

4 April 2016

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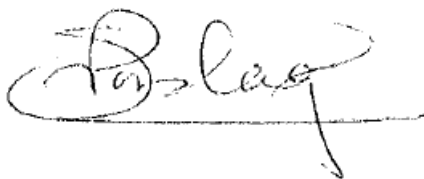
Electronic Lodgement

**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 Tasmania in April 2016.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Pordage', with a long horizontal line extending from the end of the signature.

Simon Pordage
Company Secretary



SHAREHOLDER MEETING APRIL 2016

**AUSTRALIAN
FOUNDATION
INVESTMENT
COMPANY**

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RESULTS & RETURNS

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HALF-YEAR FINANCIAL SUMMARY

PROFIT FOR THE HALF-YEAR

\$145.6m

▲ Up 10.3% from 2014

FULLY FRANKED INTERIM DIVIDEND

10¢

+1 cent per share

MANAGEMENT EXPENSE RATIO

0.16%

0.17% in 2014

TOTAL PORTFOLIO

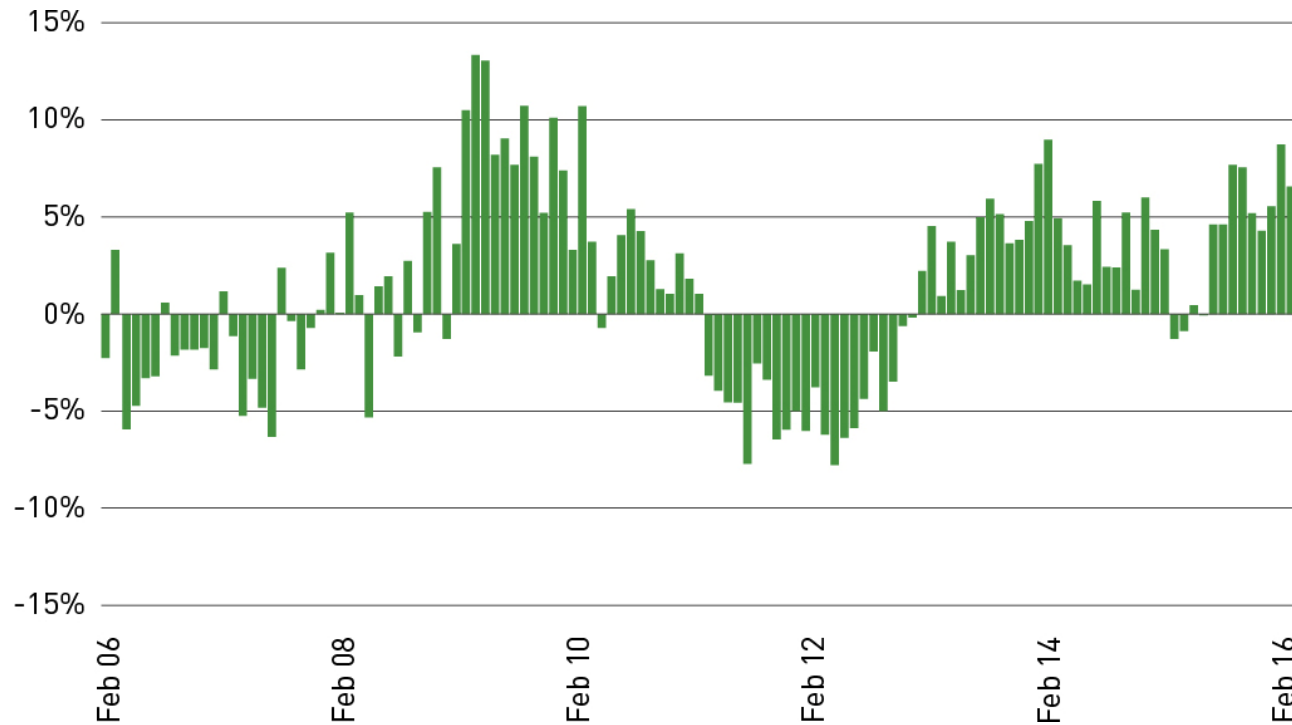
\$6.5b Including cash at 31.12.15

\$6.5 billion in 2014

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SHARE PRICE IS AT A PREMIUM TO NTA

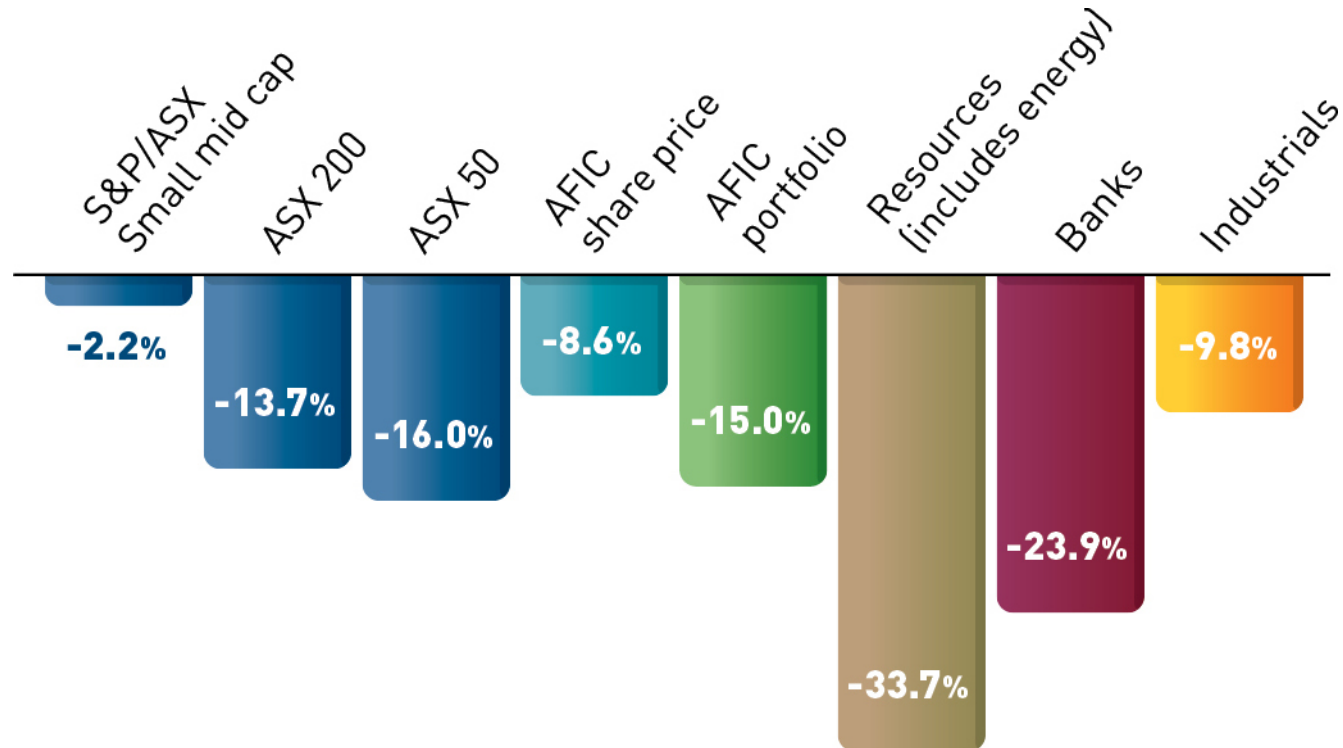


Approximate NTA at 31 March was \$5.35, share price of \$5.53 at a 3.4% premium

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ONE YEAR RETURN OF AFIC PORTFOLIO VERSUS DIFFERENT SECTORS OF THE MARKET – TO 29 FEBRUARY 2016



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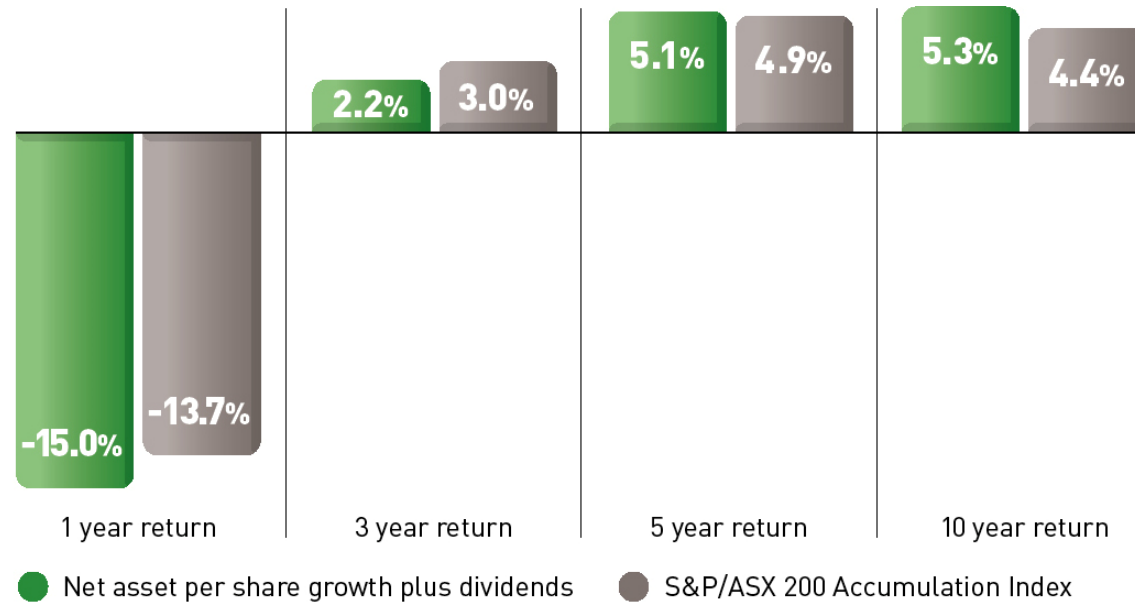
SHARE PRICE PERFORMANCE – PER ANNUM RETURN TO 29 FEBRUARY 2016



SHAREHOLDER MEETING APRIL 2016

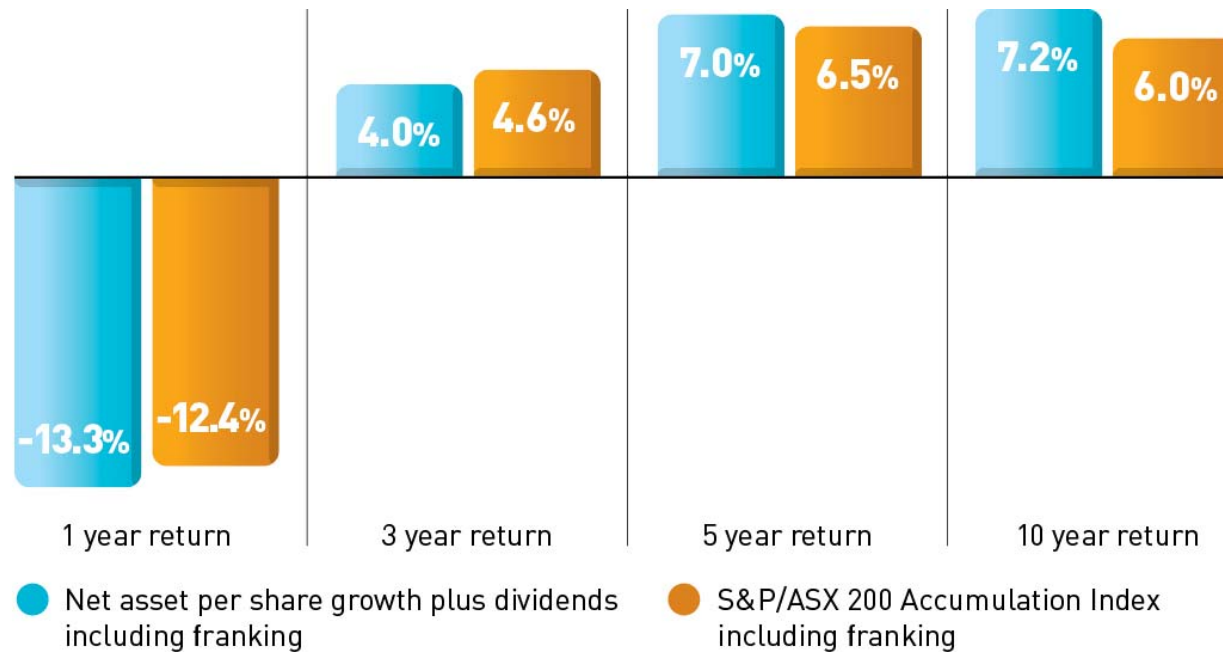
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SHORT TERM PORTFOLIO PERFORMANCE IMPACTED BY ENERGY HOLDINGS AND UNDERWEIGHT PROPERTY EXPOSURE – PER ANNUM RETURN TO 29 FEBRUARY 2016



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

PORTFOLIO PER ANNUM RETURN TO 29 FEBRUARY 2016 INCLUDING THE BENEFIT OF FRANKING CREDITS



After tax and expenses. Ignores benefits LIC tax credits.

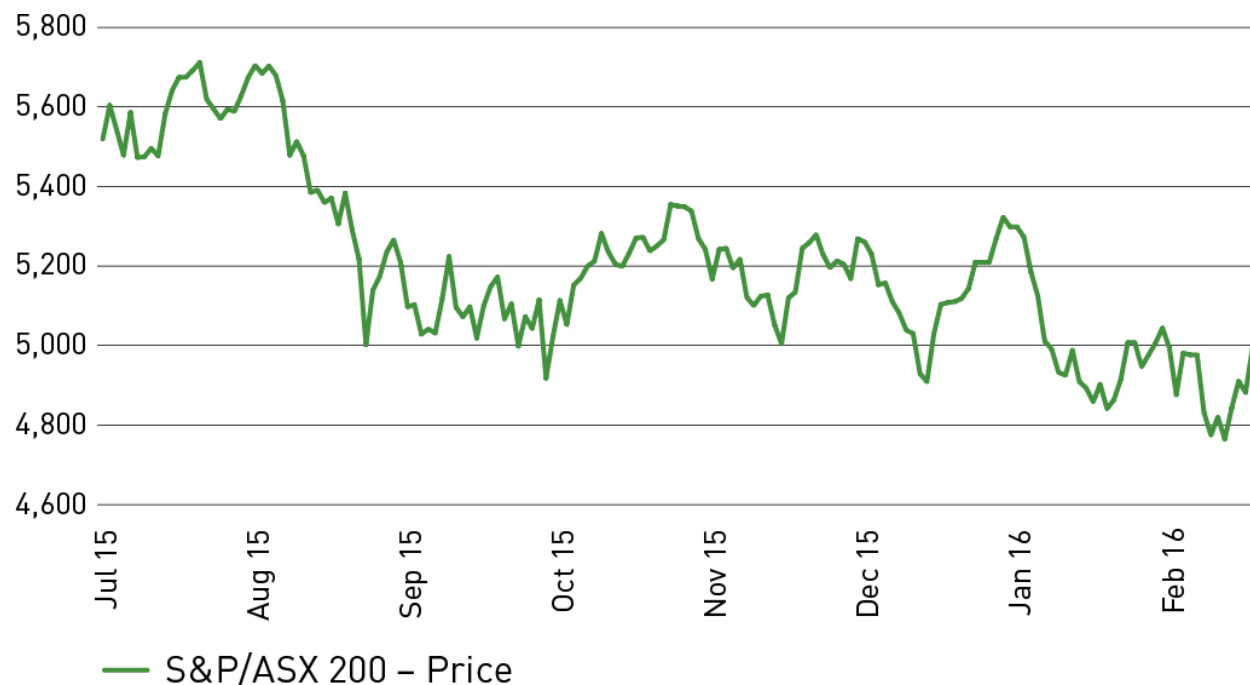
THE MARKET



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THE ASX 200 MARKET HAS DECLINED BUT THIS HIDES WHAT IS HAPPENING IN AUSTRALIA

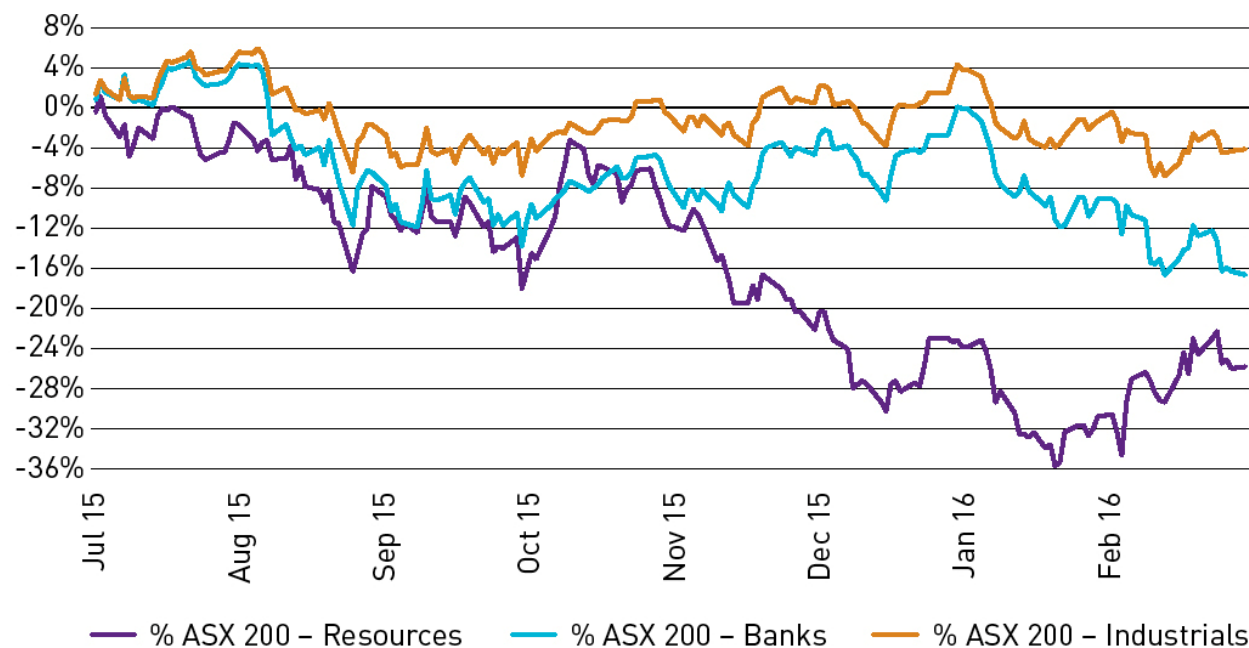


Source: FactSet.

SHAREHOLDER MEETING APRIL 2016

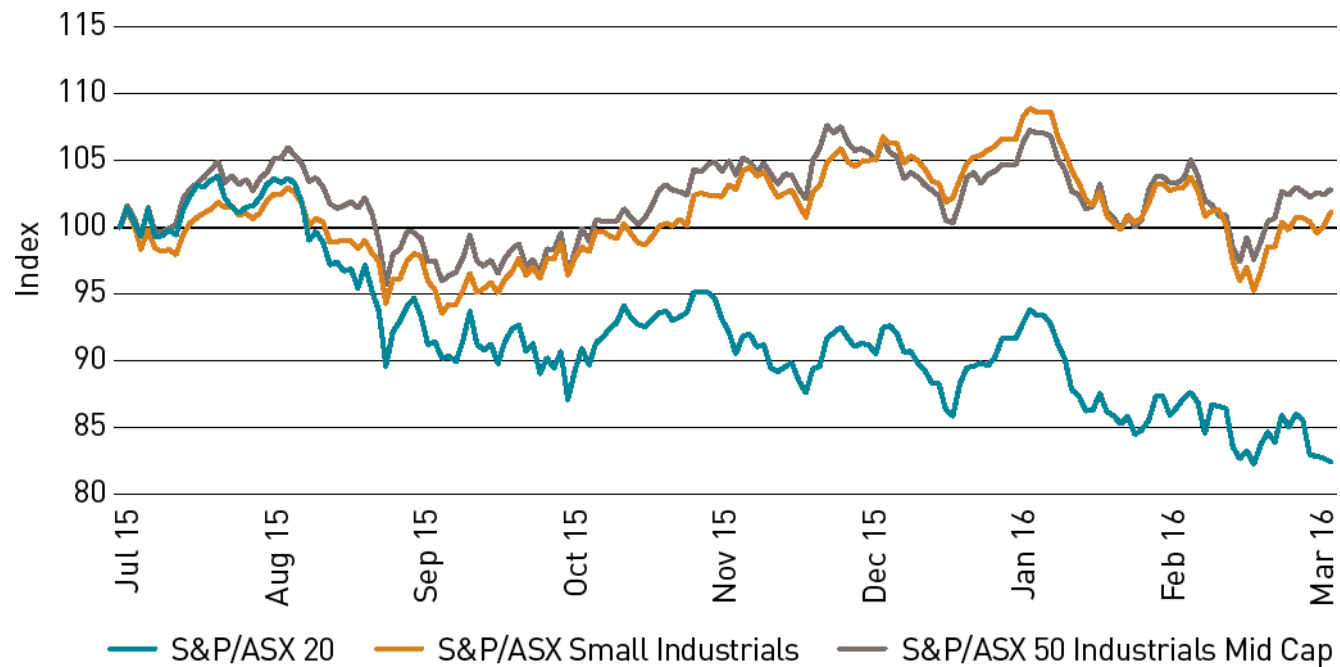
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INDUSTRIALS HAVE HELD UP RELATIVELY WELL BUT BANKS AND RESOURCES HAVE DECLINED



Source: FactSet.

THERE IS A LOT HAPPENING IN THE ECONOMY BUT LESS SO IN THE LARGER COMPANIES



Source: FactSet.

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PORTFOLIO

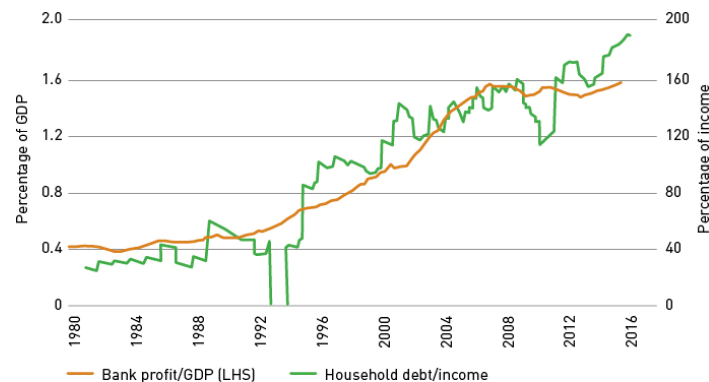
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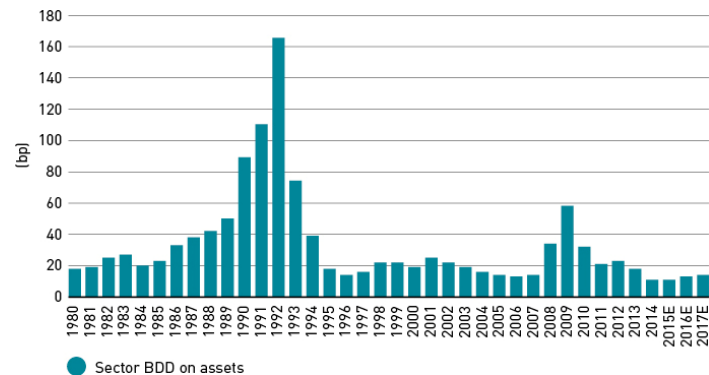
WE HAVE CONTINUED TO MAKE ADJUSTMENTS TO THE PORTFOLIO THAT REFLECT ADJUSTMENTS IN THE ECONOMY

- Reduced some exposure to:
 - banks
 - energy
- Further broadened the portfolio by adding to small/midcap holdings
- Takeover activity:
 - iProperty
 - Veda Group
- Heightened volatility used to generate income from buy and write portfolio

BROADER ISSUES FOR THE BANKING SECTOR

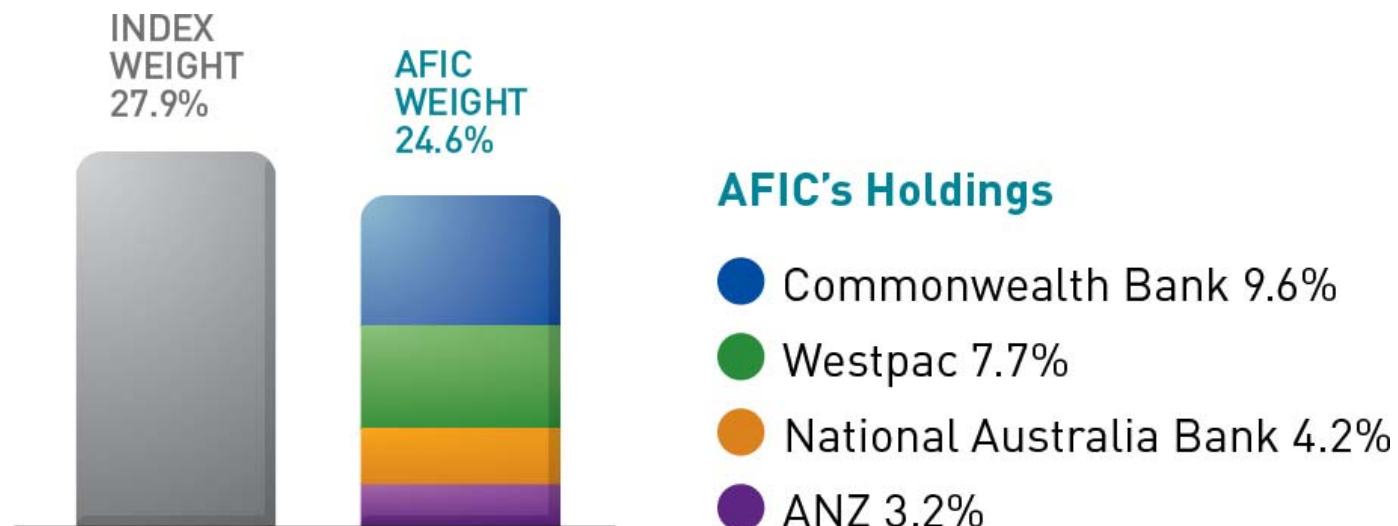


- Increase in household gearing has driven bank balance sheet growth and revenue.
- This is likely to have reached a peak leaving growth more subdued.

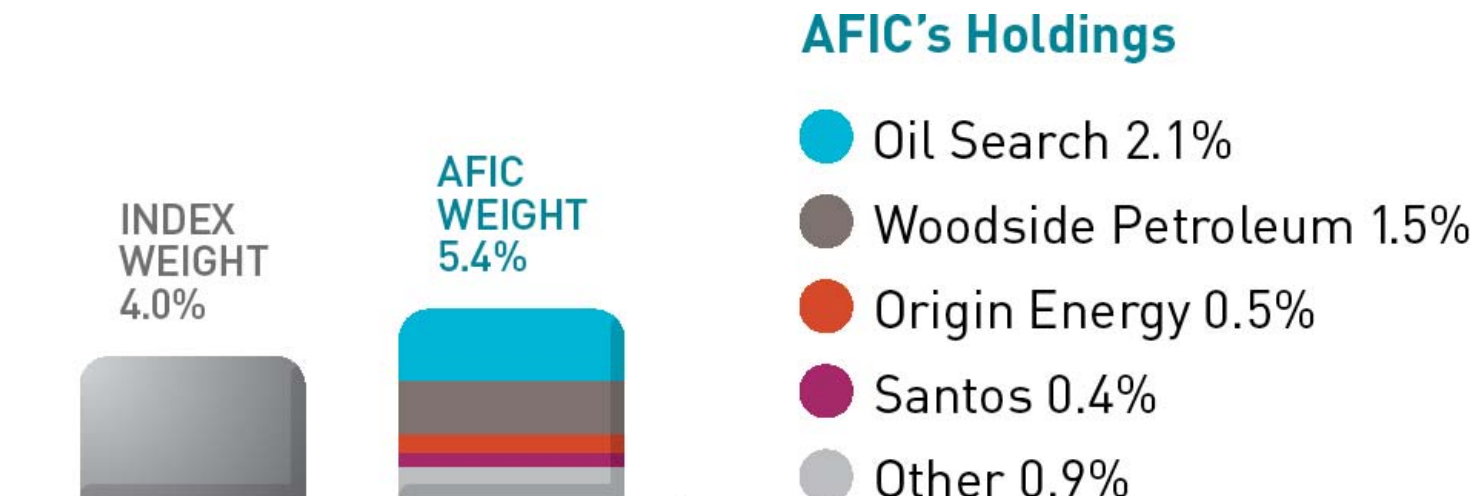


- Bad debt charges remain at cyclical lows, well below even mid-cycle levels.
- Reductions in bad debts have driven a significant portion of earnings growth recently.

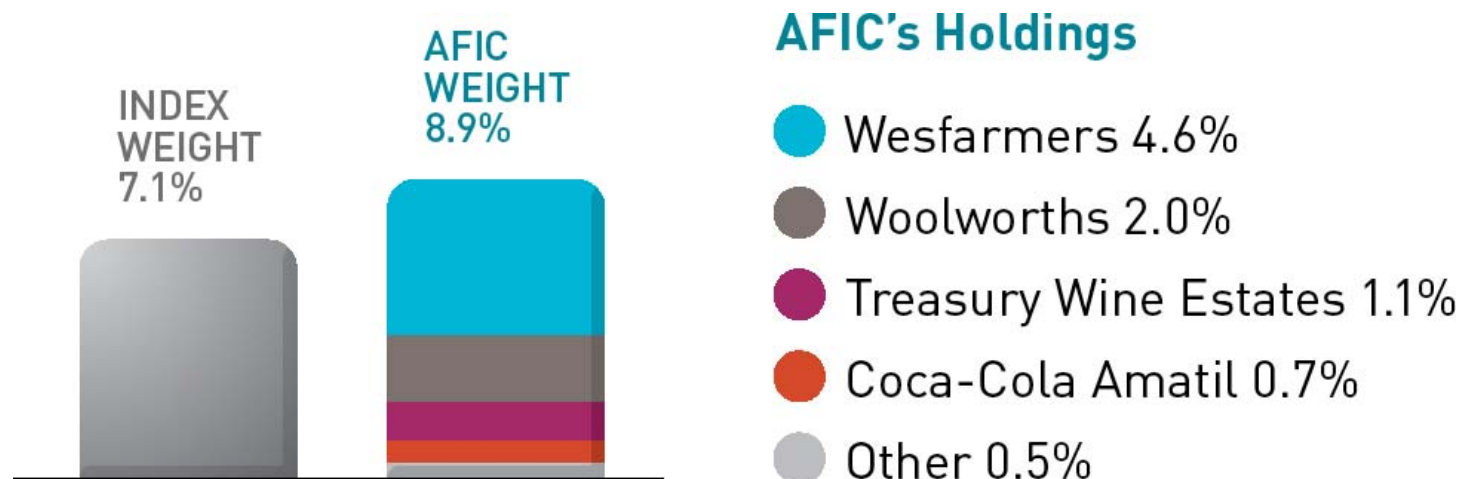
BANKS – PORTFOLIO AT 29 FEBRUARY 2016



ENERGY – PORTFOLIO AT 29 FEBRUARY 2016



CONSUMER STAPLES – PORTFOLIO AT 29 FEBRUARY 2016



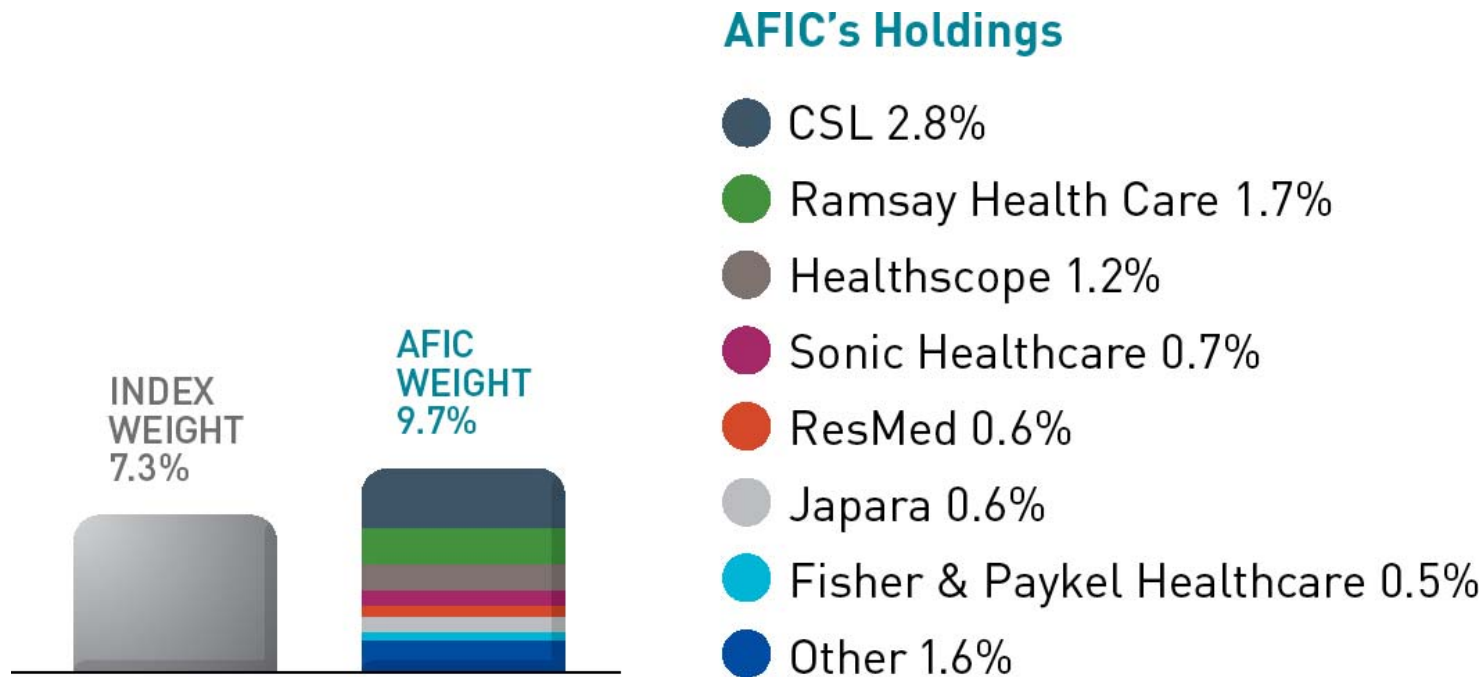
REAL ESTATE – PORTFOLIO AT 29 FEBRUARY 2016



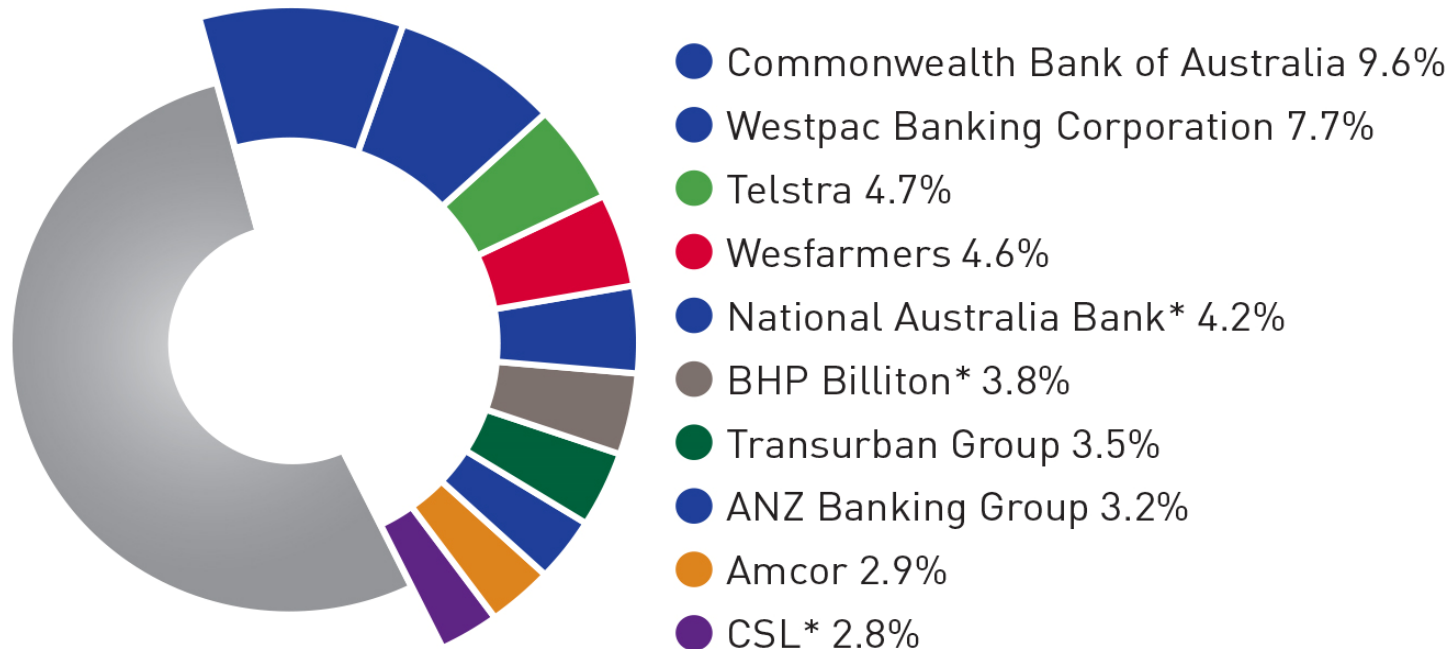
AFIC's Holdings

- Vicinity Centres 0.9%
- Scentre Group 0.9%
- Westfield Corporation 0.8%
- Other 0.4%

HEALTHCARE – PORTFOLIO AT 29 FEBRUARY 2016

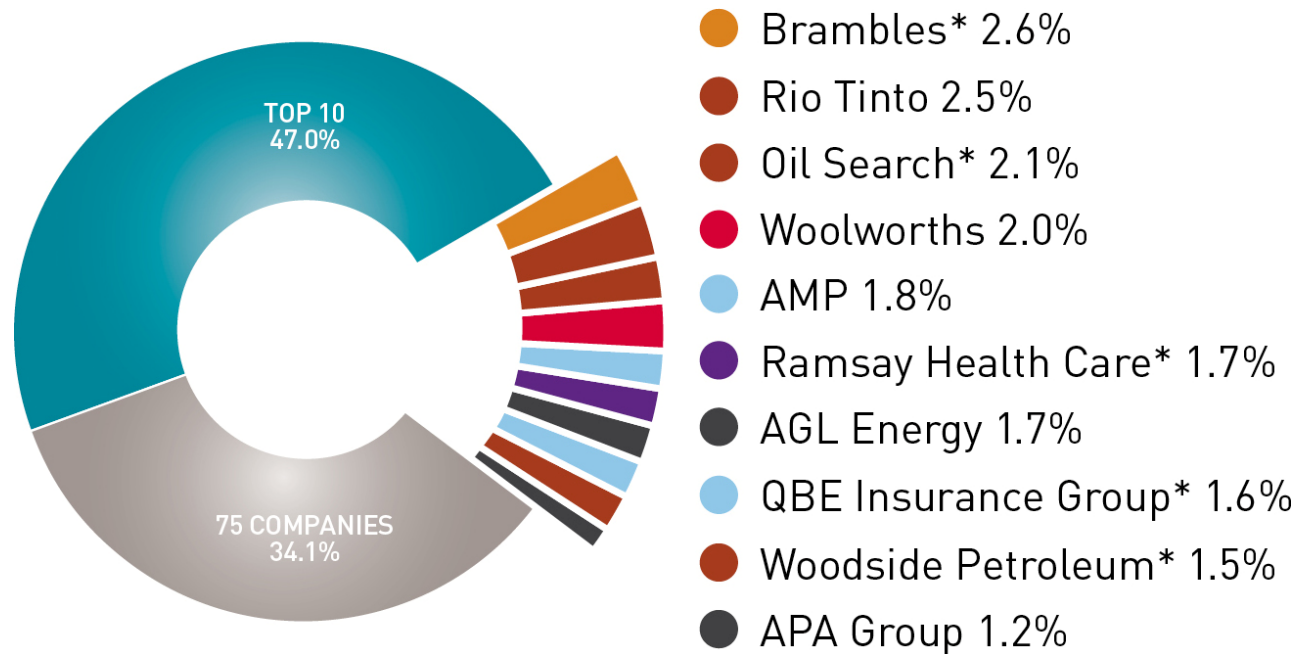


PORTFOLIO AT 29 FEBRUARY 2016 – TOP 10 HOLDINGS REPRESENT 47% OF THE PORTFOLIO



* Indicates that options were outstanding against part the holding.

PORTFOLIO AT 29 FEBRUARY 2016 – NEXT 10 REPRESENT 19% OF THE PORTFOLIO



* Indicates that options were outstanding against part the holding.

WE HAVE ADDED TO SMALLER POSITIONS DURING RECENT MARKET TURMOIL

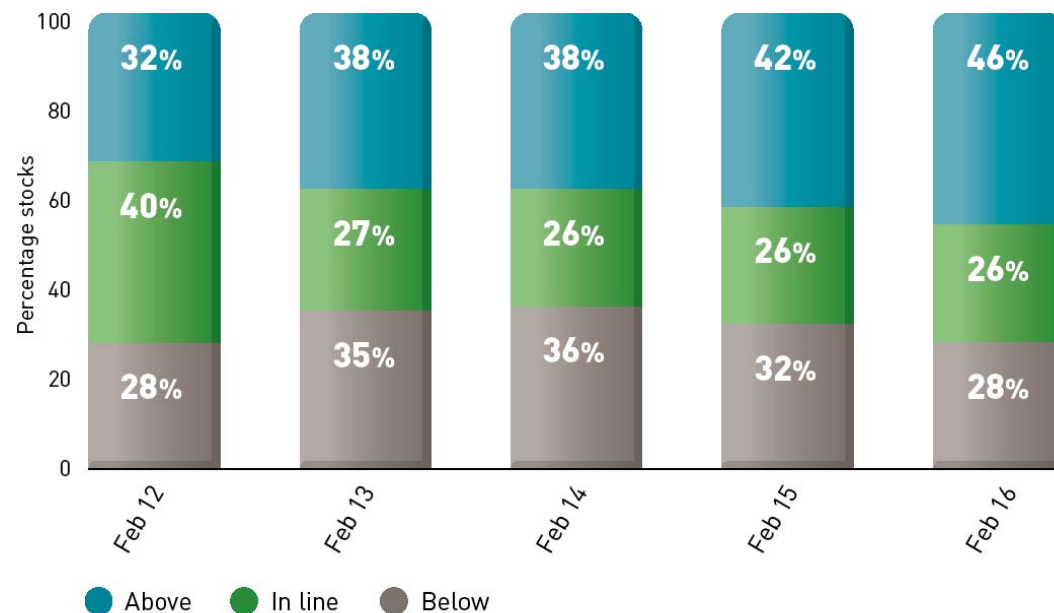


LOOKING AHEAD

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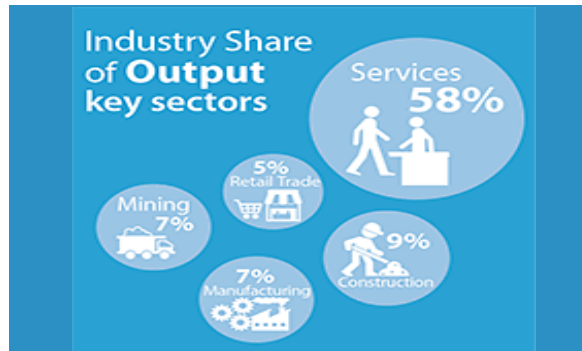
COMPANY REPORTING SEASON HAS GENERALLY BEEN BETTER THAN EXPECTED



- Earnings growth ahead of dividends.
- Companies delivering on cost reductions.
- Some signs of revenue growth.
- Balance sheets generally strong.

Source: Goldman Sachs global investment research, FactSet and I/B/E/S.

THE AUSTRALIAN EQUITY MARKET



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