

Half-Year Financial Report

Affluence Investment Fund

ARSN 617 680 654

31 December 2019

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DIRECTORY

Responsible Entity:

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Fax: +61 7 3054 7082
Website: www.affluencefunds.com.au

Custodian:

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ABN 99 000 341 533
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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 2019.

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 profit of \$1,131,686 during the half-year ended 31 December 2019 (2018: loss of \$530,626).

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 2019	1 Month	1 Year	3 Years	5 Years	Inception	Volatility
Distributions	0.4%	5.7%	6.3%	6.6%	6.5%	
Change in Unit Price (Capital Growth)	0.7%	6.6%	0.8%	1.5%	1.8%	
Affluence Investment Fund Total Return	1.1%	12.3%	7.1%	8.1%	8.3%	3.5%
Benchmark - Inflation + 5%	0.6%	6.9%	7.0%	6.9%	6.9%	
Performance against Benchmark	0.5%	5.4%	0.1%	1.2%	1.4%	

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 6.7% for the half-year, compared to the target return of 3.1%. Returns since the commencement of the Fund have exceeded the target return. Just as importantly, volatility (variability of returns) has been very low since inception.

Low interest rates continued to increase demand for growth assets such as equities and property during the period. This led to increases in most listed equity markets in Australia and globally, which positively impacted Fund returns for the half-year. Notwithstanding the high average market valuations, the Fund retains a substantial number of holdings which are considered to be undervalued and we remain positive about the medium-term potential.

Distributions paid/payable to unitholders of the Fund for the half-year were \$459,822 (2018: \$355,855). Distributions payable at balance date were \$79,253 (2018: \$545,770).

4. Review of Operations and Results (continued)

As at 31 December 2019, unlisted funds represented 63% of the total portfolio, and the Affluence LIC Fund represented 16% of the portfolio. Listed investments made up 14% of the portfolio. The remaining 7% 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 2019 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

29th January 2020



PITCHER PARTNERS

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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 2019, 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 (including Independence Standards)*.

PITCHER PARTNERS

NIGEL BATTERS
Partner

Brisbane, Queensland

29 January 2020

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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**Affluence Investment Fund
Statement of Comprehensive Income
For the half-year ended 31 December 2019**

	Dec-2019 \$	Dec-2018 \$
Investment income		
Distribution income	133,330	105,805
Dividend income	33,818	10,544
Interest income	4,237	18,342
Net change in fair value of investments	1,109,530	-
Other income	40,150	12,568
Net investment income	1,321,065	147,259
Expenses		
Brokerage	2,518	1,991
Fund administration costs	22,581	17,279
Net change in fair value of investments	-	625,651
Performance fees	164,280	32,964
Total expenses	189,379	677,885
Profit/(loss)	1,131,686	(530,626)
Other comprehensive income	-	-
Total comprehensive income/(loss)	1,131,686	(530,626)

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

**Affluence Investment Fund
Balance Sheet
As at 31 December 2019**

	Note	Dec-2019 \$	Jun-2019 \$
Assets			
Cash and cash equivalents		1,515,053	1,107,934
Receivables		76,361	349,574
Investments at fair value through profit or loss	2	17,747,478	14,735,891
Total assets		19,338,892	16,193,399
Liabilities			
Payables		419,971	560,140
Distributions payable		79,253	68,126
Total liabilities		499,224	628,266
Net assets		18,839,668	15,565,133
Equity			
Contributed equity	4	18,522,550	15,919,879
Retained earnings/(Accumulated losses)		317,118	(354,746)
Total equity		18,839,668	15,565,133

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 2019

2019	Note	Contributed equity \$	Retained earnings/ (Accumulated Losses) \$	Total equity \$
Balance at the beginning of the half-year – 1 July 2019		15,919,879	(354,746)	15,565,133
Total comprehensive income/(loss)		-	1,131,686	1,131,686
<i>Transactions with unitholders in their capacity as unitholders:</i>				
Units issued				
For cash	4	3,222,600	-	3,222,600
Reinvestment of distributions	4	252,803	-	252,803
Rebate of fees	4	22,916	-	22,916
Redemptions	4	(895,648)	-	(895,648)
Distributions paid/payable	3	-	(459,822)	(459,822)
Total transactions with unitholders		2,602,671	(459,822)	2,142,849
Balance at the end of the half-year		18,522,550	317,118	18,839,668
2018				
Balance at the beginning of the half-year – 1 July 2018		11,898,655	164,458	12,063,113
Total comprehensive income		-	(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

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 2019

	Dec-2019 \$	Dec-2018 \$
Cash flows from operating activities		
Distributions received	110,455	250,127
Dividends received	33,818	10,544
Interest received	4,726	19,558
Other income received	30,249	15,442
Cash payments in the course of operations	(93,168)	(56,761)
Net cash provided by operating activities	86,080	238,910
Cash flows from investing activities		
Proceeds from sale of investments at fair value through profit or loss	1,590,983	1,109,816
Payments for investments at fair value through profit or loss	(3,187,539)	(4,465,115)
Net cash used in investing activities	(1,596,556)	(3,355,299)
Cash flows from financing activities		
Proceeds from issue of units	3,009,133	3,108,330
Payment of redemptions	(895,647)	(71,149)
Payment of distributions	(195,891)	(254,069)
Net cash provided by financing activities	1,917,595	2,783,112
Net increase/(decrease) in cash and cash equivalents	407,119	(333,277)
Cash and cash equivalents at the beginning of the half-year	1,107,934	1,770,519
Cash and cash equivalents at the end of the half-year	1,515,053	1,437,242

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 2019. 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 2019.

The accounting policies adopted are consistent with those of the previous financial year and the corresponding half-year reporting periods, except for the following:

New and amended standards adopted by the Fund

Standard/Interpretation	Application date of standard	Application date for the Fund
AASB 16: Leases	1 Jan 2019	1 Jan 2019

AASB 16: Leases

AASB 16 replaces AASB 117: Leases and introduces a single lessee accounting model that requires a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at cost and lease liabilities are initially measured on a present value basis.

As noted in the Fund's annual report for the year ended 30 June 2019 the Fund has not entered into any material lease commitments meeting the criteria of AASB 16. As a result, adoption of the new accounting standard from 1 July 2019 will not have an impact on the Fund. Comparative results have not been restated.

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-2019	Jun-2019
	\$	\$
Listed securities at fair value	2,662,003	2,259,552
Unlisted securities at fair value	14,935,475	12,326,339
Unlisted equity securities awaiting issue	150,000	150,000
Investments at fair value through profit or loss	17,747,478	14,735,891

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 (2018: 2.76 cents per unit).

	Dec-2019	Dec-2018
	\$	\$
Distributions paid / payable	459,822	355,855

4. Contributed equity

	Number #	Value \$
Movements in contributed equity		
Balance at 1 July 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
Units issued:		
For cash	678,500	705,928
Reinvestment of distributions	207,082	216,050
For services (performance fees)	-	-
Units redeemed	(400,463)	(418,608)
Balance at 30 June 2019	14,810,015	15,919,879
Units issued:		
For cash	3,005,868	3,222,600
Reinvestment of distributions	235,997	252,803
For services (performance fees)	21,393	22,916
Units redeemed	(844,342)	(895,648)
Balance at 31 December 2019	17,228,931	18,522,550

5. Fair value disclosures

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 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.

5. Fair value disclosures (cont'd)

The Fund's financial assets and financial liabilities measured and recognised at fair value at 31 December 2019 and 30 June 2019 on a recurring basis are as follows:

	Level 1	Level 2
At 31 December 2019		
Financial Assets		
Financial assets at fair value through profit or loss (FVPL)		
Listed securities	2,662,003	-
Unlisted securities	-	14,935,475
Unlisted equity securities awaiting issue	-	150,000
Total Financial Assets	2,662,003	15,085,475
At 30 June 2019		
Financial Assets		
Financial assets at fair value through profit or loss (FVPL)		
Listed securities	2,259,552	-
Unlisted securities	-	12,326,339
Unlisted equity securities awaiting issue	-	150,000
Total Financial Assets	2,559,552	12,476,339

6. Commitments/Contingent liabilities

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

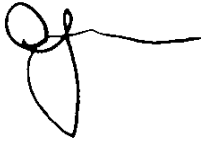
7. Events occurring after the reporting period

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 2019 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 descending from the end of the horizontal line.

Daryl Wilson
Director

29th January 2020.



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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 2019, 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 fund 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 fund's financial position as at 31 December 2019 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 Fund, 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 Fund, would be in the same terms if given to the directors as at the time of this auditor's report.

Brisbane Sydney Newcastle Melbourne Adelaide Perth

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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 fund's financial position as at 31 December 2019 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

PITCHER PARTNERS

Nigel Batters

NIGEL BATTERS
Partner

Brisbane, Queensland
29 January 2020