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# Affluence LIC Fund

## Fund Report - January 2020

### 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 ASX 200 Index rallied hard in January, increasing by 5%. Unfortunately, the LIC sector came under pressure, and the Affluence LIC Fund fell a disappointing -2.0%. Returns since inception for the Fund have averaged 10.1% per annum, including quarterly distributions of 6.2% per annum. These returns have been delivered with significantly lower volatility than the ASX 200 Index.

As we have mentioned before, due to our focus on constructing a more resilient portfolio given the current elevated market valuations, we do not expect the Fund to keep up with the market during strong upswings. However, we don't expect the Fund to fall either. There were some significant detractors this month, however the major theme was discounts to NTA reversing their recent trend as the discounts got larger. Our best guess is that discounts increased due to a combination of potential buyers still being on holidays, as well as sustained negative media attention on the sector. The financial media has been focusing on the use of "stamping fees" in LICs/LITs raising new equity. Stamping fees are paid to buyers by the Manager of the LIC when they raise new funds. For example, if a broker/financial adviser

recommends their client buy shares in a new LIC issue, then the broker/financial adviser may receive a direct 1-2% fee from the manager. There are various interested parties arguing for and against this practise, and the government recently announced a 4 week review into the issue. Rest assured, anytime the Affluence LIC Fund has participated in a new equity raising, the stamping fee has been paid direct to the Fund for the benefit of all unitholders. On top of this issue, attention has also veered towards the large discounts to NTA in the sector and the negative effect this has had on recent IPOs. What the media fails to mention is that this is what makes the sector so attractive at the moment.

From our perspective, this is normal human investing psychology where investors love to pile into a sector when performance has been strong, and sell out at the worst possible time when performance has been poor. The fact that there is so much negative attitude towards LICs at present makes us even more excited to keep deploying funds into the sector. For those with a medium to long term investment horizon, this is a very good opportunity.

There were precious few significant positive contributors this month. The

Fund's biggest negative contributors in January were the L1 Long Short Fund (LSF) down 9%, Tribeca Global Natural Resources (TGF) down 6%, and NAOS Small Cap Opportunities (NSC) down 9%. We increased our holdings in all three of these LICs in January and early February, as we remain very confident of their long term potential.

At the end of January, the Fund held investments in 30 LICs representing 87% of the Fund and 13% 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 January 2020

	1 Month	1 Year	2 Years	3 Years	Inception	Volatility
Distributions	0.0%	6.8%	7.1%	7.2%	6.2%	
Change in Unit Price (Capital Growth)	(2.0%)	4.4%	(0.2%)	1.1%	3.9%	
<b>Affluence LIC Fund Total Returns</b>	<b>(2.0%)</b>	<b>11.2%</b>	<b>6.9%</b>	<b>8.3%</b>	<b>10.1%</b>	<b>5.8%</b>
ASX200 Accumulation Index (AI)	5.0%	24.7%	12.4%	12.4%	12.7%	9.2%
<b>Performance compared to ASX200AI</b>	<b>(7.0%)</b>	<b>(13.5%)</b>	<b>(5.5%)</b>	<b>(4.1%)</b>	<b>(2.6%)</b>	

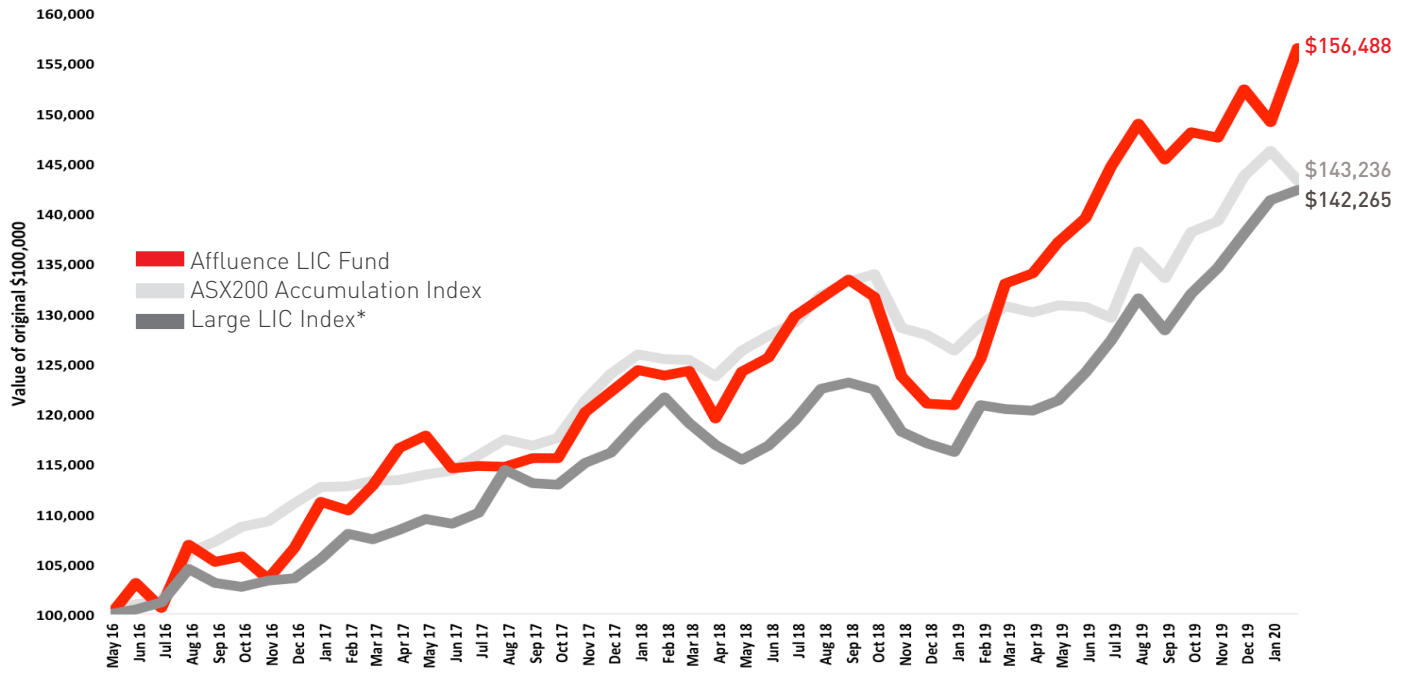
Total returns are net of fees and costs (excluding buy-sell spread) using the mid prices and assume the reinvestment of distributions. Returns of more than 1 year are annualised. Inception date is 3 May 2016. Past performance is not indicative of future performance.

## 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%												

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

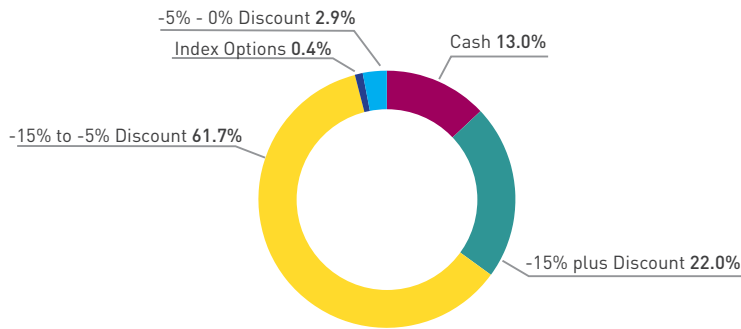
# Return on \$100,000 Investment



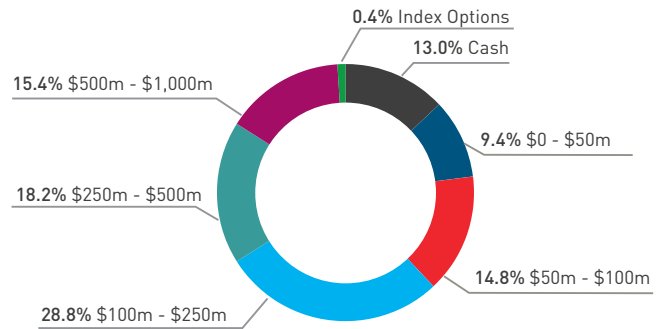
\* The Large LIC Index is calculated from the equal weighted returns of the three largest LICs (AFIC, ARG and MLT).

## Portfolio Summary

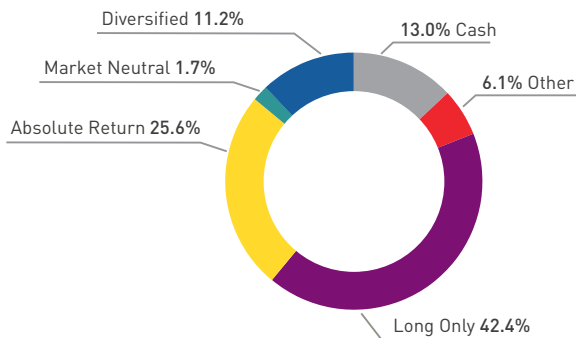
### NTA Discount Band



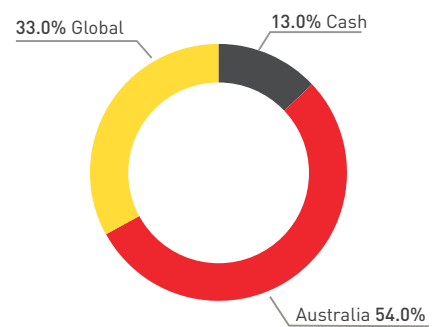
### Portfolio by Market Cap



### Equities Strategy



### Geographic Exposure



## Five Largest Investments

- Future Generation Global Fund (FGG)

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- Blue Sky Alternatives Access Fund (BAF)

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- L1 Long Short Fund (LSF)

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- Monash Absolute Investment Company Limited (MA1)

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- Future Generation Investment Fund (FGX)

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## 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>	\$8.0m
<b>Entry Price</b>	\$1.1552
<b>Exit Price</b>	\$1.1529
<b>Annual Distributions</b>	5.70cpu
<b>Distribution Yield</b>	4.9% 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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Email: invest@affluencefunds.com.au

Address: Level 5, 320 Adelaide St, Brisbane QLD 4000

**Want to know more about Listed Investment Companies (LICs)?**

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

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.