

7 October 2015

The Manager
ASX Market Announcements
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Sydney NSW 2000

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Electronic Lodgement

**Australian Foundation Investment Company Limited
2015 Annual General Meeting Presentation**

Dear Sir / Madam

Please find attached a presentation that 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 'Pordage', with a long horizontal stroke extending to the right.

Simon Pordage
Company Secretary



ANNUAL GENERAL MEETING
OCTOBER 2015

**AUSTRALIAN
FOUNDATION
INVESTMENT
COMPANY**

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CHAIRMAN'S INTRODUCTION

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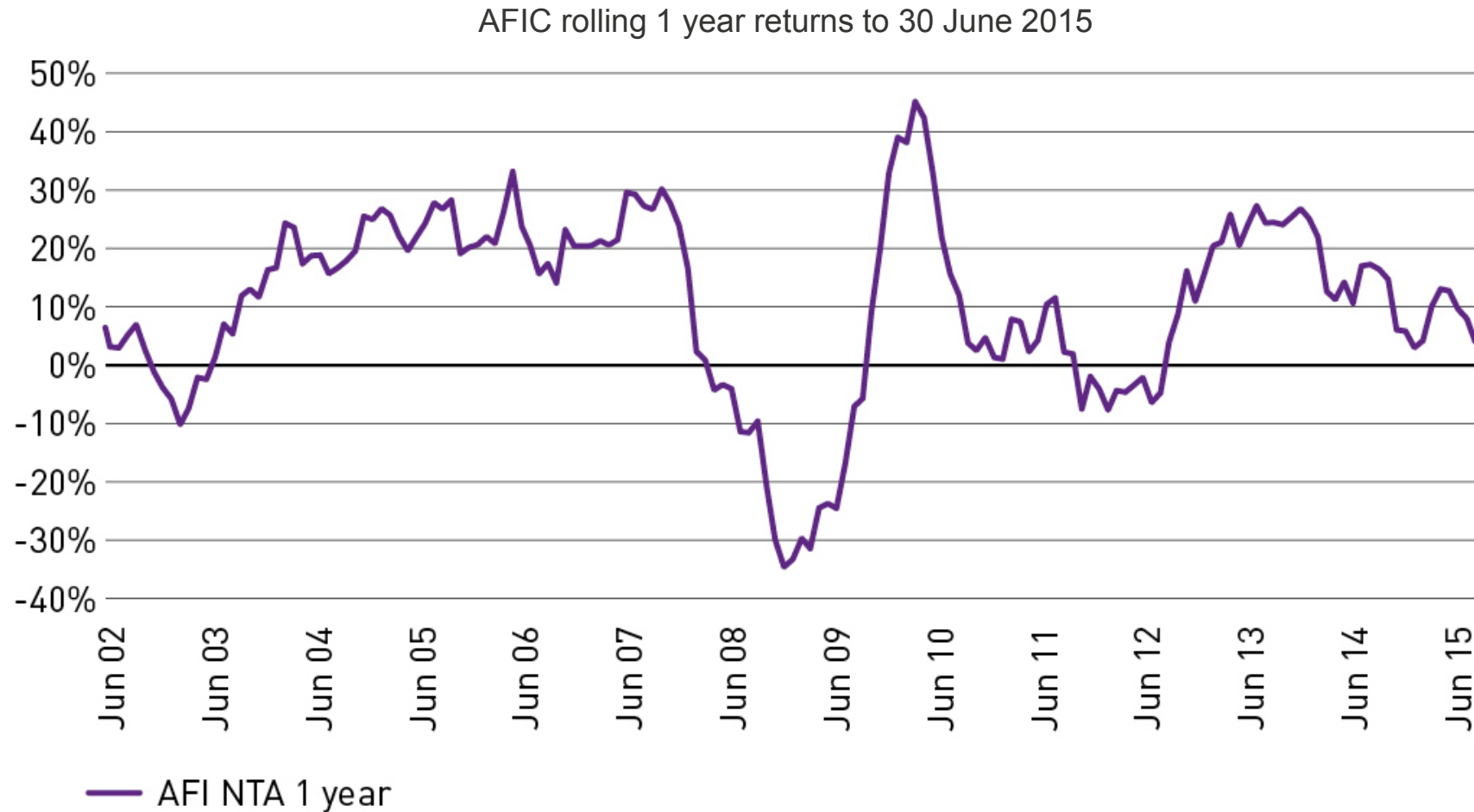
GET RICH SLOW

The secret of long term investment

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SHORT TERM RETURNS CAN BE VERY VOLATILE

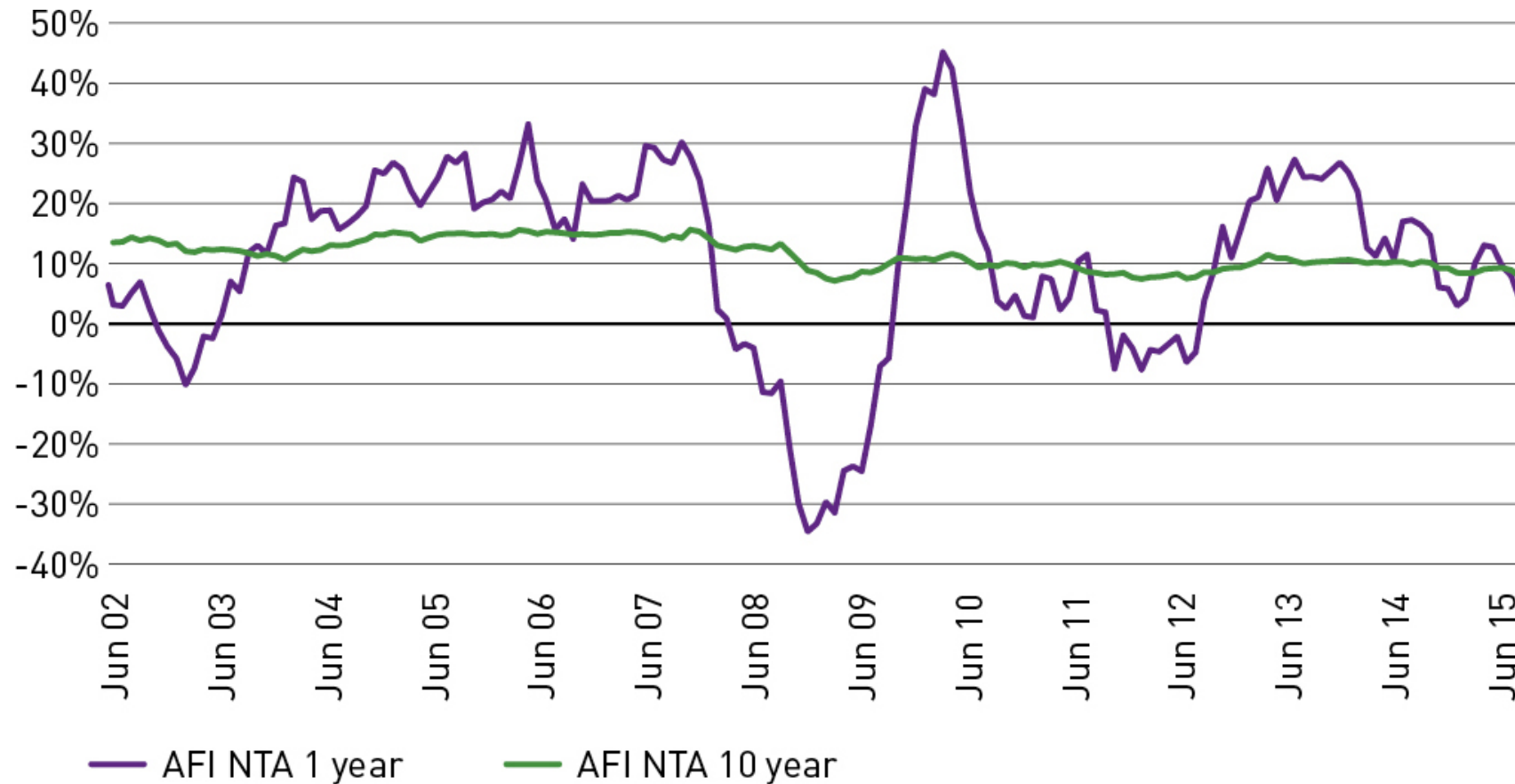


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HOWEVER LONG TERM RETURNS BUILD WEALTH FOR PATIENT INVESTORS

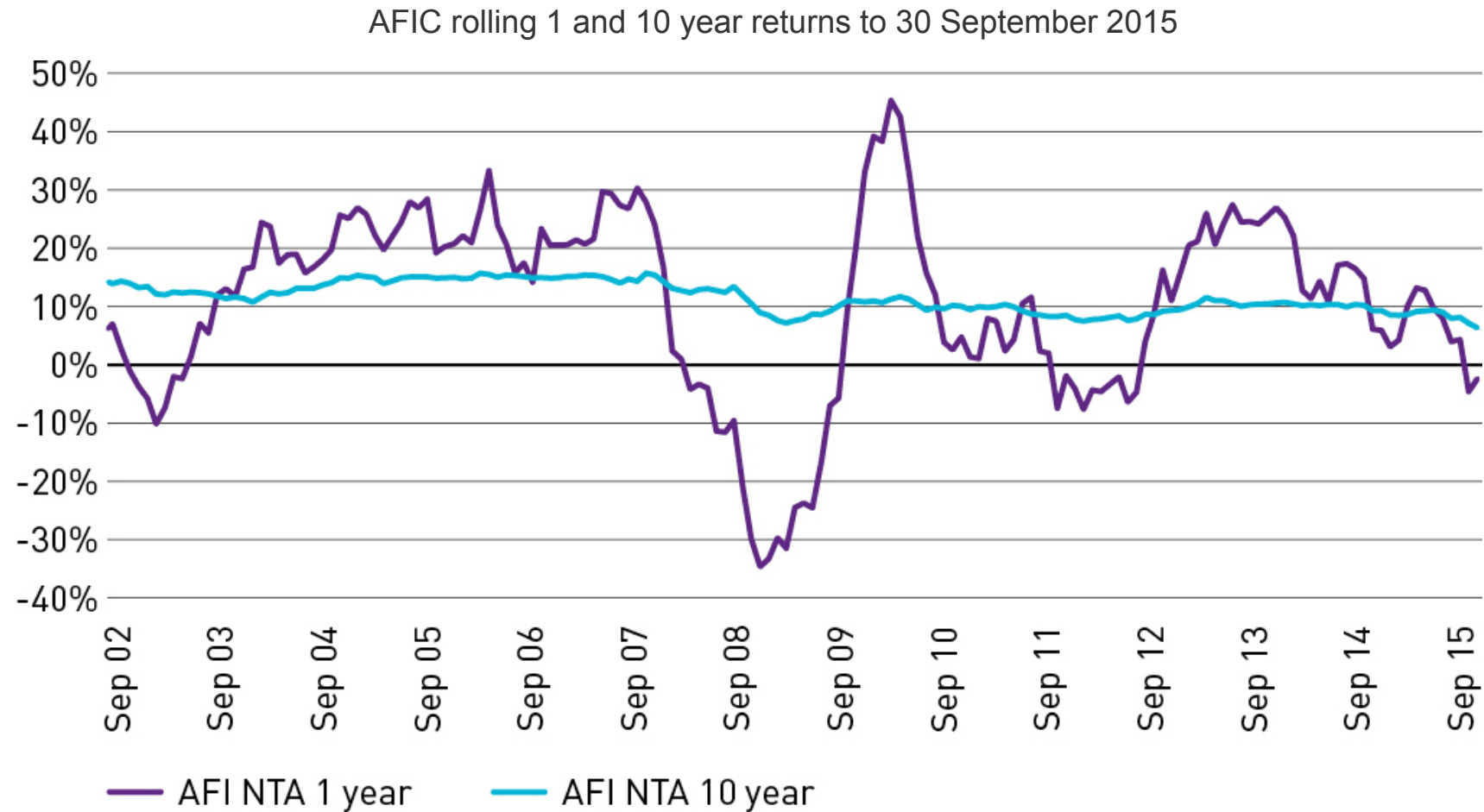
AFIC rolling 1 year and 10 year returns to 30 June 2015



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THIS STILL HOLDS EVEN IN LIGHT OF RECENT TURMOIL



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RESULTS & SHAREHOLDER RETURNS

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FULL YEAR FINANCIAL SUMMARY

PROFIT FOR THE YEAR

\$293.6m

▲ Up 15.5% from 2014

FULLY FRANKED DIVIDENDS

14¢
Final

23¢
Total

▲ Up 1 cent up from 2014

MANAGEMENT EXPENSE RATIO

0.16%

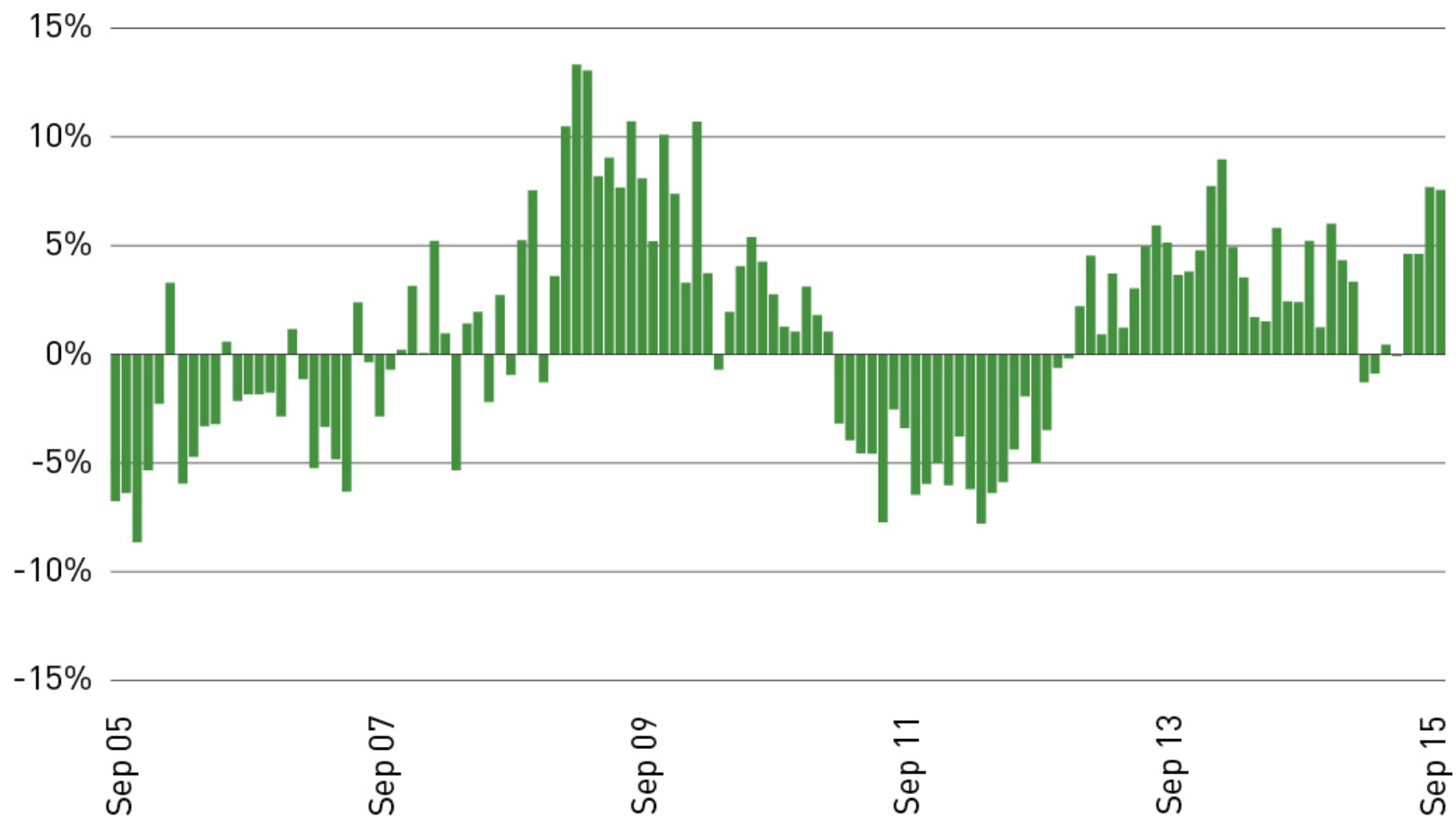
0.17% in 2014

TOTAL PORTFOLIO

\$6.6b Including
cash at
30 June

\$6.4 billion in 2014

SHARE PRICE HAS MOVED BACK TO A PREMIUM



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SHARE PRICE PERFORMANCE – PER ANNUM RETURN TO 30 SEPTEMBER 2015



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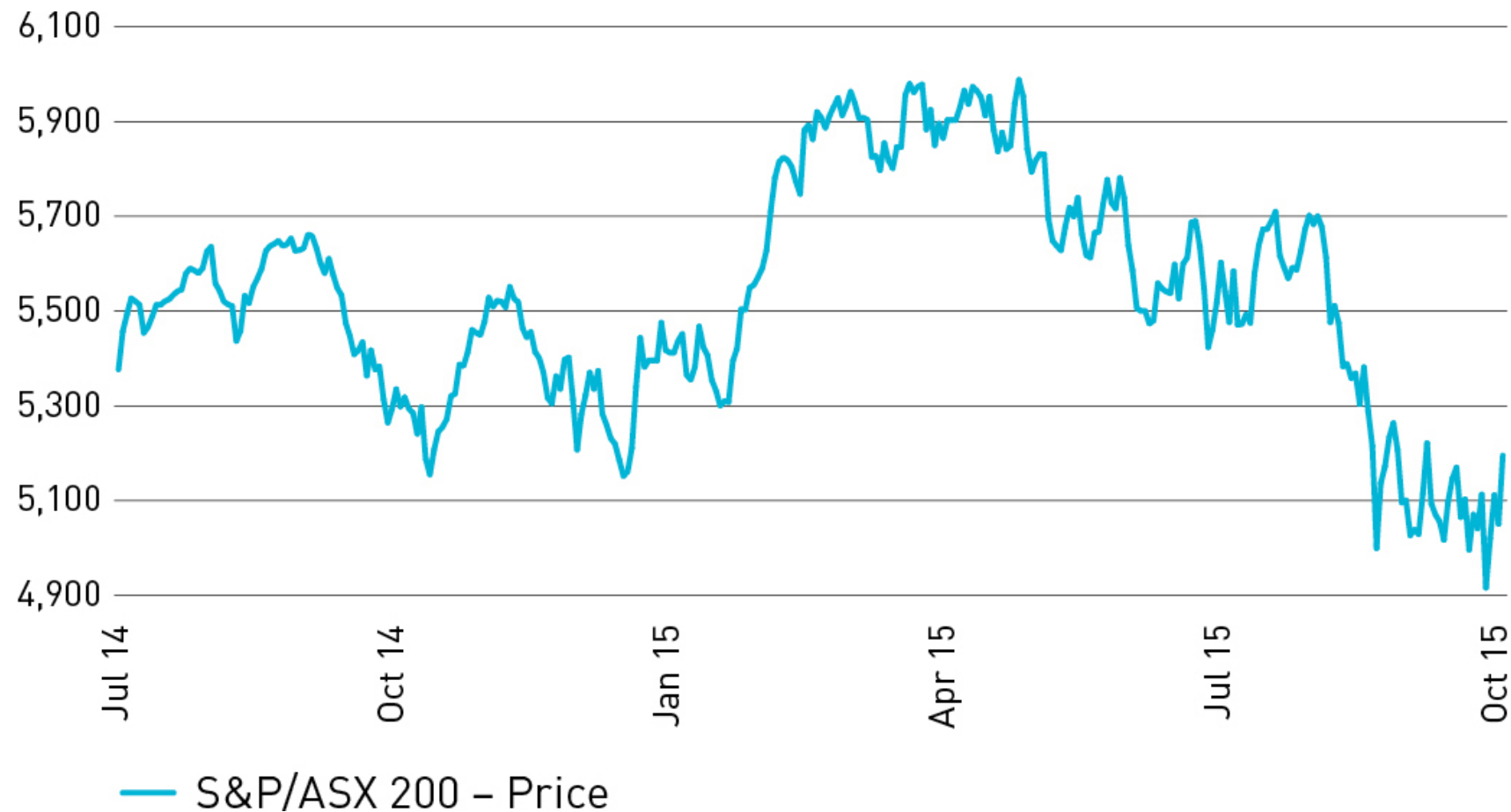
THE MARKET



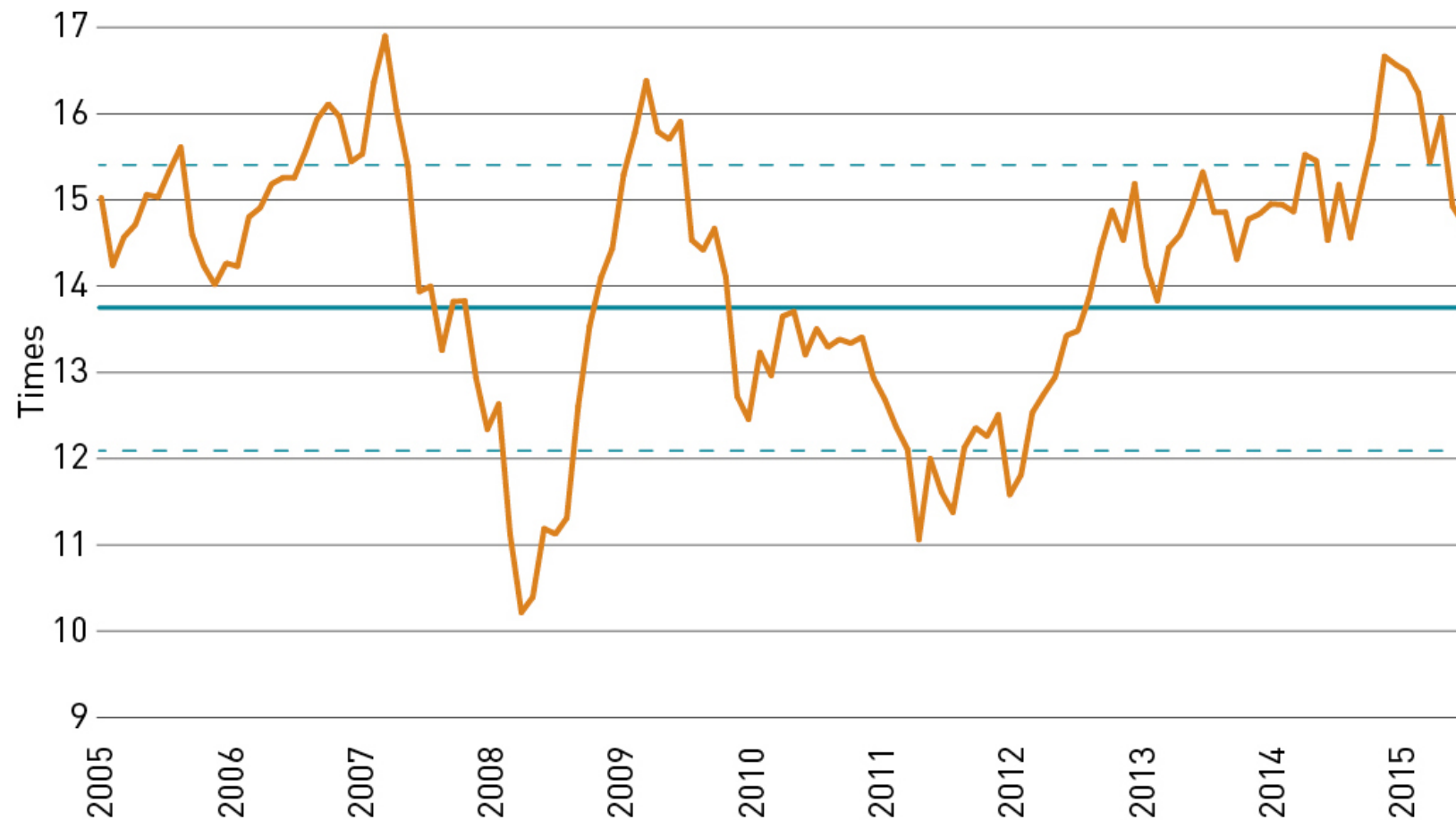
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WITH LOWER PROSPECTS FOR GROWTH THE MARKET HAS DECLINED FROM NEAR TERM HIGHS



HOWEVER MARKET VALUATIONS (PRICE EARNINGS RATIO) ARE BACK TO MORE REASONABLE LEVELS



Source: FactSet.



PORTFOLIO

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SHORT TERM PORTFOLIO PERFORMANCE IMPACTED BY ENERGY HOLDINGS AND UNDERWEIGHT PROPERTY EXPOSURE – PER ANNUM RETURN TO 30 SEPTEMBER 2015



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

PER ANNUM RETURN TO 30 SEPTEMBER 2015 INCLUDING THE BENEFIT OF FRANKING CREDITS

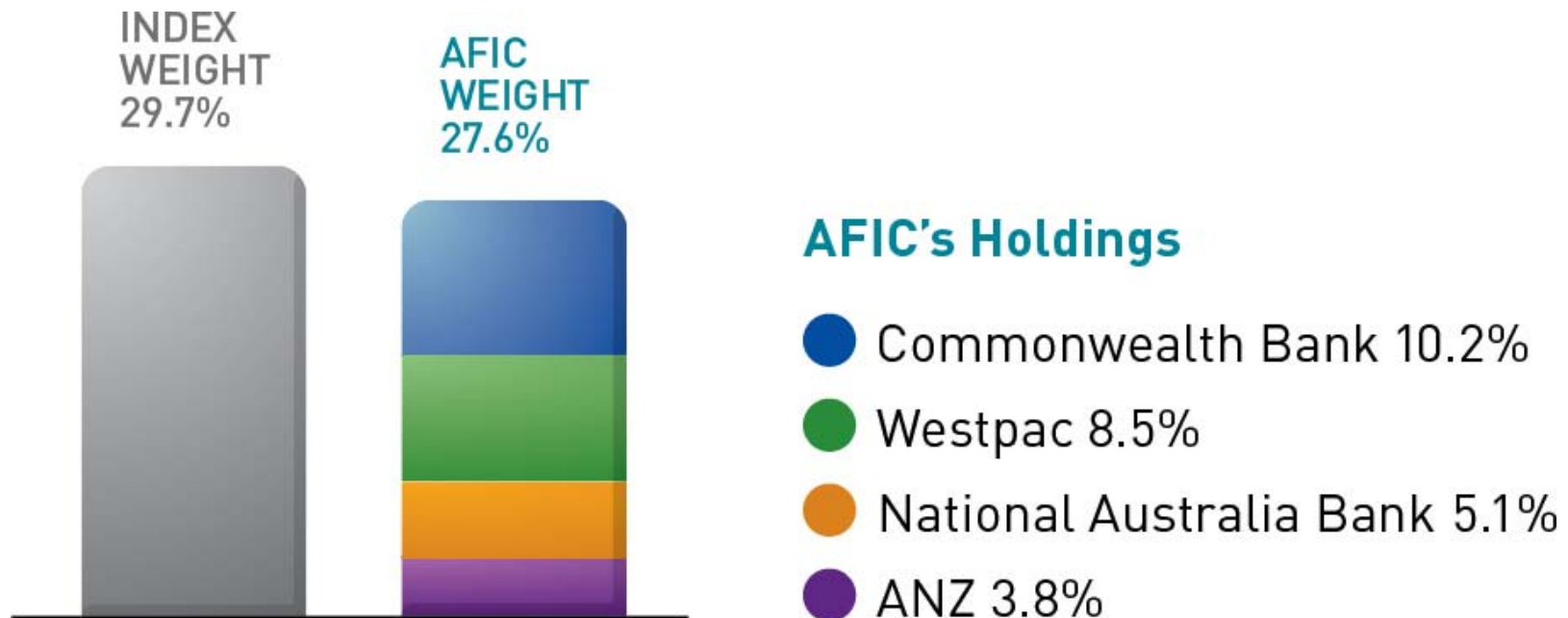


After tax and expenses. Ignores benefits LIC tax credits.

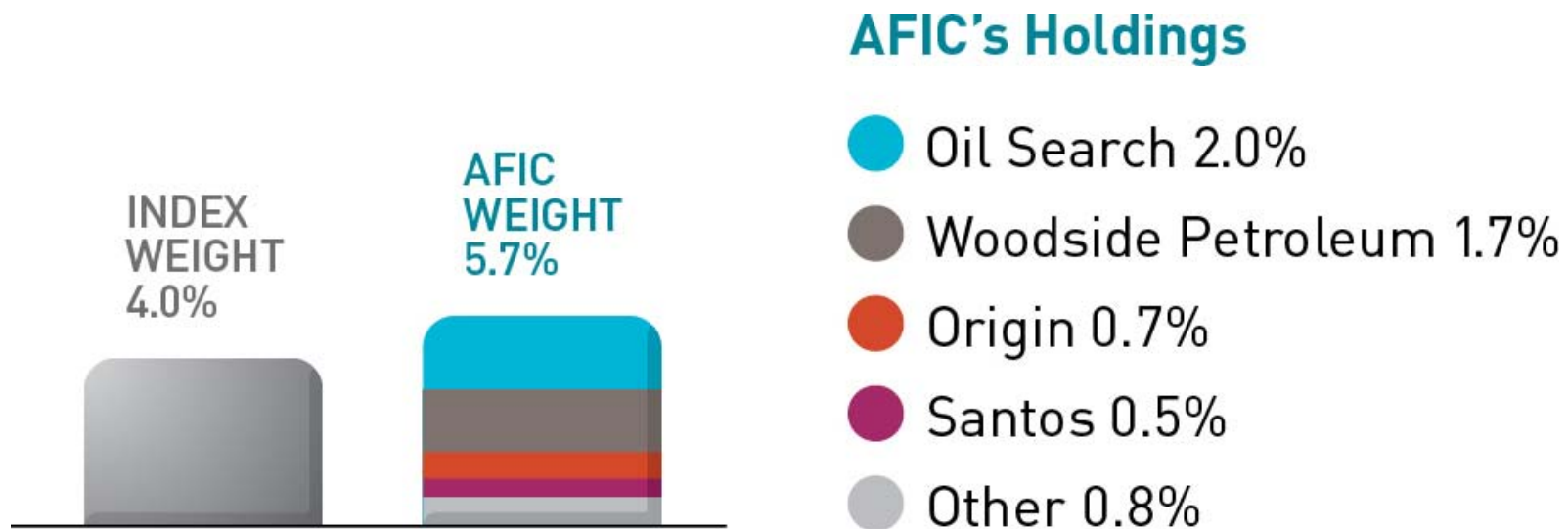
WE BELIEVE THE PORTFOLIO REMAINS WELL POSITIONED ALTHOUGH WE HAVE BEEN MAKING SOME ADJUSTMENTS

- Further broadened the portfolio by adding to small/midcap holdings
- Marginally reduced exposure to:
 - banks
 - energy
 - supermarkets
- Used recent market volatility to generate returns from buy and write portfolio

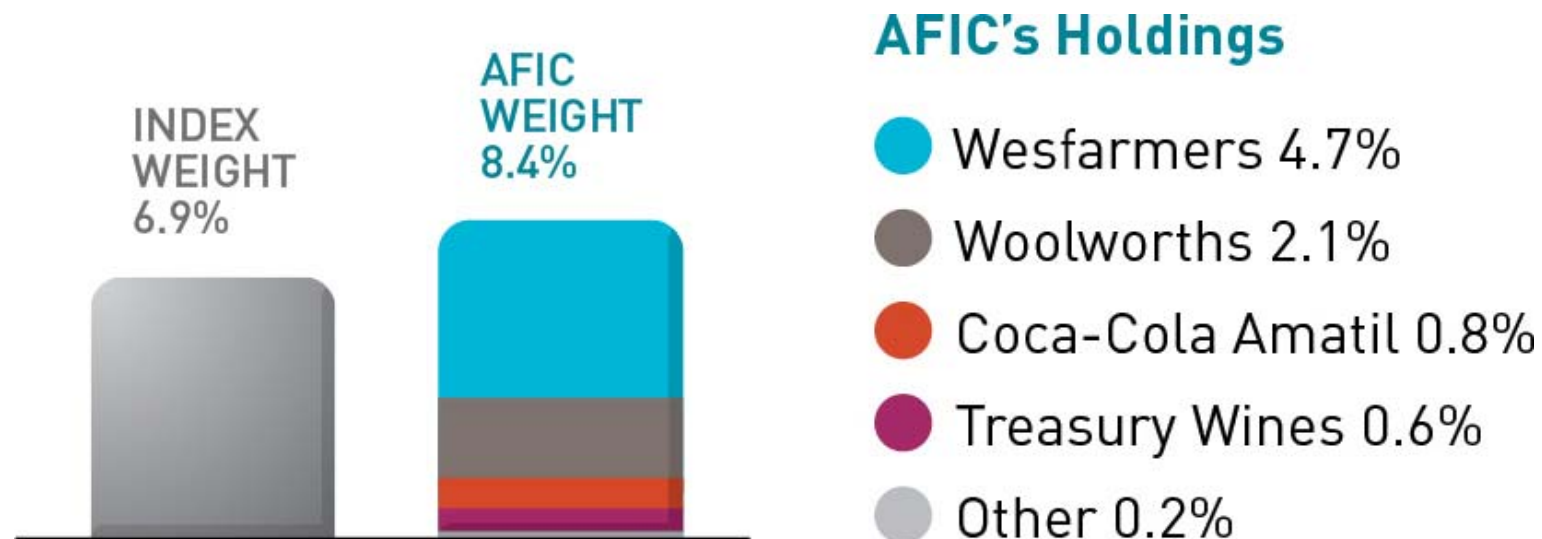
BANKS – PORTFOLIO AT 30 SEPTEMBER 2015



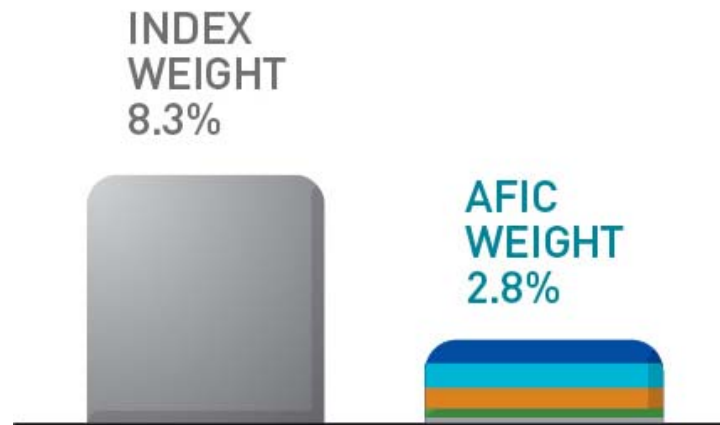
ENERGY – PORTFOLIO AT 30 SEPTEMBER 2015



CONSUMER STAPLES – PORTFOLIO AT 30 SEPTEMBER 2015



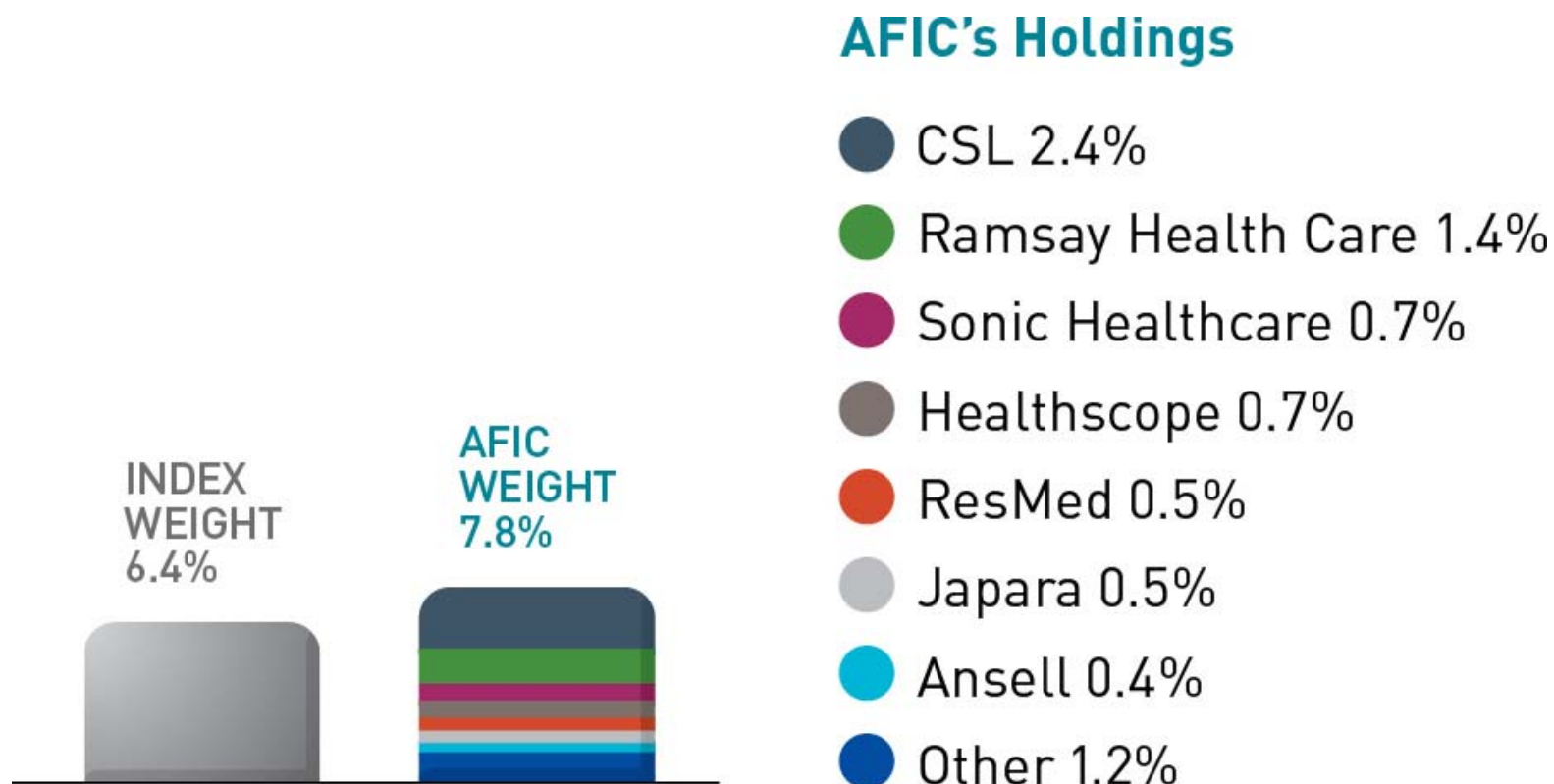
REAL ESTATE – PORTFOLIO AT 30 SEPTEMBER 2015



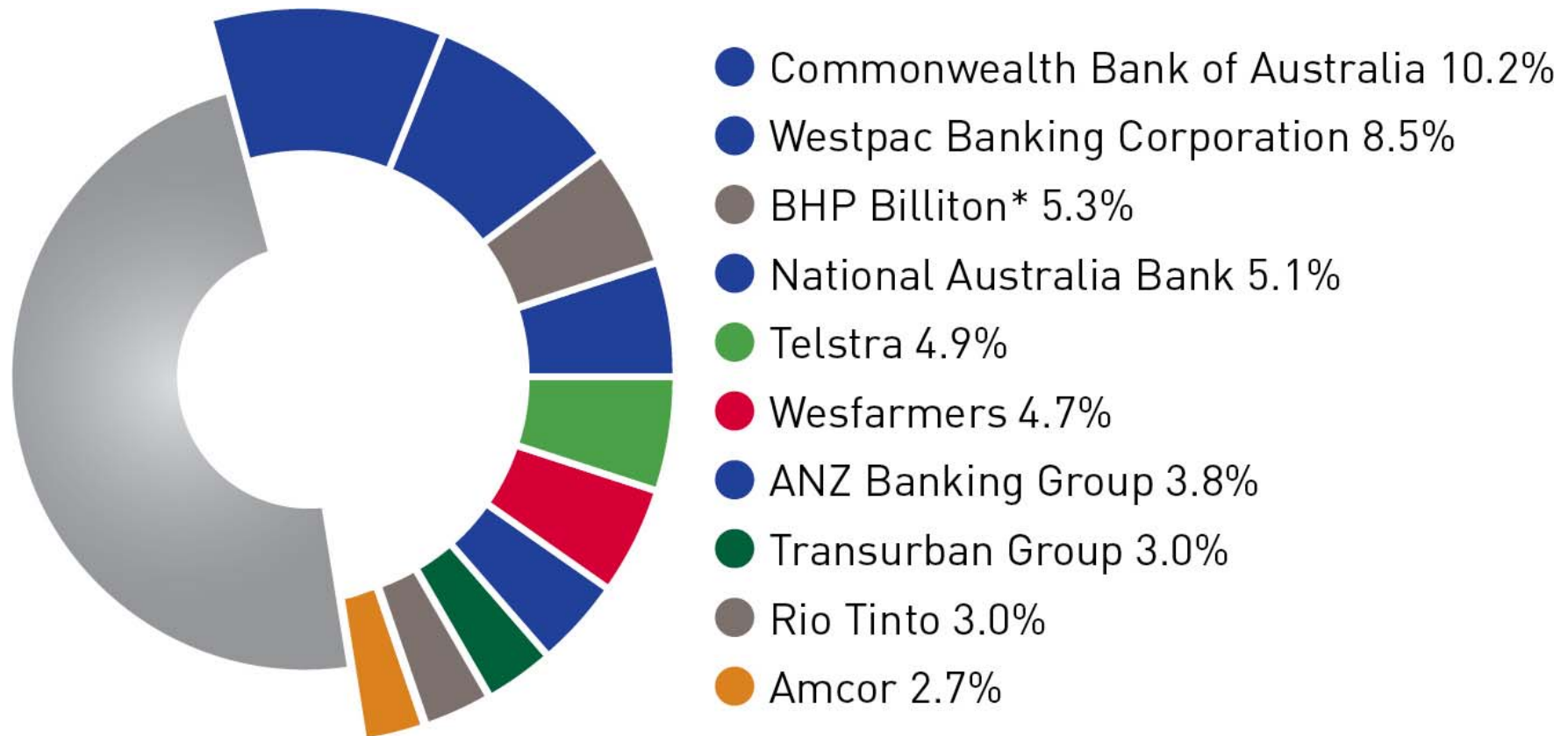
AFIC's Holdings

- Federation Centres 0.8%
- Scentre Group 0.8%
- Westfield Corporation 0.7%
- Cedar Woods 0.3%
- Other 0.2%

HEALTHCARE – PORTFOLIO AT 30 SEPTEMBER 2015

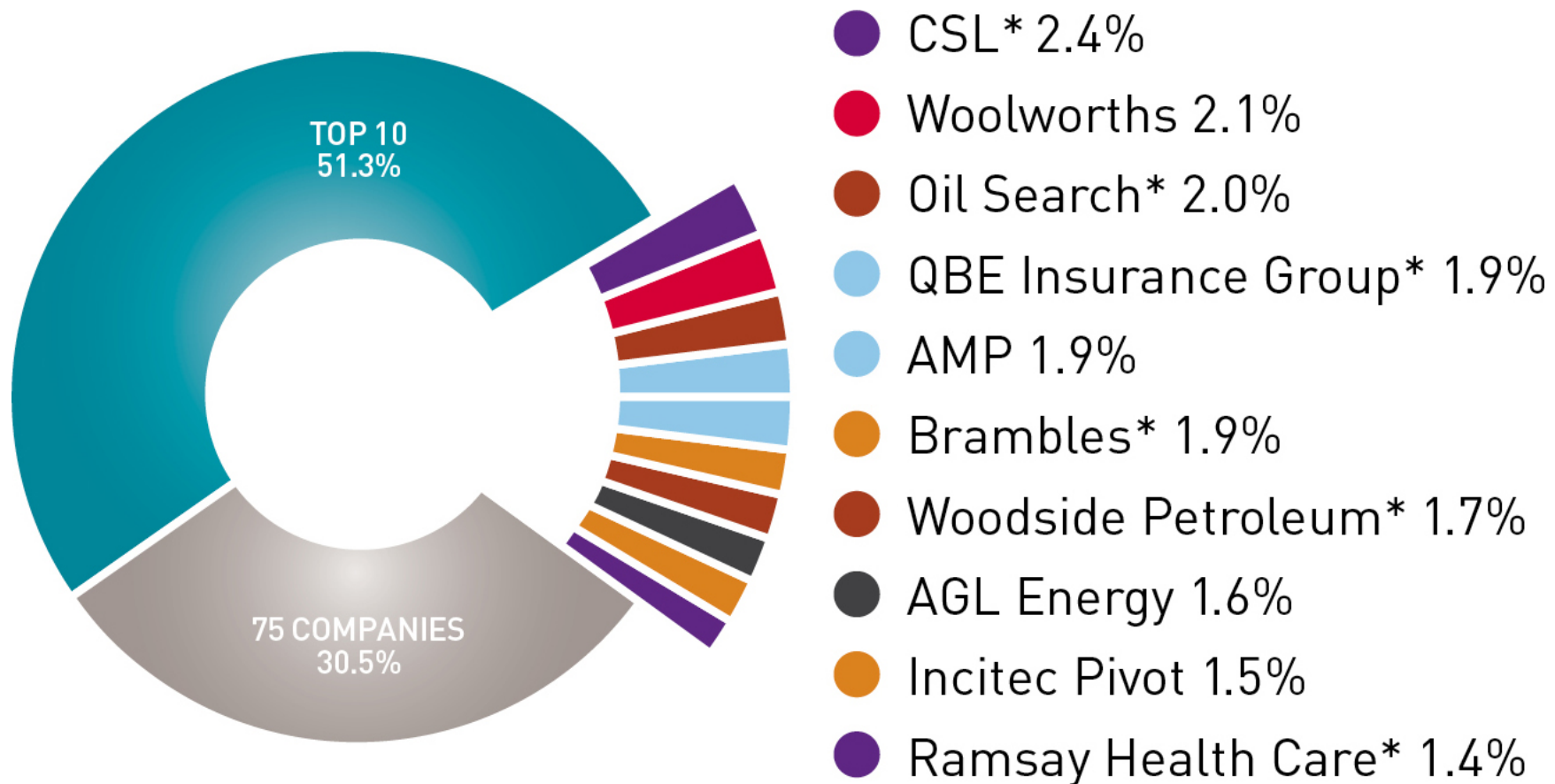


PORTFOLIO AT 30 SEPTEMBER 2015 – TOP 10 HOLDINGS REPRESENT 51.3% OF THE PORTFOLIO



* Indicates that options were outstanding against part the holding.

PORTFOLIO AT 30 SEPTEMBER 2015 – NEXT 10 REPRESENT 18.2% OF THE PORTFOLIO



* Indicates that options were outstanding against part the holding.

OUR RESPONSE TO RECENT MARKET WEAKNESS – WE HAVE TOPPED UP SOME SMALLER POSITIONS



OUR RESPONSE TO RECENT MARKET WEAKNESS – WE HAVE ADDED SOME NEW HOLDINGS



LOOKING AHEAD

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COMMENTS ON THE AUSTRALIAN EQUITY MARKET

- Sluggish domestic economy.
- Top line earnings growth difficult for many companies.
- Changes in the Chinese economy likely to affect Australia.
- Slower growth in the advanced economies.
- Falling Australian dollar may assist.
- Interest rates likely to stay low in Australia.
- A market for stock pickers.

SHARE PURCHASE PLAN

- Board has initiated a share purchase plan
- Maximum of \$15,000 per shareholder
- Open to shareholders on the register at 6 October
- Offer opens 16 October, closes 16 November
- Priced at a discount of 5.0% on the VWAP over the 5 trading days up to, and including, the day on which the SPP closes
- New shares will not be entitled to upcoming interim dividend
- Shares expected to be issued on 25 November

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