

24 January 2022



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Electronic Lodgement

Australian Foundation Investment Company Limited Interim Results Webcast Presentation

Please find attached the presentation to be given at the Shareholder Teleconference/ Webcast being held today, **Monday 24 January 2022 at 1.30 p.m. (AEDT)**.

To join the webcast please use the below link (this will be made available on the afi.com.au website).

Webcast Link: Please register for the results webcast [here](#) (This link will open directly in your internet browser). Questions can be asked through the webcast link.

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 2850 (outside Australia)
Conference ID: **2923939**

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 **2923939**, 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.

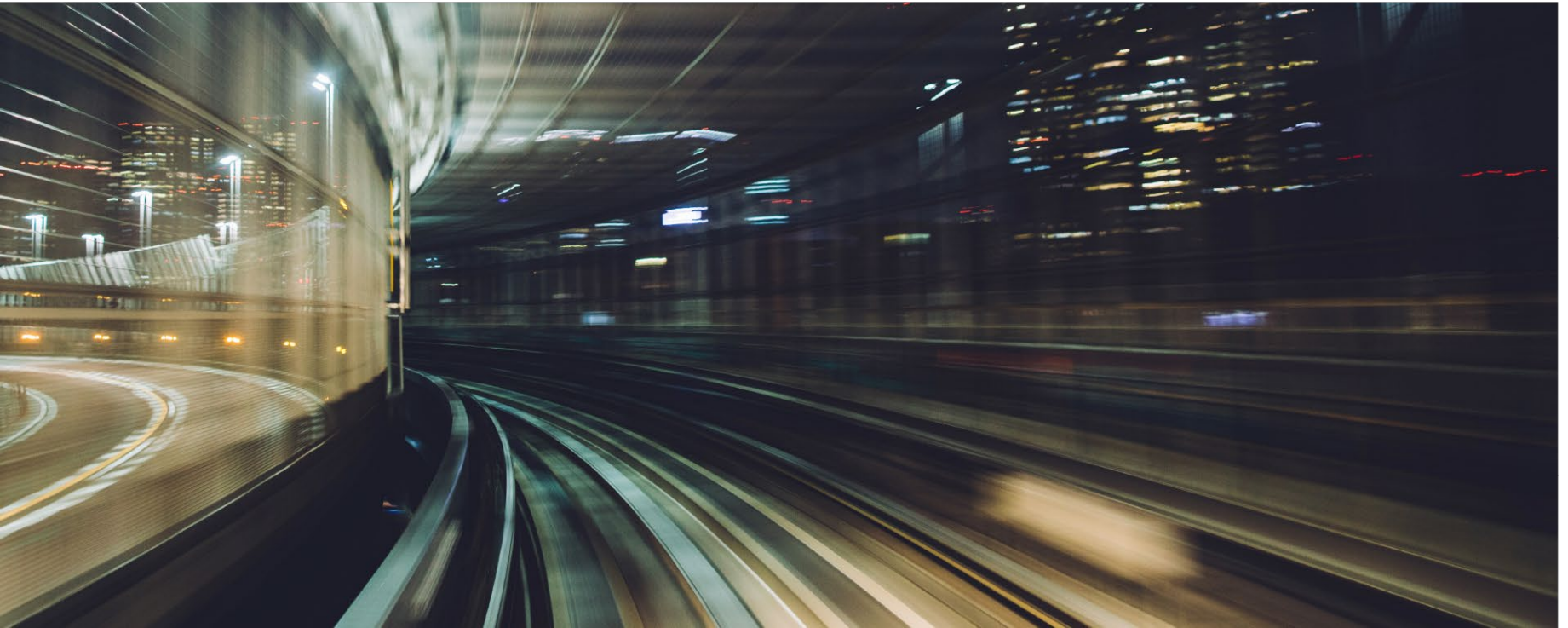
International Dial-In Numbers are available via the Company's website.

The shareholder presentation material will be made available through our website.

ASX Release authorised by the Company Secretary, Matthew Rowe.

Interim Results Presentation

24 January 2022



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Agenda

- Interim Result – Andrew Porter
- Investment Process – Mark Freeman
- Markets and the Portfolio – David Grace and Nga Lucas
- Outlook – David Grace



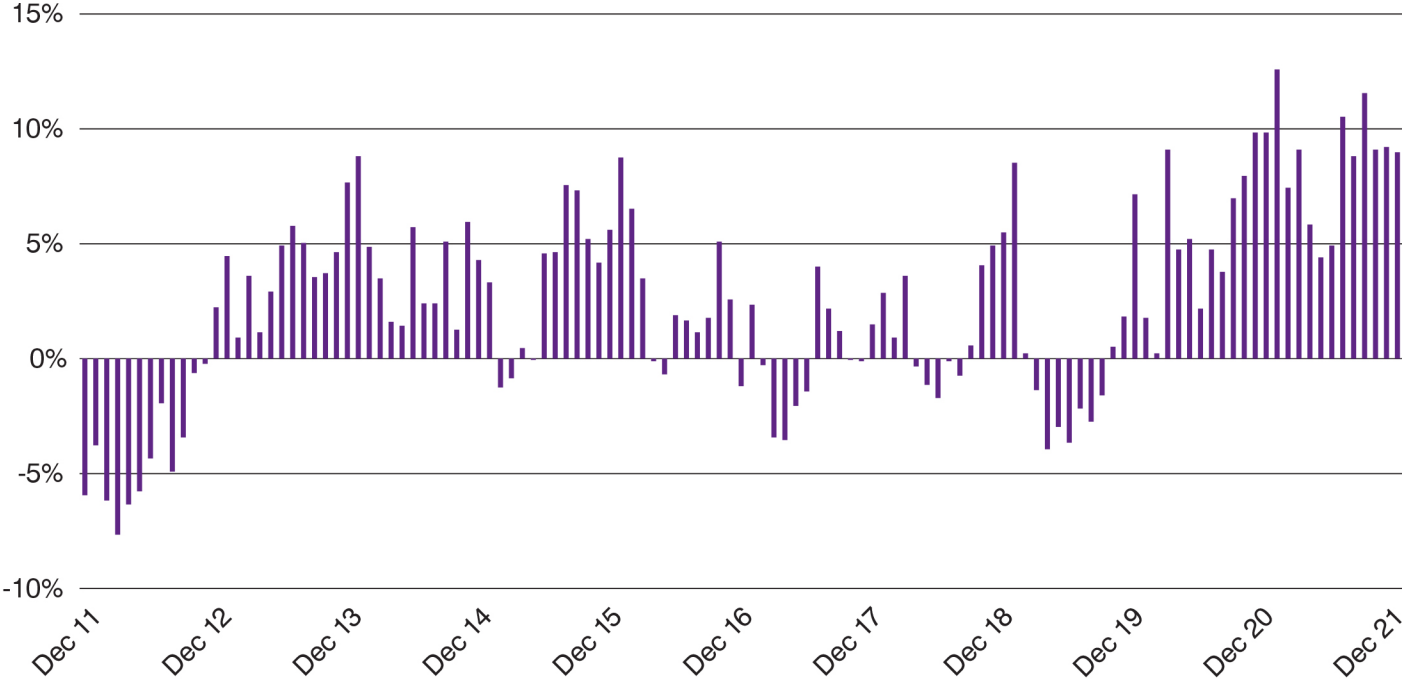
Interim Result

Interim Result Summary – 6 months to 31 December 2021

	2021		2021	
Profit for the Half-Year	\$146.0m	Up 73.5% from 2020	Management Expense Ratio (Annualised)	0.15% 0.10% in 2020
Fully Franked Interim Dividend	10¢	10 cents in 2020	Total Portfolio Return	6.9% Including franking* S&P/ASX 200 Accumulation Index including franking* 4.6%
Total Shareholder Return	10.0%	Share price plus dividend	Total Portfolio	\$9.6b Including cash at 31 December \$8.1 billion in 2020

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

AFIC's share price relative to the NTA - 31 December 2021





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 – how we assess quality

Uniqueness of Assets

Competitive landscape, leadership position, can the assets be replicated

Long-term Sustainability

Barriers to entry, sustainability of competitive advantage, track record of new entrants, threat of substitution

Independence

Pricing power, bargaining power of suppliers, government interference, exposure to commodity cycles

People

Owner/driver model, insider buying/selling, track record, remuneration incentives, corporate governance

Earnings Consistency

Volatility and quality of earnings, cash flow analysis

Financial Strength

Balance sheet gearing, structure of the debt book, dividend policy, ability to invest for future growth

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:

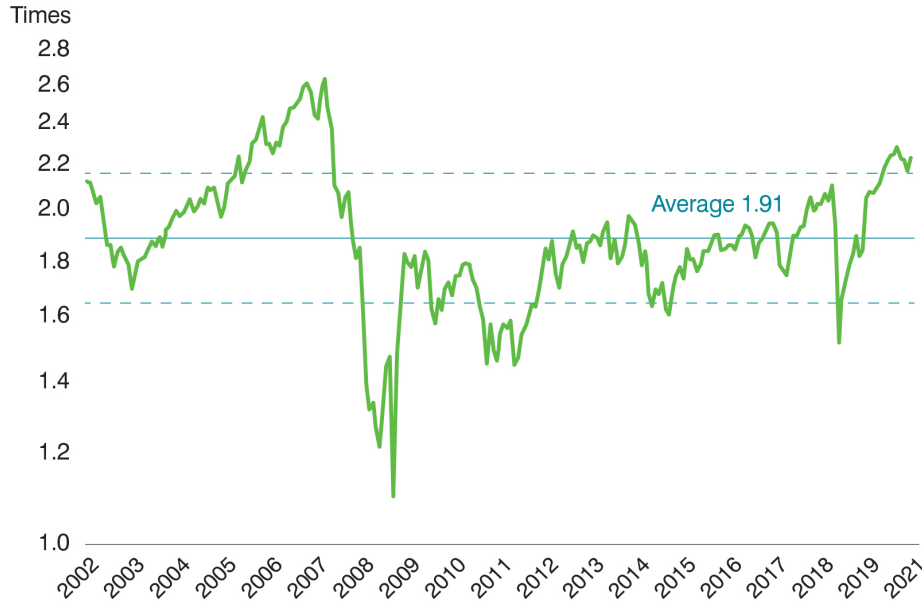
- We conduct our own evaluation of the merits of any shareholder resolution and take input from proxy advisors.
- We vote on all company resolutions as part of our regular engagement with companies.
- We actively engage with companies when we have concerns those resolutions are not aligned with shareholders'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



Markets and The Portfolio

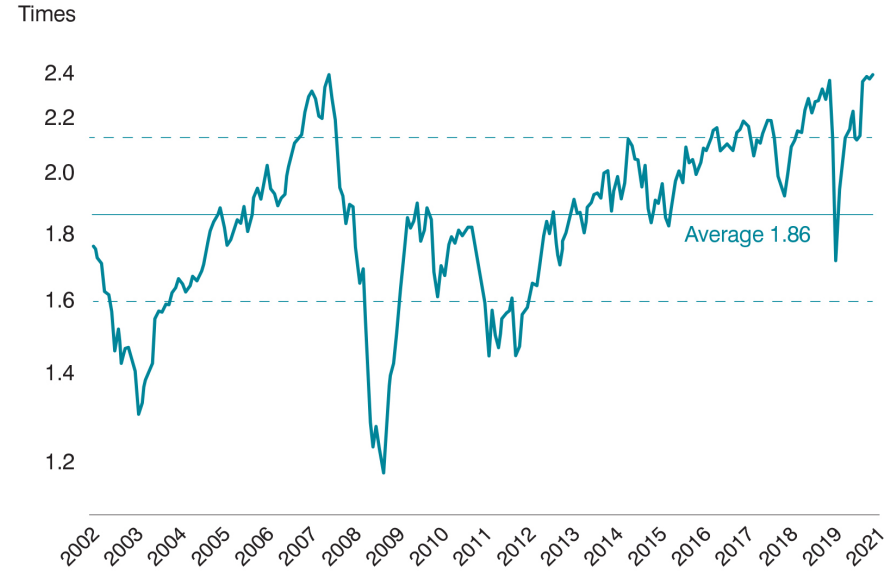
Long term value in the context of recent market moves

Price to Book - S&P/ASX 200 Index



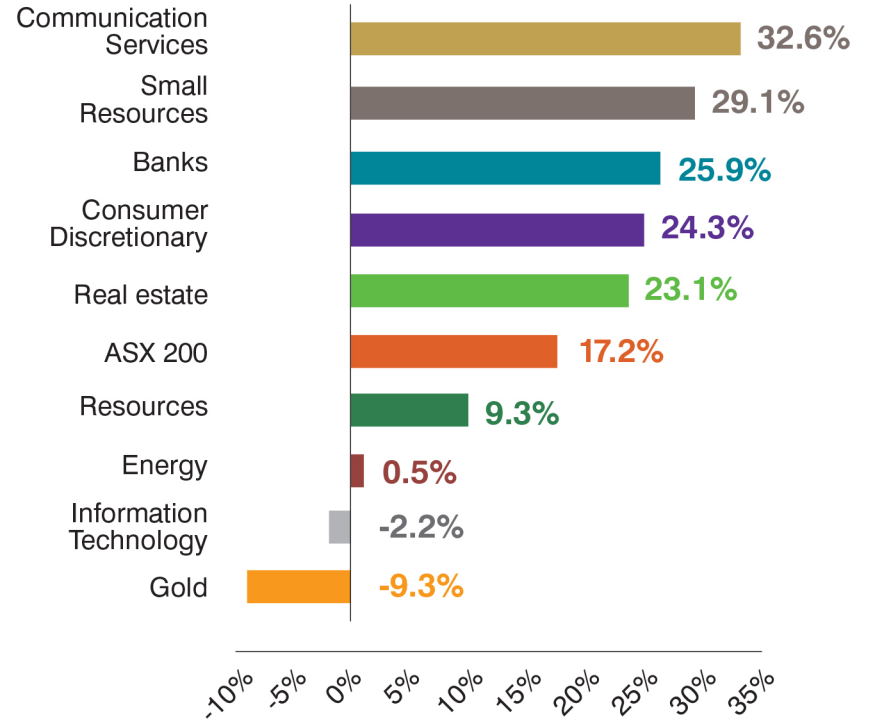
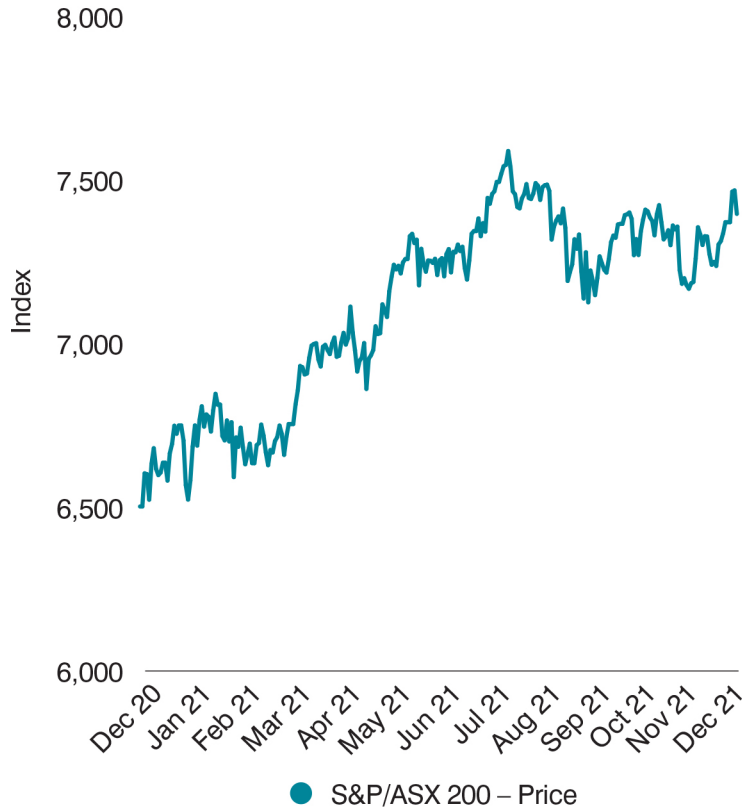
Source: FactSet

Price to Sales - S&P/ASX 200 Index



Source: FactSet

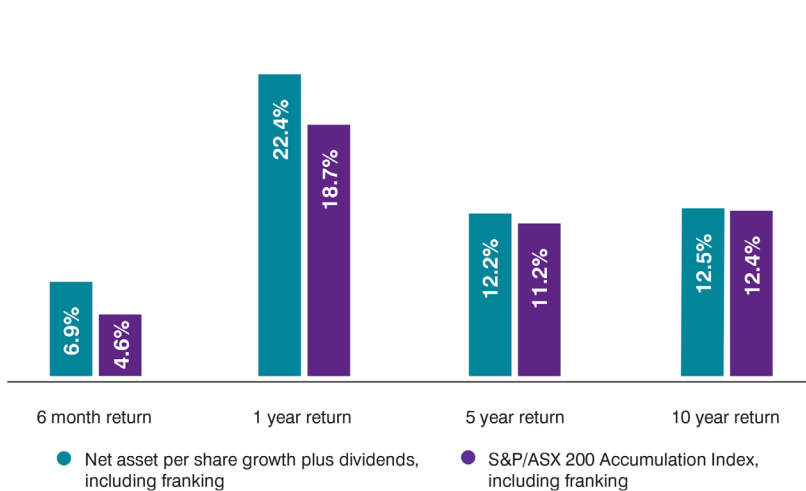
Market and key sector performance* - Year to 31 December 2021



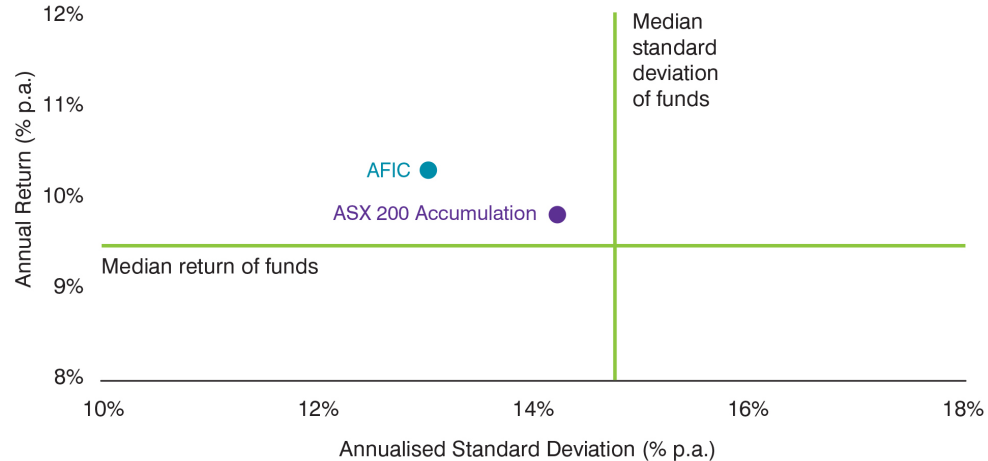
*includes dividends but not franking

Portfolio performance metrics

Portfolio performance, including franking
- per annum returns to 31 December 2021



Over the 5-year period to 31 December 2021 AFIC has a higher portfolio return with less volatility than the S&P/ASX 200 Index (both exclude franking)

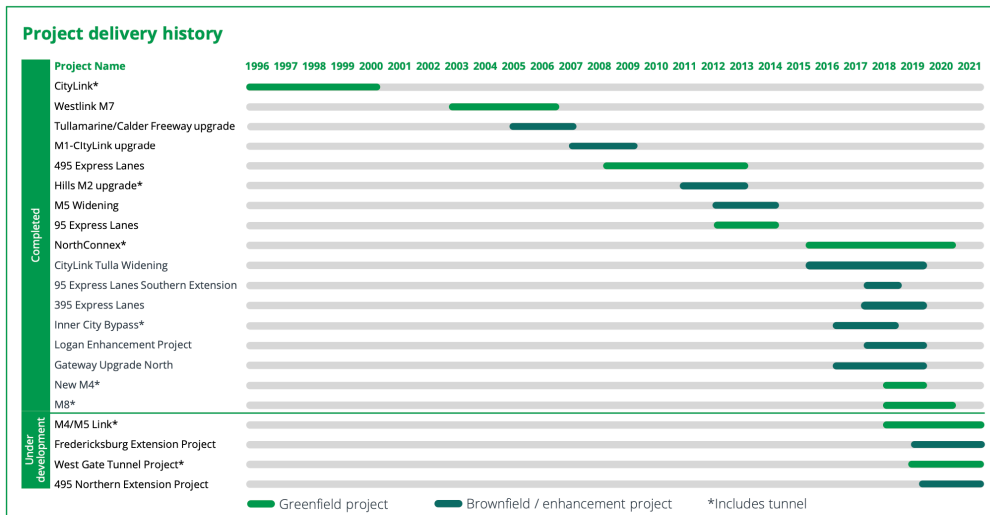


Source: Mercer Investment Performance Survey of Wholesale-Equity – Australia. Note AFIC's return is after tax paid and costs. The universe for Wholesale-Equity – Australia returns are before tax and after fees

Note AFIC share price returns have a significantly lower volatility (beta and standard deviation) than the Index.

Transurban Limited

- Transurban owns a high quality, diversified toll road portfolio
- Good track record of capital allocation by management driving strong long term FCF growth
- Solid balance sheet, gearing high but before contribution from funded growth projects
- Sydney and Melbourne lockdowns temporary impact on traffic and DPS, expect FY23 recovery
- The cost blowout issue at the West Gate Tunnel project now resolved
- Attractive pipeline of potential opportunities



In addition to major projects, Transurban typically delivers in excess of \$100 million of maintenance projects per year

Opportunity pipeline

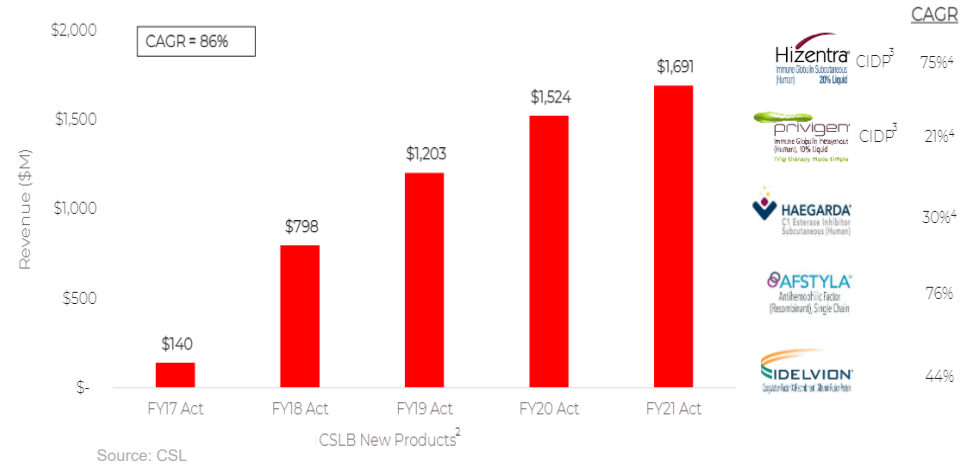
- In addition to committed capital, Transurban has identified a significant pipeline of potential opportunities

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

CSL Limited

- Leading global bio-tech company specialising in the treatment of rare diseases and influenza.
- Has consistently delivered a high return on capital. The company has a long and successful track record of capital allocation driving shareholder returns.
- Significant investment in Research and Development being 10%-11% of global sales.
- Recent acquisition of Vifor Pharma, a new growth area treating kidney disease and iron therapy.

New Products Contributing Significantly to Growth¹



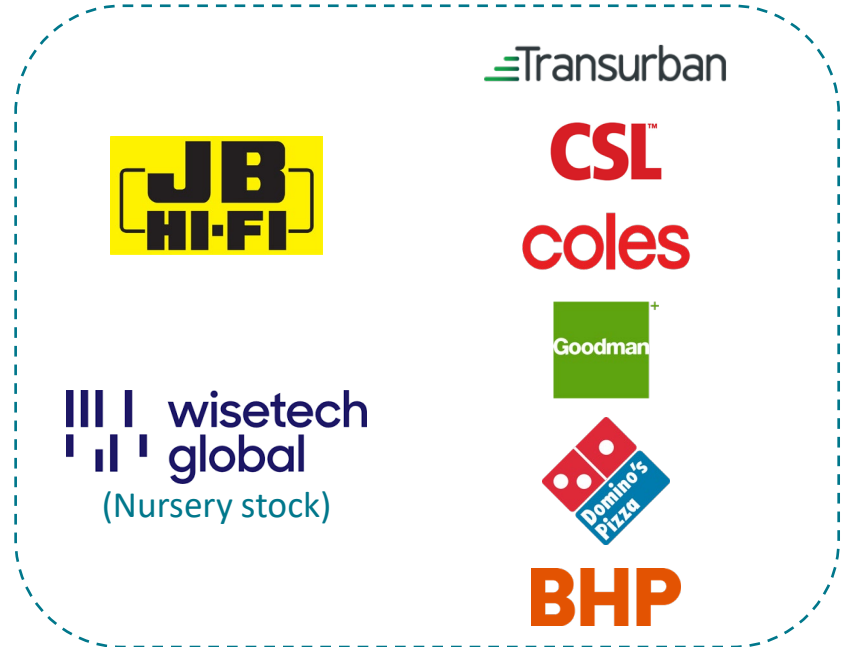
Portfolio Update - Recent Transactions

Sales

Trimmed

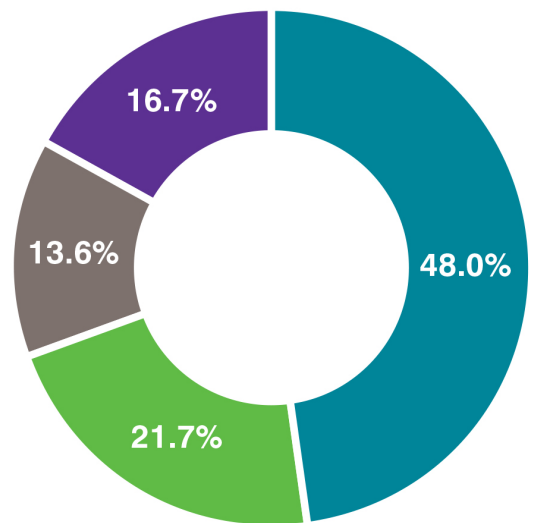
New Purchases

Additions to existing holdings



Top 30 holdings – 31 December 2021

Total Portfolio 60 Holdings



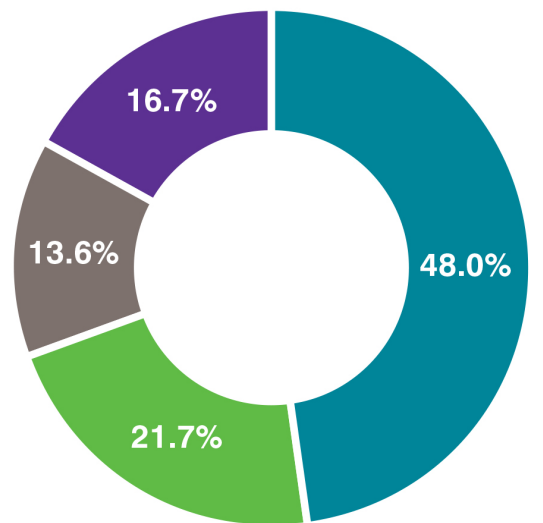
- Top 10
- Next 11 to 20
- Next 21 to 30
- Remainder

Rank	Company	% of Portfolio
1	Commonwealth Bank of Australia	8.4%
2	CSL	7.1%
3	BHP	6.1%
4	Macquarie Group	4.8%
5	Wesfarmers	4.6%
6	Transurban Group	4.2%
7	Westpac Banking Corporation	3.5%
8	National Australia Bank	3.4%
9	Mainfreight	3.1%
10	James Hardie Industries*	2.8%

* Options were outstanding against part of the holding.

Top 30 holdings – 31 December 2021 continued

Total Portfolio 60 Holdings

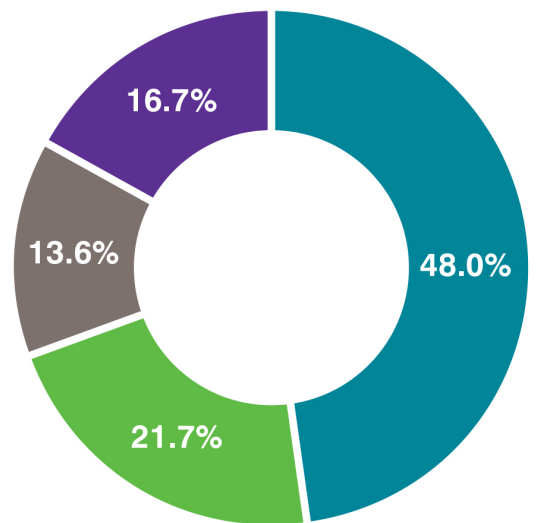


Rank	Company	% of Portfolio
11	Woolworths Group	2.6%
12	Australia and New Zealand Banking Group	2.5%
13	Telstra Corporation*	2.4%
14	Sydney Airport	2.3%
15	Goodman Group	2.2%
16	Reece	2.1%
17	Ancor	2.0%
18	Rio Tinto	2.0%
19	ARB Corporation	1.8%
20	Sonic Healthcare	1.8%

* Options were outstanding against part of the holding.

Top 30 holdings – 31 December 2021 continued

Total Portfolio 60 Holdings



Rank	Company	% of Portfolio
21	Coles Group	1.7%
22	ResMed	1.6%
23	Carsales.com	1.6%
24	Ramsay Health Care	1.4%
25	ASX	1.4%
26	Fisher & Paykel Healthcare	1.3%
27	Xero	1.2%
28	Seek	1.2%
29	IRESS	1.1%
30	NEXTDC	1.1%



Closing Comments

Outlook

- ⌚ Cost inflation and the likely end of the rate easing cycle is providing a near term headwind for equity valuations. This is evident in some of our high quality companies that were trading at high valuations.
- ⌚ However, quality companies remain best positioned to continue delivering earnings growth in the current uncertain environment.
- ⌚ The outlook for company dividends remains positive.
- ⌚ Despite short term volatility, holding a diversified portfolio of quality companies remains appropriate to deliver our long term investment objectives.

International Portfolio – 31 December 2021

- 🌐 Additional investments and portfolio returns has seen investment rise to \$72 million (70bps of total portfolio).
- 🌐 Portfolio holdings in 41 companies.
- 🌐 Performance is encouraging.
- 🌐 Applying the AFIC way of investing to International companies.
- 🌐 Looking to build a consistent track record.



Questions

**AUSTRALIAN
FOUNDATION
INVESTMENT
COMPANY**