56 004 147 120
Level 21, 101 Collins St
Melbourne VIC 3000
T 03 9650 9911
F 03 9650 9100
invest@afi.com.au
afi.com.au

Electronic Lodgement

Australian Foundation Investment Company Limited Shareholder Telephone / Webcast Presentation

Please find attached the presentation to be given at the Shareholder Teleconference/ Webcast being held today **Monday 28 March 2022 at 10.00am (AEDT)**.

To join the webcast please use the below link.

Webcast Link: Please register for the results webcast here:

<https://edge.media-server.com/mmc/p/sics877h>.

Alternatively to join via the teleconference, please use the details below:

**Telephone: 1800 175 864 (free call within Australia)
1300 212 365 (mobile, free call within Australia)
+61 2 8373 3507 (outside Australia)**

Conference ID: 3175486

Joining the Conference Call:

1. In the 10 minutes prior to the call start time, call the appropriate dial-in number.
2. Enter the Event Plus passcode **3175486**, followed by the pound or # key and leave any information requested after the tone. You will be joined automatically to the conference. During the call you can indicate if you would like to ask a question by pressing (*1) on your telephone keypad and wait for your name to be announced.

International Dial-In Numbers will be available via the Company's website.

The presentation will be available under the News section of the Company's website www.afi.com.au.

Yours faithfully

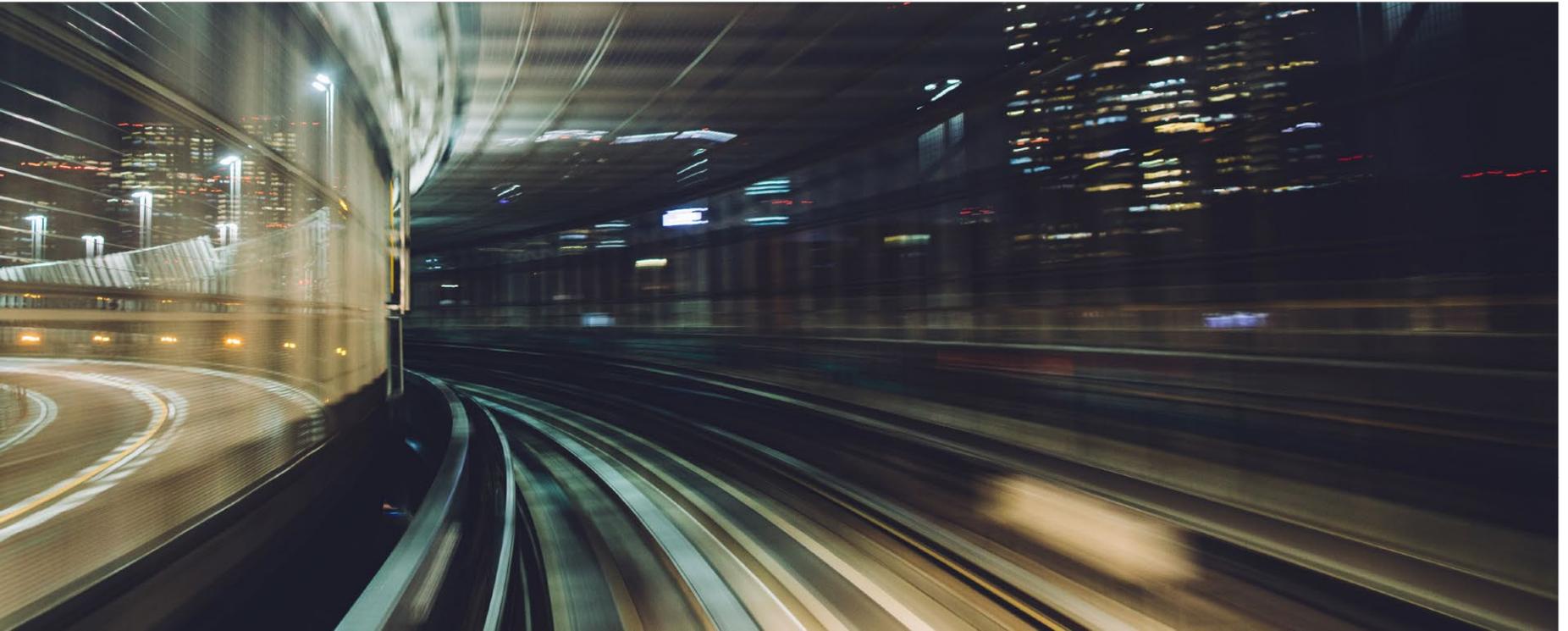
Matthew Rowe
Company Secretary

ASX Release authorised by the Company Secretary

**AUSTRALIAN
FOUNDATION
INVESTMENT
COMPANY**

Shareholder Meeting

28 March 2022



Disclaimer

Australian Foundation Investment Company Limited and its subsidiary AICS (AFSL 303209), their related entities and each of their respective directors, officers and agents (together the Disclosers) have prepared the information contained in these materials in good faith. However, no warranty (express or implied) is made as to the accuracy, completeness or reliability of any statements, estimates or opinions or other information contained in these materials (any of which may change without notice) and to the maximum extent permitted by law, the Disclosers disclaim all liability and responsibility (including, without limitation, any liability arising from fault or negligence on the part of any or all of the Disclosers) for any direct or indirect loss or damage which may be suffered by any recipient through relying on anything contained in or omitted from these materials.

This information has been prepared and provided by AICS. To the extent that it includes any financial product advice, the advice is of a general nature only and does not take into account any individual's objectives, financial situation or particular needs. Before making an investment decision an individual should assess whether it meets their own needs and consult a financial advisor.

Agenda

- (1) Introduction – Mark Freeman
- (2) Objectives and the investment process – Mark Freeman
- (3) Markets and the portfolio – David Grace
- (4) Portfolio Positioning – Nga Lucas
- (5) Closing Comments – David Grace

Investment Team



David Grace
Portfolio Manager



Kieran Kennedy
Portfolio Manager



Brett McNeill
Portfolio Manager



Nga Lucas
Investment Analyst



Rosie Malcolm
Portfolio Manager



Andrew Sutherland
Portfolio Manager



Olga Kosciuczyk
Investment Analyst



Stuart Low
Investment Analyst



Jaye Guy
Investment Analyst



Jeremy Moore
Dealer



Gilbert Battistella
Graduate Investment
Analyst



Nicky Sun
Graduate Investment
Analyst

Our Company

Invests in Australian and New Zealand companies – looking for quality for the long term.

Largest listed investment company on the ASX at \$8.7bn at 28 February 2022 (also listed on NZX), over 160k shareholders, full transparency from being listed, independent Board of Directors providing strong governance.

Shareholders own the 'management rights' to the portfolio – no external funds management business deriving an income from the portfolio.

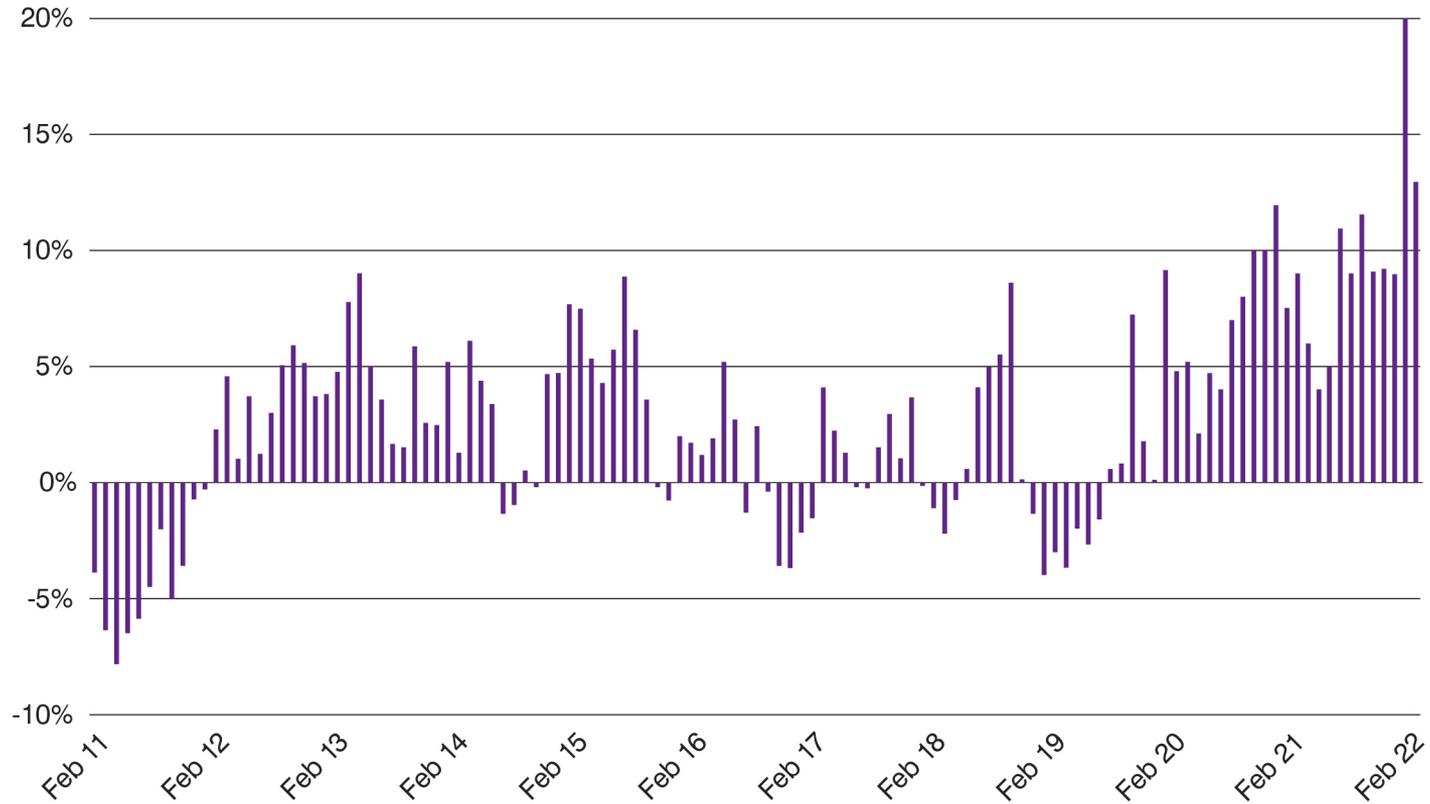
Management expense ratio of 0.15% (half year annualised) with no performance fees.

Long term investor with low turnover – tax has less of a negative impact on shareholder returns compared with high turnover funds. Portfolio and share price returns less volatile than the S&P/ASX 200 Index.

Long history of growing/stable fully franked dividends.

Team manages three other funds – Djerriwarrh, Mirrabooka and AMCIL which adds significantly to the effectiveness of the investment process and idea generation.

AFIC's share price relative to the NTA - 28 February 2022





Objectives and the Investment Process

Objectives

AFIC's investment focus is on a diversified portfolio of Australian equities, seeking to provide attractive income and capital growth to shareholders over the medium to long term.

This is achieved at a low cost, with lower volatility than the market, and with low portfolio turnover which produces tax effective outcomes for shareholders.

Our investment process – focus on long term quality

Long term investor in companies, not traders of share prices

Identify quality companies with sound growth prospects that we can buy at a reasonable price

This supports our belief in the power of compounding returns from great businesses

Our research process is built on observing the key characteristics of a company that our experience indicates will produce strong investment returns

ESG is integrated into our investment framework



Approach to Environmental, Social and Governance (ESG) factors

- Assessment of ESG risk factors is an important part of our investment process as the sustainability of a business is a key input in our assessment of a company.
- As a long-term investor, we seek to invest in companies that have strong governance and risk management processes, which includes consideration of environmental and social risks.
- We regularly review companies to ensure ongoing alignment with our investment framework.



Engagement with companies

Voting on resolutions is one of the key functions that a shareholder has in ensuring better long-term returns and management of investment risk:

- We conduct our own evaluation of the merits of any shareholder resolution and take input from proxy advisors.
- We vote on all company resolutions as part of our regular engagement with companies.
- We actively engage with companies when we have concerns those resolutions are not aligned with shareholders' interests.

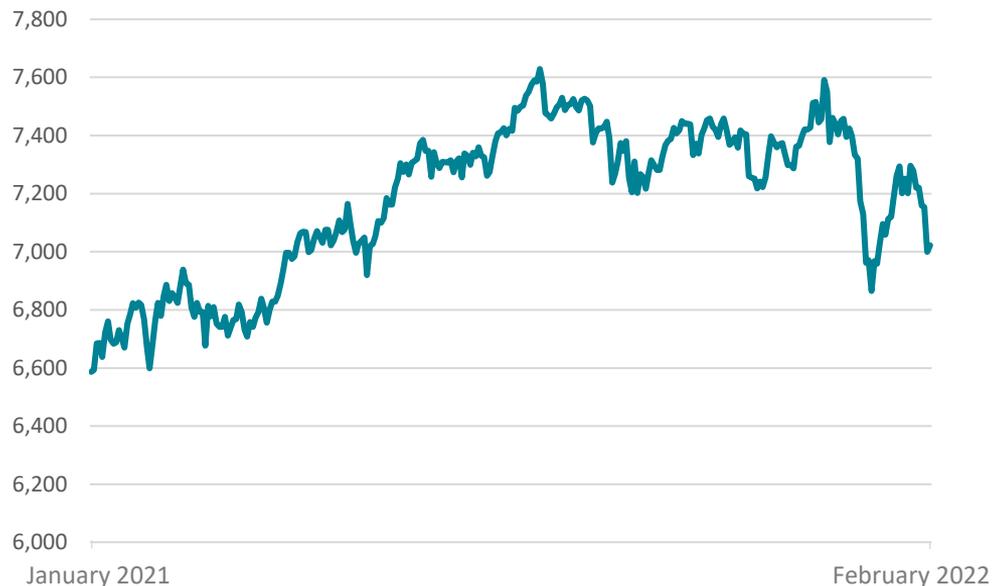
The background of the slide is a blurred image of a server room. It features rows of server racks with numerous small lights, some of which are glowing in a bright blue color, while others are a warm orange or yellow. The perspective is from a low angle, looking down the length of the server aisle, creating a sense of depth and a futuristic, technological atmosphere.

Markets and The Portfolio

Market conditions

S&P/ASX 200 Index price performance chart

Jan 21 – Feb 22



● S&P/ASX 200 Index price performance

Source: Factset

S&P/ASX 200 Sector Performance Table

	CY21	CY22 YTD*
Energy	0.5%	17.1%
Utilities	9.8%	6.1%
Materials	13.9%	6.0%
Financials	25.2%	-3.7%
Consumer Staples	10.2%	-4.6%
Industrials	13.9%	-7.2%
Real Estate	23.1%	-8.0%
Communication Services	32.6%	-10.0%
Health Care	9.3%	-12.3%
Consumer Discretionary	24.3%	-13.3%
Information Technology	-2.2%	-23.8%
TOTAL	17.2%	-4.3%

*to 28 February 2022

Long-term oil price

Brent oil versus 3Y moving average



Source: DataStream, Citi Research

Long-term share market performance

Markets perform over the long run despite short term drawdowns.

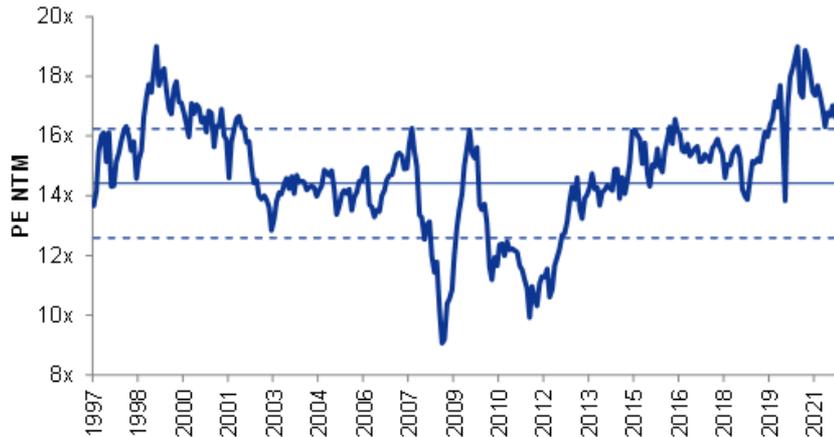
Market valuation multiples now more in line with the long-term average.

ASX200 Price Return over 25 years



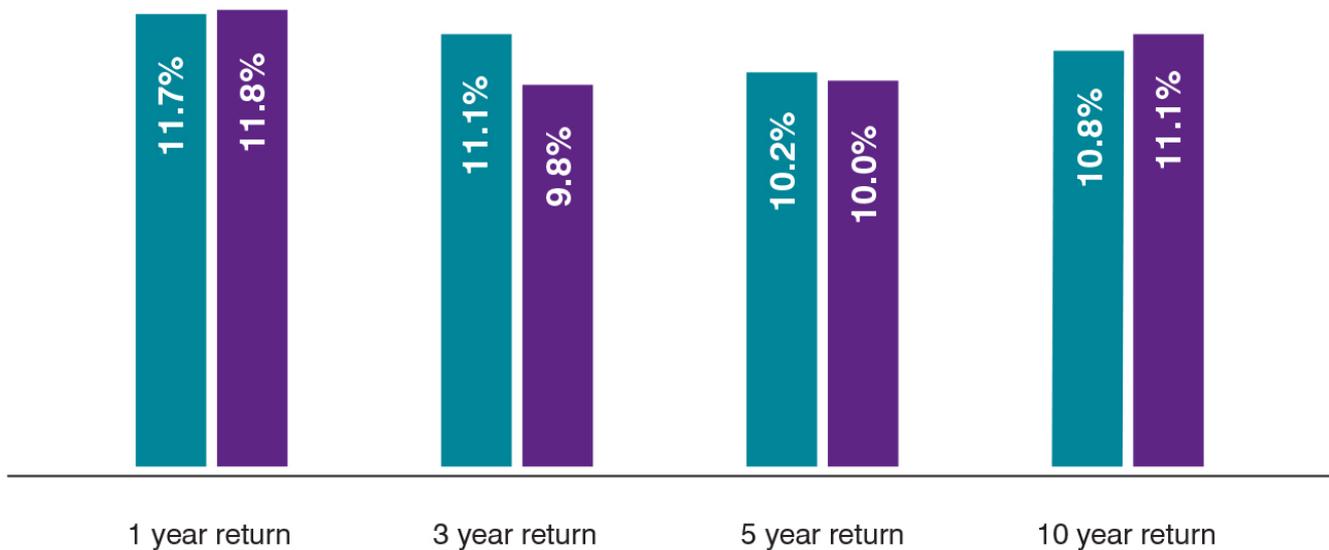
Source: Factset

ASX 200 forward PE over 25 years



Source: Goldman Sachs

Portfolio Performance* per annum returns to 28 February 2022



● Net asset per share growth plus dividends, including franking

● S&P/ASX 200 Accumulation Index, including franking

*assumes an investor can take full advantage of the franking credits

Past performance is not indicative of future performance.

Opportunities in volatile markets

Growth companies at reasonable valuations



Sources of income with reasonable growth



A person wearing a white button-down shirt is seated at a wooden desk. They are holding a gold-colored smartphone in their right hand and a white tablet in their left hand. In front of them is a silver laptop. To the right of the laptop is a small potted plant with green leaves. The scene is brightly lit, suggesting an office or home workspace.

Portfolio positioning

Portfolio Positioning

Constructing a diversified portfolio with the appropriate balance of **Income and Growth**.

Companies with excellent long term growth prospects



Companies with an above average dividend yield, with solid long term growth prospects



Smaller companies that have the potential for significant long-term growth



REA Group – power of compounding long term returns



REA Group

REA Total Shareholder Return (%)

First added to the portfolio: April 2016



Average cost \$64.00

Holding period 5.5 years

Dividends Received \$6.80

Annualised return 18.40%

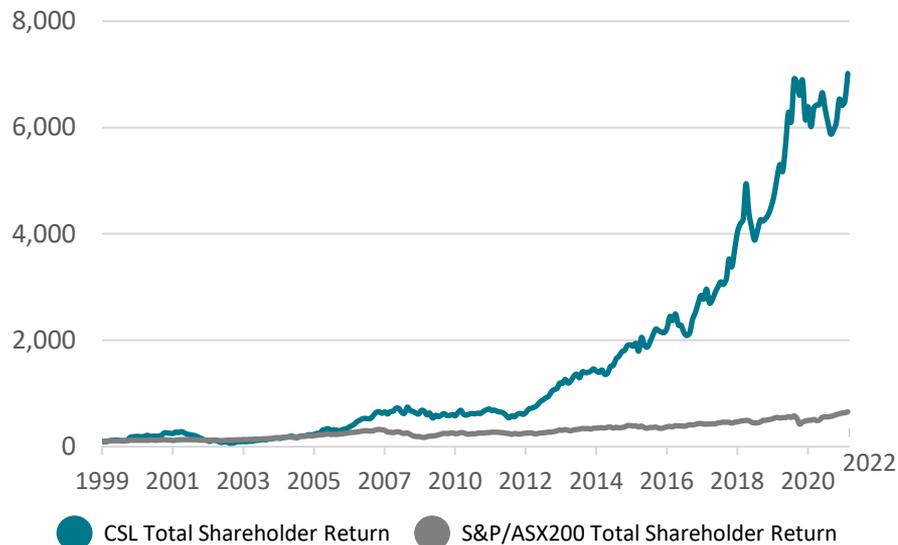
ASX 200 annualised return 10.80%

CSL – power of compounding long term returns

CSL

CSL Total Shareholder Return (%)

First added to the portfolio: September 1999



Average cost **\$109.00**

Holding period **23 years**

Dividends Received **\$23.13**

Annualised return **19.90%**

ASX 200 annualised return **8.70%**

Transurban – source of growing income

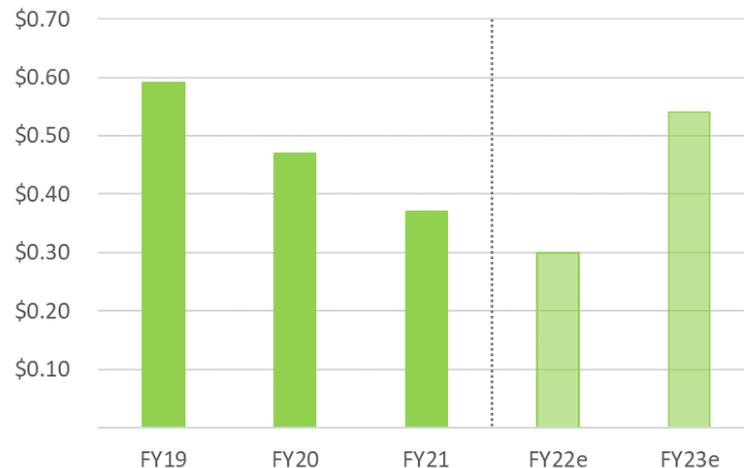
- A high-quality company that will benefit from economies reopening and traffic recovering
- Good income stock for the portfolio with dividends to continue to recover from FY22 low point
- Potential upside from pipeline of development opportunities

Opportunity pipeline

- In addition to committed capital, Transurban has identified a significant pipeline of potential opportunities

REGION	POTENTIAL OPPORTUNITIES
Sydney	M7 staged widening and M7/M12 interchange
	Western Harbour Tunnel and Sydney Harbour Tunnel potential monetisation
	M6 potential monetisation (formerly known as F6 extension)
	Beaches Link potential monetisation
Melbourne	North East Link potential monetisation
Brisbane	Gateway Motorway widening
	Logan Motorway widening
	Broader network enhancements including in relation to Brisbane 2032 ³
North America	Phase 1 of Maryland Express Lanes Project
	Capital Beltway Accord
	Express Lanes enhancements and/or extensions
	Future traditional toll road and Express Lanes acquisition opportunities
	Maryland Express Lanes Project future phases

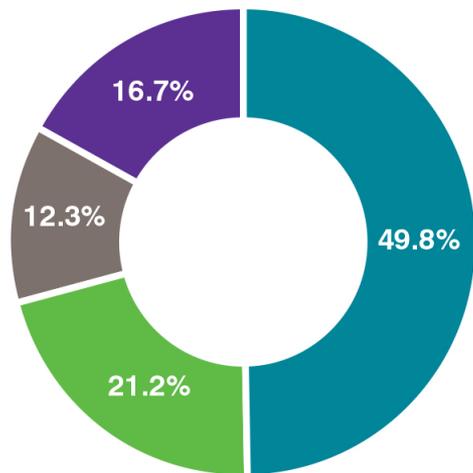
Dividends (\$ per share)



Source: Company reports, Factset, AFIC estimates. Note that the Financial Year periods refer to the Dividend 'Ex Date' and therefore line up with AFIC's Financial Year reporting.

Top 30 holdings – 28 February 2022

Total Portfolio 59 Holdings

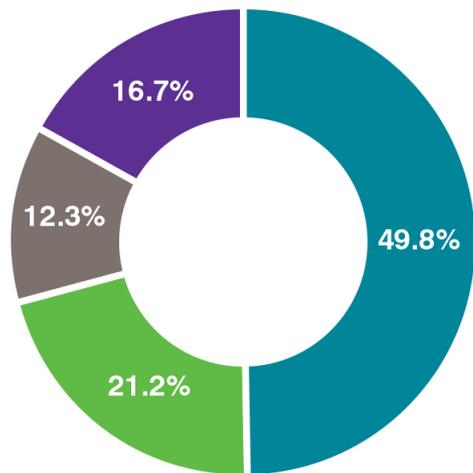


- Top 10
- Next 11 to 20
- Next 21 to 30
- Remainder

Rank	Company	% of Portfolio
1	Commonwealth Bank of Australia	8.6%
2	BHP	7.5%
3	CSL	7.2%
4	Macquarie Group	4.6%
5	Transurban Group	4.2%
6	Wesfarmers	4.1%
7	Westpac Banking Corporation	4.1%
8	National Australia Bank	3.7%
9	Woolworths Group	3.0%
10	Mainfreight	2.8%

Top 30 holdings – 28 February 2022 continued

Total Portfolio 59 Holdings



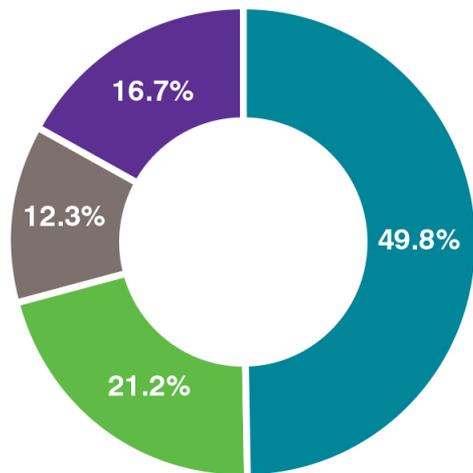
- Top 10
- Next 11 to 20
- Next 21 to 30
- Remainder

Rank	Company	% of Portfolio
11	Australia and New Zealand Banking Group	2.6%
12	Rio Tinto	2.6%
13	James Hardie Industries	2.5%
14	Telstra Corporation*	2.5%
15	Ancor	2.1%
16	Goodman Group	2.1%
17	Coles Group	1.8%
18	ResMed	1.8%
19	Reece	1.6%
20	ARB Corporation	1.6%

* Options were outstanding against part of the holding.

Top 30 holdings – 28 February 2022 continued

Total Portfolio 59 Holdings



● Top 10 ● Next 11 to 20
● Next 21 to 30 ● Remainder

Rank	Company	% of Portfolio
21	Carsales.com	1.5%
22	Sonic Healthcare	1.5%
23	Ramsay Health Care	1.4%
24	ASX	1.4%
25	Woodside Petroleum	1.2%
26	Fisher & Paykel Healthcare	1.2%
27	Brambles	1.1%
28	ALS	1.0%
29	Seek	1.0%
30	Computershare	1.0%



Closing Comments

Outlook

🕒 Challenging operating environment to continue:

- Implications of war in Ukraine
- Rising cost environment with likely further rate rises
- Slowing growth in China

🕒 Demand environment in many sectors of the economy remains healthy.

🕒 Company dividends are forecast to continue their recent recovery.

🕒 Looking to capture buying opportunities as they present.

International Portfolio

- 🌐 Performance so far has been encouraging and we are continuing to build a track record.
- 🌐 Invested \$85mm (1%) in a portfolio of international companies to date.
- 🌐 Actively managed portfolio consistent with AFIC approach currently invested across 39 stocks.
- 🌐 Focuses on high quality companies characterised by strong management teams, sustainable competitive advantages and often underpinned by long term secular growth trends.



Questions

**AUSTRALIAN
FOUNDATION
INVESTMENT
COMPANY**