

Affluence Small Company Fund

Fund Report - November 2020

Fund Commentary

The Affluence Small Company Fund had another strong month in November, increasing by 9.6%, but not quite keeping up with the ASX Small Ordinaries Index which increased by an astonishing 10.3%. The Fund has now returned 8.2% per annum since inception in April 2016. The strongest performing investments in November included the deep value Williamson Wentworth Fund (up 16%) and a range of directly held ASX Small Companies, which we talk more about below.

At the end of November, we added a new unlisted fund to the portfolio, the Samuel Terry Absolute Return Fund. As we receive additional investor funds, we intend to continue to expand the number of investments in the portfolio to increase diversification. We have already identified several additional unlisted funds and other investments that we believe to be outstanding value.

Since commencement of the Fund, the majority of exposure to ASX Small Companies has been achieved by way of investments in unlisted funds run by Underlying Managers. While this will continue to be the case, over the past month or so we have allocated a portion of the portfolio to be invested directly in Small Companies, in addition to the existing investments in unlisted funds. We have made this change due to the extraordinary opportunity set that we see in Small Companies at the moment.

In making this decision to invest directly in Small Companies, we have focused on two specific areas (in addition to LICs), which align with our circle of competence. Those areas of focus are discounted asset plays (including REITs) and fund managers. An example of a discounted asset play held in the portfolio at 30 November is Kangaroo Island Plantation Timbers (KPT). As the name suggests, the company owns land and timber plantations on Kangaroo Island in South Australia. It also holds substantial cash, due to insurance payouts received after extensive bushfire damage to the timber plantations in early 2020. The company currently trades at a significant discount to the value of the cash and farmland it owns. Examples of fund managers purchased for the Fund in the past month are IOOF (IFL), 360 Capital Group (TGP) and Platinum Asset Management (PTM). All three are contrarian purchases, where we believe the fund manager is in a position to create exceptional value over the medium term.

Until recently, the Fund has invested in LICs via the Affluence LIC Fund. However, as noted in last month's report, we redeemed the remaining investment in the Affluence LIC Fund at the end of October. Because valuations in LICs and smaller companies can move very quickly, we wanted the flexibility to be able to change the LIC positioning

within a month, which we can't do by investing in the Affluence LIC Fund. We therefore decided to hold a smaller range of LICs directly. As at the end of November, the LIC Fund proceeds had been redeployed and invested directly in LICs. These include two Cordish Dixon LICs (CD2/CD3), NGE Capital (NGE), Contrarian Value Fund (CVF) and Monash Opportunities Fund (MA1).

At the end of November, the Fund was fully invested. The portfolio included six unlisted funds (61% of the portfolio), five LICs (19%) and six ASX listed Small Companies (19%). The balance 1% was cash, and ASX200 put options.

If you would like to know more about the investment portfolio, including our top holdings and weightings, visit the Affluence Small Company Fund page at <https://affluencefunds.com.au/asf/> or the Members area of our website. You must be registered as an Affluence Member to view the portfolio.

The Affluence Small Company Fund is open to Wholesale and Sophisticated Investors. The cut-off for this month's applications is 24 December. Units will be issued effective 1 January. If you are interested in the Fund, contact us or visit the website to find out more.

Fund Performance

To 30 November 2020

	1 Month	1 Year	2 Years	3 Years	4 Years	Inception	Volatility
Affluence Small Company Fund Total Returns	9.6%	21.7%	14.0%	6.5%	7.8%	8.2%	12.6%
ASX Small Ordinaries Index (Small Ords)	10.3%	6.0%	11.2%	6.7%	10.0%	9.8%	18.5%
Performance compared to Small Ords Index	(0.7%)	15.7%	2.8%	(0.2%)	(2.2%)	(1.6%)	

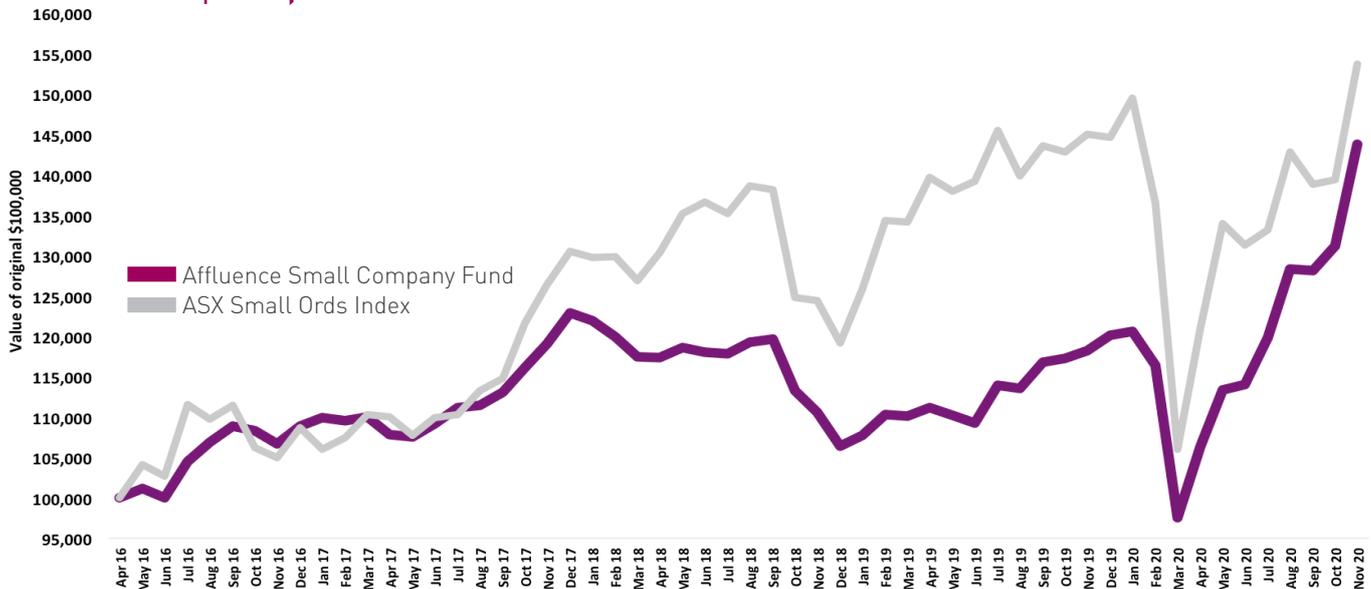
Total returns are net of fees and costs (excluding buy-sell spread) using the mid prices and assume the reinvestment of distributions. Returns of more than 1 year are annualised. Inception date is 21 April 2016. Past performance is not indicative of future performance.

Fund Monthly Return History

	J	F	M	A	M	J	J	A	S	O	N	D	Year
2016					1.2%	-1.2%	4.5%	2.3%	1.8%	-0.5%	-1.5%	2.1%	8.9%
2017	1.0%	-0.4%	0.5%	-2.0%	-0.3%	1.5%	1.9%	0.2%	1.5%	2.7%	2.5%	3.2%	12.9%
2018	-0.8%	-1.6%	-2.0%	-0.1%	1.1%	-0.5%	-0.2%	1.2%	0.3%	-5.3%	-2.3%	-3.9%	-13.5%
2019	1.3%	2.4%	-0.2%	1.0%	-0.9%	-0.8%	4.3%	-0.4%	2.9%	0.5%	0.8%	1.6%	12.9%
2020	0.4%	-3.5%	-16.2%	9.6%	6.5%	0.7%	5.0%	7.1%	-0.2%	2.4%	9.6%		19.7%

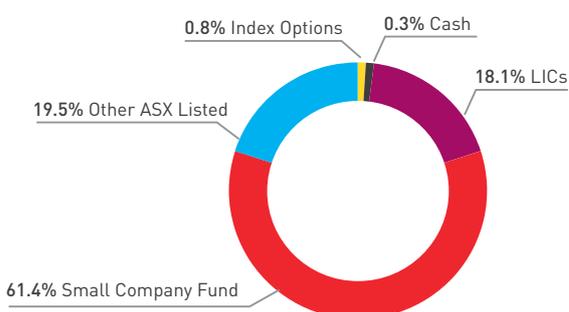
■ Strongest Month
 ■ Positive Month
 ■ Stable Month
 ■ Negative Month
 ■ Weakest Month

Return on \$100,000 Investment



Portfolio Summary

Underlying Investment Type



Five Largest Investments

- Phoenix Opportunities Fund
- Samuel Terry Absolute Return Fund
- Wentworth Williamson Fund
- Terra Capital Natural Resources Fund
- Lennox Australian Small Companies Fund

What Makes This Fund Different

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

Key Statistics

Investment Class	ASX Small Companies
Minimum Investment	\$20,000
Suggested Timeframe	At least 5 years
Benchmark Returns	ASX Small Ords Accumulation Index
Entry Price	\$1.1175
Exit Price	\$1.1097
Distributions	Quarterly, target 5% p.a.
Applications	Monthly
Withdrawals	Monthly
Management Fees	Nil
Performance Fee	12.5% of positive performance
Buy/Sell Spread	0.35%/0.35%

Investment Strategy

We believe that exposure to Small Company stocks through quality investments across different managers, investment strategies and structures can provide higher risk adjusted returns from this asset class.

The Fund provides access to a diversified portfolio of Small Company Equities unlisted funds and LIC's as selected by Affluence. We aim to outperform the ASX Small Ordinaries Accumulation Index over rolling 5 year periods and to deliver these returns with lower volatility.

Contact Us

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

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