

Half-Year Financial Report

Affluence Investment Fund

ARSN 617 680 654

31 December 2021

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DIRECTORY

Responsible Entity:

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Brisbane QLD 4000
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Fax: +61 7 3054 7082
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Custodian:

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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 (**AFM**), the Responsible Entity of the Affluence Investment Fund (**the Fund**), present their report for the half-year ended 31 December 2021.

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.

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.
- 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 \$1,167,470 during the half-year ended 31 December 2021 (2020: \$2,753,040).

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 2021	1 Month	1 Year	3 Years	5 Years	7 Years	Inception
Distributions	0.5%	6.3%	6.7%	6.6%	6.7%	6.7%
Change in Unit Price (Capital Growth)	0.5%	6.9%	5.1%	2.2%	2.3%	2.5%
Affluence Investment Fund Total Return	1.0%	13.2%	11.8%	8.8%	9.0%	9.2%
Benchmark - Inflation + 5%	0.6%	7.9%	7.0%	7.0%	6.9%	6.9%
Performance against Benchmark	0.4%	5.3%	4.8%	1.8%	2.1%	2.3%

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 4.3% for the half-year, compared to the target return of 3.8%. The Fund benefitted from a continuing recovery in most markets since the lows of March 2020.

Since commencing in December 2014, the Fund has returned 9.2% per annum, compared to the Target Return of 6.9% per annum. Volatility (variability of returns) has been relatively low since commencement, at 5.7%.

At 31 December 2021, the Fund held investments in over 25 unlisted funds which represented 59% of the total portfolio. An investment in the Affluence LIC Fund represented 14% of the portfolio. Other listed investments made up 11% of the portfolio, with 2% in portfolio hedges. The remaining 14% was cash.

The Fund retains relatively high exposure to assets that we consider to be below long-term fair value. Over recent years returns from value investing have significantly lagged those from high-growth assets, which we believe continue to be significantly overpriced. We have seen some signs recently that the historically wide divergence between prices of value and growth assets is starting to normalize. We expect these significant valuation imbalances will correct themselves over time. That continues to make us optimistic about the future potential for the Fund portfolio.

4. Review of Operations and Results (continued)

Distributions paid/payable to unitholders of the Fund for the half-year were \$689,329 (2020: \$534,663). Distributions payable at balance date were \$128,716 (2020: \$88,505).

The Fund is available for investment to all investors in Australia and New Zealand, with a minimum investment amount of \$20,000. 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

Since balance date, the Fund has issued an additional 3,470,836 units at an average price of \$1.19 per unit and redeemed 23,746 units at an average price of \$1.19 per unit.

Other than as noted above, no other matters or circumstances has arisen since 31 December 2021 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 2022

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Brisbane, QLD 4000

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GPO Box 1144
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The Directors
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 2021, 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
PITCHER PARTNERS



CHERYL MASON
Partner

Brisbane, Queensland
31 January 2022

Brisbane Sydney Newcastle Melbourne Adelaide Perth

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**Affluence Investment Fund
Statement of Comprehensive Income
For the half-year ended 31 December 2021**

	Dec-2021 \$	Dec-2020 \$
Investment income		
Distribution income	482,924	137,628
Dividend income	17,512	2,292
Interest income	252	1,396
Net change in fair value of investments	842,574	2,843,986
Other income	32,078	113,663
Net investment income	1,375,340	3,098,965
Expenses		
Brokerage	2,827	4,940
Fund administration costs	35,025	25,782
Performance fees	170,018	315,203
Total expenses	207,870	345,925
Profit	1,167,470	2,753,040
Other comprehensive income	-	-
Total comprehensive income	1,167,470	2,753,040

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

**Affluence Investment Fund
Statement of Financial Position
As at 31 December 2021**

	Note	Dec-2021 \$	Jun-2021 \$
Assets			
Cash and cash equivalents		5,118,225	1,402,807
Receivables		445,022	1,972,601
Investments at fair value through profit or loss	2	30,263,022	22,215,299
Total assets		35,826,269	25,590,707
Liabilities			
Payables		4,257,370	508,121
Distributions payable		128,716	298,055
Total liabilities		4,386,086	806,176
Net assets		31,440,183	24,784,531
Equity			
Contributed equity	4	28,918,644	22,741,133
Retained earnings		2,521,539	2,043,398
Total equity		31,440,183	24,784,531

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 2021

2021	Note	Contributed equity \$	Retained earnings \$	Total equity \$
Balance at the beginning of the half-year – 1 July 2021				
		22,741,133	2,043,398	24,784,531
Total comprehensive income				
		-	1,167,470	1,167,470
<i>Transactions with unitholders in their capacity as unitholders:</i>				
Units issued				
For cash	4	7,072,931	-	7,072,931
Reinvestment of distributions	4	482,627	-	482,627
Rebate of fees	4	73,456	-	73,456
Redemptions	4	(1,451,503)	-	(1,451,503)
Distributions paid/payable	3	-	(689,329)	(689,329)
Total transactions with unitholders				
		6,177,511	(689,329)	5,488,182
Balance at the end of the half-year				
		28,918,644	2,521,539	31,440,183
2020				
Balance at the beginning of the half-year – 1 July 2020				
		20,083,052	(1,333,883)	18,749,169
Total comprehensive income				
		-	2,753,040	2,753,040
<i>Transactions with unitholders in their capacity as unitholders:</i>				
Units issued				
For cash	4	904,027	-	904,027
Reinvestment of distributions	4	550,146	-	550,146
Rebate of fees	4	10,896	-	10,896
Redemptions	4	(1,056,727)	-	(1,056,727)
Distributions paid/payable	3	-	(534,663)	(534,663)
Total transactions with unitholders				
		408,342	(534,663)	(126,321)
Balance at the end of the half-year				
		20,491,394	884,494	21,375,888

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 2021

	Dec-2021 \$	Dec-2020 \$
Cash flows from operating activities		
Distributions received	572,819	390,247
Dividends received	12,002	2,292
Interest received	311	1,569
Other income received	56,543	104,844
Cash payments in the course of operations	(268,216)	(59,146)
Net cash provided by operating activities	373,459	439,806
Cash flows from investing activities		
Proceeds from sale of investments at fair value through profit or loss	421,868	4,858,406
Payments for investments at fair value through profit or loss	(6,249,834)	(5,335,639)
Net cash used in investing activities	(5,827,966)	(477,233)
Cash flows from financing activities		
Proceeds from issue of units	10,997,469	1,065,306
Payment of redemptions	(1,451,503)	(1,056,726)
Payment of distributions	(376,041)	(400,640)
Net cash provided by financing activities	9,169,925	(392,060)
Net increase/(decrease) in cash and cash equivalents	3,715,418	(429,487)
Cash and cash equivalents at the beginning of the half-year	1,402,807	1,757,874
Cash and cash equivalents at the end of the half-year	5,118,225	1,328,387

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 2021. 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 2021.

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

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-2021	Jun-2021
	\$	\$
Listed securities at fair value	4,474,441	3,527,012
Unlisted securities at fair value	24,338,581	18,688,287
Unlisted equity securities awaiting issue	1,450,000	-
Investments at fair value through profit or loss	30,263,022	22,215,299

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 2.925 cents per unit (2020: 2.76 cents per unit).

	Dec-2021	Dec-2020
	\$	\$
Distributions paid / payable	689,329	534,663

4. Contributed equity

	Number #	Value \$
Movements in contributed equity		
Balance at 1 July 2020	18,759,411	20,083,052
Units issued:		
For cash	863,854	904,027
Reinvestment of distributions	538,904	550,146
For services (performance fees)	10,518	10,896
Units redeemed	(978,205)	(1,056,727)
Balance at 31 December 2020	19,194,482	20,491,394
Units issued:		
For cash	2,074,638	2,345,480
Reinvestment of distributions	287,822	323,235
For services (performance fees)	64,657	70,937
Units redeemed	(433,138)	(489,913)
Balance at 30 June 2021	21,188,461	22,741,133
Units issued:		
For cash	5,973,192	7,072,931
Reinvestment of distributions	410,126	482,627
For services (performance fees)	63,220	73,456
Units redeemed	(1,231,712)	(1,451,503)
Balance at 31 December 2021	26,403,287	28,918,644

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 2021 and 30 June 2021 on a recurring basis are as follows:

	Level 1	Level 2
At 31 December 2021		
Financial Assets		
Financial assets at fair value through profit or loss (FVPL)		
Listed securities	4,474,441	-
Unlisted securities	-	24,338,581
Unlisted equity securities awaiting issue	-	1,450,000
Total Financial Assets	4,474,441	25,788,581
At 30 June 2021		
Financial Assets		
Financial assets at fair value through profit or loss (FVPL)		
Listed securities	3,527,012	-
Unlisted securities	-	18,688,287
Unlisted equity securities awaiting issue	-	-
Total Financial Assets	3,527,012	18,688,287

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

Since balance date, the Fund has issued an additional 3,470,836 units at an average price of \$1.19 per unit and redeemed 23,746 units at an average price of \$1.19 per unit.

Other than as noted above, no other matters or circumstances has arisen since 31 December 2021 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.

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 2021 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.



Daryl Wilson
Director

31 January 2022

Independent Auditor's Review Report To the Members of Affluence Investment Fund

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Affluence Investment Fund, ("the Fund") which comprises the statement of financial position as at 31 December 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Fund does not comply with the *Corporations Act 2001* including:

- a) giving a true and fair view of the Affluence Investment Fund's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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 review report

Responsibility of the Directors for the 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 for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 2021 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*.

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.

Pitcher Partners
PITCHER PARTNERS



CHERYL MASON
Partner

Brisbane, Queensland
31 January 2022