

Affluence Investment Fund

Fund Report - January 2019



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Fund Commentary

The Affluence Investment Fund increased by 1.4% in January, with the ASX 200 increasing by 3.9%. Global markets roared back in January, seemingly forgetting about the last quarters falls. Since commencing in December 2014, the Fund has returned 7.5% per annum through what has been a relatively difficult investment period. This has included 6.6% per annum monthly distributions to investors and an 0.9% 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 6.9% per annum.

In January the Affluence Investment Fund performed reasonably. Our biggest positive contributors were the Dalton Street Capital Absolute Return Fund (up 10.2%), the Packer and Co Investigator Trust (up 6.8%), the Affluence LIC Fund (up 2.1%) and the QVG Opportunities Fund (up 5.1%). The biggest detractors were the India Avenue Equity Fund, the Bronte Capital Amalthea Fund, and our index put options that decreased in value as the market recovered. We continued to increase our allocation to a number of investments where we believe there is the best value. At the end of January, for the first time in quite a while, we made a substantial additional investment into the Affluence LIC Fund. Within the LIC sector we are seeing an attractive combination of good value

in the underlying share portfolios (those equities held by the LICs) plus better than average discounts to NTA. These greater than average discounts to NTA can take some time to normalise, however we are excited about the latent opportunity in the Affluence LIC Fund.

Another sector we have been finding opportunities in is the listed property sector. We made a new investment in January into Unibail-Rodamco-Westfield CDI's (ASX: URW). This is a global REIT, based in Europe, that owns some of the premier shopping centres in the world in key global cities (New York, London, Milan, Paris, etc). URW has been trading at a substantial discount to net asset value, and we made a small purchase at more than a 30% discount. The market appears to have discounted retail REITS globally because of the threat of Amazon and online shopping, regardless of quality. While we would certainly not find this opportunity overly attractive if we had to pay full net asset value, at a substantial discount we believe the risks are more than priced in. The location of many of these assets is completely irreplaceable, and we expect to get paid a circa 8% distribution yield on our purchase price. We currently have over 5% of the Affluence Investment Fund invested in discounted property stocks, ranging from a 14% to over 50% discount to net asset value. While we may have concerns about the headline valuations of direct

property assets, at such deep discounts we are very happy to get paid healthy distributions to be patient.

At month end, 66% of the portfolio was invested in unlisted funds, 15% in the Affluence LIC Fund, 9% in listed investments and 10% in cash. If you'd like further details of 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 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 February. Units will be issued effective 1st March.

Fund Performance

To 31 January 2019	1 Month	1 Year	2 Years	3 Years	4 Years	Inception	Volatility
Income Distributions	0.5%	6.3%	6.6%	6.4%	6.9%	6.6%	
Capital Growth	0.9%	(7.0%)	(1.5%)	0.9%	0.4%	0.9%	
Total Return	1.4%	(0.7%)	5.1%	7.3%	7.3%	7.5%	3.6%
Benchmark - Inflation + 5%	0.6%	7.0%	7.1%	7.0%	6.9%	6.9%	
Outperformance against Benchmark	0.8%	(7.7%)	(2.0%)	0.3%	0.4%	0.6%	

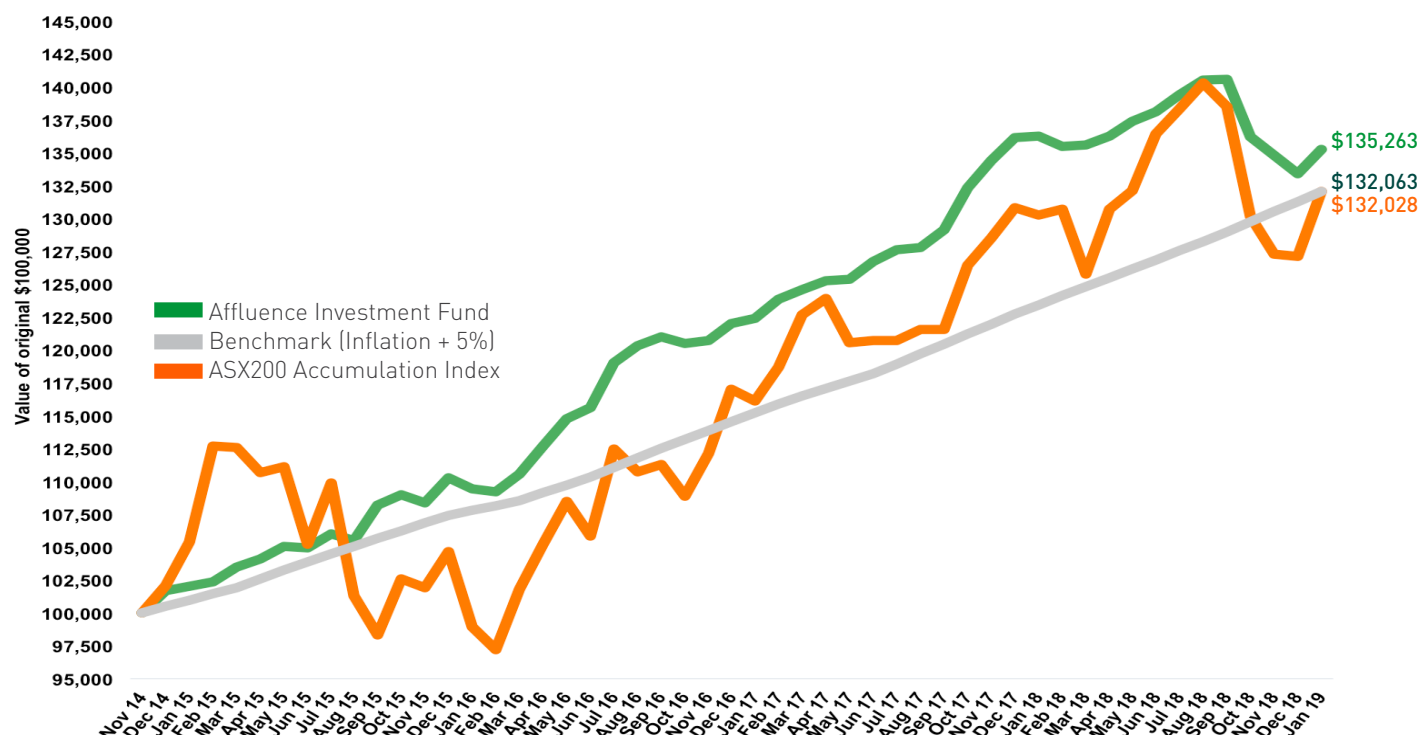
Total returns are net of fees and costs (excluding buy-sell spread) using the mid prices and assume the reinvestment of distributions. Returns for periods of more than 1 year are annualised. Past performance is not indicative of future performance. Inception date is 28 November 2014. The Fund aims to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

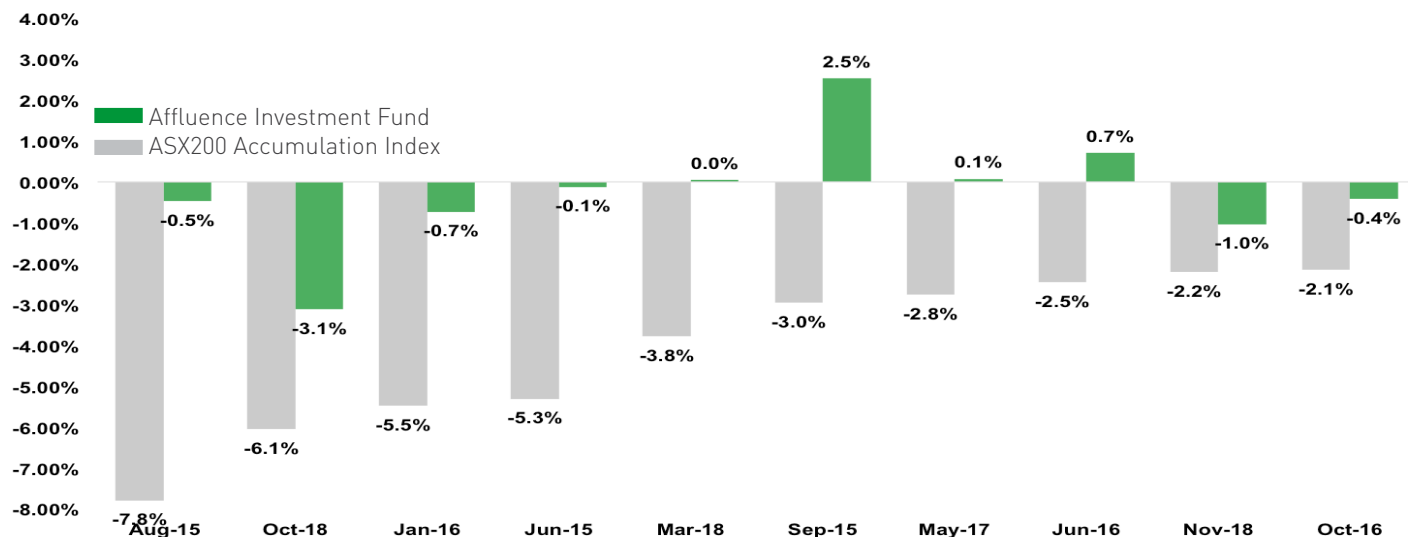
■ Strongest Month
 ■ Positive Month
 ■ Stable Month
 ■ Negative Month
 ■ Weakest Month

Return on \$100,000 Investment



Fund Performance vs ASX 200 - Worst Months

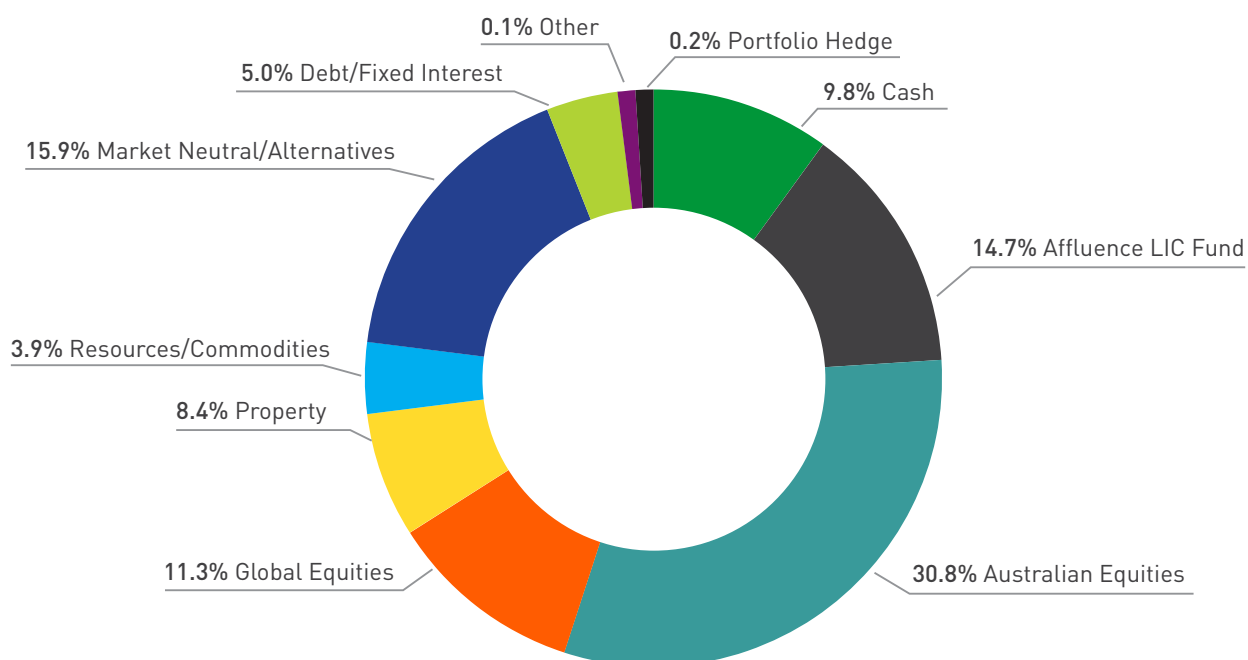
The below shows the 10 largest monthly falls in the ASX200 Accumulation Index since the Fund commenced, and the performance of the Affluence Investment Fund for that month. The Fund has outperformed the Index in all 10 of the worst months, and delivered positive returns in 4 of them.



Asset Allocation Summary

Asset Class	Number of Funds/ Investments	Current	Normal Range
Affluence LIC Fund	31 LICs	14.7%	10-20%
Australian Equities	17	30.8%	20-50%
Global Equities	6	11.3%	5-30%
Property	6	8.4%	5-30%
Resources/Commodities	3	3.9%	0-10%
Market Neutral/Alternatives	9	15.9%	5-20%
Debt/Fixed Interest	3	5.0%	5-20%
Other	N/A	0.1%	0-35%
Portfolio Hedge	N/A	0.2%	
Cash	N/A	9.8%	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	Perpetual Pure Credit Alpha Fund
Phoenix Opportunities Fund	Cromwell Direct Property Fund
Wentworth Williamson Fund	GMO Systematic Global Macro Trust
KIS Asia Long Short Fund	Auscap Long Short Australian Equities Fund
Packer & Co Investigator Trust	EGP Concentrated Value 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	\$15.2m
Entry Price	\$1.0380
Exit Price	\$1.0328
Annual Distributions	5.52 cpu
Distribution Yield	5.3% 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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Platform Availability:

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