

Australian Foundation Investments 2023 AGM report

ASX code	AFI
Meeting date	3 October 2023
Type of meeting	Hybrid
Monitor	Stephen van Emmerik
Pre AGM-meeting	Mr Paterson (Chair), Mr Drummond (Chair Elect), Mr Freeman (CEO), Mr Porter (CFO) and Mr Rowe (Company Secretary), attended.

Meeting Statistics

Number of holdings represented by ASA	501
Number of shares represented by ASA	9,714,338
Value of shares represented by ASA	\$66.543m
Total number attending meeting	264 total. Approx 100 - 120 in person and the balance online.
Market capitalisation	\$8.54 billion
ASA open proxies voted	ASA voted in favour of both the resolutions

The meeting was a hybrid and had reasonable attendance given the poor weather. The focus of the chairman's address was largely on investment performance/decision making and to a lesser extent the Australian market, the outlook for the market and the move from trading at premium to a discount to Net Tangible Assets (NTA). The meeting generally continues to have a respectful and mutually supportive tone.

The ASA asked four questions and these questions/summarized answers, are shown below.

Q1. The Australian Shareholders Association (ASA) is supportive of low-cost Listed Investment Companies (LIC's) like AFI, however notes that many of these have moved from trading at a premium to NTA to a discount to NTA, to the detriment of shareholders, as ETFs have become more popular. What actions will AFI take to ensure this negative trend does not continue?

Answer: No specific plans. We have increased investor engagement. We believe the discount is cyclical and at the moment is higher due to higher interest rates.

Q2. The ASA recommends that executive at risk remuneration includes a hurdle based on Total Shareholder Return (TSR) to ensure the goals of the company and its executives are in line with shareholders. AFI does not have such a hurdle. Can the chairman please explain why executive compensation is not aligned with shareholder returns in this way?

Answer: We want to keep the remuneration report as simple as possible. We had to choose between NTA and TSR and chose NTA as it is more in control of the company. In the long term we believe both measures are similar.

Q3. PWC has been AFI's auditor for the past 95 years. The ASA recommends tendering the audit regularly. Given the recent well publicised events regarding PWC's behaviour will AFI put their audit out to tender?

Answer: Will look at it in 2027 when the current audit contract expires. We're satisfied with the rotation of partners.

Q4. What are the plans regarding investment in overseas companies and a possible overseas-focused LIC?

Answer: We'll continue to consider the possibilities. We have no specific plans at this point.

There were many questions from the floor and online. Additional question areas included:

- AFIC's position on ESG and its lack of transparently reporting its votes on resolutions of its investee companies.
- At risk remuneration levels given the portfolio performance is below benchmark in recent years and also below benchmark over a 10 year period.
- Investment decisions.

We note that AFI has had many new shareholders over the past two years. This is thought to be in part due to its inclusion as a good first share to hold in the "Barefoot Investor" popular investment book. This may have led to a younger demographic attending online and a greater focus on ESG issues than its traditional older shareholder base had in the past. We note slightly increased votes against the remuneration report from 9.17% last year to 9.77% this year. This may be partly due to low Total Shareholder Return, particularly for recent investors. as the stock swung from NTA premium to discount over the last year (in line with many other LICs).

Director David Peever spoke to his election and was overwhelmingly re-elected.

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