

Affluence Small Company Fund

Fund Report - May 2020

Fund Commentary

The ASX Small Ordinaries Index rebounded in May increasing by 10.6%. The Affluence Small Company Fund had a solid month and increased by 6.5%. The Fund has returned 3.1% per annum since inception in April 2016, underperforming the ASX Small Ordinaries Index of 7.4% per annum. However, it has delivered its returns with lower volatility than the ASX Small Ordinaries.

The underlying portfolio performed well in May, with the only significant detractor being our index put options which detracted 0.4% from the overall result. Our best performing funds were the QVG Opportunities Fund (up 13%) and the Spheria Australian Microcap Fund (up 9%).

We added a small new position to the portfolio in May. Monash Absolute Investment Company (MA1) is a small cap LIC that is heading towards a catalyst event. Even though the manager has performed very well recently, the LIC continued to trade at a substantial discount to NTA. The company is working towards converting the LIC to an exchanged traded managed fund, which would

allow investors to exit at NTA. The process is still ongoing, however we purchased the LIC at a more than 10% discount which we believe is attractive given the likely outcome.

At the end of May, the Affluence Small Company Fund held investments in 8 unlisted funds and 1 listed holding representing 99% of the total portfolio and the balance 1 % cash. If you would like to know more about the investment portfolio, including our top holdings and weightings, visit the Affluence Small Company Fund page at <https://affluencefunds.com.au/asf/> or the Members area of our website. You must be registered as an Affluence Member to view the portfolio.

As we receive additional investor funds, we intend to expand the number of investments in the portfolio to increase diversification and thus reduce exposure to individual managers. We have already identified several additional managers that we believe to be outstanding. Not all of the managers have a value bias. However, we expect the overall portfolio to continue to have a distinct value focus.

We believe the current portfolio and the new managers we have identified contain significant potential. There are three reasons you might want to consider the Affluence Small Company Fund as part of your equity allocation. Firstly, the small cap value sector continues to be out of favour. Many of these types of stocks are trading on single digit price to earnings ratios. Secondly, there are over 2,000 small companies listed on ASX, with limited research available. This can make it easier for talented specialist investment managers to find mispriced bargains. Finally, there is more opportunity for smaller companies to be able to grow their earnings. As they grow, price/earnings multiples can also expand, providing a "double win".

The Affluence Small Company Fund is currently open to Wholesale and Sophisticated Investors. The cut-off for this month's applications is 25th June. Units will be issued effective 1st July. If you are interested in the Fund, contact us or visit the website to find out more.

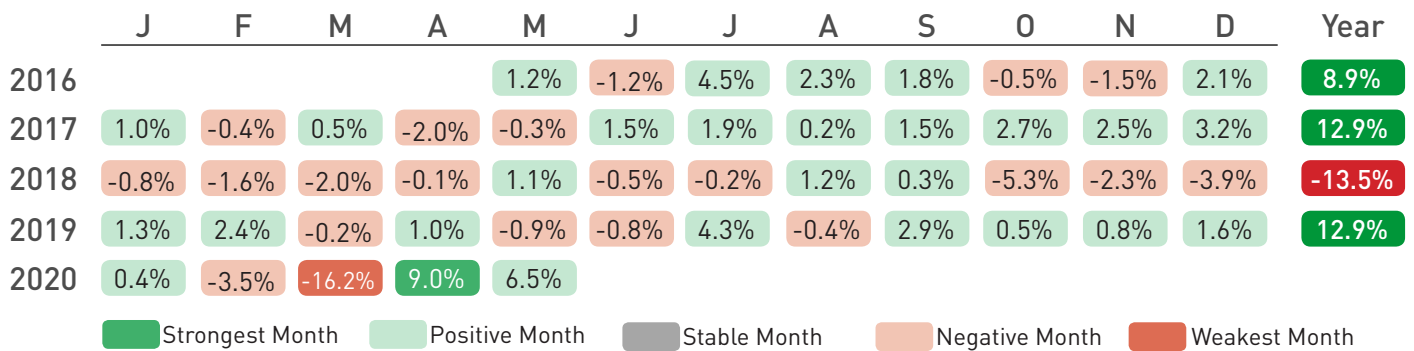
Fund Performance

To 31 May 2020

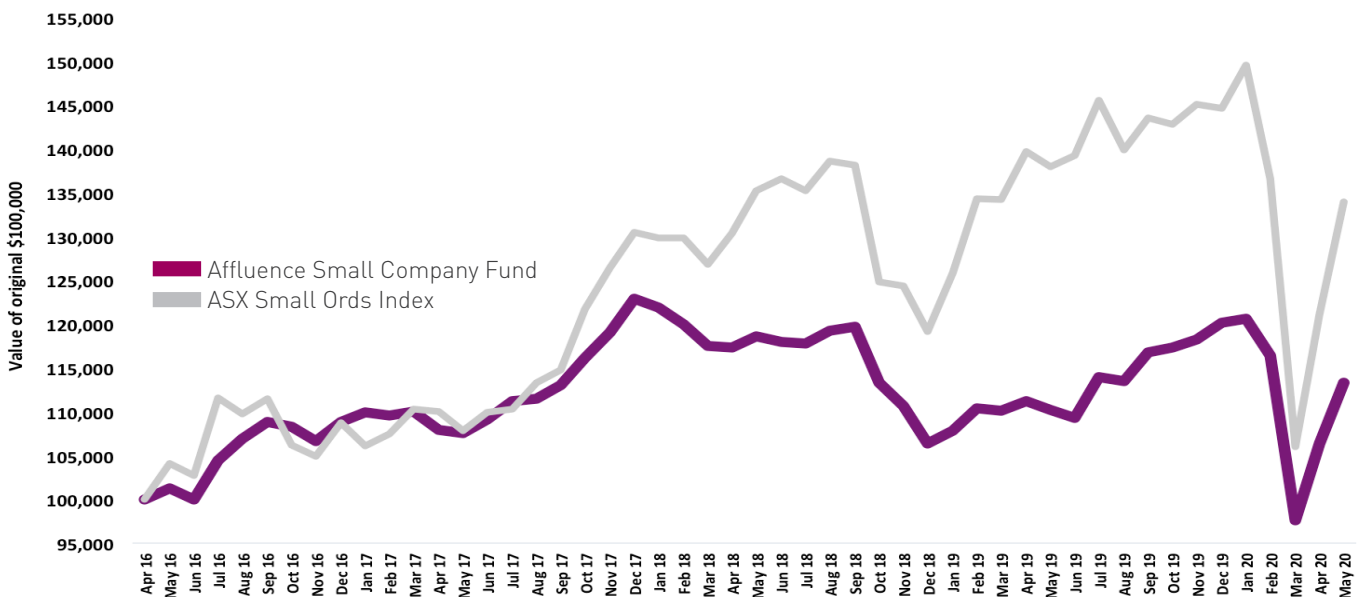
	1 Month	1 Year	2 Years	3 Years	4 Years	Inception	Volatility
Affluence Small Company Fund Total Returns	6.5%	2.8%	(2.3%)	1.8%	2.9%	3.1%	11.9%
ASX Small Ordinaries Index (Small Ords)	10.6%	(2.9%)	(0.5%)	7.5%	6.5%	7.4%	18.6%
Performance compared to Small Ords Index	(4.1%)	5.7%	(1.8%)	(5.7%)	(3.6%)	(4.3%)	

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 21 April 2016. Past performance is not indicative of future performance.

Fund Monthly Return History

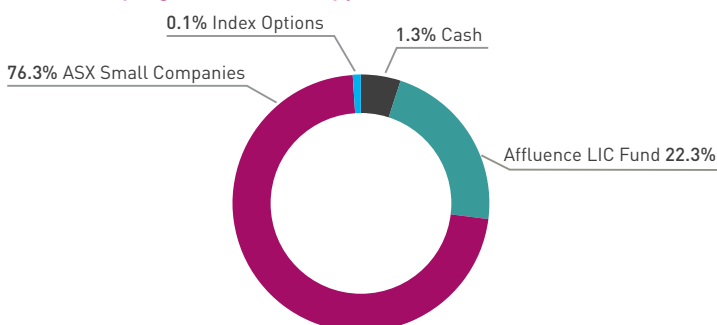


Return on \$100,000 Investment



Portfolio Summary

Underlying Investment Type



Five Largest Investments

- Affluence LIC Fund
- Phoenix Opportunities Fund
- Deep Value Microcap Fund
- Wentworth Williamson Fund
- Spheria Australian Microcap Fund

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 fund managers, 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	ASX Small Companies
Minimum Investment	\$20,000
Suggested Timeframe	At least 5 years
Benchmark Returns	ASX Small Ords Accumulation Index
Entry Price	\$0.9265
Exit Price	\$0.9201
Distributions	Quarterly, target 5% p.a.
Applications	Monthly
Withdrawals	Monthly
Management Fees	Nil
Performance Fee	12.5% of positive performance
Buy/Sell Spread	0.35%/0.35%

Investment Strategy

We believe that exposure to Small Company stocks through quality investments across different managers, investment strategies and structures can provide higher risk adjusted returns from this asset class.

The Fund provides access to a diversified portfolio of Small Company Equities unlisted funds and LIC's as selected by Affluence. We aim to outperform the ASX Small Ordinaries Accumulation Index over rolling 5 year periods and to deliver these returns with lower volatility.

Contact Us

If you have any questions, please do not hesitate to contact us:

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Meet The Portfolio Managers



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