



Affluence Investment Fund

Fund Report - October 2017

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Fund Commentary

The Australian share market took off in October, with the ASX 200 increasing by 4.0% and the ASX Small Ordinaries increasing by 6.0%. We are pleased to report that the Affluence Investment Fund had a strong month, increasing by 2.5%. Since commencing in December 2014 the Fund has returned 10.1% per annum. Over that period the Fund has outperformed both our benchmark of 6.8% per annum (inflation plus 5%) and the ASX 200 (including dividends) of 8.4% per annum.

In early November, the ASX 200 index passed 6,000 points for the first time in almost 10 years. No one knows where markets will head from here, however we can be sure that there is less value in the market than there was 3 months ago. This is not just constrained to Australian equities. The US market continues to go up, commercial property yields continue to tighten (therefore prices are more expensive) and there appears to be an abundance of credit available for poor companies. We are not warning of any impending market doom, only that caution is warranted. We continue to focus on making our portfolio capable of achieving solid returns, however also to be as resilient as possible. We believe that the Fund continues to be well positioned for a wide range of market conditions. For example we continue

to hold a circa 10% allocation to market neutral strategies, even though these strategies have been a relative drag on our performance over the past 18 months. At some point in the future these investments will outperform when markets take a tumble, and we are more than happy to sacrifice some short term underperformance for this.

In such a strong month for the markets, our only detractors were two of our market neutral funds. The strongest investments for the Fund during October was the Terra Capital Natural Resources Fund (up 10.1%), the Auscap Long Short Fund (up 7.0%), the Ophir High Conviction Fund (up 8.1%) and the India Avenue Equity Fund (up 10.3%).

We didn't add any new managers during the month, and topped up our positions in the IML Concentrated Share Fund, the Harvest Lane Absolute Return Fund, the Perpetual Pure Credit Alpha Fund, the Antipodes Global Fund and the Packer & Co Investigator Trust. We also made a small swap, by selling some units in the unlisted Watermark Market Neutral Trust, and buying shares in the ASX listed Australian Leaders Fund (ALF). This is the same manager, and very similar strategy, however we effectively sold out of the unlisted trust at NTA and purchased the listed version at a more than 10% discount.

This may take some time to equalize, however we believe in the medium term this will produce additional alpha.

At month end, 60% of the Fund was invested in unlisted funds, 17% in the Affluence LIC Fund, 8% in other listed investments, and 15% in cash. If you'd like further details of the investment portfolio, including our top holdings and weightings, register on our website as an Affluence Member and follow the link to the Members Area 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 24th November. Units will be issued effective 1st December.

Fund Performance

To 31 October 2017	1 Month	6 Months	1 Year	2 Years	Inception	Volatility
Income Distributions	0.5%	4.3%	7.0%	6.2%	6.9%	
Capital Growth	2.0%	1.3%	2.8%	4.0%	3.2%	
Total Return	2.5%	5.6%	9.8%	10.2%	10.1%	3.1%
Benchmark - Inflation + 5%	0.6%	3.5%	7.1%	6.8%	6.8%	
Outperformance against Benchmark	1.9%	2.1%	2.7%	3.4%	3.3%	

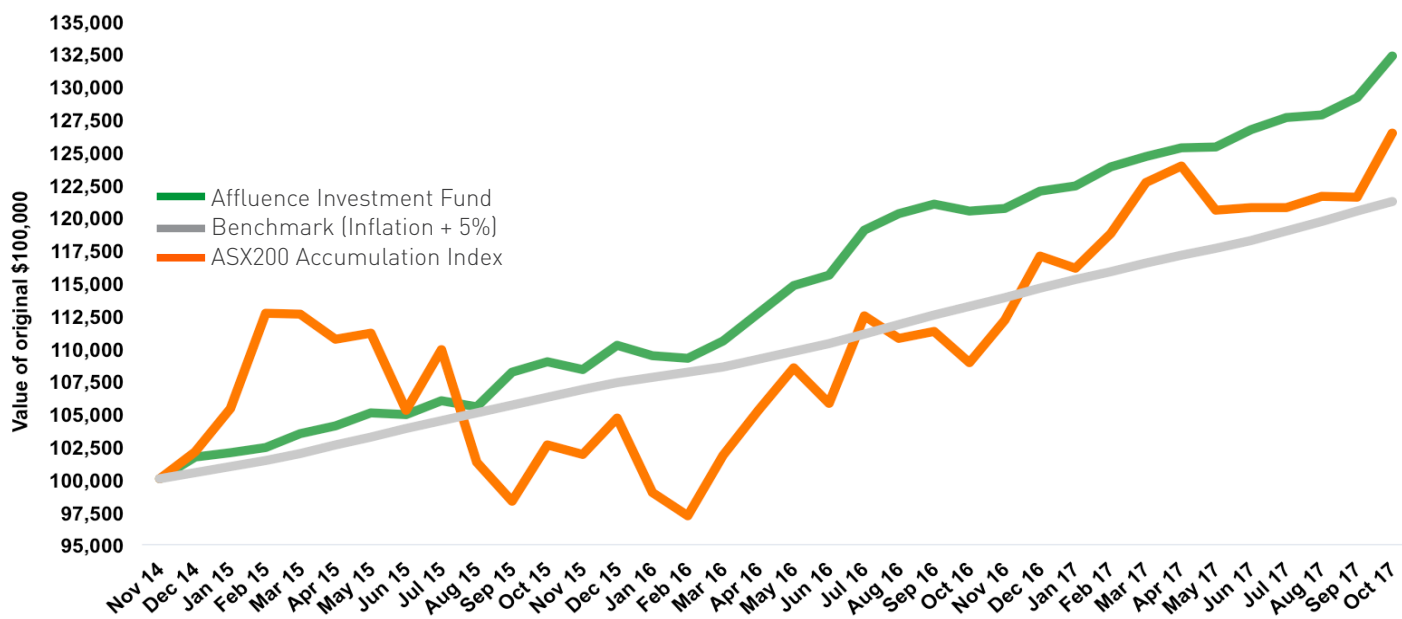
Total returns are net of fees and costs (excluding buy-sell spread) using the mid prices and assume the reinvestment of distributions. Returns for periods of more than 1 year are annualised. Past performance is not indicative of future performance. Inception date is 28 November 2014. The Fund aims to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

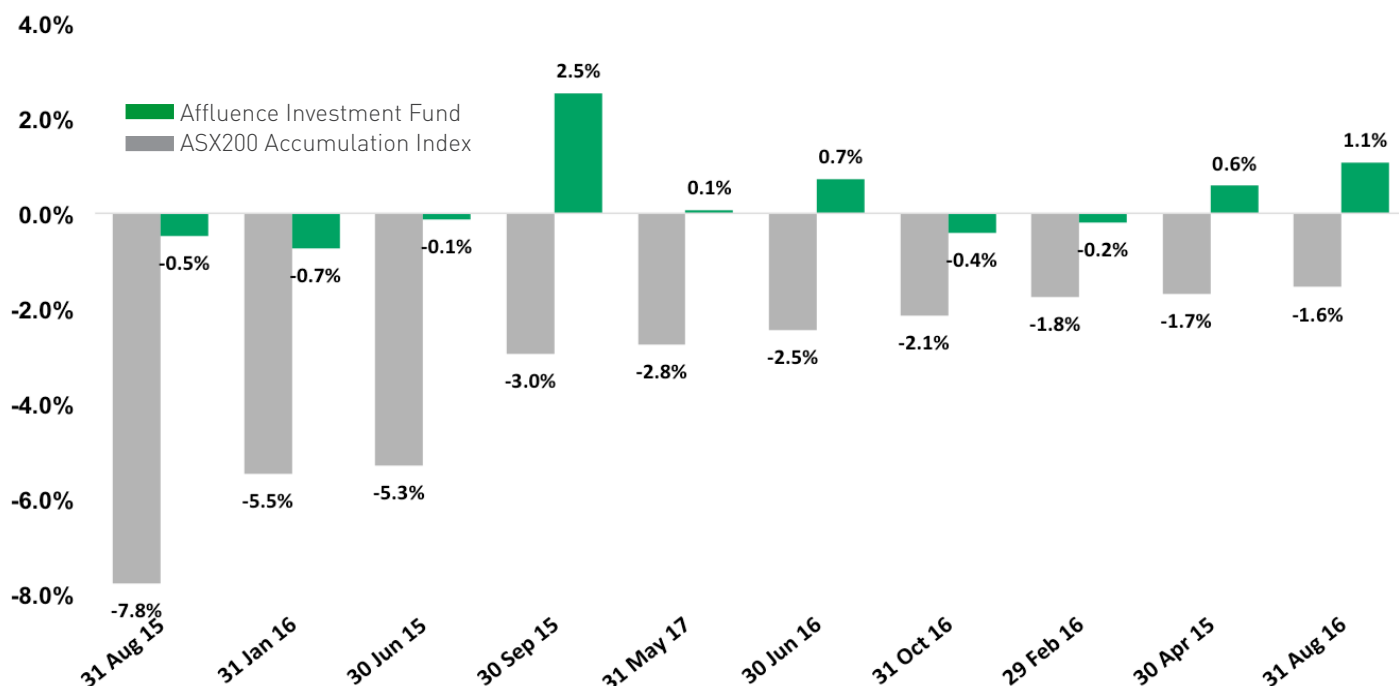
■ Strongest Month
 ■ Positive Month
 ■ Stable Month
 ■ Negative Month
 ■ Weakest Month

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.



Asset Allocation Summary

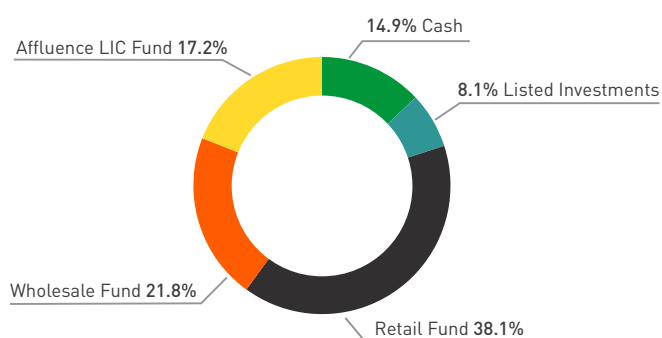
Asset Class*	Number of Funds/ Investments	Percentage of Portfolio
Cash		14.9%
Credit/Fixed Interest	4	5.7%
Equities - Affluence LIC Fund	31**	17.2%
Equities - Long Only/Cash Buffer	14	29.9%
Equities - Absolute Return/Diversified	7	10.9%
Equities - Market Neutral	6	9.0%
Property	6	9.0%
Resources/Commodities	4	3.3%
Total		100.0%

* Asset Class is based on Affluence's classification of the underlying Fund/Investment assets.

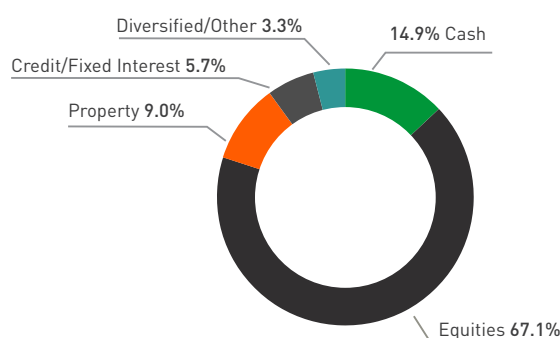
** Number of Funds/Investments for the Affluence LIC Fund represents the number of LICs in the ALF portfolio.

Portfolio Summary

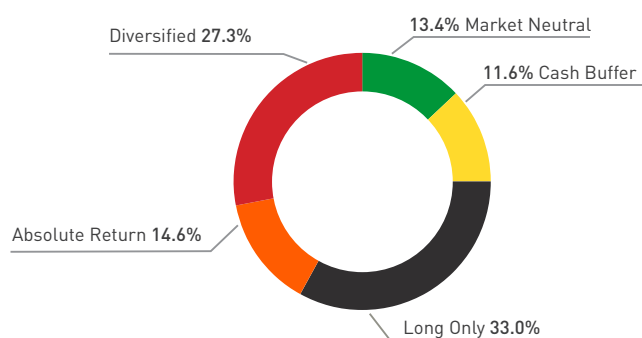
Underlying Investment Types



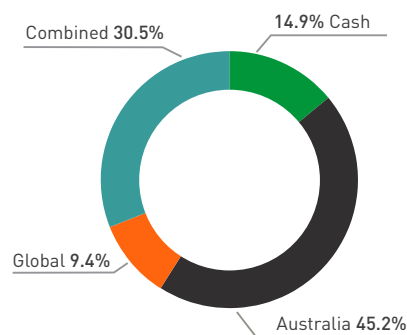
Asset Class



Equities Strategies



Geographic Exposure



Top 10 Largest Investments

Affluence LIC Fund	KIS Asia Long Short Fund
Phoenix Opportunities Fund	Packer & Co Investigator Trust Fund
Wentworth Williamson Fund	EGP Concentrated Value Fund
Cromwell Direct Property Fund	Alexander Credit Opportunities
Cooper Investors Brunswick Fund	Antipodes Global Fund

What Makes This Fund Different

Traditional Fund Managers	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	\$8.3m
Entry Price	\$1.0976
Exit Price	\$1.0899
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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Meet The Portfolio Managers



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