

3 October 2023



The Manager
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Electronic Lodgement

**Australian Foundation Investment Company Limited
2023 Annual General Meeting Presentation**

Dear Sir / Madam

The following presentation will be delivered to shareholders at the Company's Annual General Meeting to be held today.

Yours faithfully

A handwritten signature in grey ink, appearing to read "Matthew Rowe".

Matthew Rowe
Company Secretary

Authorised for release by the Company Secretary

Annual General Meeting

October 2023

**AUSTRALIAN
FOUNDATION
INVESTMENT
COMPANY**



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ABN: 56 004 147 120

Agenda

Overview and Investment Objectives Mark Freeman

Financial Results Andrew Porter

Markets and the Portfolio David Grace

Recent portfolio activity Nga Lucas

Outlook David Grace

A large yellow mining truck is shown in a quarry or mining site. The truck is positioned on a gravelly surface, and its massive tires and heavy-duty frame are prominent. The background features a steep, layered rock face under a cloudy sky. A white rectangular box is overlaid on the left side of the image, containing the text "Overview and Investment Objectives".

Overview and Investment Objectives

Our Company

Invests in Australian and New Zealand companies

Largest listed investment company on the ASX, over 160k shareholders, independent Board of Directors

Shareholders own the 'management rights' to the portfolio

Management expense ratio of 0.14% with no performance fees

Long term investor with low turnover (tax effective). Portfolio and share price returns less volatile than the index

Long history of growing/stable fully franked dividends

Team manages three other funds – Djerriwarrh, Mirrabooka and AMCIL

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.

Financial Results



Results to 30 June 2023

2023

Profit for the Year	\$310.2m	\$360.6m# in 2022
Fully Franked Dividend	14¢ Final 25¢ Total	24 cents total in 2022

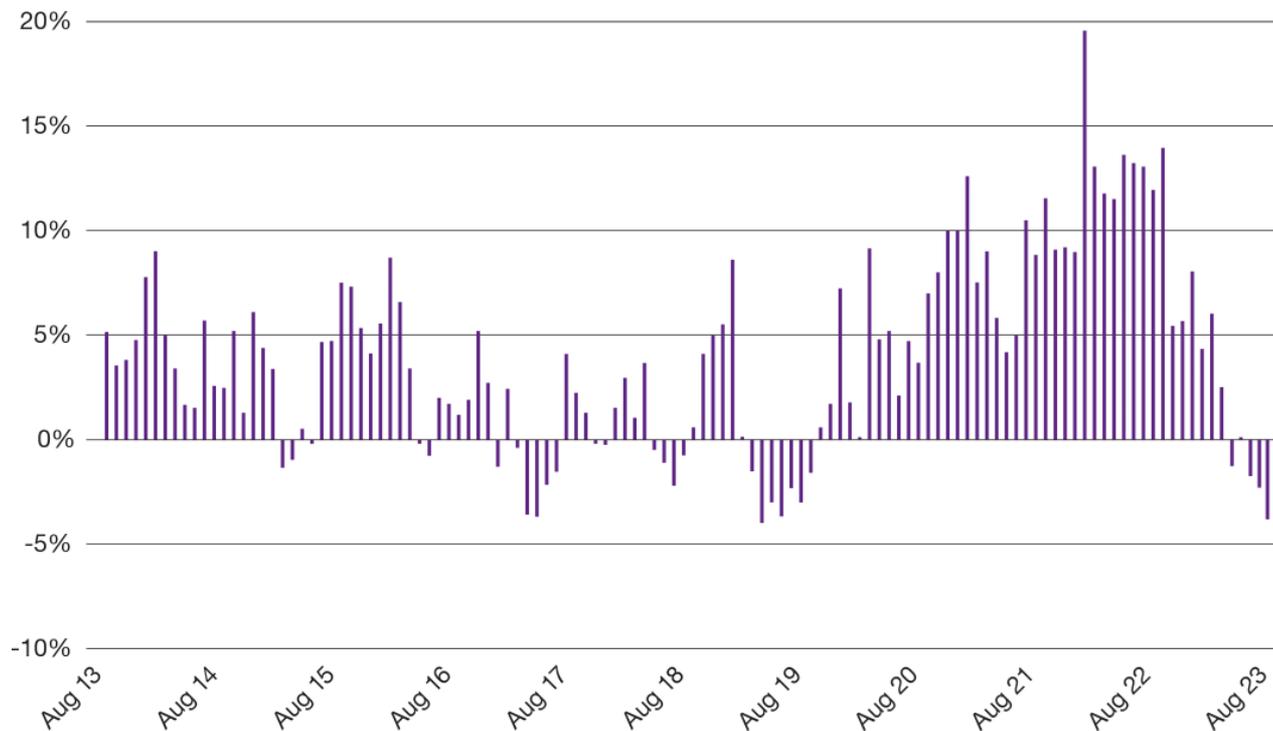
2023

Total Portfolio Return	13.9% Including franking*	S&P/ASX 200 Accumulation Index including franking* 16.6%
Management Expense Ratio	0.14%	0.16% in 2022

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

Includes a non-cash dividend of \$74.9 million from the BHP Petroleum/Woodside merger in 2022.

Share Price Relative to Net Asset Backing Per Share



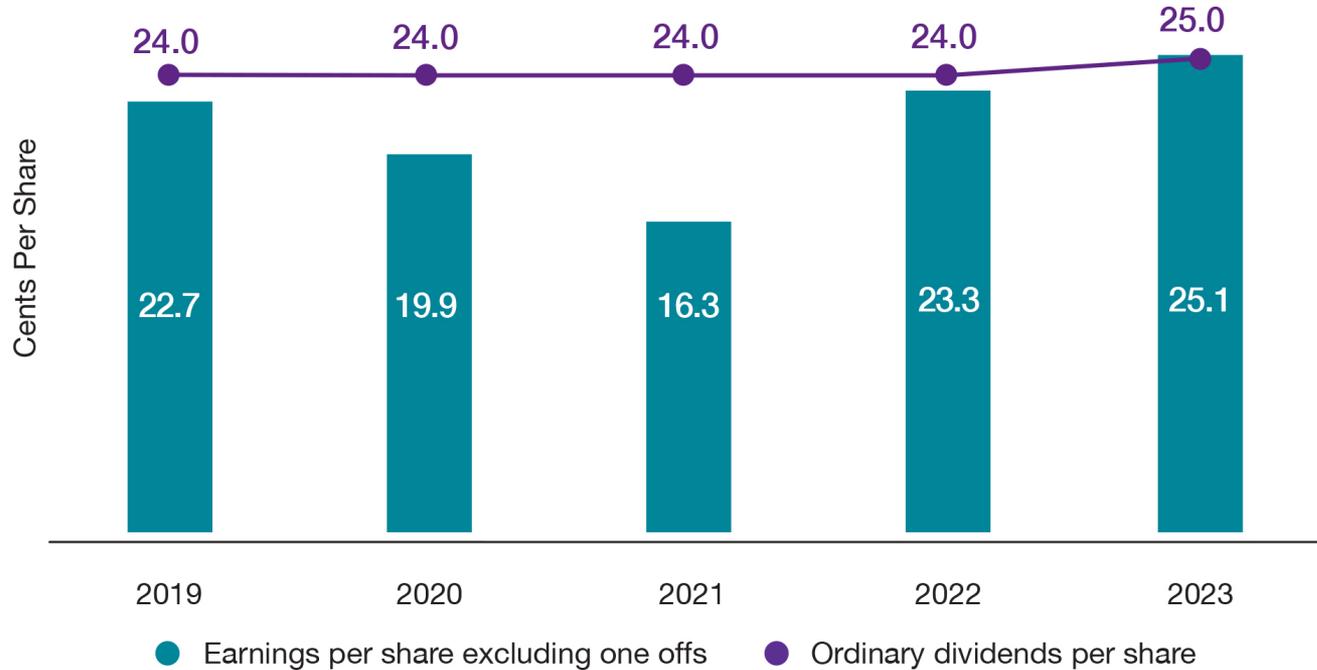
31 August 2023

NTA: **\$7.20**

Share price: **\$6.94**

Consistent dividend even through volatile times

AFIC's franking reserve balance ensures we can pay a consistent dividend even through volatile times.



In 2019 AFIC also paid a special fully franked interim dividend of 8 cents per share



Markets and the Portfolio

Our Investment Process – Focus on Long Term Quality

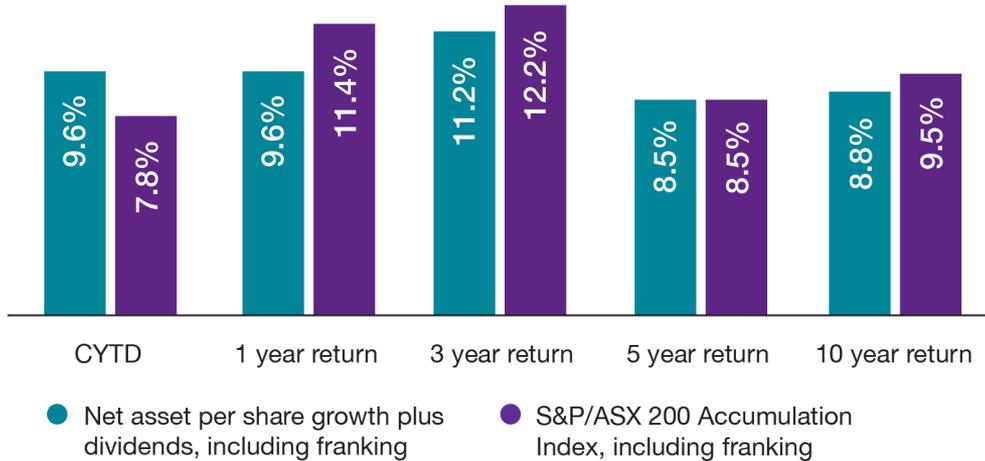
Long term investor in companies, not traders of share prices

Identify quality companies with sound growth prospects that we can buy at a reasonable price

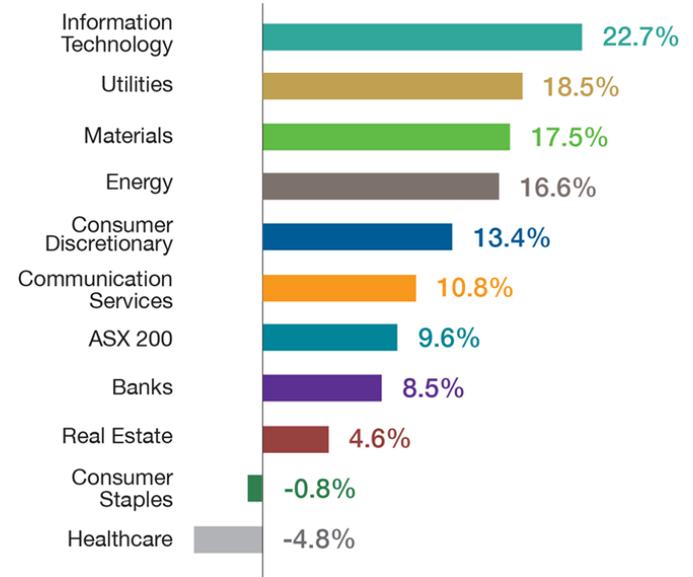
This supports our belief in the power of compounding returns from great businesses

Our research process is built on observing the key characteristics of a company that our experience indicates will produce strong investment returns

Portfolio and Sector Performance – to 31 August 2023



Figures assume an investor can take full advantage of the franking credits.
Past performance is not indicative of future performance.



1 Year Sector returns to 31 August - do not include franking.

Market Conditions

Positive

- Solid economic growth, reducing the risk of a recession.
- China policy initiatives to stabilise market conditions.
- Immigration likely to drive strong population growth.

Negative

- Inflation is moderating but still above Central Bank targets.
- Slowing consumer spending.
- Sharp rise in interest costs in response to higher rates.
- Earnings growth becoming more challenging with price rises expected to slow.
- Employment trends will be important.

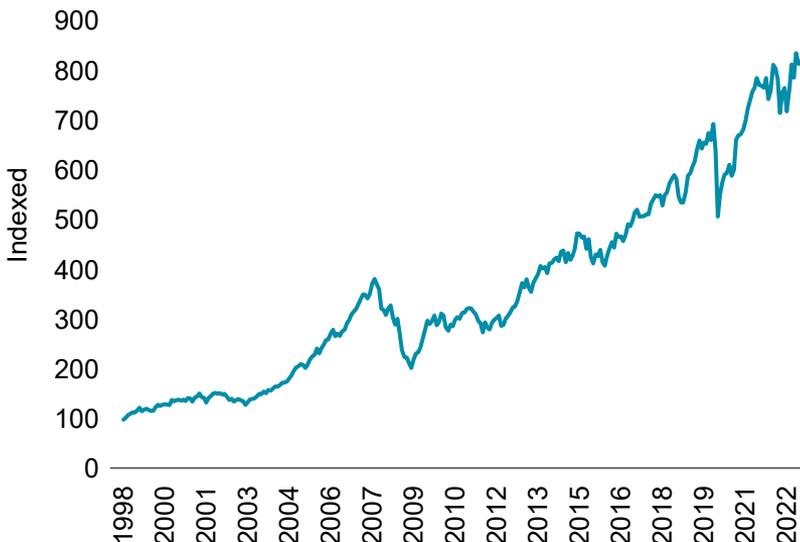
Our Approach

We remain committed that holding a diversified portfolio of quality companies over the long-term remains appropriate.

Market Valuation in a Long Term Context

ASX 200 valuation slightly above 20-year average.

ASX 200 Total Return



ASX 200 firms trade at an average forward PE of 15.4x, which is 7% above the 20-yr average

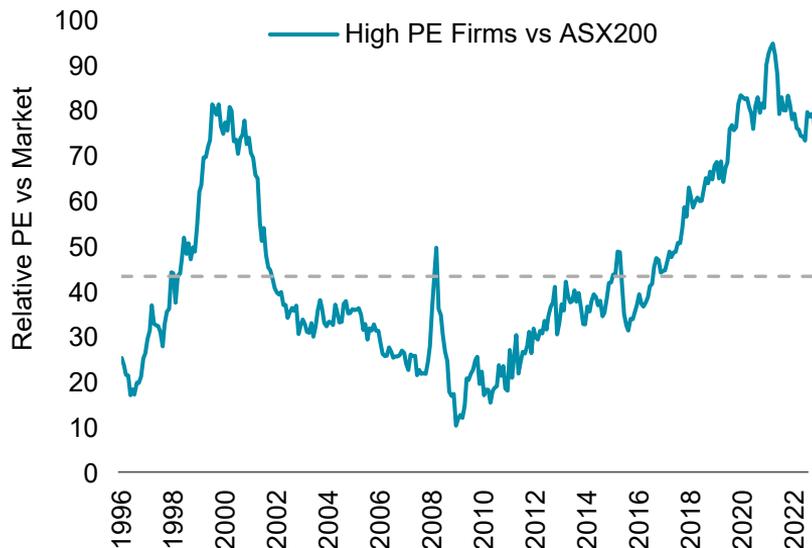


Source: Goldman Sachs Research

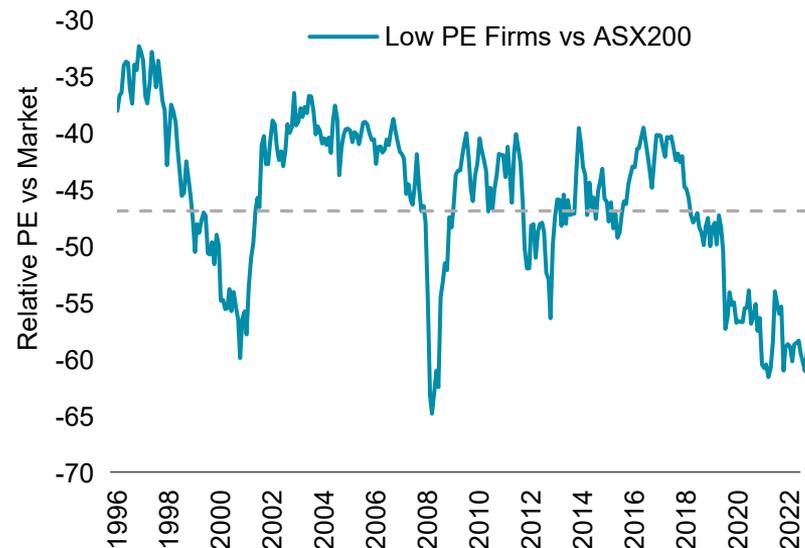
Wide Dispersion of Valuations

Highly valued companies trading materially above their long-term average.

High PE firms trade at a 72% premium to the market, which is 29% above the 20-yr average



Low PE firms trade at a 56% discount to the market, which is 10% below the 20-yr average



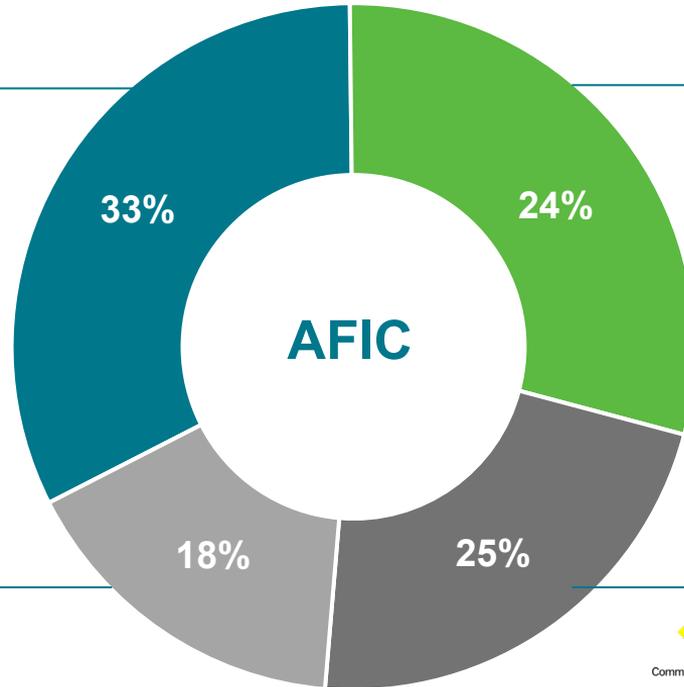
Source: Goldman Sachs Research

Portfolio Set to Perform in a Variety of Economic Settings

Growth Companies



Cyclicals



Stalwarts



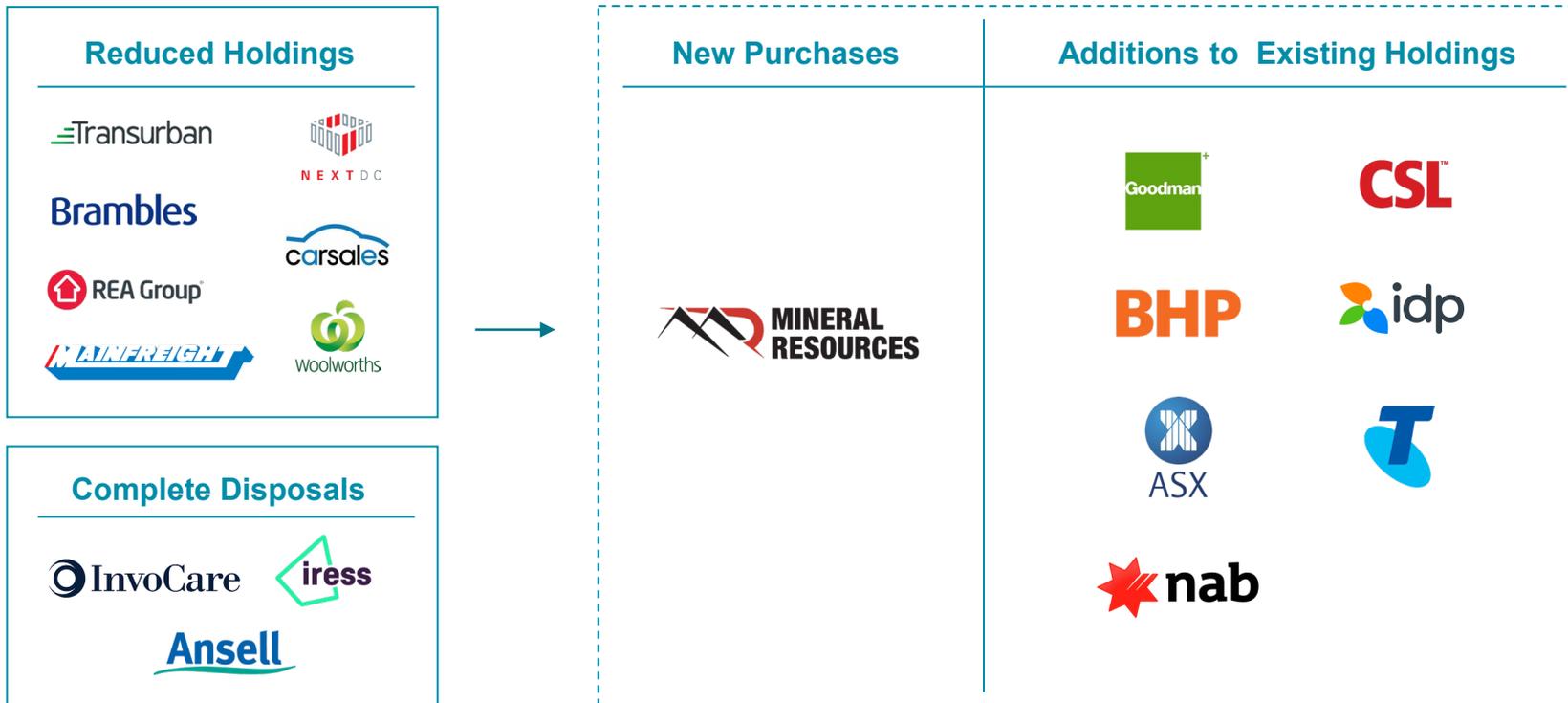
Income



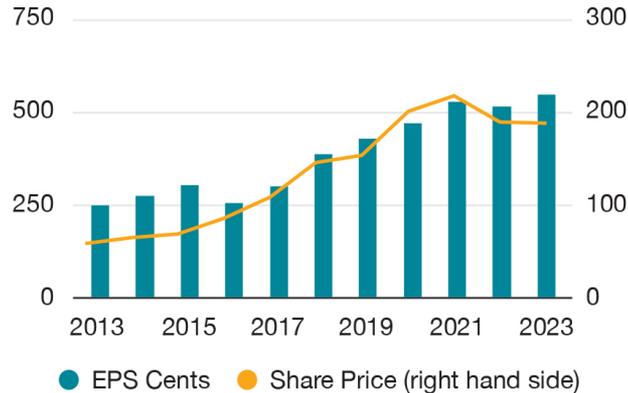
A photograph of the Chicago skyline at night, featuring several illuminated skyscrapers and the white arch bridge over the water. A white rectangular text box is overlaid on the left side of the image.

Recent Portfolio Activity

Active Portfolio Management – Recent Transactions



EPS vs Share Price US\$



Source: CSL Website, Diogenes Research

Annual General Meeting / October 2023

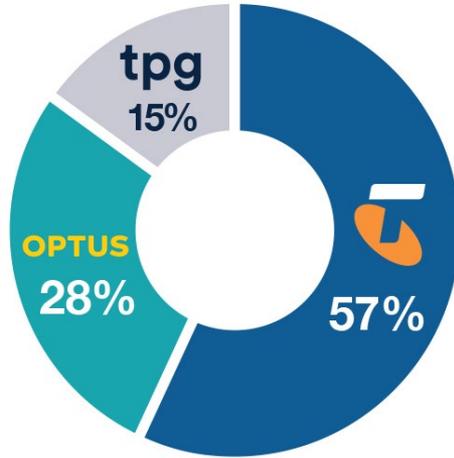
CSL is a specialist biotechnology company that develops and manufactures products to treat serious human medical conditions.

Market leadership position in plasma fractionation operating more efficiently than competitors.

Recent capital investment increasing capacity while delivering operating efficiencies and higher returns.

Consistent investment in Research & Development of new pipeline drugs for long-term earnings growth.

Mobile Service Revenue Market Share



Telstra is Australia's leading Telecommunications company with dominant market share and extensive infrastructure assets.

Mobile network superiority with 99% network coverage and 85% 5G coverage. More rational competitors given industry returns.

T22 strategy triggered company's digital transformation allowing for better management of the business and ability to implement CPI pricing.

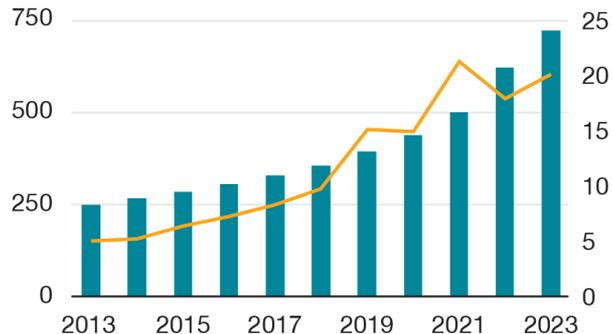
Good earnings growth driven by mobile, facilitates a growing fully franked dividend.



Source: Telstra Website, E&P Research

Goodman Group

EPS vs Share Price



● EPS Cents Operating ● Share Price (right hand side)



Source: Goodman Group Website, Diogenes Research

Goodman Group is a specialist developer, owner and manager of industrial properties operating in 14 countries.

Market leader in providing high-quality essential infrastructure for the digital economy and data centres.

Unique opportunity to invest alongside the founder of the company, Greg Goodman, who remains a significant shareholder.

Strong balance sheet and experienced management team.



Outlook

Outlook

What's Occupying Our Mind

- Solid economic growth with inflation remaining stubborn.
 - Consumer spending starting to slow.
 - Company earnings growth to stabilise following two years of strong growth.
 - Strong migration to drive near record population growth.
 - Economic growth in China stabilising.
-

Portfolio Positioning

- Diversified portfolio of quality companies owning strategic assets, with strong balance sheets that are well managed.
 - An appropriate mix of forecast growth and income returns to meet our long-term investment objectives.
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