

# Affluence LIC Fund

## Fund Report & Overview - February 2023

### Fund Features

✓	Fund has outperformed ASX 200 Index
✓	Quarterly Distributions
✓	Performance Fee only
✓	Unique Discount Capture Strategy

### Key Statistics

Investment Class	LIC's
Minimum Investment	\$20,000
Suggested Timeframe	At least 5 years
Target Returns	ASX 200 Index
Fund Size	\$21.6m
Annual Distributions	7.00 cpu
Distribution Yield	5.5% p.a.
Distribution Frequency	Quarterly
Applications	Monthly
Withdrawals	Monthly
Management Fees	Nil
Performance Fee	12.5% of positive performance
Entry/Exit Price	\$1.2742 / \$1.2716
Buy/Sell Spread	0.10% / 0.10%

### Platform Availability

Netwealth	Mason Stevens
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### Fund Performance

To 28 February 2023	3 Months	1 Year	3 Years	5 Years	Inception	Volatility
Distributions	1.3%	11.3%	10.8%	9.2%	8.0%	
Change in Unit Price (Capital Growth)	(0.6%)	(7.5%)	5.1%	1.9%	3.6%	
<b>Affluence LIC Fund Total Return</b>	<b>0.7%</b>	<b>3.8%</b>	<b>15.9%</b>	<b>11.1%</b>	<b>11.6%</b>	<b>9.0%</b>
ASX200 Accumulation Index (AI)	0.3%	7.2%	7.9%	7.9%	9.1%	14.7%
<b>Performance compared to ASX200AI</b>	<b>0.4%</b>	<b>(3.4%)</b>	<b>8.0%</b>	<b>3.2%</b>	<b>2.5%</b>	

### Investment Objective

The Fund aims to outperform the ASX 200 Accumulation Index over rolling 3 year periods and to deliver these returns with less volatility than the Index.

### Investment Strategy

The Fund aims to invest in 20-35 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.

### Why Use The Fund?

#### Portfolio Use

The Fund is designed to be used as part of an investment portfolio for those investors seeking **Capital Growth** and **Income Distributions** with a longer investment timeframe, at least a **High** risk/return profile and needing access to capital **Monthly** or less often.

#### Access to Differentiated Strategy

The Fund provides access to a unique investment strategy that may complement investors portfolios.

### Performance Since Inception (May 2016)

<b>Total Returns</b>	<b>Distributions</b>
<b>11.6%</b> per annum	<b>8.0%</b> per annum

## Fund Commentary

The Affluence LIC Fund decreased by 0.1% in February, preserving capital in a month when the ASX 200 Index fell by 2.4%. Since the Fund commenced over six years ago, returns have averaged 11.6% per annum, including quarterly distributions of 8.0% per annum. The Fund has outperformed the ASX200 Index by 2.5% per annum since inception, with significantly lower volatility.

Australian and global equity markets gave back some of their recent gains in February, as listed companies reported mid-year earnings. We continue to be cautiously positioned. The significant increases in interest rates are still working their way through the economy and are not yet reflected in company earnings.

The major positive contributors in February included Thorney Technologies (TEK), the CD Private Equity Series (CD1, CD2, CD3) and the Perpetual Credit Income Trust (PCI).

The largest detractor was Tribeca Global Natural Resources Fund (TGF). Disappointingly, on 22 February, TGF announced they would raise \$52 million via a placement and rights issue at a share price of \$2.10, a 22% discount to the last reported NTA of \$2.72. Prior to this announcement, TGF was trading at \$2.25, a 17% discount to NTA. The capital raising dilutes the NTA from \$2.72 to \$2.54, a 6.5% reduction in value. In previous meetings with management, we were told they would not look to raise capital below NTA. Clearly, this latest transaction represents a change in philosophy. The manager has stated that the increased size and liquidity post capital raising would help reduce the discount to NTA. We have a lot of experience in LICs, and we believe this is not likely. In our view, three things are necessary for an LIC to trade at a sustainable premium to NTA: good performance, a consistent or growing regular dividend, and management displaying respect for shareholders. TGF management has failed on all three counts so far.

We have always been excited about the potential for TGF's investment strategy, being a long short fund that

specialises in resource equities. Given the volatility in resource markets over the past few years, TGF has sometimes traded at a price we regarded as very cheap. We have bought and sold the LIC on several occasions since it was first listed in 2018, and have made solid returns. Unfortunately for any TGF shareholder that bought and held the LIC since listing, management has failed to date in their efforts to deliver reasonable overall performance. The IPO price was \$2.50. TGF has rarely traded above this price and has never paid a dividend. In 2020, management lost approximately 15% of TGF shareholder capital on a loan to a single borrower. Since IPO, TGF has traded at an average discount to NTA of approximately 15%. In the absence of some very good performance in the future, it is hard to see how the NTA gap will close meaningfully from here. February's capital raising announcement for TGF represents a good example of the biggest risk of owning shares in listed entities – the potential for management to make poor capital allocation decisions.

At the end of February, the Fund held 28 LICs representing 66% of the Fund, 3% in portfolio hedges and 31% in cash. The average NTA discount for the LIC portfolio at the end of the month was approximately 17.5%, compared to the 17% discount at the end of January.

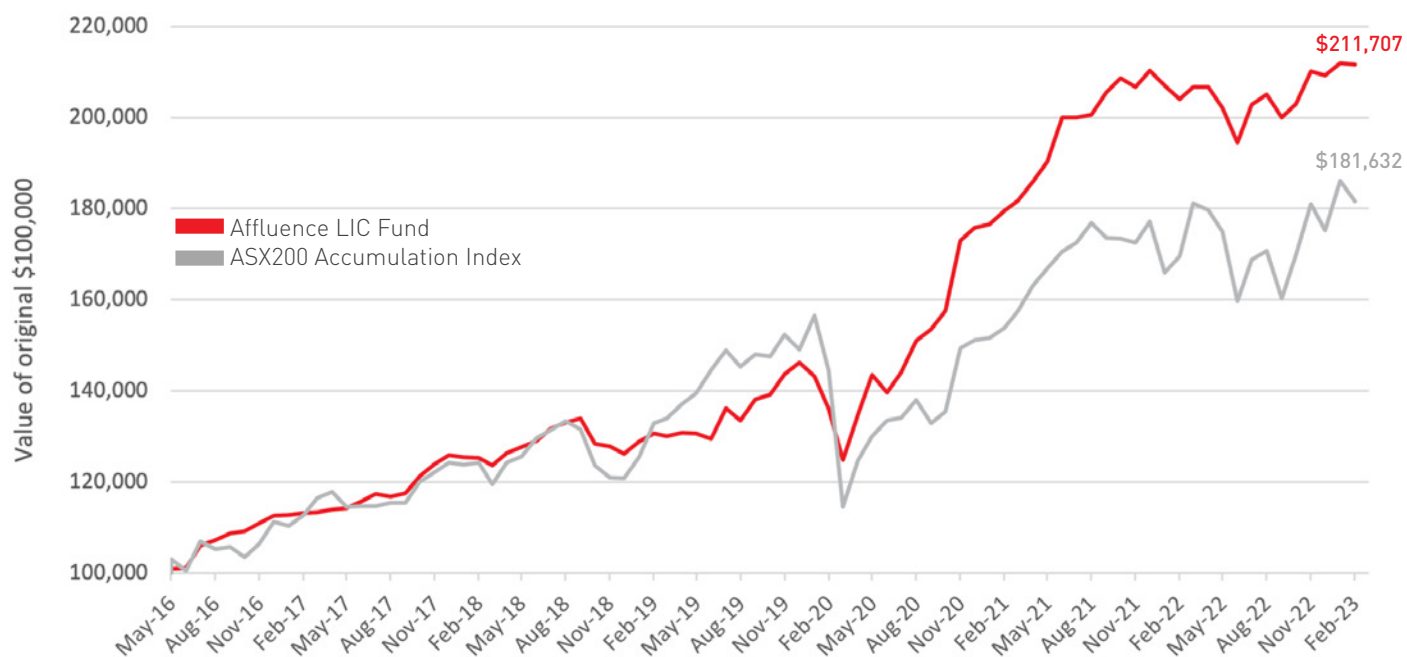
**The Affluence LIC Fund is open to new and existing investors. Applications are accepted monthly. The minimum initial investment amount is \$20,000. The cut-off for applications is the last business day of the month, with units issued effective the first day of the following month. Click the "Invest Now" button on our website to apply online or download application forms.**

## 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%	1.7%	2.7%	9.7%	1.7%	20.2%
2021	0.4%	1.7%	1.3%	2.3%	2.4%	5.1%	0.0%	0.3%	2.4%	1.5%	-0.9%	1.7%	19.6%
2022	-1.6%	-1.4%	1.4%	0.0%	-2.3%	-3.8%	4.3%	1.1%	-2.4%	1.5%	3.5%	-0.4%	-0.4%
2023	1.3%	-0.1%											1.1%

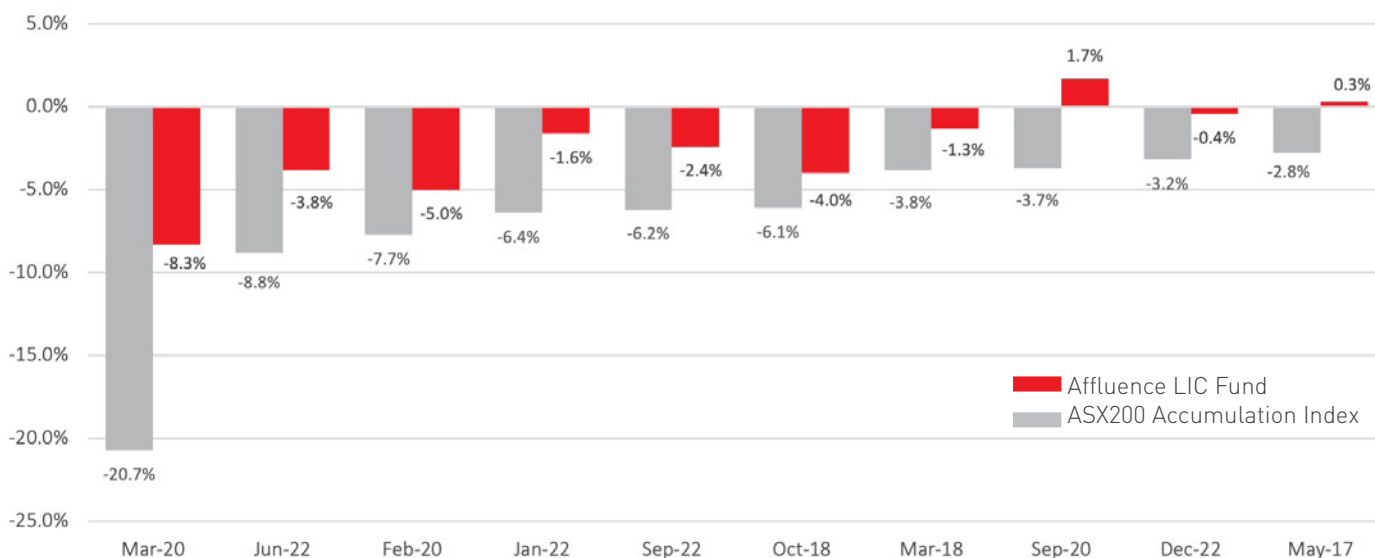
■ Strongest Month   
 ■ Positive Month   
 ■ Stable Month   
 ■ Negative Month   
 ■ Weakest Month

## Return on \$100,000 Investment



## Fund Performance in Falling Markets

The graph below shows the 10 largest monthly falls in the ASX200 Accumulation Index since the Fund commenced, and the performance of the Fund for that same month. The Fund has outperformed the Index in all 10 of the worst months.



## Five Largest Investments

Thorney Opportunities Limited (TOP)

Platinum Capital (PMC)

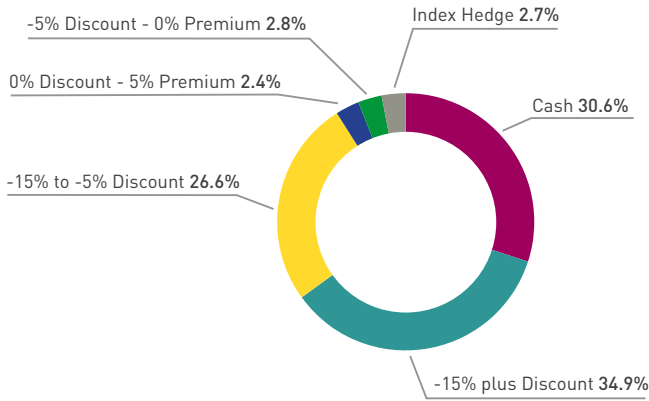
Ellerston Asian Investments (EAI)

Tribeca Natural Resources (TGF)

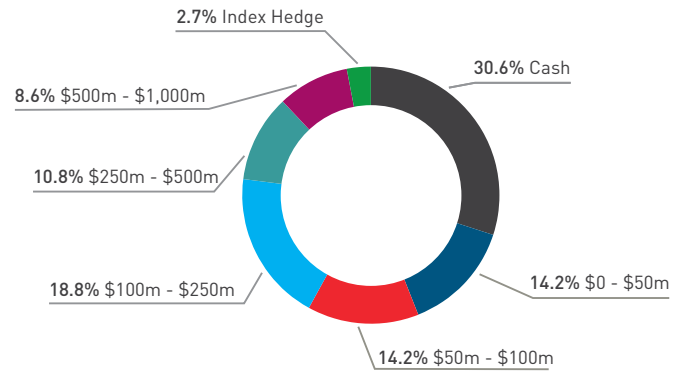
NGE Capital (NGE)

# Portfolio Summary

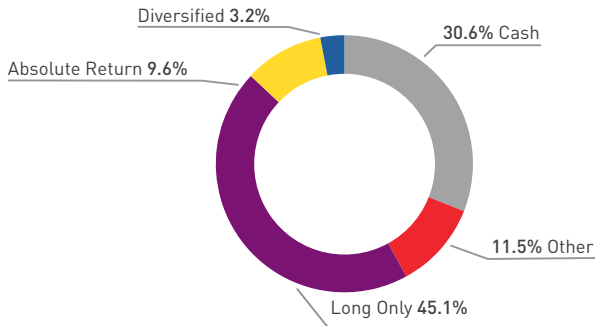
NTA Discount Band



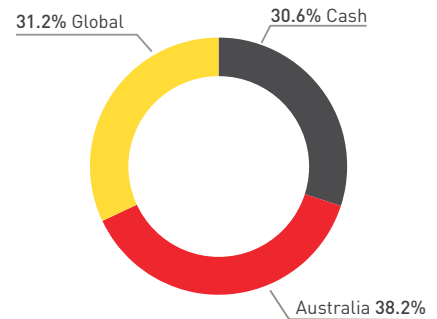
Portfolio by Market Cap



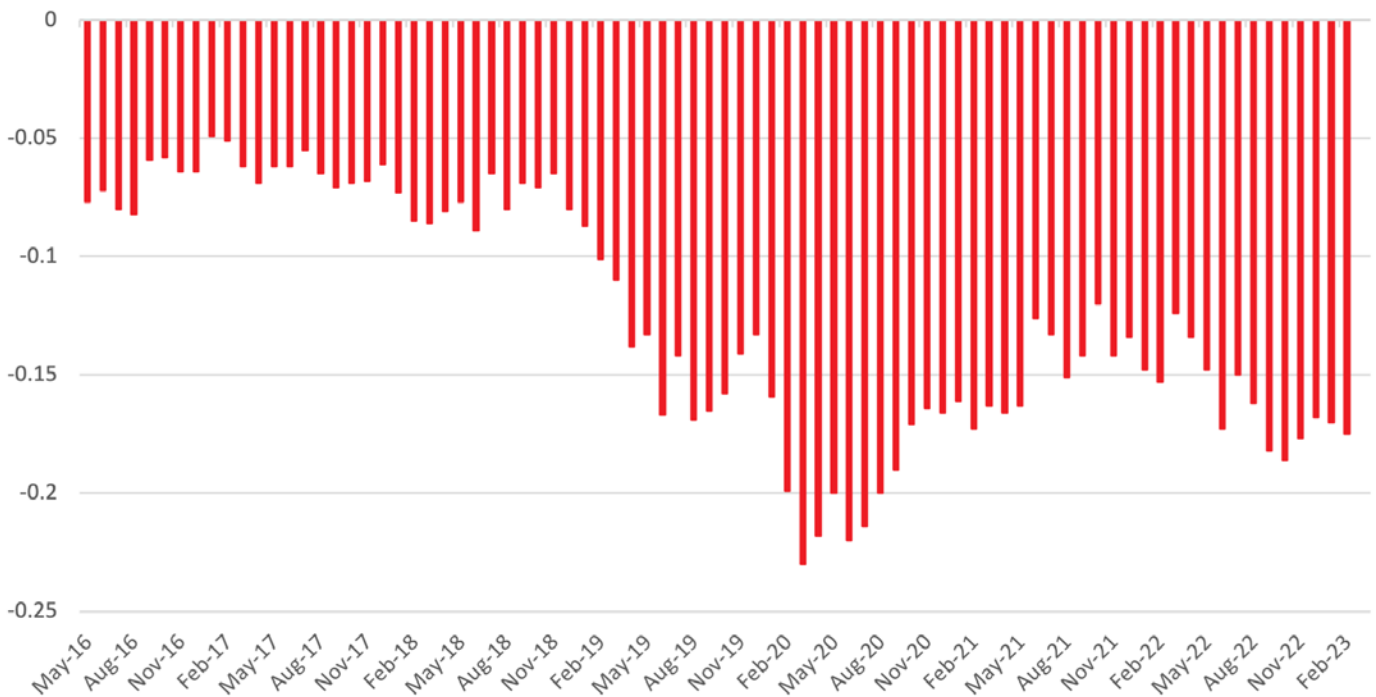
Equities Strategy



Geographic Exposure



## Affluence LIC Fund Portfolio - Discount to NTA History



Is the Fund right for you?	Does it suit your portfolio?	Why invest with Affluence?
<p>The Affluence LIC Fund is one of the only funds in Australia that focuses on investing in LICs. Despite the large size of the LIC sector, there is relatively limited attention from institutional researchers and professional investment managers. This can provide more opportunities for mispricing than in other areas of the stock market. In addition, some quality investment managers can only be accessed through LICs.</p> <p>Through LICs, the Fund provides access to Australian and global equities as well as some exposure to other asset classes. These LICs use a broad range of investment styles and investment strategies.</p>	<p>The Fund is designed to be used as part of an investment portfolio for those investors seeking Capital Growth and Income Distributions with a longer investment timeframe, at least a High risk/return profile and needing access to capital Monthly or less often.</p> <p>The Fund has outperformed its benchmark (ASX200 Index) with lower volatility since inception, and has historically outperformed when markets fall significantly.</p> <p>As will all investments, the Fund is subject to risks. The value of an investment will go up and down over time, the Fund's returns will vary, future returns may differ from past returns, and returns are not guaranteed. This means that there is always the chance that you could lose money on an investment in the Fund.</p>	<p>We pride ourselves on the quality of our products and alignment with investors.</p> <p>We were the first investors in each of our funds. A significant proportion of our own and extended families wealth is invested in Affluence funds.</p> <p>We charge no fixed management fee for any of our funds. Instead, we charge a performance fee of 12.5% of positive returns. This encourages us to focus on generating strong returns, while managing risk and limiting losses. If our investors do well, we will do well.</p> <p>We believe managing less money than average provides us with significant advantages. So we don't aim to be the biggest manager. We do aim to be one of the best. We are proud of our performance record to date.</p>

## Portfolio Managers



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The Affluence LIC Fund is available to all Australian and New Zealand resident investors. If you have any questions about Affluence, the Fund or our investment team, please get in touch.

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1. 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) and the Target Market Determination (TMD) for the Fund before making an investment decision. The PDS contains important notices and disclaimers, important information about the offer, as well as investment risks. There is no guarantee of any distribution, forecast, 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. Potential investors are encouraged to obtain independent expert advice before any investment decision.
2. Performance data for the Fund is expressed net of fees and costs (excluding the buy-sell spread). Performance calculations assume the reinvestment of distributions. Returns for periods of more than 1 year are annualised. Past performance is not indicative of future performance. The inception date of the Fund is 1 May 2016.
3. The Fund aims to pay distributions of approximately 5% pa paid quarterly. Distributions are not guaranteed and may be paid above or below this amount.