



Affluence LIC Fund

Fund Report - August 2020

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Fund Commentary

The Affluence LIC Fund had another strong month and increased by 4.8% in August, outperforming the ASX200 Index which increased 2.8%. Returns since inception for the Fund have averaged 10.0% per annum, including quarterly distributions of 7.3% per annum. The Fund has outperformed the ASX200 Index over all periods, and these returns have been delivered with significantly lower volatility than the Index.

The underlying portfolio performed well in August. Our best performing LICs this month were Blue Sky Alternatives Access Fund (up 17%), Sandon Capital (up 19%), and Monash Absolute Investment Company (up 11%). Interestingly, our worst performing LICs were also the cheapest. We hold positions in the three Cordish Dixon Private Equity Funds (CD1, CD2 and CD3). These funds invest with US private equity managers through an experienced US fund manager. The underlying investments have generally performed well, however currently these LICs trade at around 50% discounts to NTA. We believe the reason for these excessive discounts has more to do with the shareholder base rather than the investment fundamentals. While the information provided by the manager for the LICs is limited, we believe the current prices are extremely attractive and expect to do very well from these positions over time.

The overall discount to NTA for the Fund portfolio at the end of the month was approximately 19.5%

(previous month 21.4%).

During August and September, we continued to reduce equity market exposure. At the end of August, the Fund held 12% cash, which has increased to approximately 15% in early September. While the Australian ASX200 Index increased only 2.8% in August and is still well below its February highs, the US S&P500 Index increased an incredible 7.2% to be at new all-time highs. This has largely been driven by a speculative frenzy in mega tech companies, which has seen their share prices decouple from underlying fundamentals. There are traces of this speculative frenzy in some of the Australian tech stocks, combined with a deteriorating situation in Melbourne and the depth of the recession being confirmed by the June quarter GDP numbers. We feel at this point that risks are rising in the face of increasing equity prices. We are positioning our Funds more conservatively as a result.

At the end of August, the Fund held investments in 23 LICs representing 88% of the Fund and 12% in cash. If you would like to know more about 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 business day of the month, with units issued effective the first day of the following month.

Fund Performance

| To 31 August 2020 | 1 Month | 1 Year | 2 Years | 3 Years | 4 Years | Inception | Volatility |
|---|-------------|--------------|-------------|-------------|-------------|--------------|-------------|
| Distributions | 0.0% | 11.4% | 8.6% | 8.5% | 7.6% | 7.3% | |
| Change in Unit Price (Capital Growth) | 4.8% | 1.7% | (2.1%) | 0.5% | 1.3% | 2.7% | |
| Affluence LIC Fund Total Returns | 4.8% | 13.1% | 6.5% | 9.0% | 8.9% | 10.0% | 9.2% |
| ASX200 Accumulation Index (AI) | 2.8% | (5.1%) | 1.7% | 6.1% | 7.0% | 7.7% | 14.8% |
| Performance compared to ASX200AI | 2.0% | 18.2% | 4.8% | 2.9% | 1.9% | 2.3% | |

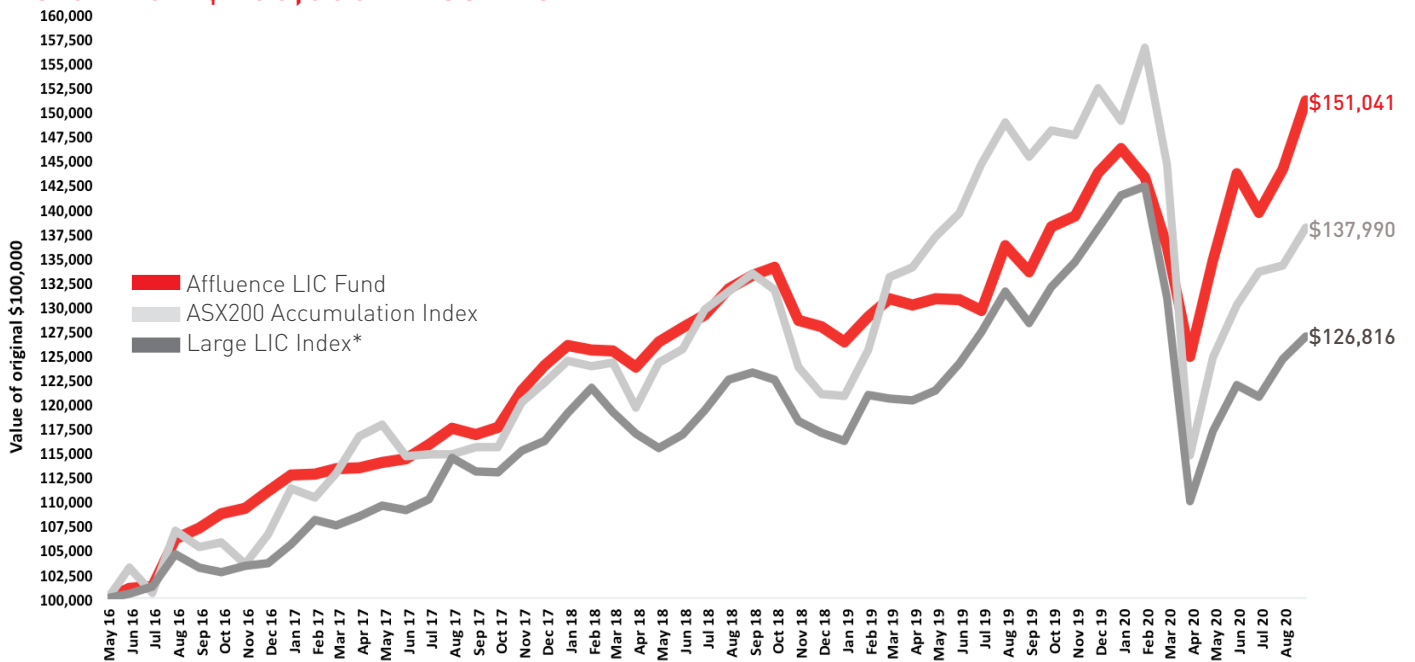
Total returns are net of fees and costs (excluding buy-sell spread) using the mid prices and assume the reinvestment of distributions. Returns of more than 1 year are annualised. Inception date is 3 May 2016. Past performance is not indicative of future performance.

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% | 3.4% | 0.8% | 3.2% | 1.7% | 15.8% |
| 2020 | -2.0% | -5.0% | -8.3% | 7.9% | 6.6% | -2.7% | 3.2% | 4.8% | | | | | 3.3% |

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

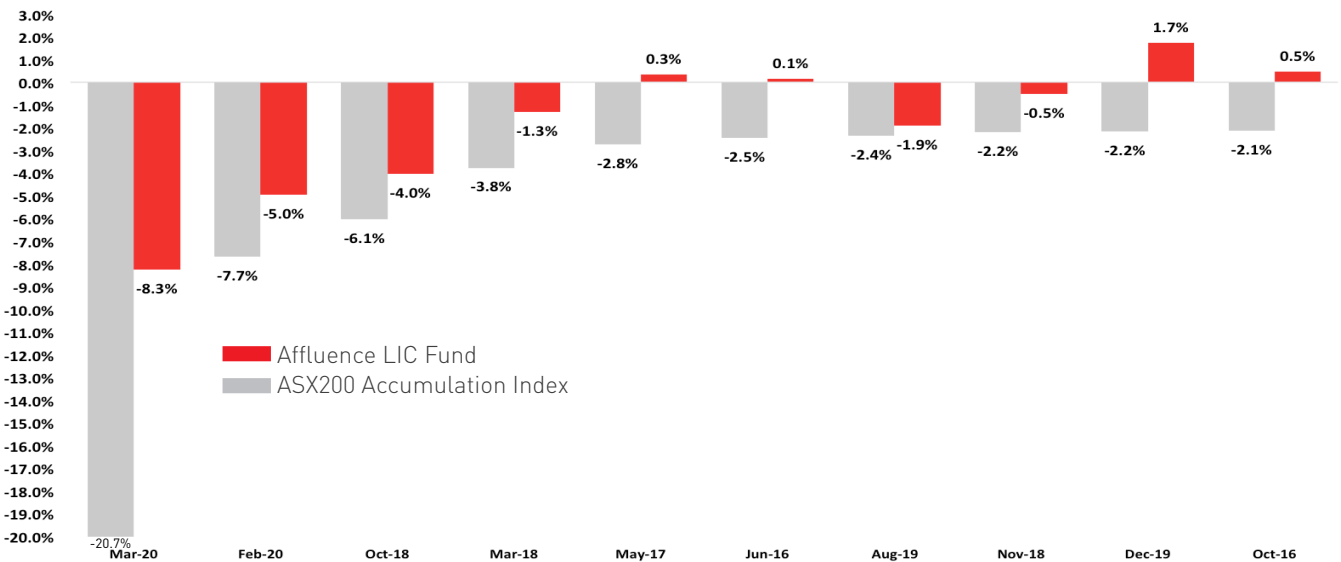
Return on \$100,000 Investment



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

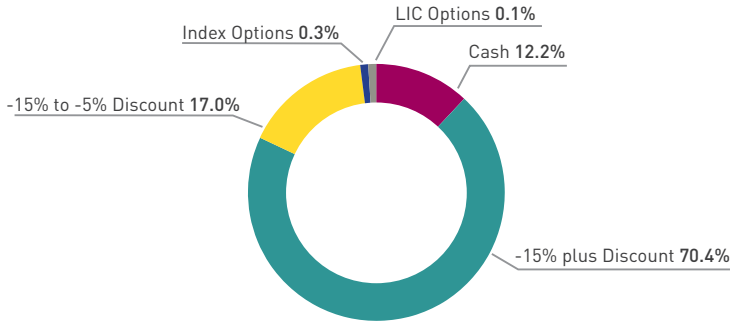
Fund Performance in ASX 200 Worst Months

The below shows the 10 largest monthly falls in the ASX200 Accumulation Index since the Fund commenced, and the performance of the Affluence LIC 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.

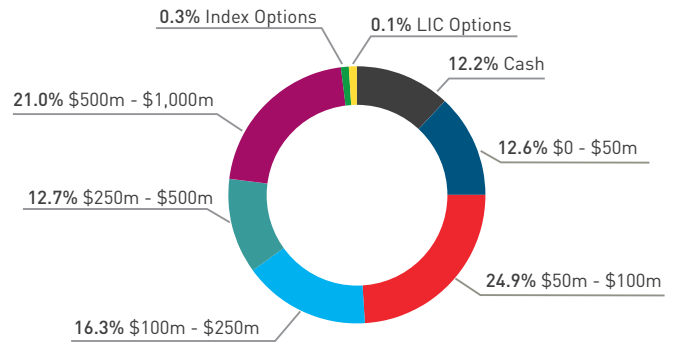


Portfolio Summary

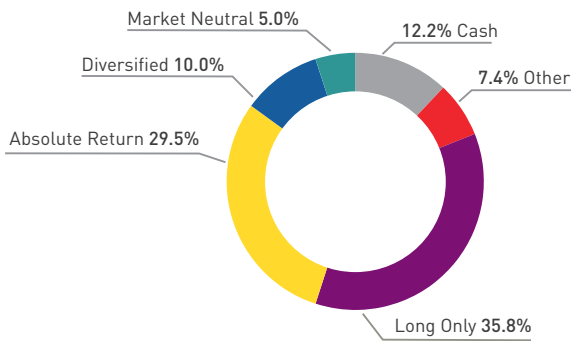
NTA Discount Band



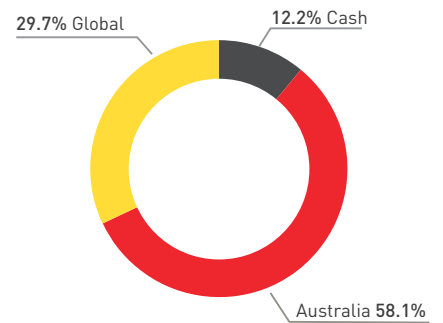
Portfolio by Market Cap



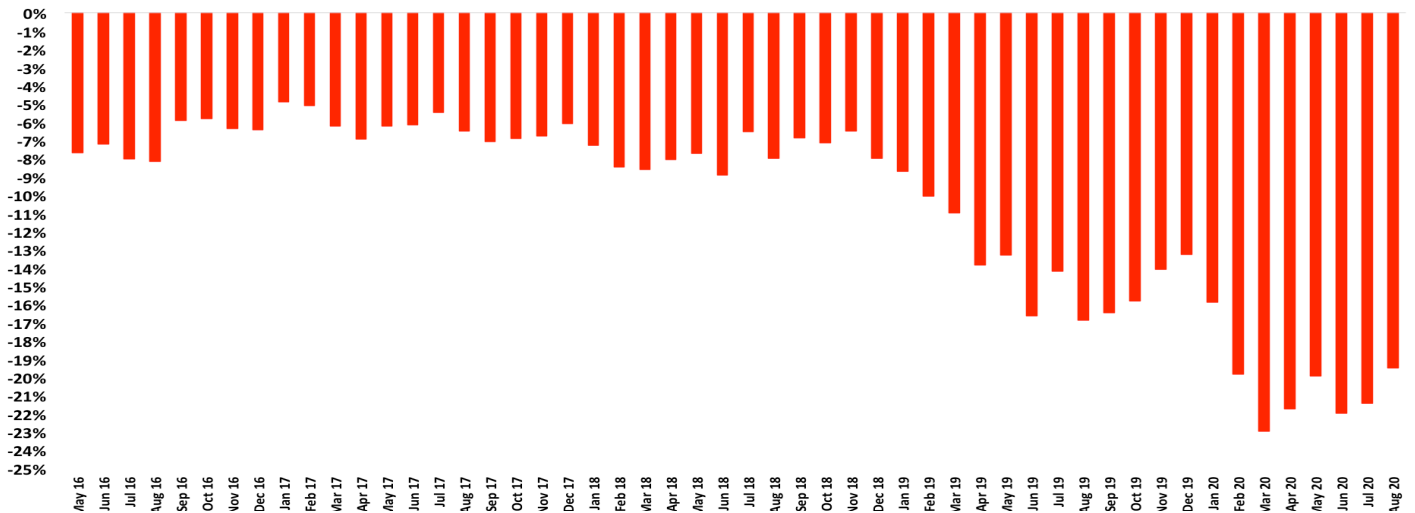
Equities Strategy



Geographic Exposure



Affluence LIC Fund Portfolio - Discount to NTA History



Five Largest Investments

Blue Sky Alternatives Access Fund (BAF)

L1 Long Short Fund (LSF)

Future Generation Global Fund (FGG)

Sandon Capital Investments Limited (SNC)

Antipodes Global Investment Company (APL)

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 | \$10.4m |
| Entry Price | \$1.1227 |
| Exit Price | \$1.1205 |
| 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

CEO/Portfolio Manager

Years in the Industry: 20

Email: 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

Phone: +61 409 645 893

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:

Phone: 1300 233 583

Email: invest@affluencefunds.com.au

Address: Level 5, 320 Adelaide St, Brisbane QLD 4000

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.