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Affluence LIC Fund

Fund Report - December 2019

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Fund Commentary

It was a strong finish for the year in December, with the Affluence LIC Fund increasing 1.7%, compared to the ASX 200 Index falling 2.2%. Returns since inception for the Fund have averaged 10.9% per annum, including quarterly distributions of 6.3% per annum. These returns have been delivered with significantly lower volatility than the ASX 200 Index.

We believe we have produced these returns with significantly less risk than the market in general. This has not been evident since the Fund commenced in May 2016, as there have been no sustained market falls. However, sooner or later, we believe the Fund's ability to produce strong absolute returns with lower than market risk will prove to be a very welcome feature for investors.

After a very difficult start to the 2019 calendar year, the Fund and the LIC market in general improved in the second half. For the first half of 2019, the Fund underperformed the ASX 200, as NTA discounts increased across the sector. In contrast, for the last 6 months, the Fund outperformed the ASX 200 and we continue to see significant value in the Fund's portfolio.

The Fund's biggest positive contributors in December were the

Tribeca Global Natural Resources Fund (TGF) up 9%, Bailador Technology Investments (BTI) up 10%, and Antipodes Global Investment (APL) up 5%. There were only minor detractors during the month, and the Fund also booked some gains on the Index hedges during the volatility early in the month.

The LIC market continues to garner plenty of media attention and to highlight to investors the opportunities available in the sector. While discounts to NTA have certainly narrowed, they are still larger than average. The discounts for the large LICs (AFI, ARG and MLT) improved by a massive 4.0% in December and ended the month at a 3% premium. The largest LIC, AFIC, is now trading at a 7% premium to NTA. This is well above average and very unusual in such a strong market. In our opinion, this is NOT the time to own these large LICs. Market valuations are a little stretched, these LICs are very benchmark aware and trading at a premium to market prices. In contrast, the average discount to NTA for the Affluence LIC Fund portfolio remains well above average at 13%, which bodes well for the future. Given this, we would expect the larger players to underperform the Fund in the short to medium term.

Right now, there is very little demand for new Listed Investment Company IPOs. Even the debt based LITs now have very limited support for new offers, following a less than stellar debut for the KKR Credit Income Fund in late 2019. This is healthy for the LIC sector, as fund flows will instead be directed towards existing LICs. We expect this will assist to reduce the NTA discount over time to more normal levels.

At the end of December, the Fund held investments in 30 LICs representing 90% of the Fund and 10% in cash. We believe the Fund is positioned to perform relatively well in most market conditions. 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 December 2019	1 Month	1 Year	2 Years	3 Years	Inception	Volatility
Distributions	1.2%	7.0%	7.2%	7.3%	6.3%	
Change in Unit Price (Capital Growth)	0.5%	8.8%	0.6%	1.8%	4.6%	
Affluence LIC Fund Total Returns	1.7%	15.8%	7.8%	9.1%	10.9%	5.7%
ASX200 Accumulation Index (AI)	(2.2%)	23.4%	9.5%	10.3%	11.5%	9.1%
Performance compared to ASX200AI	3.9%	(7.6%)	(1.7%)	(1.2%)	(0.6%)	

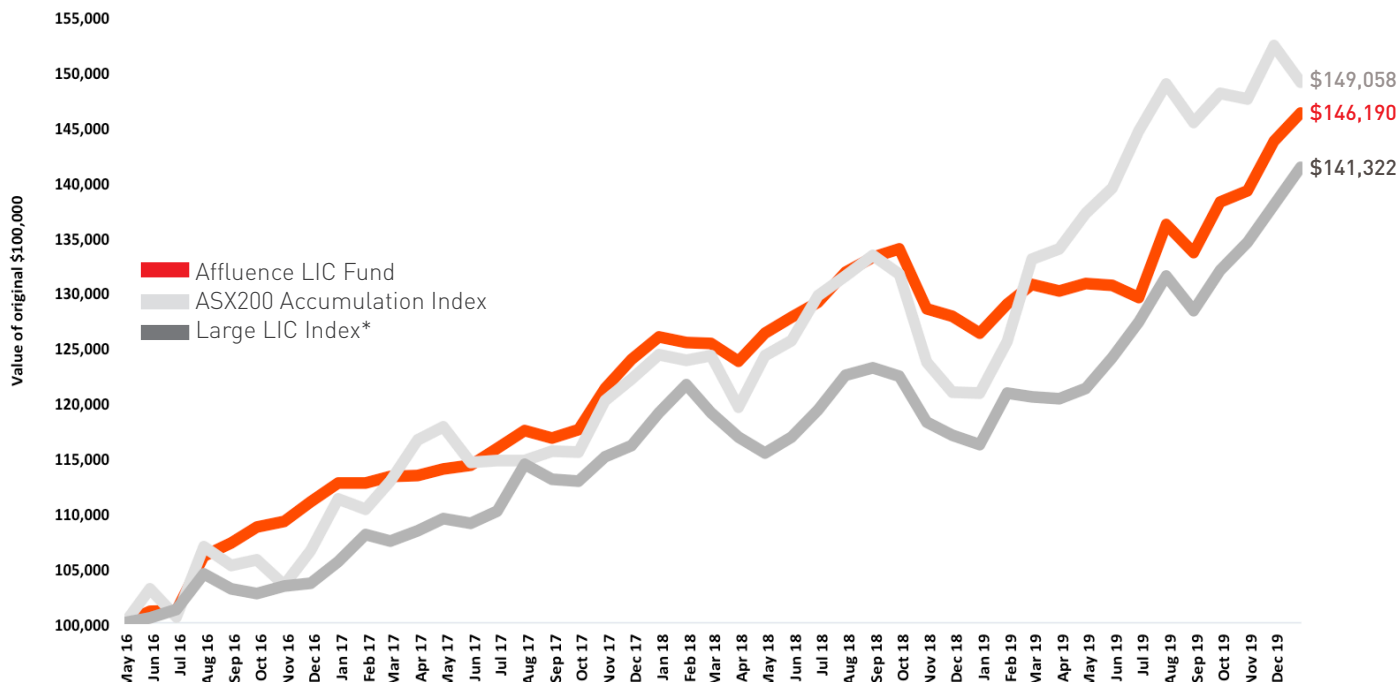
Total returns are net of fees and costs (excluding buy-sell spread) using the mid prices and assume the reinvestment of distributions. Returns of more than 1 year are annualised. Inception date is 3 May 2016. Past performance is not indicative of future performance.

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%

Strongest Month
Positive Month
Stable Month
Negative Month
Weakest Month

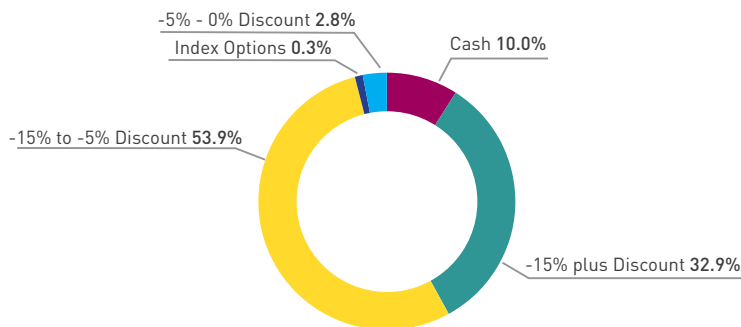
Return on \$100,000 Investment



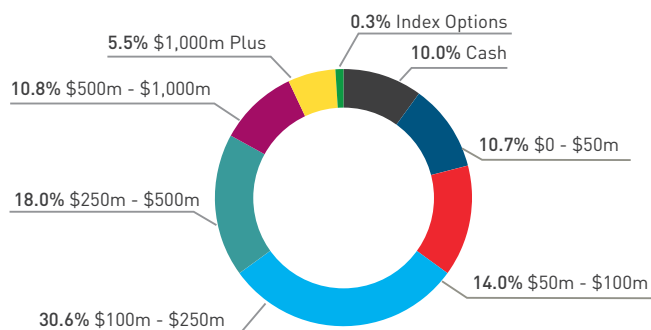
* The Large LIC Index is calculated from the equal weighted returns of the three largest LICs (AFIC, ARG and MLT).

Portfolio Summary

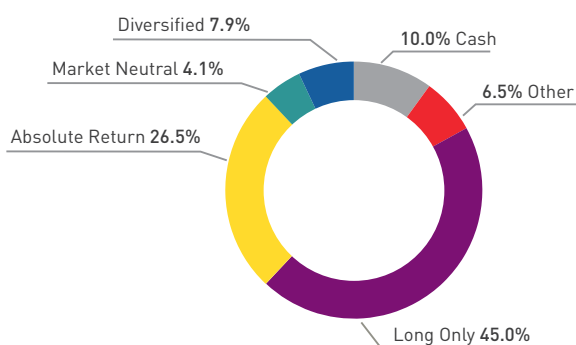
NTA Discount Band



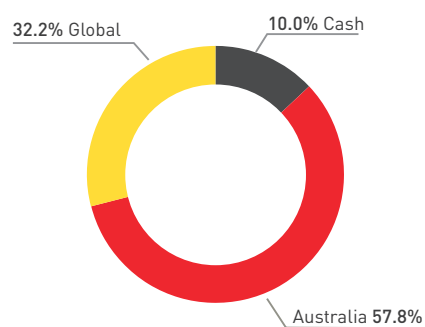
Portfolio by Market Cap



Equities Strategy



Geographic Exposure



Five Largest Investments

- Blue Sky Alternatives Access Fund (BAF)
- Monash Absolute Investment Company Limited (MA1)
- L1 Long Short Fund (LSF)
- Spheria Emerging Companies Limited (SEC)
- Future Generation Investment Fund (FGX)

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	\$7.9m
Entry Price	\$1.1791
Exit Price	\$1.1768
Annual Distributions	5.70cpu
Distribution Yield	4.8% 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



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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.