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Affluence LIC Fund

Fund Report - February 2020

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Fund Commentary

The ASX 200 Index fell heavily in February, decreasing by 7.7%. The Affluence LIC Fund fared better, but still fell 5.0%. Returns since inception for the Fund have averaged 8.4% per annum, including quarterly distributions of 6.0% per annum. These returns have been delivered with significantly lower volatility than the ASX 200 Index.

After ignoring the potential impact of coronavirus and rallying to new highs in mid-February, equity markets then steadily fell late in the month. The ASX 200 was up 2.4% for the month by February 20th. Between then and the end of the month the index sank by 9.8% in just six trading days (and has continued to fall in March).

The impact of the coronavirus on markets appears to be an excellent example of a "black swan event". Before January 2020, it was impossible to predict this would be an event that would put a stop to the seemingly endless upward trajectory of markets. Investors had convinced themselves that through the combination of low interest rates and contained global economic risks, there was no reason to stop buying assets at ever increasing prices. It's impossible to know what the impact on equity markets would have been if this coronavirus had occurred during

a period of cheap equity valuations. As it turns out, equity indexes were at record highs around the globe. At least part of the reason for the falls the market is experiencing at the moment can be attributed to the excessive valuations to start with. Either way, the negative economic impact is real and appears to be increasing. Australia may experience its first recession in almost 30 years in 2020.

The Fund's 2.7% outperformance compared to the ASX 200 was entirely due to our index put options, which we can use to hedge the portfolio at times when we feel markets are overextended. Put options can be considered a form of insurance. They increase in value as markets fall. In February, the value of the LIC portfolio fell more than the ASX 200. However, the put options provided a 3.4% positive return to the overall result. The underperformance of the LICs themselves was mostly due to NTA discounts increasing further from already high levels. At month end, we estimate the average NTA discount for the portfolio was almost 20%.

As we write this in early March, markets have continued to fall in quite a dramatic fashion. While there is still a long way to go in the month,

we are pleased to report that the Fund is holding up reasonably well and has continued to benefit from the put options. The Fund is well positioned with some cash available, and a portfolio of LICs at attractive prices.

At the end of February, the Fund held investments in 28 LICs representing 80% of the Fund, 16% in cash and 4% in index options. 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 29 February 2020

	1 Month	1 Year	2 Years	3 Years	Inception	Volatility
Distributions	0.0%	6.3%	6.9%	7.1%	6.0%	
Change in Unit Price (Capital Growth)	(5.0%)	(2.2%)	(2.7%)	(0.8%)	2.4%	
Affluence LIC Fund Total Returns	(5.0%)	4.1%	4.2%	6.3%	8.4%	6.5%
ASX200 Accumulation Index (AI)	(7.7%)	8.6%	7.8%	8.6%	10.1%	10.1%
Performance compared to ASX200AI	2.7%	(4.5%)	(3.6%)	(2.3%)	(1.7%)	

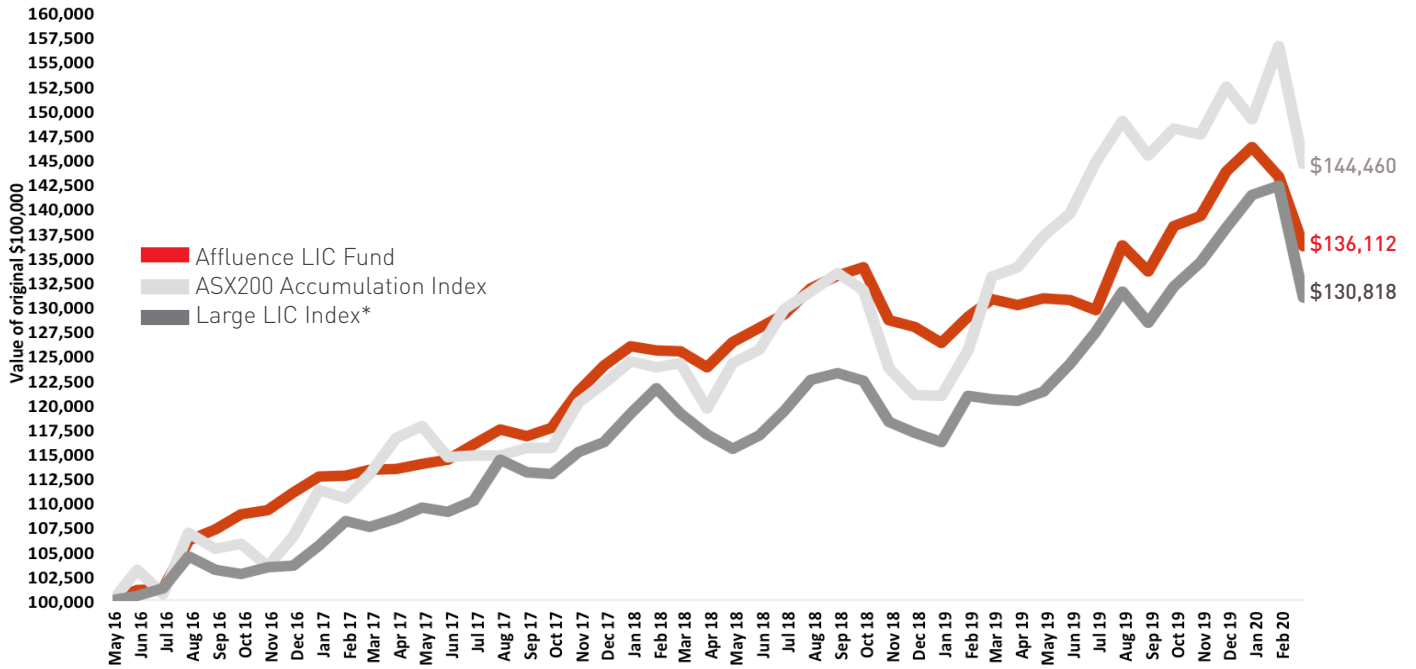
Total returns are net of fees and costs (excluding buy-sell spread) using the mid prices and assume the reinvestment of distributions. Returns of more than 1 year are annualised. Inception date is 3 May 2016. Past performance is not indicative of future performance.

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%											

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

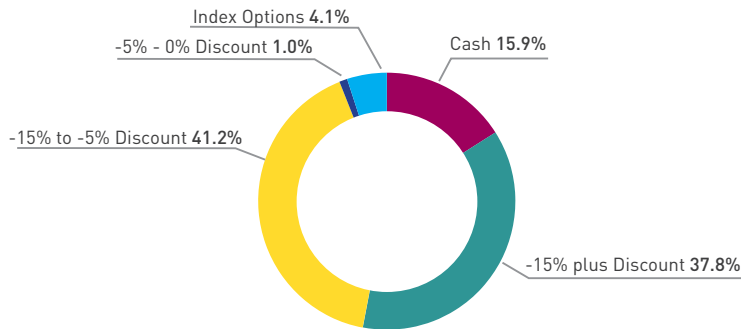
Return on \$100,000 Investment



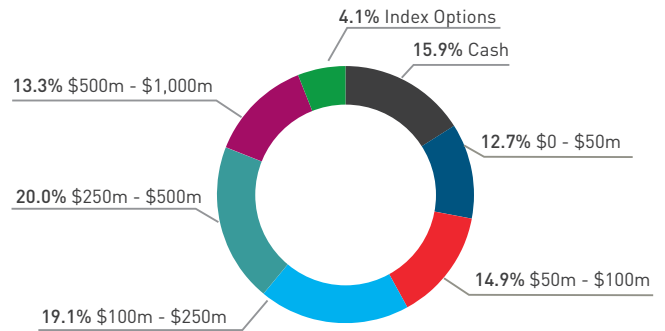
* The Large LIC Index is calculated from the equal weighted returns of the three largest LICs (AFIC, ARG and MLT).

Portfolio Summary

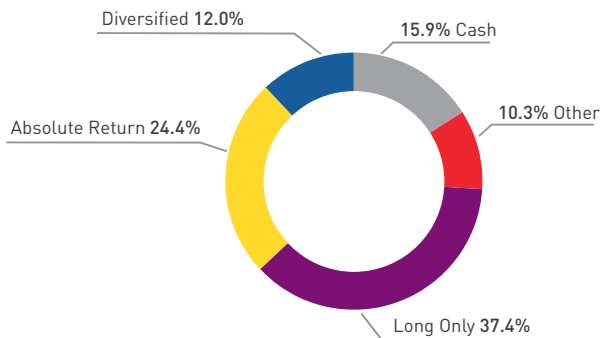
NTA Discount Band



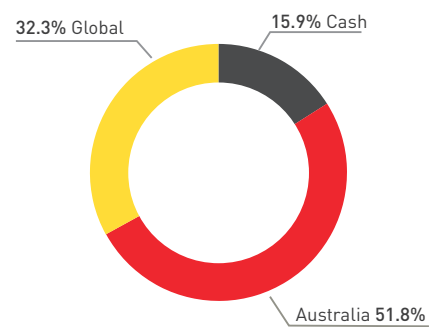
Portfolio by Market Cap



Equities Strategy



Geographic Exposure



Five Largest Investments

- Future Generation Global Fund (FGG)

- Blue Sky Alternatives Access Fund (BAF)

- Future Generation Investment Fund (FGX)

- L1 Long Short Fund (LSF)

- Monash Absolute Investment Company Limited (MA1)

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	\$8.5m
Entry Price	\$1.0978
Exit Price	\$1.0956
Annual Distributions	5.70cpu
Distribution Yield	5.2% 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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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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Want to know more about Listed Investment Companies (LICs)?

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

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