

**5**  
YEAR  
AFFLUENCE  
ANNIVERSARY



# Affluence Investment Fund

## Fund Report - January 2020



**Morningstar**  
Rating  
5 Year



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## Fund Commentary

The Affluence Investment Fund had a muted month, decreasing slightly by 0.2% in January. The ASX 200 Index in comparison rallied to increase 5.0%. Since commencing over 5 years ago in December 2014, the Fund has returned 8.1% per annum, including 6.4% per annum monthly distributions to investors. Over that same period, the Fund has outperformed our benchmark of 6.9% per annum (inflation plus 5% per annum), with very low volatility of returns of just 3.5% per annum.

Our largest positive contributors included the Phoenix Opportunities Fund (up 3%), the Baker Steel Gold Fund (up 6%), and the Cooper Investors Brunswick Fund (up 5%). The largest detractors this month were the Affluence LIC Fund (discounts to NTA increased across the sector), Unibail Rodamco Westfield (fell with other global retail REITS) and the Dalton Street Capital Absolute Return Fund (exposure to Hong Kong equities).

The Australian market started 2020 at a sprint, with the ASX 200 Index reaching a new record high above 7,100 points. There was no underlying earnings upgrade which contributed towards the increase, rather a further increase in already expensive valuation multiples. Central banks around the world continue to hold interest rates very low while also supplying ample new liquidity which to bid up assets. While acknowledging that asset prices could continue their relentless march upwards, it does make us nervous.

Our approach to investing is that there are two main components to generating above average returns over the long term. The first is to capture a reasonable slice of the upside when markets are increasing. The second is to preserve capital when the inevitable downturns occur. In simple terms, balancing potential returns and managing potential risks. Managing risk has not been rewarded over the past 3-5 years, as any market falls have quickly given way to a V shaped recovery and markets reaching new highs quickly thereafter. Our concern is that the more this occurs, the more investors believe that "buying the dips" is the best strategy as it has been well rewarded in the recent past. At some point, the dip will keep dipping, and only then, will those investors who have tried to manage risk be rewarded.

At month end, 63% of the portfolio was invested in unlisted funds, 16% in the Affluence LIC Fund, 12% in listed investments and 9% 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 February. Units will be issued effective 1st March.

## Fund Performance

To 31 January 2020	1 Month	1 Year	3 Years	5 Years	Inception	Volatility
Distributions	0.4%	5.6%	6.3%	6.6%	6.4%	
Change in Unit Price (Capital Growth)	(0.6%)	5.0%	0.6%	1.3%	1.7%	
<b>Affluence Investment Fund Total Return</b>	<b>(0.2%)</b>	<b>10.6%</b>	<b>6.9%</b>	<b>7.9%</b>	<b>8.1%</b>	<b>3.5%</b>
Benchmark - Inflation + 5%	0.6%	7.3%	7.1%	7.0%	6.9%	
<b>Performance against Benchmark</b>	<b>(0.8%)</b>	<b>3.3%</b>	<b>(0.2%)</b>	<b>0.9%</b>	<b>1.2%</b>	

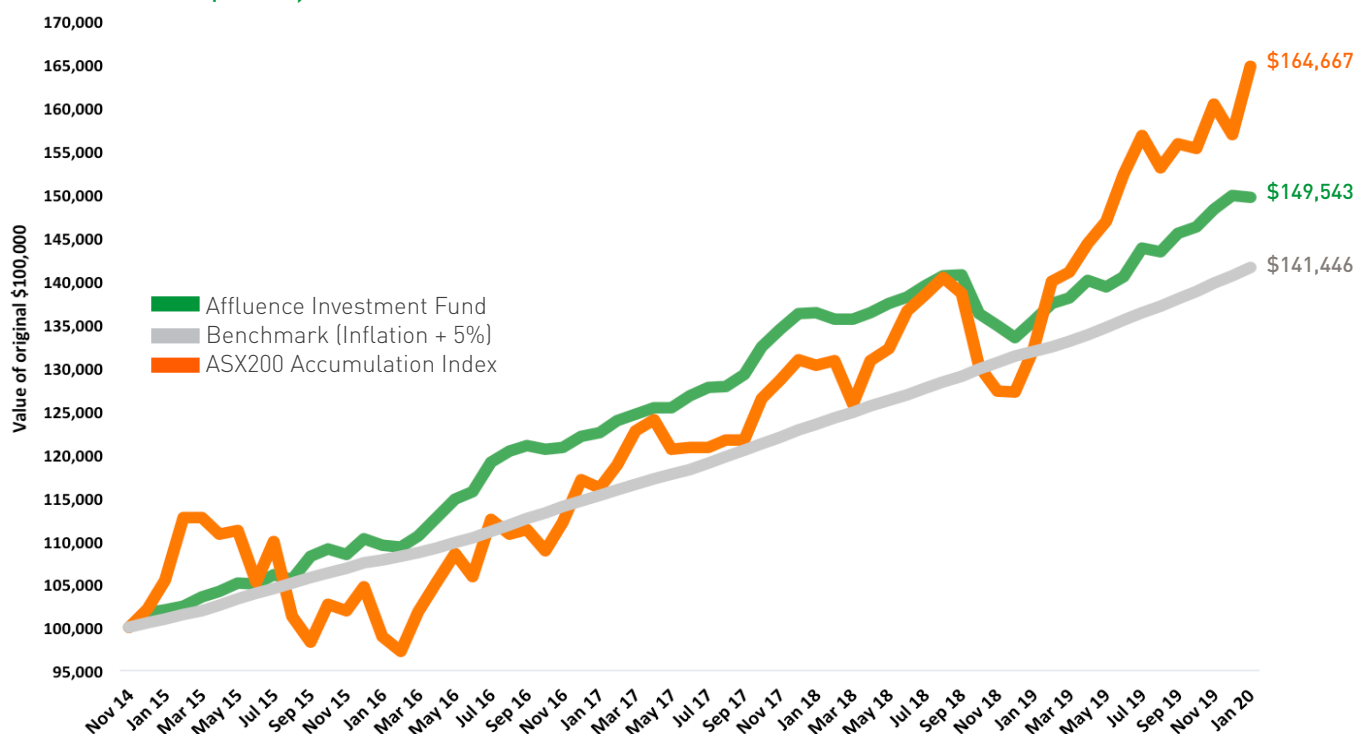
Total returns are net of fees and costs (excluding buy-sell spread) using the mid prices and assume the reinvestment of distributions. Returns for periods of more than 1 year are annualised. Past performance is not indicative of future performance. Inception date is 28 November 2014. The Fund aims to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

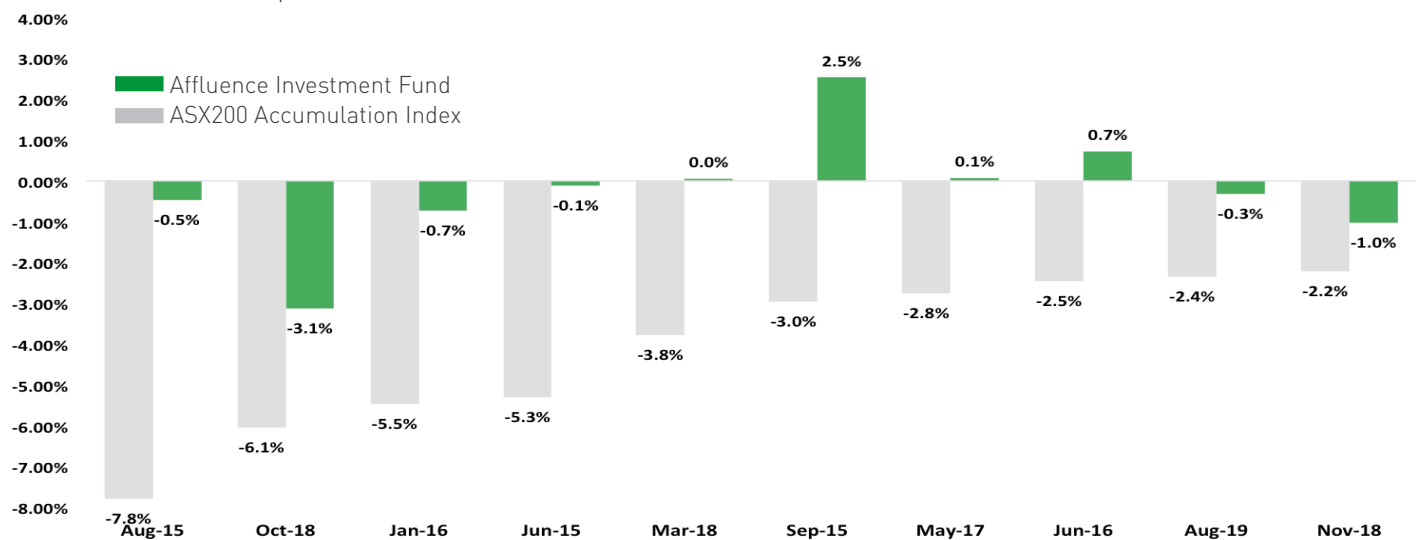
■ Strongest Month   
 ■ Positive Month   
 ■ Stable Month   
 ■ Negative Month   
 ■ Weakest Month

## 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.

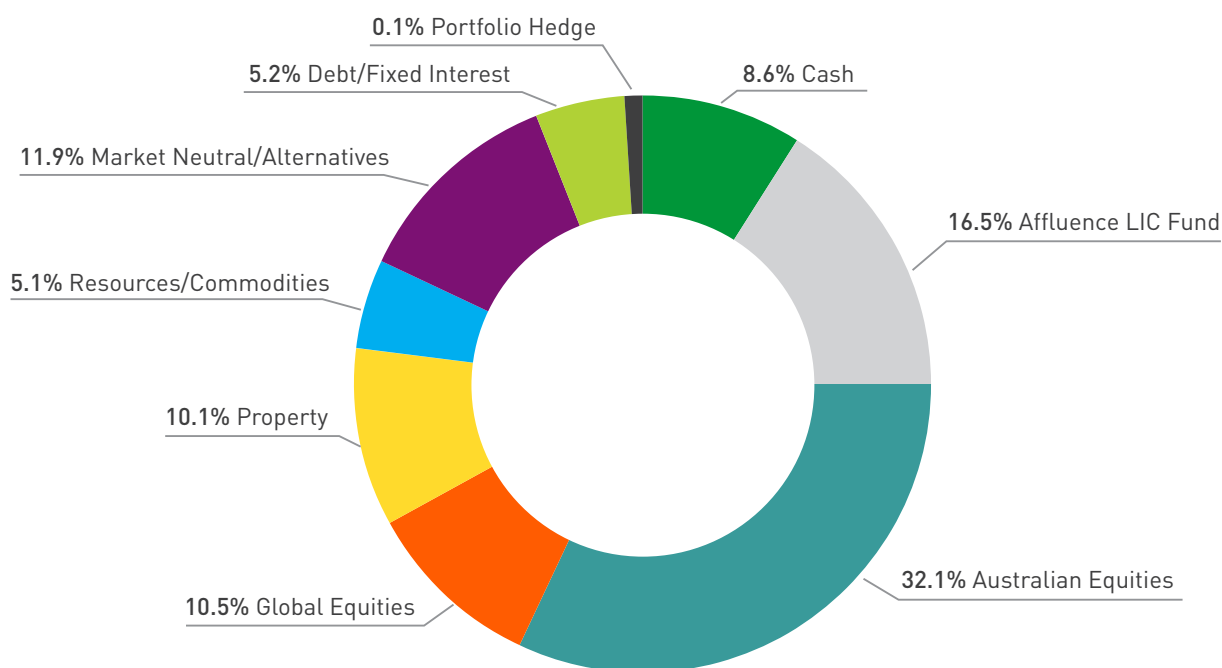




## Asset Allocation Summary

Asset Class	Number of Funds/ Investments	Current	Normal Range
Affluence LIC Fund	30 LICs	16.5%	10-20%
Australian Equities	16	32.1%	20-50%
Global Equities	7	10.5%	5-30%
Property	6	10.1%	5-30%
Resources/Commodities	3	5.1%	0-10%
Market Neutral/Alternatives	9	11.9%	5-20%
Debt/Fixed Interest	5	5.2%	5-20%
Other	N/A	0.0%	0-35%
Portfolio Hedge	N/A	0.1%	
Cash	N/A	8.6%	5-20%
<b>Total</b>		<b>100.0%</b>	

## 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	Packer & Co Investigator Trust
Phoenix Opportunities Fund	Deep Value Microcap Fund
Wentworth Williamson Fund	Unibail-Rodamco Westfield
EGP Concentrated Value Fund	Cromwell Direct Property Fund
L1 UK Residential Property Fund III	Auscap Long Short Australian Equities Fund

## What Makes This Fund Different

Traditional Fund Managers	vs.	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 fund managers, 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

Investment Class	Diversified
Minimum Investment	\$20,000
Suggested Timeframe	At least 3 years
Benchmark Returns	Inflation + 5%
Fund Value	\$19.0m
Entry Price	\$1.0898
Exit Price	\$1.0843
Annual Distributions	5.52 cpu
Distribution Yield	5.1% 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



### Daryl Wilson

CEO/Portfolio Manager

Years in the Industry: 20

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Phone: +61 402 046 883



### Greg Lander

Portfolio Manager

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## Platform Availability:

HUB24 (IDPS)

Netwealth (IDPS)

Powerwrap

Mason Stevens

One Answer (NZ Advisers)

This information has been prepared by Affluence Funds Management Limited ABN 68 604 406 297 AFS licence no. 475940 (Affluence) as general information only in relation to the Affluence Investment Fund (Fund). It does not purport to be complete and it does not take into account your investment objectives, financial situation or needs. Prospective investors should consider those matters and read the Product Disclosure Statement (PDS) offering units in the Fund before making an investment decision. The PDS contains important notices and disclaimers, important information about the offer, as well as investment risks. Any forecast or projected information, including financial, is not guaranteed and there is no guarantee of any distribution, investment return or repayment of capital. This information and the information in the PDS is not a recommendation by Affluence or any of its officers, employees, agents or advisers and potential investors are encouraged to obtain independent expert advice before any investment decision.