AUSTRALIAN
SHAREHOLDERS'
ASSOCIATION

Voting Intentions Report - Australian Foundation Investment Company

Company/ASX Code	Australian Foundation Investment Company Limited/AFI
AGM time and date	**9:30 am on Thursday, 1 October 2026**
Location	ZINC at Federation Square, Corner of Flinders Street and Swanston Street, Melbourne, Victoria, Australia and Online
Registry	MUFG
Type of meeting	Hybrid
Monitor	Steve van Emmerik
Pre-AGM Meeting	6 board members/execs, including Mr Drummond CEO, Mrs Alison Gibson (CEO), Mr. Brett McNeil (Portfolio Manager), Mr Porter (CFO), Ms Claire Aitchison (investor relations) and Mr Rowe (Company Secretary).

Monitor Shareholding: The individual (or their associates) involved in the preparation of this voting intention has a current shareholding in this company.

1. How we intend to vote

No.	Resolution description	
2	Remuneration report	For
3	Re-election of Mr. Richard Murray as director	For

2. Summary of Issues and Voting Intentions for AGM/EGM

Current long-term incentive (LTI) does not include Total Shareholder Return (TSR) but is largely focused on the underlying portfolio performance over the longer term. We understand that the portfolio manager and others assisting the management of the portfolio need to focus on underlying portfolio performance.

However, given the general move away from listed investment companies (LICs) towards exchange traded funds (ETFs) this may become problematic in the future and does not align with ASA guidelines. We encourage the remuneration committee to consider whether employees whose roles are largely concerned with investor relations, rather than portfolio performance, should have incentives focused on actions that may directly benefit shareholders such as by closing the discount to NTA, reducing the volatility of the share price around NTA swings etc.

Portfolio performance has been relatively poor over the past 1, 3, 5 and 10 years compared to benchmarks. Given how diversified the portfolio is, and how closely the holdings resemble the benchmark, this poor relative return is both disappointing and surprising. Should this relative performance not improve, this would be of serious concern to shareholders. The increase in the discount to NTA has exacerbated this underperformance from a shareholder perspective.

3. Matters Considered

Financial performance

(As at FYE)	2026	2025	2024	2023	2022
NPAT ($m)	293.5	285.0	296.4	310.2	360.6
UPAT ($m)	293.5	285.0	296.4	310.2	360.6
Share price ($)	6.89	7.35	7.15	7.07	7.51
Dividend (cents)	31.5	31.5	26	25	24
Simple TSR (%)	2.0	7.2	2.6	-1.4	-1.0
EPS (cents)	23.4	22.7	23.7	25.1	29.4
CEO total remuneration, actual ($m)	AFI 0.781	AFI 0.753	AFI 0.941	AFI 0.913	1.47 (AFI .884)

Simple TSR is calculated by dividing (change in share price plus dividend paid during the year, excluding franking), by the share price at the start of the year. In earlier periods the CEO salary allocated to AFI is not broken out separately.

Governance and culture

- AFI remains well aligned with ASA guidelines from a governance and culture perspective.
- The board has a majority of independent directors.
- The board now contains 37% female representation of directors. Similar to the “at least 40% male and female representation” guideline of the ASA.
- The current Chairman is independent from ASA’s perspective. The previous chairman was a long-term board member and not considered independent by the ASA having been on the board since 2005.
- We are pleased to note that the AFI annual report has an excellent summary of past performance, swings in share price discount/premium to NTA and is generally well set out and comprehensive.

Key events

- AFI recorded a profit of $293.5m in FY26, up slightly on the previous year, whilst the dividend was stable 31.5 cps (fully franked). We encourage the board to continue to pay additional special dividends when appropriate.
- Total Shareholder Return (TSR) for the year was 2.5% (including franking).
  The premium/discount to net tangible assets (NTA) moved from approximately a 12% discount to an 11.2% discount. This Total Shareholder Return was significantly below market returns and was driven by the underperformance in the portfolio in the first half of the financial year.

- The portfolio returned 0.9% for the year compared to the S&P/ASX200 Accumulation Index (Index) return of 7.2% for the same period. Both figures are inclusive of franking credits, but the AFI return is calculated after costs, whereas the index is not.
- The AFI return over three, five and ten years is behind the index by between 1.3% p.a. and 3.2% p.a.
- The Management Expense Ratio (MER) decreased slightly from 0.16% to 0.14%.
- At the pre-AGM meeting with the ASA the portfolio managers indicated that relatively poor performance has resulted in a number of changes to the portfolio review and selection process that will seek to address some of the reasons for past poor performance, whilst still sticking to the same overall investment philosophy.

Sustainability/ESG

Although it is a bit difficult to locate, the website also contains a table disclosing AFI's voting record on AGM resolutions up to FY24/25. This voting record is displayed in totals rather than company-specific votes. This makes its record on ESG matters hard to determine.

4. Rationale for Voting Intentions

Resolution 2 - Remuneration report - For

Remuneration is not unreasonable for a company this size and in line with most of ASA guidelines. However, given its status as largely a passive investor the remuneration is not insignificant compared to the presumed amount of effort required to run the company. Importantly, the relatively large size of the portfolio and the spreading of costs across its sister LICs mean the fees are still lower than most other Australian LICs. On balance we believe the remuneration is reasonable and will vote in favour of this resolution. While the swings in premium/discount to NTA are outside the portfolio manager's control we would encourage the company to consider a wide range of steps that can reduce these swings in the interests of reduced volatility and certainty for shareholders.

We encourage the remuneration committee to consider whether employees whose roles are largely concerned with investor relations, rather than portfolio performance, should have incentives focused on actions that may directly benefit shareholder such as by closing the discount to NTA, reducing the volatility of the share price around NTA swings etc.

Resolution 3 – Re-election of Richard Murray - For

Murray was appointed to the Board in January 2024. Richard has over 30 years' experience in the retail industry, assurance and advisory services and listed public companies. He is currently CFO of Sigma Healthcare Limited and his past executive experience includes CEO of Total Tools Holdings, CEO of Premier Retail and Executive Director of Premier Investments. He has a strong record of good capital allocation decisions which is valuable at an LIC.

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Appendix 1
Remuneration framework detail

CEO rem. Framework for FY26	Max. Opportunity $m	% of Total
Fixed Remuneration	0.973	50 %
Incentive – Cash	0.73	37.5%
Incentive – Equity	0.243	12.5%
Total	1.946	100%

The amounts in the table above are the maximum amounts that are envisaged in the design of the remuneration plan. Given that the remuneration framework relates to both AFI and related companies it is too complex to be briefly summarised here. The Incentive scheme is based on a combination of short-term and long-term measures. Broadly speaking 20% relates to company performance, 60% to investment performance in terms of portfolio value etc and 20% to personal characteristics (which are largely focused on longer term contributions to company/board/employee performance). 25% of incentive payments received must be spent on shares that are bought on market and these must be held for a minimum of 4 years. The company believes most of the measures focus on longer term success. No measure uses TSR.