



# Affluence Income Trust

**February 2024** (data to 31 January 2024 unless otherwise indicated)

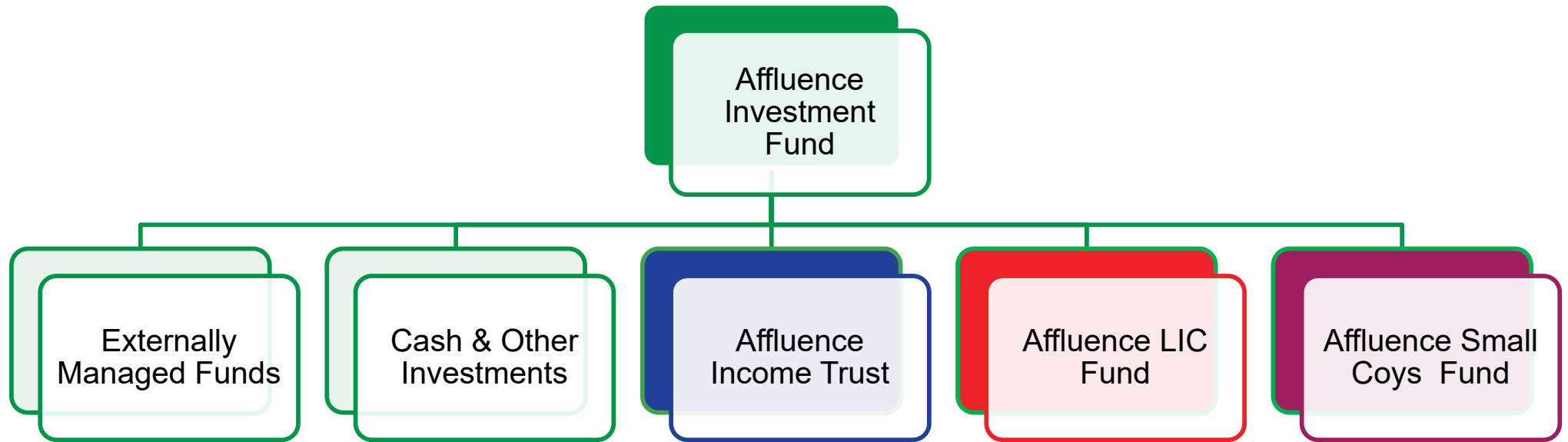
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The Fund aims to pay a minimum monthly distribution equal to the RBA Cash Rate plus 3% per annum. Distributions may be paid above or below this amount. There is no guarantee of any distribution, forecast, investment return or repayment of capital.

**Invest Differently**

# Affluence Income Trust - The Final Piece of the Puzzle

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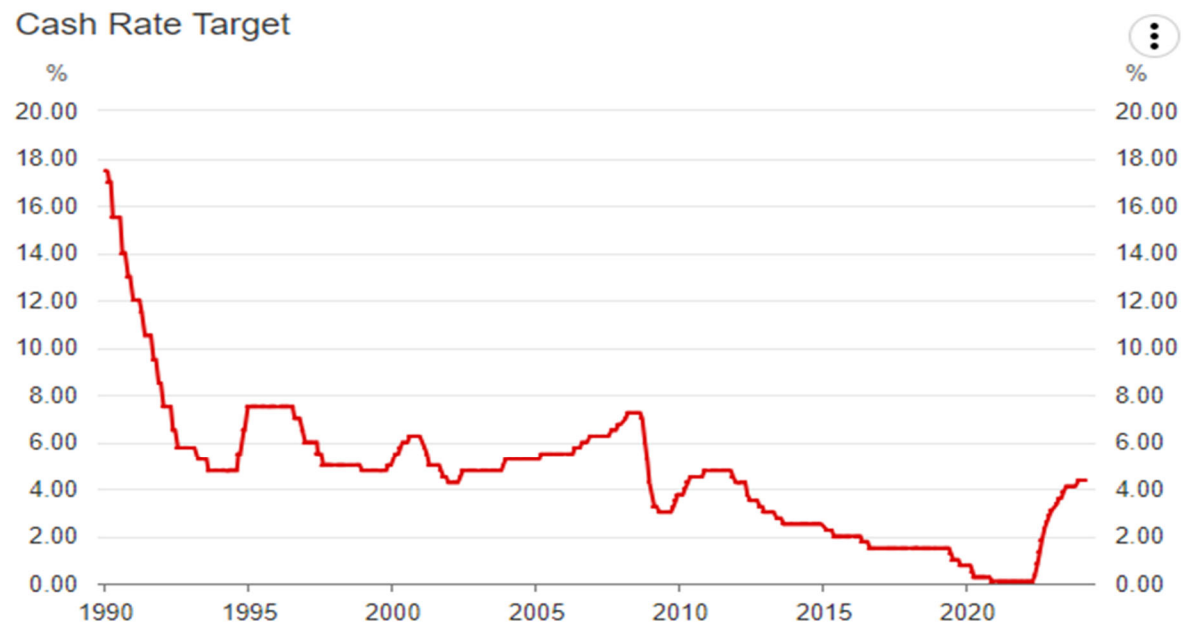


- Affluence Investment Fund: Diversification via great managers and discounted asset plays.
  - All our best ideas in a single fund.
- Affluence Income Trust: New fund incubated in 2023 and launched in January 2024.
  - Seeking consistent income with capital preservation.
- Affluence LIC Fund: A niche strategy with limited capacity.
  - Seeking great LIC managers, discount capture and special situations.
- Affluence Small Company Fund: Currently available to wholesale investors.
  - Seeking great small cap managers and direct holdings with a value focus.



# Why Fixed Income? Why Now?

- Fixed Income = Debt investments (base rate + margin + repayment obligation).
- Large parts of the debt market are now effectively abandoned by Australia's banks. As a result, **attractive risk adjusted returns (margins) are available** in these areas.
- Many talented lenders have built substantial businesses to fill this void. These lenders are funded by large institutional investors, super funds, family offices and others.
- The **RBA Cash Rate has increased from 0.1% in early 2022 to 4.35% now**. This consequently increases the expected return from most debt instruments.
- This two pronged advantage means **attractive returns are now possible from fixed income**.



Source: RBA



# AIT Investment Objectives

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A highly diversified portfolio of fixed income assets that aims to provide investors with a minimum distribution equal to the RBA Cash Rate plus 3% per annum paid monthly, and preservation of capital over rolling 3 year periods after payment of distributions.



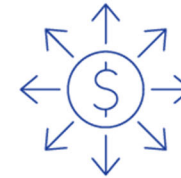
## Monthly income

The fund aims to provide investors with consistent monthly income equal to the RBA Cash Rate plus 3% per annum.



## Capital preservation

The fund aims to preserve capital over rolling 3 year periods after payment of distributions.



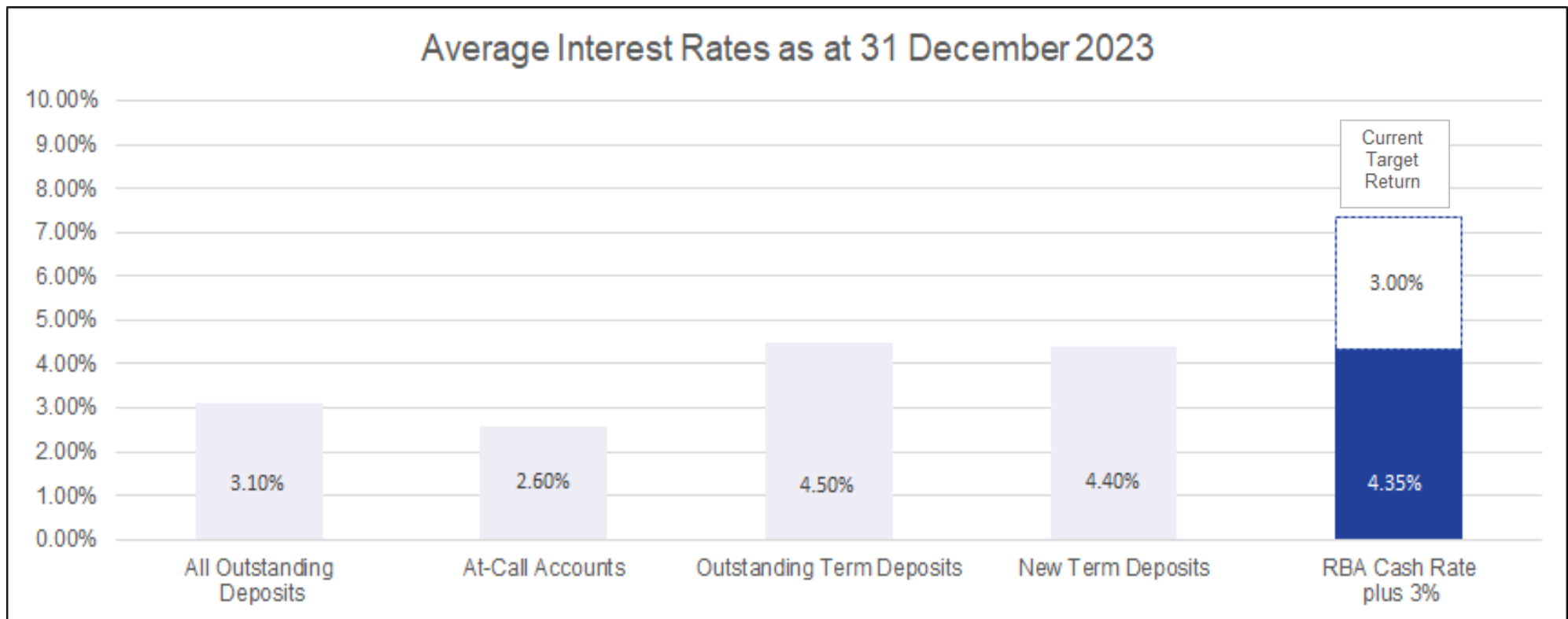
## Highly diversified fixed income portfolio

The Fund is very diversified and includes a number of investments only available to wholesale and institutional investors.



# Distribution Target - A Premium above the RBA Cash Rate

- AIT aims to provide a minimum distribution of RBA Cash + 3% per annum.
  - A variable target that aims to provide a return above cash.
  - A floating target, rather than fixed, to reflect the returns from underlying investments.
  - Distributions are paid 10 days after the end of each month (reinvestment available).



Source: Reserve Bank of Australia Household Interest Rate Statistics tables. Data as at 31 December 2023.



# The story so far...

## Performance Since Inception

(July 2023)\*



**8.0%**

Total returns  
per annum



**7.5%**

Distributions  
per annum

- The Fund was set up in July 23. Commenced investing in August 23 with internal funds.
- PDS issued January 2024.
- Performance to date has been as expected, and slightly ahead of target.
- **Current yield 7.50% vs 7.35% target. \***

## Fund Performance\*

To 31 January 2024	1 Month	3 Months	6 Months	Inception
Distributions	0.6%	1.9%	3.7%	3.7%
Change in Unit Price (Capital Growth)	0.0%	0.2%	0.3%	0.3%
<b>Affluence Income Trust Total Return</b>	<b>0.6%</b>	<b>2.1%</b>	<b>4.0%</b>	<b>4.0%</b>
Benchmark - RBA Cash Rate plus 3%	0.6%	1.8%	3.7%	3.7%
<b>Performance against Benchmark</b>	<b>0.0%</b>	<b>0.3%</b>	<b>0.3%</b>	<b>0.3%</b>

	J	F	M	A	M	J	J	A	S	O	N	D	Year
2023								0.7%	0.6%	0.6%	0.7%	0.7%	3.4%
2024	0.6%												0.6%

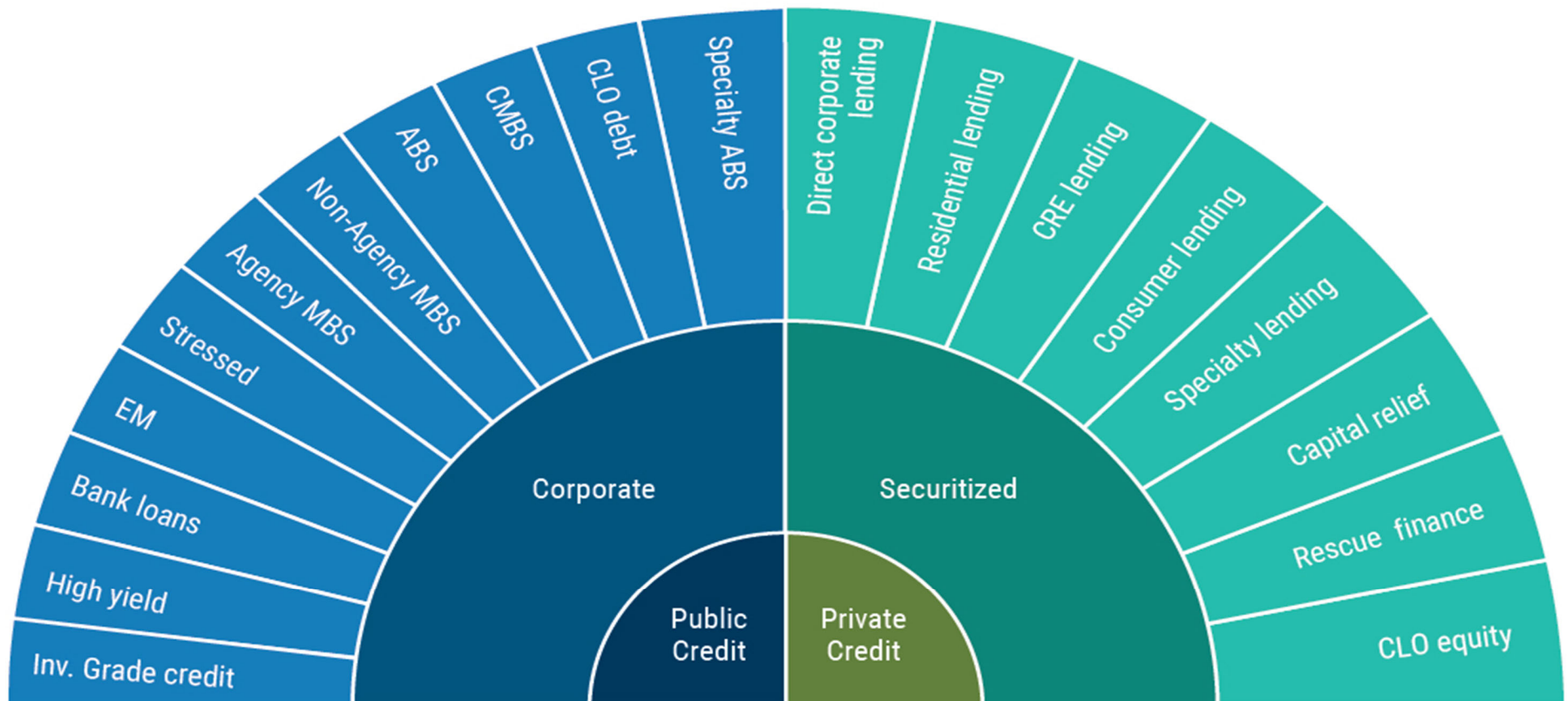
\* Distributions are not guaranteed. Past performance is not indicative of future performance.



# We have the ability to go anywhere with Fixed Income

- Markets change over time, and investment portfolios should too.
- This level of flexibility in a Fixed Income fund is very rare.
- Provides the single biggest opportunity for us to add value through a cycle.

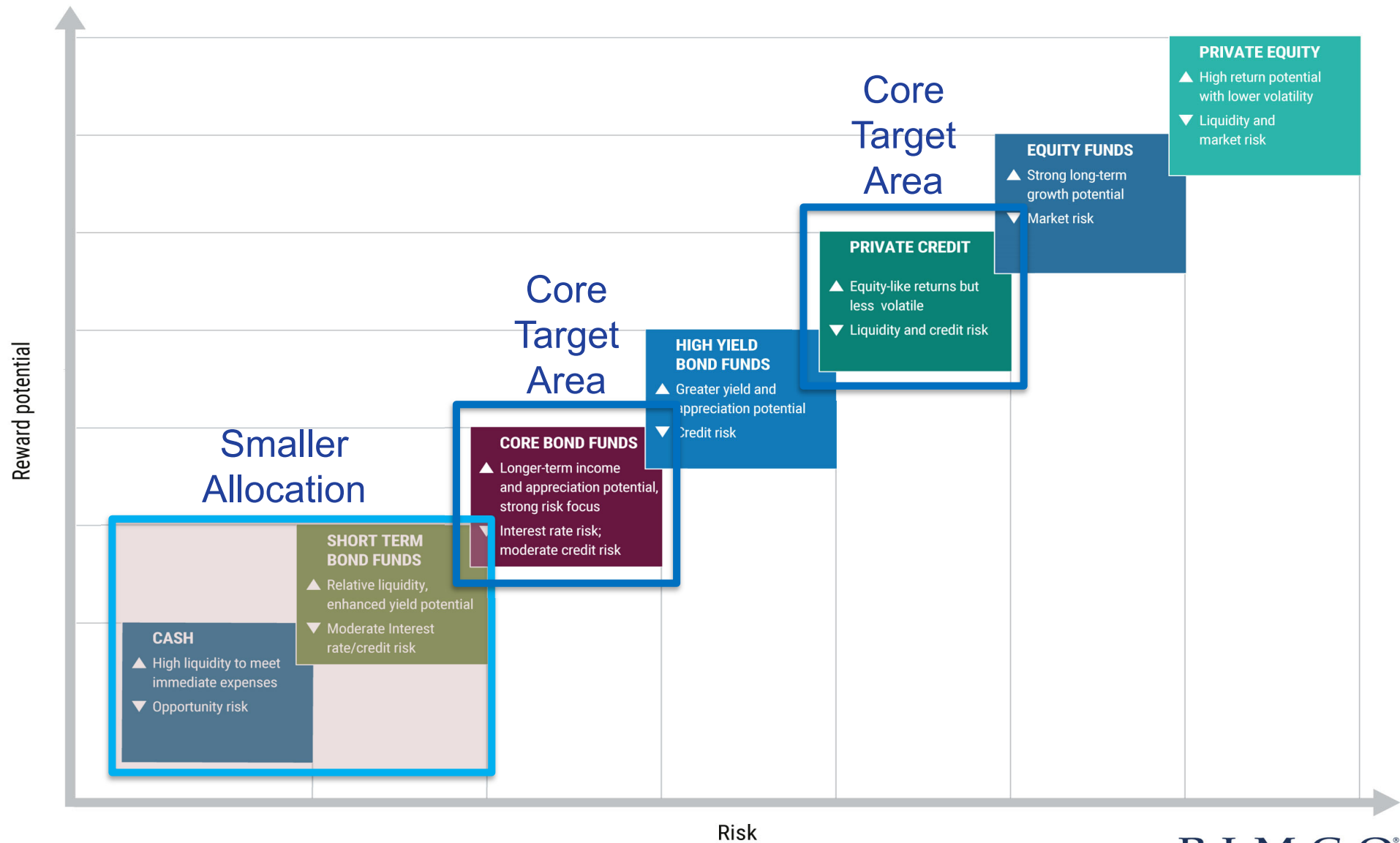
## Spectrum of Public and Private Credit



For illustrative purposes only



# Fixed Income Universe and Current Target Areas



Source: PIMCO, 2021

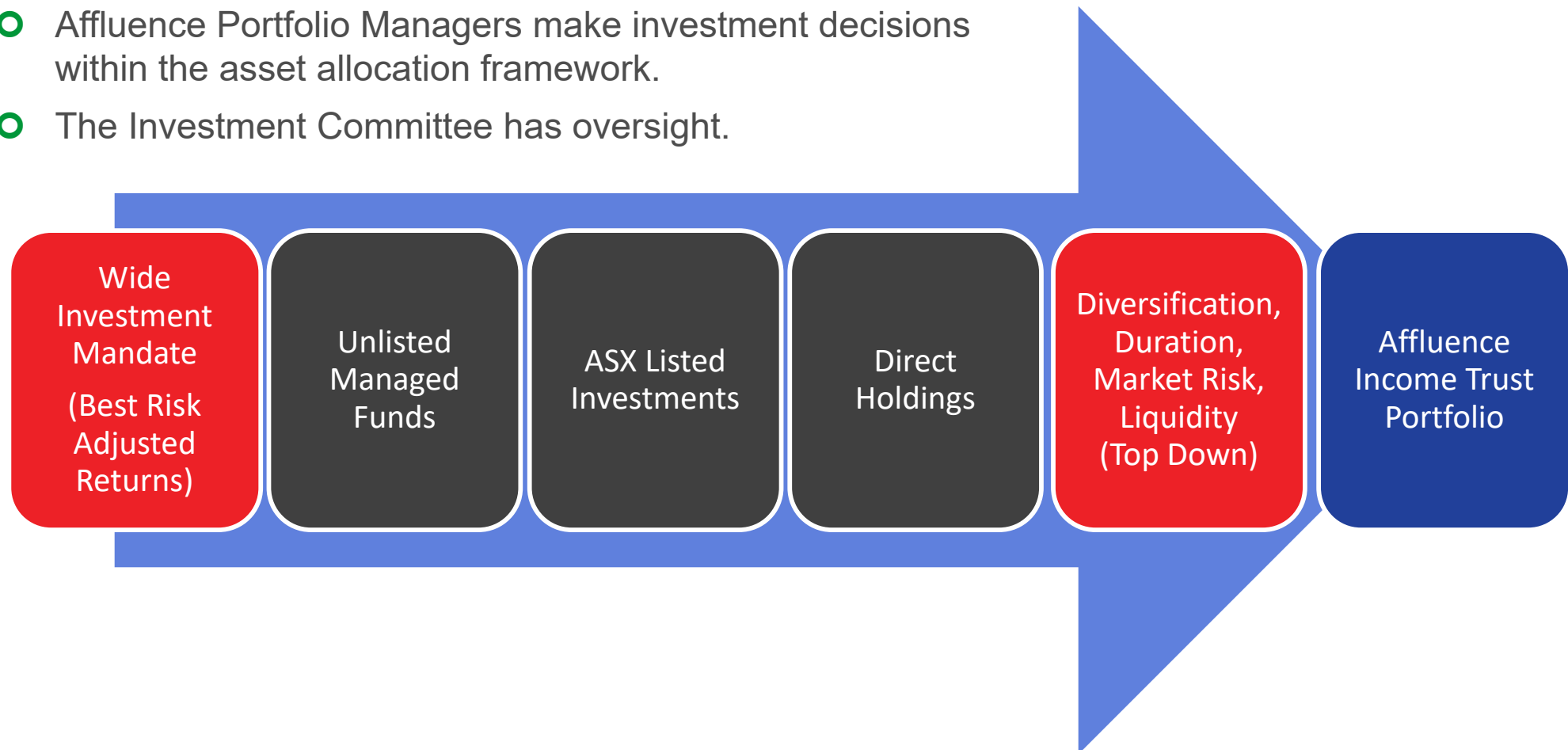
PIMCO®





# Affluence Income Trust Portfolio Construction

- We are free to find the best investment opportunities within Fixed Income.
- We target underlying managers with deep experience, specialising in specific sub-sectors, with strong risk management skills.
- We combine investments to meet diversification, duration, market risk and liquidity goals.
- Affluence Portfolio Managers make investment decisions within the asset allocation framework.
- The Investment Committee has oversight.



# How We Add Value in Fixed Income

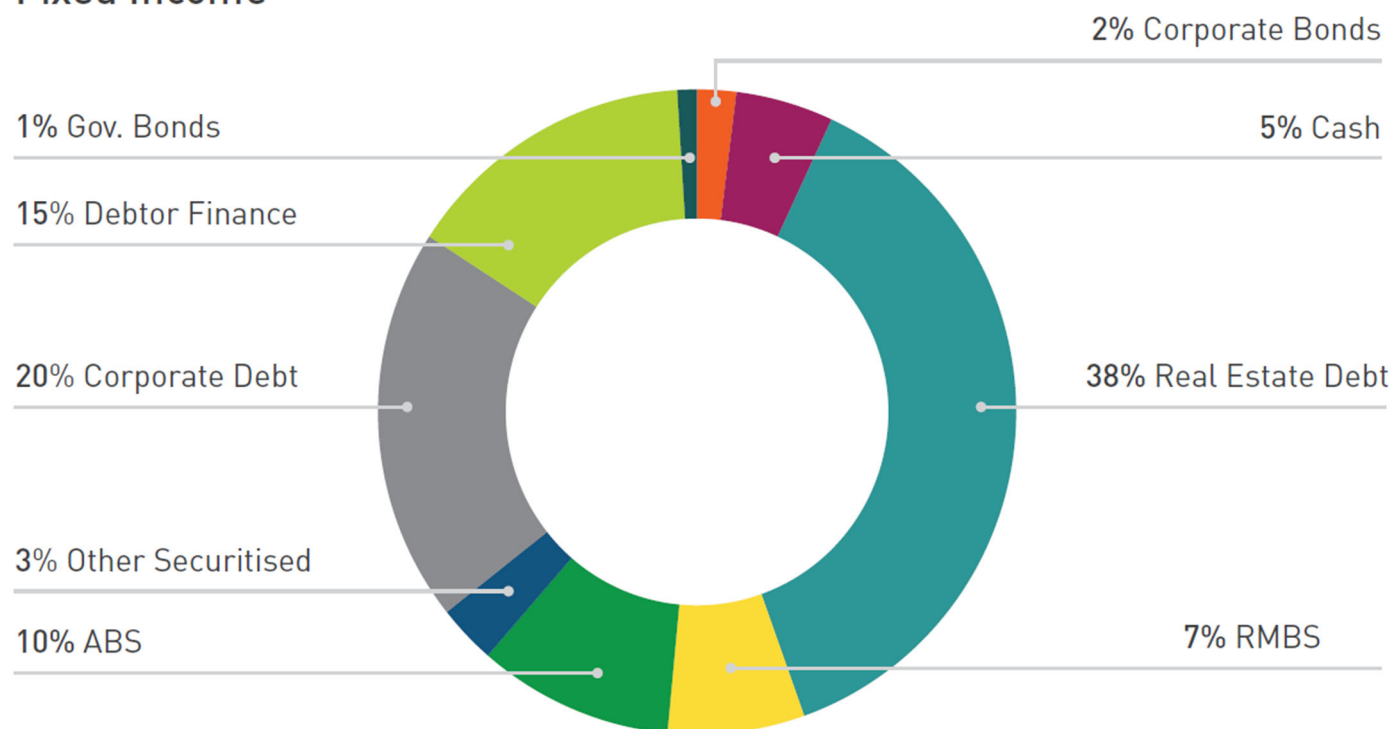
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- **Significant experience in both investing in and operating fixed income funds.**
  - Being successful in fixed income is all about risk management.
- **Instant diversification across managers, strategies and subsectors.**
  - Access to a range of institutional quality managers chosen by Affluence.
- **A flexible investment mandate within fixed income maximises opportunities.**
  - Different sub-sectors will outperform at different times. Flexibility is important.
- **Liquidity management – the most underappreciated challenge in Fixed Income.**
  - An appropriate blend of different liquidity profiles is desirable.
- **Our discount capture skills can add value during and after market corrections.**
  - We give ourselves scope to add market risk **after** substantial volatility.
- **Regular income, with a reasonable return target, relative to the risk.**
  - Many other fixed income funds with higher yields also come with higher risks.



# Current Portfolio – Diversified by Sub Sector

## Asset Class - Fixed Income



Asset class data is estimated on a look through basis based on the most recent data available for each investment.

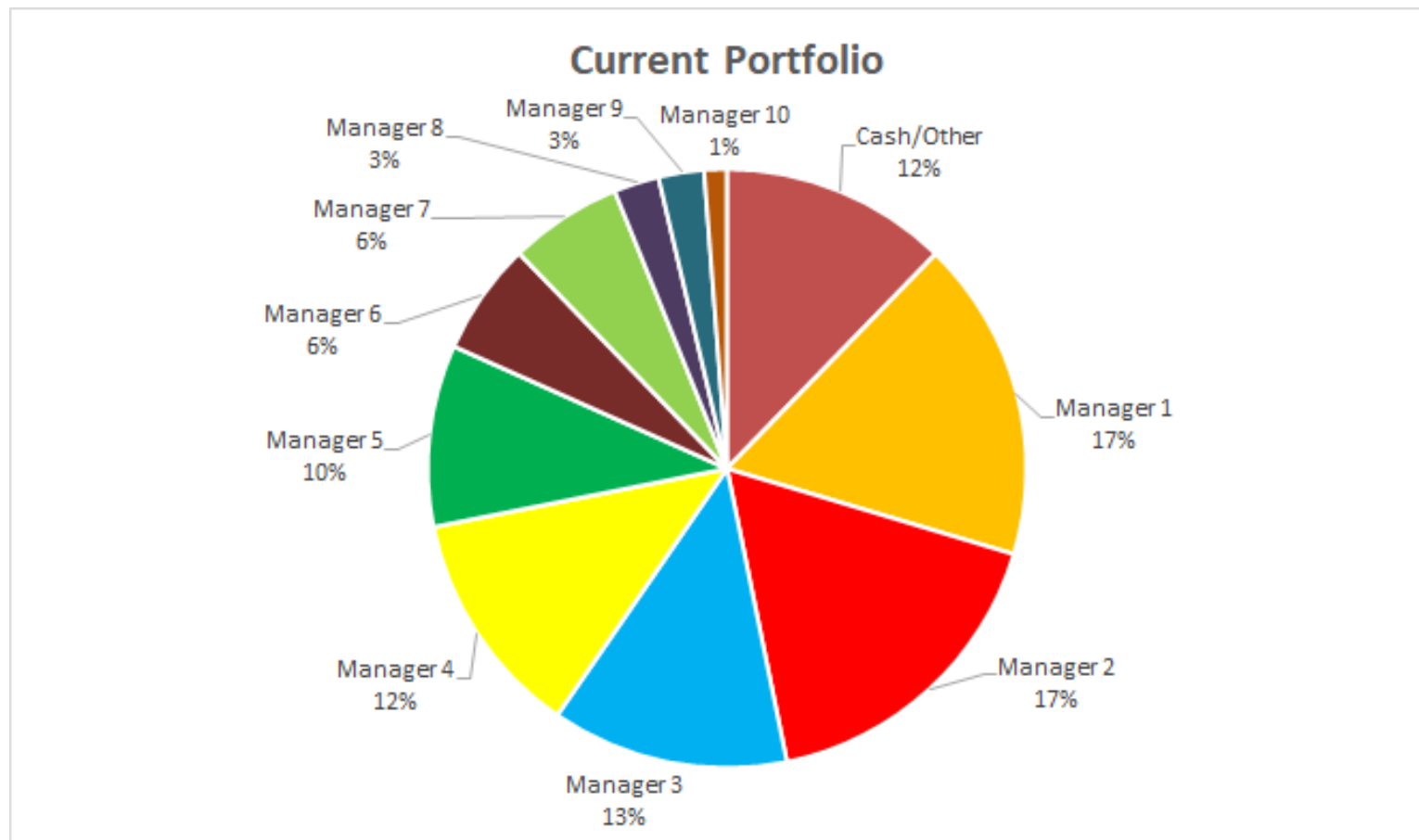
Portfolio Data as at 31 December 2023

- Diversified by subsector, manager, underlying security, geography, credit risk & liquidity.
- Strong focus in areas where returns are attractive, but risks are limited.
- Limited exposure to publicly traded debt.
- Interest rate duration 6-9 months.



# Current Portfolio – Diversified across 10 managers

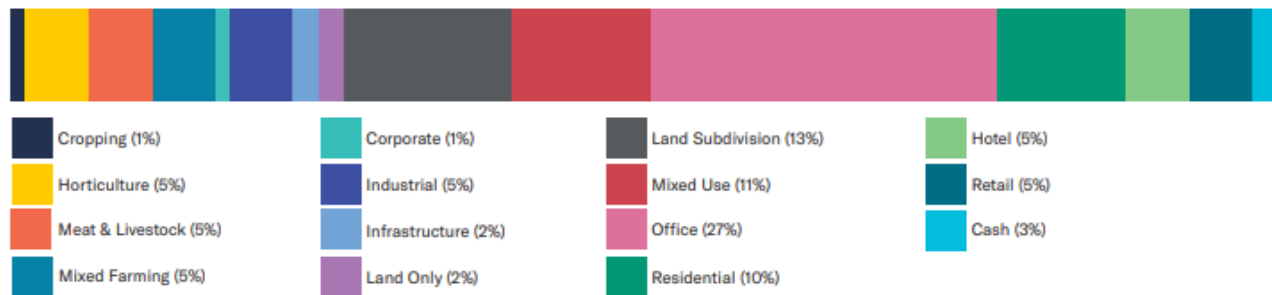
- Carrying additional cash after first month of external investment.
- Currently have 10 unlisted investments plus a few listed investments in the portfolio.
- Expect to add a further 2-3 new unlisted investments this month.
- Pipeline of new investments in due diligence.



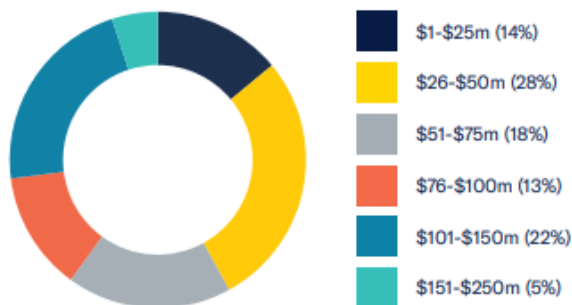
# Manager Example – Real Estate Debt - Merricks Capital

- Commercial real estate debt, including agriculture loans.
- We have held this Fund in the Affluence Investment Fund since 2020.
- Very diverse Aus/NZ portfolio. Agriculture loans add diversification.
- **Unique hedging strategy against adverse credit conditions.**
- Expected returns of 9-10% per annum.

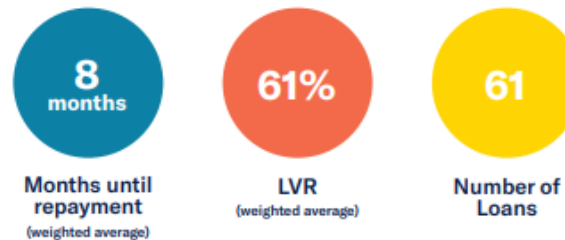
## Investment Sub Strategy



## Loan Size

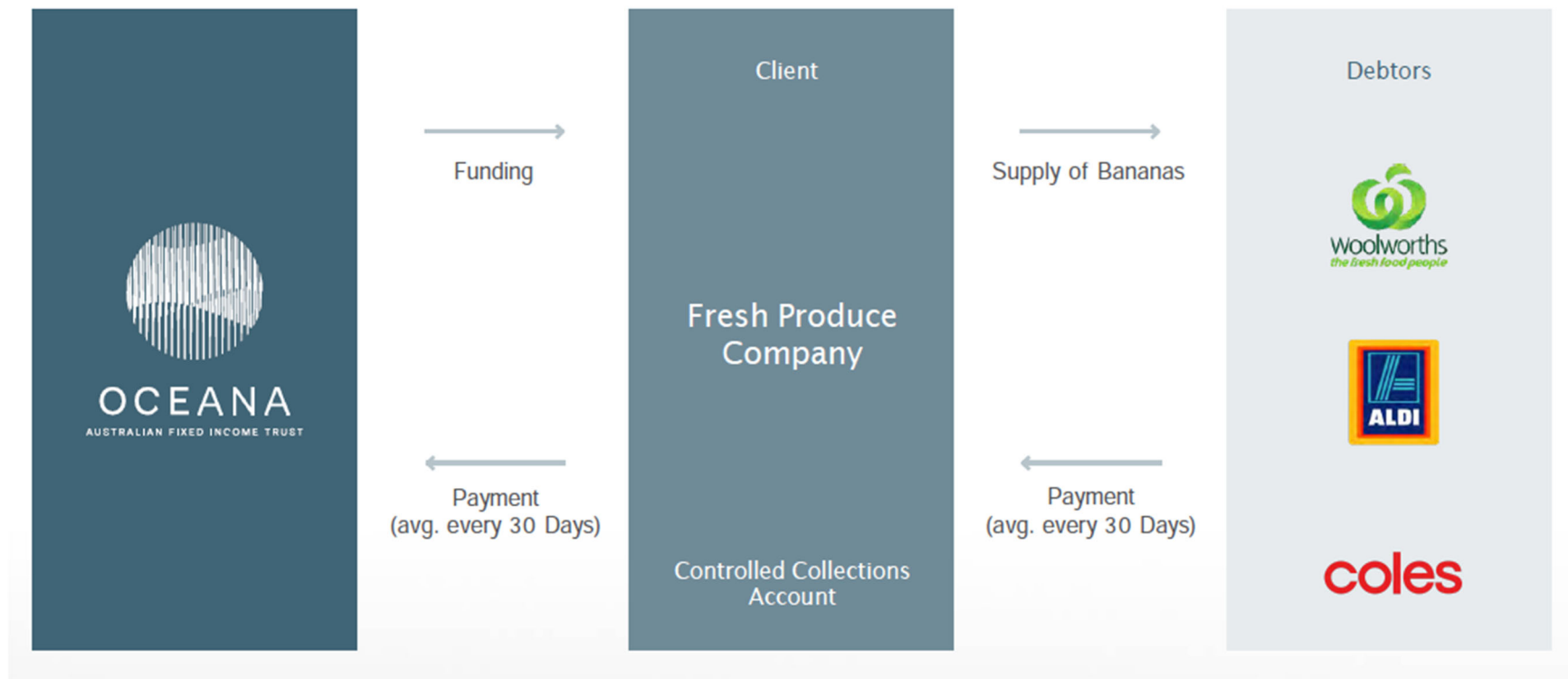


## Portfolio Characteristics



# Manager Example – Invoice/Supplier Finance - Oceana

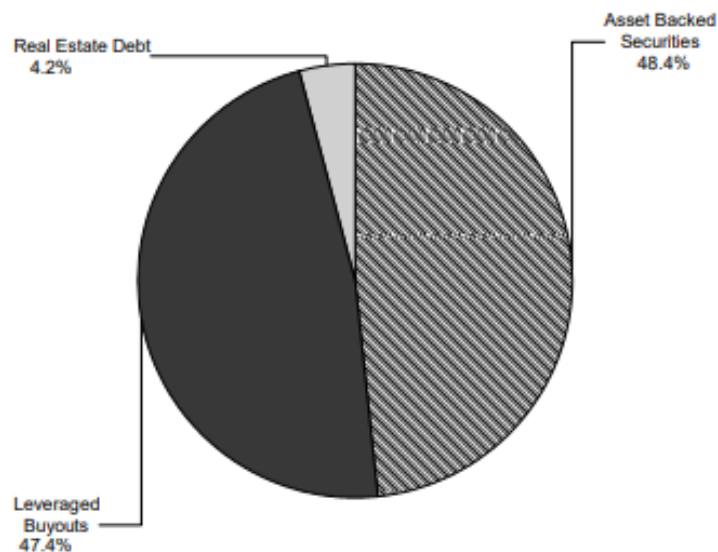
- Specialised strategy providing to finance for invoices and receivables.
- Smaller allocation to SME and private lending.
- Extremely diverse portfolio (7,000+ borrowers) utilising an inhouse technology platform.
- Securitised funding structure allows investors to choose their own risk/return level.
- **A Class Notes also benefit from insurance and rank ahead of junior tranches/equity.**
- AIT exposure is 75% to A Notes and 25% to B Notes, giving an 8.9% blended yield.



# Manager Example – Private Credit - Revolution

- Strategy focuses on providing debt to private equity managers purchasing businesses, asset backed securities (RMBS/ABS), and commercial real estate debt.
- Manager is one of the most experienced in this sector.
- Long term successful track record in this sector.
- Expected returns of RBA + 4-5% per annum.

## Fund Sector Allocation



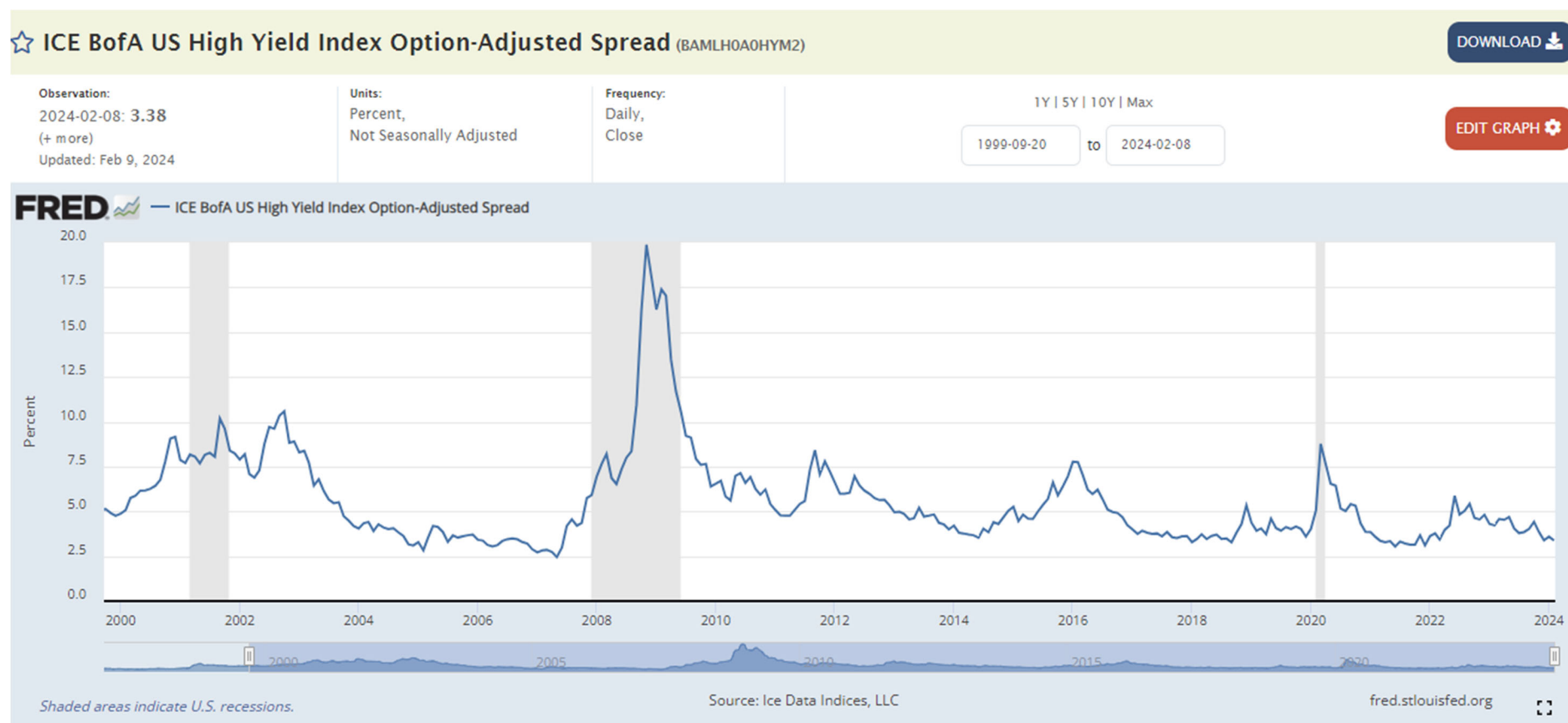
## Fund Characteristics

Characteristic	Wholesale Fund
Yield to Maturity (%)	10.36
Credit Spread	+586bps
Interest Rate Duration (yrs)	0.1
Weighted Ave. Credit Rating	BB+



# There will be a time for traded markets

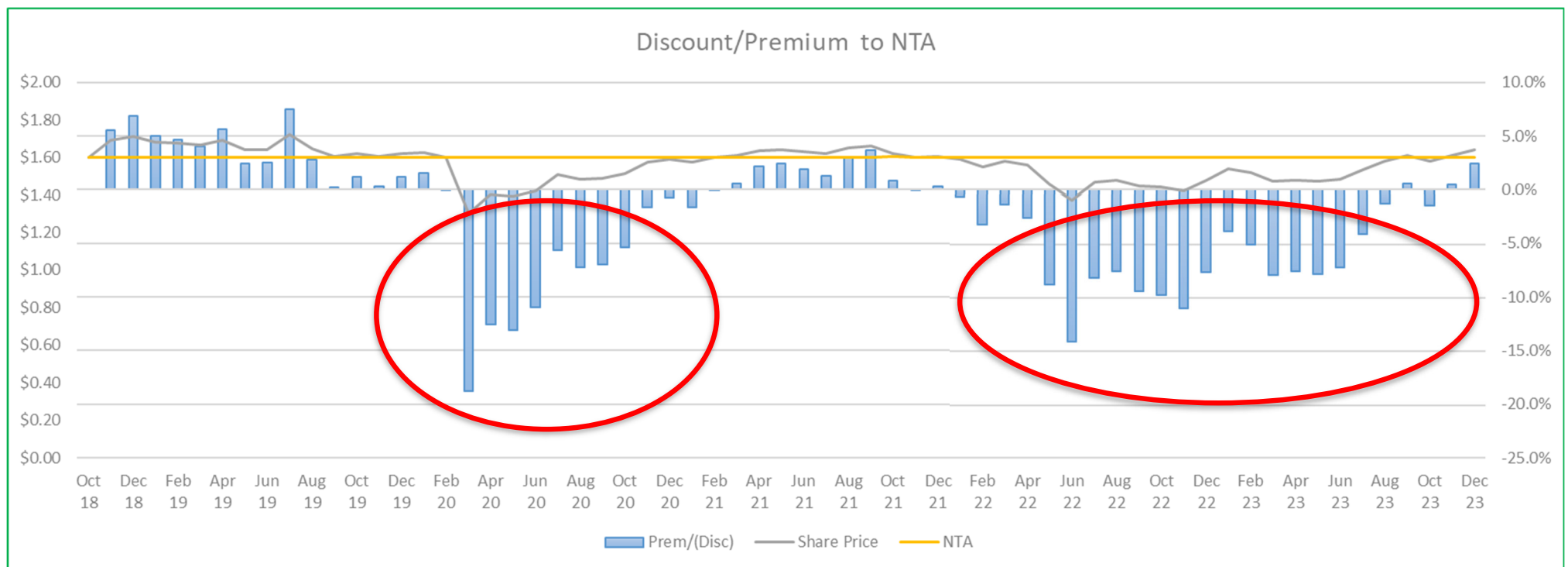
- We do not currently have a large allocation to traded, (public) debt.
- Currently on the expensive side (spreads lower than normal).
- There will be times we can opportunistically take advantage of these markets, most likely during/soon after a major market correction.
- We have reviewed a range of potential investments, so we are prepared.





# There will be a time for Debt LITs

- We have very successfully invested in ASX listed debt LITs in the past.
- Normally we don't own them when they trade around NTA.
- In difficult markets they sell off and provide excellent buying opportunities.
- Below is the discount/premium history for QRI.
  - After market corrections, these entities have traded at discounts to net asset value.
  - Subsequently, NTA has remained stable. The discount is eliminated as markets recover.



# Not all Fixed Income Funds are created equal

Other Fixed Income Funds	Vs	Affluence Income Trust
Single manager?		<b>Multiple high quality managers</b>
Concentrated portfolio?		<b>Exceptional diversification</b>
Development/construction risk?		<b>Limited development exposure with quality managers</b>
Subordinated loans?		<b>Limited exposure with quality managers</b>
Single sub-sector (e.g. real estate)?		<b>Multi sector + flexibility to change</b>
Public loans (pricing risk)?		<b>Mostly private, but with flexibility to change</b>
Unfair share of income to manager?		<b>Wholesale fees + performance fees</b>
Structure risk (e.g. LITs)?		<b>Mostly private, but with flexibility to change</b>
Illiquidity?		<b>Monthly liquidity</b>
Variable/long duration/fixed returns?		<b>Short duration, flexible as Cash Rate changes</b>
Other hidden risks?		



# Affluence Income Trust Key Features

Fund	Affluence Income Trust (ARSN 673 932 271   APIR AFX0870AU)
Strategy	Diversified Fixed Income.
Fund Type	Registered Managed Investment Scheme (Australia, New Zealand).
Responsible Entity and Manager	Affluence Funds Management.
Custodian	Perpetual Corporate Trust Limited.
Registry	Registry Direct.
Auditor	Pitcher Partners.
Legal	McMahon Clarke.
Applications and Redemptions	Monthly (cut-off 25 <sup>th</sup> ). Min. application \$20,000. Redemptions paid 10 days after EOM.
Distributions	Monthly (10 <sup>th</sup> of each month). Reinvestment available.
Suggested Investment Timeframe	At least 1 year.
Fixed Management Fee	Nil.
Performance Fee	10.0% of positive performance. High water mark.
Administration Costs	Capped at 0.25%pa of net assets.
Buy/Sell Spread	+/- 0.10%.



# Affluence Income Trust Summary

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- **Regular income** – Monthly distributions, targeting RBA Cash Rate + 3% per annum. Current distribution rate equivalent to 7.5% per annum.
- **Multi layered fixed income diversification** - The Fund provides access to some exceptional investment managers and a range of fixed income sub sectors and investment strategies.
- **Access to wholesale managers** - By investing in the Fund you can gain exposure to a range of investments that you may not be able to normally access.
- **Flexible investment mandate** – We are free to invest in what we believe to be the best risk adjusted investment opportunities within the fixed income asset class at any given time.
- **Taking advantage of opportunities** - Our discount capture skills can add value during and after market corrections. The best time to add market risk is after substantial volatility.
- **Alignment of interests** – We co-invest in the Fund. We charge fees based only on Fund performance. We will close the Fund to new investors when we reach investment capacity.

The Fund is designed for use as up to a **Core Component** of an investment portfolio, for those investors seeking **Income and Capital Preservation** with a **One year or longer** investment timeframe, a **Low risk/return profile** and needing access to capital **Monthly or less often**.



# What next?

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- Learn more about our Funds.
  - Visit <https://affluencefunds.com.au/> to get more information including fund documents, performance reports, monthly updates and portfolio analysis.
  - Got a question? Call us on 1300 233 583, or email [invest@affluencefunds.com.au](mailto:invest@affluencefunds.com.au).
- Considering an investment?
  - Read the PDS/TMD or IM for the Fund. Consult your financial advisor if you have one.
  - Apply online or download application and other forms from our website.
  - The minimum initial investment is \$20,000. Minimum additional investment is \$1,000.
  - Applications and withdrawals are accepted monthly. Cut-off is 25<sup>th</sup> of each month.
- Not ready to invest yet? Subscribe to our monthly eNews.
  - Visit <https://affluencefunds.com.au/> to subscribe.
  - We send just one email per month.
  - Fund updates, investment ideas and other things we find interesting.
  - It's 100% free and you can unsubscribe at any time.



# Questions?

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# Thank You For Your Time



## Investor Services

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