



# Affluence LIC Fund

## Fund Report - June 2022

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## Fund Commentary

The Affluence LIC Fund declined by 3.8% in June, outperforming the ASX 200 Index which fell by 8.8%. Since the Fund commenced over five years ago, returns have averaged 11.4% per annum, including quarterly distributions of 8.4% per annum. The Fund has outperformed the ASX200 Index over all time periods, with significantly lower volatility.

On 11 July, investors received a higher than usual June quarter distribution. This was mostly attributable to capital gains realised during the year. We expect year-end investment and tax statements for the Fund to be sent out in late July.

The fall of 8.8% for the ASX 200 Index in June was the second biggest fall since the Fund commenced (second only to the COVID induced -20.7% fall in March 2020). Australian large cap equities had held up very well until June. However, rising inflation, increasing interest rates and the threat of a recession caused angst for investors. For the six months to June 22 since markets started falling, the ASX 200 Index is down -9.9%, the ASX Small Ords is down -23.7%, the S&P 500 is down -20%, and the S&P Australian Aggregate Bond Index is down -9.6%.

We have no special insight into what happens from here. The bottom may be near. However, it is also possible that there is further to fall. At a high level, we believe the Australian equity market is near fair value (not cheap, not expensive). US equities are still far above fair value and still expensive. Most other global equity markets range from somewhat attractive to fair value.

Our process, as always, is to increase our market exposure as values fall and reduce market exposure as values increase. During June, we sold our ASX 200 index hedges (which rise in value as the index falls) and deployed a reasonable level of cash into the LIC

market. There has definitely been an increase in opportunities over the past couple of months. NTAs have fallen and discounts to NTA have increased. Our cash levels have reduced from 18.8% at the end of May to 9.7% at the end of June. We continue to hold back some cash in case markets fall further, however we are always on the lookout for opportunities.

The largest positive contributors in June were our index hedges and some trading profits we made during the month as market volatility threw up some short-term opportunities.

During the month, Absolute Equity Performance Fund (AEG) announced they had agreed to a merger with WAM Leaders (WLE) on an NTA for NTA basis. WLE has consistently traded at a premium to NTA, so assuming the transaction completes, we should receive above NTA value for our AEG shares. This is a reasonable outcome for shareholders, who have suffered through poor portfolio performance and continuing discount for AEG.

At the end of June, the Fund held investments in 33 LICs representing 86% of the Fund, 4% in portfolio hedges and 10% in cash. The average NTA discount for the LIC portfolio at the end of the month was approximately 17%, compared to the 14.8% discount at the end of May.

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

**We have reopened the Affluence LIC Fund to new investors. Applications are accepted monthly, and the minimum initial investment amount is \$20,000. The cut-off for applications is the last**

**business day of the month, with units issued effective the first day of the following month. Click the “Invest Now” button on our website to apply online or download application forms.**

## Fund Performance

To 30 June 2022	1 Month	1 Year	3 Years	5 Years	Inception	Volatility
<b>Distributions</b>	6.8%	10.2%	10.5%	9.0%	8.4%	
<b>Change in Unit Price (Capital Growth)</b>	(10.6%)	(13.0%)	4.0%	1.9%	3.0%	
<b>Affluence LIC Fund Total Returns</b>	<b>(3.8%)</b>	<b>(2.8%)</b>	<b>14.5%</b>	<b>10.9%</b>	<b>11.4%</b>	<b>9.2%</b>
<b>ASX200 Accumulation Index (AI)</b>	(8.8%)	(6.5%)	3.3%	6.8%	7.9%	14.4%
<b>Performance compared to ASX200AI</b>	<b>5.0%</b>	<b>3.7%</b>	<b>11.2%</b>	<b>4.1%</b>	<b>3.5%</b>	

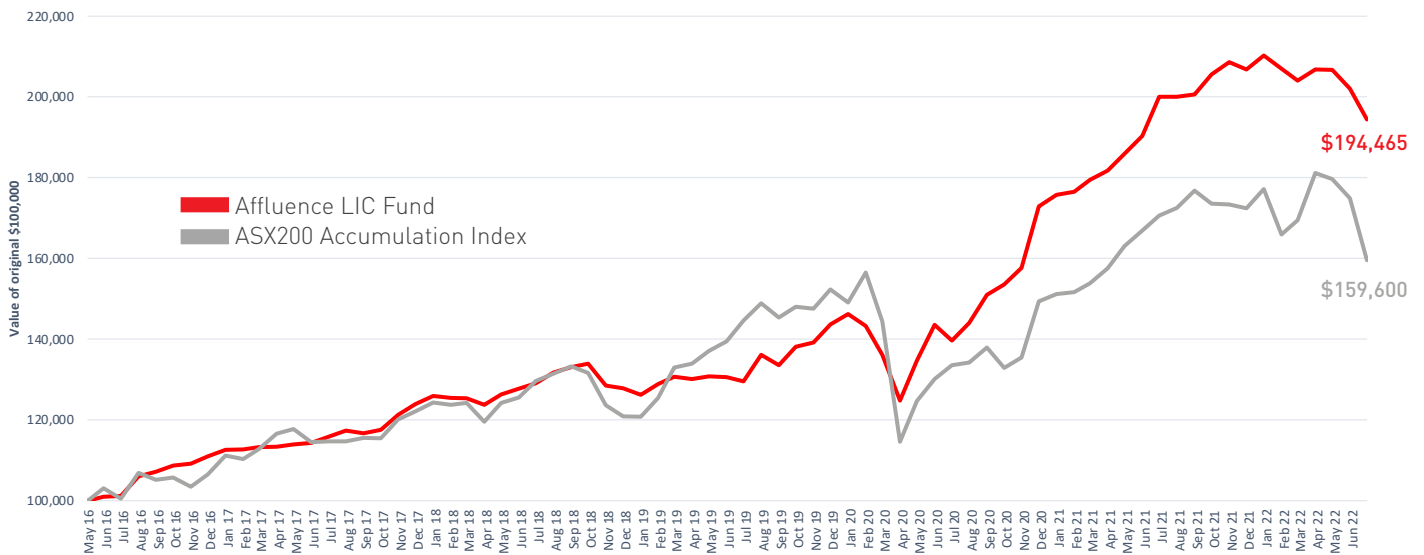
Total returns are net of fees and costs (excluding buy-sell spread) using the mid prices and assume the reinvestment of distributions. Returns of more than 1 year are annualised. Inception date is 3 May 2016. Past performance is not indicative of future performance.

## Fund Monthly Return History

	J	F	M	A	M	J	J	A	S	O	N	D	Year
2016					1.0%	0.1%	4.9%	1.1%	1.4%	0.5%	1.6%	1.5%	12.6%
2017	0.1%	0.5%	0.1%	0.5%	0.3%	1.3%	1.4%	-0.6%	0.7%	3.2%	2.2%	1.6%	11.8%
2018	-0.4%	-0.1%	-1.3%	2.1%	1.2%	1.1%	2.1%	1.0%	0.6%	-4.0%	-0.5%	-1.2%	0.3%
2019	2.1%	1.4%	-0.5%	0.5%	-0.1%	-0.8%	5.1%	-1.9%	3.4%	0.8%	3.2%	1.7%	15.8%
2020	-2.0%	-5.0%	-8.3%	7.9%	6.6%	-2.7%	3.2%	4.8%	1.7%	2.7%	9.7%	1.7%	20.2%
2021	0.4%	1.7%	1.3%	2.3%	2.4%	5.1%	0.0%	0.3%	2.4%	1.5%	-0.9%	1.7%	19.6%
2022	-1.6%	-1.4%	1.4%	0.0%	-2.3%	-3.8%							

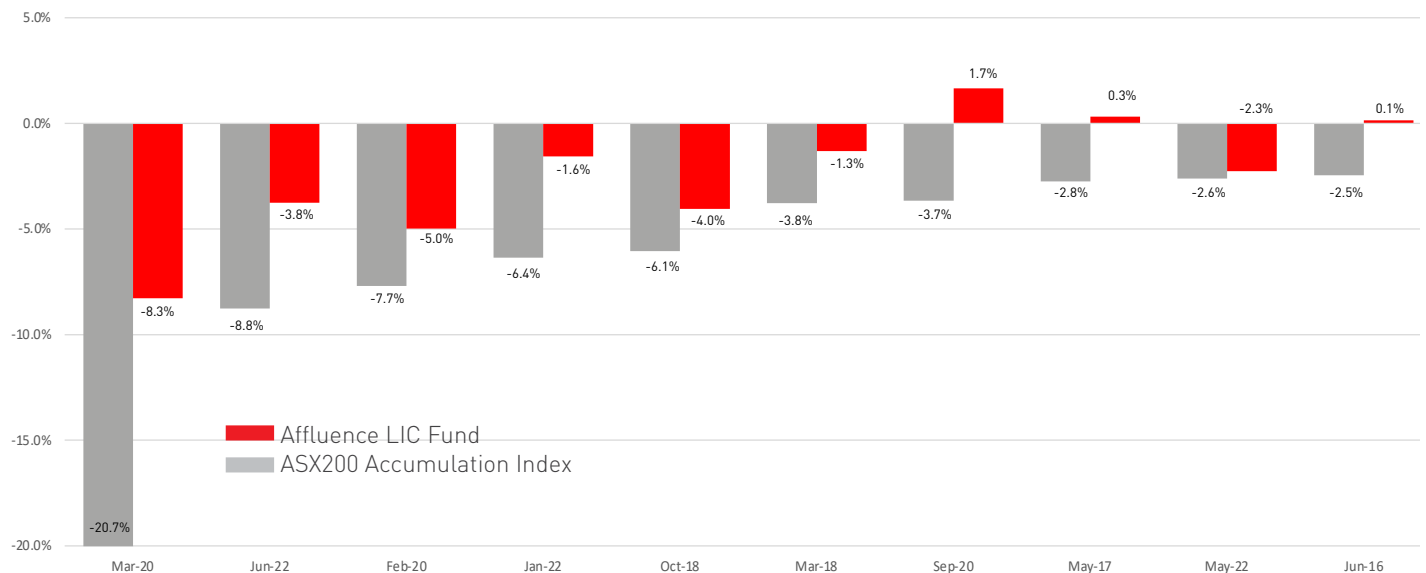
■ Strongest Month   
 ■ Positive Month   
 ■ Stable Month   
 ■ Negative Month   
 ■ Weakest Month

## Return on \$100,000 Investment



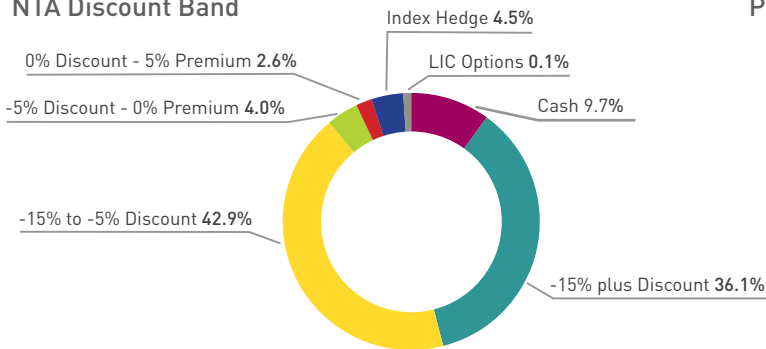
## Fund Performance in ASX 200 Worst Months

The below shows the 10 largest monthly falls in the ASX200 Accumulation Index since the Fund commenced, and the performance of the Affluence LIC Fund for that month. The Fund has outperformed the Index in all 10 of the worst months, and delivered positive returns in three of them.

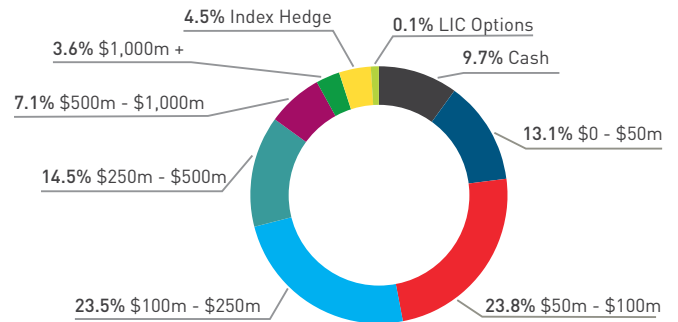


# Portfolio Summary

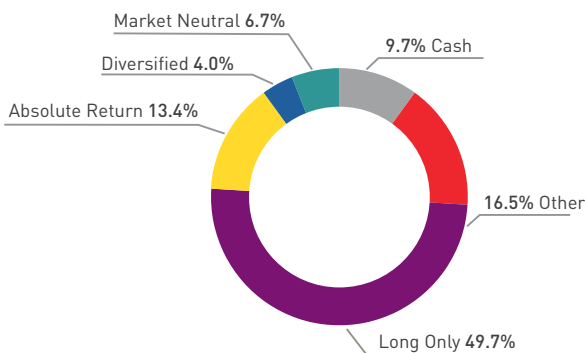
## NTA Discount Band



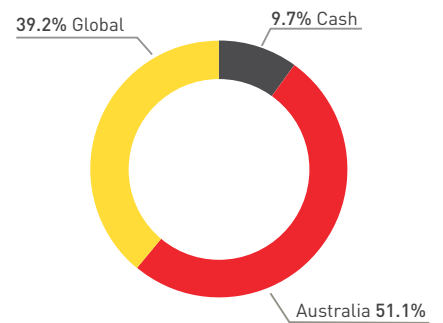
## Portfolio by Market Cap



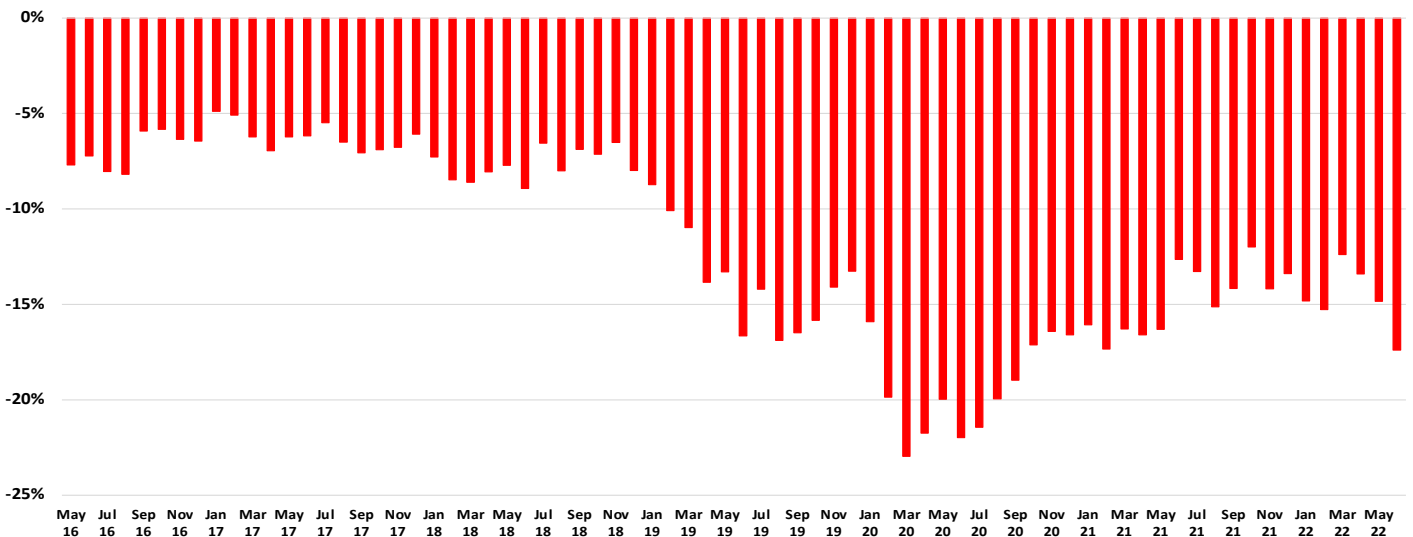
## Equities Strategy



## Geographic Exposure



# Affluence LIC Fund Portfolio - Discount to NTA History



## Five Largest Investments

- Absolute Equity Performance Fund (AEG)
- Thorney Opportunities Limited (TOP)
- Platinum Capital (PMC)
- Sandon Capital Investments Limited (SNC)
- Ellerston Asian Investments (EAI)

Want to know more about Listed Investment Companies (LICs)?

Download our free guide to LICs by clicking [here](#).

## 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 LICs, 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

<b>Investment Class</b>	Listed Investment Companies
<b>Minimum Investment</b>	\$20,000
<b>Suggested Timeframe</b>	At least 5 years
<b>Benchmark Returns</b>	ASX200 Accumulation Index
<b>Fund Value</b>	\$18.5m
<b>Entry Price</b>	\$1.2037
<b>Exit Price</b>	\$1.2013
<b>Annual Distributions</b>	7.00cpu
<b>Distribution Yield</b>	5.8% p.a.
<b>Distribution Frequency</b>	Quarterly
<b>Applications</b>	Monthly
<b>Withdrawals</b>	Monthly
<b>Management Fees</b>	Nil
<b>Performance Fee</b>	12.5% of positive performance
<b>Buy/Sell Spread</b>	0.10%/0.10%

## Meet The Portfolio Managers



### Daryl Wilson

**CEO/Portfolio Manager**

Years in the Industry: 20

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### Greg Lander

**Portfolio Manager**

Years in the Industry: 12

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Phone: +61 409 645 893

## Investment Strategy

The Fund provides access to a diversified investment portfolio of ASX Listed Investment Companies as selected by Affluence. We aim to outperform the ASX 200 Accumulation Index over rolling 3 year periods and to deliver these returns with less volatility than the Index.

The Fund aims to invest in LICs that meet one or more of the following criteria; Alpha Generators – LICs that can outperform the market, Discount Capture – LICs trading at an attractive discounts to NTA, or Event Driven – special situations such as IPOs, capital raisings and other corporate activities.

## Contact Us

If you have an questions, please contact us:

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This information has been prepared by Affluence Funds Management Limited ABN 68 604 406 297 AFS licence no. 475940 (Affluence) as general information only in relation to the Affluence LIC Fund (Fund). It does not purport to be complete and it does not take into account your investment objectives, financial situation or needs. Prospective investors should consider those matters and read the Product Disclosure Statement (PDS) offering units in the Fund before making an investment decision. The PDS contains 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 distribution, investment return or repayment of capital. This information and the information in the PDS is not a recommendation by Affluence or any of its officers, employees, agents or advisers and potential investors are encouraged to obtain independent expert advice before any investment decision.