



Affluence LIC Fund

Fund Report - March 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 plummeted in March, falling a massive 20.7%. The Affluence LIC Fund significantly outperformed, but still fell 8.3%. This was the worst monthly return in the Fund's history, however it was also by far its largest outperformance against the ASX200 Index (our benchmark). Returns since inception for the Fund have averaged 5.8% per annum, including quarterly distributions of 6.0% per annum. The Fund has outperformed the ASX200 Index over all time periods, and these returns have been delivered with significantly lower volatility than the Index.

The final result was actually helped by a recovery in the last few trading days. At one point, the ASX200 Index was down more than 30% for the month, in conditions that could only be described as blind panic. Markets were somewhat comforted towards the end of March by governments around the world announcing unprecedented support packages (financed entirely by new debt) and central banks pledging "to do whatever it takes".

The underlying LIC portfolio performed approximately in line with the index, however this was through a combination of the underlying NTA of the LICs outperforming the index, but the average discount to NTA increasing. The portfolio discount to NTA increased from 20% to an estimated 23.5% during the month. We started March with a higher level of cash than normal, and also a large number of put options as a buffer to

market falls. We estimate that the put options provided a 6% positive contribution, and the cash provided a 3% benefit to the overall return. As the market continued to fall, we progressively sold some of our put options at substantial profits which provided additional cash to reinvest into cheap LICs. During the last two weeks of March we purchased LICs quite aggressively, and ended the month with 9% cash (at one point it was near 25%). We estimate that our buying and selling during the month added a further 2% positive contribution to the overall result.

While we are always disappointed to report a negative return, we are pleased with how the Fund performed during such a difficult month. We believe the Fund is now exceptionally well positioned looking forward.

Australian and global equity markets have bounced back very quickly during the start of April, and we can offer no insight as to whether these gains will be maintained or if the lows are re-tested. What we do know is that overall equity valuations are much lower than they were a month ago, and that the overall portfolio discount to NTA is now the largest it has ever been at more than 23%. As the market has increased over the past week, we have purchased some additional put options to partly protect the portfolio if markets fall again. They won't be as effective as they were in March, however we are starting from a much lower valuation level. If markets are stable or

continue to increase, the put options will be a small drag on performance. We accept this trade-off, given current market volatility.

At the end of March, the Fund held investments in 38 LICs representing 88% of the Fund, 9% in cash and 3% in index put options. 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 March 2020 | 1 Month | 1 Year | 2 Years | 3 Years | Inception | Volatility |
|---|---------------|---------------|-------------|-------------|-------------|-------------|
| Distributions | 1.3% | 6.0% | 6.8% | 7.4% | 6.0% | |
| Change in Unit Price (Capital Growth) | (9.6%) | (10.0%) | (6.3%) | (4.1%) | (0.2%) | |
| Affluence LIC Fund Total Returns | (8.3%) | (4.0%) | 0.5% | 3.3% | 5.8% | 7.9% |
| ASX200 Accumulation Index (AI) | (20.7%) | (14.4%) | (2.1%) | (0.6%) | 3.5% | 14.8% |
| Performance compared to ASX200AI | 12.4% | 10.4% | 2.6% | 3.9% | 2.3% | |

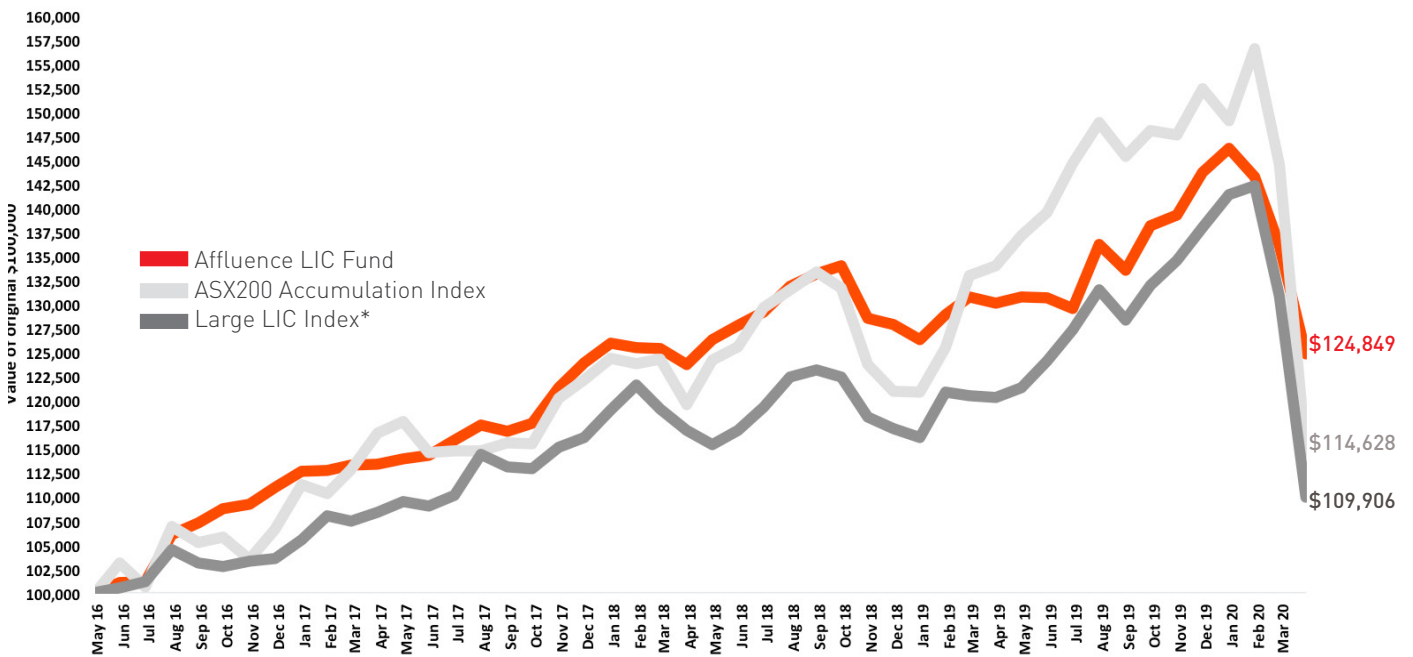
Total returns are net of fees and costs (excluding buy-sell spread) using the mid prices and assume the reinvestment of distributions. Returns of more than 1 year are annualised. Inception date is 3 May 2016. Past performance is not indicative of future performance.

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% | | | | | | | | | | |

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

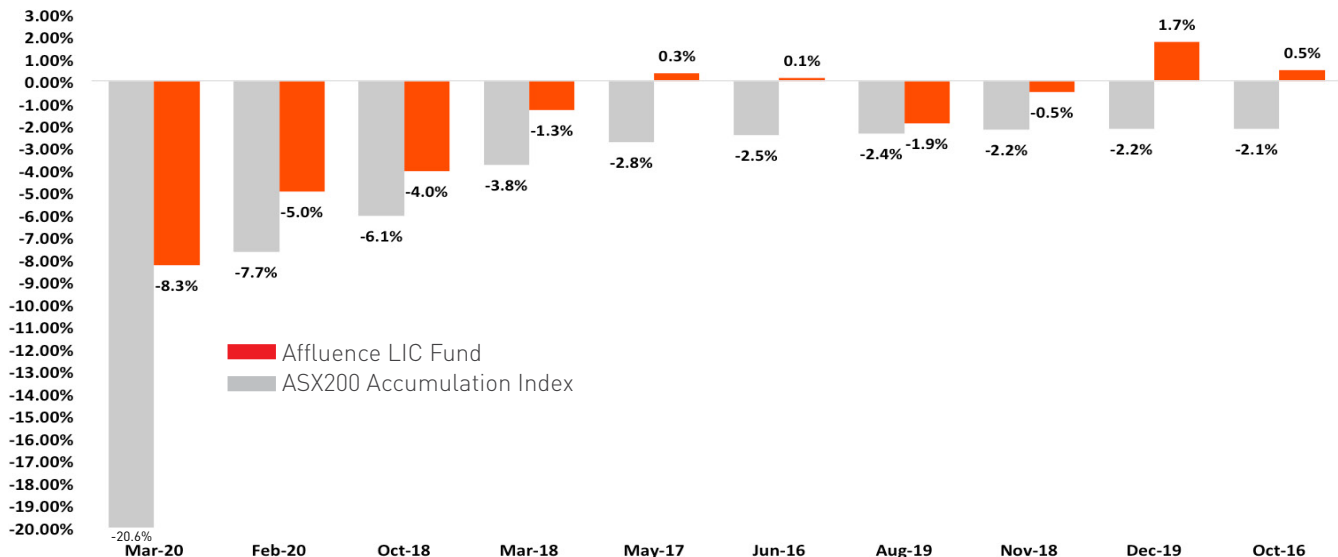
Return on \$100,000 Investment



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

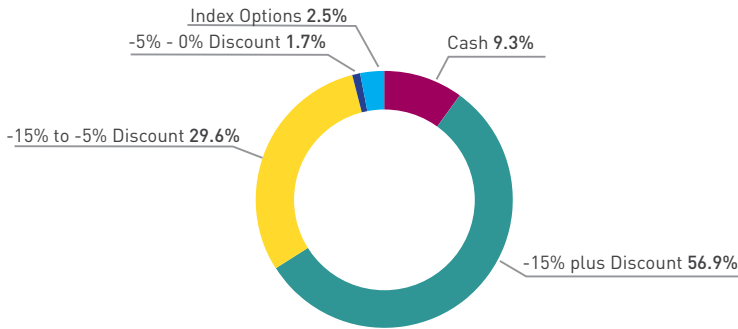
Fund Performance in ASX 200 Worst Months

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.

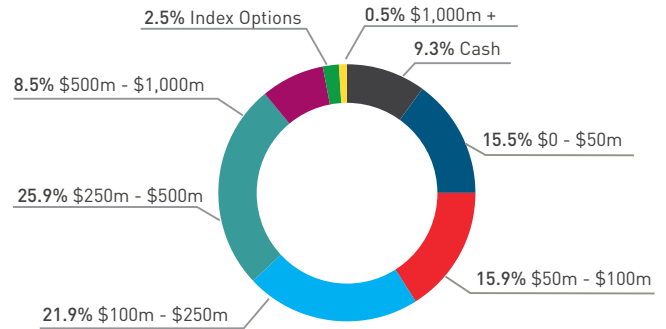


Portfolio Summary

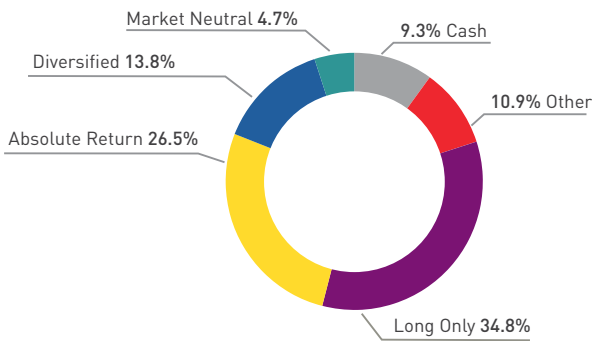
NTA Discount Band



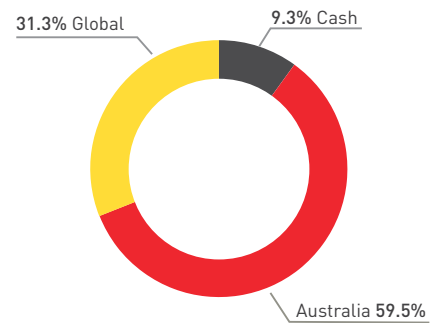
Portfolio by Market Cap



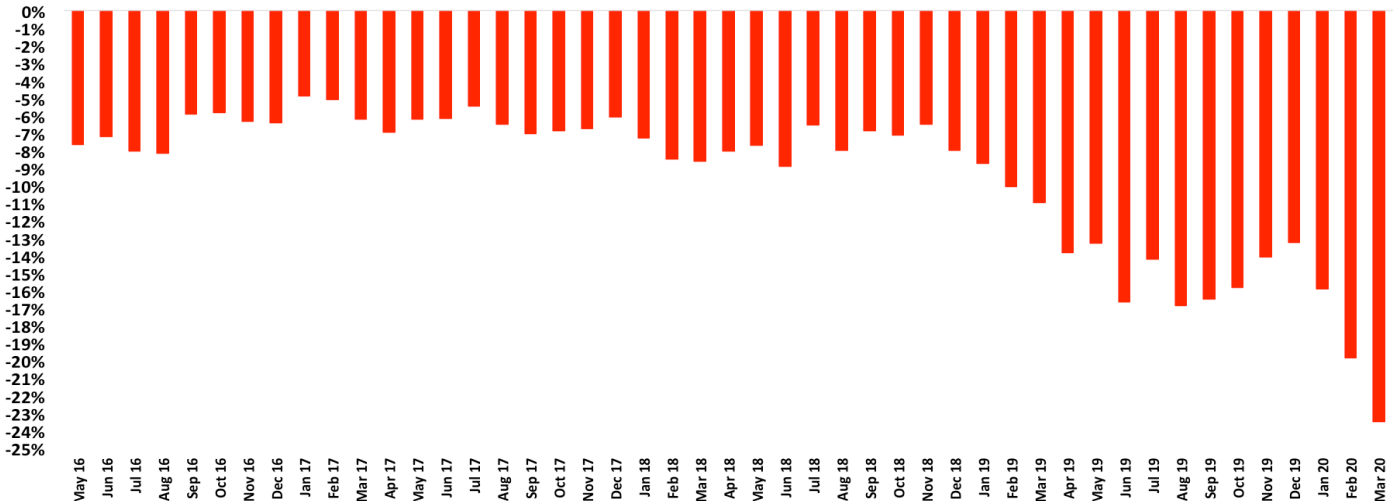
Equities Strategy



Geographic Exposure



Affluence LIC Fund Portfolio - Discount to NTA History



Five Largest Investments

- Future Generation Global Fund (FGG)
- Future Generation Investment Fund (FGX)
- L1 Long Short Fund (LSF)
- Blue Sky Alternatives Access Fund (BAF)
- Australian Leaders Fund (ALF)

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 | \$7.8m |
| Entry Price | \$0.9927 |
| Exit Price | \$0.9907 |
| Annual Distributions | 5.70cpu |
| Distribution Yield | 5.7% 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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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

If you have an questions, please 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.