



# Affluence Investment Fund

## Fund Report - October 2018



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## Fund Commentary

The ASX200 index decreased by 6.1% in October, the ASX Small Ordinaries index was down 9.6% and the MSCI World Accumulation Index (AUD) was down 5.4%. There were relatively few places to hide, with the sell-off very widespread. The Affluence Investment Fund decreased by 3.1% in October with our benchmark increasing 0.6%. Since commencing in December 2014, the Fund has returned 8.2% per annum. This has included 6.7% per annum monthly distributions to investors and a 1.5% 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 7.0% per annum.

As can be seen from the market indices, it was a reasonably substantial sell-off in October. Markets hit their lows late in the month, before retracing some of the losses in the last few days. While the Fund's monthly performance was its worst since commencing, we managed to avoid a large proportion of the fall in stock markets in a very difficult environment. Negative months are never pleasing to report, but the Fund is well placed from here. Our best performing sectors in October were fixed interest and property, which remained relatively stable. The best performing investment was the Baker Steel Gold Fund which increased 4.7% during the month as the gold price increased due to

its safe-haven status. Our largest negative contributor was our equities portfolio. Our equity managers reported results between a very impressive -0.4% (Bronte Capital Amalthea Fund) and -12.2% (one of our Australian growth managers). While all had negative returns, the Affluence LIC Fund, Australian equities portfolio and Global equities portfolio all outperformed their respective benchmarks.

Some of the portfolio "shock absorbers" didn't fully respond in October, but would be expected to do so if markets fell much further from here. Our alternatives portfolio decreased by 2.1% for the month. On the surface, this was a little disappointing, but often these types of investments require a little more panic in markets to kick into gear, which we didn't see in October despite the negative returns. The Fund also holds some ASX200 put options, which can help performance if markets fall substantially. They never quite came into play as the market stabilised just as they were entering the strike zone. Near the market lows in October, we took advantage of the fall by purchasing some ASX200 call options. For a small investment, this allows the Fund to enjoy some benefits if markets do recover significantly over the next few months, while retaining cash to deploy if we see further falls.

We have no special insights on where markets go from here (up, down or sideways). While Australian and global equities are

less expensive than they were, we would not describe them as cheap. Historically, market corrections of 5-10% are much more common than bigger falls, and this would suggest there's a good chance of prices recovering over the next few months. We've certainly seen signs of that so far in November. However it's late in the investment cycle, and we continue to be cautious with our portfolio construction. We remain very confident in the ability of our investment managers, and the Affluence Investment Fund portfolio overall.

At month end, 66% of the portfolio was invested in unlisted funds, 13% in the Affluence LIC Fund, 9% in listed investments and 12% 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 know more, visit the fund page on our website at <https://affluencefunds.com.au/aif/>. 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 November. Units will be issued effective 1st December.

## Fund Performance

To 31 October 2018	1 Month	6 Months	1 Year	2 Years	3 Years	Inception	Volatility
<b>Income Distributions</b>	0.4%	3.9%	6.3%	6.7%	6.2%	6.7%	
<b>Capital Growth</b>	(3.5%)	(3.9%)	(3.4%)	(0.4%)	1.5%	1.5%	
<b>Total Return</b>	<b>(3.1%)</b>	<b>0.0%</b>	<b>2.9%</b>	<b>6.3%</b>	<b>7.7%</b>	<b>8.2%</b>	<b>3.5%</b>
<b>Benchmark - Inflation + 5%</b>	0.6%	3.4%	7.0%	7.0%	6.9%	6.9%	
<b>Outperformance against Benchmark</b>	<b>(3.7%)</b>	<b>(3.4%)</b>	<b>(4.1%)</b>	<b>(0.7%)</b>	<b>0.8%</b>	<b>1.3%</b>	

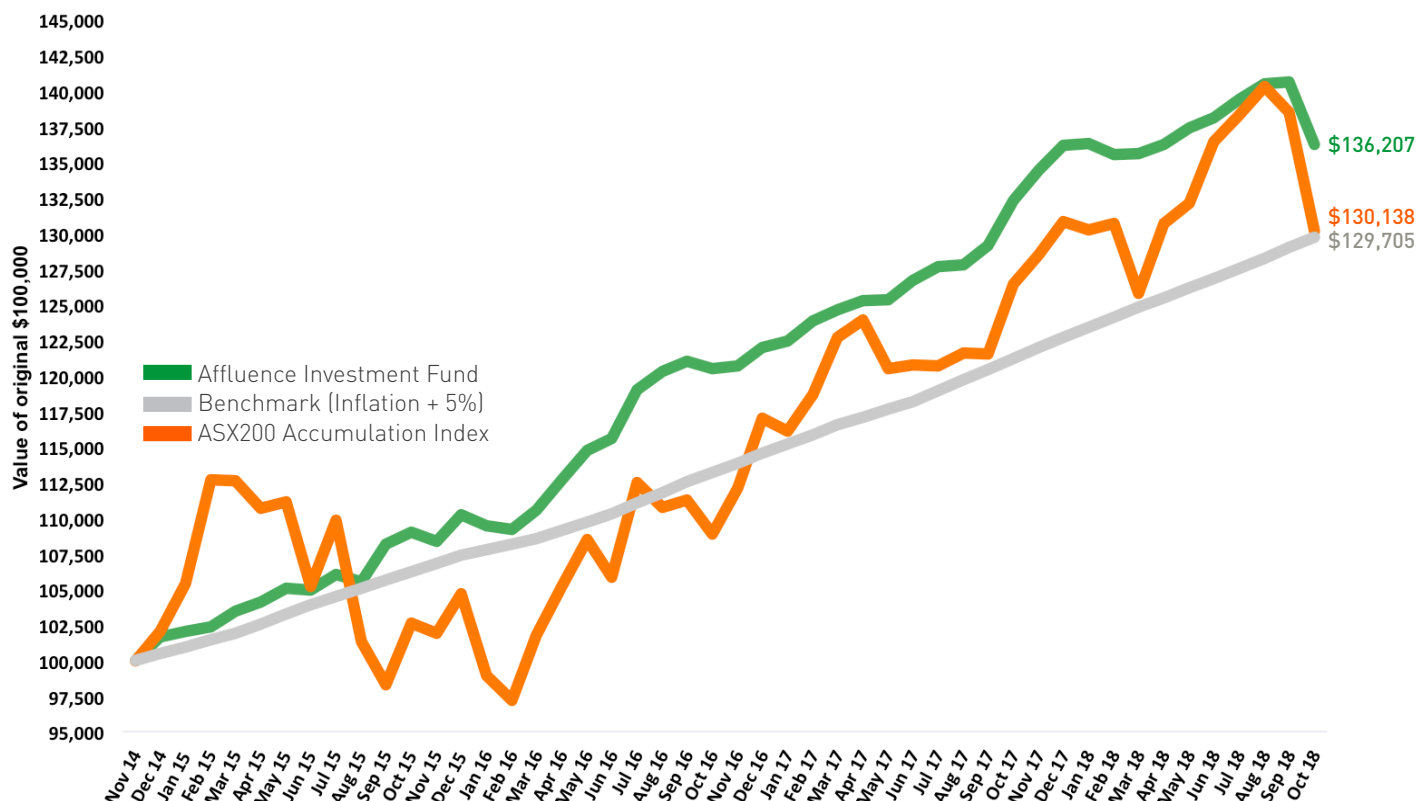
Total returns are net of fees and costs (excluding buy-sell spread) using the mid prices and assume the reinvestment of distributions. Returns for periods of more than 1 year are annualised. Past performance is not indicative of future performance. Inception date is 28 November 2014. The Fund aims to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

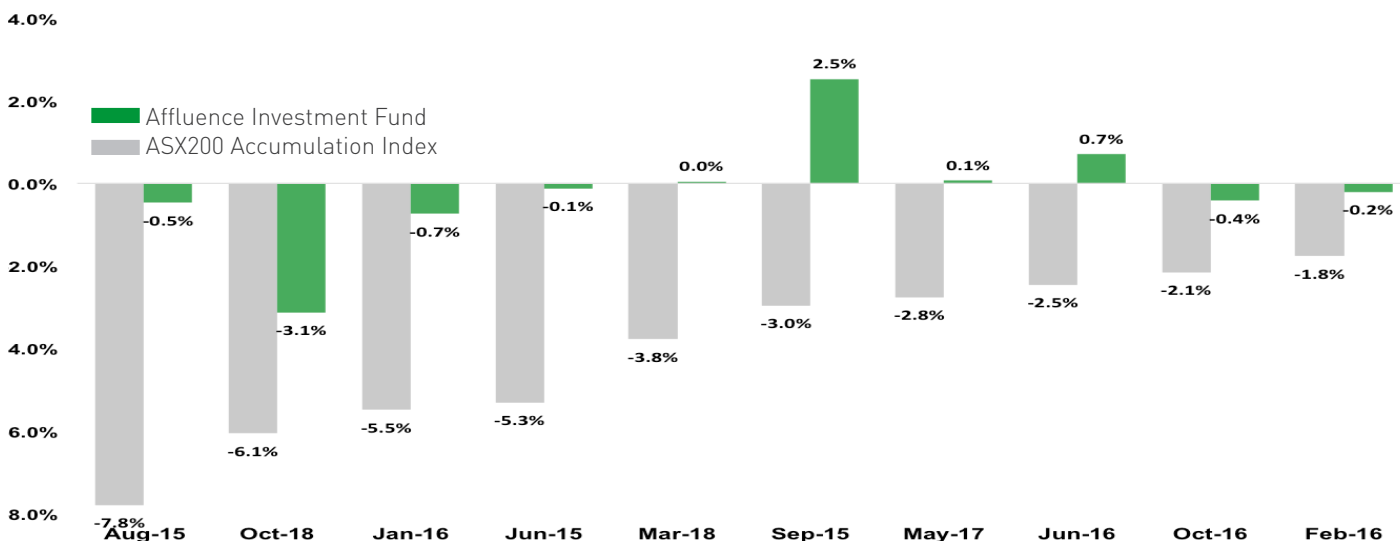
■ Strongest Month   
 ■ Positive Month   
 ■ Stable Month   
 ■ Negative Month   
 ■ Weakest Month

## Return on \$100,000 Investment



## Fund Performance vs ASX 200 - Worst Months

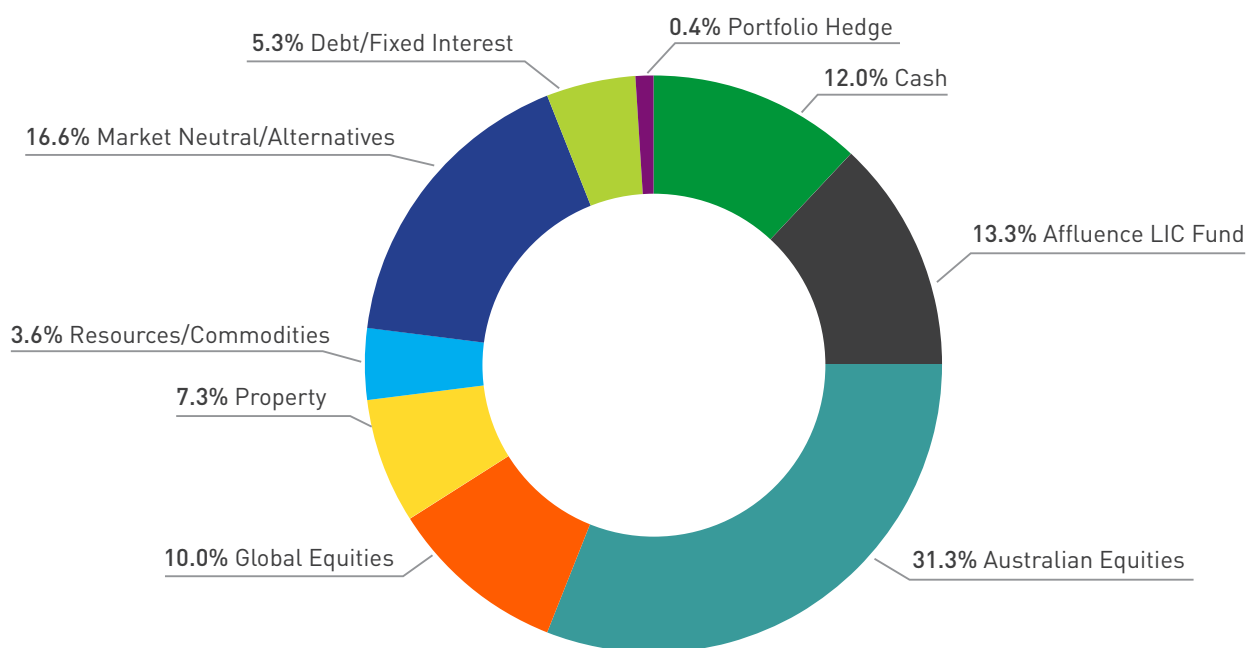
The below shows the 10 largest monthly falls in the ASX200 Accumulation Index since the Fund commenced, and the performance of the Affluence Investment Fund for that month. The Fund has outperformed the Index in all 10 of the worst months, and delivered positive returns in 4 of them.



## Asset Allocation Summary

Asset Class	Number of Funds/ Investments	Current	Normal Range
Affluence LIC Fund	25 LICs	13.3%	10-20%
Australian Equities	17	31.3%	20-50%
Global Equities	6	10.0%	5-30%
Property	5	7.3%	5-30%
Resources/Commodities	3	3.6%	0-10%
Market Neutral/Alternatives	9	16.6%	5-20%
Debt/Fixed Interest	3	5.3%	5-20%
Other	N/A	0.0%	0-35%
Portfolio Hedge	N/A	0.4%	
Cash	N/A	12.0%	5-20%
<b>Total</b>		<b>100.0%</b>	

## 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	Wentworth Williamson Fund
Phoenix Opportunities Fund	GMO Systematic Global Macro Trust
KIS Asia Long Short Fund	Auscap Long Short Australian Equities Fund
Perpetual Pure Credit Alpha Fund	Cooper Investors Brunswick Fund
Cromwell Direct Property Fund	Antipodes Global 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	\$13.7m
Entry Price	\$1.0603
Exit Price	\$1.0529
Annual Distributions	5.52 cpu
Distribution Yield	5.2% 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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Years in the Industry: 18

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Portfolio Manager

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## Platform Availability:

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

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