

Australian Foundation Investments 2024 AGM Report

ASX code	AFI
Meeting date	Thursday, 3 October 2024
Type of meeting	Hybrid
Monitor	Steve van Emmerik
Pre AGM-meeting	4 board members/execs, including Mr Drummond (Chair), Mr Freeman (CEO), Mr Porter (CFO) and Mr Rowe (Company Secretary).

Meeting Statistics

Number of holdings represented by ASA	479
Number of shares represented by ASA	8,839,216
Value of shares represented by ASA	\$ 65.7 million
Total number attending meeting	174 in person and 79 online
Market capitalisation	\$ 9.33 billion
ASA open proxies voted	ASA voted in favour of all the resolutions

Monitor Shareholding: The individual involved in the preparation of this voting intention have no shareholding in this company.

The meeting was a hybrid one and had good attendance in person. The audience is predominantly older. 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 NTA over the last few years. The meeting generally continues to have a respectful and mutually supportive tone.

The ASA asked three questions and these questions/summarised answers, are shown below.

Q1. ASA is supportive of low cost 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: We have increased investor engagement and commenced a buy back. We believe the discount is cyclical and currently is higher due to higher interest rates.

Q2. ASA guidelines expect that executive at risk remuneration includes a hurdle based on Total Shareholder return 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. ASA recommends tendering the audit periodically. Given the recent well publicised events regarding PWC's behaviour will AFI put their audit out to tender?

Answer: We will look at it in 2027 when the audit is up for tender. We're satisfied with the rotation of partners. While we are aware the reputation of PWC has taken a hit we still view them as having a good reputation relative to the other big consulting firms.

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

- The decrease in number of shareholders over the past year.
- At risk remuneration levels given shareholder returns have been underwhelming recently due to the swing from premium to discount to NTA.
- Investment decisions.
- Possible international LIC.

We note that AFI has had many new shareholders over the past during 2021 and 2022. 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. These numbers have started to decrease, so presumably some new investors have sold for various reasons due to cost of living pressures etc. These shareholders have had a generally negative experience, as the share price has significantly trailed the overall market over this period.

Directors spoke to their election or re-election and were overwhelmingly re-elected.

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