



# Affluence LIC Fund

## Fund Report - January 2022

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## Fund Commentary

The Affluence LIC Fund decreased by 1.6% in January, significantly outperforming the ASX200 Index, which fell by 6.4%. Since the Fund commenced over five years ago, returns have averaged 13.5% per annum, including quarterly distributions of 7.5% per annum. The Fund has outperformed the ASX200 Index over all periods, with significantly lower volatility than the Index.

In our last few monthly reports, we have discussed our concerns that rising inflation would lead to rising interest rates (and potentially lower equity prices). In January, equity markets started to take notice of this risk. The ASX 200 Index fell 6.4%, the ASX Small Ords fell 9%, and in the USA, the tech-heavy Nasdaq fell 9%.

Both short and long term bond yields increased in January. Rising bond yields are often a negative for equity prices, especially when markets are already overvalued. It is becoming obvious to markets that higher inflation may be more persistent than originally anticipated. Many central banks around the world have either started increasing interest rates or have flagged that they will soon do so. For example, the US Federal Reserve recently gave their strongest indication yet that they will begin increasing their rates in March. Our own Reserve Bank are going somewhat against the global trend. They seem determined to hold interest rates as low as

possible for as long as possible to generate higher wages growth. While the strategy is commendable, as Australia has been less impacted by inflation than many other parts of the world, it is not without risk.

Not surprisingly, the biggest positive contributors to the Fund in January were the hedges, which added 1.3% to the overall result. The large cash balance also helped to minimise losses. The LIC portfolio held up reasonably well. NTA discounts increased, but we did not witness any capitulation or panic selling across the sector. This limited our ability to buy bargains. Markets have stabilised somewhat since the January falls. However, we remain cautious. We are doubtful that markets have yet priced in the full number of interest rate increases required this year. We expect further volatility during the year as reality sets in, and equity markets on average remain expensive. As a result, we continue to hold significantly more cash than usual.

At the end of January, the Fund held investments in 27 LICs representing 70% of the Fund, 5% in portfolio hedges and 25% in cash. The average NTA discount for the LIC portfolio at the end of the month was 14%, compared to the 13.4% discount at the end of December.

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 Affluence LIC Fund is currently only available to existing clients. If you hold an investment in any Affluence Fund, you can apply to invest in the Affluence LIC Fund. If you already have an investment in the Fund, you can continue to add to your investment. For existing Affluence clients, 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 download application forms.**

## Fund Performance

To 31 January 2022	1 Month	1 Year	3 Years	5 Years	Inception	Volatility
Distributions	0.0%	8.3%	9.0%	8.4%	7.5%	
Change in Unit Price (Capital Growth)	(1.6%)	9.0%	8.1%	4.5%	6.0%	
<b>Affluence LIC Fund Total Returns</b>	<b>(1.6%)</b>	<b>17.3%</b>	<b>17.1%</b>	<b>12.9%</b>	<b>13.5%</b>	<b>9.2%</b>
ASX200 Accumulation Index (AI)	(6.4%)	9.4%	9.8%	8.5%	9.2%	14.1%
<b>Performance compared to ASX200AI</b>	<b>4.8%</b>	<b>7.9%</b>	<b>7.3%</b>	<b>4.4%</b>	<b>4.3%</b>	

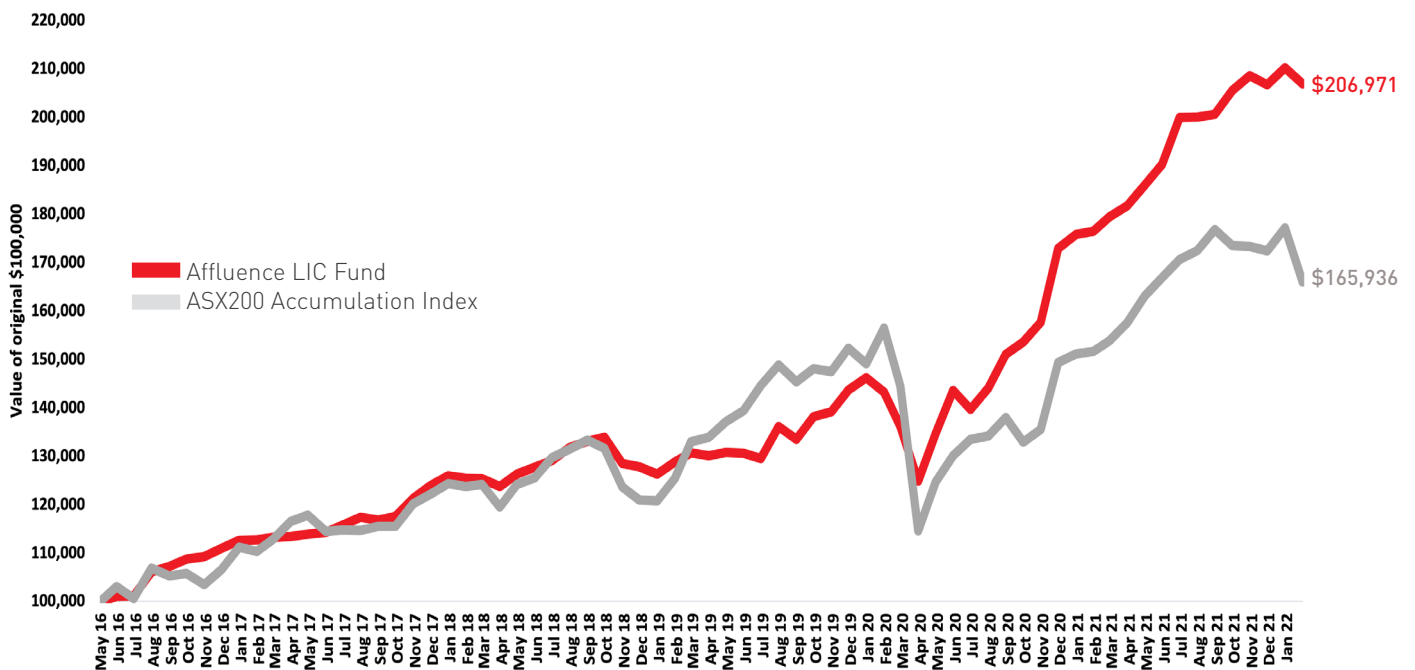
Total returns are net of fees and costs (excluding buy-sell spread) using the mid prices and assume the reinvestment of distributions. Returns of more than 1 year are annualised. Inception date is 3 May 2016. Past performance is not indicative of future performance.

## 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%	1.7%	1.3%	2.3%	2.4%	5.1%	0.0%	0.3%	2.4%	1.5%	-0.9%	1.7%	19.6%
2021	-1.6%												

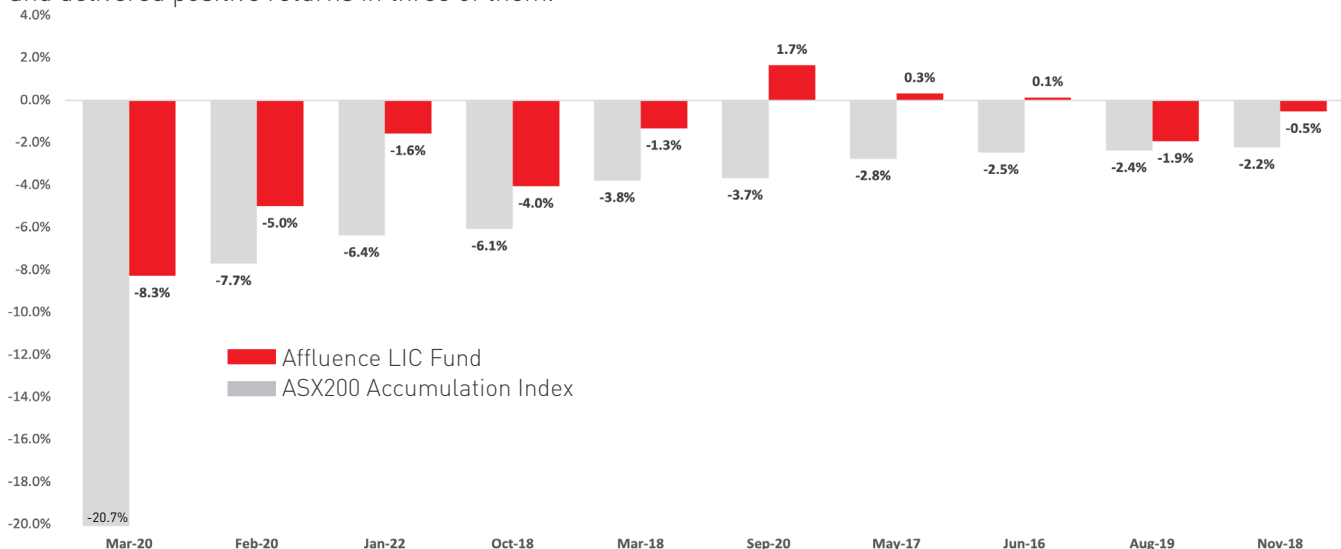
■ Strongest Month   
 ■ Positive Month   
 ■ Stable Month   
 ■ Negative Month   
 ■ Weakest Month

## Return on \$100,000 Investment



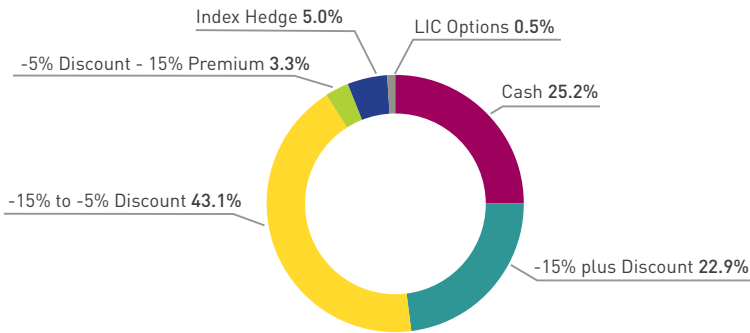
## Fund Performance in ASX 200 Worst Months

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 three of them.

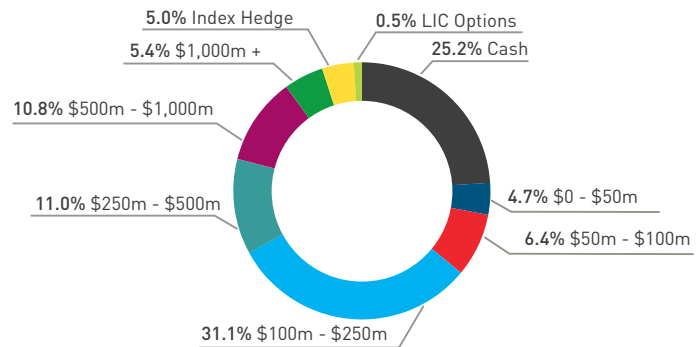


# Portfolio Summary

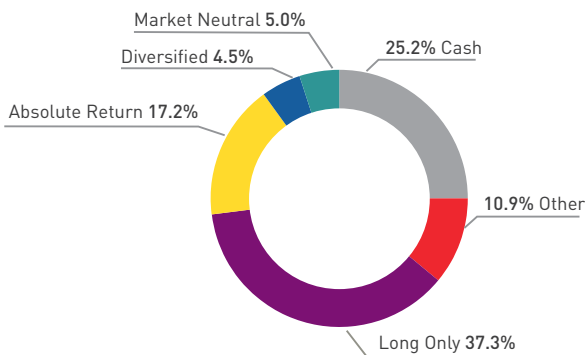
NTA Discount Band



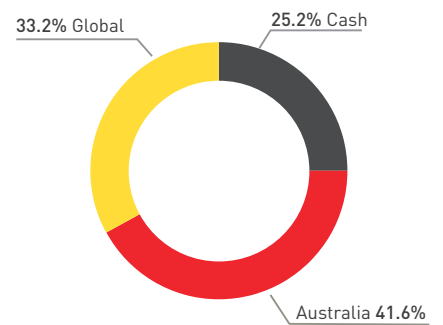
Portfolio by Market Cap



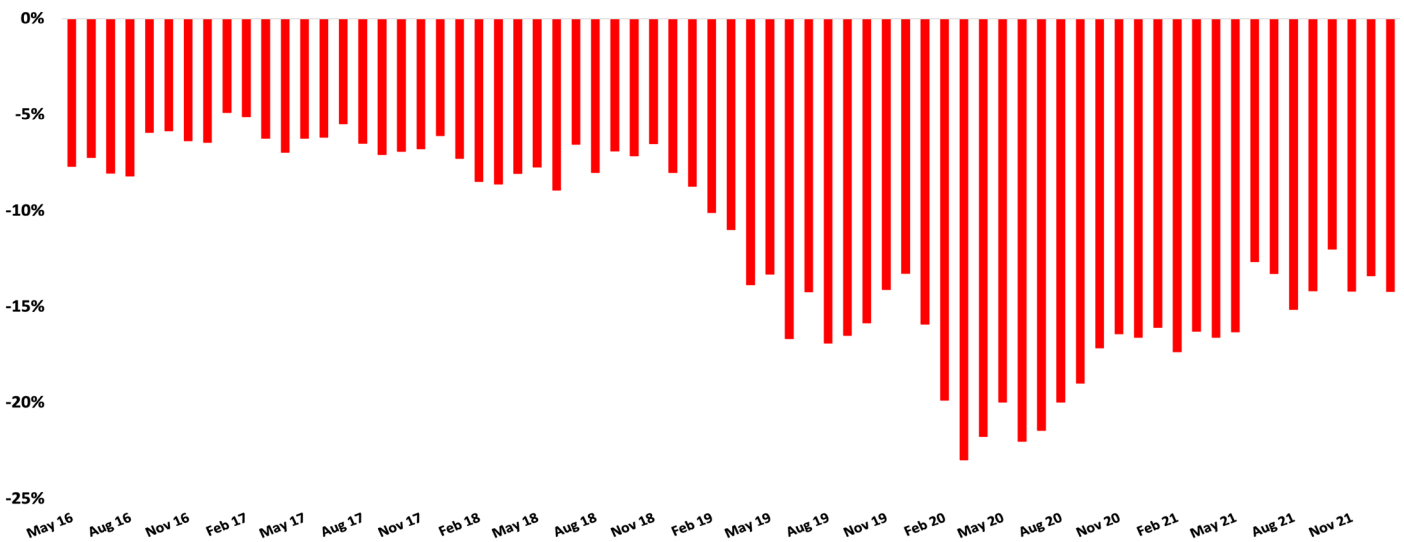
Equities Strategy



Geographic Exposure



## Affluence LIC Fund Portfolio - Discount to NTA History



## Five Largest Investments

- Platinum Capital (PMC)
- Tribeca Natural Resources Limited (TGF)
- Absolute Equity Performance Fund (AEG)
- Sandon Capital Investments Limited (SNC)
- VGI Partners Asian Investments (VG8)

**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
<b>Follow The Herd:</b> Traditional managers are too scared to fail, so they don't succeed. Most don't outperform the index.	<b>Actively Pursue Out-performance:</b> From our fee structure alignment to our investment methodology, our strategy targets positive returns and low volatility.
<b>Restricted Product Selection:</b> Commonly places clients into their own managed funds or choose from a restricted list of 'approved' funds.	<b>Best Of Breed:</b> We will seek the best LICs, and combine them in a way which cushions against market corrections.
<b>Traditional Asset Classes:</b> Manage large amounts in traditional asset classes (e.g. ASX200 equities), which minimises chances of excess performance.	<b>Unique Strategies:</b> We prefer managers who operate in specialised markets with less funds under management and a competitive advantage.
<b>High, Fixed Fees:</b> Take fees regardless of performance.	<b>No Fixed Fees:</b> Our fees are 100% performance based.

## Key Statistics

<b>Investment Class</b>	Listed Investment Companies
<b>Minimum Investment</b>	\$20,000
<b>Suggested Timeframe</b>	At least 5 years
<b>Benchmark Returns</b>	ASX200 Accumulation Index
<b>Fund Value</b>	\$20.4m
<b>Entry Price</b>	\$1.3972
<b>Exit Price</b>	\$1.3944
<b>Annual Distributions</b>	7.00cpu
<b>Distribution Yield</b>	5.0% p.a.
<b>Distribution Frequency</b>	Quarterly
<b>Applications</b>	Monthly
<b>Withdrawals</b>	Monthly
<b>Management Fees</b>	Nil
<b>Performance Fee</b>	12.5% of positive performance
<b>Buy/Sell Spread</b>	0.10%/0.10%

## Meet The Portfolio Managers



### Daryl Wilson

**CEO/Portfolio Manager**

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### Greg Lander

**Portfolio Manager**

Years in the Industry: 12

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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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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.