

25 February 2019

The Manager
ASX Market Announcements
Australian Securities Exchange
Exchange Centre
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Sydney NSW 2000

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Electronic Lodgement

**Australian Foundation Investment Company Limited (the "Company")
Half-Yearly Review to 31 December 2018**

Dear Sir / Madam

Please find attached Australian Foundation Investment Company's Half-Yearly Review to 31 December 2018 and a letter to shareholders.

Yours faithfully



Matthew Rowe
Company Secretary

Australian Foundation Investment Company is a listed investment company investing in Australian and New Zealand equities.

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Half-Year in Summary

Profit for the Half-Year

\$239.8m

Up 75.4% from 2017

Total 6 Month Shareholder Return

-0.4%

Share price plus dividend

Fully Franked Dividend

10¢ Interim
8¢ Special

18¢ Total

10 cents per share in 2017

Management Expense Ratio

0.11% Annualised

0.11% last year

Total 6 Month Portfolio Return

-6.4% Including franking*

S&P/ASX 200 Index including franking* -6.2%

Total Portfolio at 31 December 2018

\$6.8b

Including cash \$7.2 billion in 2017

* Assumes an investor can take full advantage of the franking credits.

About the Company

Australian Foundation Investment Company (AFIC) is a listed investment company investing in Australian and New Zealand equities.

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.

Approach to Investing

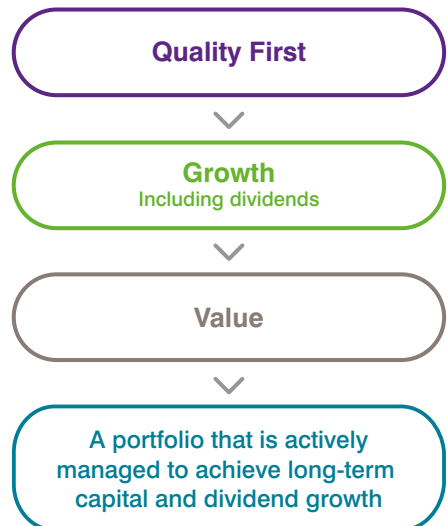
The investment philosophy is built on taking a medium to long-term view on companies in a diversified portfolio with an emphasis on identifying quality companies that are likely to sustainably grow their earnings and dividends over this time frame.

Quality in this context is an outcome of our assessment of the board and management as well as some key financial metrics such as the level of gearing in the balance sheet, product margins and free cash flow. The structure of the industry and a company's competitive position in this industry is also an important indicator of quality. Linked to this assessment of quality is the ability of companies to grow earnings over time, which ultimately should produce good dividend growth.

Recognising value is also an important aspect of sound long-term investing. Short-term measures such as the price earnings ratio, price to book or price to sales may be of some value, but aren't necessarily strong predictors of future performance. Our assessment of value tries to capture the opportunity a business has to prosper and thrive over the medium to long term.

In building the investment portfolio in this way, we believe we can offer investors a well-diversified portfolio of high-quality companies that is intended to deliver total returns ahead of the Australian equity market and with less volatility over the long term.

How AFIC Invests – What We Look For in Companies



The Company also uses options written against a small proportion of its investments and a small trading portfolio to generate additional income.

From time to time, some borrowings may be used where potential investment returns justify the use of debt. This is managed within very conservative limits, as determined by the Board.

AFIC is managed for the benefit of its shareholders with fees based on the recovery of costs rather than as a fixed percentage of the portfolio. There are no performance fees. As a result, the benefit of scale over time results in a very low expense ratio for investors. For the six months to 31 December 2018, this was 0.11 per cent (annualised), or 11 cents for each \$100 invested.



Review of Operations and Activities

Profit and Dividend

Profit for the half-year was \$239.8 million, up 75.4 per cent from \$136.7 million in the corresponding period last year. A number of one-off factors increased investment income by 62.5 per cent to \$250.3 million. This included participation in the Rio Tinto and BHP off-market share buy-backs, and the recognition of a dividend because of the Coles demerger from Wesfarmers. Income from the trading portfolio (which includes the marking-to-market of open option positions) was \$4.2 million, whereas in the corresponding period last year, this portfolio incurred a loss of \$6.6 million.

The Board has maintained the interim dividend of 10 cents per share fully franked. A special dividend of 8 cents per share, fully franked, has also been declared. This distributes the proceeds of the Company's participation in the recent Rio Tinto and BHP off-market share buy-backs. Please note there is no listed investment company capital gain attached to this dividend.

It is not AFIC's normal practice to pay a special dividend. However, with the large amount of income and franking credits generated from the participation in the Rio Tinto and BHP off-market share buy-backs, it was felt appropriate to distribute these funds as a special dividend with the half-year profit result.

Market Commentary

Following a period where the Australian market reached post GFC highs in August, volatility towards the end of the period resulted in negative returns across most of the market. This reversal was a result of concerns arising from ongoing global trade tensions, rising interest rates in the United States and large swings in the oil price, which severely tested investor sentiment during the period. As the United States market reacted negatively to these issues, large falls were also experienced across the Australian share market. This was particularly evident in smaller companies as they moved back towards more realistic levels from previously very high valuations.

The other interesting feature of the market is that large companies in the Index (represented by the S&P/ASX 20 Index) outperformed the small and mid cap companies over the period, although this was somewhat of a reversal from previous trends (Figure 2).

Figure 1: Performance of S&P/ASX 200 and the Impact on Market Volatility

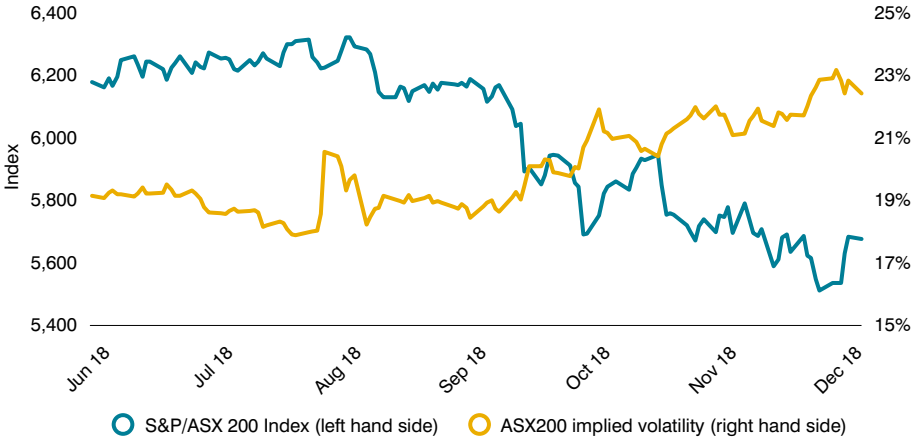
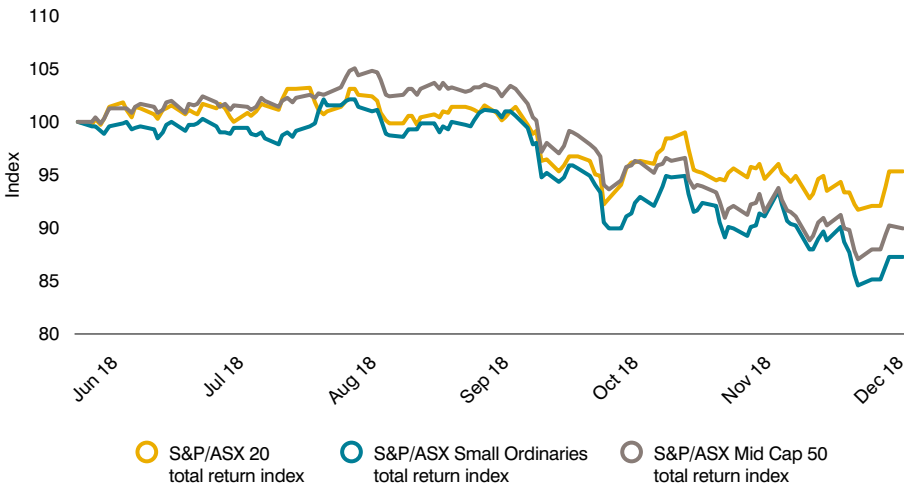


Figure 2: Small and Mid Cap Companies Versus the S&P/ASX 20 Index



Source: FactSet

Review of Operations and Activities continued

Portfolio Returns

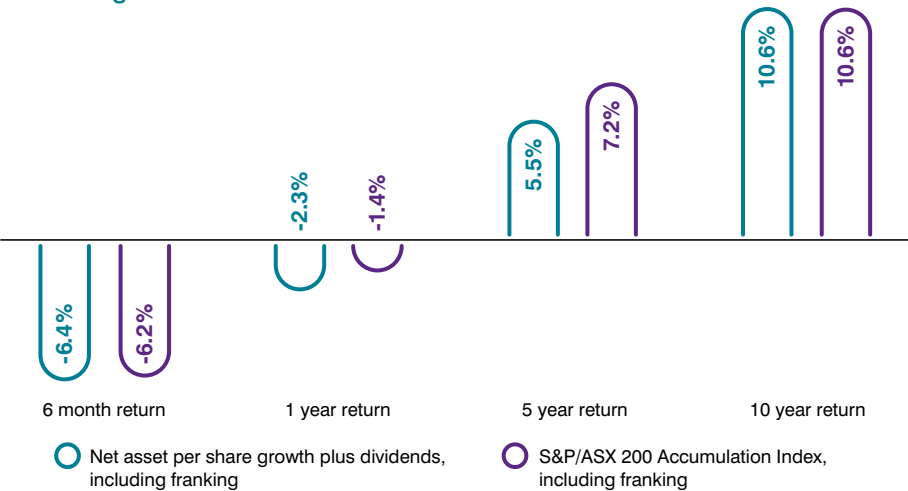
AFIC's portfolio was down 6.4 per cent for the six months to 31 December 2018 compared with the S&P/ASX 200 Accumulation Index, which fell 6.2 per cent over the same period (these figures include the benefit of franking credits).

Companies in the portfolio that contributed positively to relative returns through the six-month period were Mainfreight, Brambles, TPG Telecom, Qube Holdings and Transurban. In contrast, participation in the BHP and Rio Tinto off-market share buy-backs, which had the advantage of

generating significant franking credits for the Company, provided some headwind to performance as holdings were sold at a 14 per cent discount to the market.

The long-term performance of the portfolio, which is more aligned with the Company's investment time frames, was 10.6 per cent per annum for the 10 years to 31 December 2018, which is in line with the Index return over the same period. These figures include the benefit of franking credits, although AFIC's performance numbers are after costs.

Figure 3: Portfolio Performance to 31 December 2018, Including the Benefit of Franking*



* Annualised returns other than six-month figures. Assumes an investor can take full advantage of the franking credits.

Note AFIC's net asset per share growth plus dividend series is calculated after expenses, income tax and capital gains tax on realised sales of investments. It should be noted that Index returns for the market do not include expenses or tax.

This chart also does not include the benefit of any LIC capital gain distributions made.



Special
Dividend at

8¢

Per Share

“

The significant correction in the market has produced a more conducive environment for long term investing.

”

Review of Operations and Activities continued

Figure 4 highlights where AFIC's share price was trading relative to the net asset backing at 31 December 2018.

Portfolio Adjustments

Major sales arose because of participation in the Rio Tinto and BHP off-market buy-backs (AFIC was previously well overweight the Index in Rio Tinto).

There was a reduction in holdings of AGL Energy, Washington H. Soul Pattinson and Perpetual. In addition, the Company disposed of its entire position in QBE Insurance Group and Bega Cheese during the period.

More significant purchases included adding to holdings in James Hardie Industries, Transurban Group via participation in its rights issue to fund the WestConnex purchase, Adelaide Brighton, Reliance Worldwide, Woolworths Group and Sydney Airport, all of which have strong positions in their respective market segments. Purchases in Qantas Airways and CYBG PLC (Clydesdale Bank) also involved call option strategies to help generate some additional income from these investments.

Figure 5 highlights the profile of the portfolio by the various sectors of the market at the end of the calendar year relative to the S&P/ASX 200 Index. AFIC actively manages the portfolio with 85 holdings currently in the investment portfolio. Invariably the portfolio will differ quite markedly from the Index, although the Index can provide a useful point of reference for investors.

The continued underweight position in Banks is reflective of the ongoing concerns about the outlook for growth relative to recent years as credit for housing slows and competitive and regulatory pressures become greater. AFIC traditionally has also not been a large investor in Property Trusts given the observation that over the long term industrial companies have tended to outperform Property Trusts and the distributions from these Trusts do not carry franking credits.

Going Forward

The significant correction in the market has produced a more conducive environment for long term investing (Figure 6 over page). Valuations have moved towards longer term averages, which make for a sensible starting point to invest. Volatility is likely to persist at least in the short term as the market digests the changing environment, with interest rates likely to increase further in the United States and no short-term solution to trade and geopolitical dislocations. In this environment, AFIC will continue to look for opportunities to add positions in companies that have a sustainable competitive advantage, sound balance sheets and, importantly, strong management that can deliver long term benefits to shareholders.

Directorship Matters

As previously advised, Mr Terry Campbell did not seek re-election as Chairman of the Company at the 2018 Annual General Meeting and therefore retired at the conclusion of that meeting.

Figure 4: Share Price Premium/Discount to Net Asset Backing

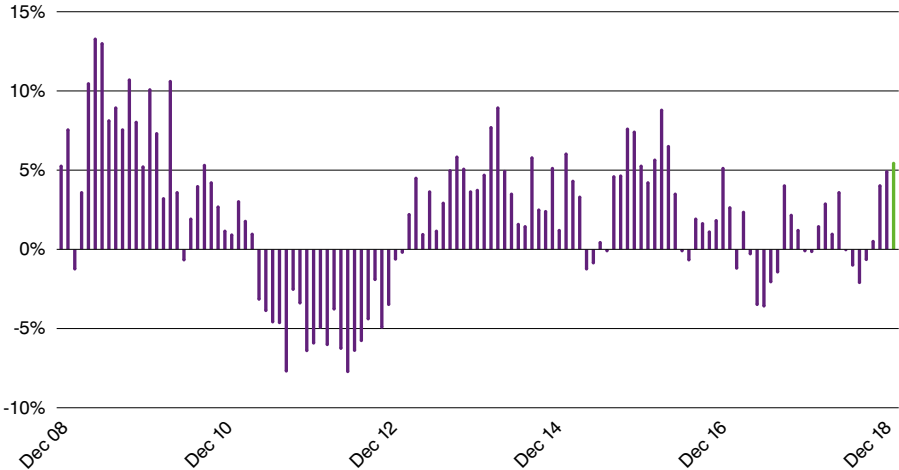
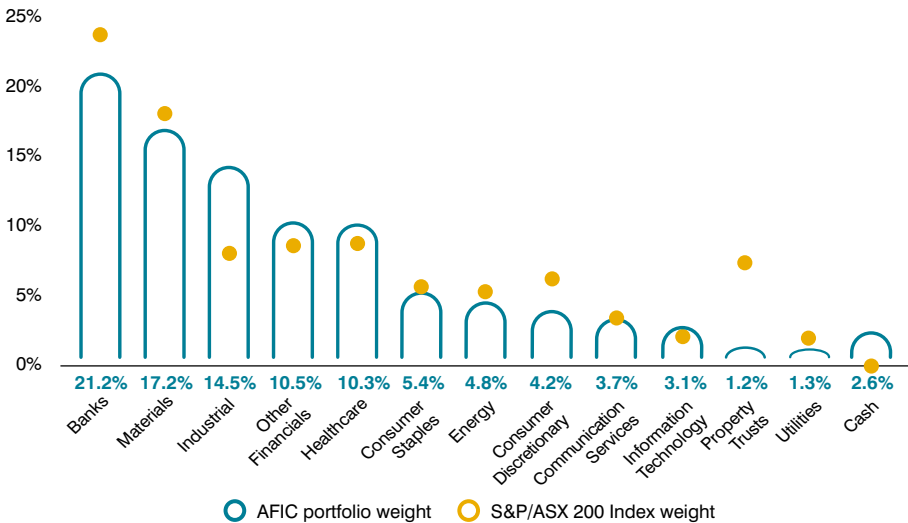
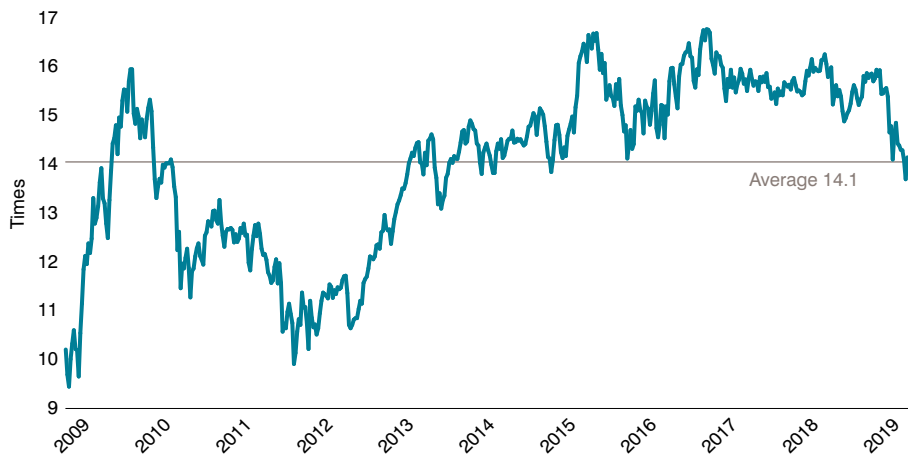


Figure 5: AFIC Investment by Sector Versus the S&P/ASX 200 Index as at 31 December 2018



Review of Operations and Activities continued

Figure 6: S&P/ASX 200 Price Earnings Ratio



Source: FactSet

Mr John Paterson was elected as Chairman by the Board with effect from the conclusion of the Annual General Meeting. Mr Paterson has been a Director of the Company since 2005 and prior to that served as an Alternate Director for Mr Campbell from April 1987 to June 2005. He is Chairman of Djerriwarrh Investments Limited. He was formerly a Director of Goldman Sachs JBWere and is a former member of the Board of Guardians of Australia's Future Fund.

The Board wishes to record its sincere appreciation to Mr Campbell for his invaluable contribution to the Board deliberations over the last 34 years. Mr Campbell has been a Director since 1984, Deputy Chairman since October 2008 and Chairman since October 2013. His very broad industry experience at the highest levels of the Australian corporate world has been of outstanding value to the Board,

executives and shareholders of Australian Foundation Investment Company Limited.

Ms Jacqueline Hey retired as a Director on 18 January 2019. Ms Hey has been a Director of the Company since July 2013. She has been a member of the Company's Investment Committee and Nomination Committee.

She has been a valuable contributor to Board and executive discussions, reflecting her deep knowledge and experience gained in her long career in the telecommunications technology sector and the subsequent exposure she has had to a wide range of industries.

Her contributions to Board deliberations will be missed and the Board wishes to record its thanks to Ms Hey for her valued service to shareholders and wishes her well for the future.

Top 25 Investments

As at 31 December 2018

Includes investments held in both the investment and trading portfolios.

Valued at Closing Prices at 31 December 2018

		Total Value \$ Million	% of the Portfolio
1	Commonwealth Bank of Australia	571.9	8.6
2	BHP*	462.6	7.0
3	Westpac Banking Corporation	389.2	5.9
4	CSL	355.5	5.4
5	Transurban Group*	270.6	4.1
6	National Australia Bank	234.3	3.5
7	Wesfarmers	216.6	3.3
8	Australia and New Zealand Banking Group	207.6	3.1
9	Macquarie Group	193.7	2.9
10	Woolworths Group*	178.1	2.7
11	Amcor	166.0	2.5
12	Rio Tinto	152.7	2.3
13	Woodside Petroleum*	131.6	2.0
14	Brambles	123.2	1.9
15	Sydney Airport*	120.4	1.8
16	Oil Search	118.0	1.8
17	Telstra Corporation	114.5	1.7
18	James Hardie Industries	91.7	1.4
19	Qube Holdings	88.8	1.3
20	Mainfreight	87.7	1.3
21	Ramsay Health Care*	86.9	1.3
22	Sonic Healthcare*	81.7	1.2
23	Treasury Wine Estates	80.7	1.2
24	Computershare	80.1	1.2
25	Coles Group	78.9	1.2
Total		4,683.0	

As a percentage of total portfolio value (excludes cash)

70.8%

* Indicates that options were outstanding against part of the holding.

Income Statement

For the Half-Year Ended 31 December 2018

	Half-Year 2018 \$'000	Half-Year 2017 \$'000
Dividends and distributions	246,708	150,792
Revenue from deposits and bank bills	1,136	810
Net gains/(losses) on trading portfolio	4,187	(6,553)
Total income	252,031	145,049
Finance costs	(400)	(425)
Administration expenses	(3,850)	(3,860)
Profit before income tax	247,781	140,764
Income tax	(7,977)	(4,023)
Profit for the half-year	239,804	136,741
	Cents	Cents
Earnings per share	20.11	11.56

Balance Sheet

As at 31 December 2018

	31 Dec 2018 \$'000	30 June 2018 \$'000
Current assets		
Cash	178,266	99,183
Receivables	14,379	77,234
Total current assets	192,645	176,417
Non-current assets		
Investment portfolio	6,617,237	7,280,706
Deferred tax assets	1,241	1,257
Total non-current assets	6,618,478	7,281,963
Total assets	6,811,123	7,458,380
Current liabilities		
Payables	1,346	712
Tax payable	24,522	8,245
Borrowings – bank debt	-	100
Trading portfolio	4,164	6,757
Provisions	3,145	4,385
Total current liabilities	33,177	20,199
Non-current liabilities		
Provisions	1,049	1,394
Deferred tax liabilities – investment portfolio	857,527	1,097,527
Total non-current liabilities	858,576	1,098,921
Total liabilities	891,753	1,119,120
Net assets	5,919,370	6,339,260
Shareholders' equity		
Share capital	2,844,805	2,811,771
Revaluation reserve	1,845,981	2,422,568
Realised capital gains reserve	472,294	448,892
General reserve	23,637	23,637
Retained profits	732,653	632,392
Total shareholders' equity (including minority interests)	5,919,370	6,339,260

Summarised Statement of Changes in Equity

For the Half-Year Ended 31 December 2018

	Half-Year 2018 \$'000	Half-Year 2017 \$'000
Total equity at the beginning of the half-year	6,339,260	5,965,503
Dividends paid	(162,800)	(161,955)
Dividend Reinvestment Plan	33,099	32,249
Other share capital adjustments	(65)	(69)
Total transactions with shareholders	(129,766)	(129,775)
Profit for the half-year	239,804	136,741
Revaluation of investment portfolio	(745,125)	317,183
Provision for tax on revaluation	215,197	(95,707)
Revaluation of investment portfolio (after tax)	(529,928)	221,476
Total comprehensive income for the half-year	(290,124)	358,217
Realised gains/(losses) on securities sold	71,462	(8,923)
Tax expense on realised gains/(losses) on securities sold	(24,803)	10,779
Net realised gains/(losses) on securities sold	46,659	1,856
Transfer from revaluation reserve to realised gains reserve	(46,659)	(1,856)
Total equity at the end of the half-year	5,919,370	6,193,945

A full set of AFIC's interim accounts are available on the Company's website.

Holdings of Securities

At 31 December 2018

Individual investments for the combined investment and trading portfolios as at 31 December 2018 are listed below. The list should not, however, be used to evaluate portfolio performance or to determine the net asset backing per share at other dates. Net asset backing is advised to the Australian Securities Exchange each month and is recorded on the toll free telephone service at 1800 780 784 and posted to AFIC's website afi.com.au

Individual holdings in the portfolios may change during the course of the year. In addition, holdings which are part of the trading portfolio may be subject to call options or sale commitments by which they may be sold at a price significantly different from the market price prevailing at the time of the exercise or sale.

Code	Ordinary Shares, Trust Units or Stapled Securities	Number Held '000	Market Value \$'000
ABC	Adelaide Brighton	7,262	31,009
AGL	AGL Energy	2,570	52,942
AIA	Auckland International Airport	1,770	11,912
ALQ	ALS	7,542	51,136
AMC	Ancor	12,527	165,986
AMP	AMP	12,910	31,631
ANN	Ansell	1,284	28,296
ANZ	Australia and New Zealand Banking Group	8,488	207,609
APA	APA Group	4,040	34,340
APE	AP Eagers	1,157	6,940
ARB	ARB Corporation	1,925	28,875
ASX	ASX	709	42,479
AUB	AUB Group	2,026	25,181
AWC*	Alumina	18,623	42,306
BHP*	BHP	13,513	462,551
BKW	Brickworks	1,854	30,826
BLD	Boral	7,844	38,748
BXB	Brambles	12,139	123,207
CAR*	Carsales.com	4,191	46,086
CBA	Commonwealth Bank of Australia	7,900	571,881

Holdings of Securities continued

At 31 December 2018

Code	Ordinary Shares, Trust Units or Stapled Securities	Number Held '000	Market Value \$'000
CGF	Challenger	6,411	60,841
COH	Cochlear	137	23,779
COL	Coles Group	6,723	78,922
CPU	Computershare	4,660	80,105
CSL	CSL	1,920	355,507
CTX	Caltex Australia	682	17,369
CWY	Cleanaway	7,736	12,881
CYB	CYBG PLC	12,228	40,718
DJW	Djerriwarrh Investments	7,505	23,642
DLX	DuluxGroup	3,029	19,869
DUI	Diversified United Investment	12,030	46,316
EQT	EQT Holdings	1,322	31,772
EVT	Event Hospitality and Entertainment	1,030	14,012
FLT	Flight Centre Travel Group	193	8,303
FNP	Freedom Foods Group	6,261	29,114
FPH	Fisher & Paykel Healthcare Corporation	3,800	46,968
GMG	Goodman Group	2,800	29,764
IAG*	Insurance Australia Group	4,857	33,991
ICQ	iCar Asia	20,156	2,721
ILU	Iluka Resources	1,667	12,703
IRE	IRESS	4,637	51,567
IVC	InvoCare	1,325	13,648
JHX	James Hardie Industries	6,065	91,703
LIC	Lifestyle Communities	5,470	28,829
LNK	Link Administration Holdings	3,200	21,664
MFT	Mainfreight	2,990	87,727

Code	Ordinary Shares, Trust Units or Stapled Securities	Number Held '000	Market Value \$'000
MIR	Mirrabooka Investments	8,728	21,994
MLT	Milton Corporation	10,841	46,727
MPL	Medibank Private	2,000	5,140
MQG	Macquarie Group	1,783	193,703
NAB	National Australia Bank	9,735	234,316
NVT	Navitas	1,797	9,094
NXT	NEXTDC	4,325	26,426
ORA	Orora	11,670	35,828
ORG	Origin Energy	6,500	42,055
ORI	Orica	1,970	33,983
OSH	Oil Search	16,483	118,015
PPT	Perpetual	635	20,625
QAN*	Qantas Airways	8,500	48,381
QUB	Qube Holdings	34,962	88,803
REA	REA Group	384	28,405
REH	Reece	4,226	42,047
RHC*	Ramsay Health Care	1,510	86,888
RIO	Rio Tinto	1,946	152,665
RMD*	ResMed	4,635	73,166
RWC	Reliance Worldwide Corporation	13,536	60,235
S32	South32	15,241	51,057
SCG	Scentre Group	14,450	56,355
SEK*	Seek	4,020	68,002
SHL*	Sonic Healthcare	3,704	81,672
SOL	Washington H. Soul Pattinson	594	14,776
SUN*	Suncorp Group	4,840	61,036

Holdings of Securities continued

At 31 December 2018

Code	Ordinary Shares, Trust Units or Stapled Securities	Number Held '000	Market Value \$'000
SYD*	Sydney Airport	17,924	120,448
TCL*	Transurban Group	23,299	270,577
TGG	Templeton Global Growth Fund	5,500	7,068
TLS	Telstra Corporation	40,175	114,499
TPM	TPG Telecom	6,500	41,860
TWE	Treasury Wine Estates	5,450	80,660
URW	Unibail-Rodamco-Westfield	2,472	26,449
WBC	Westpac Banking Corporation	15,545	389,247
WES	Wesfarmers	6,723	216,599
WOW*	Woolworths	6,062	178,065
WPL*	Woodside Petroleum	4,210	131,636
XRO	Xero	741	31,116
Total			6,607,989

* Indicates that options were outstanding against part of the holding.

Code	Convertible Notes, Preference Shares and Other Interest Bearing Securities	Number Held '000	Market Value \$'000
RHCPA	Ramsay Health Care Pref	49	5,084
Total			5,084

Major Transactions in the Investment Portfolio

Acquisitions	Cost \$'000
Coles Group (Demerger from Wesfarmers)	73,544
James Hardie Industries	37,665
Transurban Group (10 for 57 share issue at \$10.80 per share)	37,557
Adelaide Brighton	35,208
Qantas Airways*	34,841
CYBG PLC (Clydesdale Bank)*	27,025
Reliance Worldwide Corporation	25,633
Woolworths Group	22,027
Sydney Airport	20,167

* Subject to call options during the period.

Disposals	Proceeds \$'000
Rio Tinto (participation in off-market share buy-back)	105,737
QBE Insurance Group [#]	42,603
AGL Energy	37,371
Washington H. Soul Pattinson	31,516
Bega Cheese [#]	21,191
Perpetual	18,387
BHP (participation in off-market share buy-back)	15,970

[#] Complete disposal from the portfolio.

Company Particulars

**Australian Foundation Investment
Company Limited (AFIC)**
ABN 56 004 147 120

Directors

John Paterson, Chairman
R Mark Freeman, Managing Director
Ross E Barker
Graeme R Liebelt
David A Peever
Catherine M Walter AM
Peter J Williams

Company Secretaries

Matthew J Rowe
Andrew JB Porter

Auditor

PricewaterhouseCoopers
Chartered Accountants

Country of Incorporation

Australia

Registered Office and Mailing Address

Level 21, 101 Collins Street
Melbourne Victoria 3000

Contact Details

Telephone (03) 9650 9911
Facsimile (03) 9650 9100
Website afi.com.au
Email invest@afi.com.au

For enquiries regarding net asset backing
(as advised each month to the Australian
Securities Exchange):

Telephone 1800 780 784 (toll free)

Share Registrar Australia

Computershare Investor Services Pty Ltd
Yarra Falls, 452 Johnston Street
Abbotsford Victoria 3067

New Zealand

Computershare Investor Services Limited
159 Hurstmere Road
Takapuna Auckland 0622

Shareholder

Enquiry Lines 1300 662 270 (Australia)
0800 333 501
(within New Zealand)
+61 3 9415 4373
(from overseas)

Facsimile (03) 9473 2500

Website investorcentre.com/au/contact

For all enquiries relating to shareholdings,
noteholdings, dividends and related matters,
please contact the share registrar as above.

Australian and New Zealand Securities Exchange Codes

AFI Ordinary shares (ASX and NZX)

Shareholder Meetings

Melbourne Shareholder Meeting

Time 10.00am
Date Monday 18 March 2019
Venue Sofitel
Location 25 Collins Street
Melbourne

Sydney Shareholder Meeting

Time 10.00am
Date Tuesday 19 March 2019
Venue Wesley Conference Centre
Location 220 Pitt Street
Sydney

Canberra Shareholder Meeting

Time 10.00am
Date Friday 22 March 2019
Venue Hyatt Hotel Canberra
Location 120 Commonwealth Avenue, Yarralumla
Canberra

Adelaide Shareholder Meeting

Time 10.00am
Date Monday 25 March 2019
Venue Adelaide Convention Centre
Location Panorama Rooms, North Terrace
Adelaide

Perth Shareholder Meeting

Time 10.00am
Date Monday 1 April 2019
Venue Pan Pacific Perth
Location 207 Adelaide Terrace
Perth

22 February 2019

Australian Foundation
Investment Company Limited
ABN 56 004 147 120
Level 21, 101 Collins St
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Dear Shareholder,

Proposal to Remove the Refundability of Excess Franking Credits

You may be aware of policy changes proposed by the Federal Labor Party to remove the refundability of excess franking credits for certain investors.

The proposed policy will mean many shareholders who have a marginal tax rate below 30 per cent will no longer receive a cash refund from franking credits. We believe this change will negatively impact many of our shareholders.

We're writing to you to:

- ensure you are aware of the proposed changes;
- explain our position; and
- invite you to share your views on the issue.

We will continue to campaign to highlight our serious concerns on behalf of our shareholders regarding this proposed policy to ensure the adverse impact of these changes is well understood by all members of Parliament and policymakers. We hope to do this with your support.

What can you do?

If this issue is important to you, you can help us advocate on your behalf by:

- completing the enclosed survey and returning it to us via the reply paid envelope included with this letter; and
- sending through a more detailed example of what the proposed change will mean to you in the space provided on the survey form.

We are aiming to collect and review all responses by **8 March 2019**

Keeping you informed

If you have not already done so, we strongly encourage you to share your email address with us by adding it to the bottom of your survey response. It will help us to keep you informed about what we are doing and, importantly, what you can do over the ensuing months to ensure your voice is heard.

Thank you for your time and we look forward to receiving your response to the survey.

Yours sincerely,



John Paterson
Chairman

Further Information

Why are franking credits beneficial to you?

Franking credits are effectively a credit to investors for the corporate tax that has already been paid by the Australian companies they are invested in. The current system avoids double taxation of your dividend income.

We pass franking credits from the dividends AFIC receives from its investments directly to you, as our shareholder. The dividend amount, as well as the amount of franking credits you are eligible for, is outlined in each dividend statement we provide to you.

Under the current policy, if your marginal tax rate is below the company tax rate of 30 per cent, you may receive a cash refund for some or all the franking credits received, depending on your individual circumstances. This refund is received once you complete your tax return.

What will the proposed changes to franking credits mean?

The proposed policy will mean many shareholders who have a marginal tax rate below 30 per cent will no longer receive a cash refund from franking credits. This could negatively impact any income you might rely on from investing in Australian shares that pay fully franked income.

We're concerned low income earners and retirees will be hit especially hard by the proposed changes, particularly those who have self-managed super funds (SMSFs) in pension phase. An SMSF with an annual fully franked income of \$35,000 could realistically receive an additional \$15,000 from the refund of the franking credits (producing an annual income of \$50,000). Labor's proposed changes would mean the loss of the \$15,000 refund received from the ATO, a reduction of 30 per cent in annual income.

What are we doing to fight the proposed removal of franking credits?

We believe the proposed policy is an attack on one of the cornerstones of Australia's retirement systems – that of voluntary savings for retirement. The inequitable structure of the policy will have a negative financial impact on many of our shareholders and, as such, we've taken proactive steps to support you.

Since Labor proposed the changes in March 2018, we've worked hard to communicate with our shareholders via our shareholder meetings and our website, and we've encouraged and supported you in voicing your opinions to your Federal parliamentary representative by providing you with a template letter on our website.

We have joined the public debate in opposition to the change, raising the profile of the impact to investors via significant media commentary. Additionally, we have lobbied on your behalf with various industry groups and provided a submission and briefing to the House of Representatives Economics Committee Inquiry regarding this policy.