For personal use only

AUSTRALIAN FOUNDATION INVESTMENT COMPANY

Australian Foundation
Investment Company Limited
ABN 56 004 147 120
Level 21, 101 Collins St
Melbourne VIC 3000
T 03 9650 9911
F 03 9650 9100
invest@afi.com.au
afi.com.au

5 October 2021

The Manager
ASX Market Announcements
Australian Securities Exchange
Exchange Centre
Level 4
20 Bridge Street
Sydney NSW 2000

Electronic Lodgement

Australian Foundation Investment Company Limited
2021 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

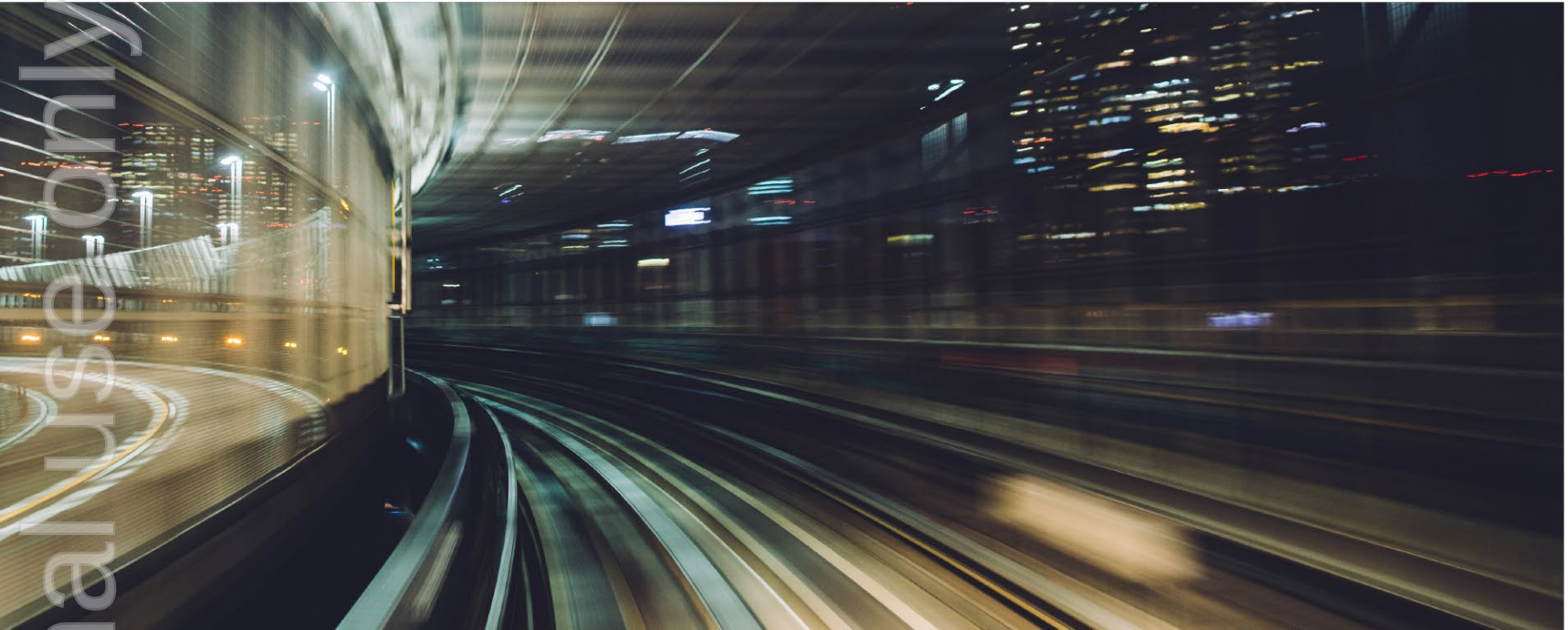
Matthew Rowe
Company Secretary

Authorised for release by the Company Secretary

AUSTRALIAN FOUNDATION INVESTMENT COMPANY

Annual General Meeting

2021



For personal use only

Board Members

John Paterson
Chairman and Independent Non-Executive Director

Mark Freeman
Managing Director

Rebecca Dee-Bradbury
Independent Non-Executive Director

Craig Drummond
Independent Non-Executive Director

Julie Fahey
Independent Non-Executive Director

Graeme R Liebelt
Independent Non-Executive Director

David A Peever
Independent Non-Executive Director

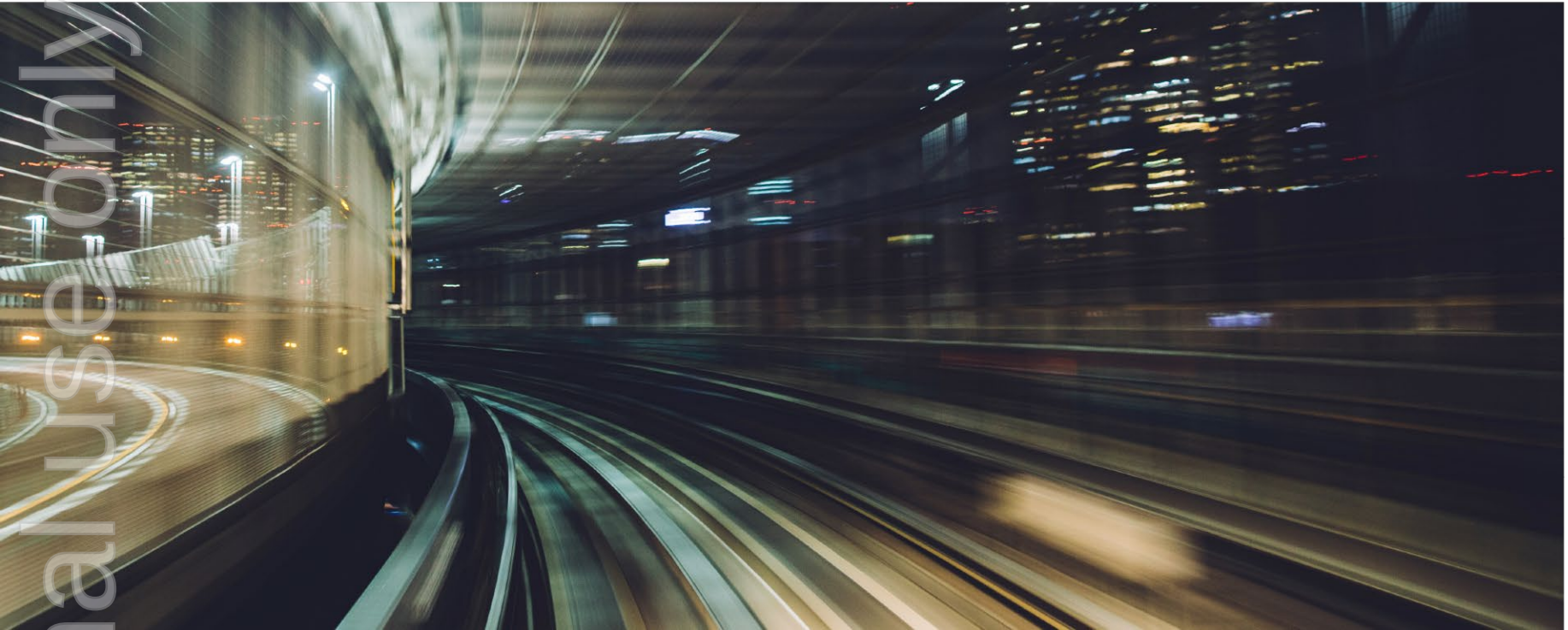
Catherine M Walter AM
Independent Non-Executive Director

Peter J Williams
Independent Non-Executive Director

al use only

AUSTRALIAN FOUNDATION INVESTMENT COMPANY

Annual General Meeting
2021
Presentation



nalusenly

Disclaimer

Australian Foundation Investment Company Limited and its subsidiary AICS (AFSL 303209), their related entities and each of their respective directors, officers and agents (together the Disclosers) have prepared the information contained in these materials in good faith. However, no warranty (express or implied) is made as to the accuracy, completeness or reliability of any statements, estimates or opinions or other information contained in these materials (any of which may change without notice) and to the maximum extent permitted by law, the Disclosers disclaim all liability and responsibility (including, without limitation, any liability arising from fault or negligence on the part of any or all of the Disclosers) for any direct or indirect loss or damage which may be suffered by any recipient through relying on anything contained in or omitted from these materials.

This information has been prepared and provided by AICS. To the extent that it includes any financial product advice, the advice is of a general nature only and does not take into account any individual's objectives, financial situation or particular needs. Before making an investment decision an individual should assess whether it meets their own needs and consult a financial advisor.

nal use only

Our Company

Invests in Australian and New Zealand companies – looking for quality for the long term.

Largest listed investment company on the ASX at $9.4bn at 31 August 2021 (also listed on NZX), 160k shareholders, full transparency from being listed, independent Board of Directors providing strong governance.

Shareholders own the 'management rights' to the portfolio – no external funds management business deriving an income from the portfolio.

Management expense ratio of 0.14% with no performance fees.

Long term investor with low turnover – tax has less of a negative impact on shareholder returns compared with high turnover funds.

Long history of growing/stable fully franked dividends.

Team manages three other funds – Djerriwarrh, Mirrabooka and AMCIL which adds significantly to the effectiveness of the investment process and idea generation.

use only

Investment Team

David Grace
Portfolio Manager

Nga Lucas
Investment Analyst

Olga Kosciuczyk
Investment Analyst

Jeremy Moore
Dealer

Kieran Kennedy
Portfolio Manager

Rosie Malcolm
Portfolio Manager

Stuart Low
Investment Analyst

Gilbert Battistella
Graduate Investment Analyst

Brett McNeill
Portfolio Manager

Andrew Sutherland
Portfolio Manager

Jaye Guy
Investment Analyst

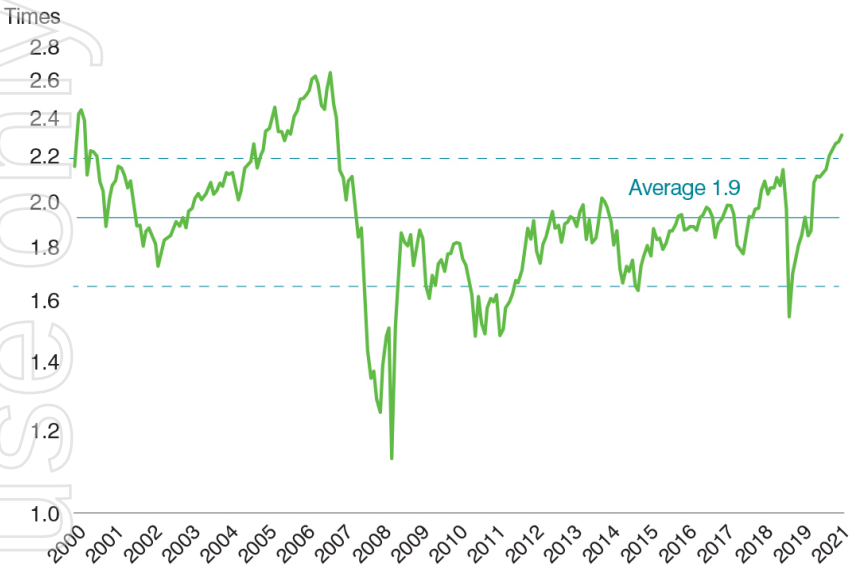
Nicky Sun
Graduate Investment Analyst

AUSTRALIAN FOUNDATION INVESTMENT COMPANY

al use only

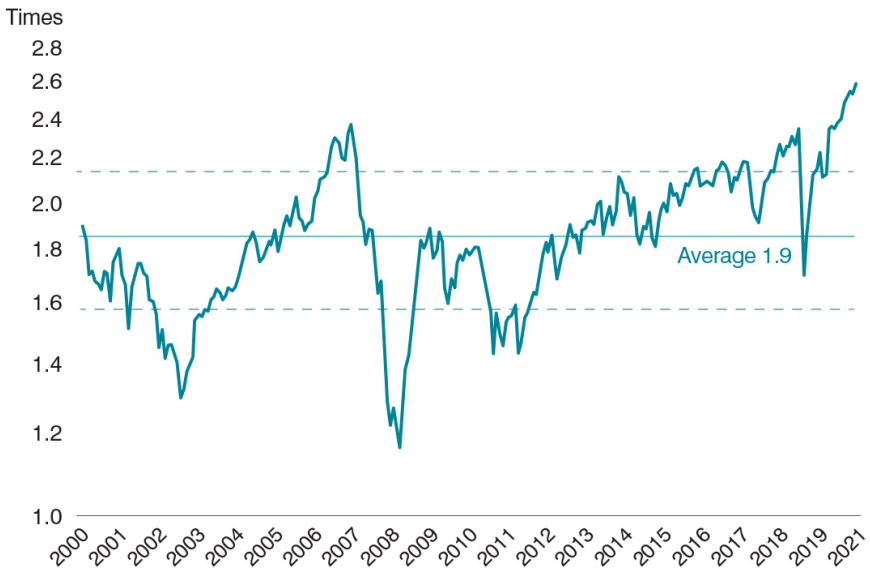
Long term value in the context of recent market moves

Price to Book -
S&P/ASX 200 Index



Source: FactSet

Price to Sales -
S&P/ASX 200 Index



Source: FactSet

Result Summary

For personal use only

Annual General Meeting 2021

AUSTRALIAN FOUNDATION INVESTMENT COMPANY

Result Summary

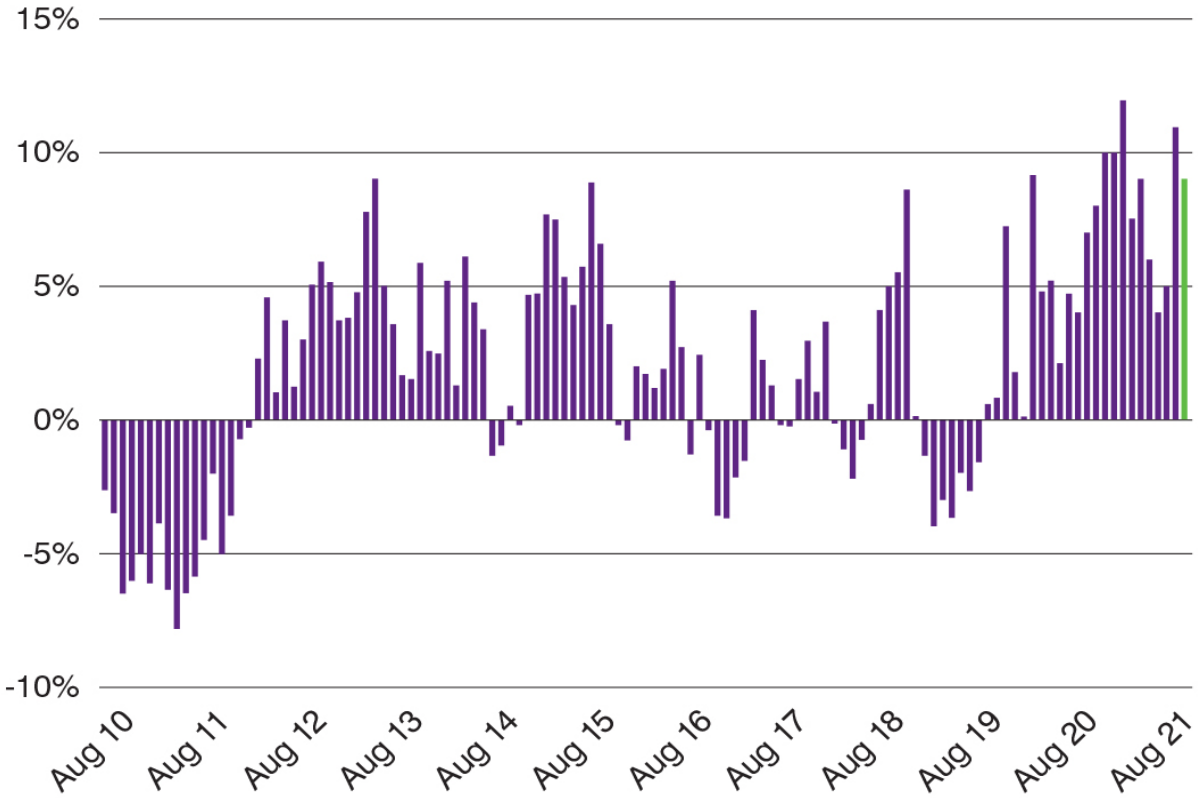
	2021		
Profit for the Year	$235.1m		$240.4m in 2020. Down 2.2%
Fully Franked Dividend	14¢ Final	24¢ Total	24 cents total in 2020
Total Shareholder Return	35.2%		Share price plus dividend, including franking*

	2021	
Total Portfolio Return	31.9% Including franking*	S&P/ASX 200 Accumulation Index including franking* 29.1%
Management Expense Ratio	0.14%	0.13% in 2020
Total Portfolio	$9.1b	Including cash at 30 June. $7.2 billion in 2020

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

Australian Foundation Investment Company Limited

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



al use only

AUSTRALIAN FOUNDATION INVESTMENT COMPANY

Investment Objectives and Approach

al use only

Annual General Meeting 2021

AUSTRALIAN FOUNDATION INVESTMENT COMPANY

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.

use only

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

al use only

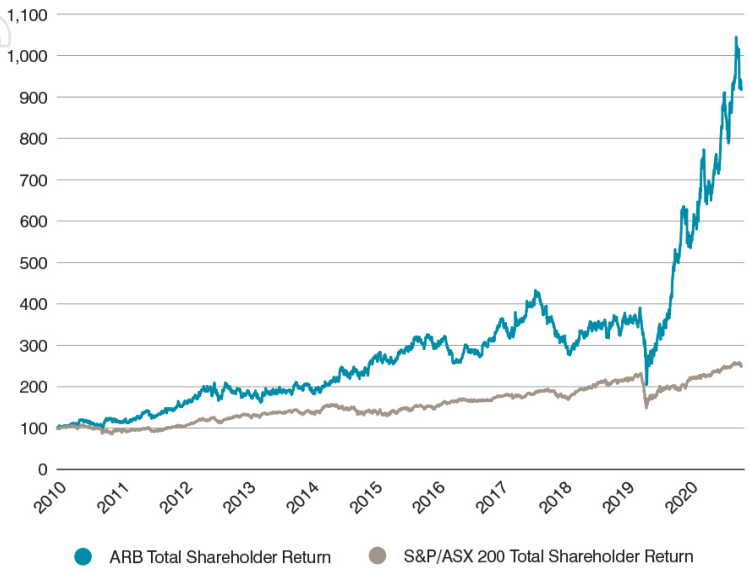
Our investment process – focus on long term quality

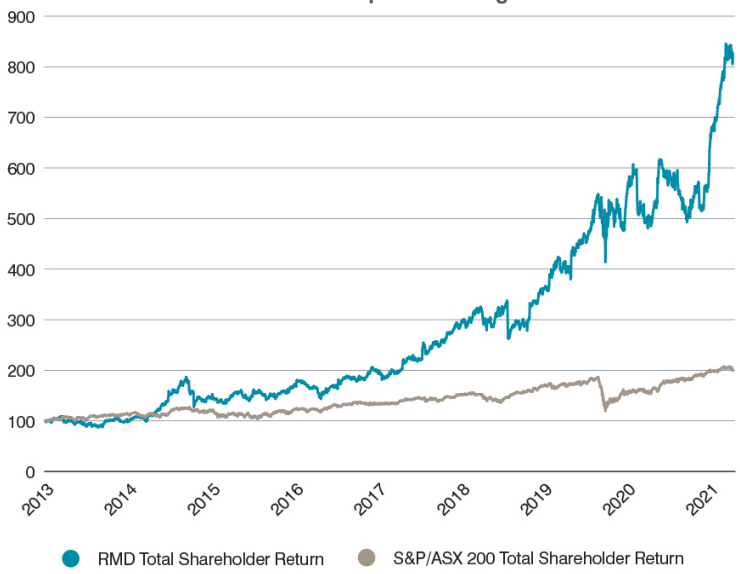
- Long term investor in companies, not traders of share prices
- Identify quality companies with sound growth prospects that we can buy at a reasonable price
- This supports our belief in the power of compounding returns from great businesses
- Our research process is built on observing the key characteristics of a company that our experience indicates will produce strong investment returns

al use only

Long-term approach

AFIC invests in high quality companies and benefits from compounding returns.





al use only

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.

al use only

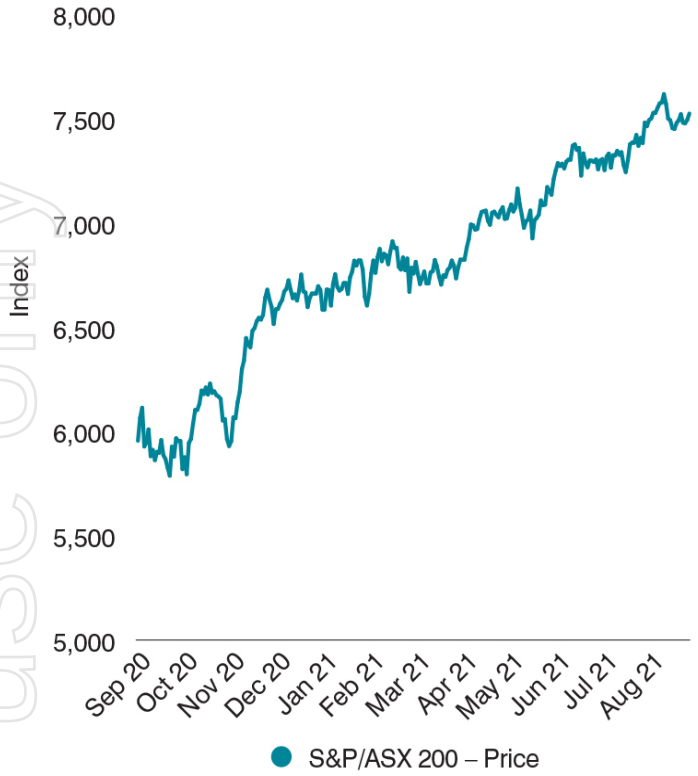
Markets and The Portfolio

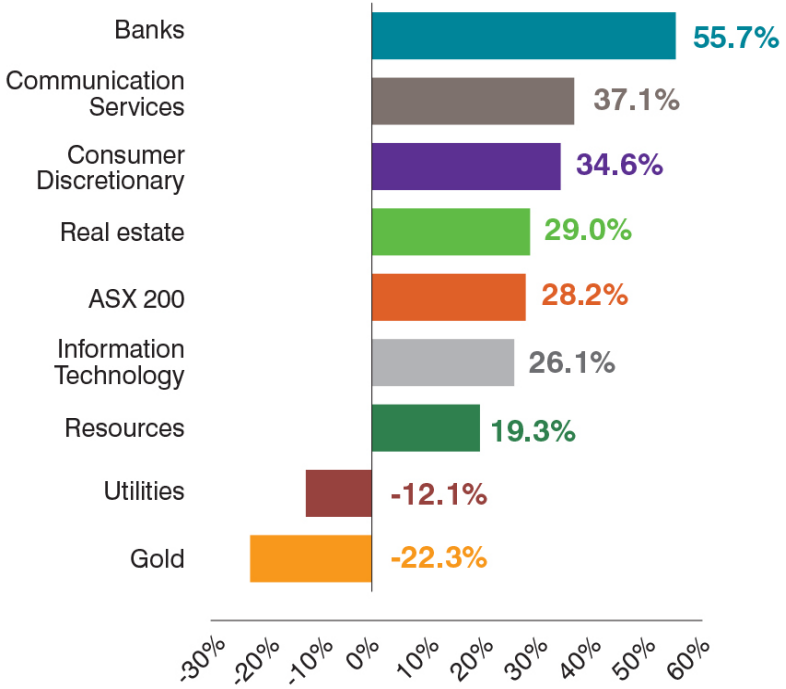
Annual General Meeting 2021

AUSTRALIAN FOUNDATION INVESTMENT COMPANY

For personal use only

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





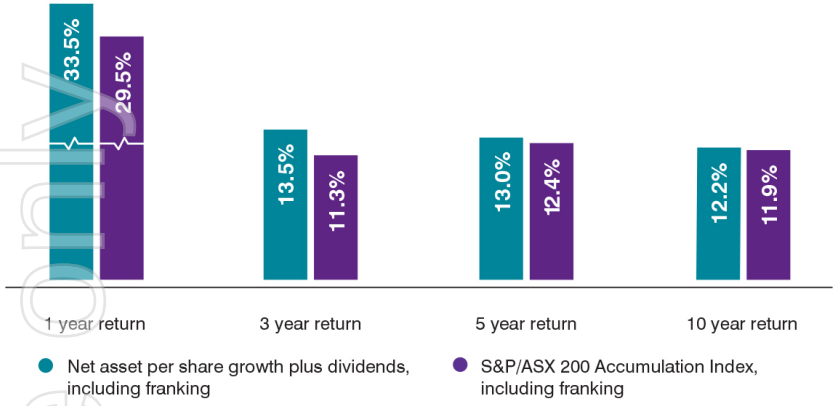
* includes dividends but not franking

al use only

AUSTRALIAN FOUNDATION INVESTMENT COMPANY

Portfolio performance metrics

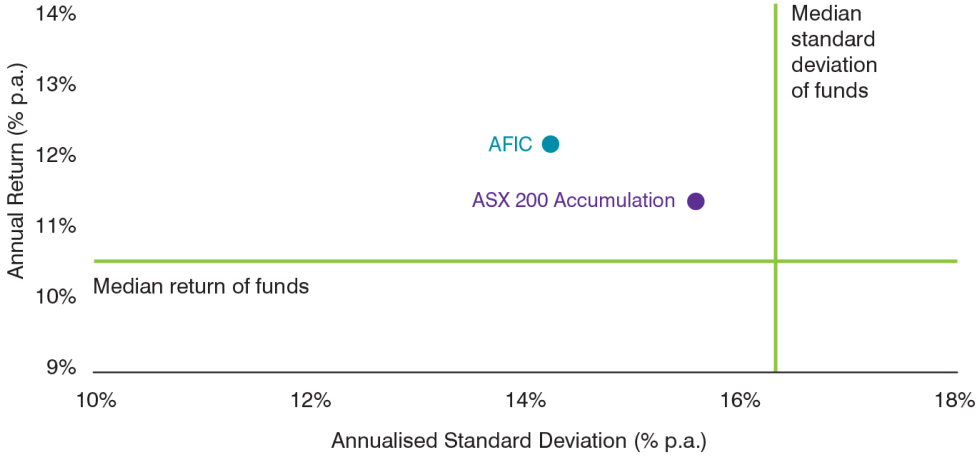
Portfolio performance, including franking* - per annum returns to 31 August 2021



* Assumes an investor can take full advantage of the franking credits. AFIC's portfolio return is also calculated after management fees, income tax and capital gains tax on realised sales of investments.

Past performance is not indicative of future performance.

Over the 4-year period to 31 August 2021 AFIC has a higher portfolio return with less volatility than the S&P/ASX 200 Index (both exclude franking)

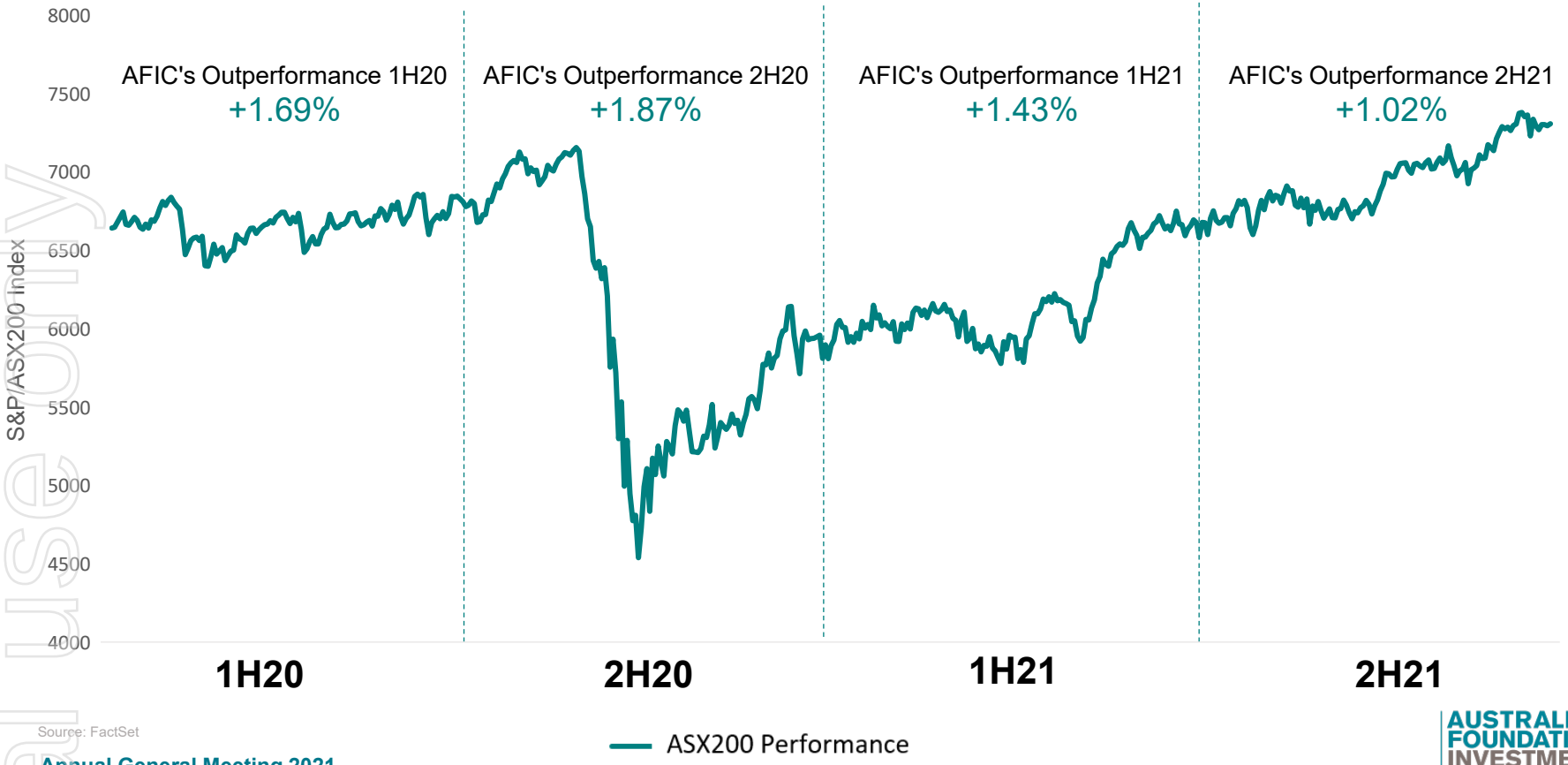


Source: Mercer Investment Performance Survey of Wholesale-Equity – Australia. Note AFIC's return is after tax paid and costs. The universe for Wholesale-Equity – Australia returns are before tax and after fees

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

Internal use only

AFIC's Performance relative to the Index (FY20-FY21)



Source: FactSet

AUSTRALIAN FOUNDATION INVESTMENT COMPANY

For personal use only

Portfolio Update - Recent Transactions

Sales

- Altium
- Lifestyle Communities
- Alumina Limited
- Origin

Trimmed

- Brambles
- seek
- Qube
- endeavour group

New Purchases

- PEXA
- Fineos
- Domino's Pizza
- idp
- Temple & Webster

Additions to existing holdings

- Transurban
- CSL
- ResMed
- BHP
- carsales
- coles

Internal use only

Core holdings with significant long-term opportunity

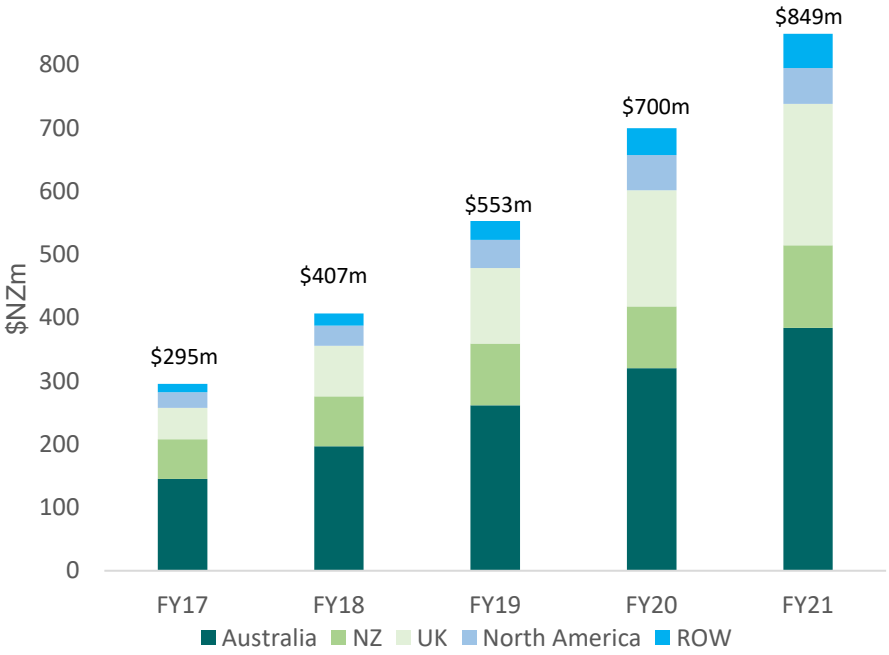
Annual General Meeting 2021

AUSTRALIAN FOUNDATION INVESTMENT COMPANY

Xero

- Strong market positions in Australia, New Zealand and the UK with growing presence in rest of world
- Software-as-a-service (SAAS) revenue model and leading SAAS economics delivers superior returns
- Cloud accounting penetration continues to grow globally driven by Government digitization initiatives
- Strong subscriber and ARPU growth supported by high R&D investment and acquisitions
- Long runway of growth with large growing global addressable markets

Xero Revenue: FY17-FY21



Source: Xero

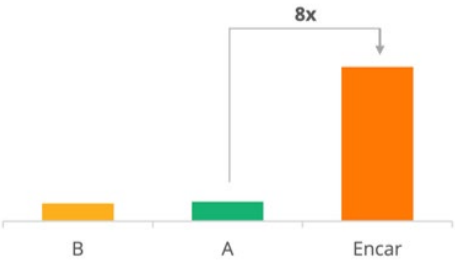
al use only

Carsales

- Dominant market position in used car classifieds in Australia with 4.4m average monthly unique audience (4.5x lead over nearest competitor).
- Growing contribution from international businesses, now represents ~35% of group profit.
- “Carsales Select” to facilitate a fully digital car buying/selling experience for consumers and dealers.

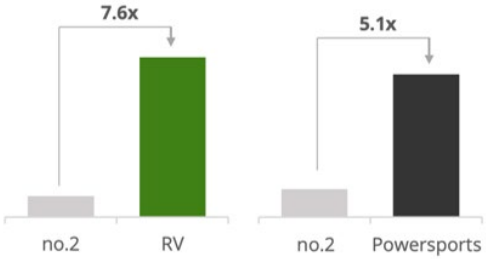
SOUTH KOREA (ENCAR)

Full year market share v competition



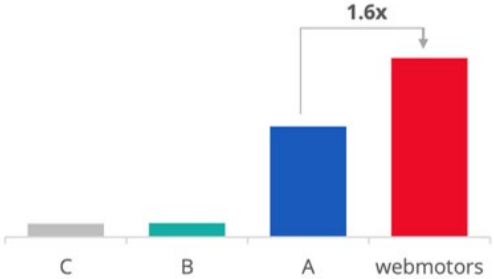
US (TRADER INTERACTIVE)

Recreational market share



BRAZIL (WEBMOTORS)

Full year market share v competition



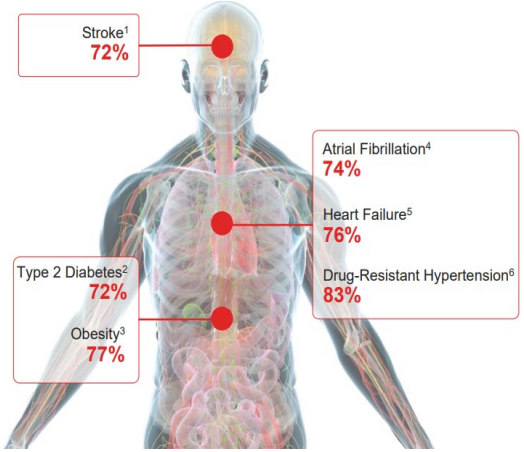
Source: Carsales

AUSTRALIAN FOUNDATION INVESTMENT COMPANY

al use only

ResMed

- Market leader in the treatment of Obstructive Sleep Apnea (OSA).
- Condition remains largely undiagnosed. Proven link between the incidence of obesity and requirement for OSA treatment.
- Significant investment in Research and Development being 7% of sales.
- Resmed investing in raising consumer awareness around OSA.
- High return on capital with a strong balance sheet.



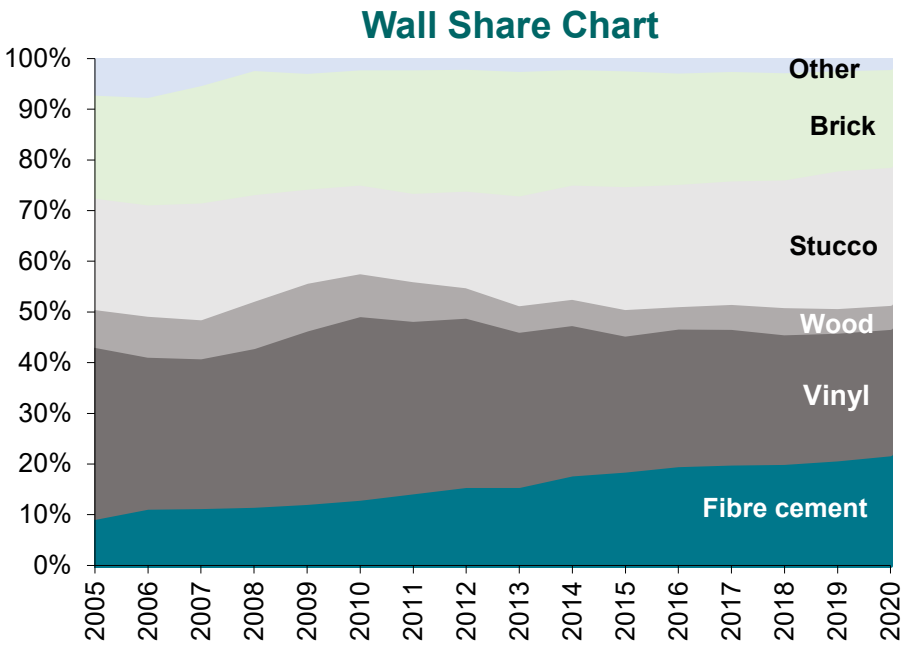
Sleep apnea is more than 80% undiagnosed…
… and is highly prevalent in other chronic conditions

For every 100 U.S. adults…

al use only

James Hardie

- Market leader in fibre cement siding with more than 90% market share
- Fibre cement market share has doubled since 2005, all other materials have declined.
- Favourably exposed to the shift to lightweight materials being less carbon intensive
- High return on capital and strong balance sheet.

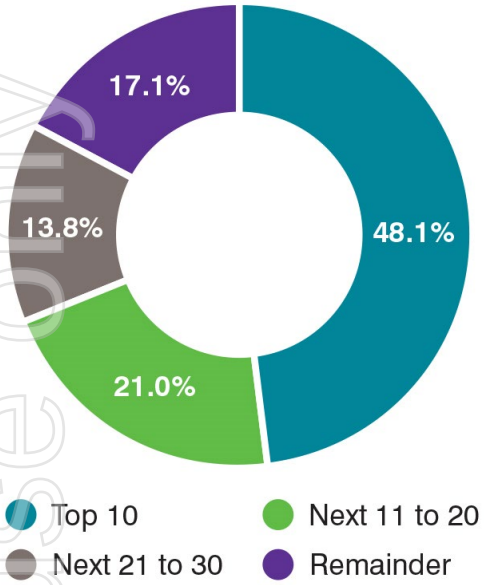


Source: Macquarie, US Census Bureau's Characteristics of Housing survey

al use only

Top 30 holdings – 31 August 2021

Total Portfolio 64 Holdings

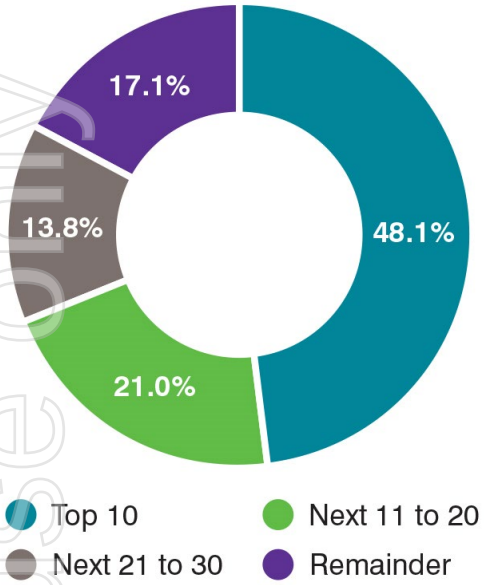


Rank	Company	% of Portfolio
1	Commonwealth Bank of Australia	8.4%
2	CSL	7.3%
3	BHP Group	6.5%
4	Wesfarmers	4.7%
5	Westpac Banking Corporation	4.3%
6	Macquarie Group	3.9%
7	Transurban Group	3.7%
8	National Australia Bank	3.3%
9	Mainfreight	3.1%
10	Woolworths Group	2.9%

al use only

Top 30 holdings – 31 August 2021 continued

Total Portfolio 64 Holdings



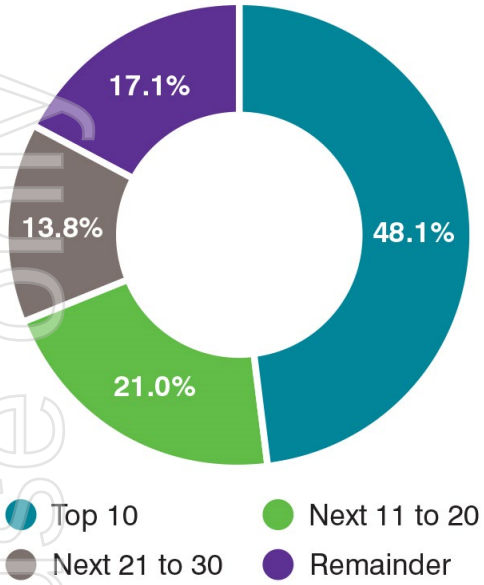
Rank	Company	% of Portfolio
11	James Hardie Industries*	2.7%
12	Australia and New Zealand Banking Group	2.5%
13	Rio Tinto	2.2%
14	Telstra Corporation*	2.2%
15	Sydney Airport	2.2%
16	Amcor	2.2%
17	ARB Corporation	1.9%
18	ResMed	1.8%
19	Sonic Healthcare	1.7%
20	Goodman Group	1.6%

* Options were outstanding against part of the holding.

al use only

Top 30 holdings – 31 August 2021 continued

Total Portfolio 64 Holdings



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

Internal use only

Closing Comments

nal use only

AUSTRALIAN FOUNDATION INVESTMENT COMPANY

Outlook

- We are mindful of:
  - China growth slowing.
  - Inflationary environment and potential end of rate easing cycle.
  - Company dividends recovering.
- Outlook for earnings growth remains solid, companies with international earnings relatively better positioned to deliver.
- Holding a diversified portfolio of quality companies remains appropriate.

al use only

International Portfolio

- Invested a small amount ($47m/50bps) in International companies in May 2021.
- Portfolio holdings in 39 companies.
- Performance so far has been encouraging.
- Applying the AFIC way of investing to International companies.
- Looking to build a consistent track record.

al use only

AUSTRALIAN
FOUNDATION
INVESTMENT
COMPANY

nal use only