



Affluence LIC Fund

Fund Report - January 2021

Contents

02

Fund Commentary
Fund Performance
Return History

03

Return on \$100,000
Portfolio Summary
Top 5 Investments

04

Key Statistics
Fund Strategy
Contact Us

Fund Commentary

The Affluence LIC Fund increased by 0.4% in January compared to the ASX200 Index which increased 0.3%. Since the Fund commenced in 2016, returns have averaged 12.7% per annum, including quarterly distributions of 7.4% per annum. The Fund has outperformed the ASX200 Index over all periods, with significantly lower volatility than the Index.

Our best performing LICs this month were the three CD Private Equity Funds, WAM Alternative Assets (up 4%), and Tribeca Global Natural Resources (up 7%). The largest negative contributor was VGI Partners Global and our Index put options.

The overall discount to NTA for the Fund portfolio at the end of the month was steady around approximately 16%. At the end of January, the Fund held investments in 19 LICs representing 85% of the Fund, 6% in portfolio hedges and 9% in cash.

We made relatively few changes to the portfolio for the month. We entered into a new hedge position against US equities, to partially hedge our direct exposure to US shares. We own a number of LICs that have a high level of exposure to US shares that are trading at very attractive discounts to NTA, which we believe will revert substantially closer to NTA over time. By owning these LICs and hedging out some of the direct market exposure, we are

less reliant on the market going up and more exposed to capturing the discount to NTA.

It is interesting to note that while our overall discount to NTA for the portfolio of 16% is well above average, there are now quite a number of LICs that have either fully recovered or are now trading at substantial premiums to NTA. For example, the largest ASX listed LIC the Australian Foundation Investment Co (AFI) has been trading around a 10% premium to NTA. While not unprecedented, this is a very high premium for what is in essence an index fund, and over the longer term trades on average around NTA. For investors purchasing AFI today at this high premium, there is a very high probability that they will underperform the market over most time frames. However, we view this as a sign of retail investor enthusiasm for equities exposure, which may be a sign of frothy market conditions and a warning for what may come next. There are also an increasing number of the Wilson Asset Management LICs that are now trading at substantial (10% to 40%) premiums to NTA. We believe they are excellent managers, however we cannot fathom how paying this larger premium for any manager ever makes sense, or is conducive to making reasonable returns in the long run.

We continue to position the portfolio more conservatively in the short

term, through either higher cash levels or hedging levels. If markets continue to rise, we will likely generate positive returns, just a little lower than they would have been. However, if a major correction does occur, we will be much better prepared for it.

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. Applications are accepted monthly, and 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 to download application forms.

Fund Performance

To 31 January 2021	1 Month	1 Year	2 Years	3 Years	4 Years	Inception	Volatility
Distributions	0.0%	12.3%	9.4%	8.7%	8.5%	7.4%	
Change in Unit Price (Capital Growth)	0.4%	10.9%	7.6%	3.4%	3.4%	5.3%	
Affluence LIC Fund Total Returns	0.4%	23.2%	17.0%	12.1%	11.9%	12.7%	9.7%
ASX200 Accumulation Index (AI)	0.3%	(3.1%)	9.9%	7.0%	8.3%	9.2%	14.9%
Performance compared to ASX200AI	0.1%	26.3%	7.1%	5.1%	3.6%	3.5%	

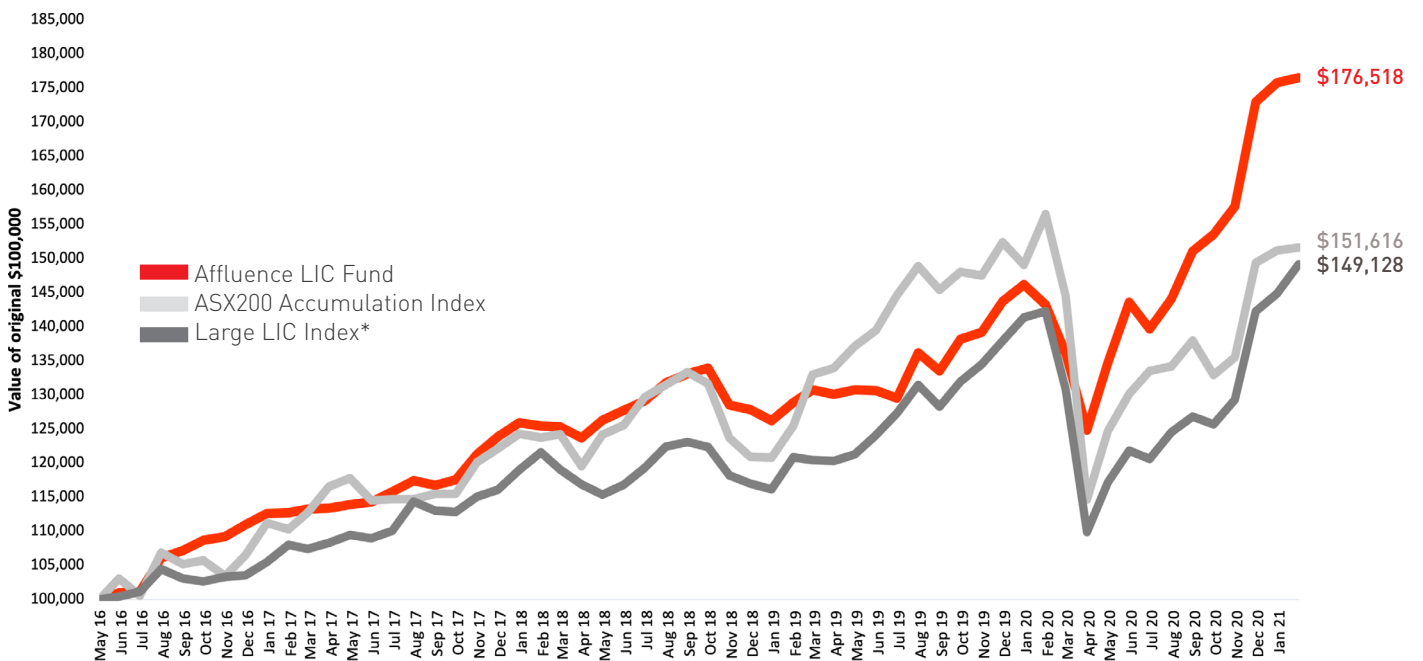
Total returns are net of fees and costs (excluding buy-sell spread) using the mid prices and assume the reinvestment of distributions. Returns of more than 1 year are annualised. Inception date is 3 May 2016. Past performance is not indicative of future performance.

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%	1.7%	2.7%	9.7%	1.7%	20.2%
2021	0.4%												

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

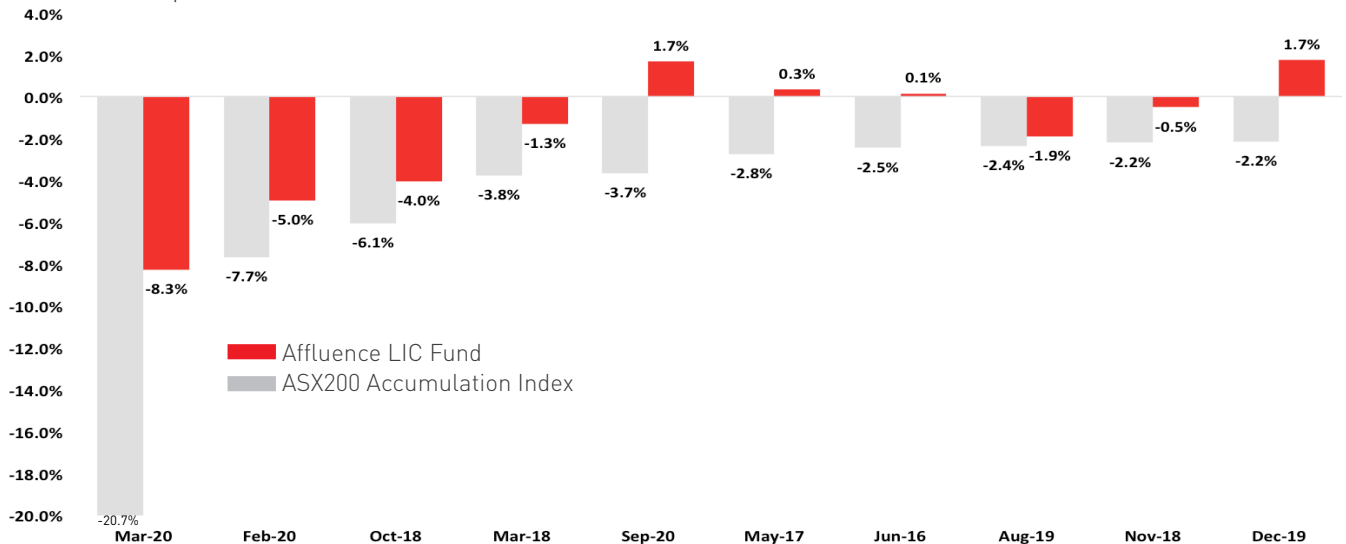
Return on \$100,000 Investment



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

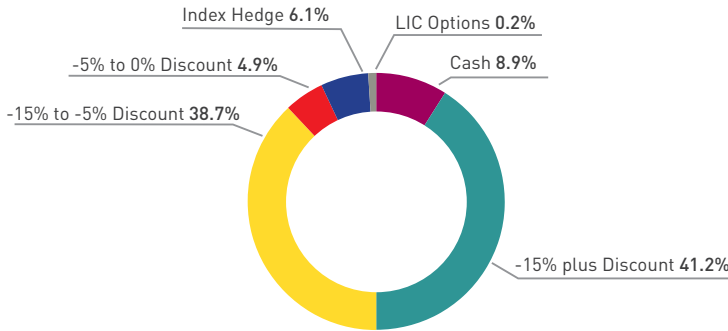
Fund Performance in ASX 200 Worst Months

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.

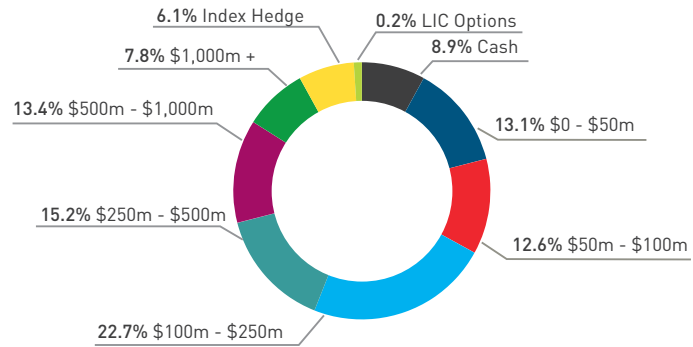


Portfolio Summary

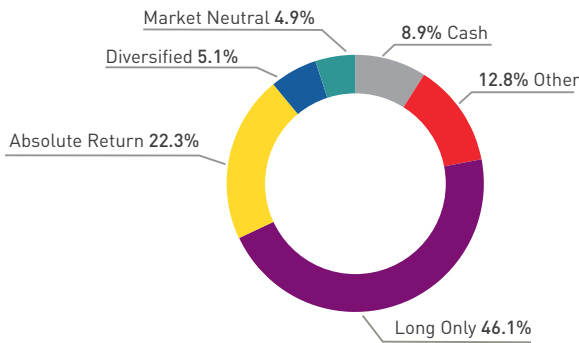
NTA Discount Band



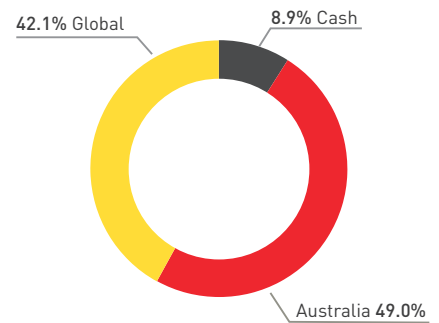
Portfolio by Market Cap



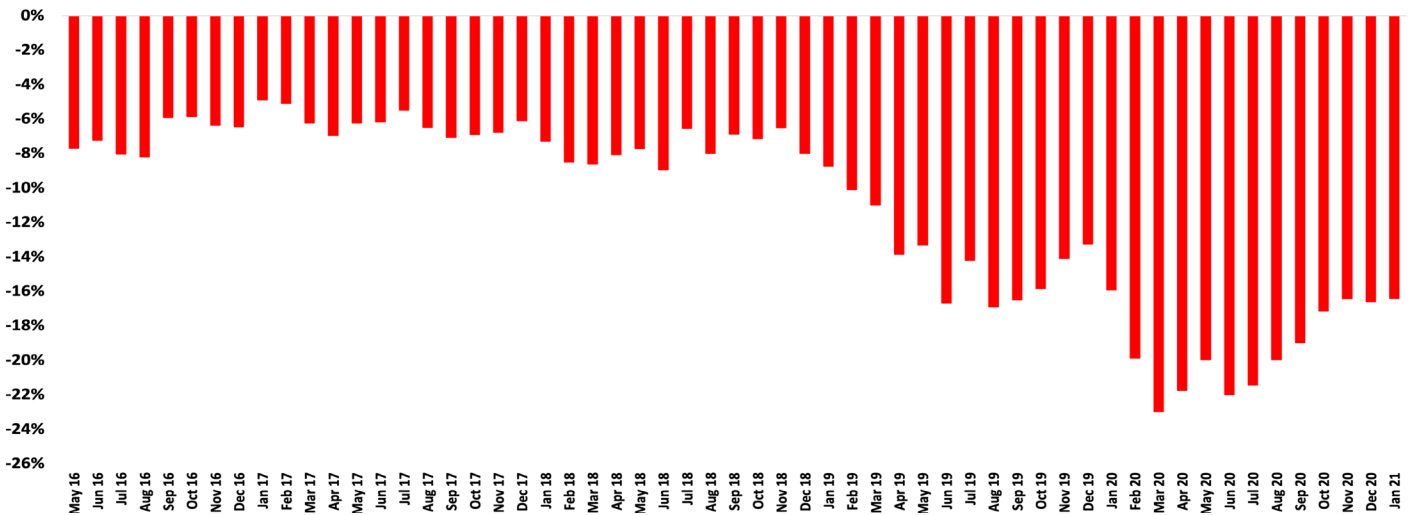
Equities Strategy



Geographic Exposure



Affluence LIC Fund Portfolio - Discount to NTA History



Five Largest Investments

- _____
L1 Long Short Fund (LSF)
- _____
Platinum Capital (PMC)
- _____
WAM Alternative Assets (WMA)
- _____
NGE Capital Limited (NGE)
- _____
Sandon Capital Investment Limited (SNC)

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	\$11.8m
Entry Price	\$1.2814
Exit Price	\$1.2788
Annual Distributions	5.70cpu
Distribution Yield	4.5% 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.