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Affluence LIC Fund

Fund Report - September 2019

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Fund Commentary

The Affluence LIC Fund outperformed the ASX 200 Index for a third month in a row, and while we still have some ground to make up, we are pleased that the current big opportunity in LICs is starting to be recognised by the market. The ASX 200 Index increased 1.8% in September, with the Affluence LIC Fund increasing 3.4%. For the first financial quarter of 2020, the Affluence LIC Fund has increased 6.6% compared to 2.4% for the ASX 200 Index, and we are optimistic that this trend can continue. Returns since inception for the Fund are 9.9% per annum. These returns have been delivered with significantly lower volatility than the ASX 200 Index.

The Fund's biggest positive contributors in September were NAOS Small Cap Opportunities (NSC) up 20% and L1 Long Short Fund (LSF) up 10%. The largest negative contributors were Tribeca Global Natural Resources (TGF) down 5% and Bailador Technology Investments (APL) down 4%. Discounts to NTA remain very attractive and set the Fund up well for the medium term.

The discounts to NTA for the large LICs (AFI, ARG and MLT) were relatively stable in September, and ended at a 2.8% discount. However, the real opportunity in the sector remains in the medium to small end

of the market, where the Affluence LIC Fund holdings are concentrated. The average discount to NTA for the Affluence LIC Fund portfolio remains above 15%. Portfolio activity was fairly high during the month, as we recycled capital out of LICs where the discount had closed to more reasonable levels and purchased new or existing LICs where the relative discount was more attractive. As an example we sold our remaining holding in WAM Microcap (WMI) during the month as it moved to trade at a premium to NTA. We had accumulated a reasonable holding at up to a 10% discount over the past 6 months, and were confident the gap would close as some of its stable mates in the Wilson managed LICs still trade at 20% premiums. It is definitely possible that WMI will trade up to a large premium, however we cannot justify holding an LIC at a premium when there are such deep discounts on offer in the sector. We used part of the proceeds of selling WMI to re-enter two of our all time favourite LICs, Future Generation Investment (FGX) and Future Generation Global (FGG). We have owned these two for most of the life of the Affluence LIC Fund, however had sold both of them over the past 6 months as they traded at very small discounts compared to large discounts elsewhere in the market.

For whatever reason, both started falling in August and September, and we took the opportunity to invest in both at more than 10% discounts, which we believe is exceptionally attractive on a risk adjusted return basis. These type of opportunities keep presenting themselves if you have the patience and skills to search for them.

At the end of September, the Fund held investments in 29 LICs representing 82% of the Fund and 18% in cash (cash was briefly this high as we received inflows during the month, however at the date of writing cash was back to circa 10%). We believe the Fund remains well positioned to withstand most market conditions. If you'd like further details of 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 day of the month, with units issued effective the first day of the following month.

Fund Performance

To 30 September 2019	1 Month	1 Year	2 Years	3 Years	Inception	Volatility
Distributions	1.3%	6.3%	7.1%	6.8%	6.4%	
Change in Unit Price (Capital Growth)	2.1%	(3.2%)	1.3%	1.5%	3.5%	
Affluence LIC Fund Total Returns	3.4%	3.1%	8.4%	8.3%	9.9%	5.8%
ASX200 Accumulation Index (AI)	1.8%	12.5%	13.2%	11.9%	12.2%	9.1%
Performance compared to ASX200AI	1.6%	(9.4%)	(4.8%)	(3.6%)	(2.3%)	

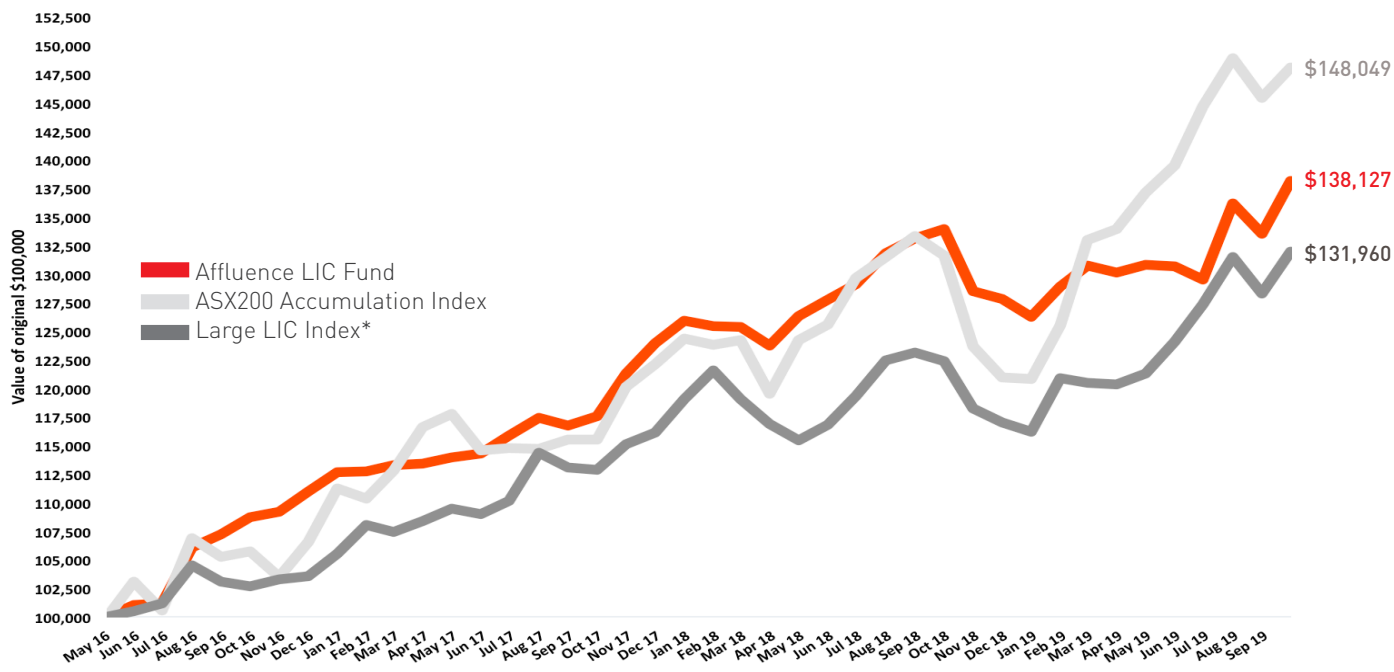
Total returns are net of fees and costs (excluding buy-sell spread) using the mid prices and assume the reinvestment of distributions. Returns of more than 1 year are annualised. Inception date is 3 May 2016.

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%				9.4%

Strongest Month
Positive Month
Stable Month
Negative Month
Weakest Month

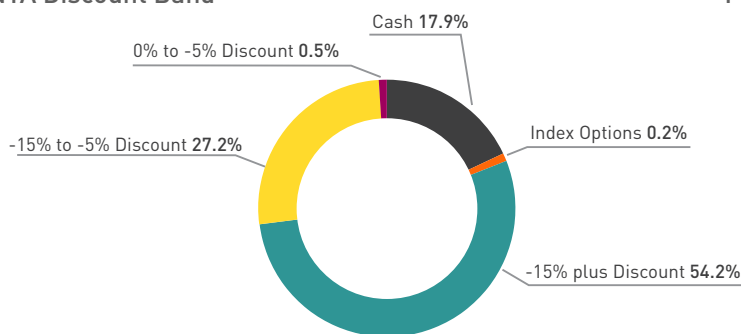
Return on \$100,000 Investment



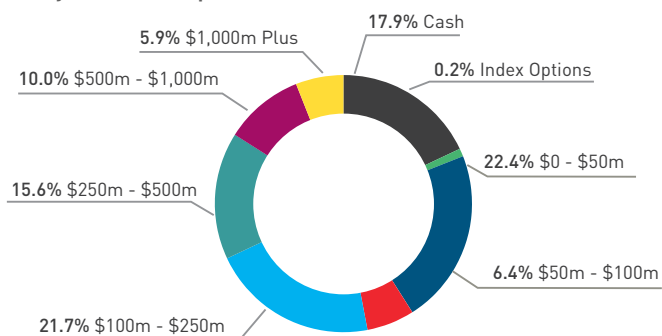
* The Large LIC Index is calculated from the equal weighted returns of the three largest LICs (AFIC, ARG and MLT).

Portfolio Summary

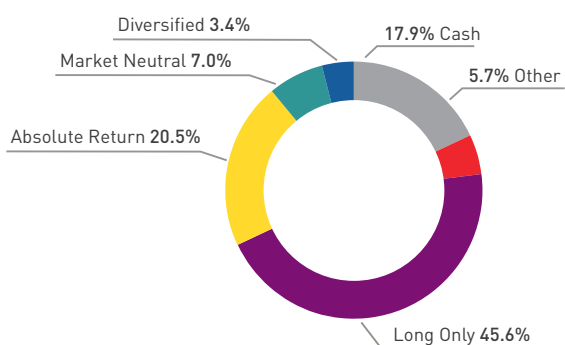
NTA Discount Band



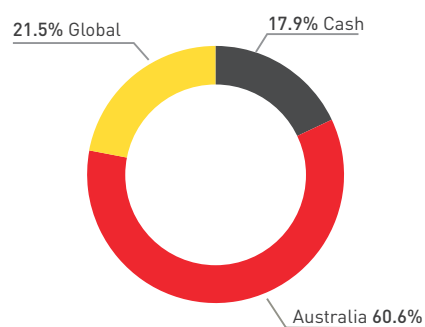
Portfolio by Market Cap



Equities Strategy



Geographic Exposure



Largest Investments

L1 Long Short Fund (LSF)

Australian Leaders Fund (ALF)

Blue Sky Alternatives Access Fund (BAF)

Monash Absolute Investment Company Limited (MA1)

Antipodes Global Investment Company (APL)

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	\$6.0m
Entry Price	\$1.1275
Exit Price	\$1.1253
Annual Distributions	5.70cpu
Distribution Yield	5.1% 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

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.