



# Affluence Investment Fund

## Fund Report - July 2019



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## Fund Commentary

The Affluence Investment Fund increased by 2.4% in July, with the benchmark increasing 0.6% (inflation plus 5% per annum). The ASX 200 Index finally got back above its 2007 record high (albeit only briefly until the market fell again in early August). Since commencing in December 2014, the Fund has returned 8.1% per annum. This has included 6.6% per annum monthly distributions to investors and an 1.5% per annum increase in the unit price of the Fund. Over that same period, the Fund has outperformed our benchmark of 6.9% per annum (inflation plus 5% per annum).

Our largest positive contributors included our holding in the Affluence LIC Fund (up 5%), the Phoenix Opportunities Fund (up 7%), the Baker Steel Gold Fund (up 15%) and the EGP Concentrated Value Fund (up 6%). The only material detractor this month was the Dalton Street Capital Absolute Return Fund, after its holdings in Hong Kong came under pressure as a result of the social unrest. The best performing sectors this month were our Australian equities portfolio, with both the Affluence LIC Fund and Australian equities funds outperforming the ASX 200 Index.

It is worth mentioning the extraordinary returns of the Baker Steel Gold Fund since late 2018. From the start of December 2018 to 31 July 2019, the Baker Steel Gold Fund has returned 66%. While this Fund has always had a fairly small allocation in the Affluence Investment Fund portfolio (around 1.5% over this period), it has made a significant contribution to the Fund

over the past year. The Baker Steel Gold Fund is a specialist Fund that invests in the most attractive gold producers worldwide. As short and long term interest rates have been falling recently, the price of gold has increased to over USD\$1,500 per ounce. As the Australian dollar has fallen against the US dollar, the gold price in Australian dollars is now over AUD\$2,200 per ounce, which is an all time record. This has lit a furnace under the share price of gold producers, as they are now able to make huge marginal profits off their projects.

We made two changes to the portfolio this month. We have now sold our units in the Perpetual Pure Credit Alpha Fund, and reinvested the proceeds into the Mutual High Yield Fund. We also invested in a new unlisted property fund, the L1 UK Residential Property Fund III. The investment strategy of this Fund is to purchase all or part of residential blocks in one line, in major UK cities outside of London. Apart from the ability to produce reasonable cash flow (the Fund aims to pay out a 6% earnings yield), by buying a number of units in one line, the manager is able to purchase the units at a discount to their individual market value. Therefore, they have the option of selling down the units individually and realising a significant capital gain. There are many things we like about this strategy, but one significant thing is that we believe now, with the Brexit uncertainty is an excellent opportunity to be counter-cyclical.

At month end, 61% of the portfolio was invested in unlisted funds, 16% in the Affluence LIC Fund, 12% in listed investments and 11% 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 23rd August. Units will be issued effective 1st September.

## Fund Performance

To 31 July 2019	1 Month	1 Year	2 Years	3 Years	4 Years	Inception	Volatility
<b>Income Distributions</b>	0.4%	5.2%	5.9%	6.3%	5.7%	6.6%	
<b>Capital Growth</b>	2.0%	(2.1%)	0.2%	0.2%	2.2%	1.5%	
<b>Total Return</b>	<b>2.4%</b>	<b>3.1%</b>	<b>6.1%</b>	<b>6.5%</b>	<b>7.9%</b>	<b>8.1%</b>	<b>3.6%</b>
<b>Benchmark - Inflation + 5%</b>	0.6%	6.8%	7.0%	7.1%	6.9%	6.9%	
<b>Outperformance against Benchmark</b>	<b>1.8%</b>	<b>(3.7%)</b>	<b>(0.9%)</b>	<b>(0.6%)</b>	<b>1.0%</b>	<b>1.2%</b>	

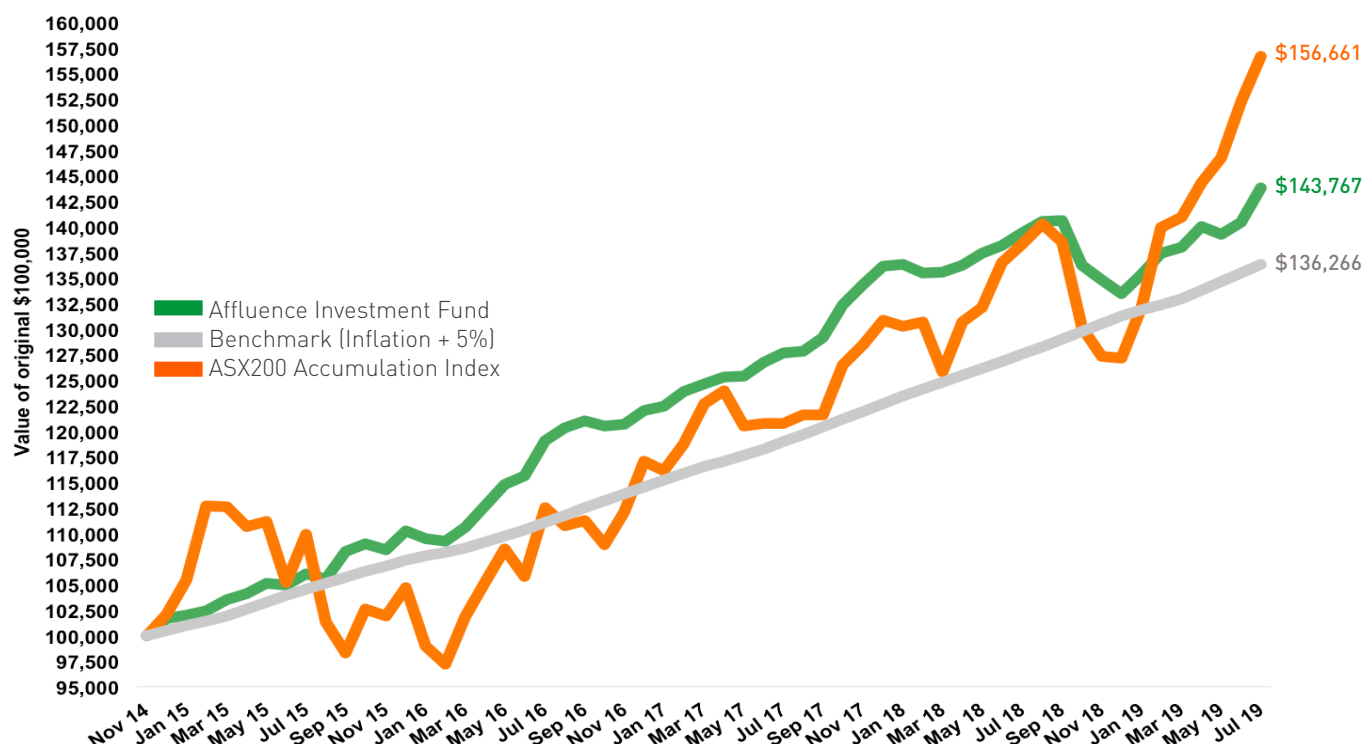
Total returns are net of fees and costs (excluding buy-sell spread) using the mid prices and assume the reinvestment of distributions. Returns for periods of more than 1 year are annualised. Past performance is not indicative of future performance. Inception date is 28 November 2014. The Fund aims to 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%						7.8%

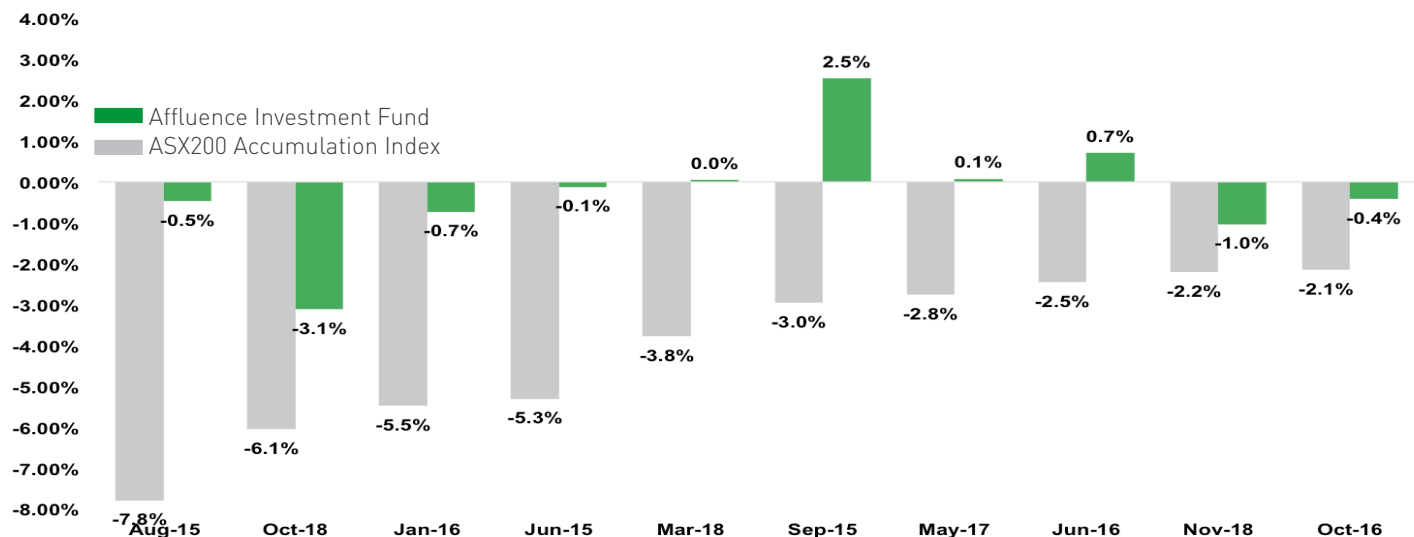
■ Strongest Month   
 ■ Positive Month   
 ■ Stable Month   
 ■ Negative Month   
 ■ Weakest Month

## 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.

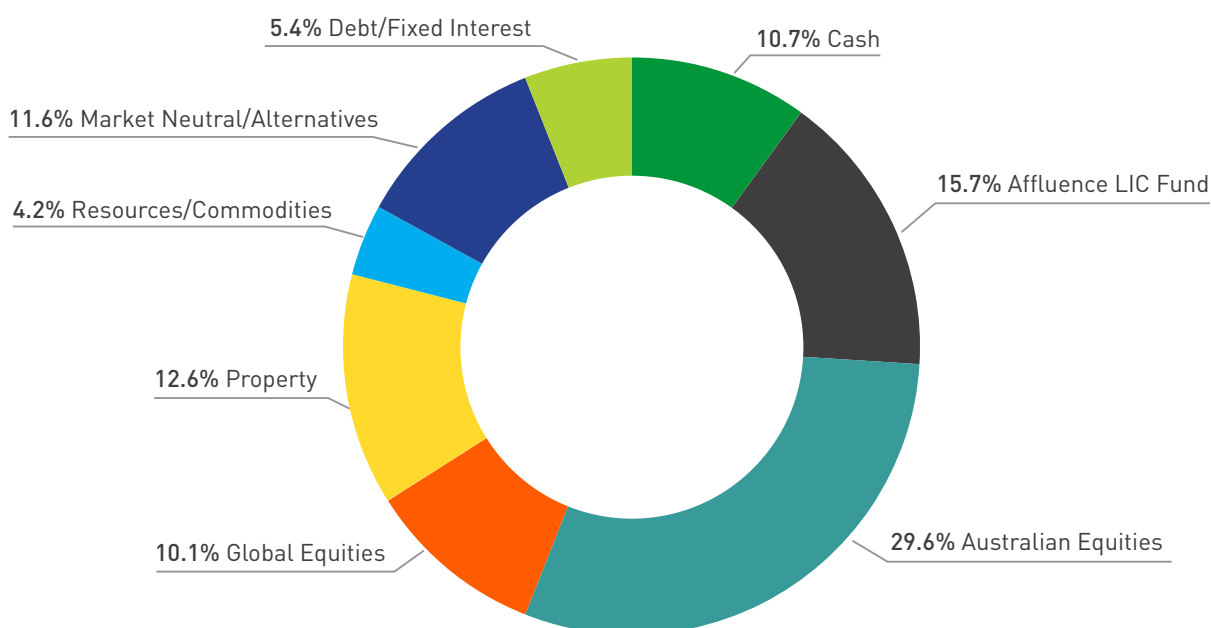




## Asset Allocation Summary

Asset Class	Number of Funds/ Investments	Current	Normal Range
Affluence LIC Fund	33 LICs	15.7%	10-20%
Australian Equities	14	29.6%	20-50%
Global Equities	6	10.1%	5-30%
Property	7	12.6%	5-30%
Resources/Commodities	3	4.2%	0-10%
Market Neutral/Alternatives	9	11.6%	5-20%
Debt/Fixed Interest	5	5.4%	5-20%
Other	N/A	0.0%	0-35%
Portfolio Hedge	N/A	0.0%	
Cash	N/A	10.7%	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.

## Top 10 Largest Investments

Affluence LIC Fund	EGP Concentrated Value Fund
Phoenix Opportunities Fund	Unibail-Rodamco Westfield
Wentworth Williamson Fund	Cromwell Direct Property Fund
L1 UK Residential Property Fund III	Auscap Long Short Australian Equities Fund
Packer & Co Investigator Trust	Totus Capital Alpha 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	\$16.2m
Entry Price	\$1.0748
Exit Price	\$1.0694
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



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Years in the Industry: 19

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## Platform Availability:

HUB24 (IDPS)	Netwealth (IDPS)	Powerwrap	Mason Stevens	One Answer (NZ Advisers)
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