

Affluence Investment Fund

Fund Report - June 2020



Morningstar
Rating
5 Year



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Fund Commentary

The end of the financial year is always a time to reflect on the portfolio and performance. We are pleased to have protected investors capital through a very volatile period in 2020. The Affluence Investment Fund has outperformed the ASX200 Index (essentially the average return from the 200 largest stocks) by 10.2% over the 2020 financial year. The Fund delivered a net return of 2.5% for the 12 months. That doesn't sound great in isolation but compares well to the -7.7% return for the ASX 200 Index. One of our key internal targets is to ensure that to the extent we outperform markets, we do so when our investors value it most. To have outperformed by 10% in a year when markets fell significantly meets that brief. The Fund has also outperformed the ASX200 over five years and since inception in 2014. Those returns have also been delivered with significantly lower volatility than the stock market. The results continue to be superior to the vast majority of similar funds, as demonstrated by the 5 star Morningstar rating.

Despite that performance, we must admit to being a little disappointed with our long term returns. Since commencing in December 2014, the Fund has returned 6.7% per annum, compared to our target (inflation plus 5%) of 6.9% per annum. The simplest explanation for not doing better is that our core investment philosophy, owning more of that which is cheap and less of that which is expensive, has worked poorly over the past five years. Many credible studies show that this style of "value" investing has delivered better than average results over the long term. However, in the last five years, and in particular the last three, we have seen the most expensive assets get relentlessly more expensive, while the cheapest assets have struggled to go far at all. This has led to what is

now probably the largest difference in investment styles on record, between high growth investments and more traditional cyclical, or value plays. The only time in history that comes close is the end of the dot com tech boom in 1999.

The reason for this divergence, we believe, is twofold. Firstly, many investors are now prepared to pay almost any price to access growth in a predominantly low growth world. This trend is being amplified by the continuing move to passive investment vehicles such as ETF's and index funds. Secondly, historically low interest rates mean that most traditional investment classes and many alternative investment strategies are delivering unacceptably low returns. For many investors, there is a perception that growth stocks are the only asset class that can deliver acceptable outcomes. They believe that if you want a decent return, there is no alternative. We believe that paying exceptionally high prices for perceived high growth stocks is becoming an increasingly risky endeavour.

We also believe that markets will return to a more balanced valuation scenario in time. We plan to continue doing what has worked for 100+ years. To allocate more to those investments which are cheap, and less (or none) to those that are exceedingly expensive. We believe that the Affluence Investment Fund portfolio represents vastly superior value to the overall market, and is positioned to achieve very good returns over a 3-5 year investment period.

Turning now to the June monthly result, the ASX 200 Index increased by 2.6%, which was predominantly driven by the largest stocks. The Affluence Investment Fund decreased by 0.4%, as our overweight positions to LICs and smaller companies gave back some of

the recent gains. Our largest positive contributors included the Terra Capital Natural Resources Fund (up 20%), the EGP Concentrated Value Fund (up 5%), and the Northcape Capital Global Emerging Markets Fund (up 4%). The biggest detractors included the Affluence LIC Fund as the overall discounts to NTA increased, and the Tribeca Natural Resources Fund.

The June quarter distribution (paid to investors 10 July) was higher than usual. This was due to a combination of the positive performance for the financial year, and profits booked on portfolio put options in March. We expect year end investment statements to be sent to investors in late July. Annual tax statements are expected to be available by late August.

At month end, 60% of the portfolio was invested in unlisted funds, 19% in the Affluence LIC Fund, 10% in listed investments 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.

The Affluence Investment Fund provides access to some of Australia's best fund managers. The portfolio currently includes over 30 unlisted funds as well as more than 20 LIC's and other listed entities. If you would like to invest with us, 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 24 July. Units will be issued effective 1 August.

Fund Performance

To 30 June 2020	1 Month	1 Year	3 Years	5 Years	Inception	Volatility
Distributions	2.6%	7.4%	6.4%	6.0%	6.7%	
Change in Unit Price (Capital Growth)	(3.0%)	(4.9%)	(2.1%)	0.5%	0.0%	
Affluence Investment Fund Total Return	(0.4%)	2.5%	4.3%	6.5%	6.7%	5.8%
Benchmark - Inflation + 5%	0.5%	7.1%	7.1%	6.9%	6.9%	
Performance against Benchmark	(0.9%)	(4.6%)	(2.8%)	(0.4%)	(0.2%)	

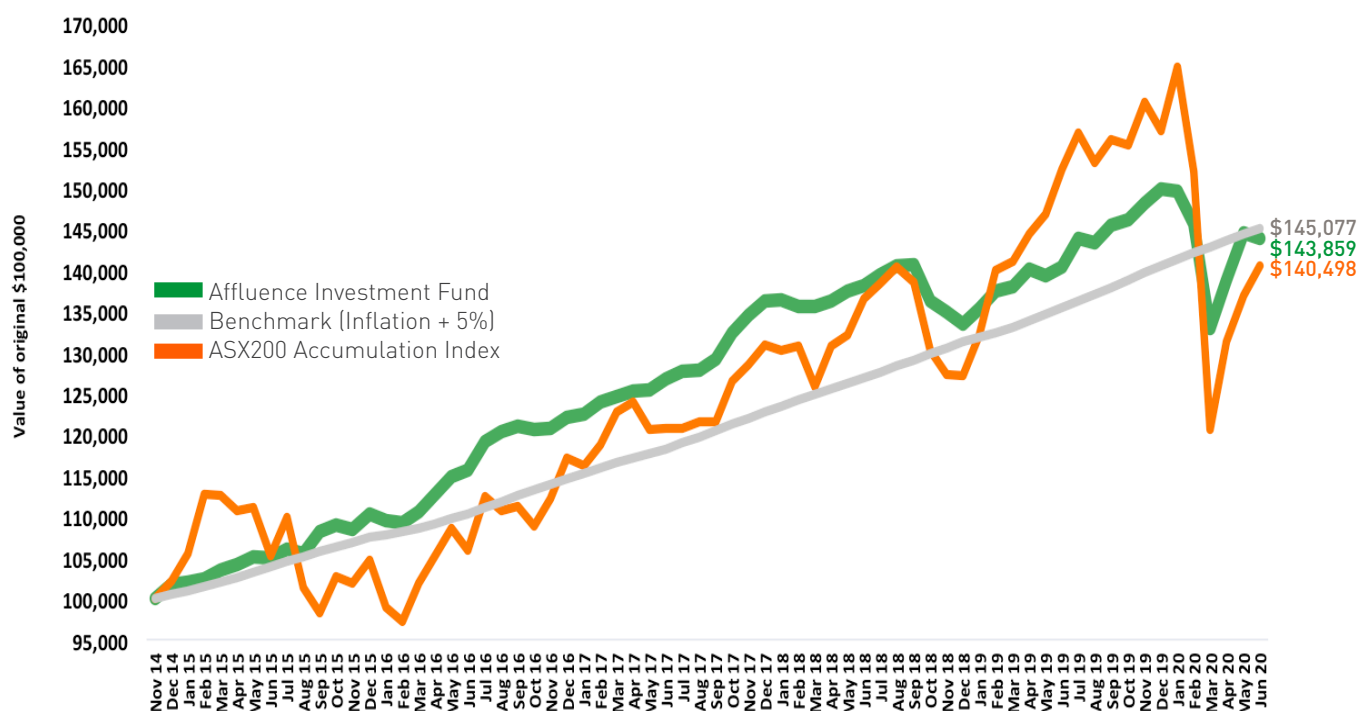
Total returns are net of fees and costs (excluding buy-sell spread) using the mid prices and assume the reinvestment of distributions. Returns for periods of more than 1 year are annualised. Past performance is not indicative of future performance. Inception date is 28 November 2014. The Fund aims to 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%	-8.7%	4.4%	4.1%	-0.4%							

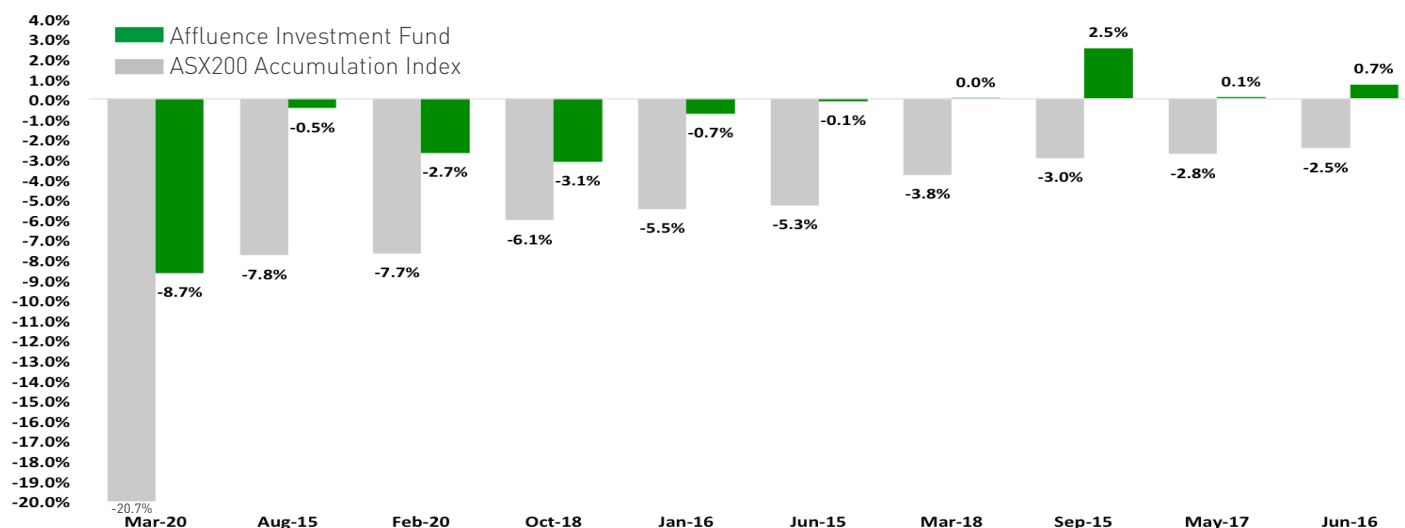
■ Strongest Month
 ■ Positive Month
 ■ Stable Month
 ■ Negative Month
 ■ Weakest Month

Return on \$100,000 Investment



Fund Performance vs ASX 200 - Worst Months

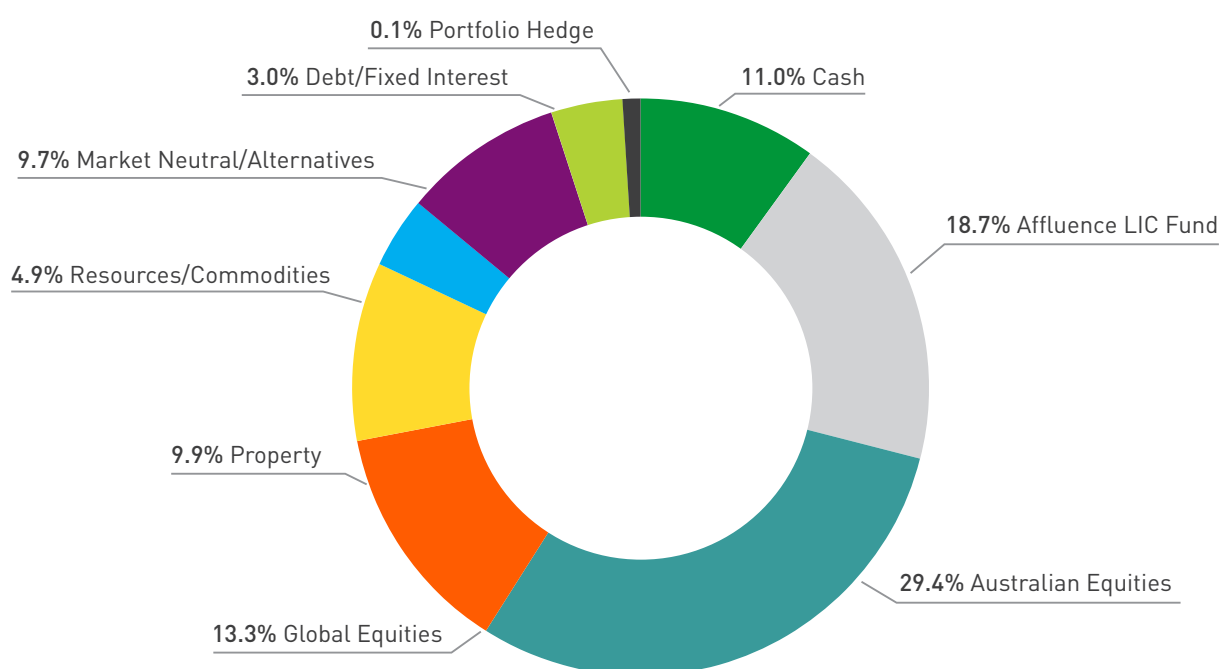
The below shows the 10 largest monthly falls in the ASX200 Accumulation Index since the Fund commenced, and the performance of the Affluence Investment Fund for that month. The Fund has outperformed the Index in all 10 of the worst months, and delivered positive returns in 4 of them.



Asset Allocation Summary

Asset Class	Number of Funds/ Investments	Current	Normal Range
Affluence LIC Fund	29 LICs	18.7%	10-20%
Australian Equities	14	29.4%	20-50%
Global Equities	6	13.3%	5-30%
Property	8	9.9%	5-30%
Resources/Commodities	3	4.9%	0-10%
Market Neutral/Alternatives	6	9.7%	5-20%
Debt/Fixed Interest	4	3.0%	2.5-20%
Other	N/A	0.0%	0-35%
Portfolio Hedge	N/A	0.1%	
Cash	N/A	11.0%	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	Wentworth Williamson Fund
CI Brunswick Fund	L1 UK Residential Property Fund III
Bronte Capital Amalthea Fund	EGP Concentrated Value Fund
Phoenix Opportunities Fund	QVG Opportunities Fund
Packer & Co Investigator Trust	Baker Steel Gold 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	\$18.7m
Entry Price	\$1.0025
Exit Price	\$0.9975
Annual Distributions	5.52 cpu
Distribution Yield	5.5% 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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Platform Availability:

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