

# SELF MANAGED SUPER FUNDS

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Diversification and long-term returns; the start  
of an investment journey towards retirement

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## Many Australians are now taking the opportunity to exercise control over their superannuation savings by setting up their own self managed superannuation fund (SMSF).

If you decide to establish your own SMSF consider investing in Australian Foundation Investment Company Limited (AFIC) as a way to provide exposure to Australian equities in your Fund.

As Australia's largest listed investment company on the Australian Securities Exchange (ASX) AFIC is a specialist Australian equity portfolio manager.

The Company's Investment Portfolio at 30 June 2024 was valued at more than \$9.9 billion (ASX Code: AFI) and has been managing shareholder funds for over 90 years.

### AFIC shareholders benefit from:

- consistent investment returns achieved over the long term;<sup>1</sup>
- low-cost investing;
- professional management and an experienced Board, investment and management team;
- exposure to a diversified portfolio of ASX-listed Australian equities;
- tax-effective income via fully franked dividends;<sup>2</sup> and
- ease of investing and transparent ASX pricing.

1. Past performance is not a reliable indicator of future performance.

2. AFIC has a history of paying fully franked dividends.

### Important Information

This information has been prepared by Australian Foundation Investment Company Limited (AFIC) (ABN 56 004 147 120) and is provided by its subsidiary Australian Investment Company Services Limited, holder of Australian Financial Services Licence 303209 (Provider). To the extent that this information 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 an appropriately licensed financial adviser. The information contained in these materials have been prepared 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.

Neither AFIC nor the Provider nor any person or corporation associated with either of them guarantee, warrant or underwrite the value of an investment in AFIC, its future performance or any particular return. Investment markets can be volatile and can rise and fall quickly, sometimes significantly. Past performance is not necessarily indicative of future performance. All financial products issued by AFIC are traded on the Australian Securities Exchange and may be purchased through a licensed broker. The Provider has issued a Financial Services Guide describing its services and the basis for its remuneration, which can be viewed on AFIC's website: [afi.com.au](http://afi.com.au). Nothing in this document purports to provide any taxation or legal advice and should not be relied on as such. Before making an investment decision an individual should assess whether it meets their own needs and consult a financial advisor.

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# Why consider a shareholding in AFIC as part of your investment strategy?

Often when investors (or their advisers) construct their investment portfolio, generally there is some consideration given to the exposures to the main asset classes of equities, property and cash.

This is known as the asset allocation exposure within a portfolio.

For example, investors may consider using a shareholding in AFIC as their cornerstone Australian equity exposure and blend this with exposures to other asset classes such as cash and term deposits, international equities, listed property (or unlisted direct property) and infrastructure funds.

AFIC provides its shareholders with immediate access to an already established and diversified ASX-listed Australian equity portfolio that is professionally managed with clear investment objectives:

- Capital growth over the medium to long term; and
- a growing stream of fully franked dividends to provide real income growth over time.<sup>3</sup>

## Key features:

- Low management fees – 0.15 per cent for the year to 30 June 2024.<sup>4</sup> The annualised compound impact of lower fees on cumulative returns can be significant over the medium to long term.
- Unlike most retail managed funds there are no entry or exit fees other than any brokerage fees shareholders may incur in purchasing or selling shares in AFIC.
- Tax effective and simplified returns.
- Immediate transparency as to value and access to liquidity through its ASX listing.
- Effective capital management:
  - Dividend Reinvestment Plan (DRP) which allows shareholders to cost effectively reinvest dividends;
  - Share Purchase Plan (from time to time) which allows shareholders to top up holdings with no brokerage; and
  - share buy-back program (from time to time) which gives the Company the flexibility to buy back shares; and
  - other forms of capital raising offered to shareholders from time to time.

- Regular comprehensive shareholder communication, including:
  - monthly Net Tangible Asset Announcements which provide updates to investors on the value of the portfolio;
  - monthly portfolio holdings (top 25 by size);
  - shareholder meetings which allow investors to hear directly from the investment team about the Company's investment activities;
  - half-yearly reports;
  - a website ([www.afi.com.au](http://www.afi.com.au)) which provides updated investment information; and
  - share price which can be viewed any time on the ASX website: [www.asx.com.au](http://www.asx.com.au), Code: AFI. This allows financial advisers and trustees to easily monitor and review the status of a fund's investments.

AFIC provides its shareholders with immediate access to an already established and diversified ASX listed Australian equity portfolio.

3. AFIC has a history of paying fully franked dividends.

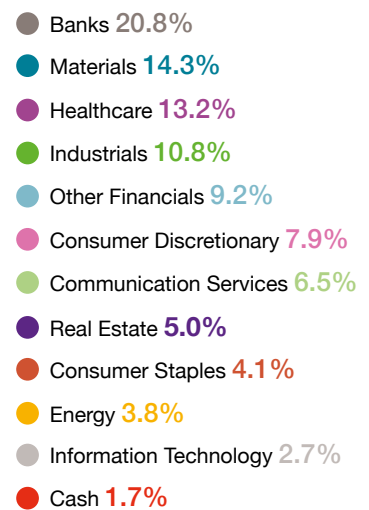
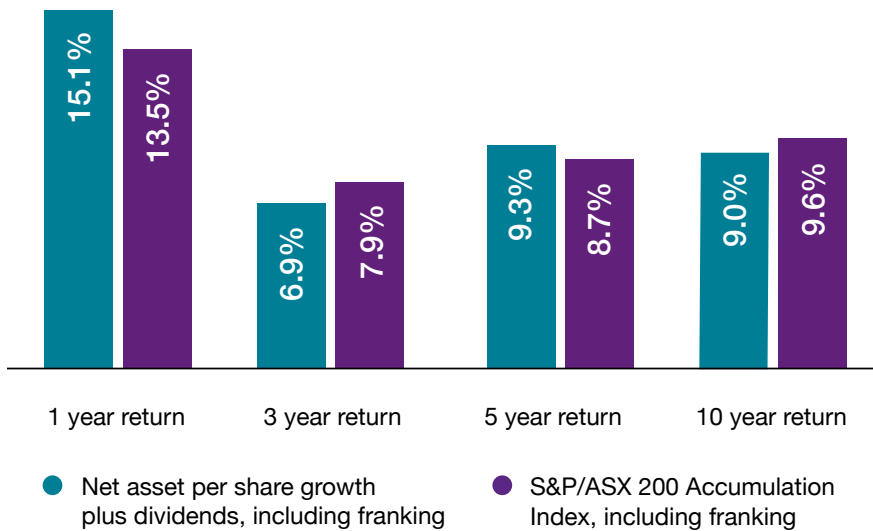
4. The typical MER for a retail managed fund investing in Australian equities can range between 0.8 per cent and 1.2 per cent.



# AFIC's management of the investment portfolio

## Investment by sector at 30 June 2024

### Portfolio performance percentage per year-periods ended 30 June 2024<sup>5</sup>



\* 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. It should be noted that Index returns for the market do not include management expenses or tax.

Past performance is not indicative of future performance.

## AFIC has a very experienced Board, Management and Investment Committee which oversee all of the Company's investment activities.

AFIC manages the investment portfolio by:

- buying shares with the view of holding these investments over the long term;
- creating an investment portfolio with sound returns and less volatility than the overall Australian market;
- developing a growing stream of fully franked dividends from the investment portfolio;
- investing in quality companies that have been analysed by AFIC's investment team using a range of financial indicators;
- focusing on tax efficiency by ensuring the investment portfolio has low turnover. When an investment which has been held for more than 12 months is sold, AFIC aims to pass on any available capital gains benefits to shareholders;
- ensuring the portfolio is diversified across companies and industry sectors. Weightings to all companies in the investment portfolio are reviewed and monitored by the Investment Committee on a weekly basis;
- seeking to add new companies to the portfolio which have the potential to grow over time. These companies typically have similar characteristics to the larger companies in the portfolio; and
- utilising the experience of the Investment Committee and senior management team.

5. Calculation of returns takes into account the expenses charged by AFIC but excludes any other fees such as brokerage. Past performance is not a reliable indicator of future performance.

# AFIC's management of the investment portfolio

continued

## Top 25 investments valued at closing prices at 30 June 2024

		Total Value \$ Million	% of the Portfolio
1	Commonwealth Bank of Australia	980.6	10.1
2	BHP	787.5	8.1
3	CSL	756.9	7.8
4	Macquarie Group	458.4	4.7
5	National Australia Bank	446.9	4.6
6	Wesfarmers	442.1	4.6
7	Westpac Banking Corporation	395.9	4.1
8	Goodman Group	352.9	3.6
9	Transurban Group	337.7	3.5
10	Woodside Energy Group	230.3	2.4
11	ANZ Group Holdings	228.7	2.4
12	Telstra Group	227.4	2.3
13	Woolworths Group	225.3	2.3
14	Rio Tinto	221.6	2.3
15	James Hardie Industries	216.5	2.2
16	CAR Group *	200.4	2.1
17	Coles Group	165.6	1.7
18	ResMed	155.0	1.6
19	Reece	149.5	1.5
20	Mainfreight	148.9	1.5
21	Amcor	143.2	1.5
22	ARB Corporation	137.0	1.4
23	Xero	113.9	1.2
24	REA Group	113.5	1.2
25	Cochlear	111.0	1.1
<b>Total</b>		<b>7,746.6</b>	

It is also able to pass through to shareholders tax benefits (LIC capital gain tax benefits) when available in respect of realised capital gains which AFIC makes on securities held for at least one year. These franking credits and LIC capital gains tax benefits may be utilised by your SMSF.<sup>6</sup>

Dividends are generally paid in February and August of each year. Franked dividends are generally tax effective for SMSF in the pension phase of retirement because of the potential for the refund of franking credits (depending on the circumstances of your SMSF).<sup>7</sup>

In contrast unit trusts typically have many components of income in their distributions including fully franked dividends, discount capital gains, short-term capital gains and tax deferred components. All of these add to tax return complexity. In addition, the tax consequences of distributions that investors receive from unit trusts can also be influenced by the timing of their investments.

As percentage of total portfolio value (excludes cash) 79.8%

\* Indicates that options were outstanding against part of the holding.

## Taxation

The way investments are taxed is an important consideration for investors.

Complying SMSF's are generally subject to a 15 per cent tax rate on income during the accumulation phase of the fund and are exempt from tax during the pension phase of the fund. Potential investors

should obtain their own professional tax advice. Tax laws are subject to change. The following information provided is only of a general nature.

As a listed investment company (LIC) one of the potential benefits that AFIC has over a Unit Trust structure is it has a policy that all of its distributions are paid as fully franked dividends directly to shareholders.

6. Generally LIC capital gains tax benefits cannot be utilised in the pension phase of the fund as it is tax exempt.

7. Past performance is not a reliable indicator of future performance.

# Self managed super as part of your investment journey

If you are considering exercising greater control over your superannuation assets through an SMSF you should consult a licensed financial adviser to assist you in determining whether this is appropriate for your circumstances and, if appropriate, establish the fund and adopt a suitable investment strategy.

SMSFs are regulated by the Australian Taxation Office (ATO) under the *Superannuation Industry (Supervision) Act 1993*.

Useful information is available from the Australian Taxation Office website at [www.ato.gov.au](http://www.ato.gov.au)

Its information sheet entitled 'Running a Self Managed Superannuation Fund' dated April 2013 explains that an investment strategy 'must reflect the purpose and circumstances of the fund and consider':

- investing to maximise returns whilst taking into account the investment risk;
- appropriate diversification and the benefits of investing across a number of asset classes in a long-term investment strategy; and
- the ability of the fund to meet benefit payments for members when they retire.

In addition, an accountant should be able to assist specifically with most of the administration and accounting aspects of your fund.

**Consider AFIC when setting up your self managed super fund and begin securing your future.**



# Financial Services Guide

## What is the Financial Services Guide?

This Financial Services Guide (FSG) is provided by Australian Investment Company Services Limited (AICS).

The FSG is an important document we are required to give to you under the requirements of our Australian Financial Services Licence.

It contains information about AICS to help you decide whether to use the financial services we provide. It also explains the financial services we are authorised to provide, how we and any of our representatives are remunerated, and includes details of our internal and external complaints handling procedures and how you can access them.

## Who is AICS?

AICS is a 75 per cent owned subsidiary of Australian Foundation Investment Company Limited (AFIC), Australia's largest LIC (ASX: AFI). Djerrivarrh Investments Limited owns the remaining 25 per cent (ASX: DJW).

AICS is based in Melbourne, Victoria, and its contact details are:

Australian Investment Company Services Limited  
Level 21, 101 Collins Street  
Melbourne, Victoria 3000  
Telephone (03) 9650 9911  
Facsimile (03) 9650 9100

## What financial services does AICS offer?

Under its Australian Financial Services Licence 303209, AICS is authorised to offer the following financial services to retail and wholesale clients:

- Provide general financial product advice (general advice) on securities, derivatives and interests in managed investment schemes (excluding investor directed portfolio services);
- Deal in securities and derivatives; and
- Underwrite an issue of securities.

AICS provides general financial product advice, only in relation to the securities of the following listed investment companies (LICs):

- Australian Foundation Investment Company Limited (ASX Code: AFI).
- AMCIL Limited (ASX Code: AMH).
- Mirrabooka Investments Limited (ASX Code: MIR).
- Djerrivarrh Investments Limited (ASX Code: DJW).

Any of the listed investment companies may also engage AICS to arrange for new offers of its securities.

## Does AICS provide personal financial advice?

No. AICS does not provide personal financial advice. Any advice provided to you has been prepared without taking into account your objectives, financial situation or needs. You should therefore consider the appropriateness of the advice in light of your own objectives, financial situation or needs before acting on the advice. If the advice is related to the acquisition or possible acquisition of a particular financial product from a product issuer, you should obtain a copy of and consider the prospectus (or other applicable disclosure document) for that product before making any decision.

## Compensation arrangements

AICS has in place professional indemnity insurance suitable to its business. The insurance covers claims in relation to the conduct of its employees, including those who no longer work for AICS (but who did at the time of the relevant conduct).

## How will I pay for the service?

AICS will not charge you a fee or commission for any general advice or information provided to you. If you purchase any securities in relation to which AICS has provided you with general advice, through a broker or a licensed financial adviser, you may be required to pay fees to those parties.

# Financial Services Guide continued

## How are AICS and its representative paid?

AICS provides administrative and financial services to each LIC listed above. Under this arrangement the LIC reimburses AICS all costs incurred in providing those services, including costs incurred in providing general advice in relation to the LIC's securities.

Reimbursement of costs is not linked to the outcome of any general advice provided by AICS through its representatives. AICS's representatives are not paid any commission by AICS nor by any LIC for providing general advice on securities.

All employees of AICS are paid an annual salary by AICS. From time to time employees are offered incentive plans, which may include shares in the LICs and payment of bonuses, depending on the LICs' overall financial performance.

Representatives of AICS hold directly or indirectly securities in some or all of the LICs.

## What should you do if you have a complaint?

If you have a complaint about the service provided to you, you should take the following steps:

1. Contact:

### **Australian Investment Company Services Limited**

The Complaints Officer on:

**(03) 9650 9911**

Alternatively, you can put your complaint in writing and forward it to:

### **The Complaints Officer Australian Investment Company Services Limited**

Level 21, 101 Collins Street  
Melbourne Victoria 3000

2. If an issue has not been resolved to your satisfaction, you can lodge a complaint with the Australian Financial Complaints Authority, or AFCA. AFCA provides fair and independent financial services complaint resolution that is free to consumers.

Website [www.afca.org.au](http://www.afca.org.au)

Email [info@afca.org.au](mailto:info@afca.org.au)

Telephone 1800 931 678 (free call)

In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne Victoria 3001.

AICS is a member of this scheme.

The Australian Securities and Investments Commission also has an infoline, on 1300 300 630, which you may use to make a complaint and obtain information about your rights.

## Enquiries

For further enquiries please contact:

Geoff Driver, General Manager, Business Development and Investor Relations, Australian Investment Company Services Limited.

Telephone (03) 9225 2102

# Additional details

## Risks of investing in AFIC

AFIC's shares are listed on the Australian Securities Exchange.

Investment markets can be volatile and share prices can rise and fall quickly, sometimes significantly.

Research on AFIC is available on the website:  
[www.afi.com.au](http://www.afi.com.au)

## Management expense ratio

The management expense ratio (MER) represents the fees charged to investors for running AFIC (e.g. investment, management, administration costs) as a proportion of AFIC's average portfolio value over each financial year.

This expense is calculated annually and may vary from year to year. For the financial year to 30 June 2024, AFIC's management expense ratio was 0.15 per cent.<sup>8</sup> The management fee is paid out of the portfolio and is not charged to shareholders as a separate fee. AFIC has no additional management or performance fees charged to shareholders.

8. The MER can fluctuate over time. For the financial year to 30 June 2021 the MER was 0.14 per cent, for 30 June 2022 was 0.16 per cent and for 30 June 2023 was 0.14 per cent.

# Key information

## Australian Foundation Investment Company Limited

ABN 56 004 147 120

### Directors

Craig M Drummond, Chairman  
Robert M Freeman, Managing Director  
Rebecca P Dee-Bradbury  
Julie A Fahey  
Katie Hudson  
Graeme R Liebelt  
Richard Murray  
David A Peever

### AFIC registered office

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**Website** www.afi.com.au

### Enquiries

Geoff Driver, General Manager, Business Development and Investor Relations.

### Shareholder enquiries

For all enquiries relating to your shareholdings, dividends and related matters, please contact the share registry in your country.

### Share register

Link Market Services Limited  
Level 12  
680 George Street  
Sydney NSW 2024

### Shareholder enquiry lines

**Australia** 1300 857 499  
**Facsimile** 02 9287 0303  
**Website** www.linkmarketservices.com.au