

Affluence Investment Fund

Fund Report - May 2018



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Fund Commentary

The Affluence Investment Fund increased by 0.8% in May, with the ASX 200 Index increasing by 1.1% and our benchmark increasing 0.6%. Since commencing in December 2014, the Fund has returned 9.5% per annum. This has included 6.6% per annum monthly distributions to investors and a 2.9% 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 8.3% per annum.

Key positive contributors during the month included Investa Office Fund (up 17.3%), Australian Agriculture Company (up 14.5%), the QVG Opportunities Fund (up 8.1%), and the Microequities Deep Value Microcap Fund (up 4.6%). We sold our position in the Investa Office Fund (IOF) during the month after it received a takeover offer from Blackstone. We have held a position in IOF for quite some time, and have been slowly increasing our investment. We were attracted to this REIT as we believed it was one of the best office portfolios in the country, has an excellent manager in Investa, and traded at up to a 15% discount to NTA. While we are very wary about current commercial property valuations, we believed gaining access to a prime portfolio at a large discount was an attractive proposition. While not strictly a REIT, we view Australian Agriculture

Company (AAC) in a similar way. AAC holds one of the largest beef cattle aggregations in the country, and has been trading at more than a 30% discount to net assets. Despite a weak operating result announced during the month, the company traded higher off its recent lows.

We have witnessed recently our growth equity managers outperforming our value equity managers. This is why we hold both, as different styles outperform at different times. In aggregate, our equity portfolio has a bias towards value managers, and this has held the Fund back recently. However, this does not worry us at all. A number of our value managers have reported that even though their recent performance has been weak, they believe there is more “latent value” in their portfolios than they have seen in a long time. Hopefully what this means is that these managers should experience strong returns in the medium term. When allocating capital within the portfolio, this is a combination we look for. A great manager going through a difficult period.

One of our key focuses recently has been to increase our exposure to alternative strategies. At month end the Fund had 7.6% invested in market neutral strategies, and a further 2.4% in other alternative strategies. We are currently working on some very interesting opportunities in this space. We

are looking for strategies than can achieve at least our minimum target return (inflation plus 5% per annum), and that are uncorrelated with most other asset classes. If we can find investments that meet these criteria, than they can improve overall Fund performance in falling markets and during periods of high volatility.

At month end, 60% of the portfolio was invested in unlisted funds, 15% in the Affluence LIC Fund, 9% in listed investments and 16% in cash. If you'd like further details of the investment portfolio, including our top holdings and weightings, visit the Affluence Investment Fund page or Members Area on 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 25 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 June. Units will be issued effective 1st July.

Fund Performance

To 31 May 2018	1 Month	6 Months	1 Year	2 Years	3 Years	Inception	Volatility
Income Distributions	0.4%	2.4%	7.0%	6.3%	6.2%	6.6%	
Capital Growth	0.4%	(0.2%)	2.6%	3.1%	3.2%	2.9%	
Total Return	0.8%	2.2%	9.6%	9.4%	9.4%	9.5%	3.0%
Benchmark - Inflation + 5%	0.6%	3.5%	7.3%	7.3%	6.9%	6.9%	
Outperformance against Benchmark	0.2%	(1.3%)	2.3%	2.1%	2.5%	2.6%	

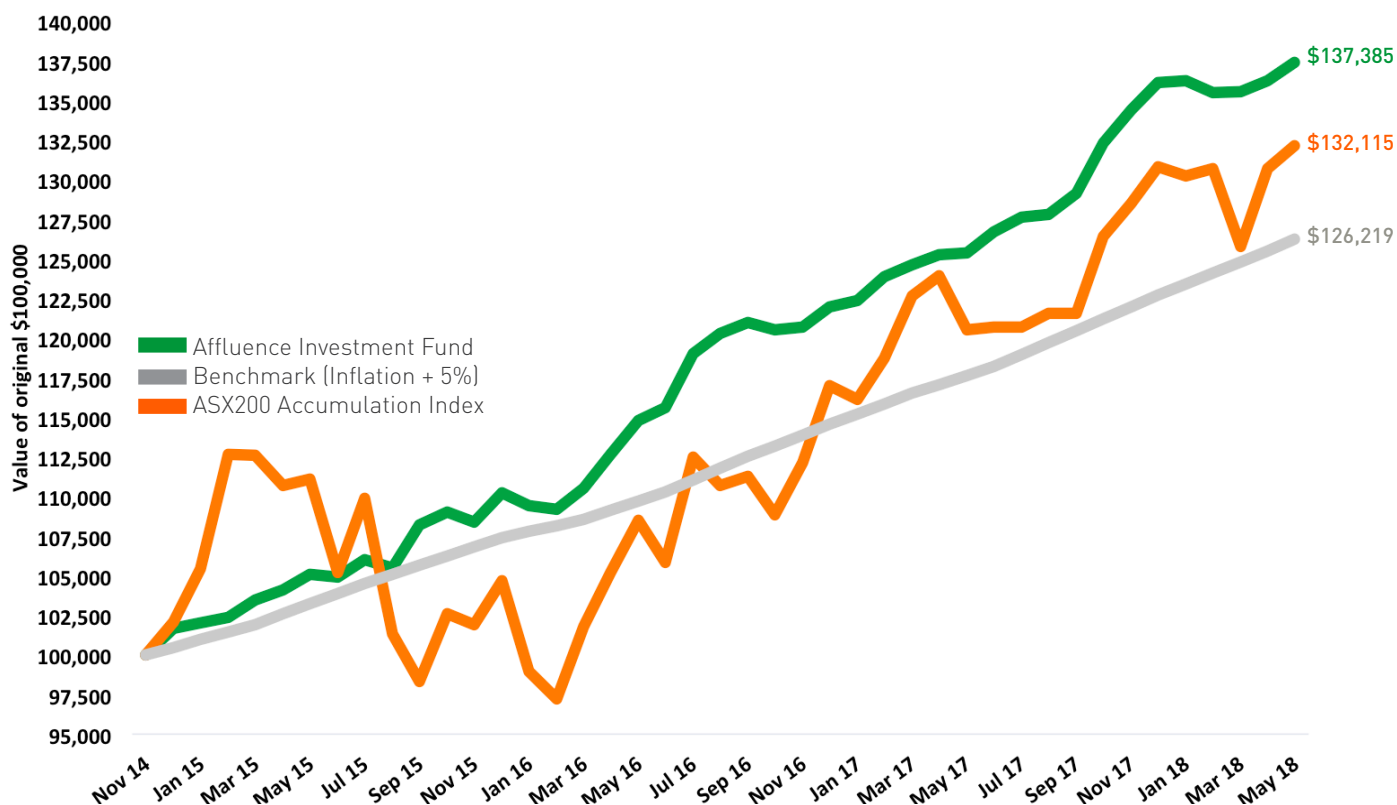
Total returns are net of fees and costs (excluding buy-sell spread) using the mid prices and assume the reinvestment of distributions. Returns for periods of more than 1 year are annualised. Past performance is not indicative of future performance. Inception date is 28 November 2014. The Fund aims to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

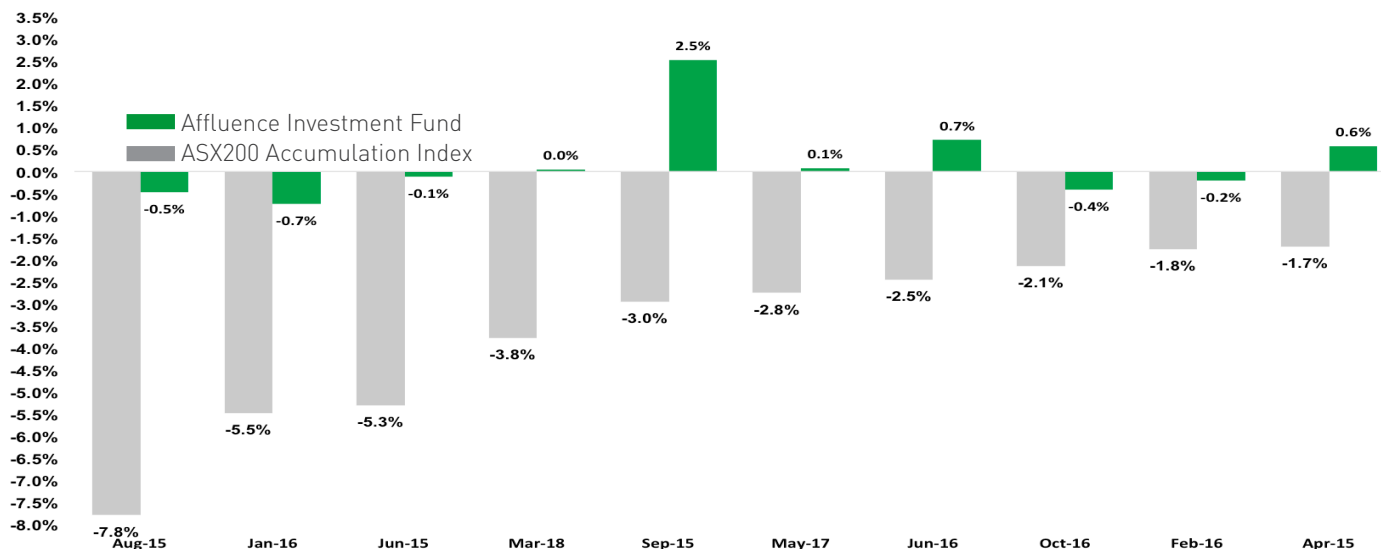
■ Strongest Month
 ■ Positive Month
 ■ Stable Month
 ■ Negative Month
 ■ Weakest Month

Return on \$100,000 Investment



Fund Performance vs ASX 200 - Worst Months

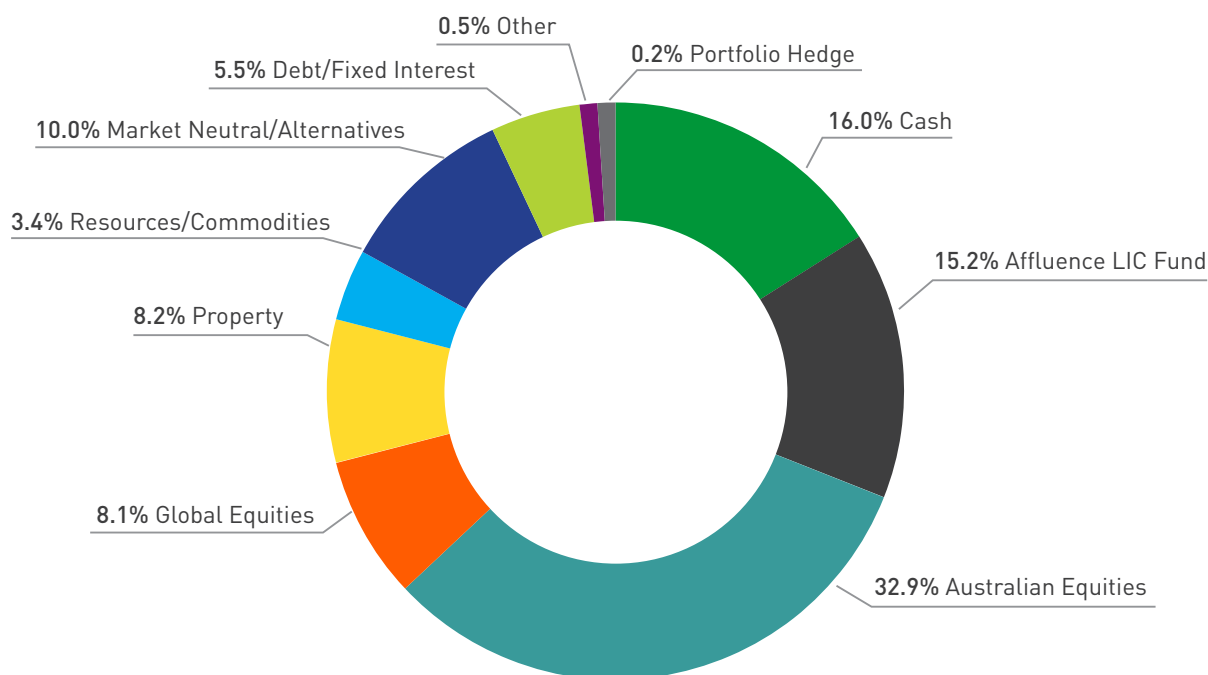
The below shows the 10 largest monthly falls in the ASX200 Accumulation Index since the Fund commenced, and the performance of the Affluence Investment Fund for that month. The Fund has outperformed the Index in all 10 of the worst months, and delivered positive returns in 5 of them.



Asset Allocation Summary

Asset Class	Number of Funds/ Investments	Current	Normal Range
Affluence LIC Fund	28 LICs	15.2%	10-20%
Australian Equities	16	32.9%	20-50%
Global Equities	4	8.1%	5-30%
Property	6	8.2%	5-30%
Resources/Commodities	3	3.4%	0-10%
Market Neutral/Alternatives	7	10.0%	5-20%
Debt/Fixed Interest	4	5.5%	5-20%
Other	N/A	0.5%	0-35%
Portfolio Hedge	N/A	0.2%	
Cash	N/A	16.0%	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	Cooper Investors Brunswick Fund
Phoenix Opportunities Fund	Bronte Capital Amalthea Fund
Cromwell Direct Property Fund	Packer & Co Investigator Trust
Wentworth Williamson Fund	Antipodes Global Fund
KIS Asia Long Short Fund	Auscap Long Short Australian Equities 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	\$11.5m
Entry Price	\$1.1076
Exit Price	\$1.0999
Annual Distributions	5.40 cpu
Distribution Yield	4.9% p.a.
Distribution Frequency	Monthly
Applications	Monthly
Withdrawals	Monthly
Management Fees	Nil
Performance Fee	12.5% of positive performance
Buy/Sell Spread	0.35%/0.35%

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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