

Affluence Small Company Fund

August 2017



Affluence FUNDS MANAGEMENT



Invest Differently.



Important Disclaimer

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This report contains information in relation to an offer Affluence intends to make to subscribe for units in the Affluence Small Company Fund (ASF). ASF is not yet open for investment. An information memorandum (IM) for ASF is intended to be issued by Affluence during 2017 or 2018. The IM will contain important notices and disclaimers, important information about the offer, as well as investment risks.

Any forecast or projected information, including financial, is not guaranteed and there is no guarantee of any investment return or repayment of capital. Offers to invest in ASF will only be available to persons who qualify as Eligible Investors. Affluence will not issue units in ASF to a person unless it is satisfied the person is an Eligible Investor.

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Introduction



Who We Are – Key Investment Staff



Affluence Funds Management Limited

- Team worked at ASX-listed Cromwell (Property/Fund Manager) between 1999 - 2015.
- Affluence formed (100% owned by staff) and Affluence Fund commenced in late 2014.
- Affluence Investment Fund opened to wholesale investors in late 2015.
- Affluence LIC Fund, Small Company Fund commenced 2016 (open to investors 2017).
- Affluence Investment Fund opened to Retail and NZ Investors in March 2017.



Daryl Wilson - CEO/Portfolio Manager

- Overall responsibility for Investment and Funds Management activities.
- Experienced across all aspects of funds management (investment, operations, capital).
- 15 years with Cromwell as Director, CFO and Head of Funds Management.
- Qualified Accountant, Bachelor of Commerce, Diploma of Financial Planning.



Greg Lander – Portfolio Manager

- Co-portfolio Manager for all Affluence portfolios.
- Focussed on portfolios, investment evaluation, asset allocation and fund reporting.
- 10 years with Cromwell as Investment/Property Strategist and Transactions Analyst.
- Registered Valuer, Bachelor of Applied Science (Property Economics).



Kane Doyle – Investment Associate

- Experience in product design, investment due diligence, client service and reporting.
- Focussed on investment evaluation, fund reporting and compliance.
- 4 years with Cromwell as Investment Product Manager.
- Bachelor of Business, Masters of Applied Finance.



Affluence Small Company Fund Objectives

- The Affluence Small Company Fund aims to provide investors with:
 - A total annualised return (distributions plus increase in unit price) after all fees and costs in excess of the ASX Small Ordinaries Index over rolling 3 year periods.
 - Access to a diversified portfolio of micro and small company equity managers.
 - Volatility of returns which is less than the ASX Small Ordinaries Index, measured over rolling 3 year periods.

Fund Objective	Achieved	As at 31 July 2017
Total annualised return in excess of the ASX Small Ords over 3 years	✓	Since inception in April 2016, the Fund has returned 8.9% compared to the index of 8.2%.
Access to a diversified portfolio	✓	The Fund currently provides exposure to six micro and small cap equity funds (including the Affluence LIC Fund). It is expected in the future this will increase to 10 to 20 investments.
Deliver volatility of returns which is less than of the ASX Small Ords	✓	Since inception in April 2016, the Fund had volatility of returns of 6.0% compared to the ASX Small Ords of 11.3%.



Affluence Small Company Fund Strategy

- We seek to invest in 10 to 20 micro and small cap company equity funds in a way which we believe balances maximum returns with lower volatility. The Fund aims to outperform the ASX Small Ordinaries Index over rolling 3 year periods by investing with the very best investment managers and having a diversified portfolio through:
 - A mixture of funds that invest in micro caps, small caps and mid caps.
 - Combination of value, growth, and style agnostic managers.
 - Some exposure to alternative strategies.
 - Access to the Affluence LIC Fund.
- The Fund may invest in exchange traded options and exchange traded funds from time to time, to provide exposure to certain asset classes and for hedging purposes.
- We charge no up-front or ongoing fixed fee for managing the Fund. Instead, we only charge a performance fee of 12.5% of positive returns. In addition, we bear any administration costs of the Fund above 0.25% per annum.

Our Investing Philosophy



We do not know the future in the short term, but we can estimate with more certainty what something should be worth in the longer term.



Invest Differently

If you want better than average returns, you need to invest differently and more strategically than the crowd.



Invest For Value

Value investing works best in the long term, particularly when combined with positive momentum.



Competitive Advantage

Investing in markets where there is less competition makes it easier to achieve above average results.



Market Awareness

Being aware of long-term cycles and seeking to time investments can significantly improve performance.



Be Patient

Long term success requires a long term focus, which in turn requires patience and discipline.



Lowering Volatility

A focus on lowering volatility of returns through diversification provides comfort for investors.

We invest with the mindset of a family office or endowment fund – long-term thinking, with a minimum 3 year investment horizon.

Investment Process





Step 1: Identifying Opportunities (The Top 3-5%)

- **We don't limit ourselves – we look everywhere:**
 - We screen multiple databases and other information sources to identify opportunities using various criteria, many around performance and volatility.
 - We talk to as many people as we can.
 - We read the paper, scour “best of” lists and other public information.
 - We work with a number of people who add value with complimentary skill sets, demonstrated research capabilities and the ability to think differently.

- **We cull all this data to a manageable number:**
 - From thousands of small company managed funds and other potential investments, we identify the ones we believe have promise.
 - Once a potential investment opportunity is identified, we undertake an initial review.
 - If that shows promise, we move to the due diligence stage.
 - We closely follow around 20 potential investments at any one time. Further research and due diligence on these opportunities is ongoing.
 - We typically hold 10-20 investments in the portfolio at any given time.
 - We continually identify new opportunities for consideration.



Step 2: Evaluating Funds And Managers

- **We use a three-pronged approach in our assessment of managers**
 - Managers need not meet all criteria. Some carry higher weightings than others.
- **Criteria 1: Manager has delivered attractive results over reasonably long periods**
 - Alpha - Have outperformed a fair benchmark.
 - Lower volatility - Outperformance is greater in down markets.
- **Criteria 2: Manager operates in the right environment**
 - Operating in a boutique area.
 - Investing in a niche asset class.
 - Wide asset allocation discretion.
 - Capacity constrained.
 - Fair fee structures which reflect intensity of strategy and are aligned to outperformance.
 - Have a stable team around them.



Step 2: Evaluating Funds And Managers

- **Criteria 3: Many outperforming managers have a number of the same traits**
 - Strong risk management focus.
 - Happy to have a significant portion of their own wealth at risk in the strategy.
 - Cycle-aware and value-focussed.
 - Low turnover/high conviction.
 - Display good personal traits (humble, realistic, analytical, risk aware, passionate and competitive).
 - Are honest about the value of what they are investing in (i.e. they tell you when it is expensive).
- **Qualitative factors are more important than quantitative factors – at the end of the day there is a fair degree of subjective judgement involved**



The Affluence Small Company Fund





The Affluence Small Company Portfolio

Key Statistics

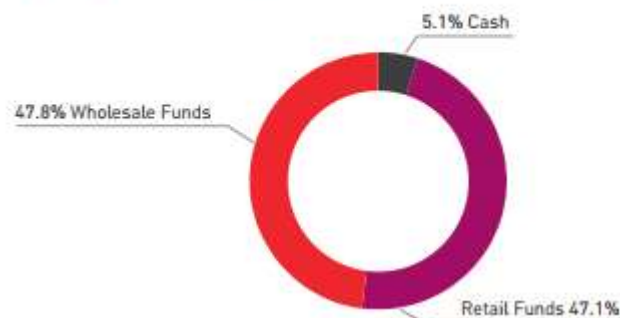
Investment Class	Small Company Equities
Minimum Investment	\$20,000
Suggested Timeframe	At least 5 years
Benchmark Returns	ASX Small Ords Accumulation Index
Entry Price	\$1.0424
Exit Price	\$1.0351
Applications	Please Contact Us
Withdrawals	Monthly
Management Fees	Nil
Performance Fee	12.5% of positive performance
Buy/Sell Spread	0.35%/0.35%

Top 5 Largest Investments

Phoenix Opportunities Fund
Affluence LIC Fund
Microequities Deep Value Microcap Fund
Spheria Australian Microcap Fund
Wentworth Williamson Fund

Portfolio Summary

Underlying Investment Type



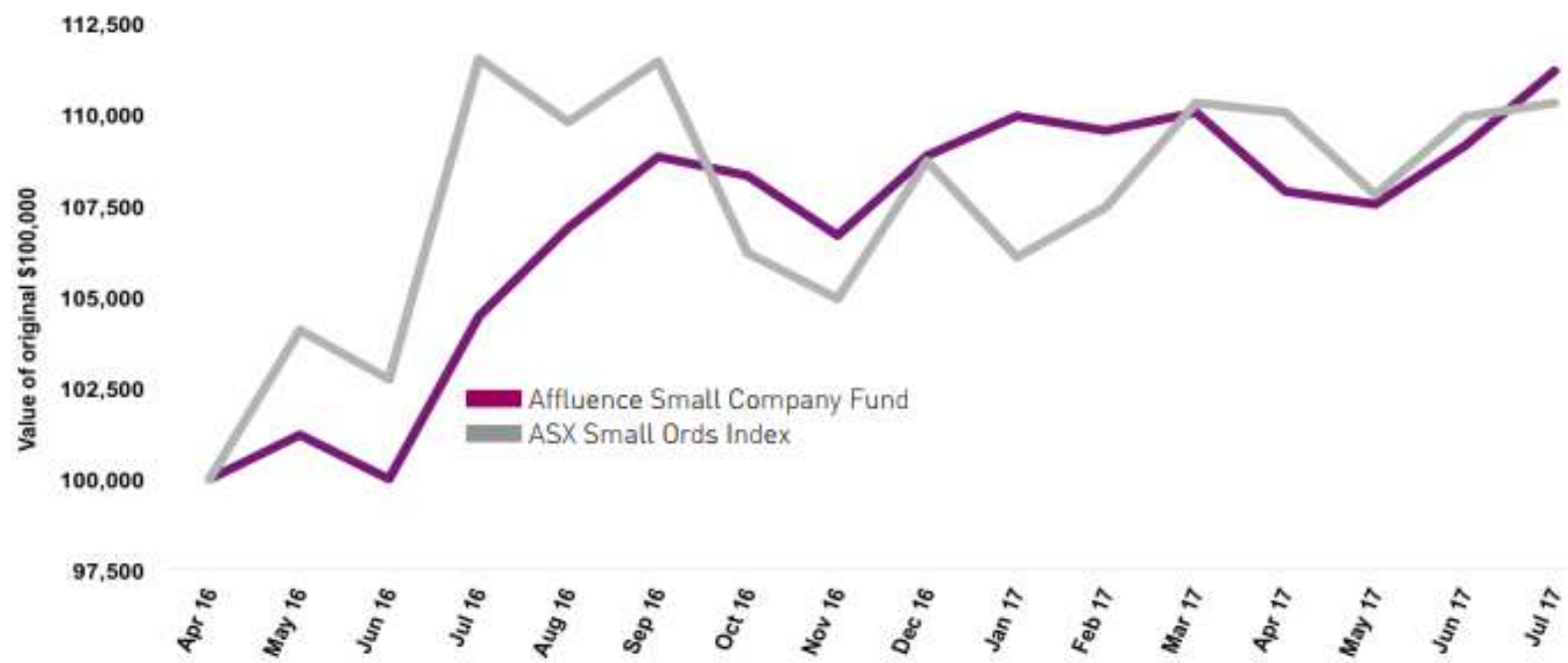


The Portfolio has Performed Better than Targets

○ Performance To Date Has Exceeded Our Targets:

- We aim to deliver total returns of in excess of the ASX Small Ordinaries Index over rolling 3 year periods.
- Excess performance has been greater when the stock market has fallen.

Return on \$100,000 Investment





The Portfolio has Performed Better than Targets

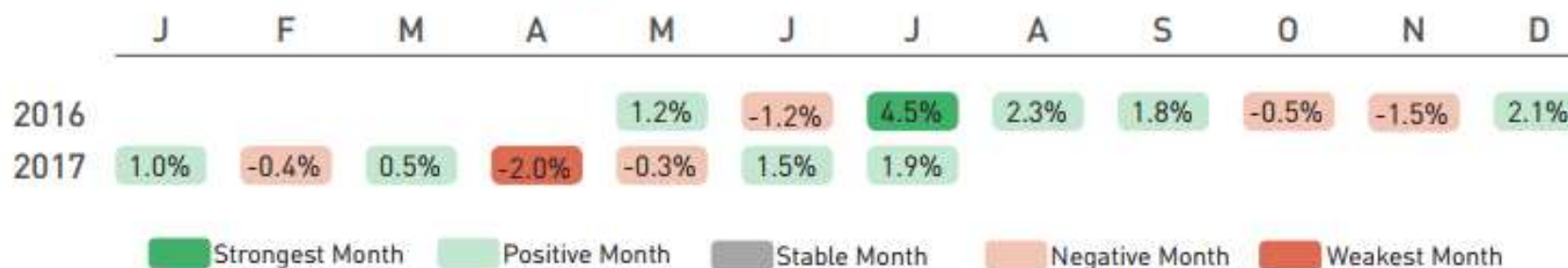
Fund Performance

To 31 July 2017

	1 Month	6 Months	1 Year	Inception	Volatility
Affluence Small Company Fund	1.9%	1.1%	6.4%	8.9%	6.0%
ASX Small Ordinaries Index	0.3%	4.0%	(1.1%)	8.2%	11.3%
Outperformance against ASX Small Ords Index	1.6%	(2.9%)	7.5%	0.7%	

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 1 year are annualised. Inception date is 21 April 2016.

Fund Monthly Return History



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