



Affluence Investment Fund

Fund Report - May 2019



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Fund Commentary

The Affluence Investment Fund decreased by 0.6% in May, with the benchmark increasing 0.6% (inflation plus 5% per annum). In what was a very divergent month for equity markets the ASX 200 Index increased 1.7% while the ASX Small Ordinaries Index decreased by 1.3%. Global share markets decreased significantly by 5.8% in local currency (4.2% decrease in AUD). Since commencing in December 2014, the Fund has returned 7.6% per annum. This has included 6.5% per annum monthly distributions to investors and a 1.1% per annum increase in the unit price of the Fund. Over that same period, the Fund has outperformed our benchmark of 6.8% per annum (inflation plus 5% per annum) and is slightly behind the ASX 200 Index (including dividends) of 8.9% per annum.

The sectors that contributed to the small loss this month were our alternatives portfolio, global equities portfolio (while a negative return, our global equities portfolio significantly outperformed the global indices) and our property portfolio. Our largest positive contributors were the EGP Concentrated Value Fund (up 4.8%), the Auscap Long Short Fund (up 3.8%), the Totus Alpha Fund (up 4.9%) and the Sandon Capital Activist Fund (up 2.7%). The largest detractors included Unibail-Rodamco-Westfield (down 11.4% on no updates or news), the Packer & Co Investigator Trust, and the Dalton Street Capital Absolute Return Fund.

In early June we were advised that one of our managers are closing down their fund and returning investors capital. KIS Capital manage the KIS Asia Long Short Fund which we have been invested in since September 2016. It is a trading strategy that operates with a very low net exposure, and we include the fund in our alternatives portfolio. The fund currently accounts for 2.8% of the Affluence Investment Fund and we considered it a core portfolio holding. Despite some softer returns over the past 1-2 years (although still superior to many in the sector), their long term track record is exceptional and we were prepared to look through this short term underperformance. They are closing down the fund as they have not been able to produce the level of returns that they were happy with and have produced historically. This is a much wider issue for the alternatives sector, as recent returns have been flat or negative compared to much stronger historical returns. We are disappointed to be losing KIS Capital, however we do applaud their commitment to the best interests of their investors by making this very difficult decision. They have advised that investors should receive the majority of the investment back in July, with the remainder once the year end audit is complete.

At month end, 66% of the portfolio was invested in unlisted funds, 16% in the Affluence LIC Fund, 10% in listed investments and 8% 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 June. Units will be issued effective 1st July.

Fund Performance

To 31 May 2019	1 Month	1 Year	2 Years	3 Years	4 Years	Inception	Volatility
Income Distributions	0.4%	6.4%	6.7%	6.3%	6.3%	6.5%	
Capital Growth	(1.0%)	(5.1%)	(1.3%)	0.3%	1.0%	1.1%	
Total Return	(0.6%)	1.3%	5.4%	6.6%	7.3%	7.6%	3.5%
Benchmark - Inflation + 5%	0.6%	6.6%	6.9%	7.0%	6.8%	6.8%	
Outperformance against Benchmark	(1.2%)	(5.3%)	(1.5%)	(0.4%)	0.5%	0.8%	

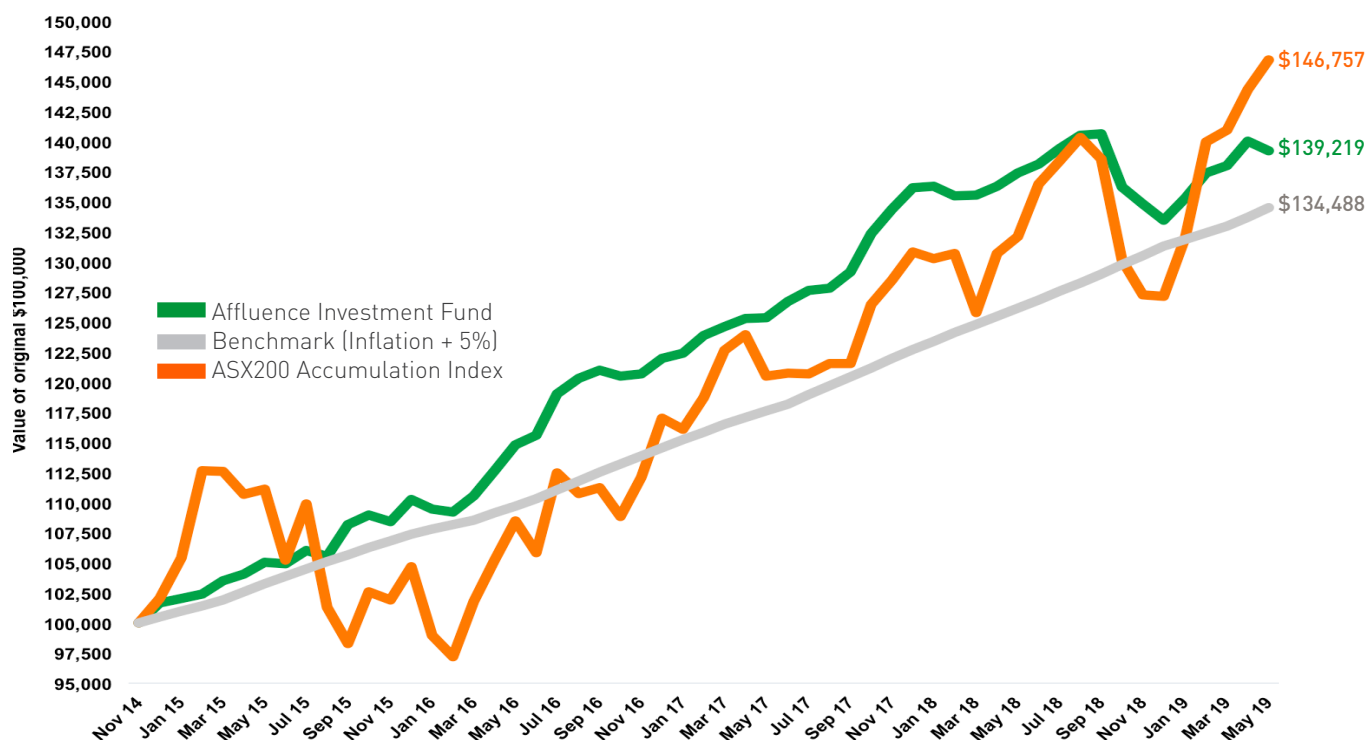
Total returns are net of fees and costs (excluding buy-sell spread) using the mid prices and assume the reinvestment of distributions. Returns for periods of more than 1 year are annualised. Past performance is not indicative of future performance. Inception date is 28 November 2014. The Fund aims to 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%								4.3%

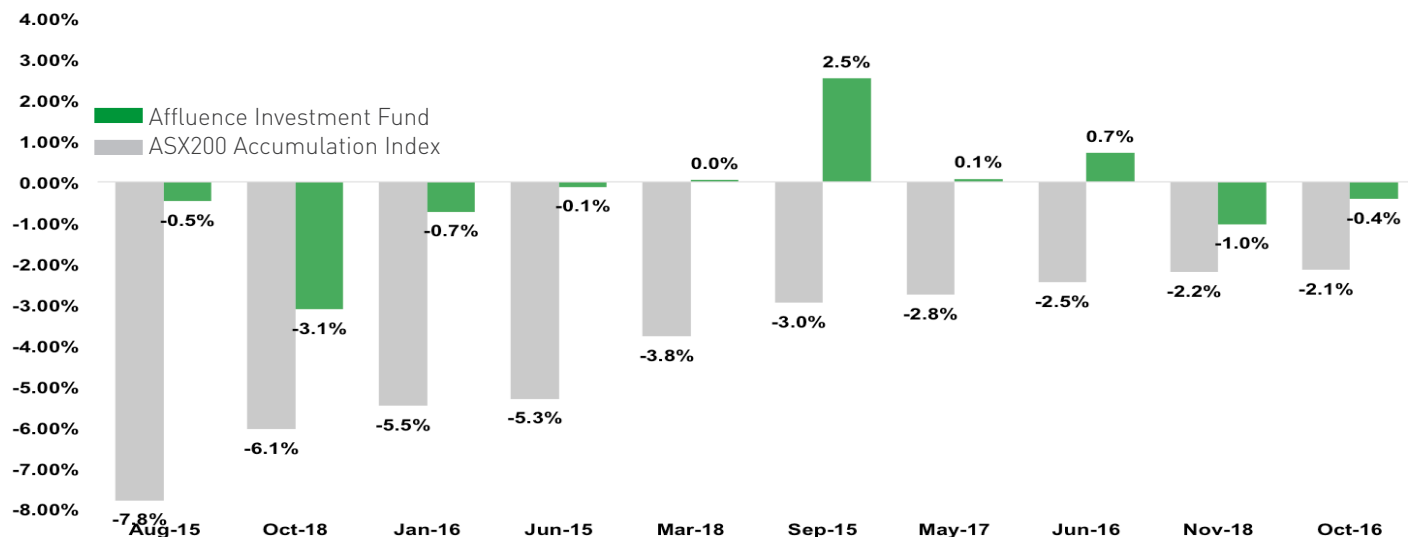
■ Strongest Month
 ■ Positive Month
 ■ Stable Month
 ■ Negative Month
 ■ Weakest Month

Return on \$100,000 Investment



Fund Performance vs ASX 200 - Worst Months

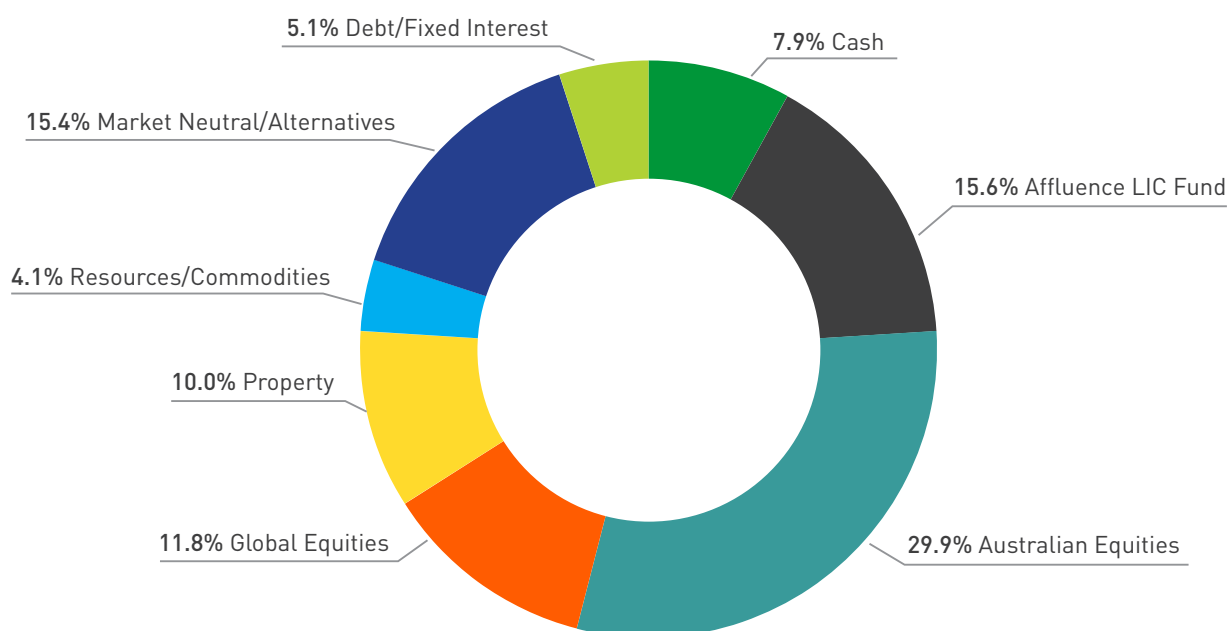
The below shows the 10 largest monthly falls in the ASX200 Accumulation Index since the Fund commenced, and the performance of the Affluence Investment Fund for that month. The Fund has outperformed the Index in all 10 of the worst months, and delivered positive returns in 4 of them.



Asset Allocation Summary

Asset Class	Number of Funds/ Investments	Current	Normal Range
Affluence LIC Fund	31 LICs	15.6%	10-20%
Australian Equities	14	29.9%	20-50%
Global Equities	6	11.8%	5-30%
Property	7	10.0%	5-30%
Resources/Commodities	3	4.1%	0-10%
Market Neutral/Alternatives	9	15.4%	5-20%
Debt/Fixed Interest	4	5.1%	5-20%
Other	N/A	0.0%	0-35%
Portfolio Hedge	N/A	0.1%	
Cash	N/A	7.9%	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.

Top 10 Largest Investments

Affluence LIC Fund	KIS Asia Long Short Fund
Phoenix Opportunities Fund	Auscap Long Short Australian Equities Fund
Wentworth Williamson Fund	Sandon Capital Activist Fund
Packer & Co Investigator Trust	GMO Systematic Global Macro Trust
Cromwell Direct Property Fund	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	\$15.4m
Entry Price	\$1.0498
Exit Price	\$1.0446
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:

HUB24 (IDPS)

Netwealth (IDPS)

Powerwrap

Mason Stevens

One Answer (NZ Advisers)

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