

16 March 2021



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

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

Electronic Lodgement

Australian Foundation Investment Company Limited

Letter to shareholders - Invitation to Shareholder Telephone / Webcast briefing

Please find attached the presentation to be given at the Shareholder Teleconference/ Webcast being held today, **Tuesday 16 March 2021 at 10.00am (AEDT)**.

To join the webcast please use the below link (also available on the afi.com.au website).

Webcast Link: Please register for the results webcast here:
<https://edge.media-server.com/mmc/p/akoqpgqx>. (This link will open directly in your internet browser).

Alternatively to join via the teleconference, please use the details below:

Telephone: **1800 175 864 (free call within Australia)**
 1300 212 365 (mobile, free call within Australia)
 +61 2 8373 3550 (outside Australia)

Conference ID: 1888046

Joining the Conference Call:

1. In the 10 minutes prior to the call start time, call the appropriate dial-in number.
2. Enter the Event Plus passcode **1888046**, followed by the pound or # key and leave any information requested after the tone. You will be joined automatically to the conference. During the call you can indicate if you would like to ask a question by pressing (*1) on your telephone keypad and wait for your name to be announced.

The presentation will also be available under the News section of the Company's website www.afi.com.au.

ASX Release authorised by the Company Secretary

Shareholder Presentation

16 March 2021

**AUSTRALIAN
FOUNDATION
INVESTMENT
COMPANY**

Disclaimer

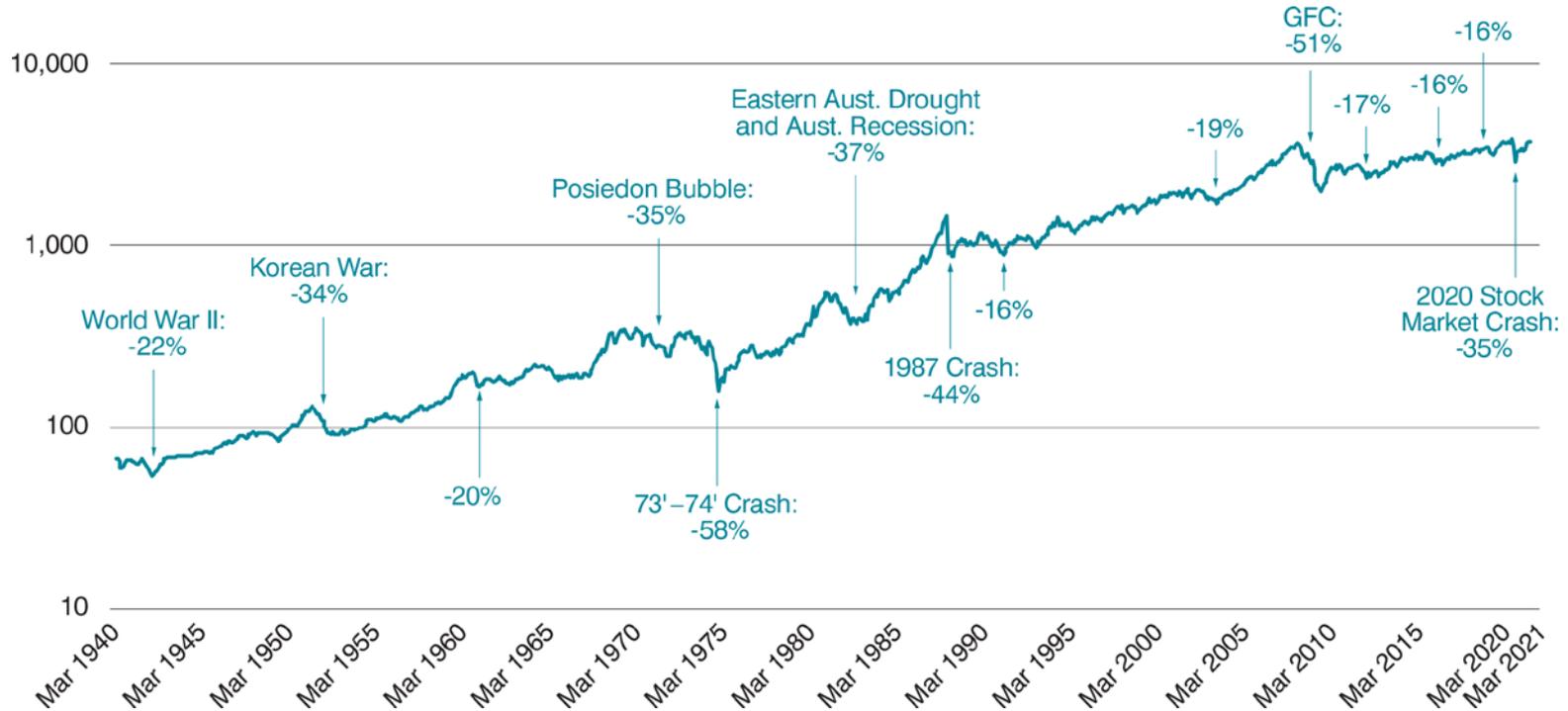
Australian Foundation Investment Company Limited and its subsidiary AICS (AFSL 303209), their related entities and each of their respective directors, officers and agents (together the Disclosers) have prepared the information contained in these materials in good faith. However, no warranty (express 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.

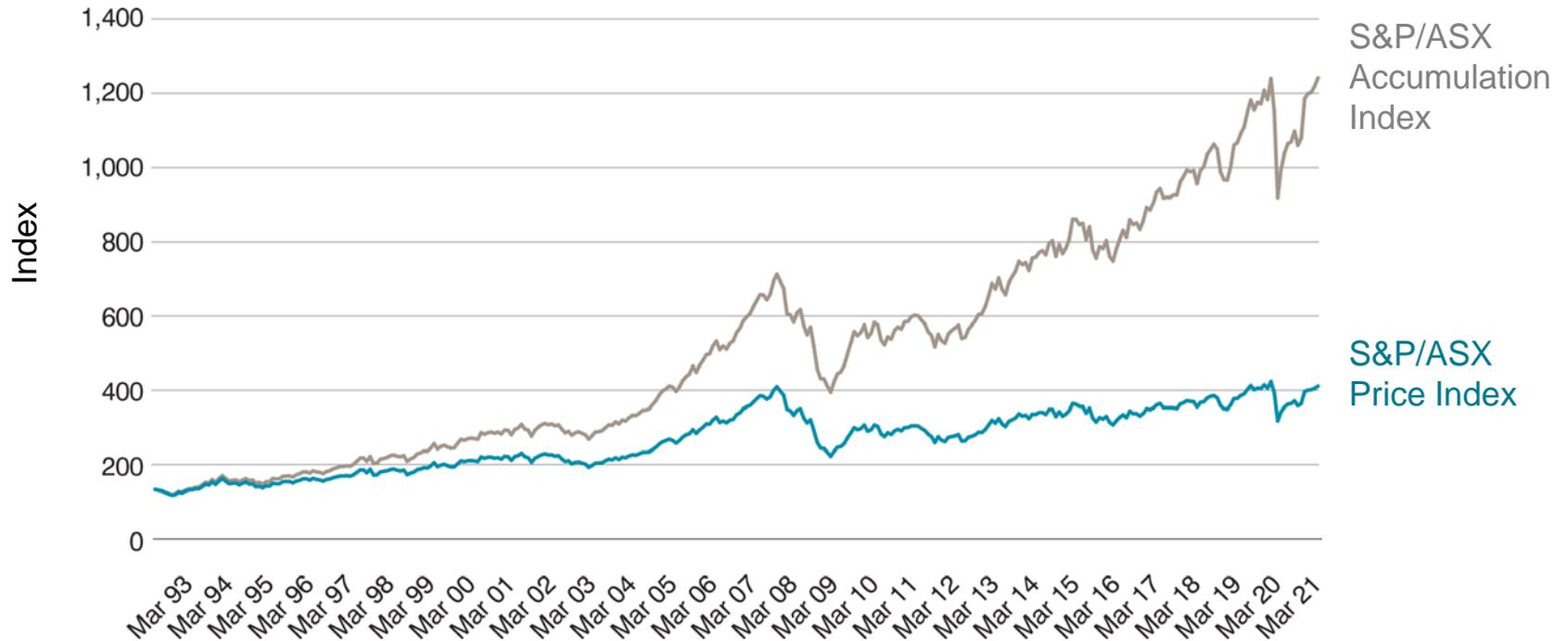
Presentation Agenda

- Long Term Markets (Mark Freeman)
- Objectives, Investment Process, Markets and the Portfolio (David Grace)
- Outlook (Mark Freeman)
- Questions

In perspective... the very long term returns of the Australian share market – All Ordinaries Price Index since 1940



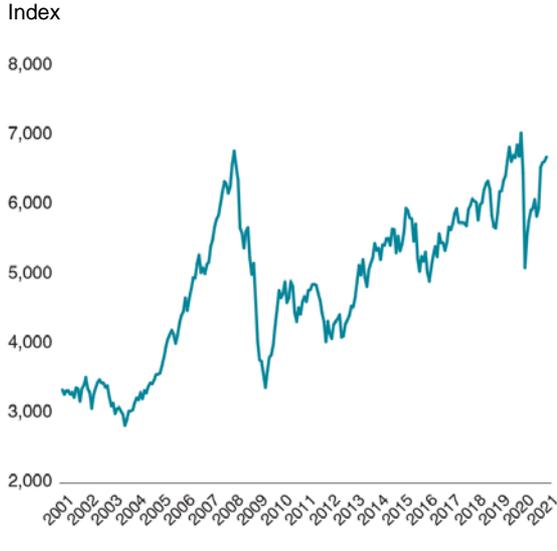
Dividends are an important part of the long term returns in the Australian market



Source: FactSet

Long term value in the context of the recent market moves

S&P/ASX 200 Index



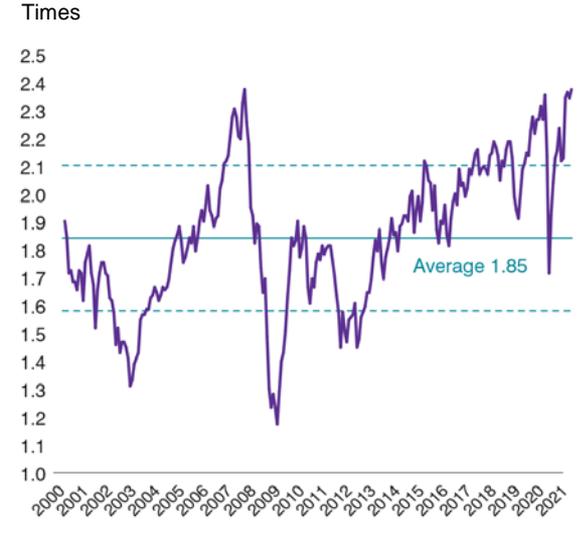
Source: FactSet

Price to Book – S&P/ASX 200 Index



Source: FactSet

Price to Sales – S&P/ASX 200 Index



Source: FactSet

Our Investment Objectives reflect a long term approach

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.

As does our investment approach which offers a diversified portfolio of quality stocks – what we look for



Sustainable competitive advantage – unique assets producing strong returns on capital



Strong management team and board



Recurring, predictable earnings are preferred



Financial strength – strong cash flow and balance sheet

As does our investment approach which offers a diversified portfolio of quality stocks – what we look for continued



Businesses that can grow over the long term, producing growing dividends



Nursery stocks – developing the preceding attributes

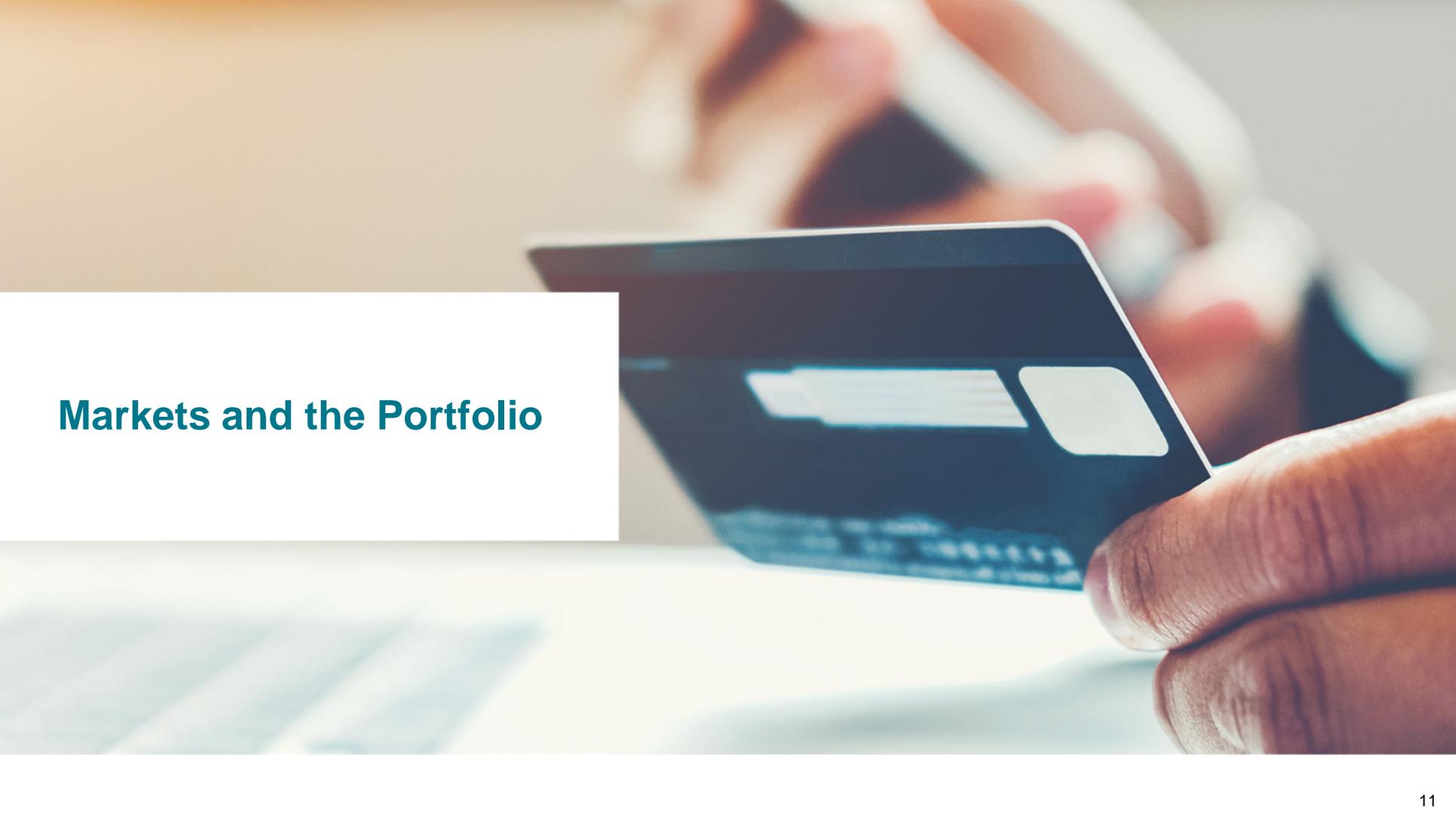


Look to buy when we see long term value

In looking for quality companies for long term investment ESG is integrated into our investment framework

- Invest in companies that have strong governance and risk management processes that include environmental and social risks.
- We are seeking remunerations plans and outcomes that align with AFIC's interests as long-term shareholders.
- We engage with investee companies on these issues and will vote as shareholders accordingly.

“As shareholders, we are ultimately the owners of the assets of companies we invest in. If we believe these to be good assets that can generate satisfactory returns for our shareholders, we believe it is our obligation to engage with Boards and management to make sure these assets are being managed effectively. This includes having a meaningful social licence to operate and complying with practices that reinforce this position, including having acceptable behaviours and accountabilities.”

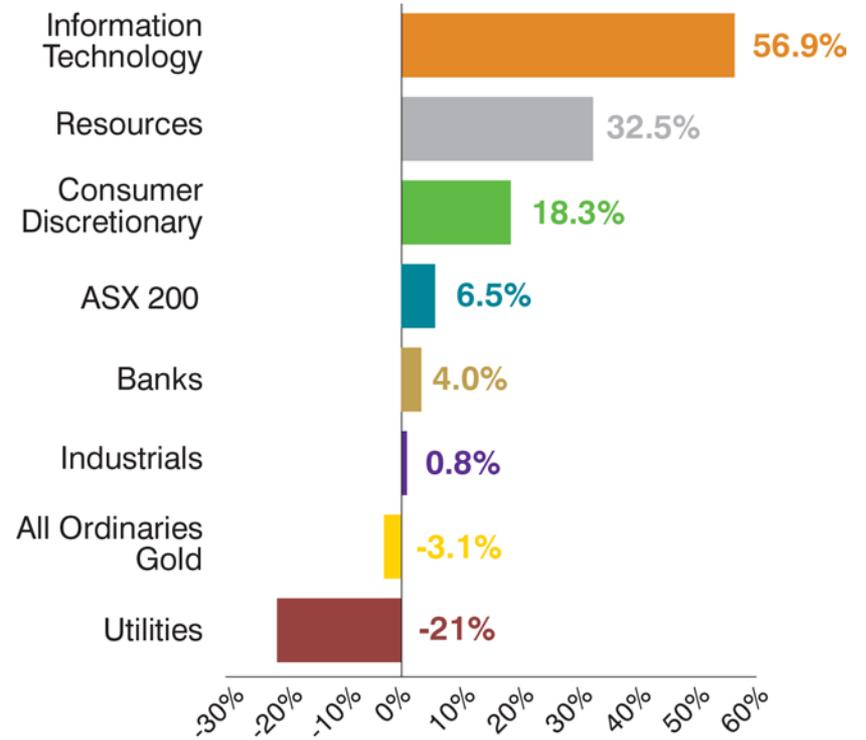
A close-up photograph of a hand holding a blue credit card. The card is held horizontally, showing its back side with a white chip and a white label. The background is blurred, showing a laptop keyboard and a person's hand holding a pen. The overall scene suggests a financial or business context.

Markets and the Portfolio

Market and key sector performance – Year to 28 February 2021



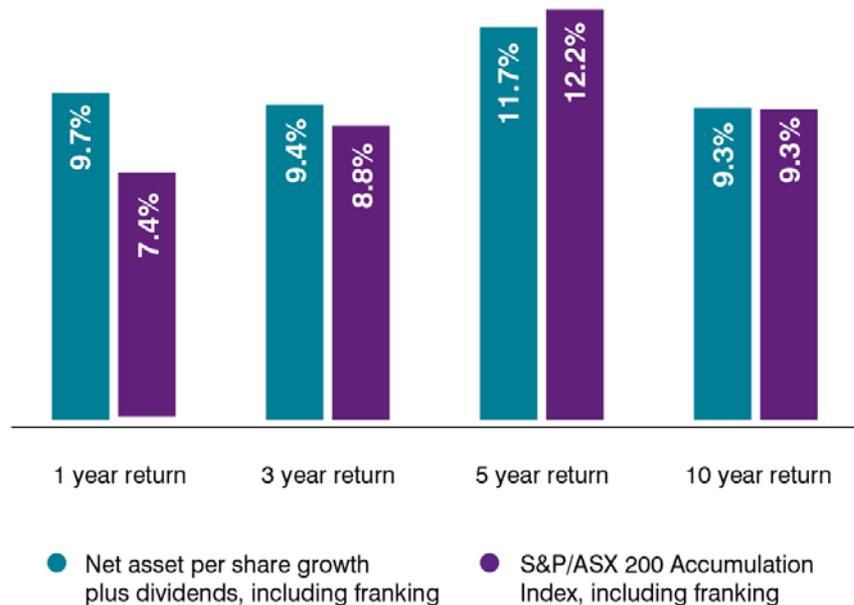
Source: FactSet



Includes dividends, but not franking.

Relative portfolio performance, including franking*

– returns to 28 February 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. 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 portfolio returns have a lower level of volatility (Beta of 0.91) than the Index.

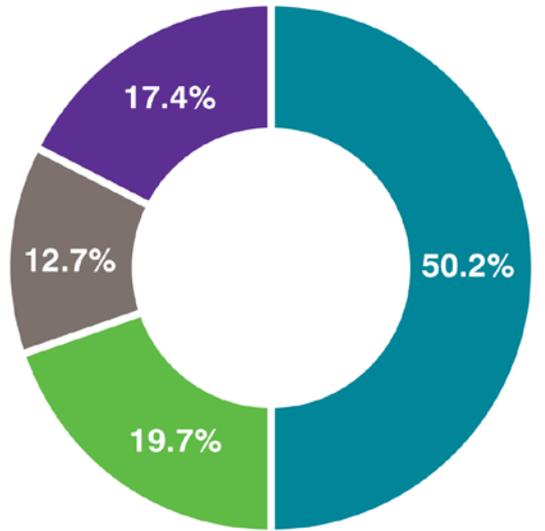
Returns include growing/stable fully franked dividends over a 10 year period.

Observations from the recent reporting season

- Generally strong profits, with many companies above expectations.
- Better-than-expected margins have been the main driver of the upside earnings surprise.
- Companies have done a good job in reducing costs, which is positive for future earnings growth.
- Balance sheets generally in good condition also benefiting from reduced funding costs.
- Large profit upgrades across the Banks and Resources.
- Dividends well above expectations, although still below pre COVID-19.

Top 30 holdings – 28 February 2021

Total Portfolio 61 Holdings



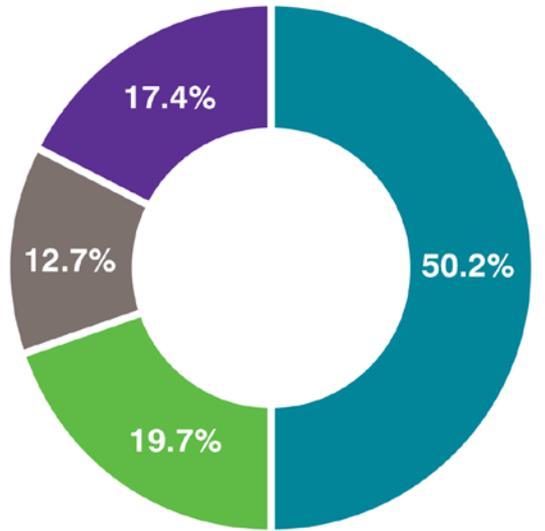
- Top 10
- Next 11 to 20
- Next 21 to 30
- Remainder

Rank	Company	% of Portfolio
1	BHP Group*	8.5
2	Commonwealth Bank of Australia	8.1
3	CSL	7.2
4	Westpac Banking Corporation	4.6
5	Wesfarmers	4.5
6	Macquarie Group	3.9
7	Transurban Group	3.8
8	National Australia Bank	3.4
9	Woolworths Group	3.1
10	Rio Tinto	3.1

* Options were outstanding against part of the holding.

Top 30 holdings – 28 February 2021 continued

Total Portfolio 61 Holdings

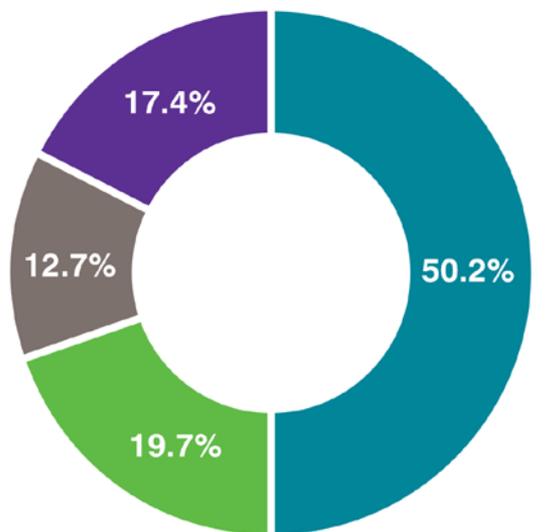


● Top 10 ● Next 11 to 20
● Next 21 to 30 ● Remainder

Rank	Company	% of Portfolio
11	Australia and New Zealand Banking Group	2.8
12	Mainfreight	2.5
13	Telstra Corporation	2.1
14	James Hardie Industries	2.1
15	Amtcor	2.1
16	Sydney Airport	1.9
17	Reece	1.6
18	Ramsay Health Care	1.6
19	Sonic Healthcare	1.5
20	ARB Corporation	1.5

Top 30 holdings – 28 February 2021 continued

Total Portfolio 61 Holdings



● Top 10 ● Next 11 to 20
● Next 21 to 30 ● Remainder

Rank	Company	% of Portfolio
21	Goodman Group	1.4
22	Qube Holdings	1.4
23	Coles Group	1.4
24	Fisher & Paykel Healthcare Corporation	1.3
25	Xero	1.3
26	Resmed Inc	1.2
27	Seek	1.2
28	Brambles	1.2
29	CarsalesCom	1.2
30	Woodside Petroleum*	1.1

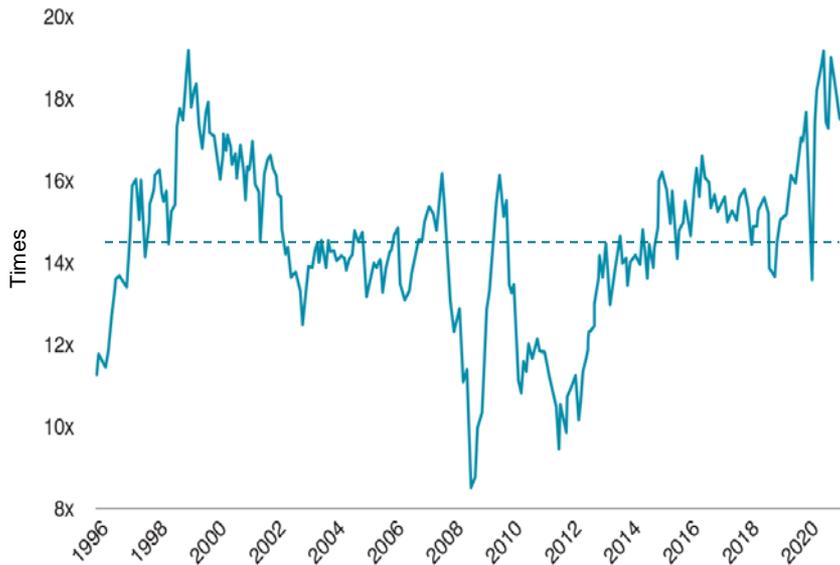
* Options were outstanding against part of the holding.

A nighttime cityscape with a blurred highway in the foreground. The highway has a glowing blue light strip along its edge. The city skyline is illuminated with various lights, including a prominent tower with a red top. The sky is dark blue.

Closing Remarks

Current market

ASX 200 firms trade at an average forward PE 18.2x, which is 27% above the 20-yr average



Source: Goldman Sachs Global Investment Research, FactSet.

High PE firms trade at an average forward PE 42.3x, which is 77% above the 20-yr average



Source: Goldman Sachs Global Investment Research, FactSet.

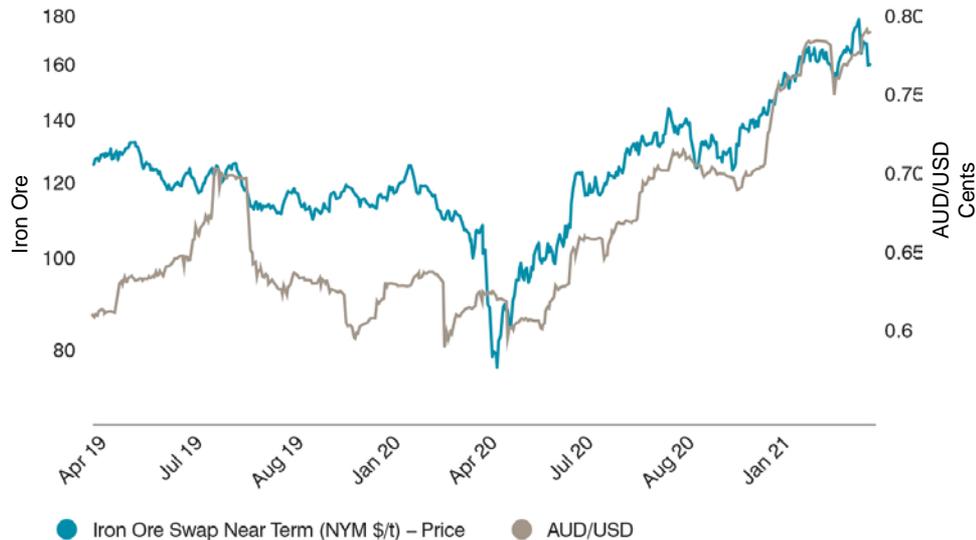
Current market continued

10 year bond rates in Australia have lifted recently



Source: FactSet

AUD/USD vs iron ore price, both of which have lifted



Source: FactSet

Outlook

The Australian economy appears to be emerging from COVID-19 better than first anticipated.

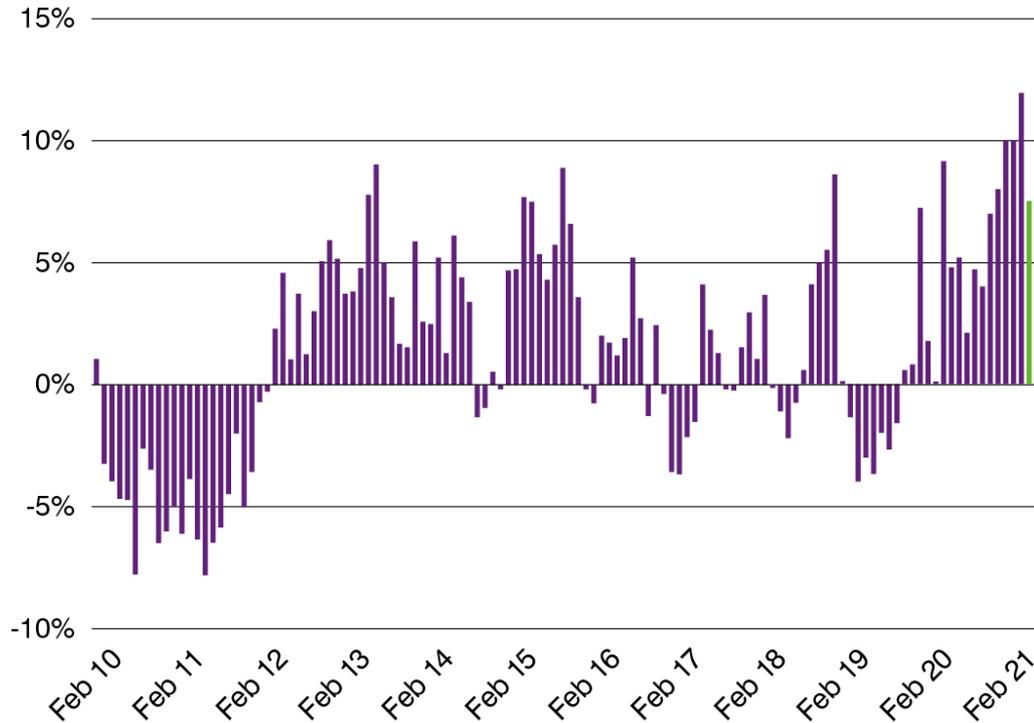
Full impact of economic conditions on company earnings and dividends are still to play out despite the positive earnings season as government support programs are scaled back.

Market valuations for many companies still high, although despite recent pressure, interest rates still relatively low which has been supportive of these valuations.

US fiscal stimulus likely to be very supportive of global growth as will the effective roll out of vaccination programs across developed markets. Inflationary trends are being monitored closely.

These factors have already caused sector/stock rotations as investors look for emerging themes. As a long term investor, we believe the portfolio remains well positioned but is being adjusted as opportunities arise.

AFIC's share price was trading at a 7% premium to the NTA at 28 February 2021



A close-up photograph of a person's hands typing on a laptop keyboard. The person is wearing a dark blue long-sleeved shirt and a watch on their left wrist. The laptop screen is visible on the right side, showing a document with a grid or table. A white rectangular box is overlaid on the left side of the image, containing the word "Questions" in a bold, teal font.

Questions

**AUSTRALIAN
FOUNDATION
INVESTMENT
COMPANY**