

16 March 2015

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

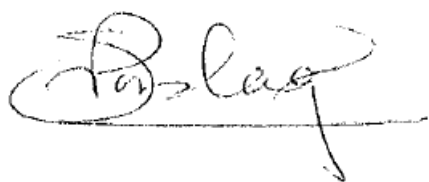
Electronic Lodgement

**Australian Foundation Investment Company Limited
Information Meetings – Presentation**

Dear Sir / Madam

Please find attached the presentation to be given at the Information Meetings being held in March 2015.

Yours faithfully

A handwritten signature in black ink, appearing to read 'S. Pordage', with a long horizontal stroke extending to the right.

Simon Pordage
Company Secretary



SHAREHOLDER MEETING MARCH 2015

**AUSTRALIAN
FOUNDATION
INVESTMENT
COMPANY**

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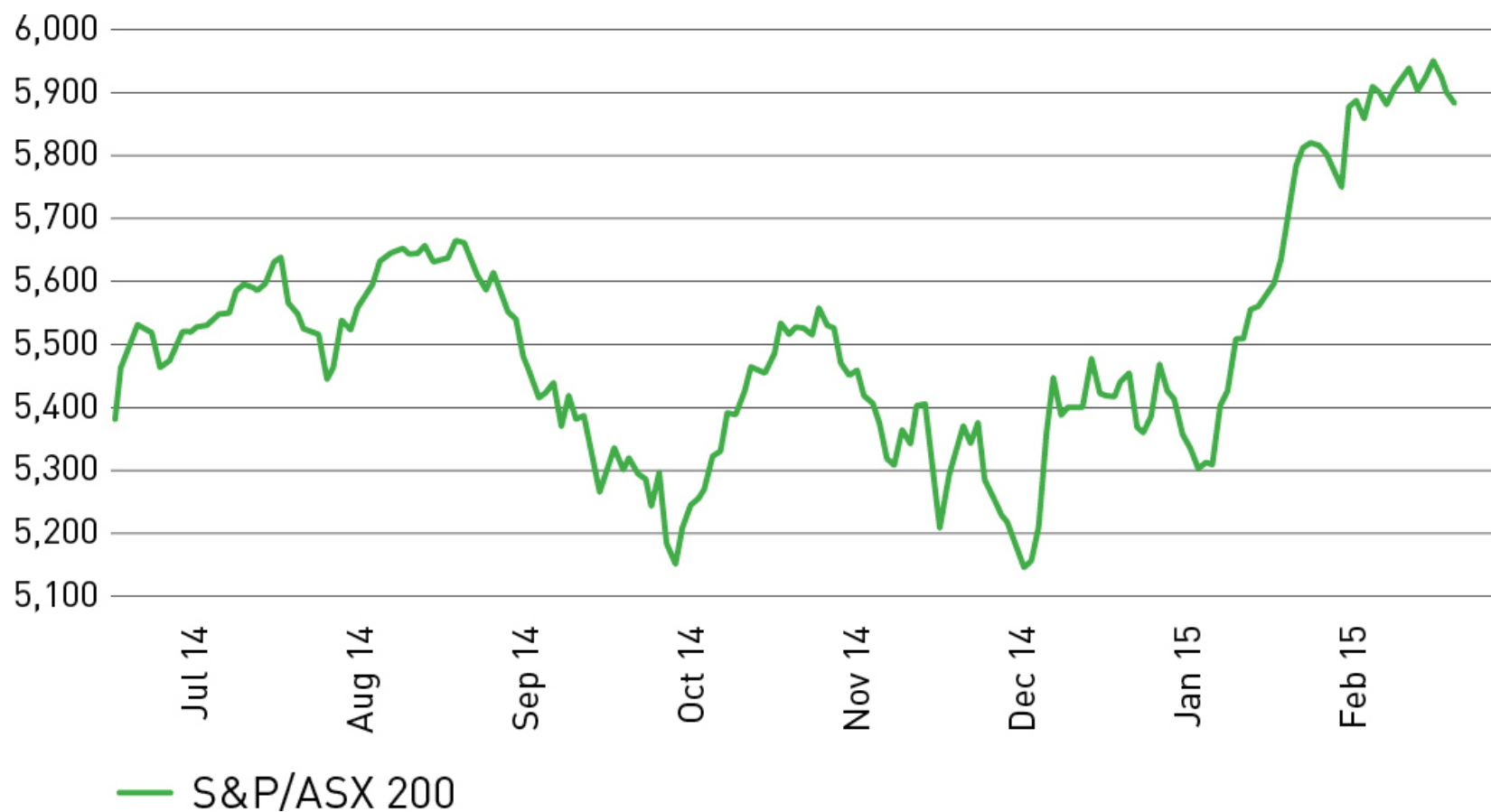
1. THE MARKET



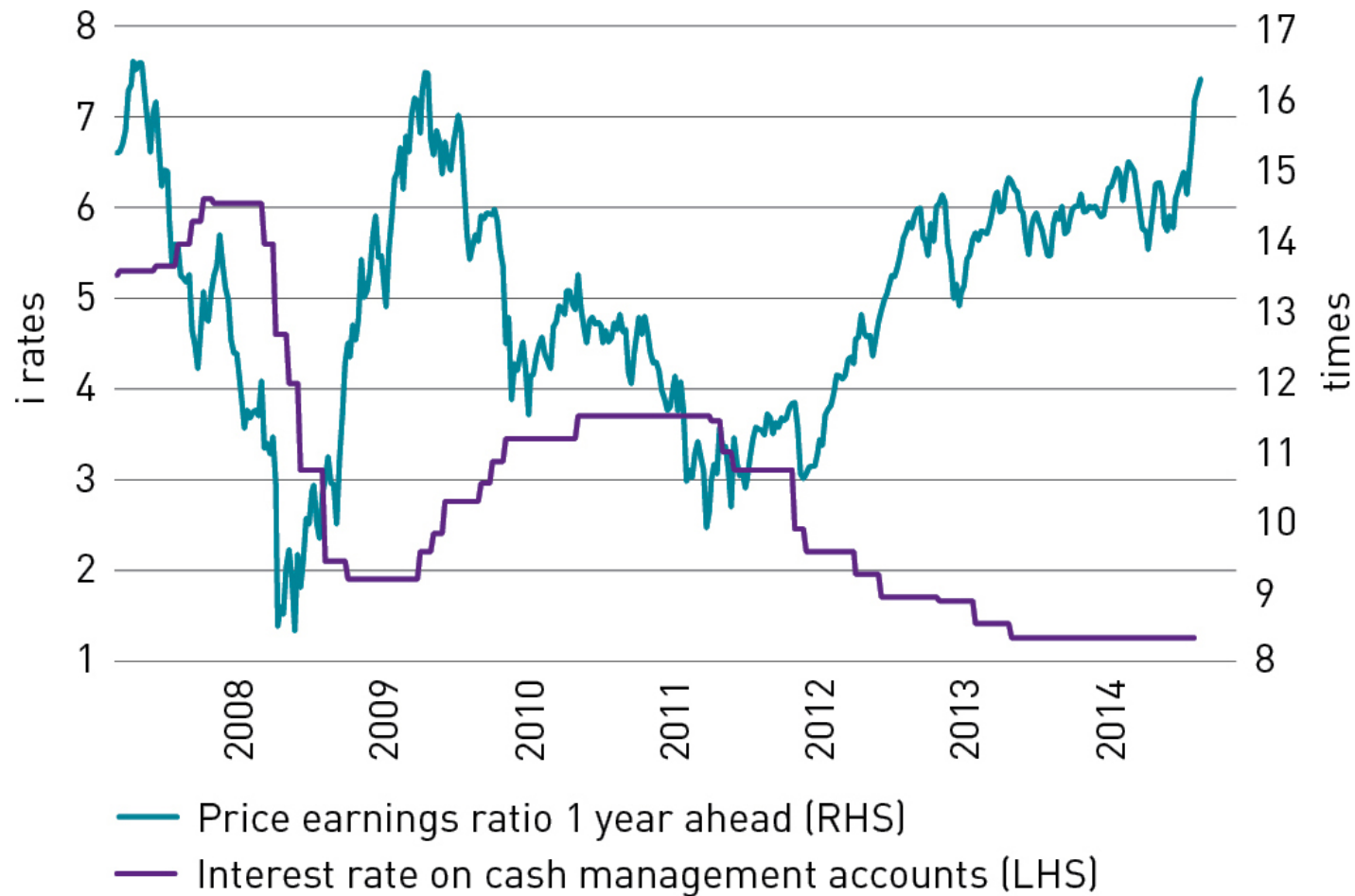
SHAREHOLDER MEETING MARCH 2015

**AUSTRALIAN
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THE MARKET HAS RECENTLY ENJOYED A STRONG RUN



LOW INTEREST RATES CONTINUE TO DRIVE MARKET VALUATIONS (PRICE EARNINGS RATIO)

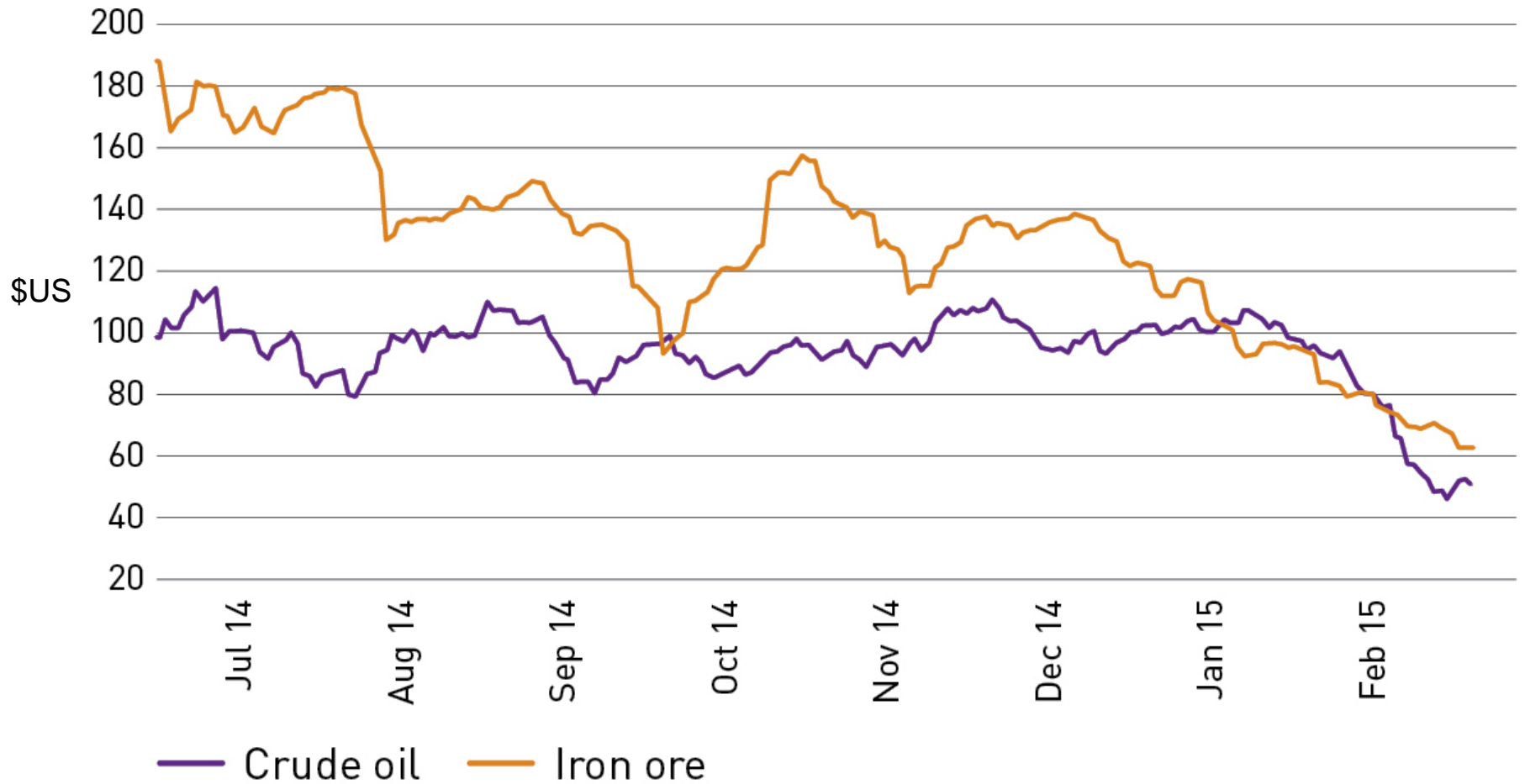


Source: FactSet.

MARKET TRADING AT ROBUST VALUATION LEVELS RELATIVE TO EARNINGS

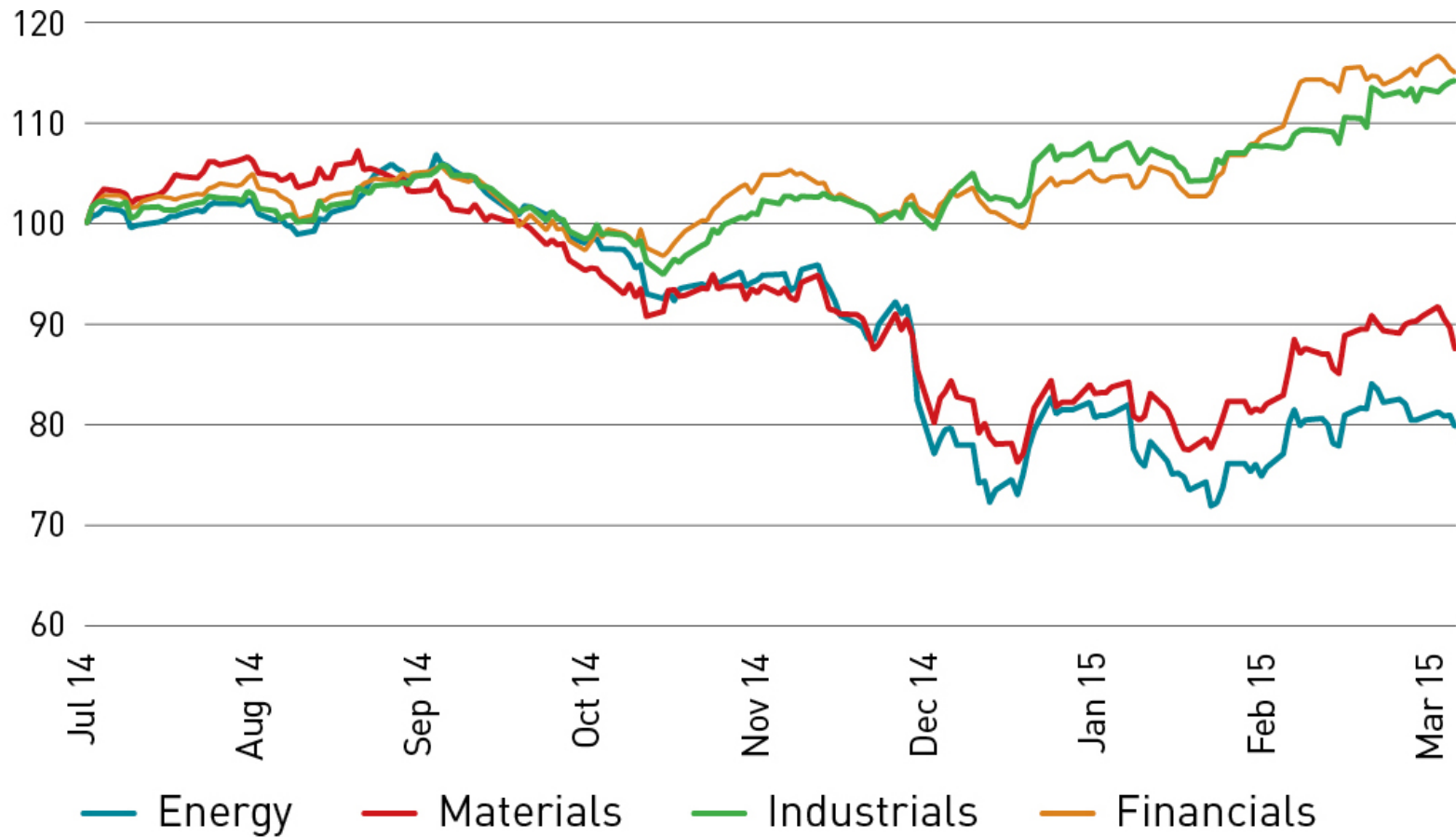


COMMODITY PRICES HAVE FALLEN



Source: FactSet.

ENERGY AND MATERIALS HAVE LAGGED



Source: FactSet.

2. RESULTS & SHAREHOLDER RETURNS



SHAREHOLDER MEETING MARCH 2015

**AUSTRALIAN
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HALF-YEAR FINANCIAL SUMMARY

PROFIT FOR THE HALF-YEAR

\$132.0m

Down 3.7% from 2013

FULLY FRANKED INTERIM DIVIDEND

9.0¢

+1 cent per share

MANAGEMENT EXPENSE RATIO

0.17% Annualised

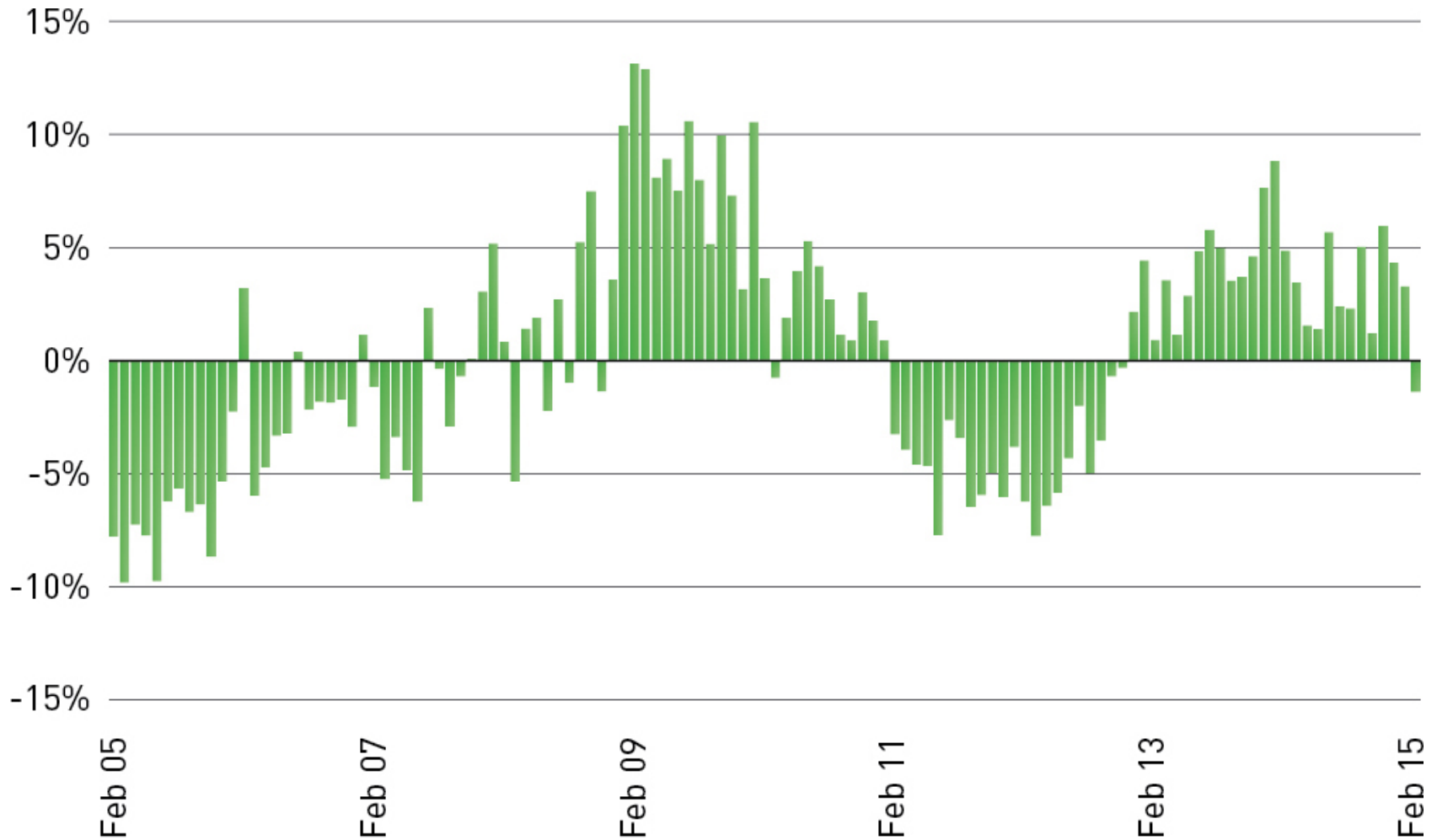
0.18% last year

TOTAL PORTFOLIO

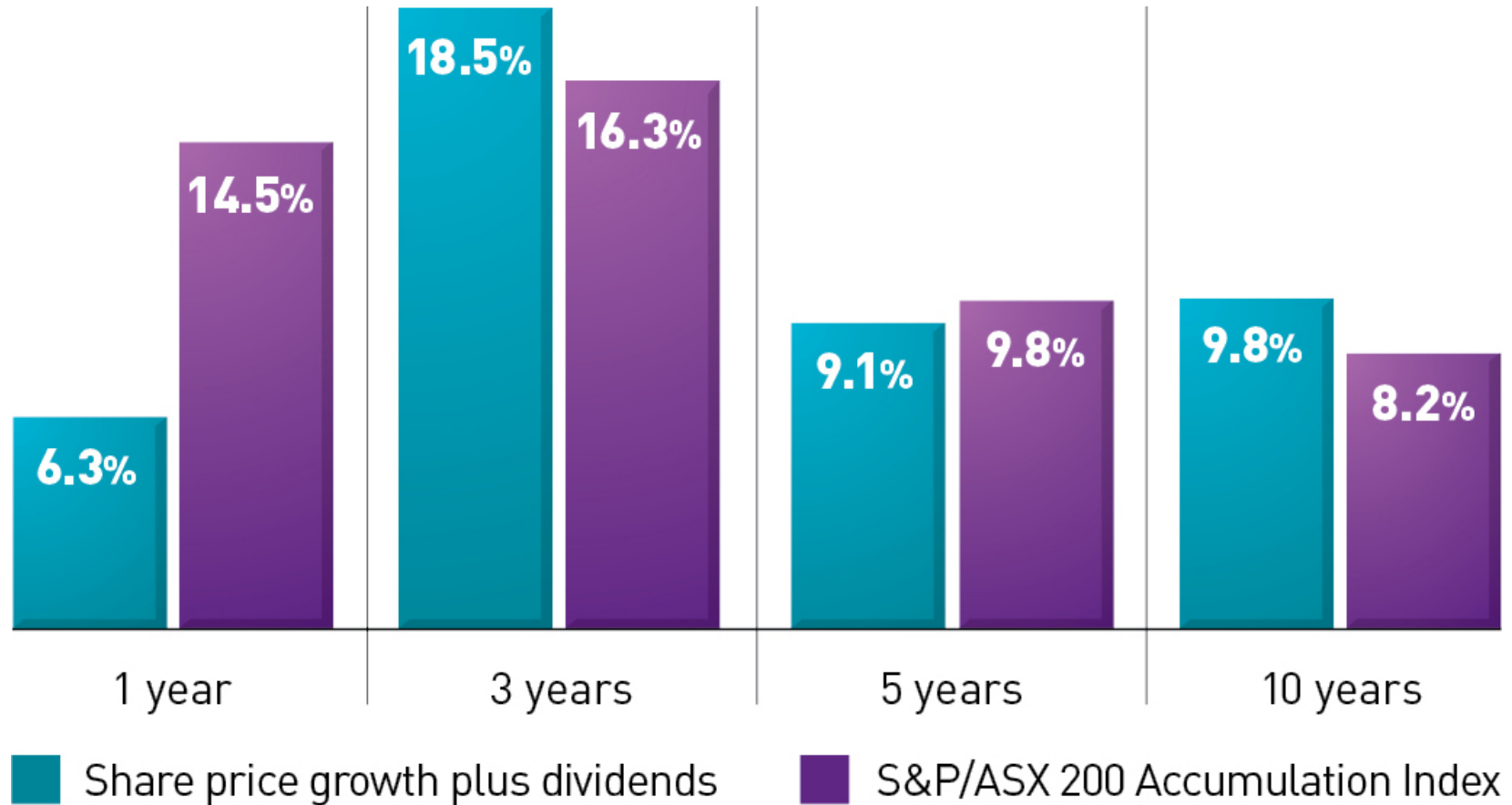
\$6.5b
Including cash at 31.12.14

\$6.3 billion in 2013

SHARE PRICE HAS RECENTLY MOVED TO A SLIGHT DISCOUNT TO NET ASSET BACKING



SHARE PRICE PERFORMANCE – PER ANNUM RETURN TO 28 FEBRUARY 2015



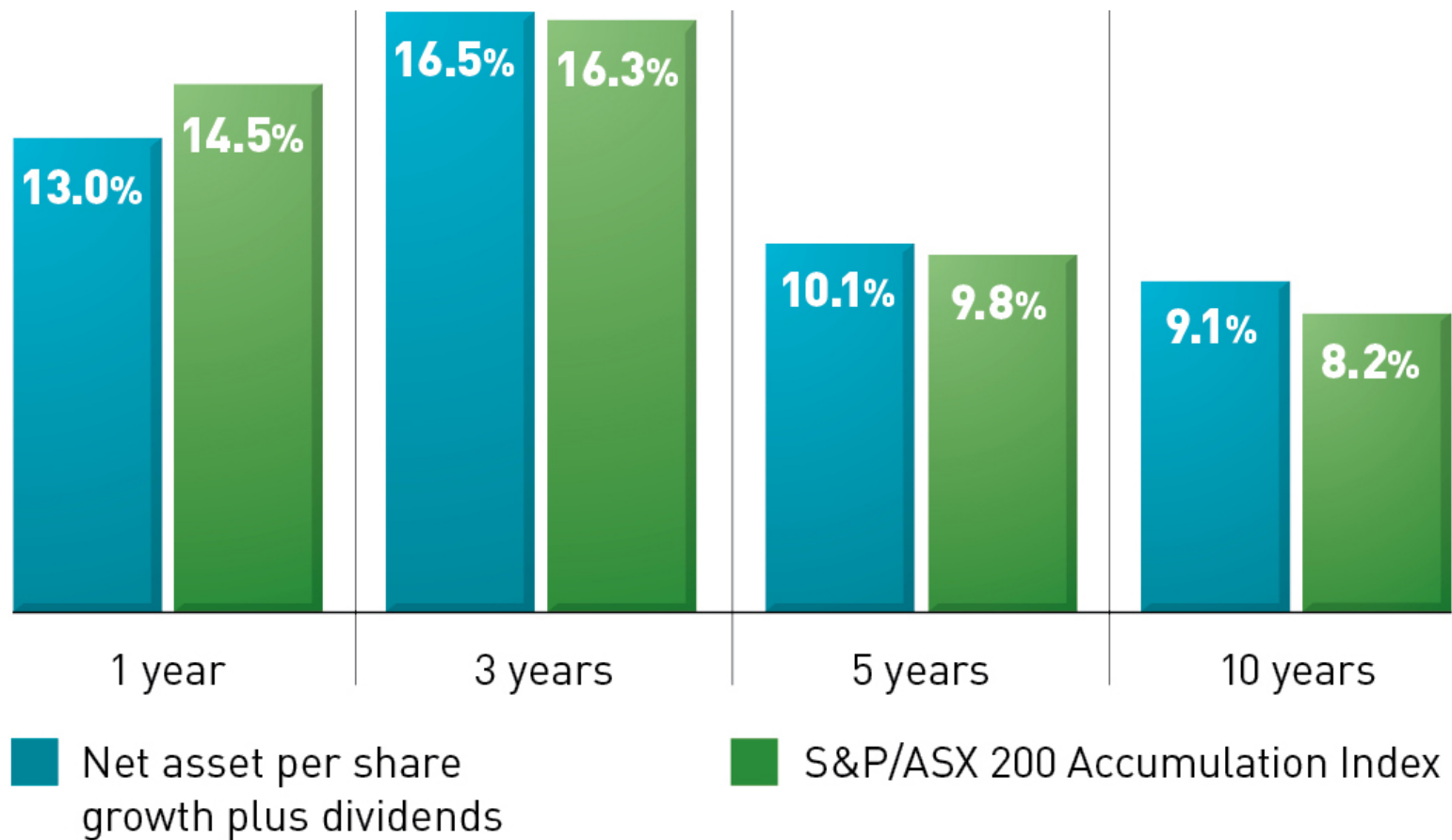
3. PORTFOLIO HIGHLIGHTS



SHAREHOLDER MEETING MARCH 2015

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PORTFOLIO PERFORMANCE – PER ANNUM RETURN TO 28 FEBRUARY 2015



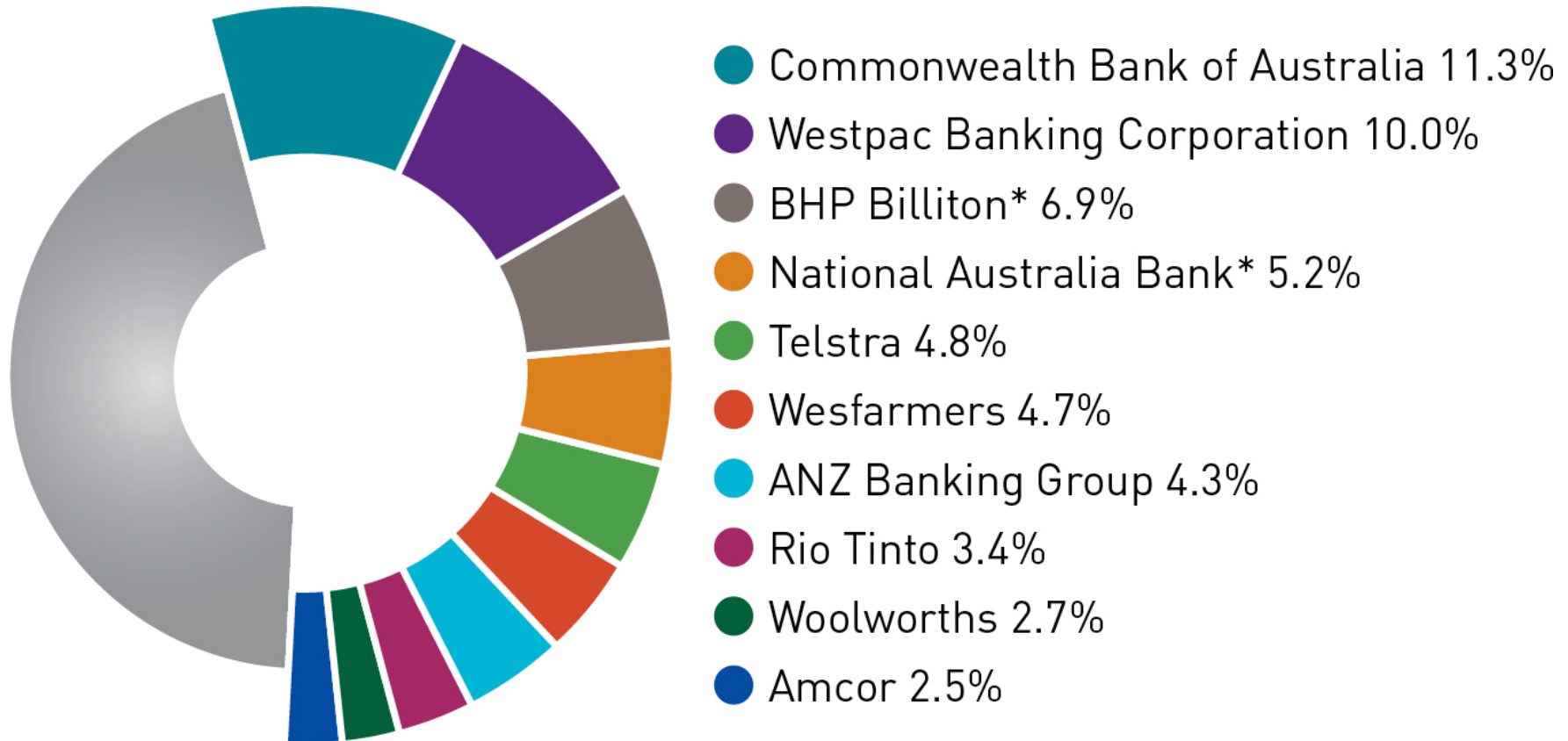
After tax and expenses. Ignores benefits of franking and LIC tax credits.

YEAR TO DATE: TOP CONTRIBUTORS AND DETRACTORS TO PORTFOLIO RETURN BY VALUE (INCLUDING DIVIDENDS)

- ✓ Commonwealth Bank
- ✓ Westpac
- ✓ Telstra
- ✓ National Australia Bank
- ✓ Amcor

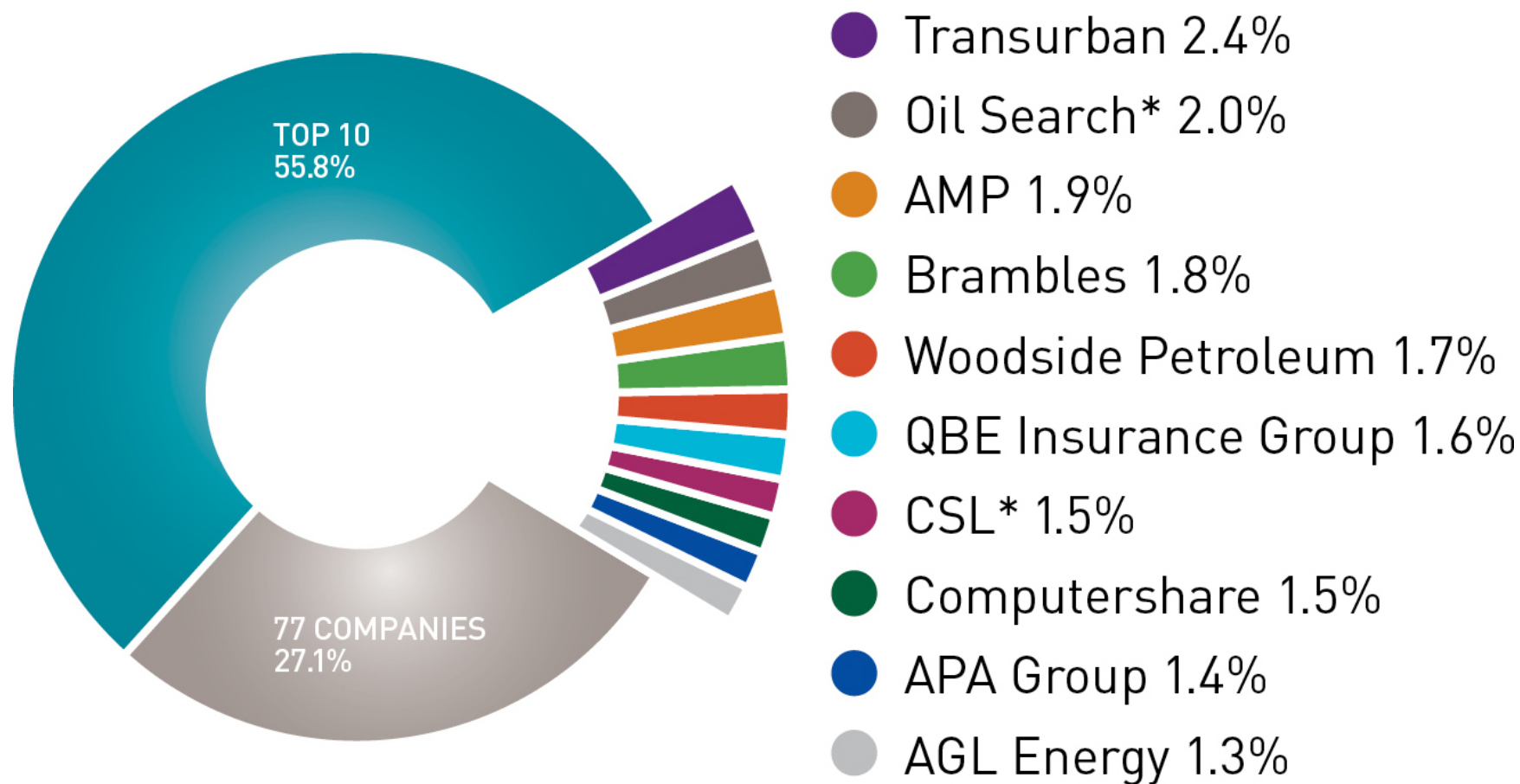
- ✗ Santos
- ✗ Oil Search
- ✗ Woolworths
- ✗ BHP Billiton
- ✗ Senex Energy

PORTFOLIO AT 28 FEBRUARY 2015 – TOP 10 HOLDINGS REPRESENT 55.8% OF THE PORTFOLIO



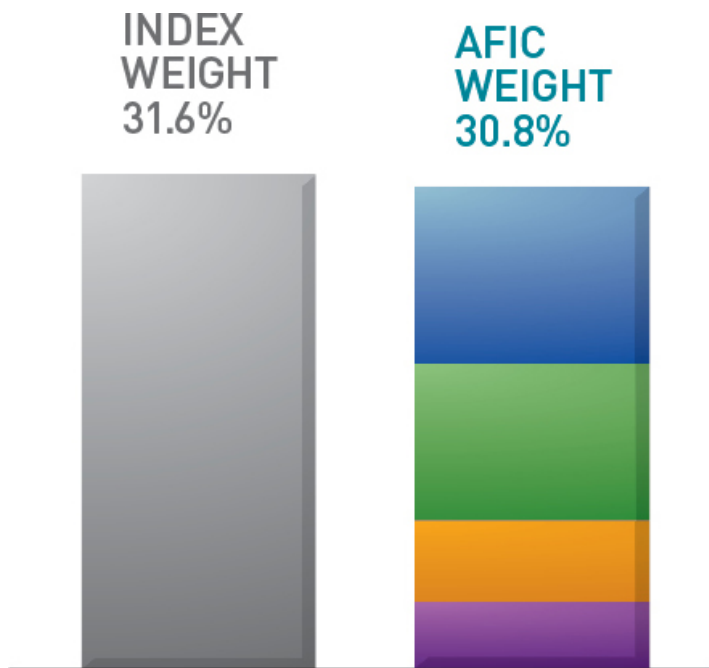
* Indicates that options were outstanding against part the holding.

PORTFOLIO AT 28 FEBRUARY 2015 – NEXT 10 REPRESENT 17.1% OF THE PORTFOLIO



* Indicates that options were outstanding against part the holding.

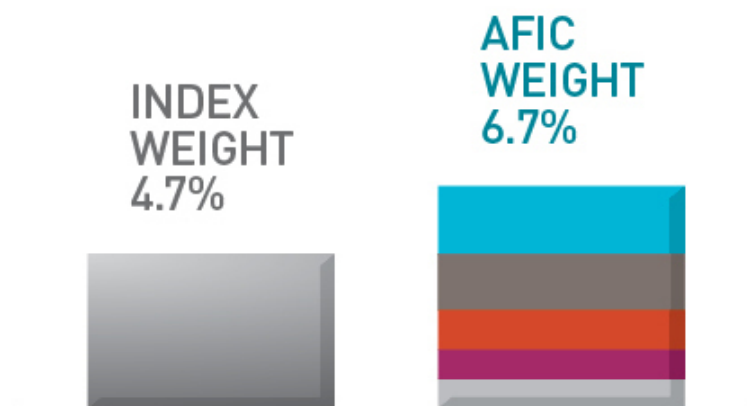
BANKS – PORTFOLIO AT 28 FEBRUARY 2015



AFIC's Holdings

- Commonwealth Bank 11.3%
- Westpac 10.0%
- National Australia Bank 5.2%
- ANZ 4.3%

ENERGY – PORTFOLIO AT 28 FEBRUARY 2015

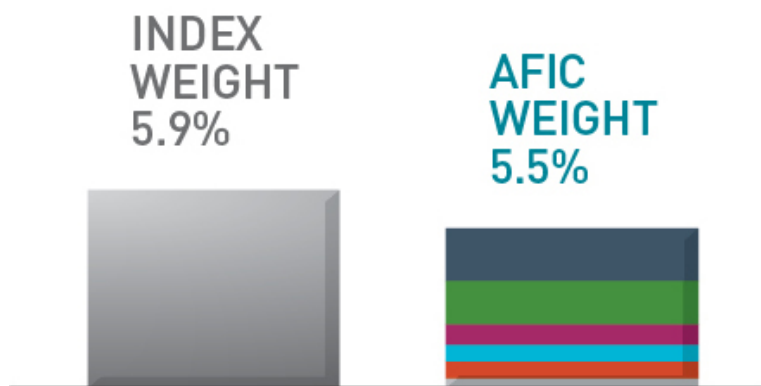


AFIC's Holdings

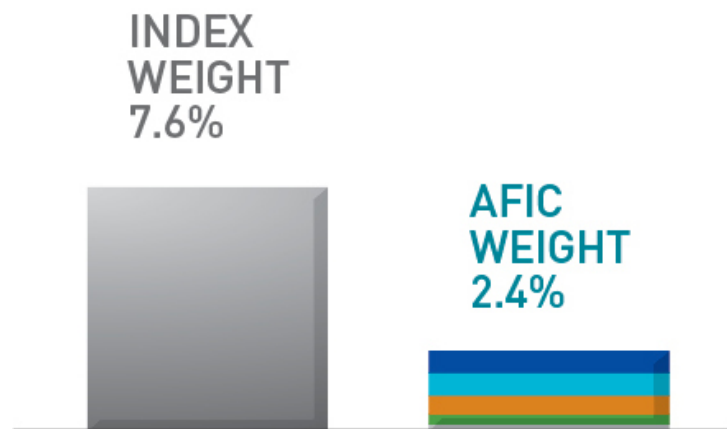
- Oil Search 2.0%
- Woodside Petroleum 1.7%
- Origin 1.2%
- Santos 0.9%
- Other 0.9%

HEALTHCARE – PORTFOLIO AT 28 FEBRUARY 2015

AFIC's Holdings



REAL ESTATE – PORTFOLIO AT 28 FEBRUARY 2015



AFIC's Holdings

- Novion Property Group 0.7%
- Scentre Group 0.6%
- Westfield Corporation 0.6%
- Cedar Woods 0.3%
- Other 0.2%

INCREASING THE NURSERY



Cover•More



MAJOR ADJUSTMENTS SINCE 1 JANUARY 2015



Purchased for buy and write portfolio



Partial sale as under takeover



Reduced exposure



Reduced exposure



Options exercised in buy and write portfolio

LARGER HOLDINGS WITH MAJOR OVERSEAS OPERATIONS – 28% OF THE PORTFOLIO

- 
- ALS
 - Amcor
 - Ansell
 - BHP Billiton
 - Boral
 - Brambles
 - Computershare
 - CSL
 - iProperty
 - IRESS
 - Incitec Pivot
 - James Hardie Industries
 - Oil Search
 - QBE Insurance
 - Ramsay Healthcare
 - Rio Tinto
 - Seek
 - Sonic Healthcare
 - Twenty First Century Fox
 - Westfield Corporation

4. LOOKING AHEAD



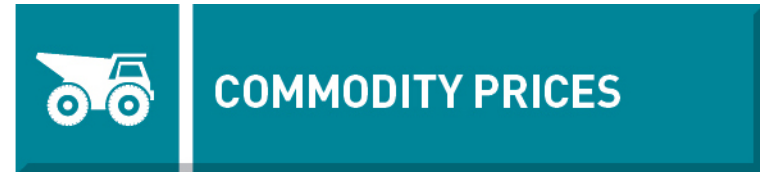
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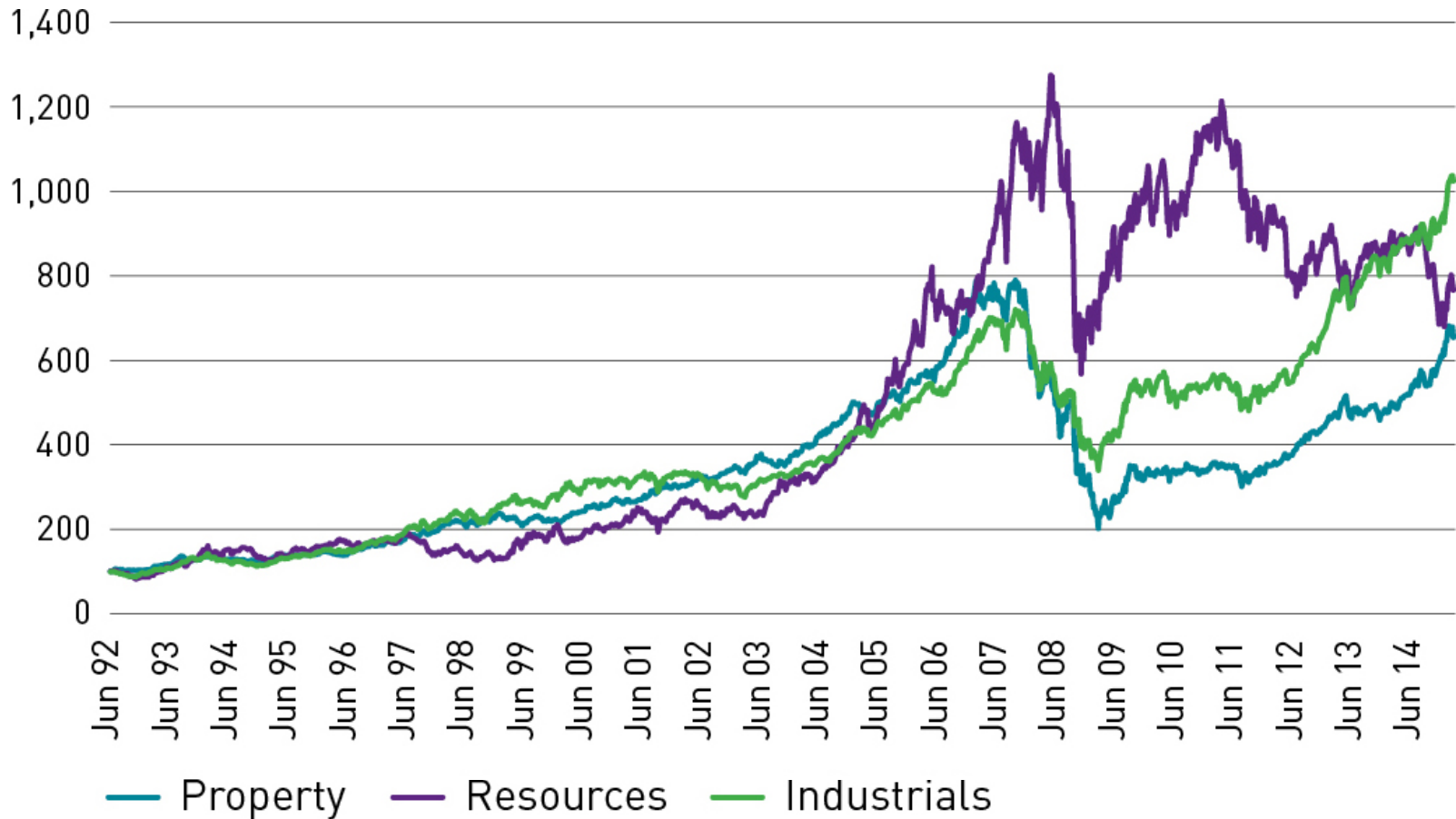
RECENT COMPANY REPORTING SEASON

- Overall earnings met expectations
- Dividends generally better than expected
- However top line revenue growth mixed
- Cost efficiency generally driving earnings improvement
- Company balance sheets are strong
- Good companies generally doing well despite subdued economic settings in Australia

ISSUES FOR THE AUSTRALIAN MARKET



LONG TERM RELATIVE SECTOR RETURNS (INCLUDES DIVIDENDS)



IMPACT OF FEES ON RETURNS – REDUCED BY (IN RED)

	Fees		
	0.17%	0.5%	1.0%
10 years	2%	5%	10%
20 years	3%	10%	18%
30 years	5%	14%	26%

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