



# Affluence Investment Fund

## Fund Report - September 2018



### Contents

<p><b>02</b></p> <p>Fund Commentary</p> <p>Fund Performance</p>	<p><b>03</b></p> <p>Return History</p> <p>Return on \$100,000</p> <p>Worst Months Analysis</p>	<p><b>04</b></p> <p>Asset Allocation Summary</p> <p>Portfolio Summary</p> <p>Top 10 Investments</p>	<p><b>05</b></p> <p>Key Statistics</p> <p>Fund Strategy</p> <p>Contact Us</p>
---	--	---	---

1.) The Morningstar Rating™ is an assessment of a fund's past performance – based on both return and risk – which shows how similar investments compare with their competitors. A high rating alone is insufficient basis for an investment decision. © 2018 Morningstar, Inc. All rights reserved. Neither Morningstar, its affiliates, nor the content providers guarantee the data or content contained herein to be accurate, complete or timely nor will they have any liability for its use or distribution. Any general advice or 'class service' have been prepared by Morningstar Australasia Pty Ltd (ABN: 95 090 665 544, AFSL: 240892) and/or Morningstar Research Ltd, subsidiaries of Morningstar, Inc, without reference to your objectives, financial situation or needs. Refer to our Financial Services Guide (FSG) for more information at [www.morningstar.com.au/s/fsg.pdf](http://www.morningstar.com.au/s/fsg.pdf). You should consider the advice in light of these matters and if applicable, the relevant Product Disclosure Statement before making any decision to invest. Our publications, ratings and products should be viewed as an additional investment resource, not as your sole source of information. Past performance does not necessarily indicate a financial product's future performance. To obtain advice tailored to your situation, contact a professional financial adviser.

2.) FE Crown Fund Ratings do not constitute investment advice offered by FE and should not be used as the sole basis for making any investment decision. All rights reserved.

## Fund Commentary

Against a fall in the ASX 200 Index of 1.3% during September, we are pleased to report that the Affluence Investment Fund increased by 0.1%, with our benchmark increasing 0.5%. Since commencing in December 2014, the Fund has returned 9.3% per annum. This has included 6.8% per annum monthly distributions to investors and a 2.5% per annum increase in the unit price of the Fund. Over that same period, the Fund has outperformed both our benchmark of 6.8% per annum (inflation plus 5%) and the ASX 200 (including dividends) of 8.9% per annum.

We had no outstanding positive individual contributors during the month. The Affluence LIC Fund and the Australian equity portfolio both produced positive returns of 0.6% and 0.3% respectively, against the negative trend of the Australian market. We had a few significant detractors which pulled the overall result down. Our investment in the India Avenue Equity Fund fell 11.3%, as the emerging market malaise finally caught up with India which had fared very well until September. When we originally invested in India we fully expected periods such as this, which is why we keep the position size relatively small below 1.5%. Our investment thesis has not changed, and we expect to maintain our allocation and trust in the India Avenue team.

Other detractors included a 4% fall in the value of the Baker Steel Gold Fund on the back of a declining gold price, and a 5% fall in the value of Gowing Brothers. Gowing Brothers (ASX: GOW) is a listed company which we think of as part REIT and part LIC. The majority of the company's assets are good quality shopping centres located on the NSW Central Coast. In addition, they undertake some property development, hold listed shares, and some private equity. The Gowing family started the company in 1868, and have managed the company continuously ever since. They continue to own approximately 40% of the shares on issue. However what we really like about this company is that it trades at an almost 40% discount to net asset value. Trading is fairly limited, which can lead to some share price variation month to month. However, given the substantial discount the shares can be acquired at, we are quite prepared to put up with this inconvenience.

At month end, 66% of the portfolio was invested in unlisted funds, 14% in the Affluence LIC Fund, 9% in listed investments and 11% 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 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 October. Units will be issued effective 1st November.

## Fund Performance

To 30 September 2018	1 Month	6 Months	1 Year	2 Years	3 Years	Inception	Volatility
<b>Income Distributions</b>	0.5%	3.9%	6.7%	6.8%	6.1%	6.8%	
<b>Capital Growth</b>	(0.4%)	(0.2%)	2.2%	1.0%	3.0%	2.5%	
<b>Total Return</b>	<b>0.1%</b>	<b>3.7%</b>	<b>8.9%</b>	<b>7.8%</b>	<b>9.1%</b>	<b>9.3%</b>	<b>2.9%</b>
<b>Benchmark - Inflation + 5%</b>	0.5%	3.3%	7.0%	7.0%	6.8%	6.8%	
<b>Outperformance against Benchmark</b>	<b>(0.4%)</b>	<b>0.4%</b>	<b>1.9%</b>	<b>0.8%</b>	<b>2.3%</b>	<b>2.5%</b>	

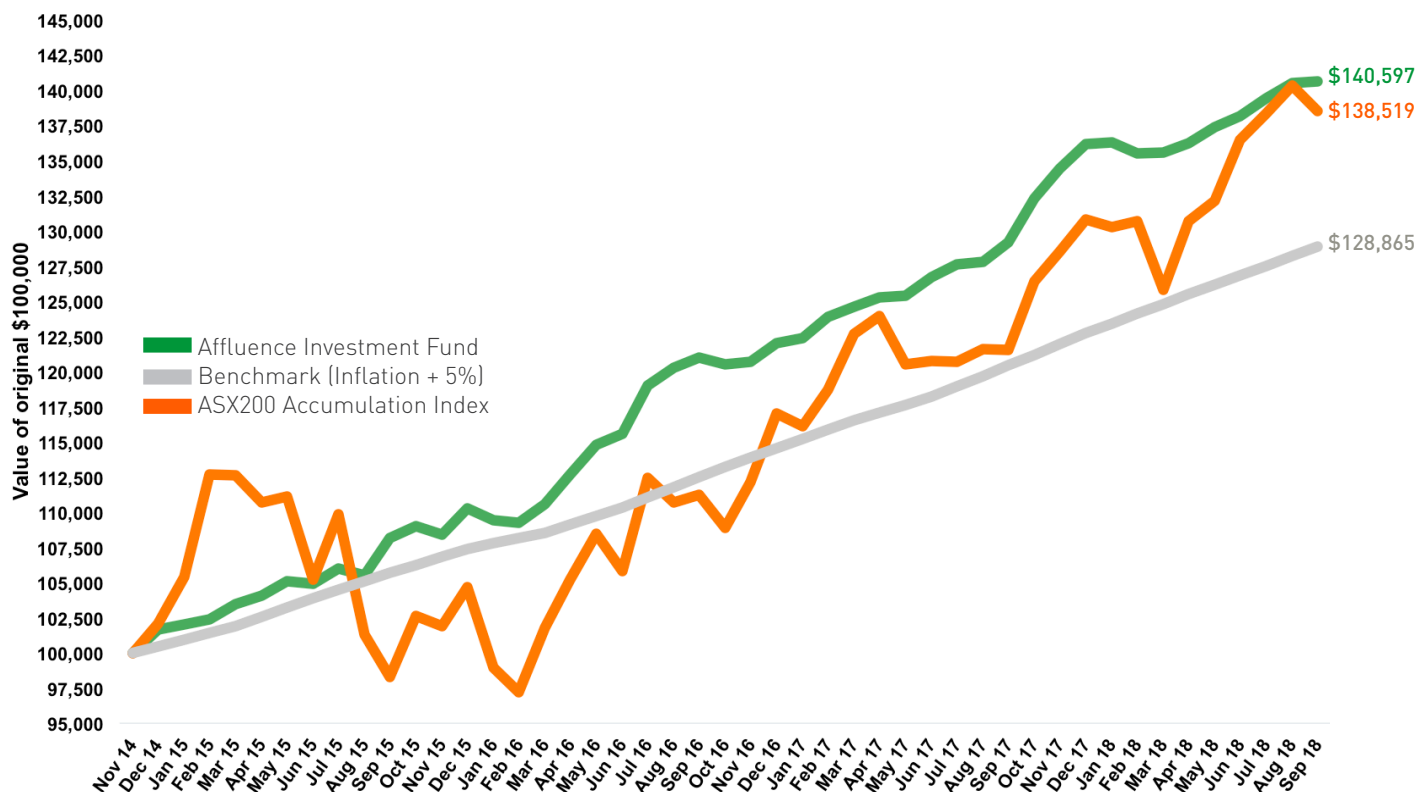
Total returns are net of fees and costs (excluding buy-sell spread) using the mid prices and assume the reinvestment of distributions. Returns for periods of more than 1 year are annualised. Past performance is not indicative of future performance. Inception date is 28 November 2014. The Fund aims to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

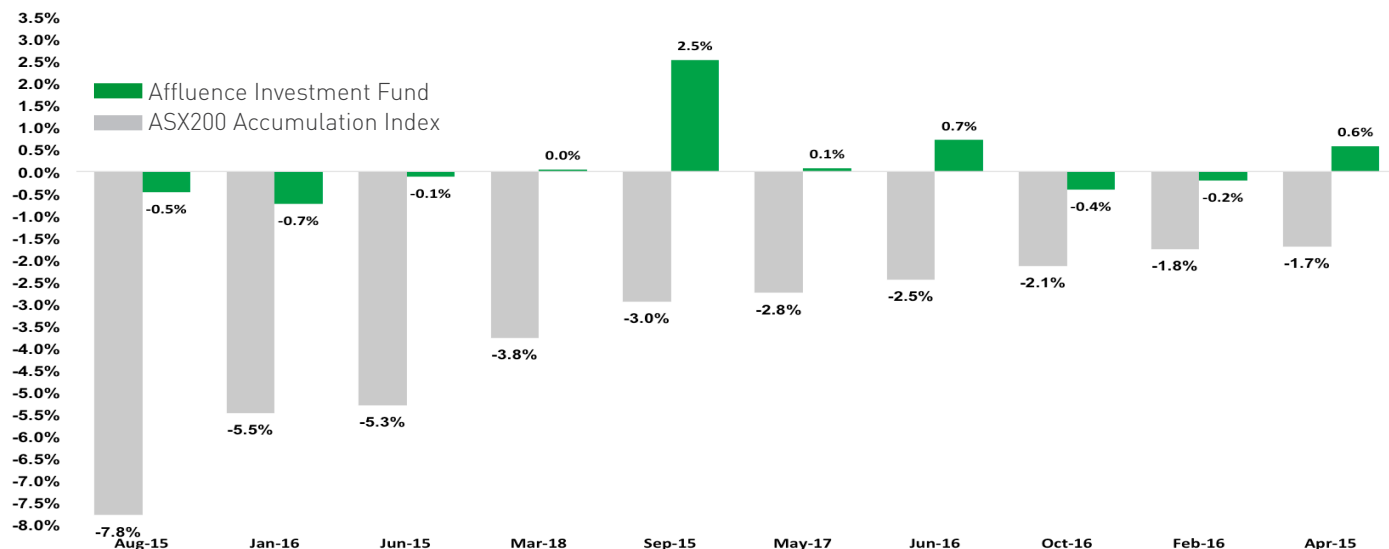
■ Strongest Month   
 ■ Positive Month   
 ■ Stable Month   
 ■ Negative Month   
 ■ Weakest Month

## 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.

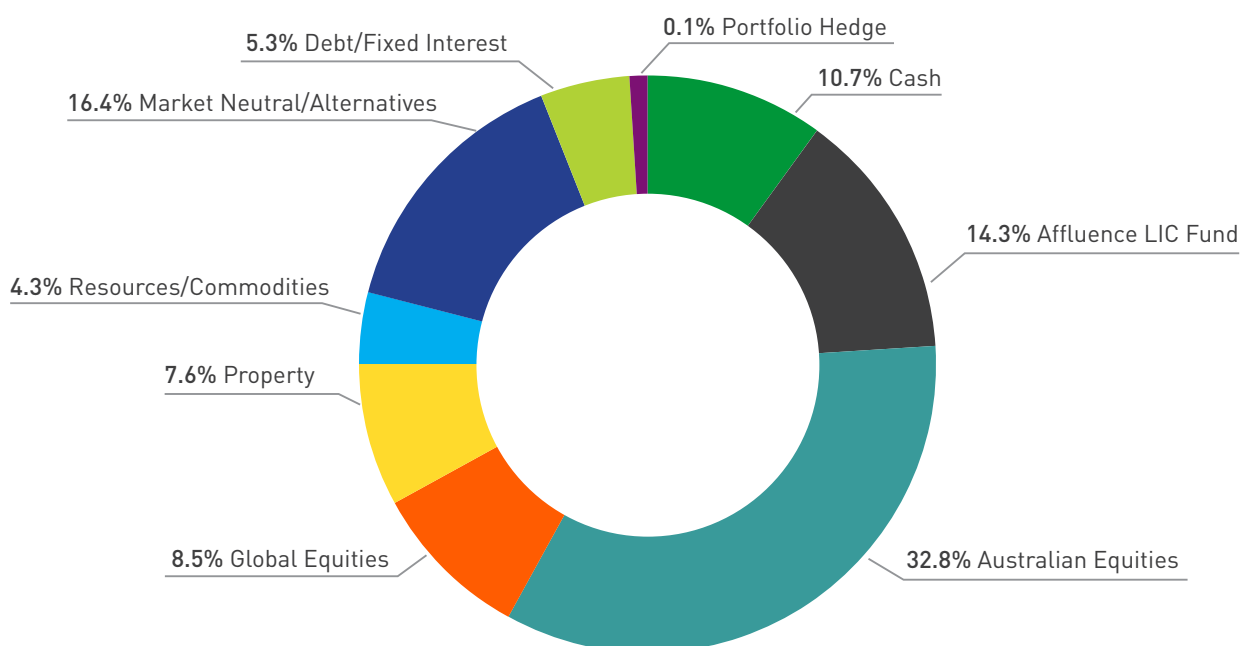




## Asset Allocation Summary

Asset Class	Number of Funds/ Investments	Current	Normal Range
Affluence LIC Fund	24 LICs	14.3%	10-20%
Australian Equities	17	32.8%	20-50%
Global Equities	5	8.5%	5-30%
Property	5	7.6%	5-30%
Resources/Commodities	4	4.3%	0-10%
Market Neutral/Alternatives	9	16.4%	5-20%
Debt/Fixed Interest	3	5.3%	5-20%
Other	N/A	0.0%	0-35%
Portfolio Hedge	N/A	0.1%	
Cash	N/A	10.7%	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	KIS Asia Long Short Fund
Phoenix Opportunities Fund	GMO Systematic Global Macro Trust
Wentworth Williamson Fund	Auscap Long Short Australian Equities Fund
Cromwell Direct Property Fund	Cooper Investors Brunswick Fund
Perpetual Pure Credit Alpha 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	\$13.8m
Entry Price	\$1.0992
Exit Price	\$1.0916
Annual Distributions	5.52 cpu
Distribution Yield	5.0% 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:

**Phone:** 1300 AFFLUENCE (1300 233 583)

**Email:** [invest@affluencefunds.com.au](mailto:invest@affluencefunds.com.au)

## Meet The Portfolio Managers



### Daryl Wilson

CEO/Portfolio Manager

Years in the Industry: 18

Email: [daryl.wilson@affluencefunds.com.au](mailto:daryl.wilson@affluencefunds.com.au)

Phone: +61 402 046 883



### Greg Lander

Portfolio Manager

Years in the Industry: 12

Email: [greg.lander@affluencefunds.com.au](mailto:greg.lander@affluencefunds.com.au)

Phone: +61 409 645 893

## Platform Availability:

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

This information has been prepared by Affluence Funds Management Limited ABN 68 604 406 297 AFS licence no. 475940 (Affluence) as general information only in relation to the Affluence Investment Fund (Fund). It does not purport to be complete and it does not take into account your investment objectives, financial situation or needs. Prospective investors should consider those matters and read the Product Disclosure Statement (PDS) offering units in the Fund before making an investment decision. The PDS contains important notices and disclaimers, important information about the offer, as well as investment risks. Any forecast or projected information, including financial, is not guaranteed and there is no guarantee of any distribution, investment return or repayment of capital. This information and the information in the PDS is not a recommendation by Affluence or any of its officers, employees, agents or advisers and potential investors are encouraged to obtain independent expert advice before any investment decision.