

Half-Year Financial Report

Affluence LIC Fund

ARSN 634 532 424

31 December 2023

CONTENTS	PAGE
Directors' Report	3
Auditor's Independence Declaration	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Financial Statements	10
Directors' Declaration	13
Independent Auditor's Report	14

DIRECTORY

Responsible Entity:

Affluence Funds Management Limited
ABN 68 604 406 297
Level 22, 127 Creek Street
Brisbane QLD 4000
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Fax: +61 7 3054 7082
Website: www.affluencefunds.com.au

Custodian:

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Sydney NSW 2000
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Fax: +61 2 9229 9188
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Auditor:

Pitcher Partners
Level 38, Central Plaza One
345 Queen Street
Brisbane QLD 4000
Tel: +61 7 3222 8444
Fax: +61 7 3221 7779
Website: www.pitcher.com.au

The directors of Affluence Funds Management Limited (**AFM**), the Responsible Entity of the Affluence LIC Fund (**the Fund**), present their report for the half-year ended 31 December 2023.

1. Responsible Entity and Investment Manager

The Responsible Entity acts as trustee, undertakes management and administration duties for the Fund and monitors the Custodian which holds the Fund assets on behalf of unitholders. The Responsible Entity also acts as the Investment Manager and is responsible for the management and performance of the Fund investment portfolio.

AFM has acted as Responsible Entity of the Fund since registration of the Fund with the Australian Securities and Investments Commission as a retail managed investment scheme on 12 July 2019. AFM has also acted as the trustee and investment manager of the Fund since the commencement of the Fund on 5 April 2016.

2. Directors and Secretary

The following persons held office as Directors of AFM during the half-year and up to the date of this report unless otherwise indicated:

- Daryl Wilson, Director & Company Secretary
- Karen Prentis
- Geoff Cannings

3. Principal Activity

The Fund's principal activity is to provide investors with:

- Access to a diversified portfolio, mostly comprising ASX listed investment companies and trusts (LICs).
- A minimum distribution yield of 5% per annum, paid quarterly.
- A total annualised return after all fees and costs in excess of the ASX 200 Accumulation Index (ASX200 Index) over rolling 3-year periods.
- Volatility of returns which is significantly less than the ASX 200 Index, measured over rolling 3-year periods.

4. Review of Operations and Results

The Fund recorded a profit of \$1,355,591 during the half-year ended 31 December 2023 (2022: \$1,496,947).

The Fund, through its LIC investments, provides access to Australian and global equities as well as some exposure to other asset classes. The LICs held by the Fund use a broad range of investment styles and investment strategies.

The table below shows the Fund's performance after fees and costs, against the ASX200 Index over various periods to December 2023:

Fund Performance

To 31 December 2023	3 Months	1 Year	3 Years	5 Years	7 Years	Inception
Distributions	1.4%	5.9%	8.5%	8.9%	8.4%	7.9%
Change in Unit Price (Capital Growth)	1.6%	1.0%	-0.1%	3.2%	1.9%	3.2%
Affluence LIC Fund Total Return	3.0%	6.9%	8.4%	12.1%	10.3%	11.1%
ASX200 Accumulation Index (AI)	8.4%	12.4%	9.2%	10.3%	8.5%	9.3%
Performance compared to ASX200AI	-5.4%	-5.5%	-0.8%	1.8%	1.8%	1.8%

The Fund delivered total returns (distributions and the change in unit price) of 6.4% for the half-year, compared to the ASX200 Index return of 7.6%. The Fund benefitted from a recovery in most equity markets since June 2023.

Returns since the commencement of the Fund have been 11.1% per annum, compared to the ASX200 Index return of 9.3% per annum. Since commencement, volatility (variability of returns) has been significantly lower than for the ASX 200 Index.

Many LICs continue to trade at above average discounts to their underlying net tangible asset values, and we are encouraged by the value on offer in the sector currently.

At balance date, the Fund held investments in 41 LICs, representing 94% of the Fund's assets. The Fund also held 2% in portfolio hedges and 4% in cash.

4. Review of Operations and Results (continued)

Distributions paid/payable to unitholders of the Fund for the half-year were \$639,278 (2022: \$574,843). Distributions payable at balance date were \$320,373 (2022: \$290,632).

The Fund is available for investment to all investors in Australia and New Zealand, with a minimum investment of \$20,000. Current information on the Fund including details of the strategy, performance, portfolio, unit pricing and distributions is available on the AFM website at www.affluencefunds.com.au/alf/.

5. Subsequent Events

No matters or circumstances have arisen since 31 December 2023 that have significantly affected or may significantly affect:

- the Fund's operations in future financial years; or
- the results of those operations in future financial years; or
- the Fund's state of affairs in future financial years.

7. Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* accompanies this report.

Signed in accordance with a resolution of the directors of Affluence Funds Management Limited.



Daryl Wilson
Director

05 February 2024

Level 38, 345 Queen Street
Brisbane, QLD 4000

Postal address
GPO Box 1144
Brisbane, QLD 4001

p. +61 7 3222 8444

The Directors
Affluence LIC Fund
Level 22, 127 Creek Street
BRISBANE QLD 4000

Auditor's Independence Declaration

In relation to the independent auditor's review for the half-year year ended 31 December 2023, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

Pitcher Partners
PITCHER PARTNERS

Mason
CHERYL MASON
Partner

Brisbane, Queensland
05 February 2024

Brisbane Sydney Newcastle Melbourne Adelaide Perth

 **bakertilly**
NETWORK MEMBER

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Affluence LIC Fund
Statement of Comprehensive Income
For the half-year ended 31 December 2023

	Dec-2023	Dec-2022
	\$	\$
Investment income		
Distribution income	225,558	336,667
Dividend income	223,648	243,208
Interest income	115,799	71,171
Net change in fair value of investments	990,123	896,468
Other income	-	-
Net investment income	1,555,128	1,547,514
Expenses		
Brokerage	17,744	18,748
Fund administration costs	27,285	25,845
Performance fees	154,508	5,974
Total expenses	199,537	50,567
Profit	1,355,591	1,496,947
Other comprehensive income	-	-
Total comprehensive income	1,355,591	1,496,947

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Affluence LIC Fund
Statement of Financial Position
As at 31 December 2023

	Note	Dec-2023 \$	Jun-2023 \$
Assets			
Cash and cash equivalents		1,085,862	4,838,762
Receivables		38,823	79,523
Investments at fair value through profit or loss	2	21,348,950	16,935,512
Total assets		22,473,635	21,853,797
Liabilities			
Payables	3	150,437	48,709
Distributions payable		320,373	304,923
Total liabilities		470,810	353,632
Net assets		22,002,825	21,500,165
Equity			
Contributed equity	5	21,097,329	21,310,982
Retained earnings/(Accumulated losses)		905,496	189,183
Total equity		22,002,825	21,500,165

The above balance sheet should be read in conjunction with the accompanying notes.

Affluence LIC Fund
Statement of Changes in Equity
For the half-year ended 31 December 2023

2023	Note	Contributed equity \$	Retained earnings \$	Total equity \$
Balance at the beginning of the half-year – 1 July 2023				
		21,310,982	189,183	21,500,165
Total comprehensive income				
		-	1,355,591	1,355,591
<i>Transactions with unitholders in their capacity as unitholders:</i>				
Units issued				
For cash	5	407,750	-	407,750
Reinvestment of distributions	5	377,367	-	377,367
Redemptions	5	(998,770)	-	(998,770)
Distributions paid/payable	4	-	(639,278)	(639,278)
Total transactions with unitholders				
		(213,653)	(639,278)	(852,931)
Balance at the end of the half-year				
		21,097,329	905,496	22,002,825
2022				
Balance at the beginning of the half-year – 1 July 2022				
		18,764,836	(219,308)	18,545,528
Total comprehensive income				
		-	1,496,947	1,496,947
<i>Transactions with unitholders in their capacity as unitholders:</i>				
Units issued				
For cash	5	2,004,500	-	2,004,500
Reinvestment of distributions	5	985,057	-	985,057
Redemptions	5	(1,555,210)	-	(1,555,210)
Distributions paid/payable	4	-	(574,843)	(574,843)
Total transactions with unitholders				
		1,434,347	(574,843)	859,504
Balance at the end of the half-year				
		20,199,183	702,796	20,901,979

The above statement of changes in equity should be read in conjunction with the accompanying notes.

**Affluence LIC Fund
Statement of Cash Flows
For the half-year ended 31 December 2023**

	Dec-2023 \$	Dec-2022 \$
Cash flows from operating activities		
Distributions received	237,400	415,779
Dividends received	223,648	244,637
Interest received	115,799	71,171
Cash payments in the course of operations	(104,388)	(50,713)
Net cash provided/(used) by operating activities	472,459	680,874
Cash flows from investing activities		
Proceeds from sale of investments at fair value through profit or loss	6,322,749	9,958,638
Payments for investments at fair value through profit or loss	(9,725,627)	(7,585,894)
Net cash used/(provided) in investing activities	(3,402,878)	2,372,744
Cash flows from financing activities		
Proceeds from issue of units	422,750	1,308,000
Payment of redemptions	(998,770)	(1,555,210)
Payment of distributions	(246,461)	(720,790)
Net cash provided/(used) by financing activities	(822,481)	(968,000)
Net increase in cash and cash equivalents	(3,752,900)	2,085,618
Cash and cash equivalents at the beginning of the half-year	4,838,762	3,229,416
Cash and cash equivalents at the end of the half-year	1,085,862	5,315,034

The above statement of cash flows should be read in conjunction with the accompanying notes.

1. Basis of preparation

This financial report for the Affluence LIC Fund (**Fund**) is a general purpose financial report for the half-year ending 31 December 2023. It has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The financial report is designed to provide an update on the Fund's financial performance and financial position since the last annual financial report was issued. The financial report does not include all the notes normally included in an annual financial report and needs to be read in conjunction with the annual financial report of the Fund for the year ended 30 June 2023.

The accounting policies adopted are consistent with those of the previous financial year and the corresponding half-year reporting periods.

The Fund has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Continuous disclosure

Continuous disclosure updates of the Fund's performance and significant events can be found on the AFM website at www.affluencefunds.com.au/alf/.

2. Investments at Fair Value Through Profit or Loss

	Dec-2023	Jun-2023
	\$	\$
Listed securities at fair value	21,348,950	16,935,512
Investments at fair value through profit or loss	21,348,950	16,935,512

Fair value measurement

For details about the fair value measurement of the Fund's financial instruments refer to note 6.

3. Payables

	Dec 2023	Jun 2023
	\$	\$
Units not yet issued	40,000	25,000
Unsettled trades	-	14,471
Other payables	110,437	9,238
Payables	150,437	48,709

4. Distributions

The Fund paid distributions of 3.7 cents per unit (2022: 3.5 cents per unit).

	Dec-2023	Dec-2022
	\$	\$
Distributions paid / payable	639,278	574,843

Distributions payable at balance date of \$320,373 (2022: \$290,632) relate to the December quarter and were paid in January.

5. Contributed equity

	Number #	Value \$
Movements in contributed equity		
Balance at 1 July 2022	15,422,812	18,764,836
Units issued:		
For cash	1,629,277	2,004,500
Reinvestment of distributions	817,135	985,057
Units redeemed	(1,261,666)	(1,555,210)
Balance at 31 December 2022	16,607,558	20,199,183
Units issued:		
For cash	699,289	883,000
Reinvestment of distributions	288,665	362,914
Units redeemed	(106,431)	(134,115)
Balance at 30 June 2023	17,489,081	21,310,982
Units issued:		
For cash	326,018	407,750
Reinvestment of distributions	304,273	377,367
Units redeemed	(801,917)	(998,770)
Balance at 31 December 2023	17,317,455	21,097,329

6. Fair value disclosures

Disclosed fair values

The carrying amounts of receivables, payables and distributions payable are assumed to approximate their fair values due to their short-term nature.

Fair value hierarchy

Fair value that is determined by reference to actively trading markets is considered a level 1 fair value measurement as described in AASB 13 *Fair Value Measurement*.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Fair value of investments at fair value through profit or loss

The Fund holds financial instruments measured at fair value which are investments in ASX listed securities.

The fair value measurement for ASX listed securities is considered a level 1 fair value measurement under AASB 7 *Financial Instruments: Disclosures* as it is based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The Fund held no other financial instruments at fair value in the current or prior half-year.

6. Fair value disclosures (cont'd)

The Fund's financial assets and financial liabilities measured and recognised at fair value at 31 December 2023 and 30 June 2023 on a recurring basis are as follows:

	Level 1	Level 2
At 31 December 2023		
Financial Assets		
Financial assets at fair value through profit or loss (FVPL)		
Listed securities	21,348,950	-
Total Financial Assets	21,348,950	-

At 30 June 2023		
Financial Assets		
Financial assets at fair value through profit or loss (FVPL)		
Listed securities	16,935,512	-
Total Financial Assets	16,935,512	-

7. Related Parties

(a) Unitholdings and loans

The Affluence Investment Fund (**AIF**), a registered managed investment scheme for which AFM acts as responsible entity, held 5,858,791 units (30 June 2023: 5,692,377 units) in the Fund at balance date.

(b) Transactions with the Responsible Entity and associates

	Dec-2023	Dec-2022
	\$	\$
Performance fees	154,508	51,107

The Responsible Entity does not charge any fixed ongoing fee for management of the Fund. The Responsible Entity charges a performance fee of 12.5% of cumulative positive total returns of the Fund after recovery of any previous underperformance. The performance fee is calculated and paid by the Fund monthly in arrears.

8. Commitments/Contingent liabilities

The Directors of the Responsible Entity are not aware of any material commitments or contingent liabilities.

9. Events occurring after the reporting period

No matters or circumstances have arisen since 31 December 2023 that have significantly affected or may significantly affect:

- The Fund's operations in future financial years; or
- The results of those operations in future financial years; or
- The Fund's state of affairs in future financial years.

In the opinion of the Directors of the Responsible Entity, Affluence Funds Management Limited:

- (a) the attached financial statements and notes are in accordance with the Corporations Act 2001, including:
 - (i) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - (ii) giving a true and fair view of the Fund's financial position as at 31 December 2023 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date; and
- (b) there are reasonable grounds to believe the Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors of Affluence Funds Management Limited.



Daryl Wilson
Director

05 February 2024

Independent Auditor's Review Report to the Members of Affluence LIC Fund

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Affluence LIC Fund, the "Fund" which comprises the statement of financial position as at 31 December 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a summary of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Fund does not comply with the *Corporations Act 2001* including:

- a) giving a true and fair view of the Fund's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Responsible Entity, would be in the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the Directors for the Financial Report

The directors of the Responsible Entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Fund's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



PITCHER PARTNERS



CHERYL MASON
Partner

Brisbane, Queensland
05 February 2024