



Affluence LIC Fund

Fund Report - June 2020

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Fund Commentary

Despite a relatively tough month in June, the Affluence LIC Fund outperformed the ASX200 by an impressive 15.5% in the 2020 financial year. The Fund returned 7.8% while the ASX200 delivered -7.7%. Returns since inception for the Fund have averaged 8.3% per annum, including quarterly distributions of 7.4% per annum. The Fund has now outperformed the ASX200 Index over 1, 2, 3, 4 years and since inception, with much lower volatility.

Considering the sustained headwinds the strategy has faced since 2019 as the LIC sector has traded at an increasing level of discounts to NTA, we are pleased the Fund has been able to deliver higher returns than the ASX 200 Index. The 22% discount at 30 June 2020 is well above the 8-10% average during the first three years of the Fund's history. If discounts revert to more average levels, this has the potential to provide substantial upside to investors. The portfolio thus remains very well positioned for those with a 3-5 year investment horizon.

It is impossible to predict where equity markets will head in the short term. However, for any investors who have an allocation to equities, the Affluence LIC Fund currently presents an attractive opportunity. We consider the combination of attractive NTA discounts, access to a range of high quality LIC managers and our ability to vary the underlying market exposure of the Fund to be compelling.

In June, the ASX 200 Index finished the financial year strongly, increasing

by 2.6%. In contrast, the Affluence LIC Fund fell this month by -2.7% as the majority of the LIC sector was soft. This same pattern occurred in prior years and is usually followed by a better than average July. Our best guess is that the sector suffers more than most from tax loss selling before the end of the financial year. The average portfolio discount to NTA increased from 20% at the end of May to 22% at the end of June.

The June quarter distribution (paid to investors 10 July) was significantly higher than usual. This was due to a combination of the positive performance for the financial year, and profits booked on portfolio put options in March. We expect year end investment and tax statements to be sent to investors in late July.

Our best performing LICs this month were the Regal Investment Fund (up 13%) and the Ophir High Conviction Fund (up 5%). Our list of negative contributors was longer. The vast majority were due to an increase in discounts, rather than a fall in the underlying portfolio NTA.

We were very active during the month, as we exited some smaller positions and started purchasing some new holdings. Given the substantial market increases over the June quarter, we have increased our holdings in those LICs where we believe the manager can outperform in a falling market. For example, we have been buying VGI Partners Global Investments (VG1), and VGI Partners Asian Investments (VG8), and now hold approximately 4% of each. VGI Partners manage both LICs utilising a long short strategy,

and have traditionally performed exceptionally well when the market falls. The long term track record of VGI Partners is impressive, yet both LICs are currently trading at roughly a 20% discount to NTA, following the announcement in June that one of the founding investment team members is retiring. While undoubtedly a loss, VGI now has a large and very competent investment team. They are conservatively positioned and have not participated in much of the June quarter market increases. From our perspective, we believe this is an excellent risk-adjusted proposition. If markets fall, the underlying portfolios of VG1 and VG8 should significantly outperform the market. If markets keep rising, the manager is likely to come under increasing pressure to rectify the outsized discounts.

At the end of June, the Fund held investments in 29 LICs representing 94% of the Fund and 6% in cash. 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 30 June 2020	1 Month	1 Year	2 Years	3 Years	4 Years	Inception	Volatility
Distributions	6.4%	10.9%	8.4%	8.2%	7.6%	7.4%	
Change in Unit Price (Capital Growth)	(9.1%)	(3.1%)	(4.4%)	(1.8%)	0.8%	0.9%	
Affluence LIC Fund Total Returns	(2.7%)	7.8%	4.0%	6.4%	8.4%	8.3%	9.1%
ASX200 Accumulation Index (AI)	2.6%	(7.7%)	1.5%	5.2%	7.3%	7.2%	15.0%
Performance compared to ASX200AI	(5.3%)	15.5%	2.5%	1.2%	1.1%	1.1%	

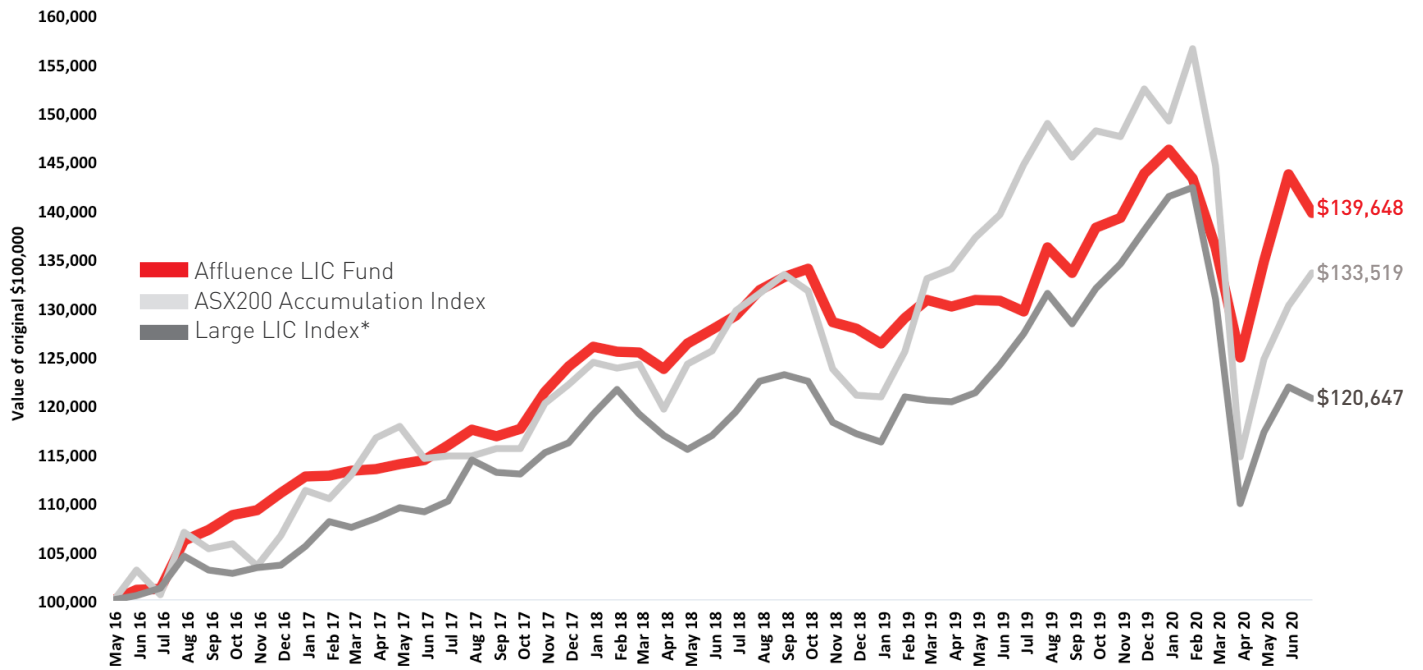
Total returns are net of fees and costs (excluding buy-sell spread) using the mid prices and assume the reinvestment of distributions. Returns of more than 1 year are annualised. Inception date is 3 May 2016. Past performance is not indicative of future performance.

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%							

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

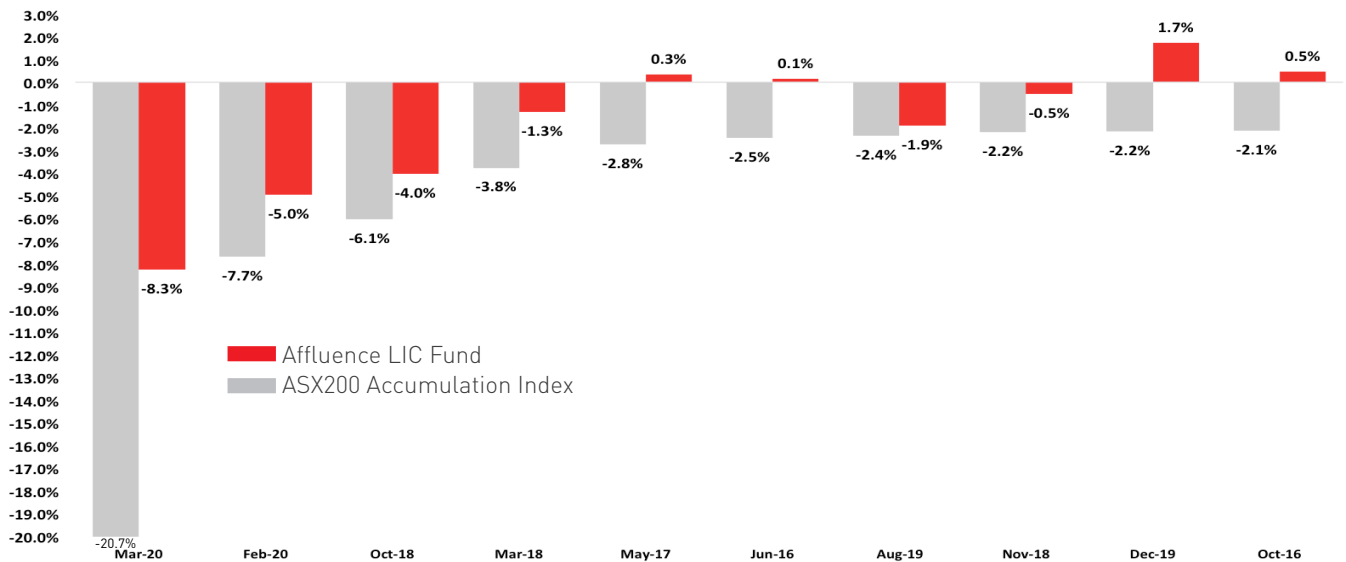
Return on \$100,000 Investment



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

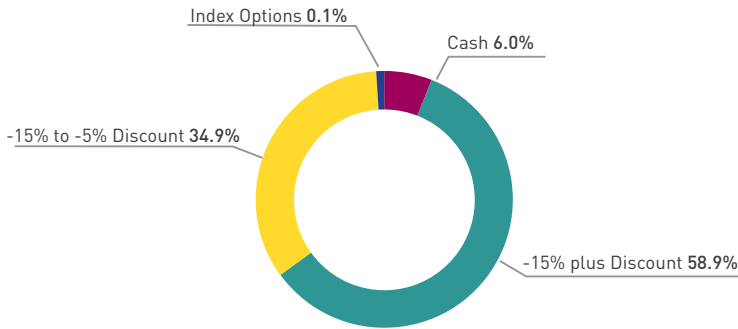
Fund Performance in ASX 200 Worst Months

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.

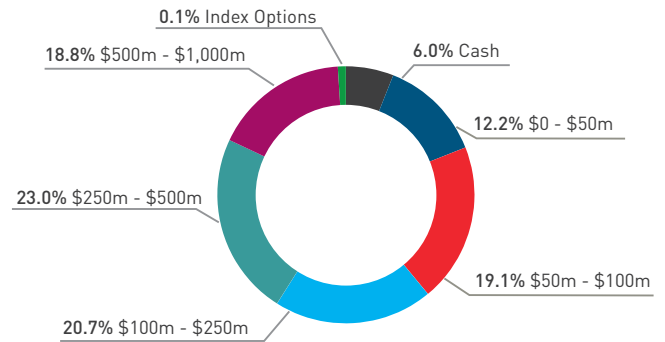


Portfolio Summary

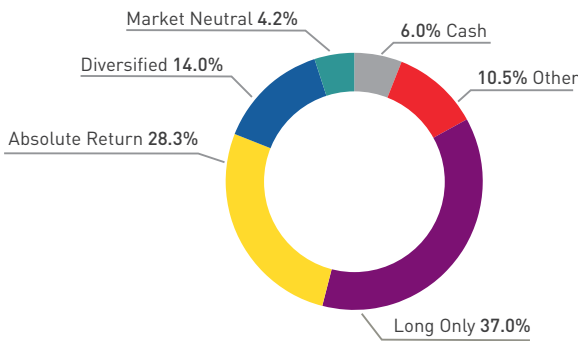
NTA Discount Band



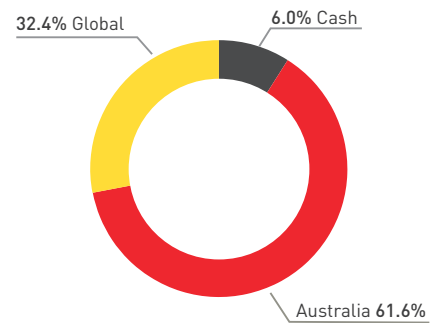
Portfolio by Market Cap



Equities Strategy



Geographic Exposure



Affluence LIC Fund Portfolio - Discount to NTA History



Five Largest Investments

- Future Generation Global Fund (FGG)
- Blue Sky Alternatives Access Fund (BAF)
- Future Generation Investment Fund (FGX)
- L1 Long Short Fund (LSF)
- Monash Absolute Investment Company Limited (MA1)

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	\$8.9m
Entry Price	\$1.0380
Exit Price	\$1.0359
Annual Distributions	5.70cpu
Distribution Yield	5.5% 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

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Greg Lander

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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

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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.