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YEAR
AFFLUENCE
ANNIVERSARY



Affluence Investment Fund

Fund Report - February 2020



**Morningstar
Rating**
5 Year



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Fund Commentary

The ASX 200 Index fell heavily in February, decreasing by 7.7%. The Affluence Investment Fund performed much better but still fell by 2.7%. Since commencing over five years ago in December 2014, the Fund has returned 7.4% per annum, including 6.4% per annum monthly distributions to investors. Over that same period, the Fund has outperformed our benchmark of 7.0% per annum (inflation plus 5% per annum), with very low volatility of returns of just 3.7% per annum.

After ignoring the potential impact of coronavirus and rallying to new highs in mid-February, equity markets then steadily fell late in the month. The ASX 200 was up 2.4% for the month by February 20th. Between then and the end of the month the index sank by 9.8% in just six trading days (and has continued to fall in March).

The impact of the coronavirus on markets appears to be an excellent example of a “black swan event”. Before January 2020, it was impossible to predict this would be an event that would put a stop to the seemingly endless upward trajectory of markets. Investors had convinced themselves that through the combination of low interest rates and contained global economic risks, there was no reason to stop buying assets at ever increasing prices. It’s impossible to know what the impact on equity markets would have been if this coronavirus had occurred during a period of cheap equity valuations. As it turns out, equity indexes were at record highs around

the globe. At least part of the reason for the sudden falls the market is experiencing at the moment can be attributed to the excessive valuations to start with. Either way, the negative economic impact is real and appears to be increasing. Australia may experience its first recession in almost 30 years in 2020.

While impossible to predict, these sorts of market conditions are what we are continuously positioning the portfolio to be able to handle. This does prevent the Fund from fully capturing all of the upside in the good times. We gladly accept this as it allows the Fund to perform significantly better in periods such as now when fear drives markets. Pleasingly our equity sub-portfolios outperformed the market benchmarks, while our other asset class investments performed as expected. The Fund also benefited from put options, which we can use to hedge the portfolio at times when we feel markets are overextended. Put options can be considered a form of insurance. They increase in value as markets fall. In February, this contributed 1.7% towards the overall return for the month.

At month end, 61% of the portfolio was invested in unlisted funds, 16% in the Affluence LIC Fund, 10% in listed investments, 2% in index options and 11% in cash. If you would like to know more about the investment portfolio, including our top holdings and weightings, visit the Affluence Investment Fund page at <https://affluencefunds.com>.

au/aif/ or the Members area of 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 30 unlisted funds as well as more than 20 LIC’s and other listed entities, visit the fund page on our website. 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 March. Units will be issued effective 1st April.

Fund Performance

To 29 February 2020	1 Month	1 Year	3 Years	5 Years	Inception	Volatility
Distributions	0.4%	5.3%	6.2%	6.7%	6.4%	
Change in Unit Price (Capital Growth)	(3.1%)	0.6%	(0.7%)	0.6%	1.0%	
Affluence Investment Fund Total Return	(2.7%)	5.9%	5.5%	7.3%	7.4%	3.7%
Benchmark - Inflation + 5%	0.6%	7.5%	7.1%	7.0%	7.0%	
Performance against Benchmark	(3.3%)	(1.6%)	(1.6%)	0.3%	0.4%	

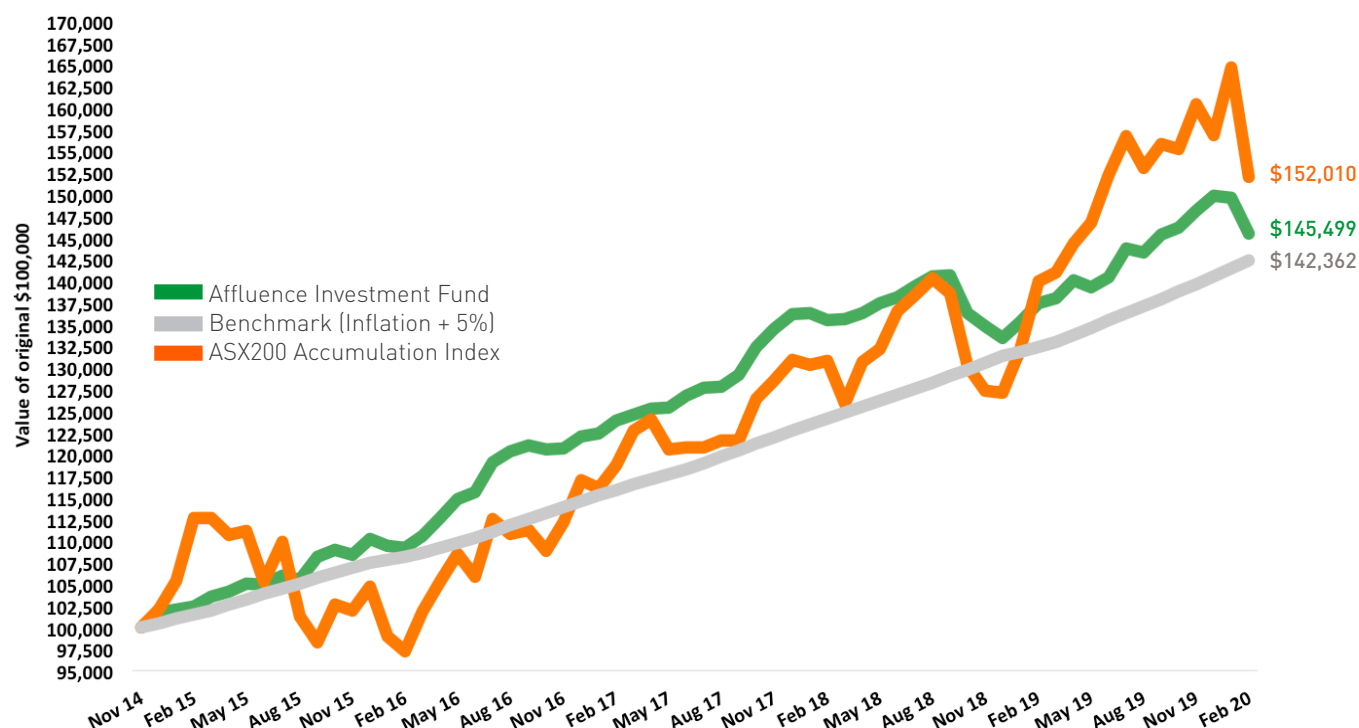
Total returns are net of fees and costs (excluding buy-sell spread) using the mid prices and assume the reinvestment of distributions. Returns for periods of more than 1 year are annualised. Past performance is not indicative of future performance. Inception date is 28 November 2014. The Fund aims to pay distributions of approximately 5% pa paid monthly. Distributions are not guaranteed and may be paid above or below this amount.

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%
2018	0.1%	-0.6%	0.0%	0.5%	0.8%	0.5%	0.9%	0.8%	0.1%	-3.1%	-1.0%	-1.0%	-2.0%
2019	1.4%	1.6%	0.4%	1.5%	-0.6%	0.8%	2.4%	-0.3%	1.4%	0.5%	1.4%	1.1%	12.3%
2020	-0.2%	-2.7%											

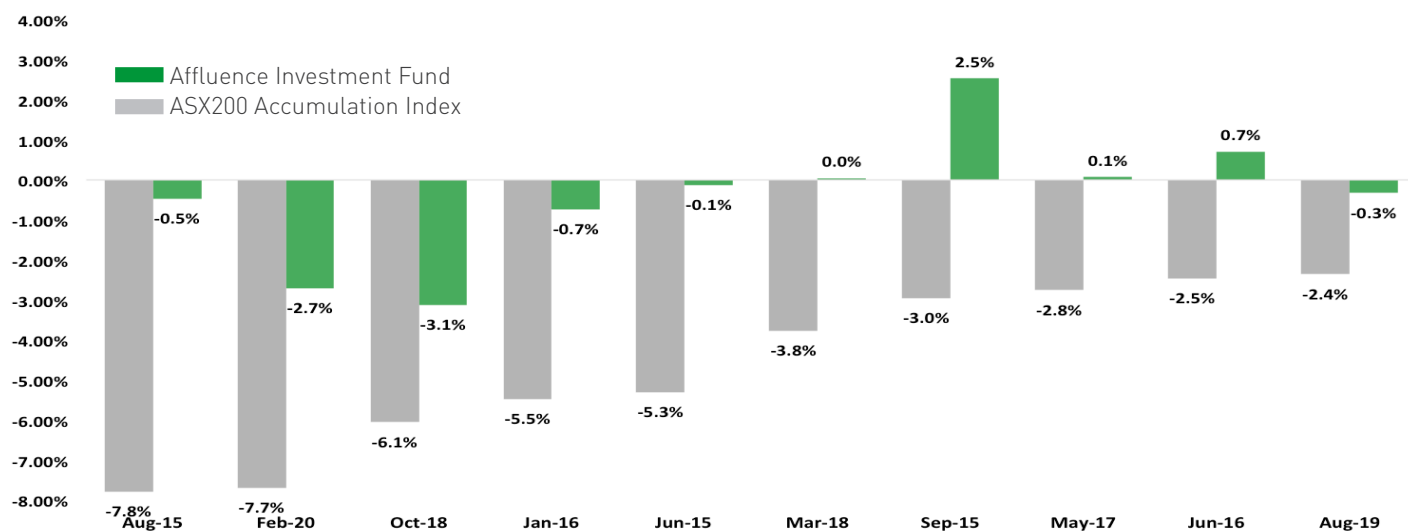
■ Strongest Month
 ■ Positive Month
 ■ Stable Month
 ■ Negative Month
 ■ Weakest Month

Return on \$100,000 Investment



Fund Performance vs ASX 200 - Worst Months

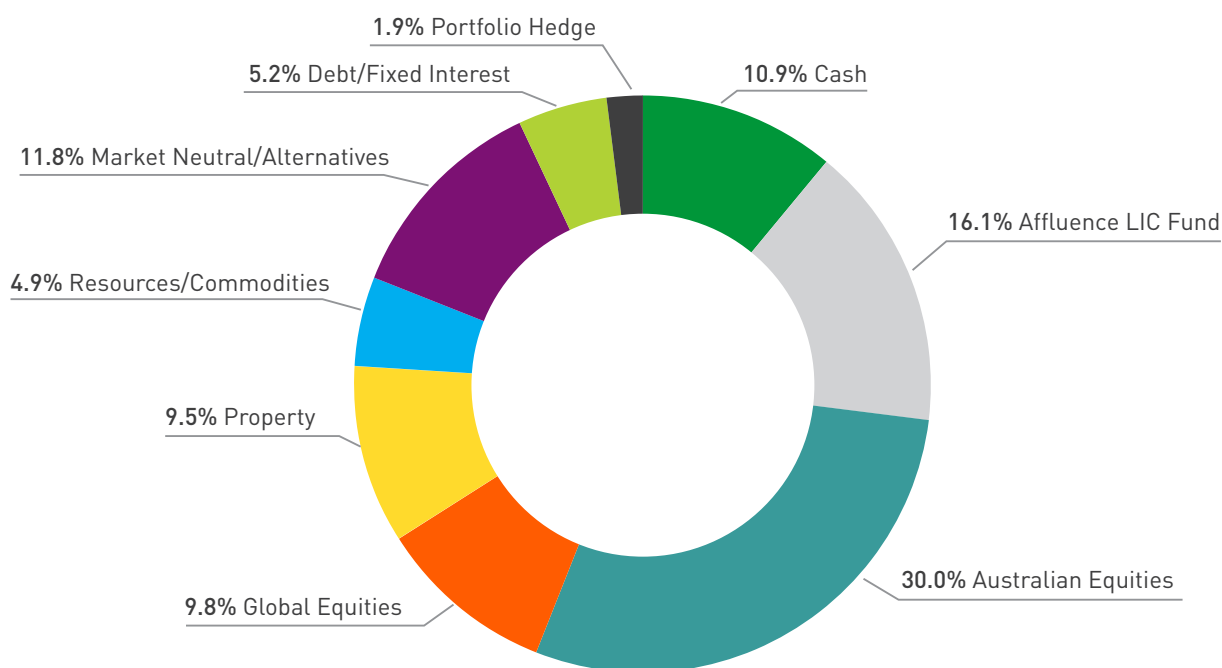
The below shows the 10 largest monthly falls in the ASX200 Accumulation Index since the Fund commenced, and the performance of the Affluence Investment Fund for that month. The Fund has outperformed the Index in all 10 of the worst months, and delivered positive returns in 4 of them.



Asset Allocation Summary

Asset Class	Number of Funds/ Investments	Current	Normal Range
Affluence LIC Fund	28 LICs	16.1%	10-20%
Australian Equities	16	30.0%	20-50%
Global Equities	6	9.8%	5-30%
Property	6	9.5%	5-30%
Resources/Commodities	3	4.9%	0-10%
Market Neutral/Alternatives	8	11.8%	5-20%
Debt/Fixed Interest	5	5.2%	5-20%
Other	N/A	0.0%	0-35%
Portfolio Hedge	N/A	1.9%	
Cash	N/A	10.9%	5-20%
Total		100.0%	

Portfolio Summary



1. The Funds are categorised 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. Normal Range refers to the expected lower and upper range for each asset class during normal market conditions. We 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.

Ten Largest Investments

Affluence LIC Fund	Cromwell Direct Property Fund
Phoenix Opportunities Fund	Deep Value Microcap Fund
Wentworth Williamson Fund	Totus Capital Alpha Fund
L1 UK Residential Property Fund III	Harvest Lane Absolute Return Fund
EGP Concentrated Value Fund	Packer & Co Investigator Trust

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	\$18.7m
Entry Price	\$1.0557
Exit Price	\$1.0504
Annual Distributions	5.52 cpu
Distribution Yield	5.2% p.a.
Distribution Frequency	Monthly
Applications	Monthly
Withdrawals	Monthly
Management Fees	Nil
Performance Fee	12.5% of positive performance
Buy/Sell Spread	0.25%/0.25%

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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Meet The Portfolio Managers



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Greg Lander

Portfolio Manager

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Platform Availability:

HUB24 (IDPS)

Netwealth (IDPS)

Powerwrap

Mason Stevens

One Answer (NZ Advisers)

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