



<b>Company</b>	Australian Foundation Investment Company
<b>Code</b>	AFI
<b>Meeting</b>	AGM
<b>Date</b>	8 October 2019
<b>Venue</b>	Zinc at Federation Square, Melbourne, Victoria
<b>Monitor</b>	Jason Cole assisted by Dennis Shore

<b>Number attendees at meeting</b>	342 including visitors
<b>Number of holdings represented by ASA</b>	665
<b>Value of proxies</b>	\$86.8 million
<b>Number of shares represented by ASA</b>	13.6 million (Equivalent to 2 <sup>nd</sup> largest shareholder in Top 20)
<b>Market capitalisation</b>	\$7.7 billion
<b>Were proxies voted?</b>	Yes, on a poll
<b>Pre AGM Meeting?</b>	Yes, with Chair John Paterson, Managing Director Mark Freeman and Company Secretary Matthew Rowe

### **More of the same but that is the way most shareholders like it.**

Chair John Paterson opened his first Australian Foundation Investment Company (AFI) AGM as Chair by making comment on two matters that he felt were relevant.

The first related to ASIC recently doubling the potential size of shareholder purchase plans (SPP) from \$15,000 to \$30,000 per shareholder per annum. Mr Paterson stated AFI were conscious that a number of shareholders were keen to participate in SPP's, however it did not make sense currently to raise additional equity when the company did not see profitable investment opportunities available. Additionally, the dilutionary effect of SPP's on some shareholders was a consideration.

The second issue discussed was whether AFI should publish all proxy votes lodged by the company. This issue was raised by Non-Board Endorsed Director Candidate Stephen Mayne and noted in ASA Voting intentions regarding Mr Mayne. AFI consider that at this point in time they have more influence in presenting their views face to face with ASX companies in their own board room and that public disclosure of votes catch none of the detail and finer nuances of sometimes complex issues.

Mr Paterson also thanked shareholders for the strong response received by the company for the shareholder survey on franking. This allowed the company to formulate its response and educate key stakeholders.

This year AFI voted resolutions on a poll rather than a show of hands. The remuneration report was carried with a 10.81% against vote. No prior year comparison is available, however directed proxies cast prior to the poll were 10.93% against, compared to 12.3% against last year.

The increase to the Non-Executive Director Fee Cap was similarly carried, recording a 12.77% against vote. Question/Comment was received from the floor regarding the appropriateness of Chair proxies being cast on these two items when it was considered that abstention would be more appropriate. Additionally, comment was made around how the for/against percentage of directed proxies were displayed to attendees at the AGM. The chair response indicated that these issues would be discussed at board level, but also noted that shareholders who provide open proxies are well aware of how the Chair will vote them.

Retiring Directors Rebecca Dee-Bradbury and Peter Williams both spoke to their election/re-election and both were returned to the board with around 96% support.

Non-Board Endorsed Director Candidate Stephen Mayne was also given the opportunity to address shareholders and outlined his reasoning for nominating. Mr Mayne spoke of governance issues, the long-standing tenure of some board members and the lack of an AGM webcast, audio archive or transcript being available to shareholders. Mr Mayne received warm applause on many of the points he made, as did Chair Mr Paterson in his response. Mr Mayne attracted an 18.26% vote in his favour, meaning the resolution was not carried.

Results for the meeting are available at on the [ASA website](#).

Following the business of the meeting, [Managing Director Mark Freeman and members of his investment team gave a lengthy presentation](#) discussing the financial results, AFI's approach to investing and factors influencing the portfolio performance. Additionally, the investment team outlined specific companies in which the portfolio exposure has been increased and provided commentary on their reasoning for having a favourable outlook on those companies.

The ASA asked a question regarding the current board female directorship being less than the 30% sought by ASA guidelines, a focus issue in 2019. The Chair's response indicated that the board would be on a path to improving this relatively quickly.

There was limited opportunity available to ask questions due to the duration of the meeting and several shareholders wanting to ask questions. The ASA had an additional question prepared relating to the portfolio's recent underperformance against the ASX 200 accumulation index. This question was almost identical to the question put forward by a shareholder who queried the value shareholders receive by investing in AFI, if AFI was not outperforming the index, as opposed to an ASX200 Exchange Traded Fund.

The company believes that shareholders receive an advantage in AFI due to the fully franked dividend it offers, the low churn of its portfolio resulting in less taxation and low management expense and the ability of the company to advocate for shareholders on issues such as proposed changes to franking.

The ASA also wished to ask a question regarding the current 'Extinction Rebellion' protests and its potential impact on the AFI portfolio, as this wasn't mentioned as an issue in the presentation slide highlighting risk factors causing heightened volatility in equity markets. Another shareholder asked a more general question relating to climate change and the company advised that the portfolio hadn't contained a pure coal company for a decade.

A further shareholder question criticised the portfolio's heavy concentration of "big 4" bank stocks (21.6%) The meeting ended on a positive comment from a shareholder, who thanked the Managing Director for his advocacy during last year's proposed franking credit change debate.