

15 March 2017

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ASX Market Announcements  
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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 March 2017.

Yours faithfully



Matthew Rowe  
Company Secretary



# SHAREHOLDER MEETINGS MARCH 2017

**AUSTRALIAN  
FOUNDATION  
INVESTMENT  
COMPANY**

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# INTRODUCTION



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## HOW WE INVEST – WHAT WE LOOK FOR IN COMPANIES





A blurred background image showing two people in a meeting. One person is in the foreground, slightly out of focus, wearing a light-colored shirt. Another person is in the background, also blurred, wearing a dark shirt. They appear to be in a modern office or meeting room with large windows.

# RESULTS & SHAREHOLDER RETURNS

SHAREHOLDER MEETINGS OCTOBER 2016

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## HALF YEAR FINANCIAL SUMMARY – 31 DECEMBER 2016

PROFIT FOR THE HALF-YEAR

**\$118.3m**

▼ Down 18.9% from 2015

MANAGEMENT EXPENSE RATIO

**0.13%** Annualised

0.16% in 2015

FULLY FRANKED INTERIM DIVIDEND

**10¢**

Unchanged

TOTAL PORTFOLIO

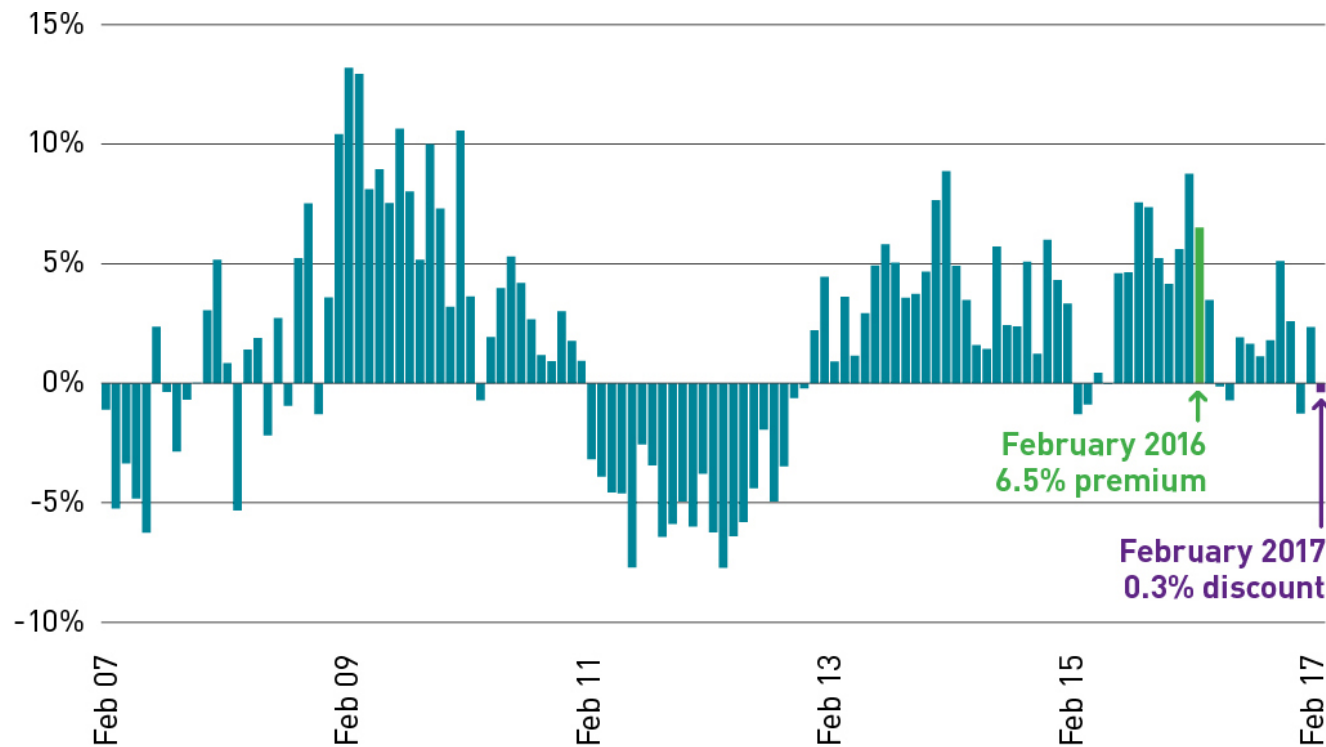
**\$6.8b** Including cash at 31.12.16

\$6.5 billion in 2015

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## SHARE PRICE IS AT A SLIGHT DISCOUNT TO NET ASSET BACKING

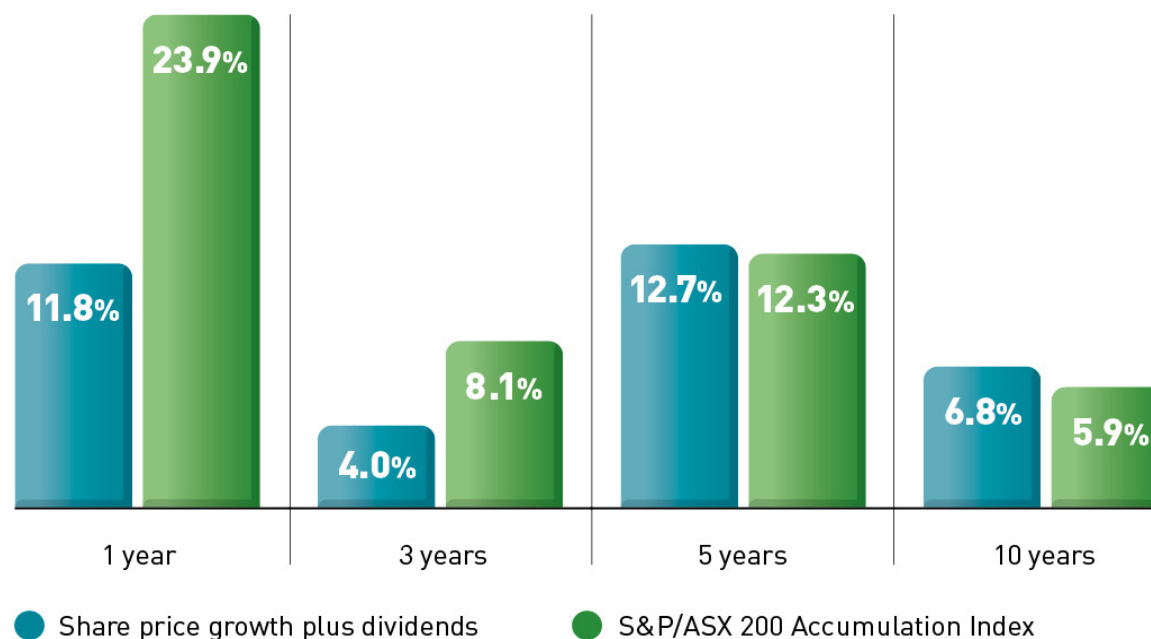


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## RECENT SHARE PRICE RETURN HAS REFLECTED FALL IN PREMIUM – PERFORMANCE PER ANNUM TO 28 FEBRUARY 2017 INCLUDING BENEFIT OF FRANKING CREDITS\*

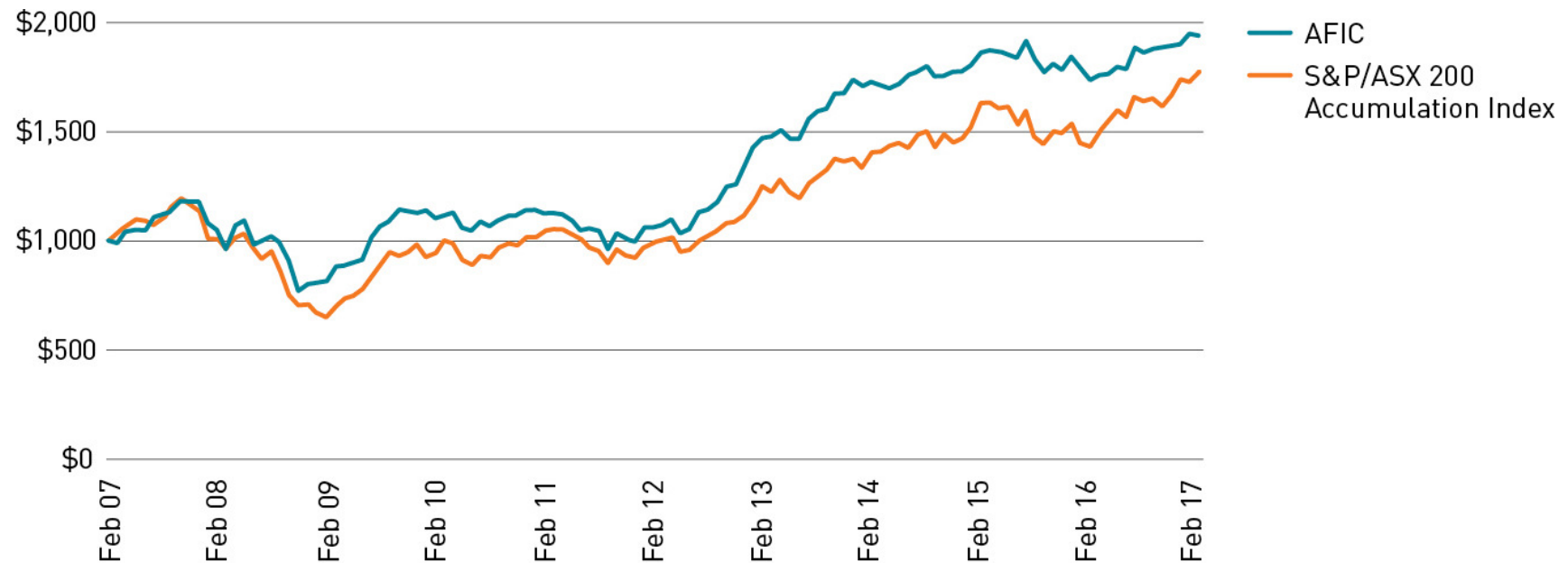


\*Assumes an investor can take full advantage of the franking credits.

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## CUMULATIVE LONG TERM SHARE PRICE PERFORMANCE, INCLUDING THE BENEFIT OF FRANKING\*



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

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A low-angle, upward-looking photograph of several modern skyscrapers with glass facades. The perspective creates a sense of height and architectural grandeur. The sky is visible at the top, and the glass reflects the surrounding environment.

# THE MARKET & THE PORTFOLIO

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## US MARKET HAS RISEN STRONGLY SINCE NOVEMBER 2016

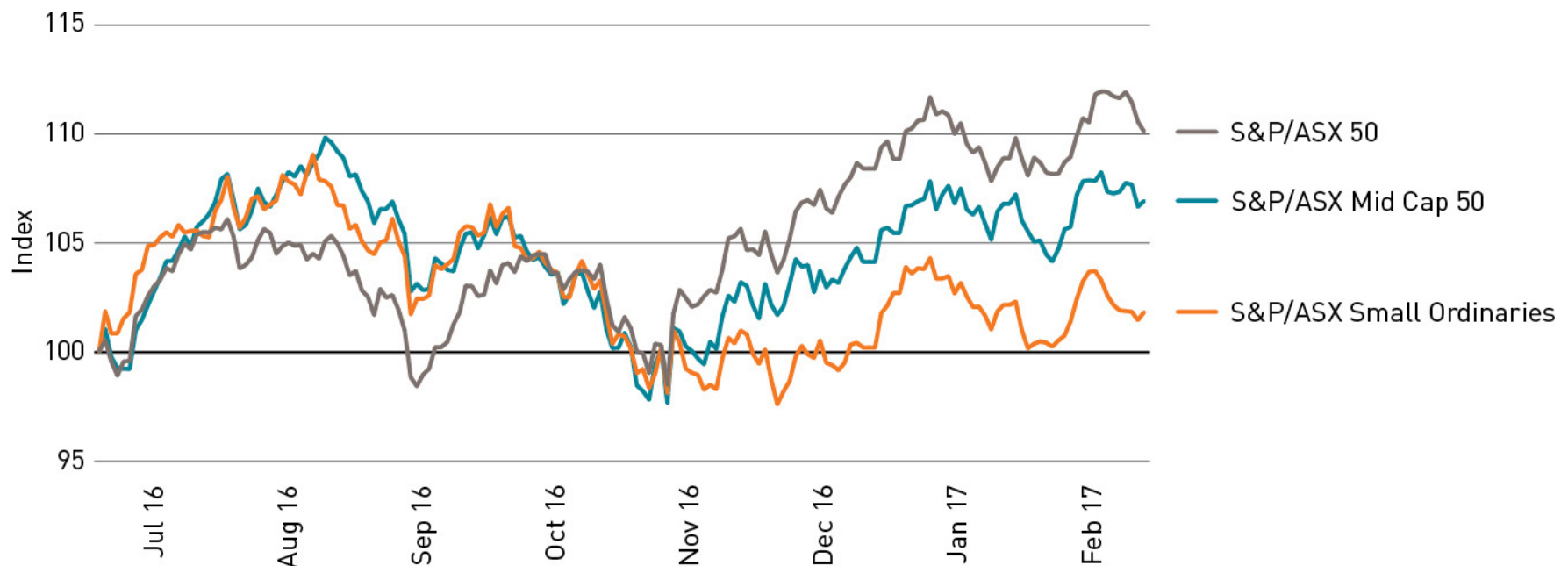


Source: FactSet

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## WITH THE AUSTRALIAN MARKET FOLLOWING WITH LARGE COMPANIES BACK IN FAVOUR

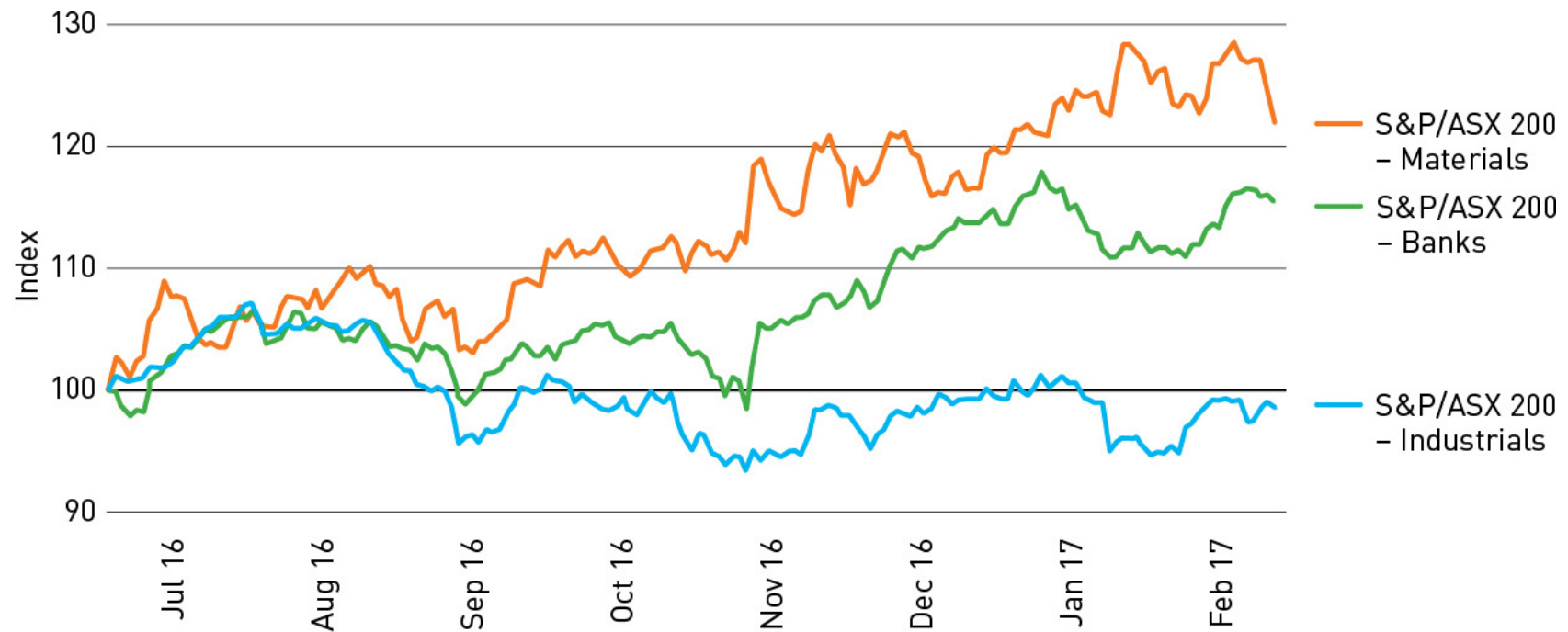


Source: FactSet

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## DRIVEN LARGELY BY BANKS AND MATERIALS SECTORS



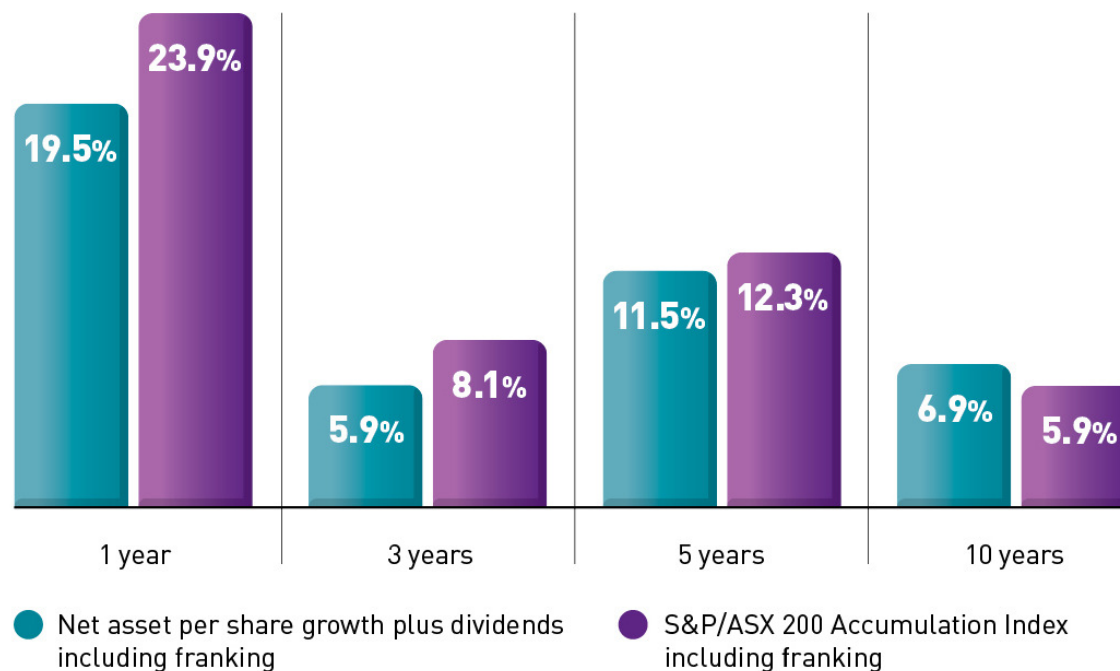
Source: FactSet

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## PORTFOLIO PERFORMANCE INCLUDING BENEFIT OF FRANKING CREDITS\* – PER ANNUM RETURN TO 28 FEBRUARY 2017



After tax paid and expenses.

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

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## AFIC'S PORTFOLIO VS THE ASX 200 INDEX – MAJOR VARIATIONS

Sector	AFIC Exposure	Relative to the Index	One Year Return to 28 February 2017
Banks	26.2%	-3.4%	31.7%
Metals and Mining	9.6%	-2.6%	60.8%
Healthcare	9.5%	2.6%	12.9%
Diversified Financials	7.3%	2.3%	24.8%
Transportation	6.1%	2.2%	4.0%
Real Estate	2.7%	-5.6%	8.3%

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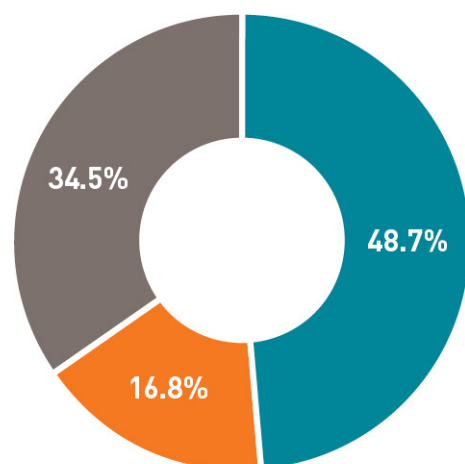
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## WHAT HAVE WE BEEN DOING?

- AFIC is fully invested.
- Changes made to the portfolio:
  - Small number of new stocks added.
  - Topped up selected holdings – CSL, Cochlear.
- Used market conditions to buy stock and write call options to generate additional income.

## PORTFOLIO AT 28 FEBRUARY 2017 – TOP 10 HOLDINGS REPRESENT 48.7% OF THE PORTFOLIO

99 holdings in the Portfolio



- Top 10
- Next 10
- Remainder

Rank	Company	% of Portfolio
1	Commonwealth Bank of Australia	9.6%
2	Westpac Banking Corporation	7.8%
3	BHP Billiton	5.2%
4	National Australia Bank*	4.7%
5	Wesfarmers	4.3%
6	Australia and New Zealand Banking Group*	4.0%
7	Telstra Corporation	3.7%
8	Rio Tinto	3.4%
9	CSL*	3.1%
10	Transurban Group	3.0%

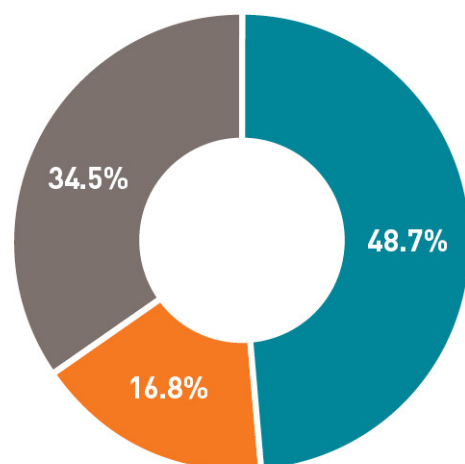
\* Indicates options were written against part of the holding.

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## PORTFOLIO AT 28 FEBRUARY 2017 – NEXT 10 HOLDINGS REPRESENT 16.8% OF THE PORTFOLIO

99 holdings in the Portfolio



- Top 10
- Next 10
- Remainder

Rank	Company	% of Portfolio
11	Amcor	2.6%
12	Woolworths	1.9%
13	Brambles*	1.8%
14	AGL Energy	1.7%
15	Oil Search	1.7%
16	Woodside Petroleum	1.5%
17	Ramsay Health Care	1.5%
18	AMP	1.5%
19	QBE Insurance Group	1.4%
20	Treasury Wine Estates*	1.2%

\* Indicates options were written against part of the holding.

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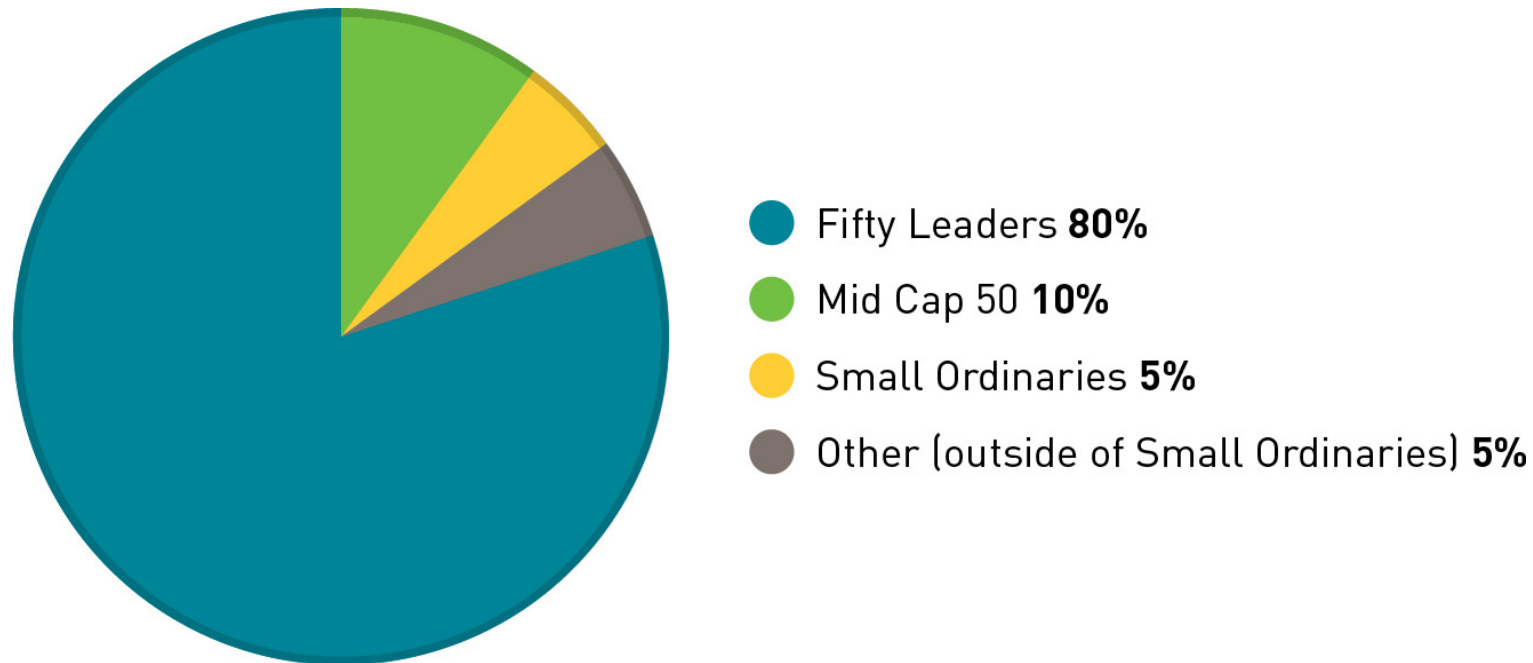
## FEATURED COMPANIES ADDED THIS FINANCIAL YEAR





# LARGE COMPANIES REPRESENT 80% OF THE PORTFOLIO

At 28 February 2017



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# LOOKING AHEAD

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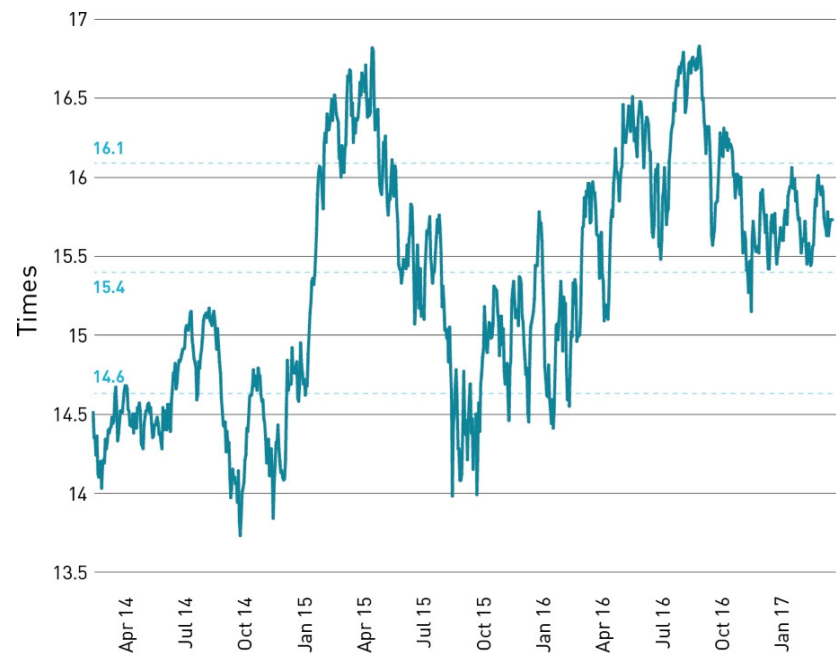
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## COMMENTS ON THE RECENT REPORTING SEASON

- ✓ Earnings were slightly ahead of expectations
- ✗ Recent trend of 'below the line' one offs continued
- ✗ Input cost pressures emerging, particularly energy
- ✓ Slight upturn in dividends, buy backs announced
- ✓ Earnings expected to improve – mostly from resources.

## HOW WILL THESE TRENDS PLAY OUT?

S&P/ASX 200 p/e still above long term average



Source: FactSet

Current iron ore price not expected to last



Source: FactSet

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## HOW WILL THESE TRENDS PLAY OUT? – continued

Long term interest rates have started to rise



Source: FactSet

\$A will also influence how the economy performs



Source: FactSet

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## WHERE DOES THIS LEAVE US?

- Australian economy improving, remains largely dependant on China
- Reporting season provided some earnings improvement
- Cash rate in Australia currently stable but likely to head upward
- Market tone is currently positive
- Believe the portfolio remains well placed



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