



Affluence LIC Fund

Fund Report - June 2019

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Fund Commentary

The Affluence LIC Fund decreased by 0.8% in June, while the ASX 200 Index increased 3.7%. Returns since inception for the Fund are 8.5% per annum, compared to the ASX 200 Index of 12.4% per annum. These returns have been delivered with approximately half of the volatility of the ASX200 index. The Fund's biggest positive contributors in June were Bailador Technology (BTI) up 7%, Blue Sky Alternatives Fund (BAF) up 5%, and Thorney Technologies Limited (TEK) up 6%. These strong performers were offset by the biggest negative contributors, which were Spheria Emerging Companies (SEC) down 6%, and Tribeca Global Natural Resources (TGF) down 9%.

June ended a very tough 6 months of underperformance for the Fund, relative to the ASX 200 Index. After a very strong relative performance in the first six months of the financial year, when markets fell heavily, the Fund has returned 2.6% over the most recent half-year, compared to a stunning 19.7% for the Index. While we would expect the Fund and LICs in general to lag in a strong market (and a 20% increase in 6 months is about as strong as it gets), the level of recent underperformance is very unusual. We attributed the initial softness in the LIC market mostly to the franking credit hysteria caused

by the Labor plan to stop the refund of franking credits. This seemed a very plausible explanation, as many LIC investors rely on the income they produce (including franking credits) for their living needs. Therefore, after the coalition secured victory in May 2019, we expected conditions to begin to return to normal and for investors to be attracted to the excellent value on offer. However June 2019 has seen the biggest divergence so far between the greater equity market and LICs, presumably driven by a greater than normal level of tax loss selling. In the last two months, even when managers' report strong increases in underlying NTA, it has no positive impact on the share price.

The good news is that after this period of underperformance, we believe there is cause for optimism (and a lot of it). Our portfolio of LICs is undeniably cheap. The current discounts to NTA now present outstandingly good value. Over 25% of our portfolio is currently trading at a more than a 20% discount to NTA. We have no holdings trading at a premium (our smallest discount to NTA is 4%), and the biggest discount is more than 30%. The overall average portfolio discount to NTA is approximately 16%. These levels of discounts have not gone unnoticed. We are aware of a number of activist

investors who are building stakes in LICs with the aim of reducing the discount by either working constructively with the LIC manager and board, or through more hostile means if necessary. This bodes well for the next few months, regardless of underlying market conditions and performance in July so far has been strong.

At the end of June, the Fund held investments in 32 LICs representing 93% of the Fund and 7% in cash. We believe the Fund remains well positioned to withstand most market conditions.

Given the exceptional value on offer, we are currently preparing to open the Fund to all investors in Australia and New Zealand. We expect to make an announcement on this near the end of July. In the meantime, if you qualify as a wholesale or sophisticated investor and are interested in the Fund, contact us or visit the website to find out more. Alternatively, you can gain access through our Affluence Investment Fund, which currently invests around 15% of its portfolio in the Affluence LIC Fund.

Fund Performance

To 30 June 2019

	1 Month	1 Year	2 Years	3 Years	Inception	Volatility
Affluence LIC Fund	(0.8%)	0.3%	5.8%	8.6%	8.5%	5.0%
ASX200 Accumulation Index (AI)	3.7%	11.5%	12.3%	12.9%	12.4%	9.2%
Performance compared to ASX200AI	(4.5%)	(11.2%)	(6.5%)	(4.3%)	(3.9%)	

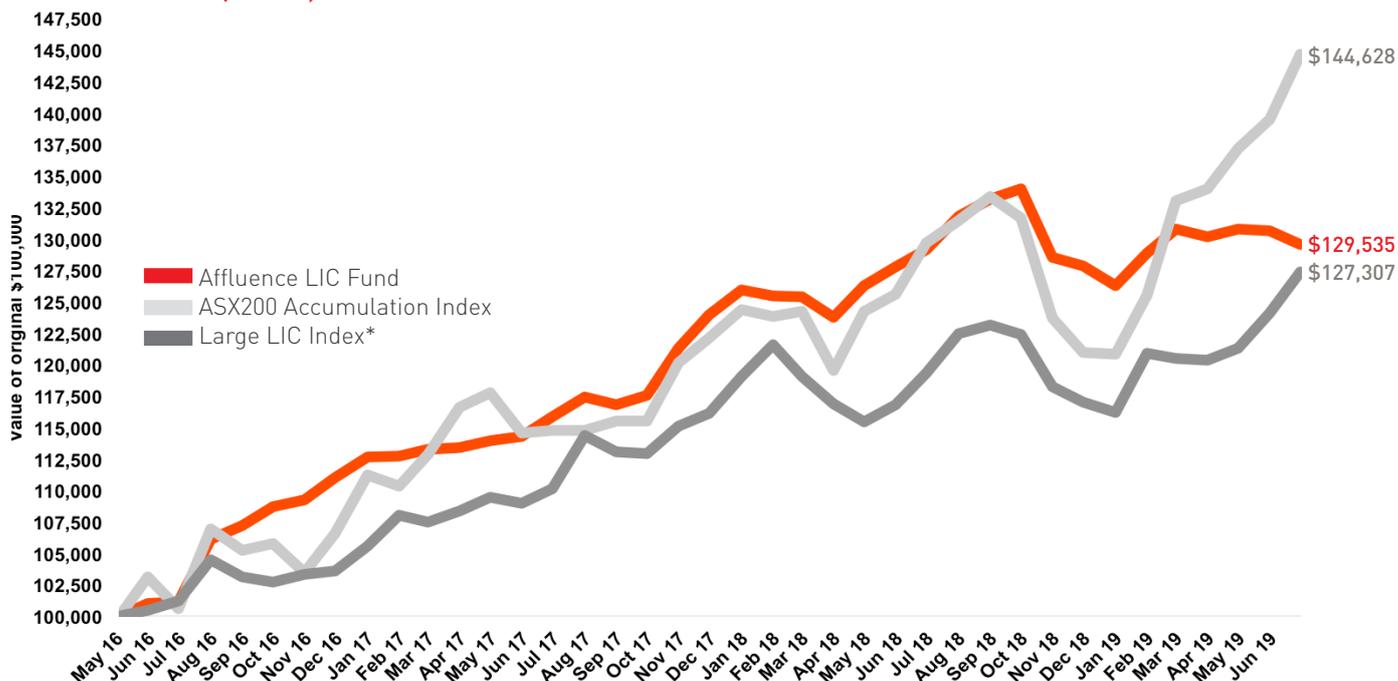
Total returns are net of fees and costs (excluding buy-sell spread) using the mid prices and assume the reinvestment of distributions. Returns of more than 1 year are annualised. Inception date is 3 May 2016.

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%							2.6%

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

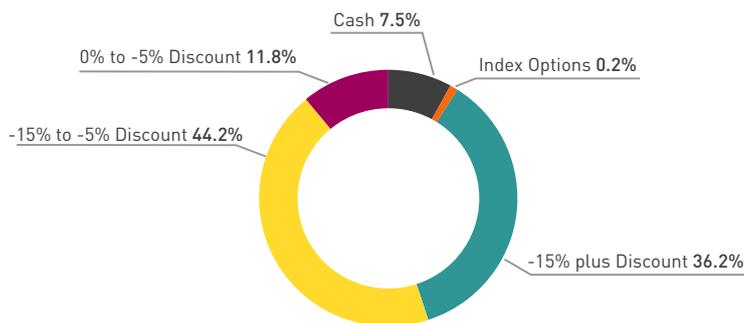
Return on \$100,000 Investment



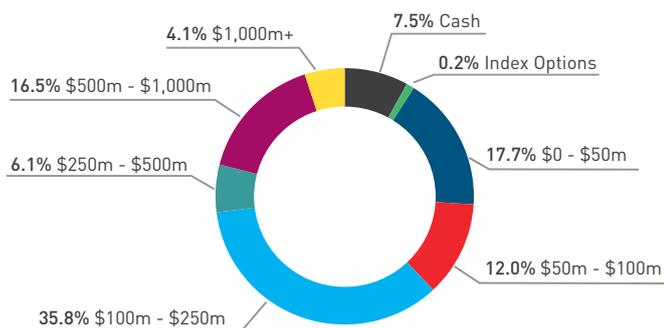
* The Large LIC Index is calculated from the equal weighted returns of the three largest LICs (AFIC, ARG and MLT).

Portfolio Summary

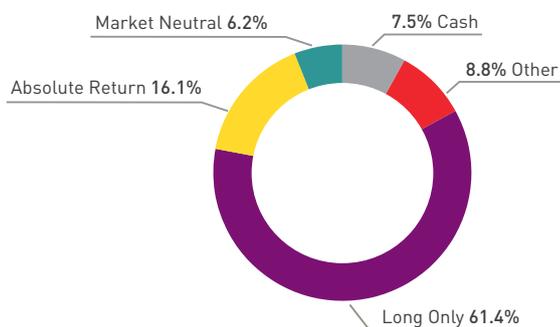
NTA Discount Band



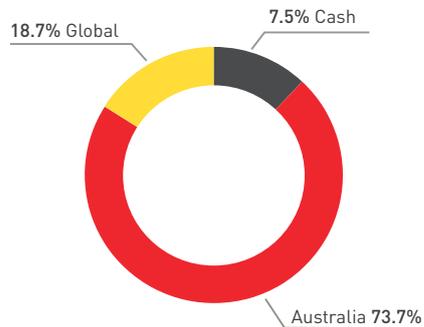
Portfolio by Market Cap



Equities Strategy



Geographic Exposure



Largest Investments

WAM Leaders (WLE)

L1 Long Short Fund (LSF)

Blue Sky Alternatives Access Fund (BAF)

Antipodes Global Investment Company (APL)

Spheria Emerging Companies Limited (SEC)

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	\$5.6m
Entry Price	\$1.0707
Exit Price	\$1.0686
Annual Distributions	5.70cpu
Distribution Yield	5.3% 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

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Portfolio Manager

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Investment Strategy

We believe that exposure to quality investments across multiple asset classes, managers, geographies and strategies should be an essential part of any well diversified portfolio.

The Fund provides access to a diversified investment portfolio of ASX Listed Investment Companies as selected by Affluence. We aim to outperform the ASX200 Accumulation Index over rolling 3 year periods and to deliver these returns with less volatility than the stock market.

Contact Us

If you have an questions, please contact us:

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