



# Affluence Investment Fund

## Monthly Fund Report - October 2016

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## Fund Commentary

The Affluence Investment Fund decreased by 0.4% in October, well ahead of the ASX 200 Accumulation Index which lost 2.1%, however behind our inflation plus 5% target. While we never like a loss, we nevertheless take some comfort that during these negative months the Fund's performance is usually substantially better than the general market.

It was a mixed month for our underlying managers. Of the Fund's 25 unlisted investments, 9 provided positive returns. The Wentworth Williamson Fund was our best performer this month, increasing by 2.8% in a very difficult market. Other strong performers were the Lanyon Australian Value Fund and the Affluence LIC Fund. The largest detractors this month were our long/short funds and gold/commodities funds.

During October we didn't invest into any new funds, however we added to some of our existing investments. These included the Phoenix Opportunities Fund, Wentworth Williamson Fund, Ellerston Australian Market Neutral Fund and the Alexander Credit Opportunities Fund.

One of the areas we continually work on in the Fund portfolio is to make sure we have access to a diversified mix of investment styles through the managers we invest with. It's always tempting to follow the herd and push money to those funds that had the biggest gains last year, but that rarely works well.

For example, many of the Funds we compete with have a lot of long/short managers in their portfolios. This style worked very well in 2015 but these types of Funds have significantly underperformed so far this year. Our long-short managers are generally no more than 10-15% of the Fund portfolio. While we have a lot of confidence in their ability, we recognise that different styles outperform at different times and even the best managers go through lean periods.

The largest style allocation in our portfolio right now is to value managers, who have struggled a little over the past 2 years. We think the next 1-2 years may well be their time to shine.

At the end of October, the Affluence Fund held investments in 24 unlisted funds representing 59% of the

total portfolio. The Affluence LIC Fund accounted for 20% of the total portfolio, and provided exposure to 21 LIC's. We held investments in 5 other listed entities which represented 6% of the total portfolio, with the remaining 15% held in cash.

If you'd like further details of the Affluence Fund portfolio at any time, just email us and we'll provide it to you.

If you would like to invest with us and get access to over 30 of Australia's best fund managers, we encourage you to utilise our online application facility. Just follow the link on our website. If you'd like to add to your existing investment, you can either complete the one-page form available on our website, or use the online facility. A reminder, the cut-off for this month's investment intake is November 25th.

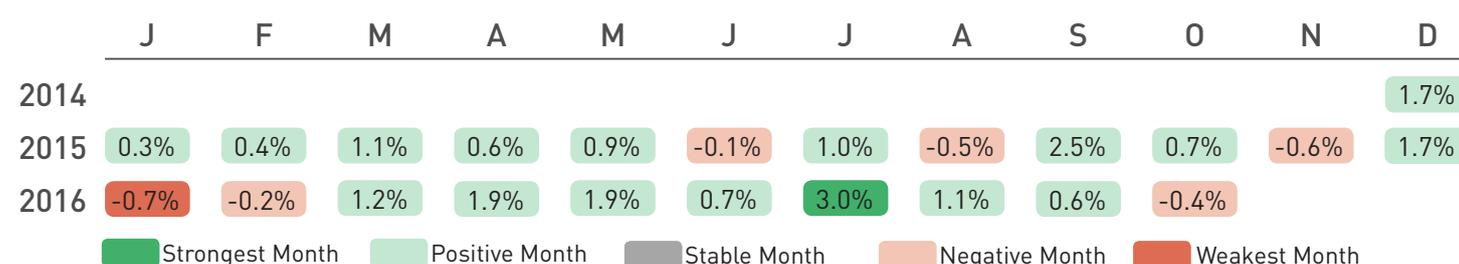
If you know anyone that may be interested in the Fund, feel free to let them know.

## Fund Performance

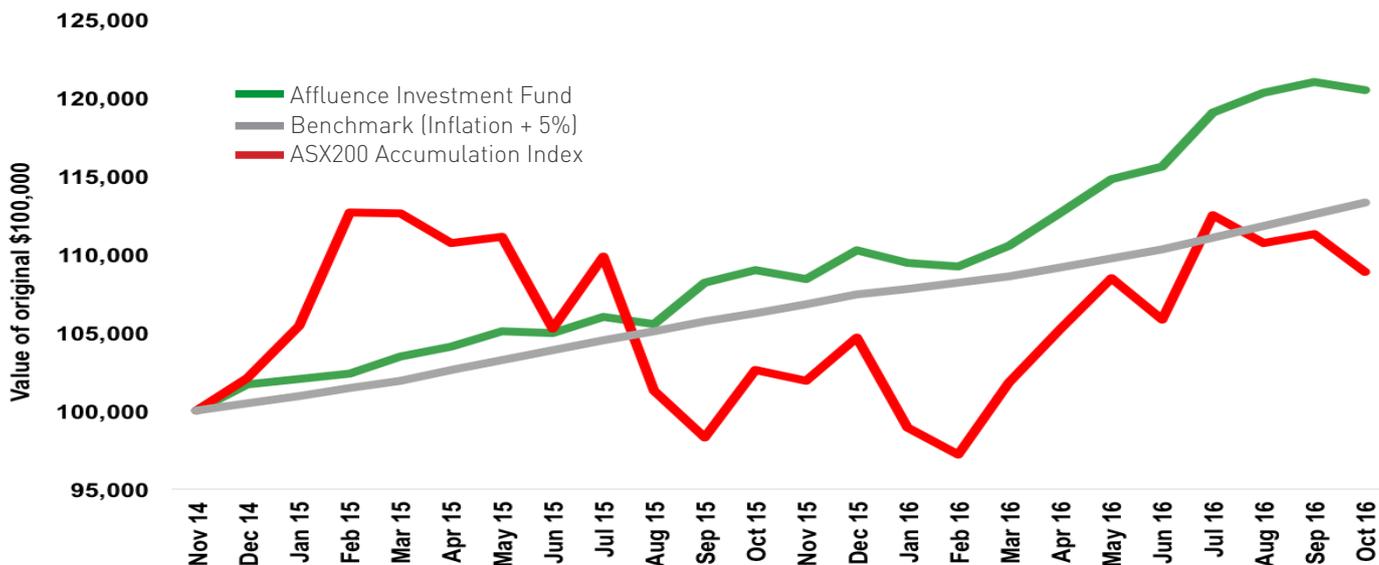
| To 31 October 2016                      | 1 Month       | 3 Months      | 6 Months    | 1 Year      | Inception   | Volatility |
|---|---------------|---------------|-------------|-------------|-------------|------------|
| Affluence Investment Fund               | (0.4%)        | 1.2%          | 7.0%        | 10.6%       | 10.2%       | 3.4%       |
| Benchmark - Inflation + 5%              | 0.7%          | 2.0%          | 3.8%        | 6.6%        | 6.7%        | N/A        |
| <b>Outperformance against Benchmark</b> | <b>(1.1%)</b> | <b>(0.8%)</b> | <b>3.2%</b> | <b>4.0%</b> | <b>3.5%</b> | <b>N/A</b> |
| ASX200 Accumulation Index (AI)          | (2.1%)        | (3.2%)        | 3.5%        | 6.1%        | 4.5%        | 13.5%      |
| <b>Outperformance against ASX200AI</b>  | <b>1.7%</b>   | <b>4.4%</b>   | <b>3.5%</b> | <b>4.5%</b> | <b>5.7%</b> | <b>N/A</b> |

Total returns are net of fees and costs (excluding buy-sell spread) using the mid prices and assume the reinvestment of distributions. Returns of more than one year are annualised. Inception date is 28 November 2014.

## Fund Monthly Return History

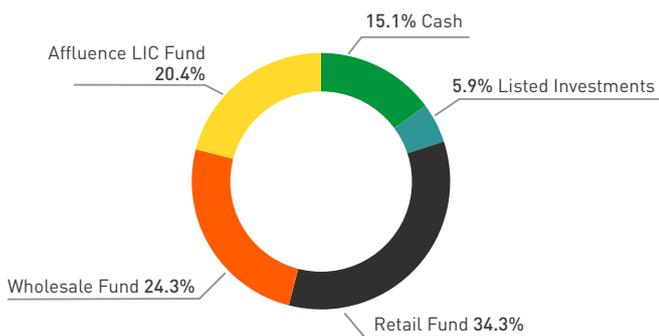


## Return on \$100,000 Investment

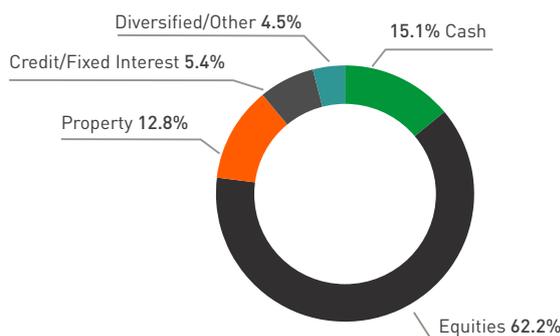


## Portfolio Summary

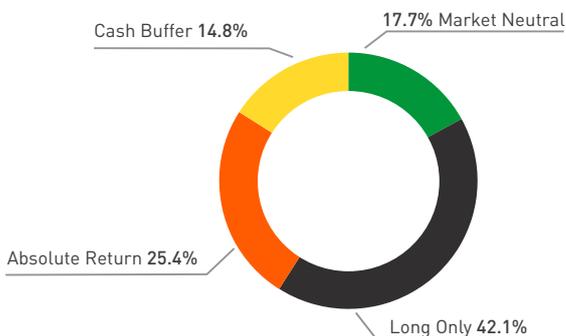
### Underlying Investment Types



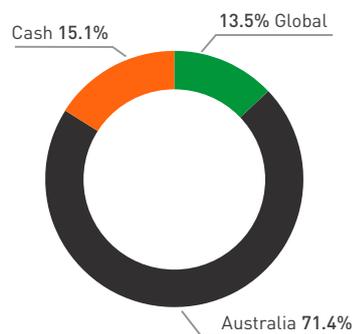
### Asset Class



### Equities Strategies



### Geographic Exposure



## Top 10 Largest Investments

|                               |  |
|-------------------------------|--|
| Cash                          | Alexander Credit Opportunities Fund        |
| Affluence LIC Fund            | Ellerston Australian Market Neutral Fund   |
| Cromwell Direct Property Fund | LHC Capital Australia High Conviction Fund |
| Phoenix Opportunities Fund    | KIS Asia Long Short Fund                   |
| Wentworth Williamson Fund     | Auscap Long Short Australian Equities Fund |

## What Makes This Fund Different

| Traditional Fund Managers  | Affluence - Invest Differently  |
|--|---|
| <b>Follow The Herd:</b> Traditional managers are too scared to fail, so they don't succeed. Most don't outperform the index.                               | <b>Actively Pursue Out-performance:</b> From our fee structure alignment to our investment methodology, our strategy targets positive returns and low volatility. |
| <b>Restricted Product Selection:</b> Commonly places clients into their own managed funds or choose from a restricted list of 'approved' funds.            | <b>Best Of Breed:</b> We will seek the best fund managers, and combine them in a way which cushions against market corrections.                                   |
| <b>Traditional Asset Classes:</b> Manage large amounts in traditional asset classes (e.g. ASX200 equities), which minimises chances of excess performance. | <b>Unique Strategies:</b> We prefer managers who operate in specialised markets with less funds under management and a competitive advantage.                     |
| <b>High, Fixed Fees:</b> Take fees regardless of performance.  | <b>No Fixed Fees:</b> Our fees are 100% performance based.  |

## Key Statistics

|                        |                               |
|------------------------|-------------------------------|
| Investment Class       | Diversified                   |
| Minimum Investment     | \$20,000                      |
| Suggested Timeframe    | At least 5 years              |
| Benchmark Returns      | Inflation + 5%                |
| Entry Price            | \$1.0678                      |
| Exit Price             | \$1.0604                      |
| Annual Distributions   | 5.25 cpu                      |
| Distribution Yield     | 4.9% p.a.                     |
| Distribution Frequency | Monthly                       |
| Applications           | Monthly                       |
| Withdrawals            | Monthly                       |
| Management Fees        | Nil                           |
| Performance Fee        | 12.5% of positive performance |
| Buy/Sell Spread        | 0.35%/0.35%                   |

## Contact Us

If you have any questions, please do not hesitate to contact us:

**Phone:** 1300 AFFLUENCE (1300 233 583)

**Email:** [invest@affluencefunds.com.au](mailto:invest@affluencefunds.com.au)

## Investment Strategy

We believe that exposure to quality investments across multiple asset classes, managers, geographies and strategies should be an essential part of any well diversified portfolio.

The Fund provides access to a diversified investment portfolio of the best fund managers as selected by Affluence. We aim to provide a distribution yield of approximately 5% pa paid monthly and a total annualised return of at least inflation plus 5% over rolling 3 year periods. We aim to deliver these returns with less volatility than the stock market.

## The Investment Team



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