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Affluence LIC Fund

Fund Report - August 2019

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Fund Commentary

The ASX 200 Index decreased 2.4% in August, with the Affluence LIC Fund faring better and decreased 1.9%. Returns since inception for the Fund are 9.1% per annum. These returns have been delivered with approximately half of the volatility of the ASX 200 Index.

The Fund's biggest positive contributors in August were Monash Absolute Investment Company (MA1) up 8%, WAM Microcap (WMI) up 11%, and NAOS Small Cap Opportunities (NSC) up 6%. The largest negative contributors were NGE Capital (NGE) down 18% after increasing 36% in July, Spheria Emerging Companies (SEC) down 10%, and Antipodes Global Investment (APL) down 6%. Discounts to NTA remain very attractive and set the Fund up well for the medium term.

The discounts to NTA for the large LICs (AFI, ARG and MLT) were relatively stable in August, and ended at a 2.9% discount. However, the real opportunity in the sector remains in the medium to small end of the market, where the Affluence LIC Fund holdings are concentrated.

The average discount to NTA for the Affluence LIC Fund portfolio remains above 15%. Another of the Fund's holding announced a definitive plan to permanently reduce their shares trading at a substantial discount to NTA. Monash Absolute Investment Company (MA1) has been trading at a persistent 15-20% discount to NTA, and a number of activist investors have accumulated substantial holdings. During August the LIC announced that they plan to convert from a listed investment company to an exchange traded managed fund. This is a different type of structure, and while they are both ASX listed, an exchange traded managed fund is designed so it must always trade in a very narrow range around NTA. If this proposal is implemented, it would effectively see the 20% discount to NTA it was trading at before the announcement reduce to zero. There are a number of steps that must take place in order for the proposal to be implemented, however we applaud the board of the LIC for making this decision in the best interest of shareholders. Interestingly, even post this announcement MA1 has

continued to trade at a 10-15% discount. Given the affirmative direction the board has set, we have been adding to our position in this LIC. We expect more of these type of events to occur in the short to medium term.

At the end of August, the Fund held investments in 30 LICs representing 92% of the Fund and 8% in cash. We believe the Fund remains well positioned to withstand most market conditions. If you'd like further details of the investment portfolio, including our top holdings and weightings, visit the Affluence LIC Fund page at <https://affluencefunds.com.au/alf/> or the Members area of our website. You must be registered as an Affluence Member to view the portfolio.

The Fund is open to all investors with a minimum investment amount of \$20,000. The cut-off for applications is the last day of the month, with units issued effective the first day of the following month.

Fund Performance

To 31 August 2019

	1 Month	1 Year	2 Years	3 Years	Inception	Volatility
Distributions	0.0%	6.1%	7.0%	6.4%	6.1%	
Change in Unit Price (Capital Growth)	(1.9%)	(5.8%)	(0.1%)	1.2%	3.0%	
Affluence LIC Fund Total Returns	(1.9%)	0.3%	6.9%	7.6%	9.1%	5.6%
ASX200 Accumulation Index (AI)	(2.4%)	9.0%	12.2%	11.4%	11.9%	9.2%
Performance compared to ASX200AI	0.5%	(8.7%)	(5.3%)	(3.8%)	(2.8%)	

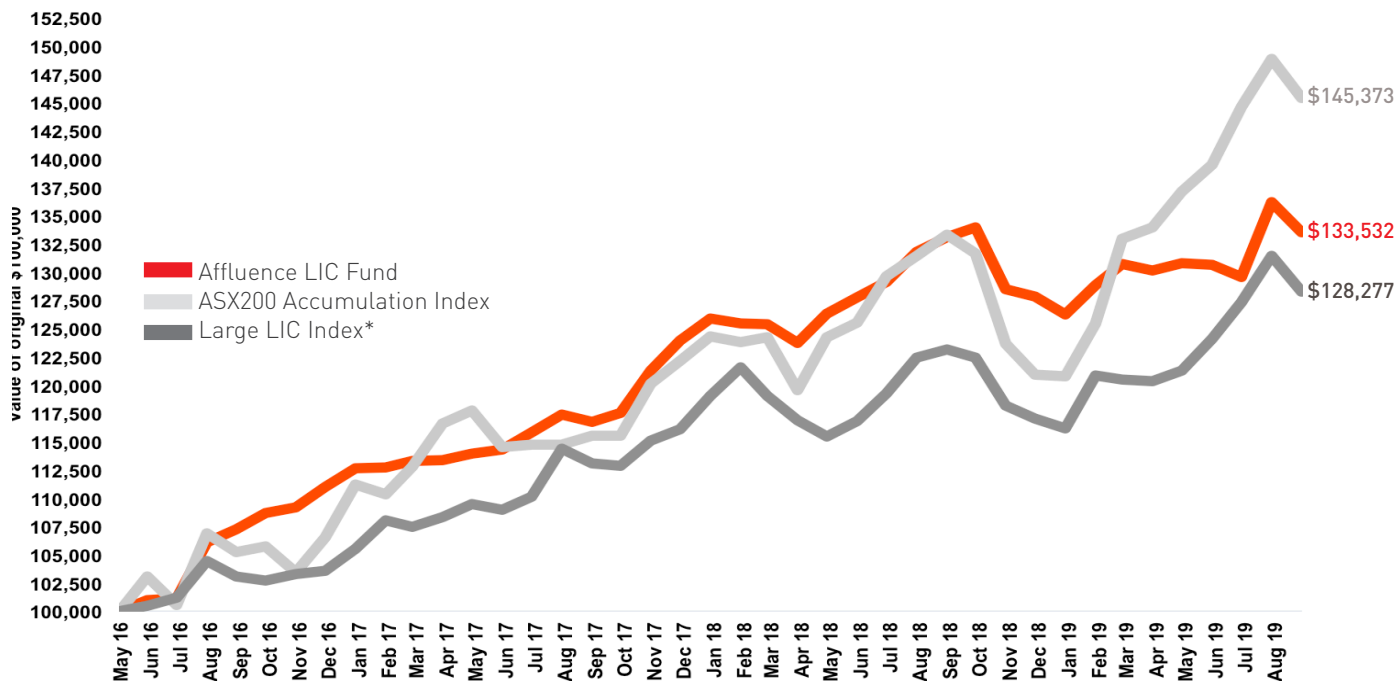
Total returns are net of fees and costs (excluding buy-sell spread) using the mid prices and assume the reinvestment of distributions. Returns of more than 1 year are annualised. Inception date is 3 May 2016.

Fund Monthly Return History

	J	F	M	A	M	J	J	A	S	O	N	D	Year
2016					1.0%	0.1%	4.9%	1.1%	1.4%	0.5%	1.6%	1.5%	12.6%
2017	0.1%	0.5%	0.1%	0.5%	0.3%	1.3%	1.4%	-0.6%	0.7%	3.2%	2.2%	1.6%	11.8%
2018	-0.4%	-0.1%	-1.3%	2.1%	1.2%	1.1%	2.1%	1.0%	0.6%	-4.0%	-0.5%	-1.2%	0.3%
2019	2.1%	1.4%	-0.5%	0.5%	-0.1%	-0.8%	5.1%	-1.9%					5.8%

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

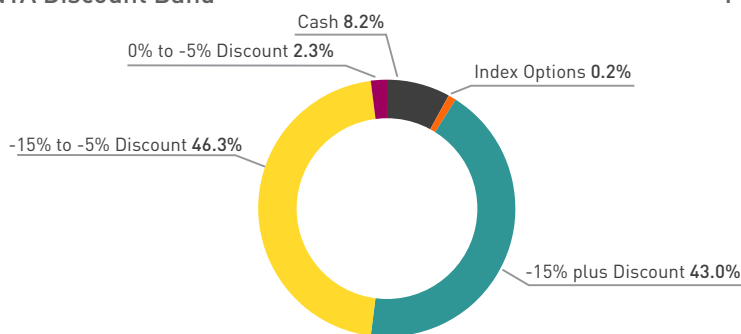
Return on \$100,000 Investment



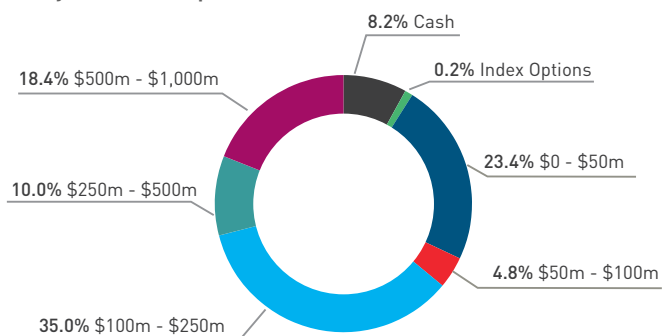
* The Large LIC Index is calculated from the equal weighted returns of the three largest LICs (AFIC, ARG and MLT).

Portfolio Summary

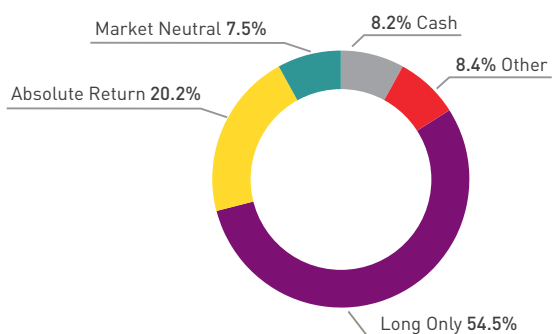
NTA Discount Band



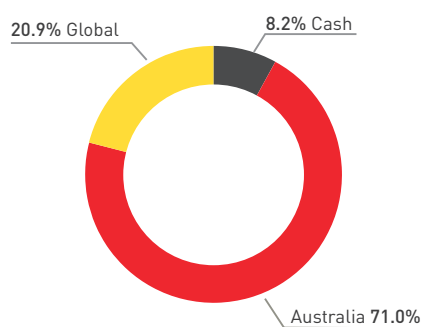
Portfolio by Market Cap



Equities Strategy



Geographic Exposure



Largest Investments

L1 Long Short Fund (LSF)

Blue Sky Alternatives Access Fund (BAF)

WAM Leaders (WLE)

Antipodes Global Investment Company (APL)

Australian Leaders Fund (ALF)

Want to know more about Listed Investment Companies (LICs)?

Download our free guide to LICs by clicking [here](#).

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 LICs, 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	Listed Investment Companies
Minimum Investment	\$20,000
Suggested Timeframe	At least 5 years
Benchmark Returns	ASX200 Accumulation Index
Fund Value	\$5.8m
Entry Price	\$1.1038
Exit Price	\$1.1016
Annual Distributions	5.70cpu
Distribution Yield	5.1% p.a.
Distribution Frequency	Quarterly
Applications	Monthly
Withdrawals	Monthly
Management Fees	Nil
Performance Fee	12.5% of positive performance
Buy/Sell Spread	0.10%/0.10%

Meet The Portfolio Managers



Daryl Wilson

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Portfolio Manager

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Investment Strategy

The Fund provides access to a diversified investment portfolio of ASX Listed Investment Companies as selected by Affluence. We aim to outperform the ASX 200 Accumulation Index over rolling 3 year periods and to deliver these returns with less volatility than the Index.

The Fund aims to invest in LICs that meet one or more of the following criteria; Alpha Generators – LICs that can outperform the market, Discount Capture – LICs trading at an attractive discounts to NTA, or Event Driven – special situations such as IPOs, capital raisings and other corporate activities.

Contact Us

If you have an questions, please contact us:

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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 LIC 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.