



Affluence Investment Fund

Fund Report - December 2017

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Fund Commentary

The Australian share market continues to perform well, with the ASX 200 increasing by 1.8% in December. The Affluence Investment Fund also had another strong month, increasing by 1.3%. Since commencing in December 2014, the Fund has returned 10.5% per annum. This has included 6.8% per annum monthly distributions to investors and a 3.7% 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 9.1% per annum.

As markets continue to rise, we continue to focus on achieving solid returns, while remaining as resilient as possible. In December the Fund purchased some ASX200 Index Put Options as a portfolio hedge. Index put options should increase in value if the share market declines. We do not always hold portfolio hedges, only when market valuations and conditions start to become elevated. We only partially cover the portfolio, and we purchase options that are below current index levels, however if the market does experience a reasonable fall, these options should help cushion the Fund. We believe that the Fund continues to be well positioned for a wide range of market conditions.

Key positive contributors during the month included the Cyan C3G Fund (up 4.5%), the Ellerston GEMS Fund

(up 4.5%), the Phoenix Opportunities Fund (up 3.7%) and the Coopers Investors Brunswick Fund (up 2.9%). Negative performers amongst the portfolio were minimal, with a number of our global funds down on the back of a strengthening Australian dollar.

Just after the December month end, we exited the Smallco Investment Fund and Smallco Broadcap Fund. This was certainly not due to performance. We initially invested in these funds in March 2016, just before both funds were closed to new investors. The manager decided to close the funds for any additional investment in January 2017, and recently handed back cash to investors in the Broadcap Fund as they believed the higher level of FUM may impact their performance. Our investment in each fund as a percentage of our total portfolio had become too low to be meaningful. We can only applaud Smallco for this difficult decision, as it shows they are more interested in providing unitholders with excellent performance rather than increasing FUM and collecting more management fees. Unfortunately for Affluence, it means we have lost access to a terrific manager. We expect this to be a common issue going forward. One of our investment beliefs is that the best alpha is generated by managers early in their life cycle when they have lower FUM. When they get successful and

discovered by the greater investment community, they quickly fill up and close. Therefore, we are always on the outlook for the new up and coming managers to recycle the capital into. We have a number we are following closely at the moment, and expect to include them in the portfolio soon

At month end, 58% of the portfolio was invested in unlisted funds, 16% in the Affluence LIC Fund, 9% in listed investments and 17% 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 25th January. Units will be issued effective 1st February.

Fund Performance

To 31 December 2017	1 Month	6 Months	1 Year	2 Years	3 Years	Inception	Volatility
Income Distributions	0.4%	2.7%	7.1%	6.5%	7.0%	6.8%	
Capital Growth	0.9%	4.8%	4.5%	4.7%	3.2%	3.7%	
Total Return	1.3%	7.5%	11.6%	11.1%	10.2%	10.5%	3.0%
Benchmark - Inflation + 5%	0.6%	3.8%	7.1%	6.9%	6.9%	6.9%	
Outperformance against Benchmark	0.7%	3.7%	4.5%	4.2%	3.3%	3.7%	

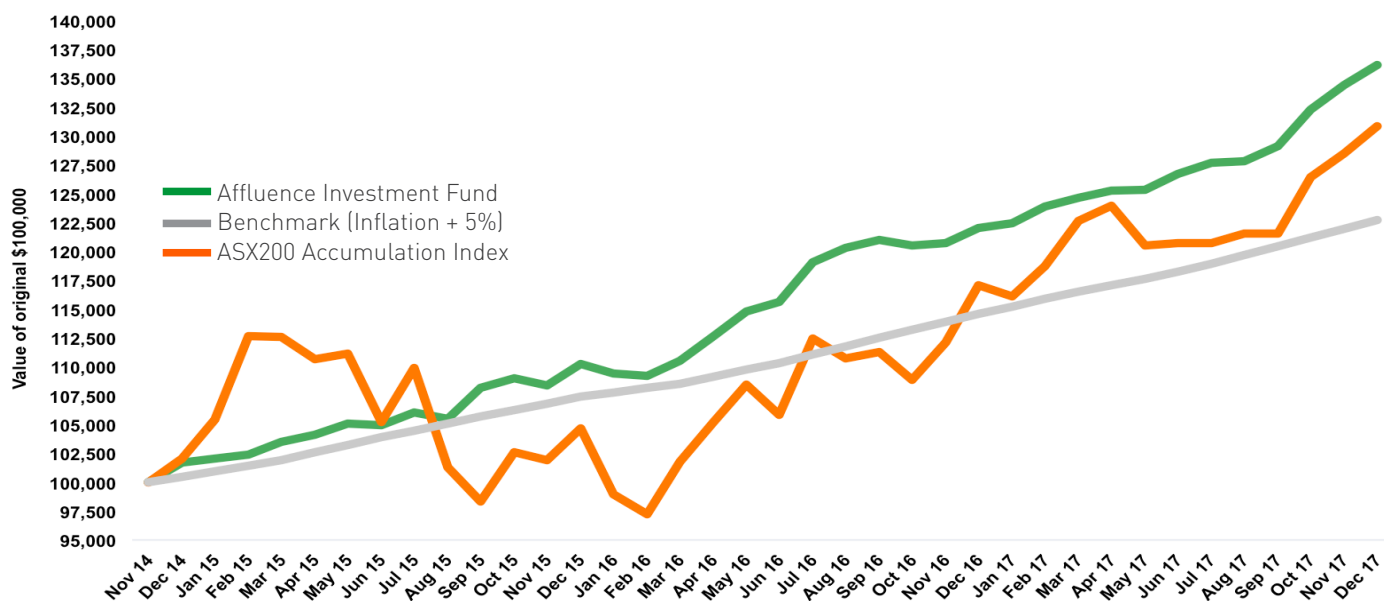
Total returns are net of fees and costs (excluding buy-sell spread) using the mid prices and assume the reinvestment of distributions. Returns for periods of more than 1 year are annualised. Past performance is not indicative of future performance. Inception date is 28 November 2014. The Fund aims to 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%

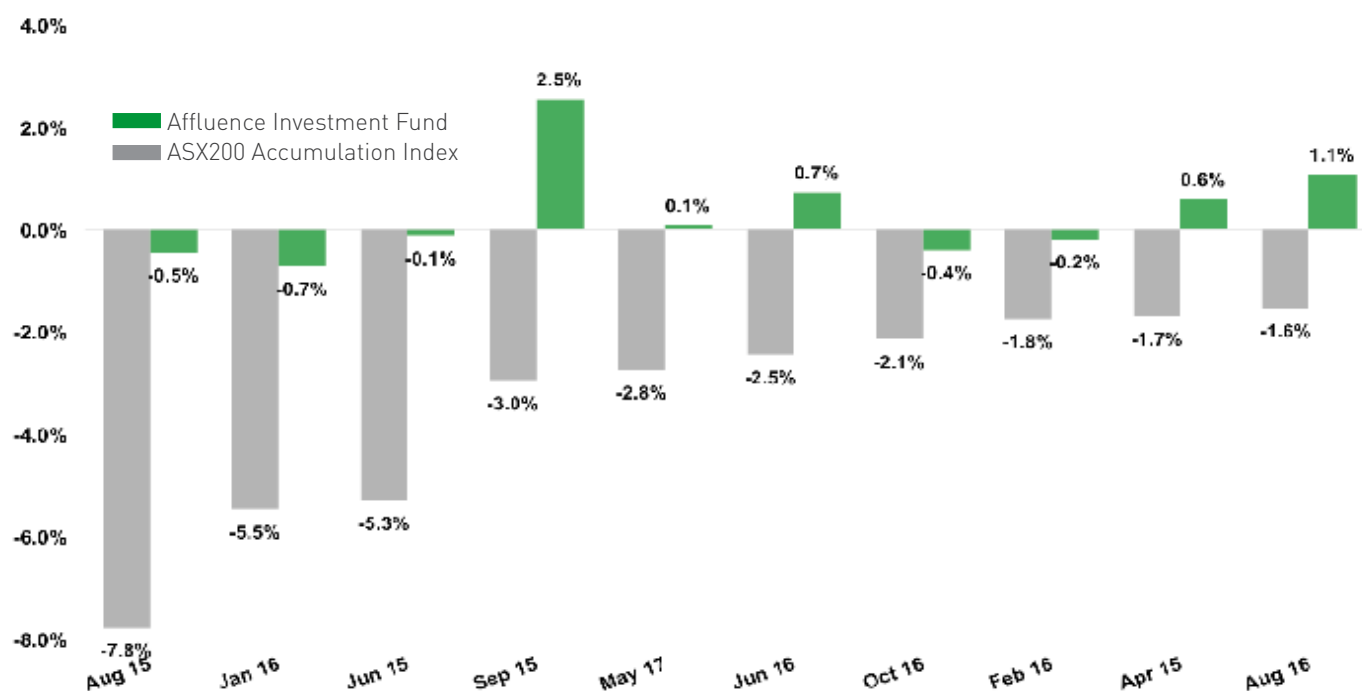
■ Strongest Month
 ■ Positive Month
 ■ Stable Month
 ■ Negative Month
 ■ Weakest Month

Return on \$100,000 Investment



Fund Performance vs ASX 200 - Worst Months

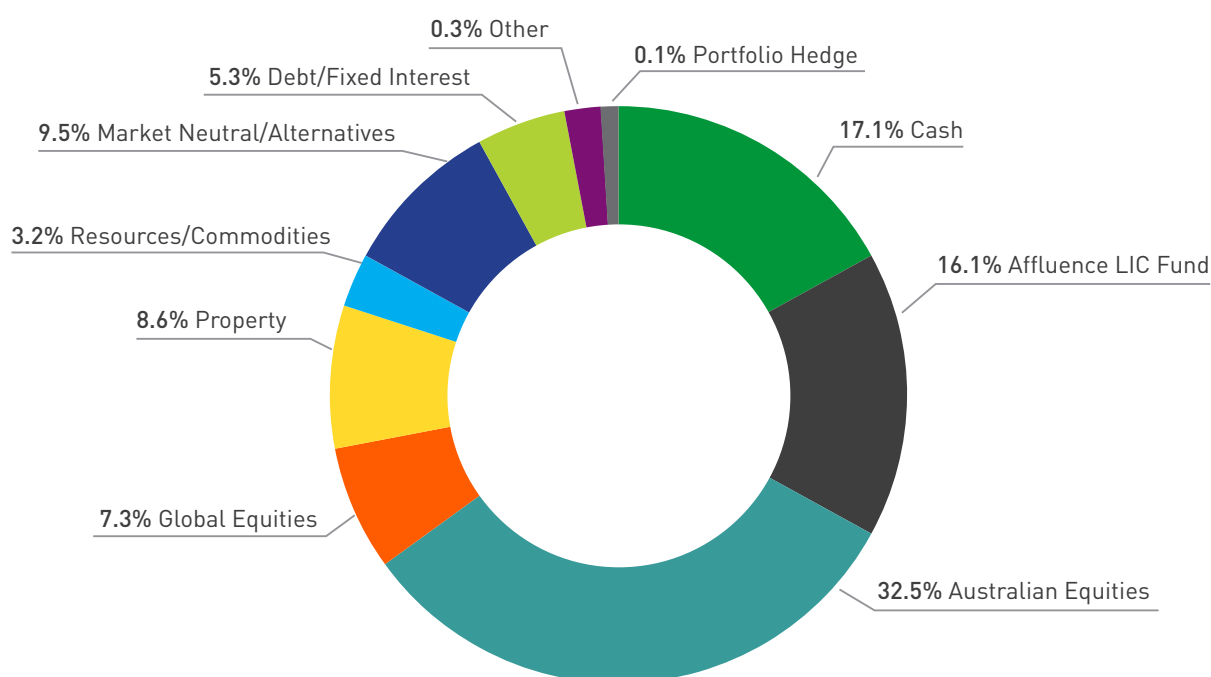
The below shows the 10 largest monthly falls in the ASX200 Accumulation Index since the Fund commenced, and the performance of the Affluence Investment Fund for that month. The Fund has outperformed the Index in all 10 of the worst months, and delivered positive returns in 5 of them.



Asset Allocation Summary

Asset Class	Number of Funds/ Investments	Current	Normal Range
Affluence LIC Fund	29 LICs	16.1%	10-20%
Australian Equities	15	32.5%	20-50%
Global Equities	4	7.3%	5-30%
Property	5	8.6%	5-30%
Resources/Commodities	3	3.2%	0-10%
Market Neutral/Alternatives	6	9.5%	5-20%
Debt/Fixed Interest	4	5.3%	5-20%
Other	N/A	0.3%	0-35%
Portfolio Hedge	N/A	0.1%	
Cash	N/A	17.1%	5-20%
Total		100.0%	

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	Packer & Co Investigator Trust
Cromwell Direct Property Fund	Antipodes Global Fund
KIS Asia Long Short Fund	IML Concentrated Australian Share Fund
Cooper Investors Brunswick Fund	WAM Leaders Fund

What Makes This Fund Different

Traditional Fund Managers	vs. Affluence - Invest Differently
Follow The Herd: Traditional managers are too scared to fail, so they don't succeed. Most don't outperform the index.	Actively Pursue Out-performance: From our fee structure alignment to our investment methodology, our strategy targets positive returns and low volatility.
Restricted Product Selection: Commonly places clients into their own managed funds or choose from a restricted list of 'approved' funds.	Best Of Breed: We will seek the best fund managers, and combine them in a way which cushions against market corrections.
Traditional Asset Classes: Manage large amounts in traditional asset classes (e.g. ASX200 equities), which minimises chances of excess performance.	Unique Strategies: We prefer managers who operate in specialised markets with less funds under management and a competitive advantage.
High, Fixed Fees: Take fees regardless of performance.	No Fixed Fees: 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	\$10.0m
Entry Price	\$1.1202
Exit Price	\$1.1124
Annual Distributions	5.40 cpu
Distribution Yield	4.8% 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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