

Half-Year Financial Report

Affluence Investment Fund

ARSN 617 680 654

31 December 2018

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DIRECTORY

Responsible Entity:

Affluence Funds Management Limited
ABN 68 604 406 297
Level 5, 320 Adelaide Street
Brisbane QLD 4000
Tel: +61 7 3010 9726
Fax: +61 7 3054 7082
Website: www.affluencefunds.com.au

Custodian:

Perpetual Corporate Trust Limited
ABN 99 000 341 533
Level 12, 123 Pitt Street
Sydney NSW 2000
Tel: +61 2 9229 9000
Fax: +61 2 9229 9188
Website: www.perpetual.com.au

Auditor:

Pitcher Partners
Level 38, Central Plaza One
345 Queen Street
Brisbane QLD 4000
Tel: +61 7 3222 8444
Fax: +61 7 3221 7779
Website: www.pitcher.com.au

The directors of Affluence Funds Management Limited, the Responsible Entity of the Affluence Investment Fund ("the Fund"), present their report for the half-year ended 31 December 2018.

1. Responsible Entity and Investment Manager

The Responsible Entity acts as trustee, undertakes management and administration duties for the Fund and monitors the Custodian which holds the Fund assets on behalf of unitholders. The Responsible Entity also acts as the Investment Manager and is responsible for the management and performance of the Fund investment portfolio.

Affluence Funds Management Limited ("AFM") has acted as Responsible Entity, trustee and Investment Manager of the Fund since 19 August 2015.

2. Directors and Secretary

The following persons held office as Directors of AFM during the half-year and up to the date of this report unless otherwise indicated:

- Daryl Wilson, Director & Company Secretary
- Karen Prentis
- Geoff Cannings

3. Principal Activity

The Fund's principal activity is to provide investors with:

- access to a diversified portfolio of underlying investments, predominantly in listed and unlisted funds;
- a minimum distribution yield of 5% per annum, paid monthly;
- a total annualised return of at least inflation plus 5% ("Target Return") over rolling 3-year periods; and
- a total return of at least 5% better than the S&P/ASX 200 accumulation index ("ASX200 Index") in any year the ASX200 Index posts a negative return.

The Fund also aims to deliver volatility of returns which is less than 50% of the ASX200 Index, measured over rolling 3-year periods.

4. Review of Operations and Results

The Fund recorded a loss of \$530,626 during the half-year ended 31 December 2018 (2017: profit of \$602,627).

The table below shows the Fund's performance after fees and costs, against the target return of inflation + 5% over various periods since inception:

Fund Performance

| To 31 December 2018 | 1 Month | 1 Year | 2 Years | 3 Years | 4 Years | Inception | Volatility |
|---|---------------|---------------|---------------|---------------|-------------|-------------|-------------|
| Income Distributions | 0.5% | 6.1% | 6.6% | 6.4% | 6.7% | 6.6% | |
| Capital Growth | (1.5%) | (8.1%) | (2.0%) | 0.2% | 0.3% | 0.7% | |
| Total Return | (1.0%) | (2.0%) | 4.6% | 6.6% | 7.0% | 7.3% | 3.6% |
| Benchmark - Inflation + 5% | 0.6% | 6.9% | 7.0% | 6.9% | 6.9% | 6.9% | |
| Outperformance against Benchmark | (1.6%) | (8.9%) | (2.4%) | (0.3%) | 0.1% | 0.4% | |

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.

The Fund delivered total returns (distributions and the change in unit price) of -3.4% for the half-year, compared to the target return of +3.4%. Returns since the commencement of the Fund have exceeded the target return. Just as importantly, volatility (variability of returns) has been very low. Since commencement, volatility has been 3.6%.

Falls in most listed markets in Australia and globally negatively impacted returns for the half-year. Negative contributors tended to be those funds investing in smaller companies or with a value style. There were also a range of investments that delivered relatively low positive returns. These were predominantly fixed interest, market neutral and property focused investments.

Distributions paid/payable to unitholders of the Fund for the half-year were \$355,855 (2017: \$202,246). Distributions payable at balance date were \$65,628 (2017: \$220,551).

4. Review of Operations and Results (continued)

As at 31 December 2018, unlisted funds represented 67% of the total portfolio, and the Affluence LIC Fund represented 13% of the portfolio. Listed investments made up 9% of the portfolio. The remaining 11% was cash.

Current information on the Fund including details of the strategy, performance, portfolio, unit pricing and distributions is available on the AFM website at www.affluencefunds.com.au/aif/.

5. Subsequent Events

No matter or circumstance has arisen since 31 December 2018 that has significantly affected or may significantly affect:

- the Fund's operations in future financial years; or
- the results of those operations in future financial years; or
- the Fund's state of affairs in future financial years.

7. Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* accompanies this report.

Signed in accordance with a resolution of the directors of Affluence Funds Management Limited.



Daryl Wilson
Director

31 January 2019



PITCHER PARTNERS

Level 38, 345 Queen Street
Brisbane, Queensland 4000

Postal Address
GPO Box 1144
Brisbane, Queensland 4001

Tel +61 7 3222 8444

Fax +61 7 3221 7779

www.pitcher.com.au

info@pitcherpartners.com.au

Daryl Wilson
Director
Affluence Investment Fund
Level 5, 320 Adelaide Street
BRISBANE QLD 4000

Auditor's Independence Declaration

In relation to the independent auditor's review for the half year ended 31 December 2018, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants*.

PITCHER PARTNERS

NIGEL BATTERS
Partner

Brisbane, Queensland

31 January 2019

Ken Ogden
Nigel Fischer
Mark Nicholson

Peter Camenzuli
Jason Evans
Ian Jones

Kylie Lamprecht
Norman Thurecht
Brett Headrick

Warwick Face
Nigel Batters
Cole Wilkinson

Simon Chun
Jeremy Jones
Tom Splatt

James Field
Daniel Colwell

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INTERNATIONAL

Affluence Investment Fund
Statement of Comprehensive Income
For the half-year ended 31 December 2018

| | Dec-2018 | Dec-2017 |
|--|------------------|----------------|
| | \$ | \$ |
| Investment income | | |
| Distribution income | 105,805 | 78,351 |
| Dividend income | 10,544 | 6,829 |
| Interest income | 18,342 | 11,787 |
| Net change in fair value of investments | - | 587,903 |
| Other income | 12,568 | 17,849 |
| Net investment income | 147,259 | 702,719 |
| Expenses | | |
| Brokerage | 1,991 | 1,262 |
| Fund administration costs | 17,279 | 10,264 |
| Net change in fair value of investments | 625,651 | - |
| Other expenses | - | - |
| Performance fees | 32,964 | 88,566 |
| Total expenses | 677,885 | 100,092 |
| Profit/(loss) | (530,626) | 602,627 |
| Other comprehensive income | - | - |
| Total comprehensive income/(loss) | (530,626) | 602,627 |

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

**Affluence Investment Fund
Balance Sheet
As at 31 December 2018**

| | Note | Dec-2018 \$ | Jun-2018 \$ |
|--|------|-------------------|-------------------|
| Assets | | | |
| Cash and cash equivalents | | 1,437,242 | 1,770,519 |
| Receivables | | 40,074 | 318,476 |
| Investments at fair value through profit or loss | 2 | 13,589,848 | 10,730,211 |
| Total assets | | 15,067,164 | 12,819,206 |
| Liabilities | | | |
| Payables | | 307,050 | 535,541 |
| Distributions payable | | 65,628 | 220,551 |
| Total liabilities | | 372,678 | 756,092 |
| Net assets | | 14,694,486 | 12,063,114 |
| Equity | | | |
| Contributed equity | 4 | 15,416,509 | 11,898,655 |
| Retained earnings/(Accumulated losses) | | (722,023) | 164,459 |
| Total equity | | 14,694,486 | 12,063,114 |

The above balance sheet should be read in conjunction with the accompanying notes.

**Affluence Investment Fund
Statement of Changes in Equity
For the half-year ended 31 December 2018**

| 2018 | Note | Contributed equity \$ | Retained earnings/ (Accumulated Losses) \$ | Total equity \$ |
|--|------|-----------------------------|--|-----------------------|
| Balance at the beginning of the half-year – 1 July 2018 | | 11,898,655 | 164,458 | 12,063,113 |
| Total comprehensive income/(loss) | | - | (530,626) | (530,626) |
| <i>Transactions with unitholders in their capacity as unitholders:</i> | | | | |
| Units issued | | | | |
| For cash | 4 | 3,312,945 | - | 3,312,945 |
| Reinvestment of distributions | 4 | 256,709 | - | 256,709 |
| Rebate of fees | 4 | 19,349 | - | 19,349 |
| Redemptions | 4 | (71,149) | - | (71,149) |
| Distributions paid/payable | 3 | - | (355,855) | (355,855) |
| Total transactions with unitholders | | 3,517,854 | (355,855) | 3,161,999 |
| Balance at the end of the half-year | | 15,416,509 | (722,023) | 14,694,486 |
| 2017 | | | | |
| Balance at the beginning of the half-year – 1 July 2017 | | 6,175,344 | 48,248 | 6,223,592 |
| Total comprehensive income | | - | 602,627 | 602,627 |
| <i>Transactions with unitholders in their capacity as unitholders:</i> | | | | |
| Units issued | | | | |
| For cash | 4 | 3,209,378 | - | 3,209,378 |
| Reinvestment of distributions | 4 | 142,699 | - | 142,699 |
| Rebate of fees | 4 | 17,476 | - | 17,476 |
| Redemptions | 4 | (25,858) | - | (25,858) |
| Distributions paid/payable | 3 | - | (202,246) | (202,246) |
| Total transactions with unitholders | | 3,343,695 | (202,246) | 3,141,449 |
| Balance at the end of the half-year | | 9,519,039 | 448,629 | 9,967,668 |

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Affluence Investment Fund
Statement of Cash Flows
For the half-year ended 31 December 2018

| | Dec-2018 \$ | Dec-2017 \$ |
|--|--------------------|--------------------|
| Cash flows from operating activities | | |
| Distributions received | 250,127 | 122,120 |
| Dividends received | 10,544 | 6,829 |
| Interest received | 19,558 | 8,637 |
| Other income received | 15,442 | 17,385 |
| Cash payments in the course of operations | (56,761) | (24,426) |
| Net cash provided by operating activities | 238,910 | 130,545 |
| Cash flows from investing activities | | |
| Proceeds from sale of investments at fair value through profit or loss | 1,109,816 | 644,883 |
| Payments for investments at fair value through profit or loss | (4,465,115) | (3,614,136) |
| Net cash used in investing activities | (3,355,299) | (2,969,253) |
| Cash flows from financing activities | | |
| Proceeds from issue of units | 3,108,330 | 3,559,176 |
| Payment of redemptions | (71,149) | (25,858) |
| Payment of distributions | (254,069) | (150,700) |
| Net cash provided by financing activities | 2,783,112 | 3,382,618 |
| Net increase/(decrease) in cash and cash equivalents | (333,277) | 543,910 |
| Cash and cash equivalents at the beginning of the half-year | 1,770,519 | 1,129,185 |
| Cash and cash equivalents at the end of the half-year | 1,437,242 | 1,673,095 |

The above statement of cash flows should be read in conjunction with the accompanying notes.

1. Basis of preparation

This financial report for the Affluence Investment Fund ("Fund") is a general purpose financial report for the half-year ending 31 December 2018. It has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The financial report is designed to provide an update on the Fund's financial performance and financial position since the last annual financial report was issued. The financial report does not include all the notes normally included in an annual financial report and needs to be read in conjunction with the annual financial report of the Fund for the year ended 30 June 2018.

The accounting policies adopted are consistent with those of the previous financial year and the corresponding half-year reporting periods.

New and amended standards adopted by the Fund

The Fund has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Continuous disclosure

Continuous disclosure updates of the Fund's performance and significant events can be found on the AFM website at www.affluencefunds.com.au/aif/.

2. Investments at Fair Value Through Profit or Loss

| | Dec-2018 | Jun-2018 |
|---|-------------------|------------|
| | \$ | \$ |
| Listed securities at fair value | 1,651,358 | 1,297,802 |
| Unlisted securities at fair value | 11,613,490 | 9,157,409 |
| Unlisted equity securities awaiting issue | 325,000 | 275,000 |
| Investments at fair value through profit or loss | 13,589,848 | 10,730,211 |

Fair value measurement

For details about the fair value measurement of the Fund's financial instruments refer to note 5.

3. Distributions

The Fund paid distributions of 2.76 cents per unit (2017: 2.70 cents per unit).

| | Dec-2018 | Dec-2017 |
|-------------------------------------|-----------------|----------|
| | \$ | \$ |
| Distributions paid / payable | 355,855 | 202,246 |

4. Contributed equity

| | Number # | Value \$ |
|--|-------------------|-------------------|
| Movements in contributed equity | | |
| Balance at 1 July 2017 | 5,845,069 | 6,175,344 |
| Units issued: | | |
| For cash | 2,958,823 | 3,209,378 |
| Reinvestment of distributions | 132,723 | 142,699 |
| For services (performance fees) | 16,333 | 17,476 |
| Units redeemed | (23,940) | (25,858) |
| Balance at 31 December 2017 | 8,929,008 | 9,519,039 |
| Units issued: | | |
| For cash | 2,219,694 | 2,464,745 |
| Reinvestment of distributions | 114,888 | 126,959 |
| For services (performance fees) | 27,104 | 29,903 |
| Units redeemed | (220,703) | (241,991) |
| Balance at 30 June 2018 | 11,069,991 | 11,898,655 |
| Units issued: | | |
| For cash | 3,066,401 | 3,312,945 |
| Reinvestment of distributions | 237,456 | 256,709 |
| For services (performance fees) | 17,629 | 19,349 |
| Units redeemed | (66,581) | (71,149) |
| Balance at 31 December 2018 | 14,324,896 | 15,416,509 |

5. Fair value disclosures – financial instruments

Disclosed fair values

The carrying amounts of receivables, payables and distributions payable are assumed to approximate their fair values due to their short-term nature.

Fair value hierarchy

Fair value that is determined by reference to actively trading markets is considered a level 1 fair value measurement as described in AASB 13 *Fair Value Measurement*.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Fair value of investments at fair value through profit or loss

The Fund holds financial instruments measured at fair value which are investments in both ASX listed securities and unlisted trusts.

The fair value measurement for ASX listed securities is considered a level 1 fair value measurement under AASB 7 *Financial Instruments: Disclosures* as it is based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value measurement for unlisted trust investments are considered level 2 fair value measurements. These investments comprise unlisted equity securities of various managed investment trusts which invest in various different asset classes and utilise different investment strategies. The Fund uses the disclosed unit prices of these trusts to determine the fair value of the equity securities investments as these unit prices are predominantly dependent on the fair value of the underlying investments they hold.

The Fund held no other financial instruments at fair value in the current or prior half-year.

6. Commitments/Contingent liabilities

The Directors of the Responsible Entity are not aware of any material commitments or contingent liabilities.

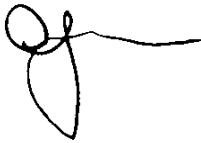
7. Events occurring after the reporting period

No matters or circumstances not otherwise dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

In the opinion of the Directors of the Responsible Entity, Affluence Funds Management Limited:

- (a) the attached financial statements and notes are in accordance with the Corporations Act 2001, including:
 - (i) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - (ii) giving a true and fair view of the Fund's financial position as at 31 December 2018 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date; and
- (b) there are reasonable grounds to believe the Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors of Affluence Funds Management Limited.

A handwritten signature in black ink, consisting of a large loop followed by a horizontal line extending to the right and a vertical line extending downwards.

Daryl Wilson
Director

31 January 2019.

Independent Auditor's Review Report to the Directors of Affluence Investment Fund

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Affluence Investment Fund ("the fund"), which comprises the statement of financial position as at 31 December 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Affluence Investment Fund is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

PITCHER PARTNERS



NIGEL BATTERS
Partner

Brisbane, Queensland
31 January 2019