



Affluence LIC Fund

Fund Report - September 2022

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Fund Commentary

The Affluence LIC Fund decreased by 2.4% in September, outperforming the ASX 200 Index which fell by 6.2%. Since the Fund commenced over six years ago, returns have averaged 11.4% per annum, including quarterly distributions of 8.3% per annum. The Fund has outperformed the ASX200 Index over all time periods, with significantly lower volatility.

September was a rough month for equity markets. In Australia the ASX200 Index was down 6.2% and the ASX Small Ords Index down 11.2%. Globally the US S&P500 Index was down 9.2% and global shares down 9.6%. By the end of September most equity markets were at or near their 2022 lows. Markets are becoming increasingly nervous about the potential for an economic recession caused by the rapid increase in interest rates, war in Ukraine and surging energy prices. Even after the recent falls we continue to believe that on average US equities are still well above fair value, with Australian, European and Asian equity valuations much more reasonable. We continue to be cautious in our portfolio positioning, with elevated cash levels and some hedging in place.

The major positive contributor in September were our index hedges. The largest detractors included Tribeca Global Natural Resources Fund (TGF) and Platinum Capital (PMC). Our purchases during the month were mostly the debt LITs which are now trading at large discounts. There are a number of debt LITs listed on the ASX that use a wide range of strategies, from fairly secure Australian investment grade debt to global high yield credit. Most of the time these debt LITs trade near NTA and have

limited return potential, and in our view we don't believe the return versus risk reward is enough. However, in times of market stress investors lose confidence in these vehicles and they can trade at attractive discounts. Even better, the underlying debt securities that the LITs invest in trade at a discount to their par value. This means as investors we can buy debt securities with two levels of discount. These investments are certainly not risk free, and could be impacted by future credit spread widening or individual defaults, however we believe that the look through level discount we are purchasing them for is very attractive. As at the end of September these debt LITs made up 6.6% of the portfolio.

At the end of September, the Fund held 29 LICs representing 76% of the Fund, 5% in portfolio hedges and 19% in cash. The average NTA discount for the LIC portfolio at the end of the month was approximately 17.5%, compared to the 16.2% discount at the end of August.

We have reopened the Affluence LIC Fund to new investors. Applications are accepted monthly, and the minimum initial investment amount is \$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. Click the "Invest Now" button on our website to apply online or download application forms.

Fund Performance

To 30 September 2022	1 Month	1 Year	3 Years	5 Years	Inception	Volatility
Distributions	1.4%	10.4%	10.4%	9.1%	8.3%	
Change in Unit Price (Capital Growth)	(3.8%)	(13.1%)	2.7%	2.1%	3.1%	
Affluence LIC Fund Total Returns	(2.4%)	(2.7%)	13.1%	11.2%	11.4%	9.2%
ASX200 Accumulation Index (AI)	(6.2%)	(7.7%)	2.7%	6.8%	7.6%	14.5%
Performance compared to ASX200AI	3.8%	5.0%	10.4%	4.4%	3.8%	

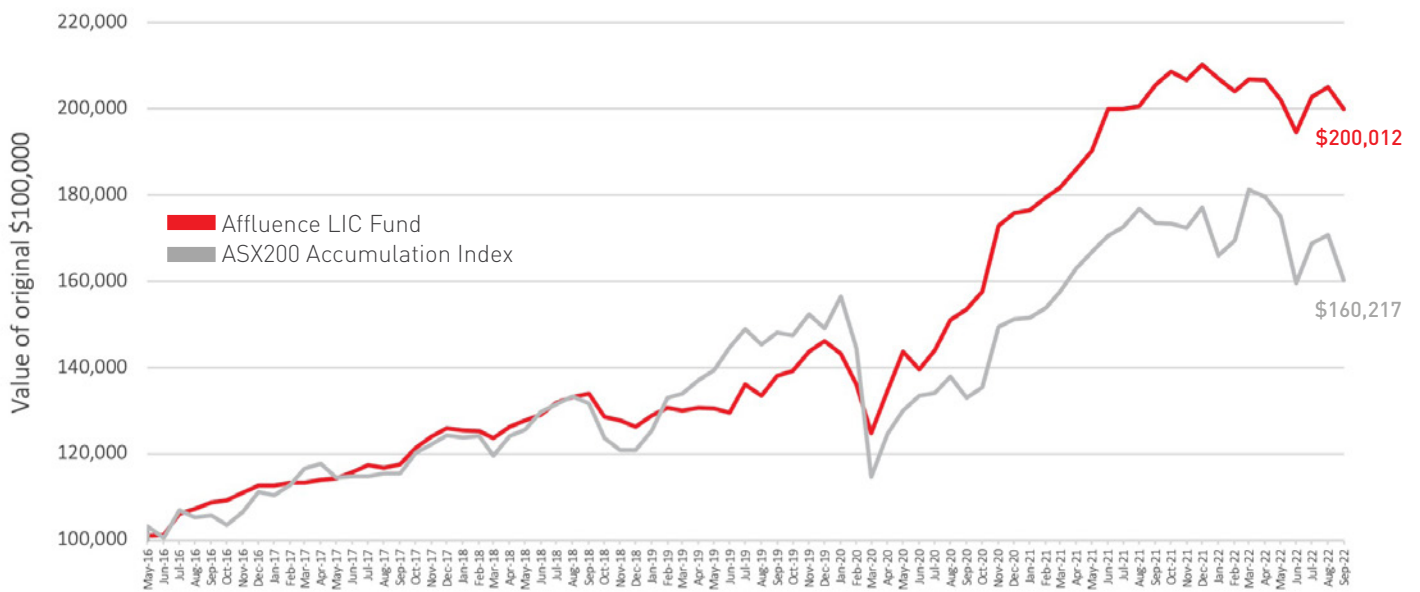
Total returns are net of fees and costs (excluding buy-sell spread) using the mid prices and assume the reinvestment of distributions. Returns of more than 1 year are annualised. Inception date is 3 May 2016. Past performance is not indicative of future performance.

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%	3.2%	4.8%	1.7%	2.7%	9.7%	1.7%	20.2%
2021	0.4%	1.7%	1.3%	2.3%	2.4%	5.1%	0.0%	0.3%	2.4%	1.5%	-0.9%	1.7%	19.6%
2022	-1.6%	-1.4%	1.4%	0.0%	-2.3%	-3.8%	4.3%	1.1%	-2.4%				

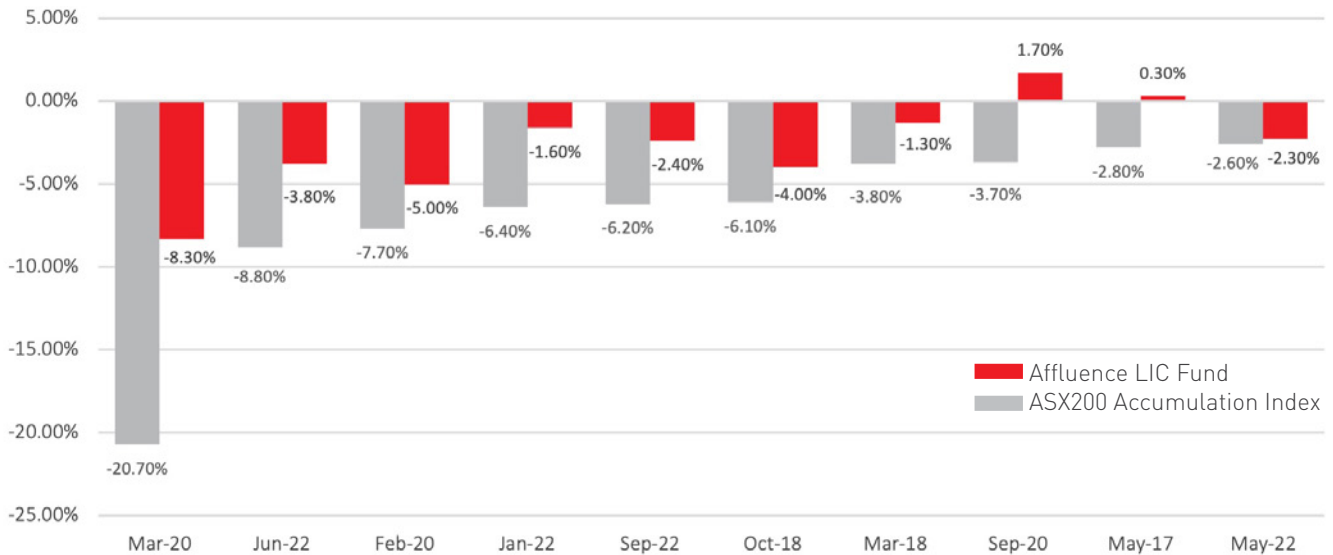
■ Strongest Month
 ■ Positive Month
 ■ Stable Month
 ■ Negative Month
 ■ Weakest Month

Return on \$100,000 Investment



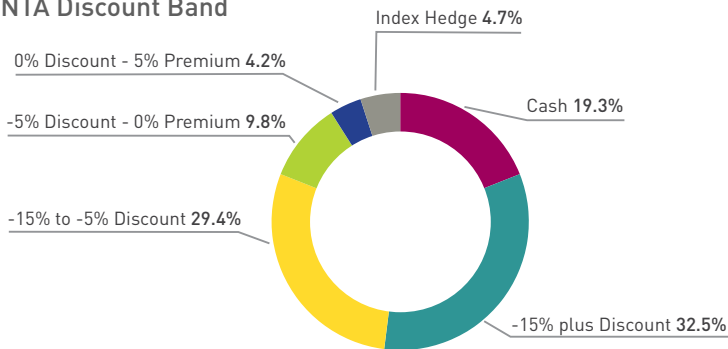
Fund Performance in ASX 200 Worst Months

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 three of them.

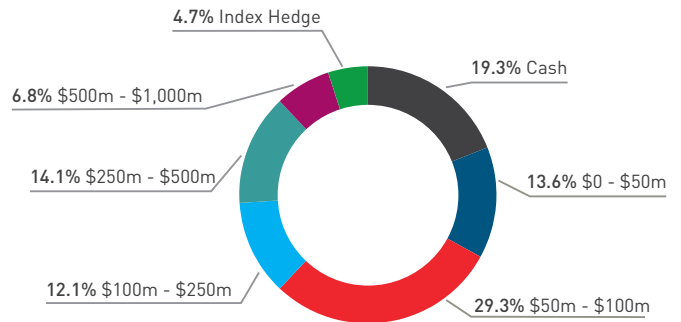


Portfolio Summary

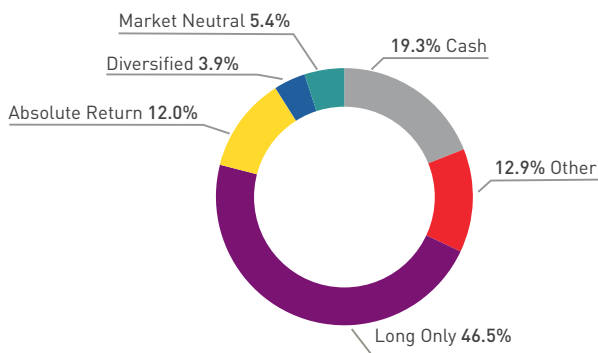
NTA Discount Band



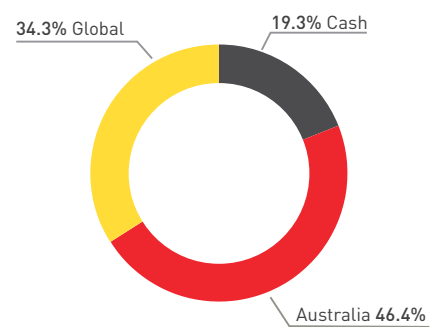
Portfolio by Market Cap



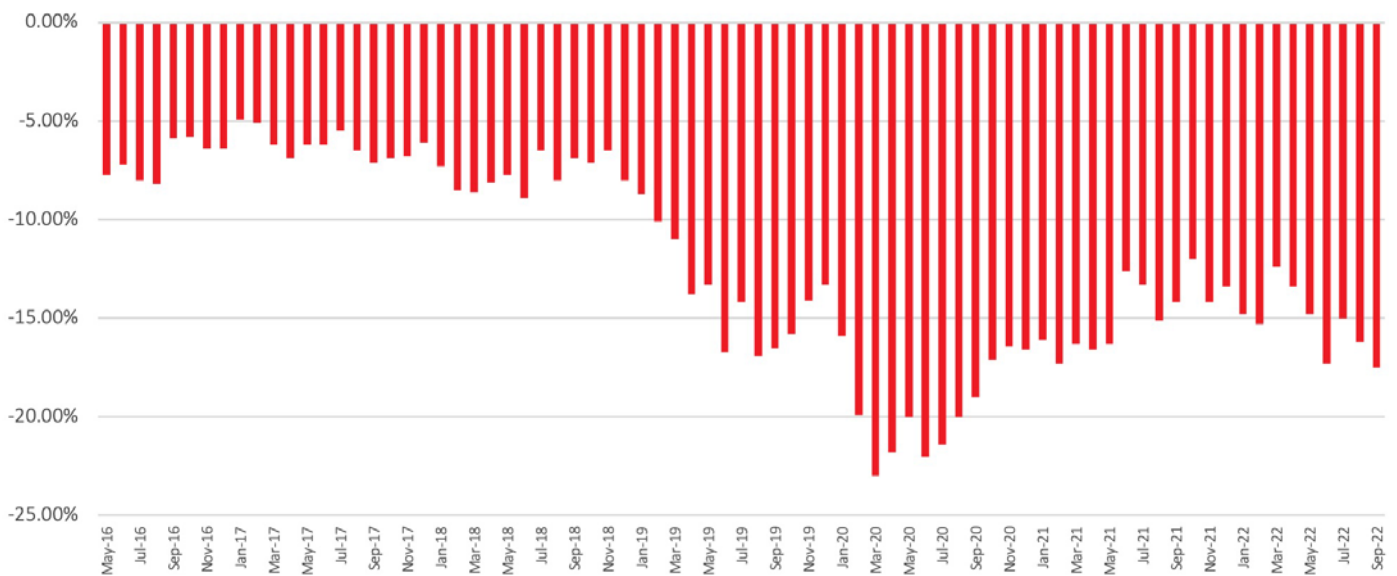
Equities Strategy



Geographic Exposure



Affluence LIC Fund Portfolio - Discount to NTA History



Five Largest Investments

- Thorney Opportunities Limited (TOP)

- Ellerston Asian Investments (EAI)

- Absolute Equity Performance Fund (AEG)

- Platinum Capital (PMC)

- Sandon Capital Investments (SNC)

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	\$19.8m
Entry Price	\$1.2205
Exit Price	\$1.2181
Annual Distributions	7.00cpu
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%

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:

Phone: 1300 233 583

Email: invest@affluencefunds.com.au

Address: Level 22, 127 Creek Street, Brisbane QLD 4000

Meet The Portfolio Managers



Daryl Wilson

CEO/Portfolio Manager

Years in the Industry: 20

Email: daryl.wilson@affluencefunds.com.au

Phone: +61 402 046 883



Greg Lander

Portfolio Manager

Years in the Industry: 12

Email: greg.lander@affluencefunds.com.au

Phone: +61 409 645 893

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