

4 October 2022



The Manager
ASX Market Announcements
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Sydney NSW 2000

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Electronic Lodgement

**Australian Foundation Investment Company Limited
2022 Annual General Meeting Presentation**

Dear Sir / Madam

The following presentation will be delivered to shareholders at the Company's Annual General Meeting to be held today.

Yours faithfully

A handwritten signature in black ink, appearing to read "Matthew Rowe".

Matthew Rowe
Company Secretary

Authorised for release by the Company Secretary

**AUSTRALIAN
FOUNDATION
INVESTMENT
COMPANY**

Annual General Meeting
2022



Board Members



John Paterson
Chairman and Independent
Non-Executive Director



Mark Freeman
Managing Director



Rebecca Dee-Bradbury
Independent Non-Executive
Director



Craig Drummond
Independent Non-Executive
Director



Julie Fahey
Independent Non-Executive
Director



Graeme R Liebelt
Independent Non-Executive
Director



David A Peever
Independent Non-Executive
Director



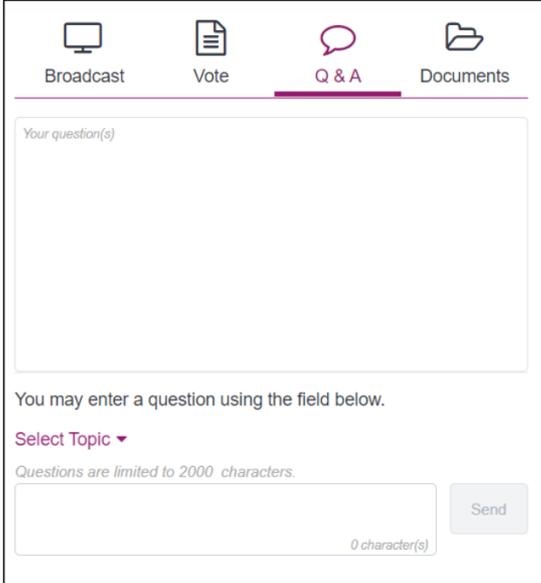
Catherine M Walter AM
Independent Non-Executive
Director



Peter J Williams
Independent Non-Executive
Director

How to ask a question

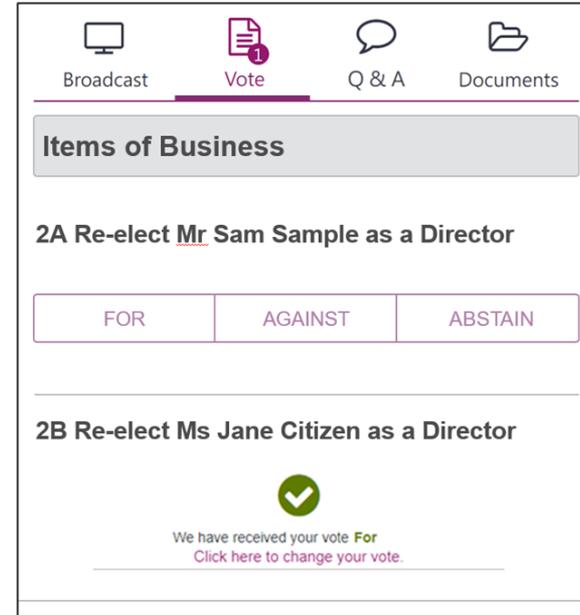
- To ask a written question select the Q & A icon
- Select the topic your question relates to from the drop-down list
- Type your question in the text box and press the send button
- To ask a verbal question follow the instructions below the broadcast window.



The screenshot shows a user interface for asking a question. At the top, there are four navigation icons: a monitor for 'Broadcast', a document for 'Vote', a speech bubble for 'Q & A' (which is highlighted with a red underline), and a folder for 'Documents'. Below the navigation bar is a large text area labeled 'Your question(s)'. Underneath this is the instruction 'You may enter a question using the field below.' followed by a dropdown menu labeled 'Select Topic'. Below the dropdown is a smaller text input field with the note 'Questions are limited to 2000 characters.' and a 'Send' button. A character count '0 character(s)' is visible at the bottom right of the input field.

How to vote

- When the poll is open, select the vote icon at the top of the screen
- To vote, select either For, Against or Abstain
- You will see a vote confirmation
- To change or cancel your vote “click here to change your vote” at any time until the poll is closed



**AUSTRALIAN
FOUNDATION
INVESTMENT
COMPANY**

Annual General Meeting – Presentation 2022



Disclaimer

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Agenda

Investment Objectives

Mark Freeman

Financial Results

Andrew Porter

Markets and the Portfolio

David Grace and Nga Lucas

Outlook

Mark Freeman



Investment Objectives and Investment Team



Investment Objectives

The Company aims to provide shareholders with attractive investment returns through access to a growing stream of fully franked dividends and growth in capital invested.

The Company's primary investment goals are:

- to pay dividends which, over time, grow faster than the rate of inflation; and
- to provide attractive total returns over the medium to long term.

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



Financial Results

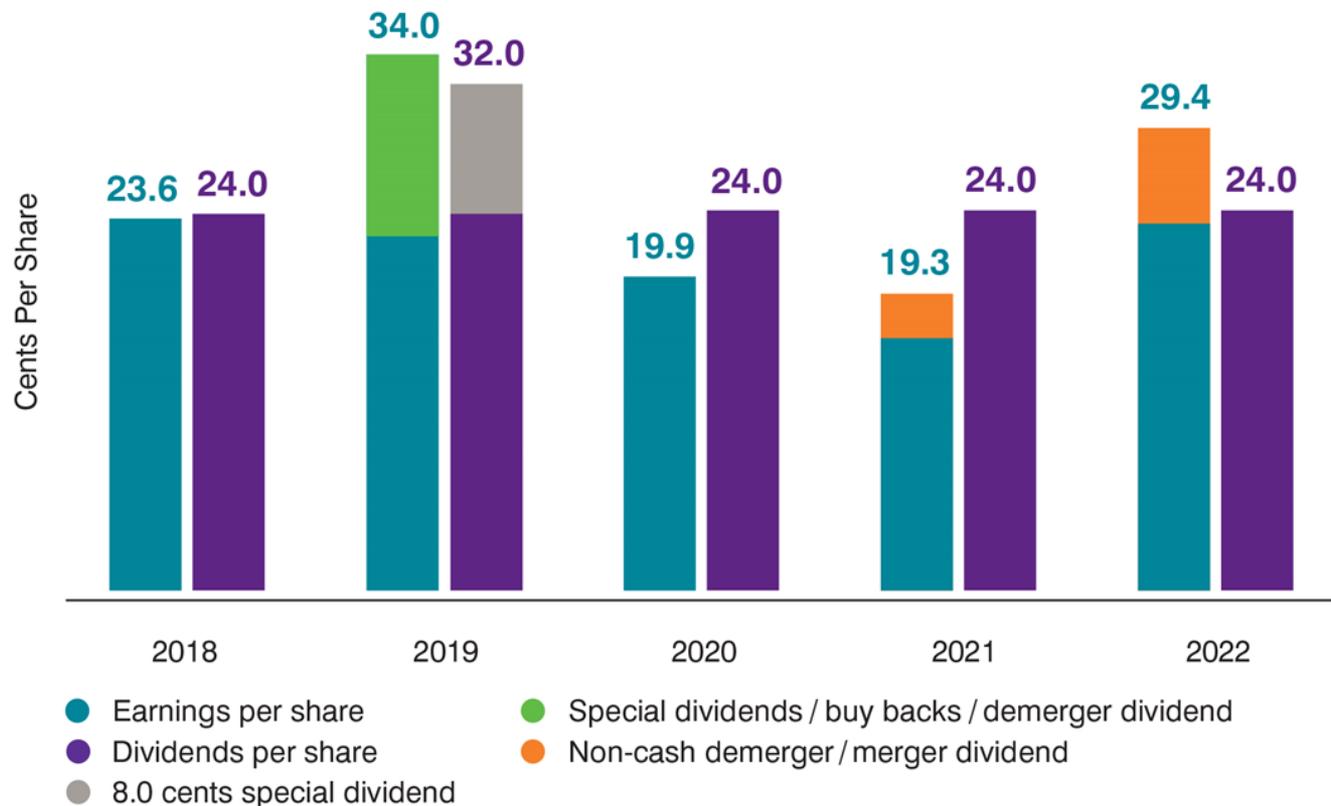


Results to 30 June 2022

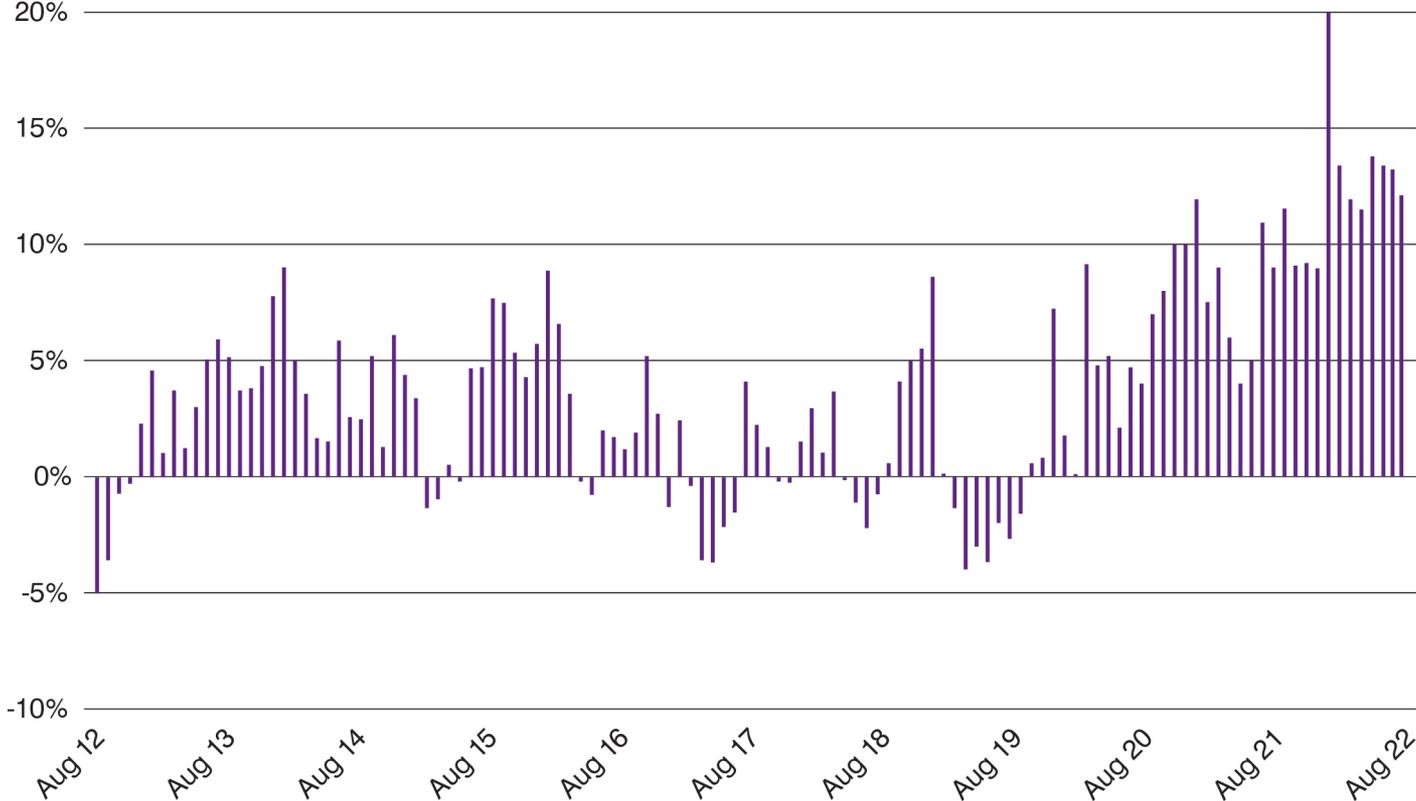
Profit for the Year	2022 \$360.6m		\$235.1m in 2021. Up 53.4%	Total Portfolio Return	2022 -6.8% <small>Including franking*</small>	S&P/ASX 200 Accumulation Index including franking* -5.1%
Fully Franked Dividend	14¢ <small>Final</small>	24¢ <small>Total</small>	24 cents total in 2021	Management Expense Ratio	0.16%	0.14% in 2021
Total Shareholder Return	0.1%		Share price plus dividend, including franking*	Total Portfolio	\$8.2b	Including cash at 30 June. \$9.1 billion in 2021

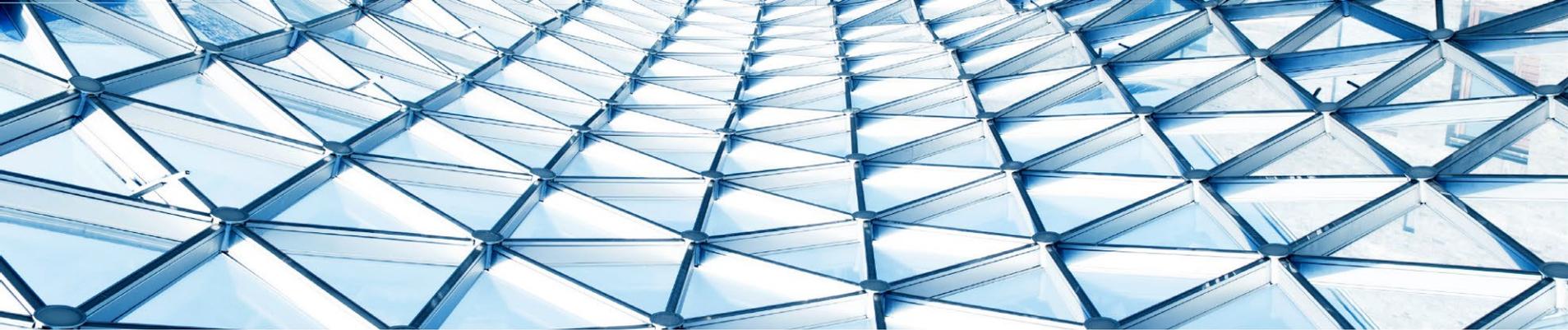
* Assumes a shareholder can take full advantage of the franking credits.

Relationship between full year dividends per share and earnings per share



Share Price Relative to NTA





Markets and the Portfolio



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 considerations are integrated into our Investment Framework



Approach to Environmental, Social and Governance (ESG) factors

- Long term sustainability of a company's business model is a key focus in our assessment of quality.
- Assessment of ESG risk factors is an important part of our investment process.
- We regularly review companies to ensure ongoing alignment with our investment framework.

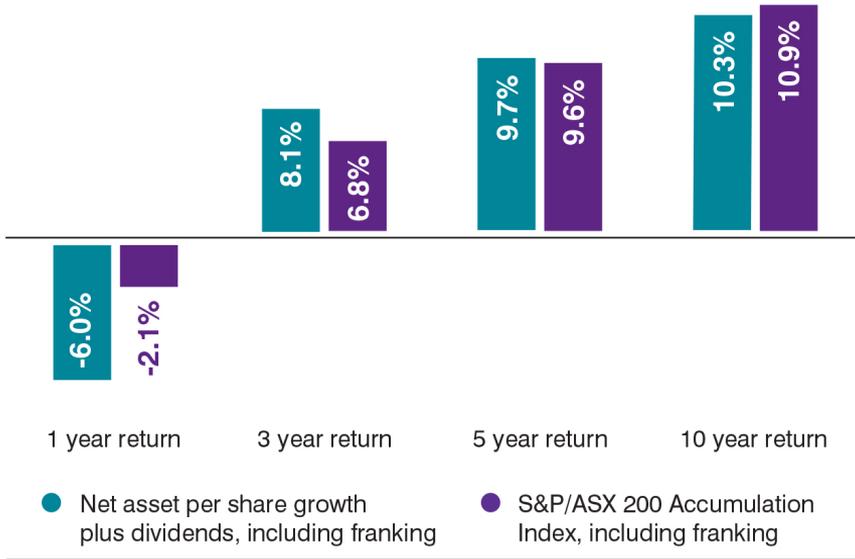


Engagement with companies

- We conduct our own evaluation of the merits of any shareholder resolution and also 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.

Performance

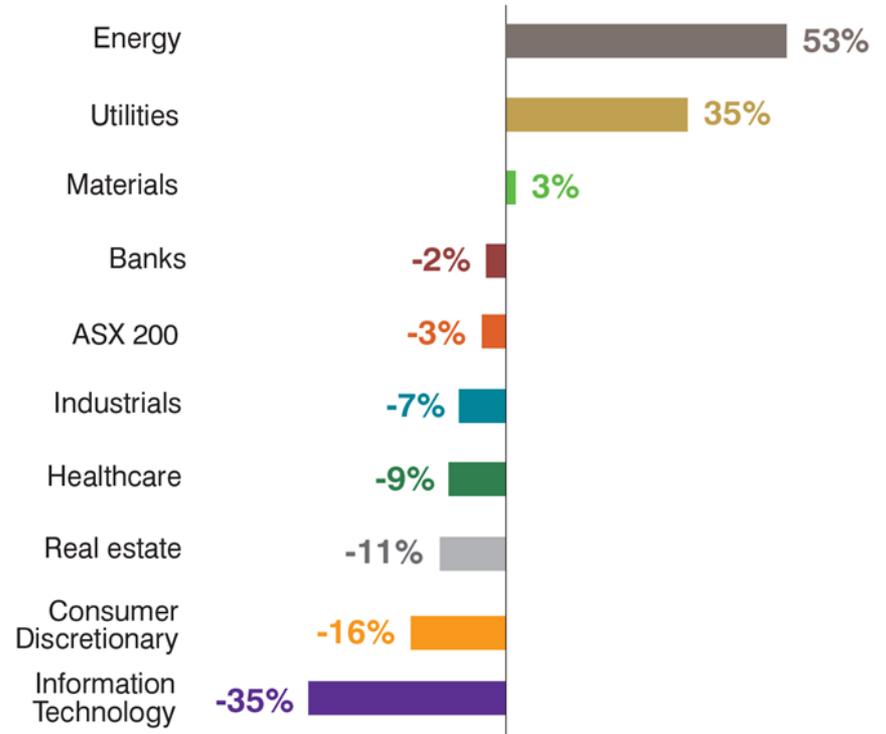
Returns to 31 August 2022 – per annum*



* Assumes an investor can take full advantage of the franking credits. AFIC's portfolio return is also calculated after management fees, income tax and capital gains tax on realised sales of investments. It should be noted that Index returns for the market do not include management expenses or tax.

Past performance is not indicative of future performance.

Sector Performance - annual return to 31 August 2022



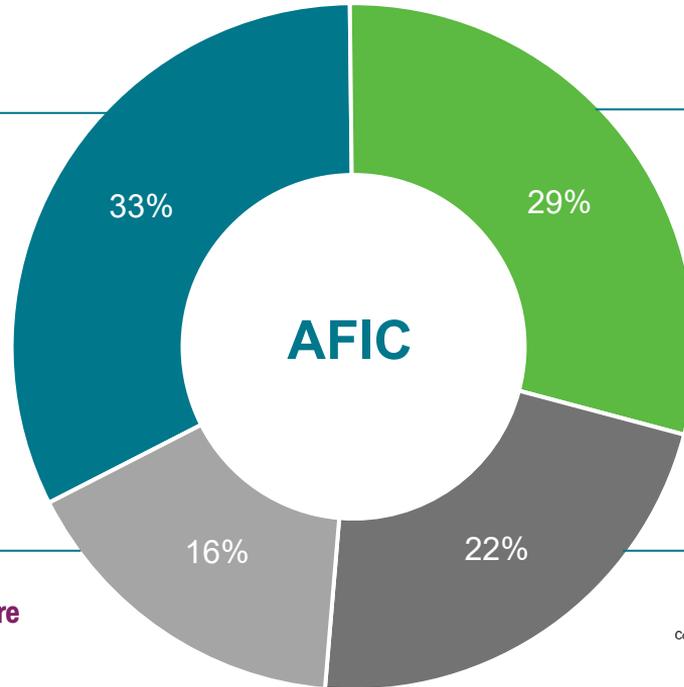
Source: FactSet

Portfolio Set to Perform in a variety of Economic Settings

Growth Companies



Cyclicals



Stalwarts



Income



Market Conditions

- Equity markets lacking direction as investors weigh up global economic challenges
 - Inflation and rising interest rates
 - Slowing outlook for consumer spending
 - Softening economic growth in China
 - Escalating war in Ukraine
 - The ongoing Coronavirus pandemic
- Investor sentiment very short term. Share price movements being driven by the news of the day.
- We remain committed that holding a diversified portfolio of quality companies over the long-term remains appropriate.
- Market volatility in an uncertain environment presents buying opportunities in quality companies at attractive prices.

Valuation in a Long Term Context

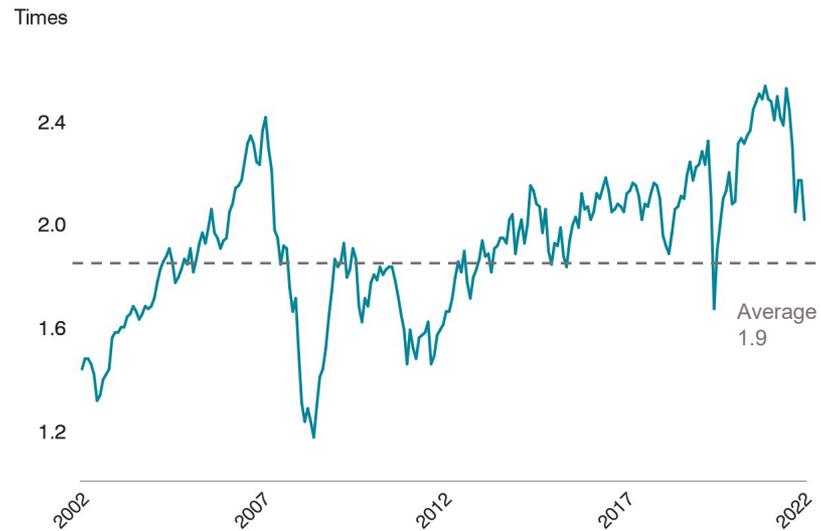
Price to Book – S&P/ASX 200 Index



Source: FactSet

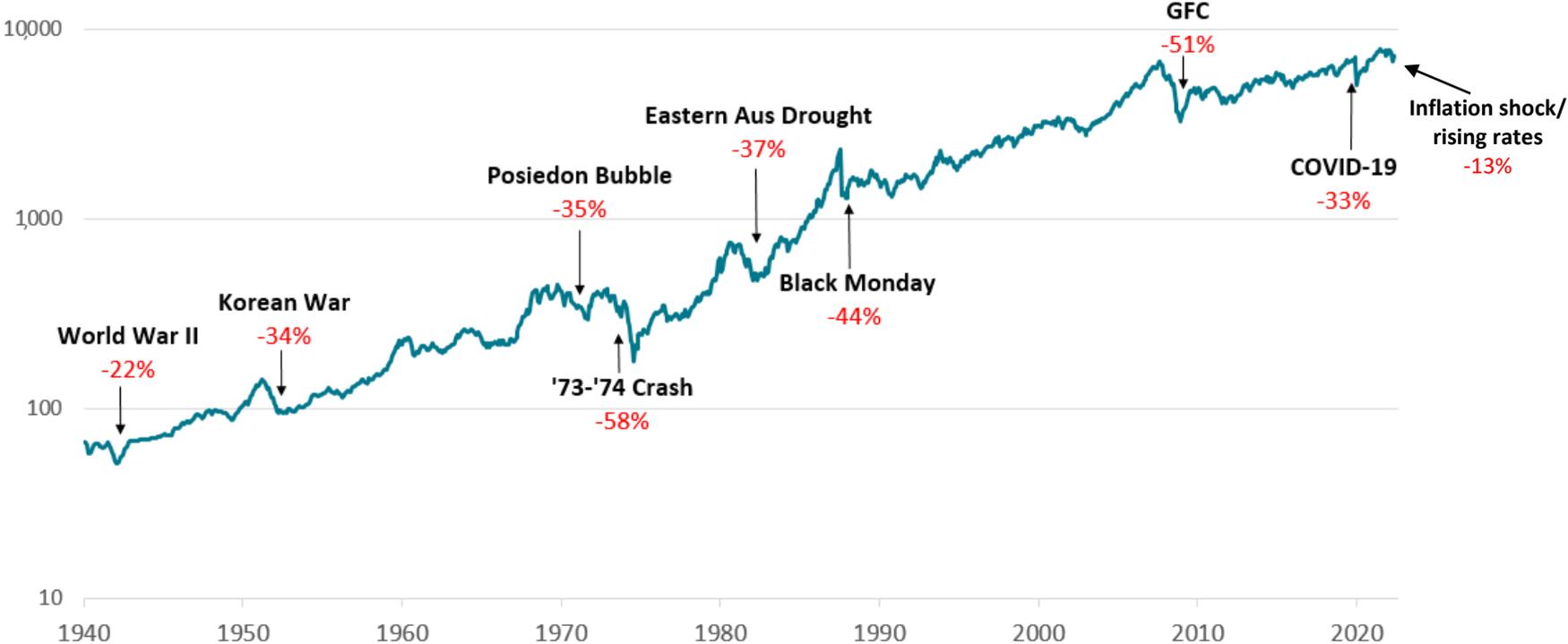
At closing 26 September 2022 - S&P/ASX Index at 6469

Price to Sales – S&P/ASX 200 Index



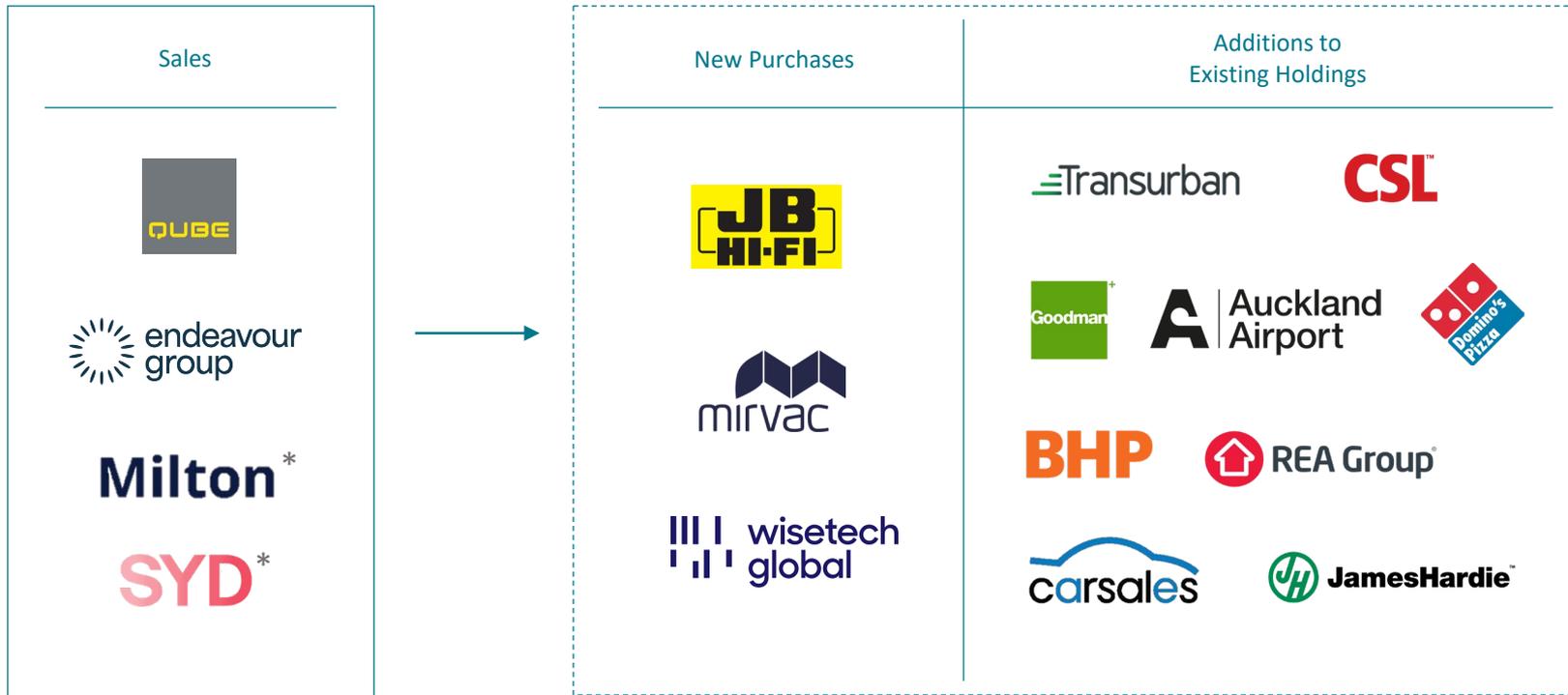
Market Sell Offs Create Excellent Long-term Buying Opportunities

ASX All Ordinaries – Price Index



Source: FactSet

Active Portfolio Management – Recent Transactions



* Takeover

Mainfreight continued expansion in the US



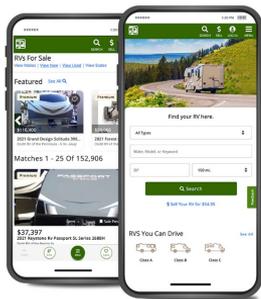
Source: Mainfreight

- Logistics company specialising in Less Than Truckload segment with an extensive global network.
- Founded in NZ in 1978 by current Chairman Bruce Plested.
- Owner driver business, experienced and focused management team.
- Significant opportunity to win market share in the US as they continue to expand and densify their network.
- Long track record of growth and shareholder returns. Strong balance sheet.

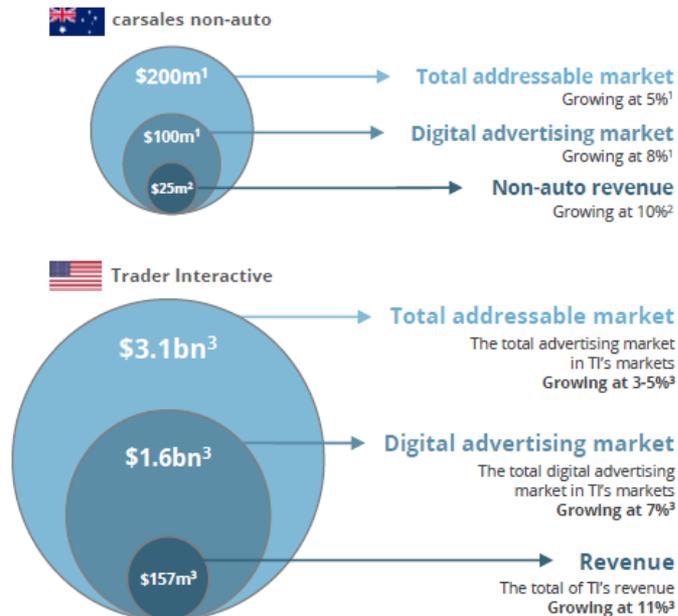


Source: Mainfreight

- Dominant market position in used car classifieds in Australia.
- Recent acquisition of the remaining 51% of Trader Interactive in the US (non-automotive classifieds) significantly expands International presence.
- Ability to leverage Carsales IP to accelerate market penetration and growth in the US
- Management team has strong track record of delivering strong returns and growth.



Source: Carsales

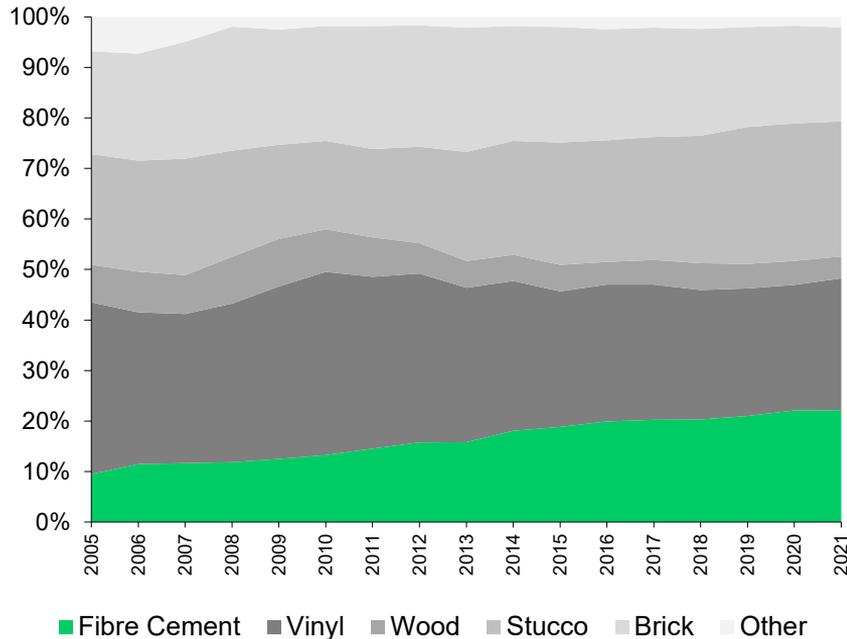


Source: Carsales



James Hardie continuing to capture market share

Fibre cement gaining market share



Source: Macquarie / US Census Bureau Characteristics of Housing Supply



Source: James Hardie

- Market leadership in fibre cement cladding for US homes
- Fibre cement has grown from 9% wall share in 2005 to 22% today. All other competing materials have lost market share over this period. We expect this trend to continue.
- New product development focussed on architectural trend of modern look homes. Early days but performing well.
- High return on capital and strong balance sheet.



Source: ResMed

- Market leader in the treatment of Obstructive Sleep Apnoea (OSA).
- Founded in Sydney in 1989 by current Chairman, Peter Farrell. His son Mick is the current CEO
- Today, the business has over 8,000 employees and operates in over 140 countries
- Invests more than 7% of sales in Research and Development
- Long and successful track record of creating shareholder value with returns well above cost of capital



Outlook



Outlook

- Uncertain operating environment with persistent inflation and rising interest rates.
- The valuation of the market has significantly retraced this year with some risk of further downside.
- The portfolio is well positioned to perform in a wide range of operating environments.
- Volatile markets often provide the best buying opportunities for investors focused on a company's long-term prospects.
- The portfolio is invested in well managed, quality companies owning strategic assets with strong balance sheets.

International Portfolio

- Consistent with the existing AFIC portfolio, the International portfolio invests in quality companies with:
 - Strong management teams
 - Solid balance sheets
 - Competitive advantages that we view as sustainable
 - Often underpinned by long term secular growth trends
- Provides shareholders with exposure to world class companies – potentially a precursor to a separate LIC
- Adds global perspective to the Investment Team
- Currently holds positions in 39 companies ~\$100m or 1.2% of AFIC portfolio
- Encouraging results to date with performance since inception ahead of the benchmark*

** 7th May 2021 – 30th September 2022, before costs*