



The Affluence Investment Fund receives a 5-star rating from Morningstar in both the overall and 3-year categories, the highest rating available<sup>1</sup>.

# Affluence Investment Fund

## Fund Report - February 2018



**Morningstar**  
**Rating**  
3 Year



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## Fund Commentary

Welcome back volatility! Early February saw an almost 5% decline in the ASX 200, and 10% plunge in the US stock market. However by the end of the month you would never have known, with the ASX 200 up 0.4% overall. The Affluence Investment Fund had a weak month decreasing by 0.6%. Since commencing in December 2014, the Fund has returned 9.8% per annum. This has included 6.7% per annum monthly distributions to investors and a 3.1% per annum increase in the unit price of the Fund. Over that same period, the Fund has outperformed both our benchmark of 6.9% per annum (inflation plus 5%) and the ASX 200 (including dividends) of 8.6% per annum.

There was no one reason for the decline this month, with underlying managers having a wide range of results. Key positive contributors during the month included the Totus Capital Alpha Fund (up 4.6%), the Bronte Capital Amalthea Fund (up 4.6%), the Ophir High Conviction Fund (up 3.8%), and the Antipodes Global Fund (up 1.9%). This is an interesting mix of top performers for the month, being one small/mid cap long only manager (Ophir) and the others being long/short absolute return strategies. We also had a number of investments that had returns of minus 3% or more for the month. After working through these

bigger falls, we are comfortable with the reasons for their results. We may look to take advantage of some of these short term pullbacks, by making additional allocations to some of these managers this month.

The February declines have reminded the market that prices don't always go up, and investors now appear to be a little more cautious. We remain comfortable with how the portfolio is positioned, with cash at 14%, fixed interest 6%, market neutral/alternatives 10%, and some index put options.

We added a new investment to our market neutral/alternatives allocation during the month, the Arvix Fund. This fund is managed by Levitas Capital, a volatility specialist. They target to achieve modest returns during stable conditions, and outsized returns when volatility spikes. This type of fund will always have a fairly small allocation in the Fund (currently 1.3%), however we expect it to act as another small shock absorber if/when markets fall.

At month end, 59% of the portfolio was invested in unlisted funds, 16% in the Affluence LIC Fund, 11% in listed investments and 14% in cash. If you'd like further details of the investment portfolio, including our top holdings and weightings, visit the Affluence Investment Fund page or Members Area on our website. You

must be registered as an Affluence Member to view the portfolio.

If you would like to invest with us and get access to a diverse range of Australia's best fund managers, including over 25 unlisted funds as well as more than 20 LIC's and other listed entities, visit the fund page on our website at <https://affluencefunds.com.au/aif/> to find out more. There, you can get information on the Fund, apply online or download the application pack. If you'd like to add to your existing investment in the Fund, you can either complete the one-page form available on our website, or use the online facility.

The cut-off for this month's applications is 23rd March. Units will be issued effective 1st April.

## Fund Performance

To 28 February 2018	1 Month	6 Months	1 Year	2 Years	3 Years	Inception	Volatility
<b>Income Distributions</b>	0.4%	2.6%	7.0%	6.5%	7.2%	6.7%	
<b>Capital Growth</b>	(1.0%)	3.4%	2.4%	4.9%	2.6%	3.1%	
<b>Total Return</b>	<b>(0.6%)</b>	<b>6.0%</b>	<b>9.4%</b>	<b>11.4%</b>	<b>9.8%</b>	<b>9.8%</b>	<b>3.1%</b>
<b>Benchmark - Inflation + 5%</b>	0.6%	3.8%	7.2%	7.2%	7.0%	6.9%	
<b>Outperformance against Benchmark</b>	<b>(1.2%)</b>	<b>2.2%</b>	<b>2.2%</b>	<b>4.2%</b>	<b>2.8%</b>	<b>2.9%</b>	

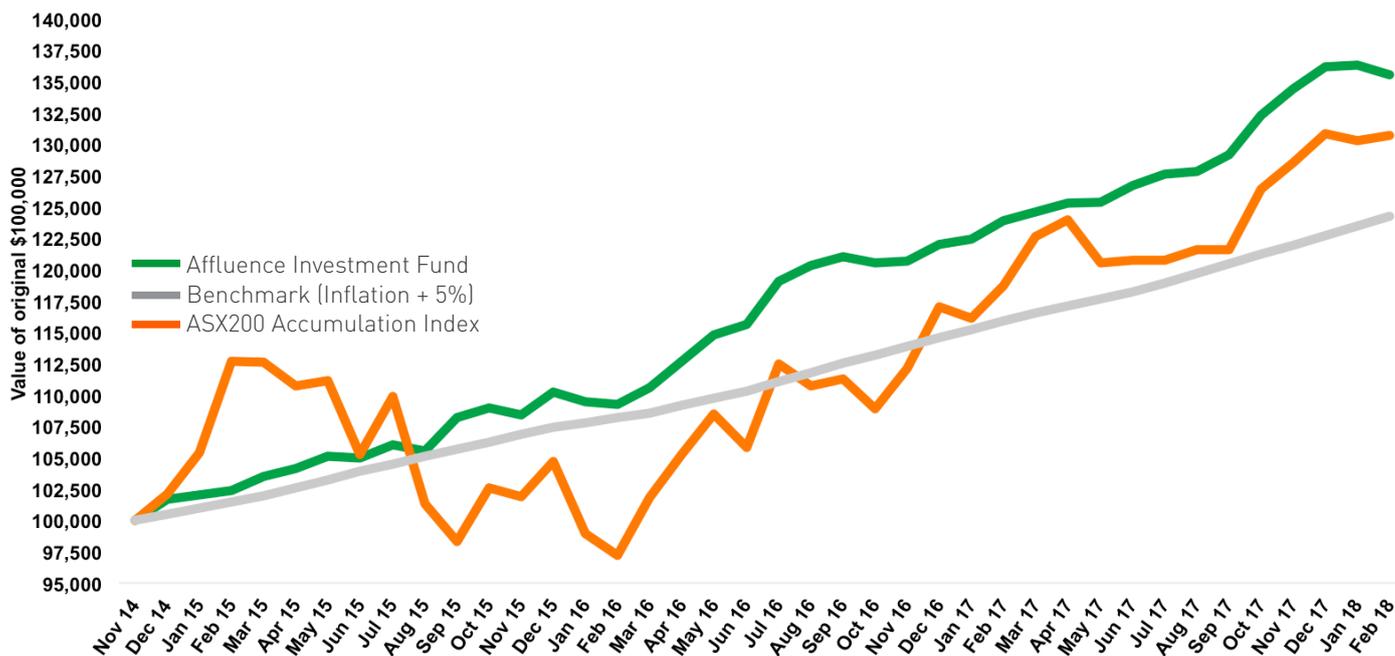
Total returns are net of fees and costs (excluding buy-sell spread) using the mid prices and assume the reinvestment of distributions. Returns for periods of more than 1 year are annualised. Past performance is not indicative of future performance. Inception date is 28 November 2014. The Fund aims to pay distributions of approximately 5% pa paid monthly. Distributions are not guaranteed and may be paid above or below this amount.

## Fund Monthly Return History

	J	F	M	A	M	J	J	A	S	O	N	D	Year
2014												1.7%	N/A
2015	0.3%	0.4%	1.1%	0.6%	0.9%	-0.1%	1.0%	-0.5%	2.5%	0.7%	-0.6%	1.7%	8.4%
2016	-0.7%	-0.2%	1.2%	1.9%	1.9%	0.7%	3.0%	1.1%	0.6%	-0.4%	0.2%	1.1%	10.7%
2017	0.3%	1.2%	0.6%	0.5%	0.1%	1.1%	0.7%	0.1%	1.1%	2.5%	1.6%	1.3%	11.6%
2018	0.1%	-0.6%											

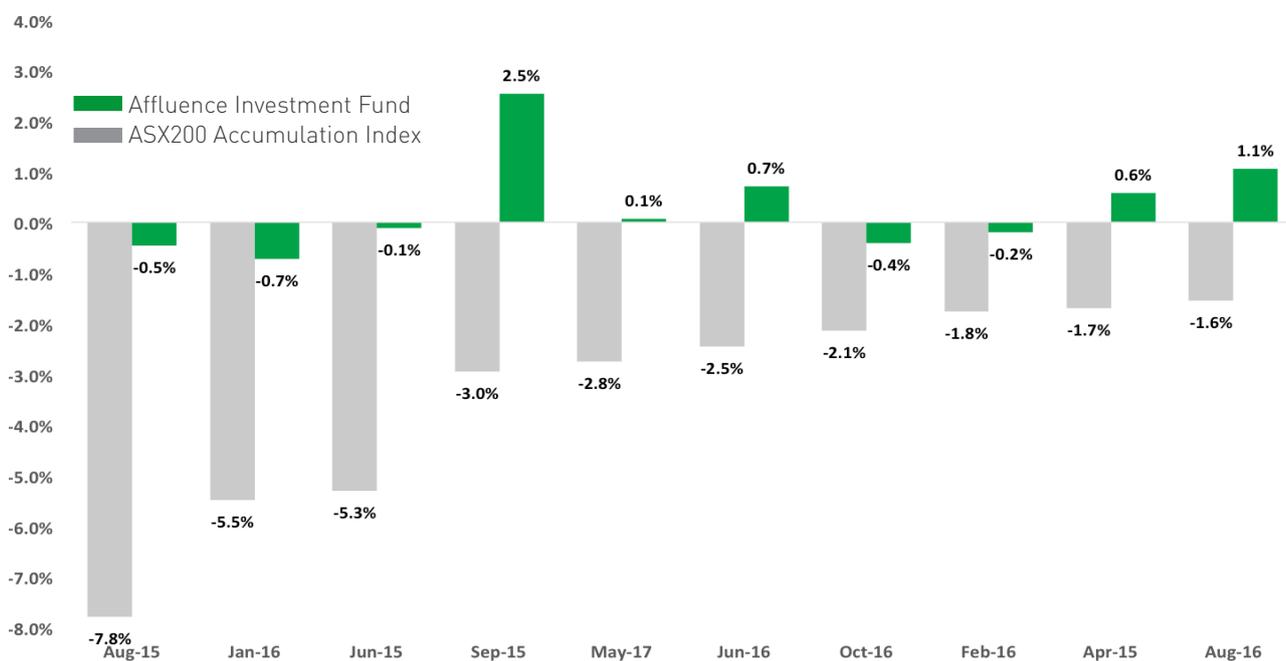
■ Strongest Month   
 ■ Positive Month   
 ■ Stable Month   
 ■ Negative Month   
 ■ Weakest Month

## Return on \$100,000 Investment



## Fund Performance vs ASX 200 - Worst Months

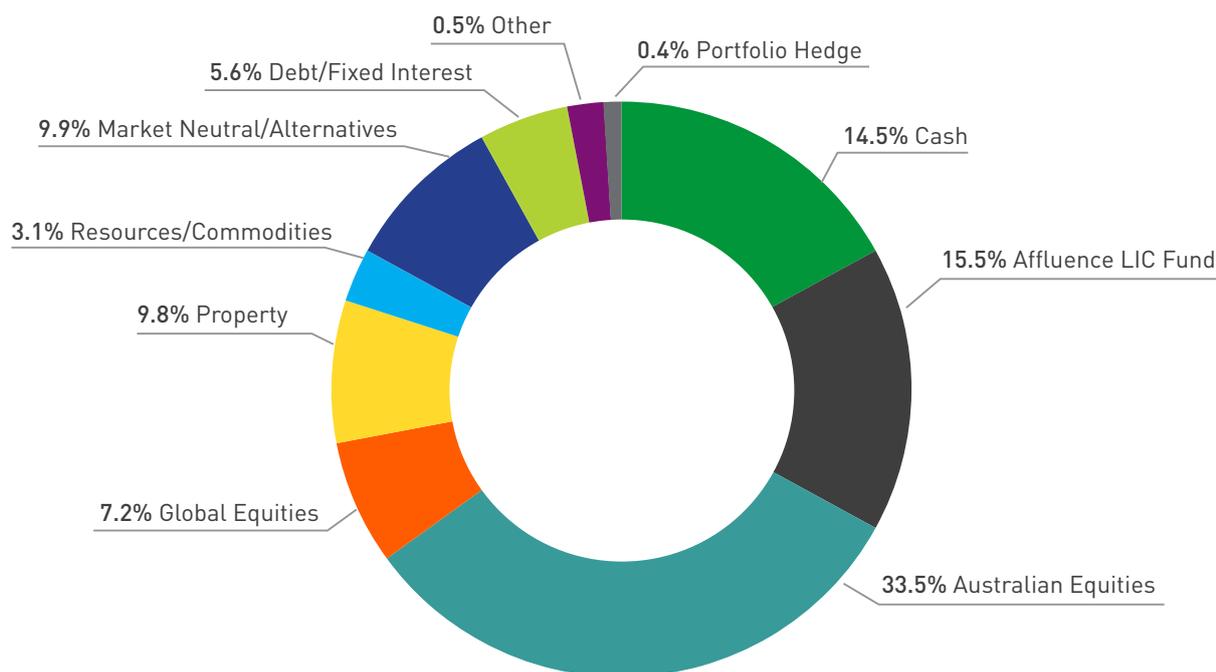
The below shows the 10 largest monthly falls in the ASX200 Accumulation Index since the Fund commenced, and the performance of the Affluence Investment Fund for that month. The Fund has outperformed the Index in all 10 of the worst months, and delivered positive returns in 5 of them.



## Asset Allocation Summary

Asset Class	Number of Funds/ Investments	Current	Normal Range
Affluence LIC Fund	29 LICs	15.5%	10-20%
Australian Equities	15	33.5%	20-50%
Global Equities	4	7.2%	5-30%
Property	7	9.8%	5-30%
Resources/Commodities	3	3.1%	0-10%
Market Neutral/Alternatives	6	9.9%	5-20%
Debt/Fixed Interest	4	5.6%	5-20%
Other	N/A	0.5%	0-35%
Portfolio Hedge	N/A	0.4%	
Cash	N/A	14.5%	5-20%
<b>Total</b>		<b>100.0%</b>	

## Portfolio Summary



1. The Funds are categorised by Affluence based on their dominant underlying asset class/strategy (e.g. some Australian equity funds may include some global holdings).
2. Australian Equities and Global Equities comprise both long only and long/short strategies.
3. The Normal Range refers to the expected lower and upper range for each asset class during normal market conditions. Affluence may vary these ranges at any time.
4. More detailed information on the Affluence LIC Fund, including asset allocation, can be found in the fund report available on the Affluence website.

## Top 10 Largest Investments

Affluence LIC Fund	Wentworth Williamson Fund
Phoenix Opportunities Fund	Antipodes Global Fund
Cromwell Direct Property Fund	Packer & Co Investigator Trust
KIS Asia Long Short Fund	Perpetual Pure Credit Alpha Fund
Cooper Investors Brunswick Fund	IML Concentrated Australian Share Fund

## What Makes This Fund Different

Traditional Fund Managers	vs. 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 3 years
Benchmark Returns	Inflation + 5%
Fund Value	\$10.8m
Entry Price	\$1.1059
Exit Price	\$1.0982
Annual Distributions	5.40 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%

## 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.

## Contact Us

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

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## Meet The Portfolio Managers



### Daryl Wilson

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Years in the Industry: 18

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### Greg Lander

Portfolio Manager

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