



# Affluence LIC Fund

## Fund Report - April 2019

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## Fund Commentary

The Affluence LIC Fund increased by 0.5% in April, while the ASX 200 Index increased 2.4% for the month. Returns since inception for the Fund are 9.4% per annum. These returns have been delivered with approximately half of the volatility of the ASX200 index. April also brought up the Fund's third birthday. After outperforming the ASX 200 Index for much of the last 3 years, we are currently slightly behind due to the softness in the LIC sector. Nonetheless, we are excited about the current portfolio and discounts to NTA on offer, and believe the Fund is very well positioned moving forward.

Overall discounts to NTA in the LIC sector continue to increase, making it difficult to keep up with a strongly performing equity market. Our Larger LIC Index (AFI, ARG and MLT) shows this continuing trend, with the discount to NTA increasing by a further 1.5% in April. This brings the total increase in discount over the past 3 months to 7.9%. The underlying share portfolios for these 3 LICs have increased by 8.3% over 3 months but shareholder returns (dividends plus change in share prices) have only been just 0.2%. While not unprecedented, the scale of this increase in discounts across

the sector is unusual. Our guess is that much of this is being driven by investor fears over Labor's proposed franking credit changes. Post the election later on in May, regardless of who wins, we will have more certainty around the franking credit rules. We expect this will lead to at least a partial narrowing of these unnaturally high discounts. The majority of investors in LICs will still receive at least some of benefit from franking credits as they currently do, and even the net dividend yields will remain attractive compared to alternatives.

The Fund's biggest positive contributors in April were Bailador Technology (BTI) up 10%, Thorney Technologies (TEK) up 9.1%, and L1 Long Short Fund (LSF) up 5.6%. The biggest negative contributors were Blue Sky Alternatives Access Fund (BAF) down 7.6%, NGE Capital (NGE) down 14.9% and Forager Australian Shares Fund (FOR) down 9.0%. Our cash levels increased at the end of the month as we exited Watermark Market Neutral (WMK) and Watermark Global Leaders (WGF). Both of these LICs were relatively small and had been trading at substantial discounts. The manager made the difficult decision

to convert the two vehicles into unlisted managed funds, and allow investors to redeem at NTA. We will put part of these funds to work as conditions allow. We retain a holding in the other Watermark managed LIC (Australian Leaders Fund). ALF is currently trading at around a 20% discount to NTA and the manager's investment performance has been disappointing for some years. We expect Watermark will now come under increasing pressure from shareholders to deal with ALF if investment performance does not markedly improve very soon.

At the end of April, the Fund held investments in 32 LICs representing 88% of the Fund and 12% in cash. We also held some call and put options. We believe the Fund remains well positioned to withstand most market conditions.

If you qualify as a wholesale or sophisticated investor and are interested in the Fund, contact us or visit the website to find out more. Alternatively, you can gain access through our Affluence Investment Fund, which currently invests around 15% of its portfolio in the Affluence LIC Fund.

## Fund Performance

To 30 April 2019

	1 Month	1 Year	2 Years	3 Years	Inception	Volatility
Affluence LIC Fund	0.5%	3.6%	7.1%	9.4%	9.4%	5.0%
ASX200 Accumulation Index (AI)	2.4%	10.4%	7.9%	11.1%	11.1%	9.3%
<b>Performance compared to ASX200AI</b>	<b>-1.9%</b>	<b>(6.8%)</b>	<b>(0.8%)</b>	<b>(1.7%)</b>	<b>(1.7%)</b>	

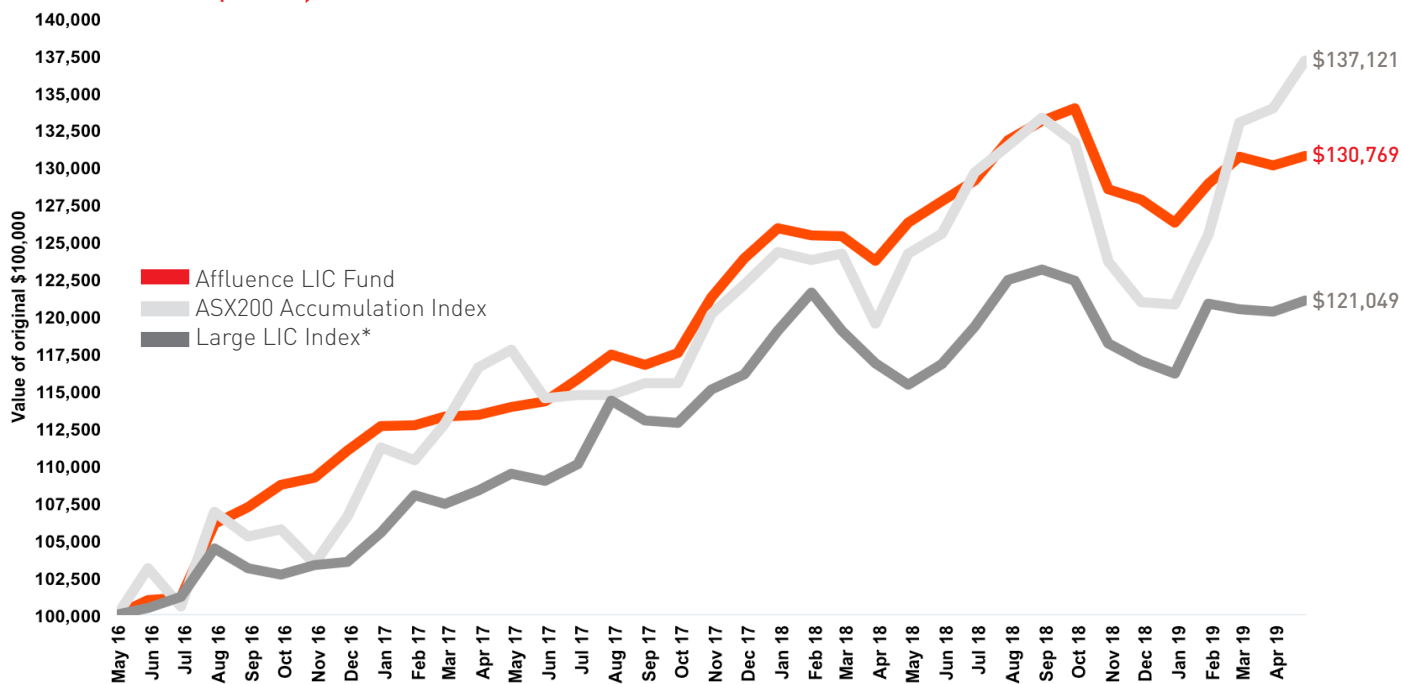
Total returns are net of fees and costs (excluding buy-sell spread) using the mid prices and assume the reinvestment of distributions. Returns of more than 1 year are annualised. Inception date is 3 May 2016.

## 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%									3.6%

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

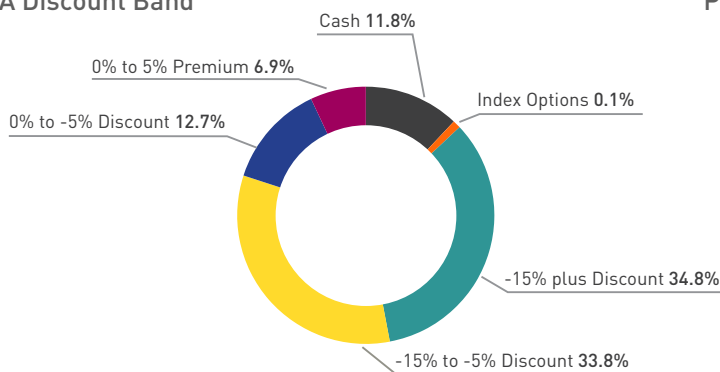
## Return on \$100,000 Investment



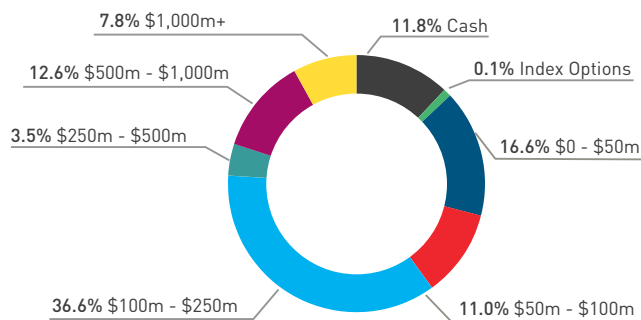
\* The Large LIC Index is calculated from the equal weighted returns of the three largest LICs (AFIC, ARG and MLT).

## Portfolio Summary

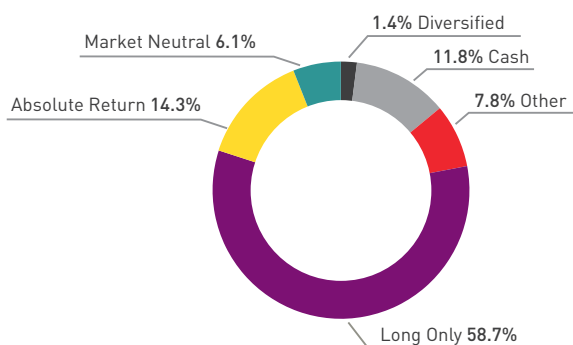
### NTA Discount Band



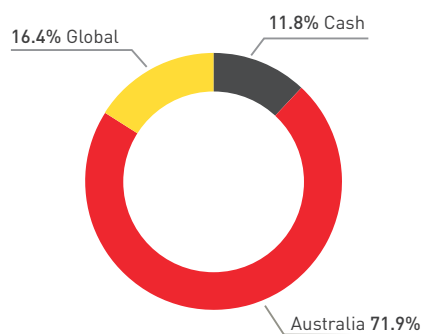
### Portfolio by Market Cap



### Equities Strategy



### Geographic Exposure



## Largest Investments

WAM Leaders (WLE)

L1 Long Short Fund (LSF)

Spheria Emerging Companies Limited (SEC)

Blue Sky Alternatives Access Fund (BAF)

Bailador Technology Investments (BTI)

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>Entry Price</b>	\$1.1085
<b>Exit Price</b>	\$1.1063
<b>Annual Distributions</b>	5.70cpu
<b>Distribution Yield</b>	5.1% 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: 19

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Phone: +61 402 046 883



### Greg Lander

**Portfolio Manager**

Years in the Industry: 12

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Phone: +61 409 645 893

## 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 ASX Listed Investment Companies as selected by Affluence. We aim to outperform the ASX200 Accumulation Index over rolling 3 year periods and to deliver these returns with less volatility than the stock market.

## Contact Us

If you have an questions, please contact us:

Phone: 1300 233 583

Email: invest@affluencefunds.com.au

Address: Level 5, 320 Adelaide St, Brisbane QLD 4000

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