



Affluence LIC Fund

November 2024

Invest Differently

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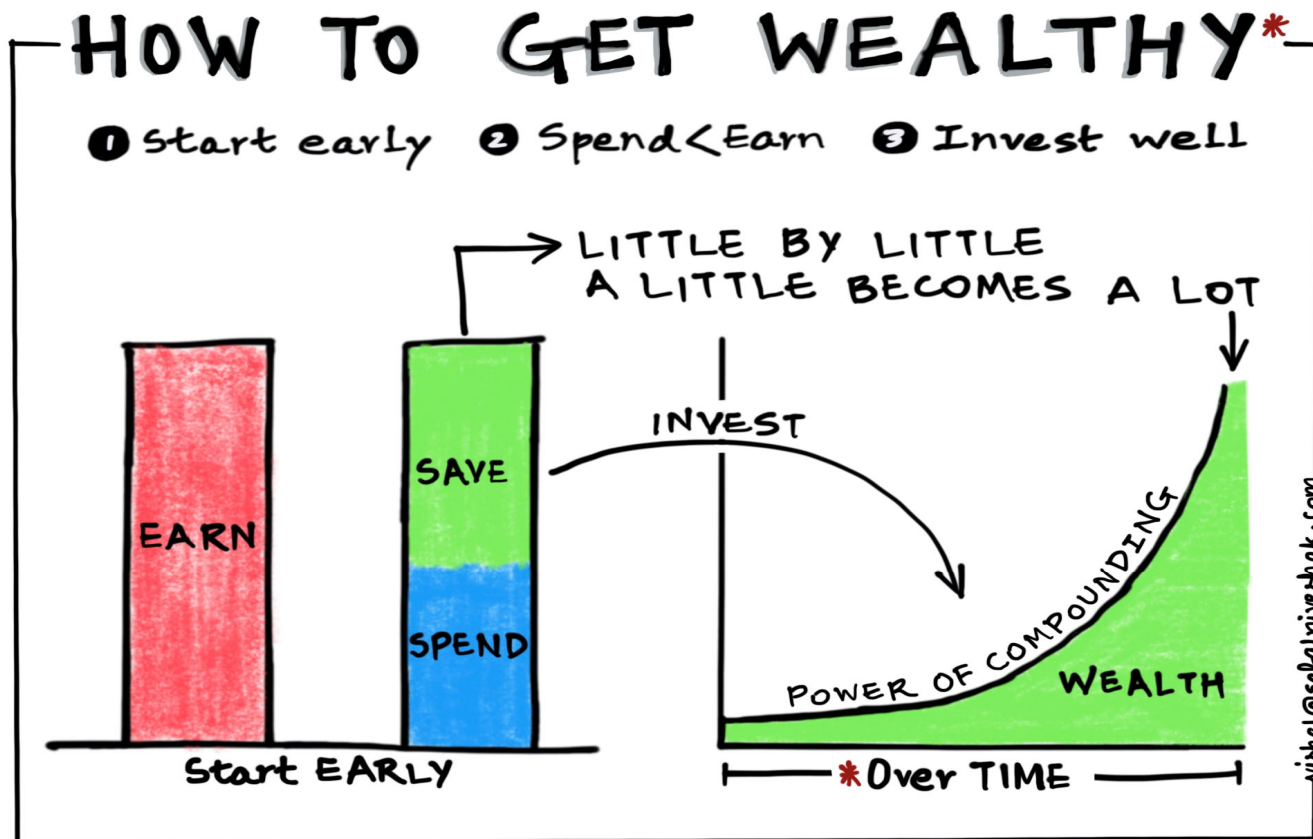
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Current information in relation to each Affluence fund is available at <https://affluencefunds.com.au>.



Affluence Funds are focused on investor outcomes

- All our Funds target:
 - Better than average returns - over three years and longer.
 - Regular income - at least 5% per annum, paid monthly or quarterly.
 - Smoother returns - to help limit the impact of market downturns.



Our interests
are aligned with
our investors

The first money in each
Affluence fund is our own.
We maintain a significant
investment.

We charge only a
performance fee and cap
other costs of running
Affluence Funds at 0.25%p.a.



Choose one or more Affluence Funds that suit you best.

	Affluence Income Trust	Affluence Investment Fund	Affluence LIC Fund	Affluence Small Company Fund
Summary	An income focused fund paying monthly distributions.	All our best ideas in a single, highly diversified fund.	A specialised strategy harvesting discounts & returns from LICs.	Targeting the higher growth potential from small cap equities.
Asset class	Fixed Income	Diversified	Predominantly Equities	Small Cap Equities
Risk profile	Low	Medium	Medium-High	High
Return focus	Income + Capital Preservation	Income + Capital Growth	Income + Capital Growth	Mostly Capital Growth
Target total return *	RBA Cash Rate + 3%	Inflation + 5%	ASX200 Accum. Index	ASX Small Ords Index
Distribution payment frequency *	Monthly	Monthly	Quarterly	Quarterly
Suggested investment timeframe	At least 1 year	At least 3 years	At least 3 years	At least 5 years
Returns achieved *	7.5% per annum (current distribution rate)	7.9% per annum (annualised total returns since inception)	11.4% per annum (annualised total returns since inception)	9.3% per annum (annualised total returns since inception)
Fund Status	Open for investment	Open for investment	Open for investment	Open to wholesale & sophisticated investors
Minimum investment	\$20,000	\$20,000	\$20,000	\$20,000
Applications and withdrawals	Monthly, by the 25 th of each month.	Monthly, by the 25 th of each month.	Monthly, by the last business day.	Monthly, by the 25 th of each month.

* Returns to 31 October 2024. Distributions & returns are not guaranteed. Past performance is not indicative of future performance.



How Affluence Funds are different, and what it means for you

- Access to a core portfolio of boutique managers and differentiated investment strategies.
 - Boutiques have less FUM & better investor alignment. Many are closed to new investors.
 - Differentiated strategies can help with diversification and reduce volatility.
- Supplemented with some specialised investments in areas within our circle of competence.
 - Discounts and other opportunities in Listed Investment Companies (LICs).
 - Listed and unlisted property, with a focus on asset quality and mispricing opportunities.
 - Other discount capture and contrarian opportunities, particularly in listed small caps.
- Targeting reduced volatility, particularly during market corrections.
 - A smoother ride means less worries when markets are bumpy.
- Targeting monthly or quarterly distributions at a minimum 5% per annum.
 - Regular income is very important to many investors. Can be paid in cash or reinvested.
- Alignment of interests between Affluence and investors.
 - We get paid only for performance. Affluence staff co-invest in all Affluence Funds.



Our asset allocation philosophy delivers resilient portfolios

- We reduce risk when rewards for taking risk are low. We increase risk when rewards are high.
- We seek to diversify Fund portfolios in multiple ways.
 - By asset class, manager, investment style and strategy, geography and structure.
- Wide asset allocation ranges, but gradual changes.
 - Low portfolio turnover which improves tax efficiency and limits transaction costs.
- We assess current market values against long term averages and ranges. We tilt towards the best value.
 - We believe value investing works best in the long run.
- We may not invest in a sector/asset class if values are severely stretched and/or returns are unacceptable.
 - We try not to accept below target returns just to diversify.

The resulting portfolios should be able to perform in a variety of market conditions.



Affluence Funds – Outperformance over 3 years and longer.

Returns to 31 Oct 2024	Asset Class	1 Year	3 Years	5 Years	7 Years	Inception
Affluence Income Trust	Fixed Income	7.9%				7.9%
RBA Cash Rate +3%	Cash + 3%	7.6%				7.5%
Affluence Investment Fund	Diversified	11.4%	4.7%	7.7%	7.0%	7.9%
Vanguard Balanced ETF	Diversified	17.1%	2.9%	4.5%	5.4%	5.9%
Affluence LIC Fund	Equities	17.5%	6.3%	12.5%	10.9%	11.4%
ASX200 Accumulation Index	Equities	24.9%	8.0%	8.2%	8.9%	9.6%
Vanguard Growth ETF	Diversified	21.0%	4.9%	6.7%	7.3%	7.9%
Affluence Small Company Fund	Small Equities	18.4%	6.1%	12.6%	9.0%	9.3%
ASX Small Ords Accum. Index	Small Equities	26.6%	-0.6%	4.7%	5.7%	7.1%

Performance data is calculated assuming the reinvestment of distributions and is expressed net of fees and costs, excluding the buy-sell spread. Performance includes distributions and changes in unit prices, but not franking or other tax credits. Returns for periods over 1 year are annualised. Past performance is not indicative of future performance. Current performance data is available at <https://affluencefunds.com.au>.



Affluence LIC Fund (ALF)

ALF is an **unlisted fund**, created after we identified an opportunity to take advantage of discounts and other inefficiencies in the ASX Listed Investment Company (LIC) sector.

We believe ALF is the only unlisted fund available that invests exclusively in Australian LICs. ALF is a limited capacity strategy.

Quick recap...what are LICs?

- A Listed Investment Company (LIC) is an ASX listed investment entity.
- Originally, LICs were all companies. In recent years, we have also seen the emergence of Listed Investment Trusts (LITs). These use a trust structure rather than a company.
- In this presentation, we refer to both types of structures as LICs.
- There are currently over 85 LICs listed on ASX with a combined value of over \$50 billion.
- Just like a Managed Fund or ETF:
 - They range in size (market cap) from a few million to billions.
 - They hold a range of underlying investments, but individual LICs usually focus on a particular investment strategy (e.g., ASX shares, global shares).
 - Investment decisions are made by an appointed manager/investment staff.
 - They incur investment costs (e.g. investment fees, audit fees, registry fees).
 - They must value their assets at least monthly and announce that value (NTA) on ASX.
 - Investor returns include both income (dividends/distributions) and changes in NTA.
- However, there is one important difference between LICs and Managed Funds/ETFs:
 - The price they trade at is determined by the market (just like other listed companies).
This means they can trade at a price materially higher or lower than their NTA.



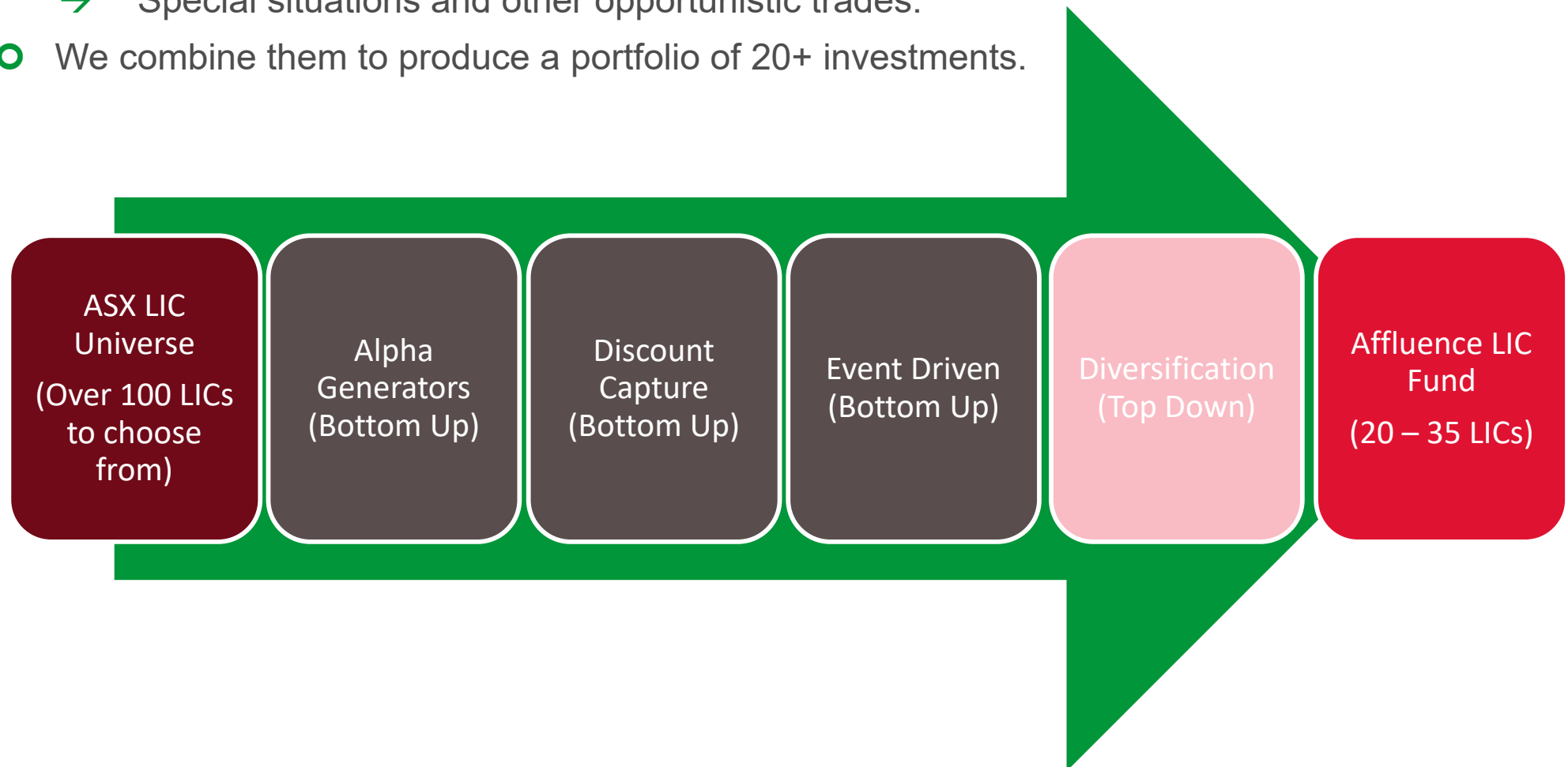
Why a Fund that invests only in LICs?

- Access to some outstanding fund managers.
 - The overall quality of LIC managers is (in our opinion) much higher than unlisted funds.
 - In some cases, access to a manager is only available via an LIC.
- Diversification across a wide array of asset classes and investment strategies, including.
 - Australian & global shares, including some with specific focus areas (e.g., small caps).
 - Alternative investment strategies such as long/short and absolute return.
 - Alternative assets such as private equity, infrastructure, property and commodities.
 - Fixed interest, including investment and non-investment grade debt.
- LICs are listed and mostly liquid, but not necessarily efficient.
 - LICs are easy to buy and sell. But because they can trade far above or below their intrinsic value (NTA), prices can be more volatile than Managed Funds/ETFs.
 - Where an LIC trades at a price higher than its NTA, it is referred to as trading at a **premium** to NTA. Conversely, when the price is below NTA, it is trading at a **discount**.
 - **This price/NTA divergence is the greatest source of opportunity. It represents an extra way to make (or lose) money that is unique to LICs.**



How we construct the Affluence LIC Fund portfolio

- We identify ASX listed entities with one or more of these features:
 - Priced at an abnormally large discount to NTA.
 - Underlying assets/investments that can outperform.
 - Special situations and other opportunistic trades.
- We combine them to produce a portfolio of 20+ investments.



Why discount capture is an attractive strategy

- Harvesting discounts is a way to add extra returns above the market/underlying assets.
 - Discount capture occurs when you purchase an investment at an above average discount to net asset value (NTA), and profit when the discount to NTA reduces.
 - Each situation is different and must be assessed on its merits. The right discount for each investment varies and is influenced by several key factors.
 - Discounts/premiums can change for many reasons, some of which are unrelated to the market. Therefore, discount capture can be a source of uncorrelated extra returns.
 - Very few researchers and professional investors focus on discount harvesting. This provides more mispricing, and more opportunities for profiting from it.
- But (there's almost always a but)...identifying and executing discount capture is intensive.
 - It requires constant monitoring and modelling to identify opportunities.
 - **We use a proprietary model to track NTAs, discounts and premiums in real time. This enables us to act quickly as opportunities occur.**



There is value in buying at discounts

- Larger discounts can create greater upside

Larger discounts create outsized opportunities

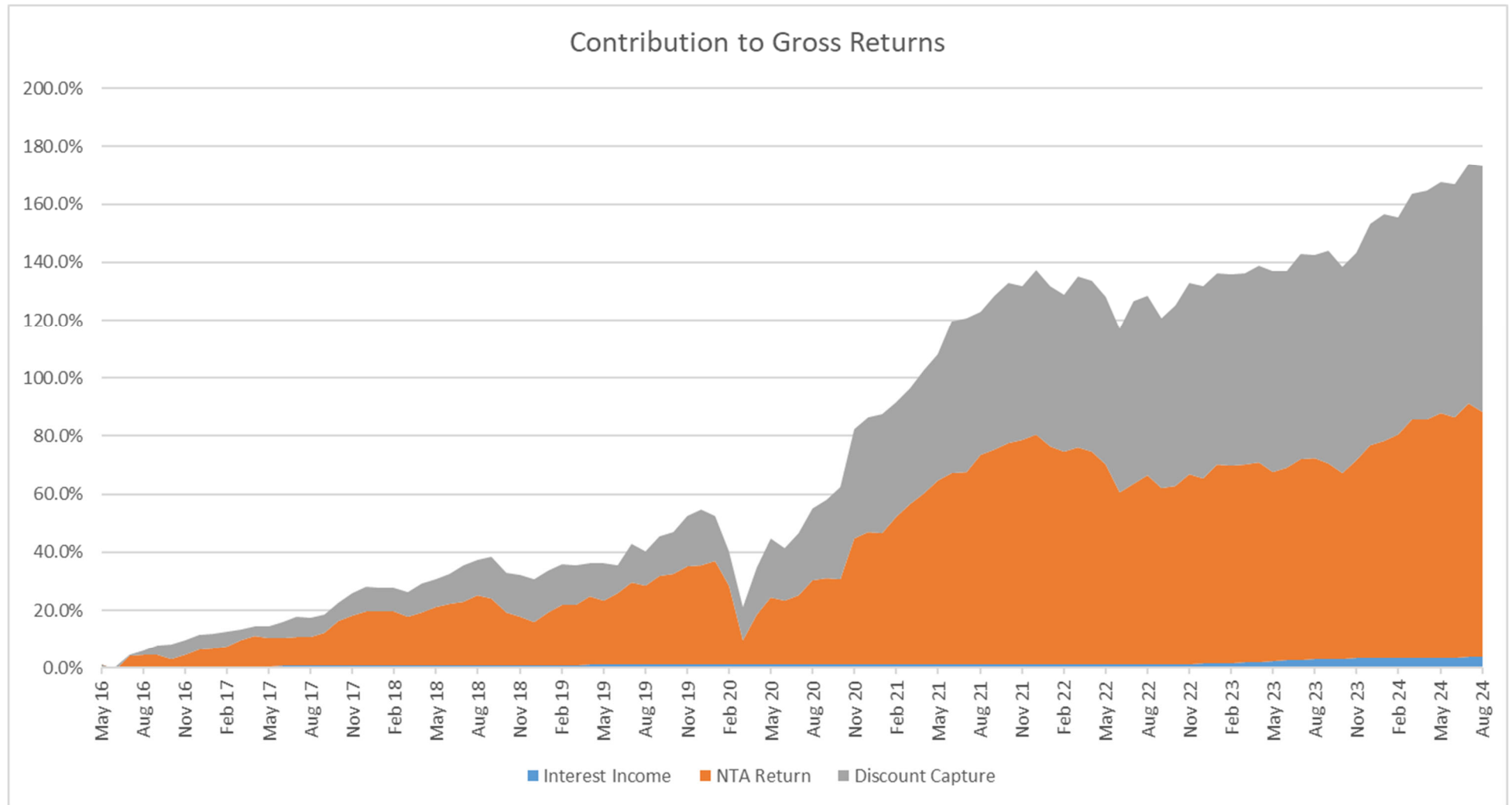
NTA discount at purchase	5.0%	10.0%	15.0%	20.0%	25.0%	30.0%	40.0%
Potential upside back to NTA	5.3%	11.1%	17.6%	25.0%	33.3%	42.9%	66.7%

- Investing at a discount magnifies investment returns, even if the discount never reduces.
 - Even if an LIC traded at a 20% discount forever, this still means higher shareholder returns.
 - A 10% return per annum on \$1.00 of NTA is \$0.10 per annum (\$1.00 x 10%).
 - At a 20% discount, the LIC can be purchased for \$0.80, which increases the return to 12.5% with the benefit of the discount (\$0.10/\$0.80).



The discount capture focus has added significant value.

- Our discount capture strategy has delivered approximately the same returns as the underlying LIC portfolios, effectively adding 6%+ per annum to gross performance.



Source: Affluence, ASX.



Affluence LIC Fund performance

To 31 October 2024	3 Months	1 Year	3 Years	5 Years	7 Years	Inception
Distributions	1.4%	7.2%	8.0%	8.9%	8.3%	7.8%
Change in Unit Price (Capital Growth)	3.5%	10.3%	-1.7%	3.6%	2.6%	3.6%
Affluence LIC Fund Total Return	4.9%	17.5%	6.3%	12.5%	10.9%	11.4%
ASX200 Accumulation Index (AI)	2.1%	24.9%	8.0%	8.2%	8.9%	9.6%
Performance compared to ASX200AI	2.8%	-7.4%	-1.7%	4.3%	2.0%	1.8%

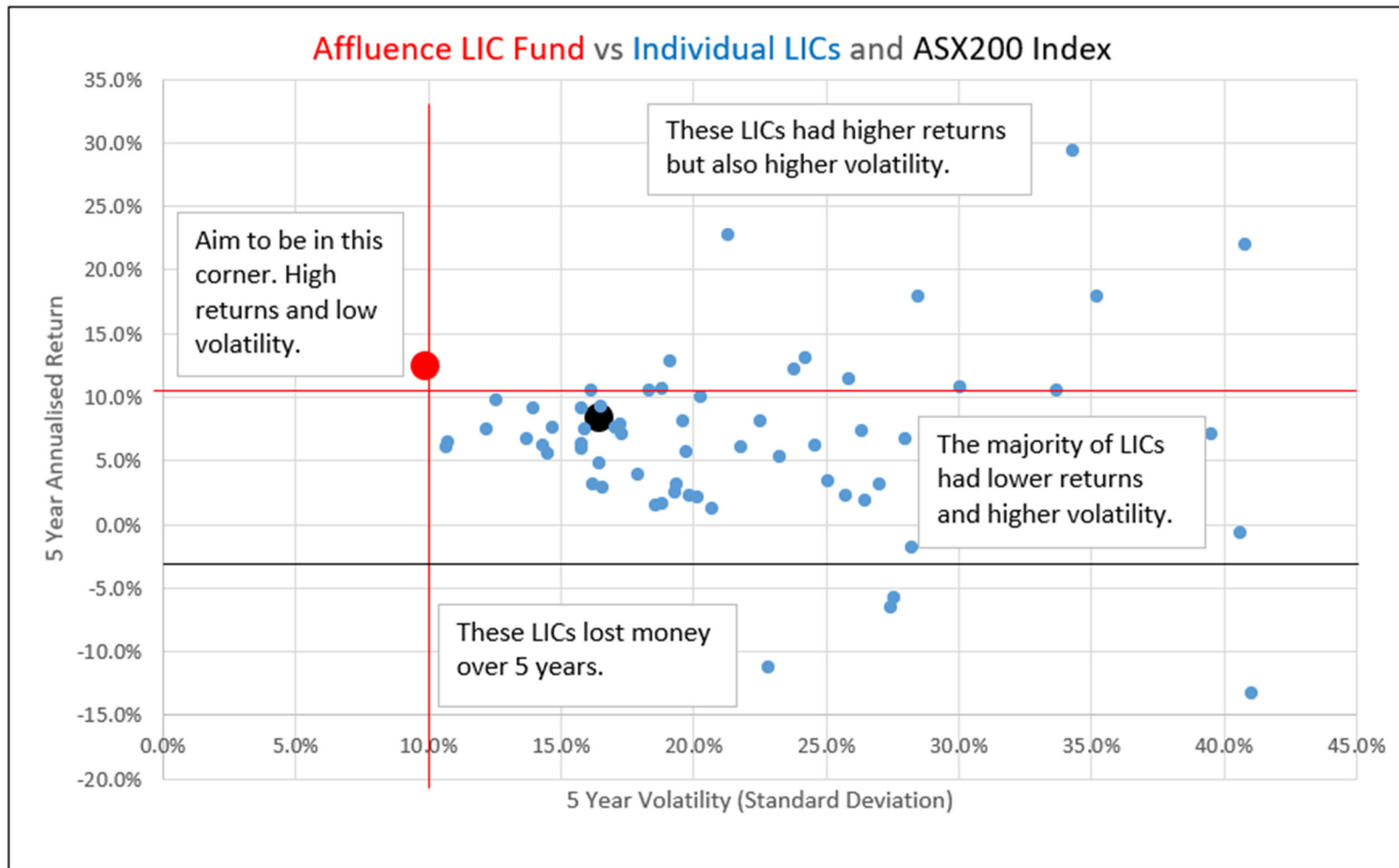
Fund Objective	Result	To 31 October 2024
Total annualised returns in excess of the ASX 200 Accumulation Index over rolling 3 year periods	<p>✓</p> <p>✗</p>	<p>Since inception, the Fund has returned 11.4% pa, exceeding returns from the ASX200 by 1.8% pa.</p> <p>Over the past 3 years, the Fund has underperformed the ASX200 by 1.7% pa. This is a result of LIC discounts expanding and smaller companies underperforming. We believe both these factors will reverse in coming periods.</p>
Access to a diversified portfolio of ASX Listed Investment Companies	✓	The Fund holds 20 - 35 LIC's. Most LICs invest in Aus. or global stocks. Diversified by investment style & strategy.
Deliver volatility of returns less than that of the ASX200	✓	Since inception, volatility of returns for the Fund has been 8.5% compared to the ASX 200 at 14.1%.
Minimum distribution yield of 5% per annum, paid quarterly.	✓	Distributions have averaged 7.7% pa since inception plus some franking credits. Distributions are paid quarterly.

Performance data is calculated assuming the reinvestment of distributions and is expressed net of fees and costs, excluding the buy-sell spread. Performance includes distributions and changes in unit prices, but not franking or other tax credits. Returns for periods over 1 year are annualised. Past performance is not indicative of future performance. Current performance data is available at www.affluencefunds.com.au/alf/.



The Fund has outperformed the vast majority of LICs over 5 yrs.

- The strategy has beaten the ASX200 by 4.3% pa over 5 years, despite LIC discounts expanding considerably AND has been significantly more resilient in market corrections.
- The Affluence LIC Fund is the red dot, and the ASX200 Index is the black dot.



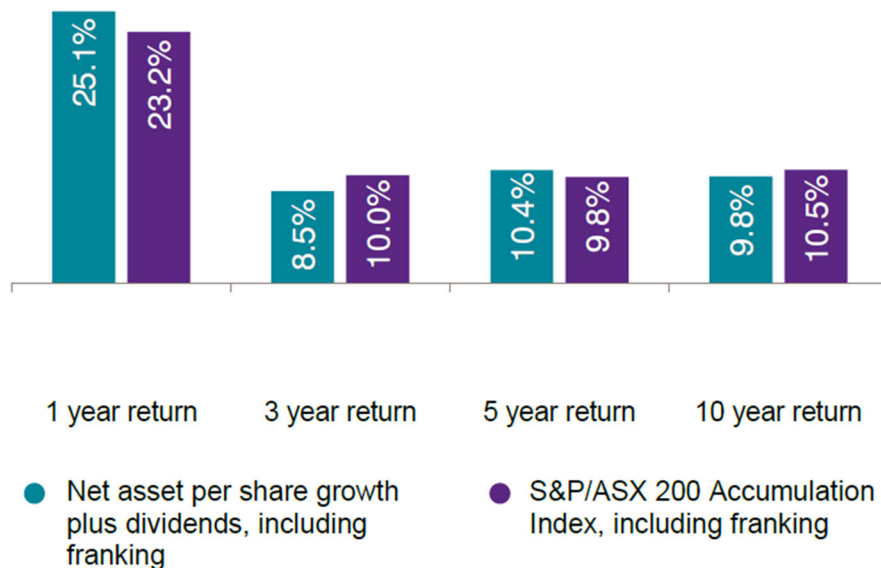
Source: Affluence, ASX. Data for 5 year period to 30 September 2024.



How unloved are LICs now? Let's start with the biggest one.

- The AFIC team delivered 8.5% per annum portfolio returns over the 3 years to Sep 24.
- But AFI went from trading at an 11% premium to a 10% discount during that time. This meant total shareholder returns for 3 years to Sep 24 were -0.7% per annum. That's bad.
- BUT, what if you bought today at a 10% discount and in 2 years it was at a 10% premium?

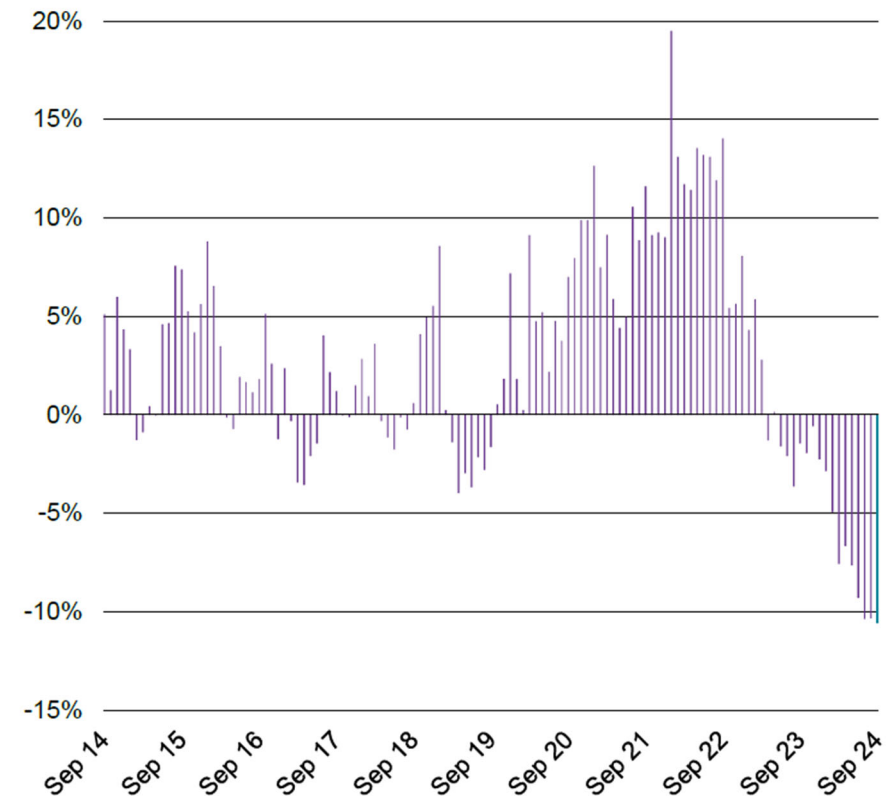
Portfolio performance percentage per annum-periods ending 30 September 2024*



* Assumes an investor can take full advantage of the franking credits. AFIC's portfolio return is also calculated after management fees, income tax and capital gains tax on realised sales of investments. It should be noted that Index returns for the market do not include management expenses or tax.

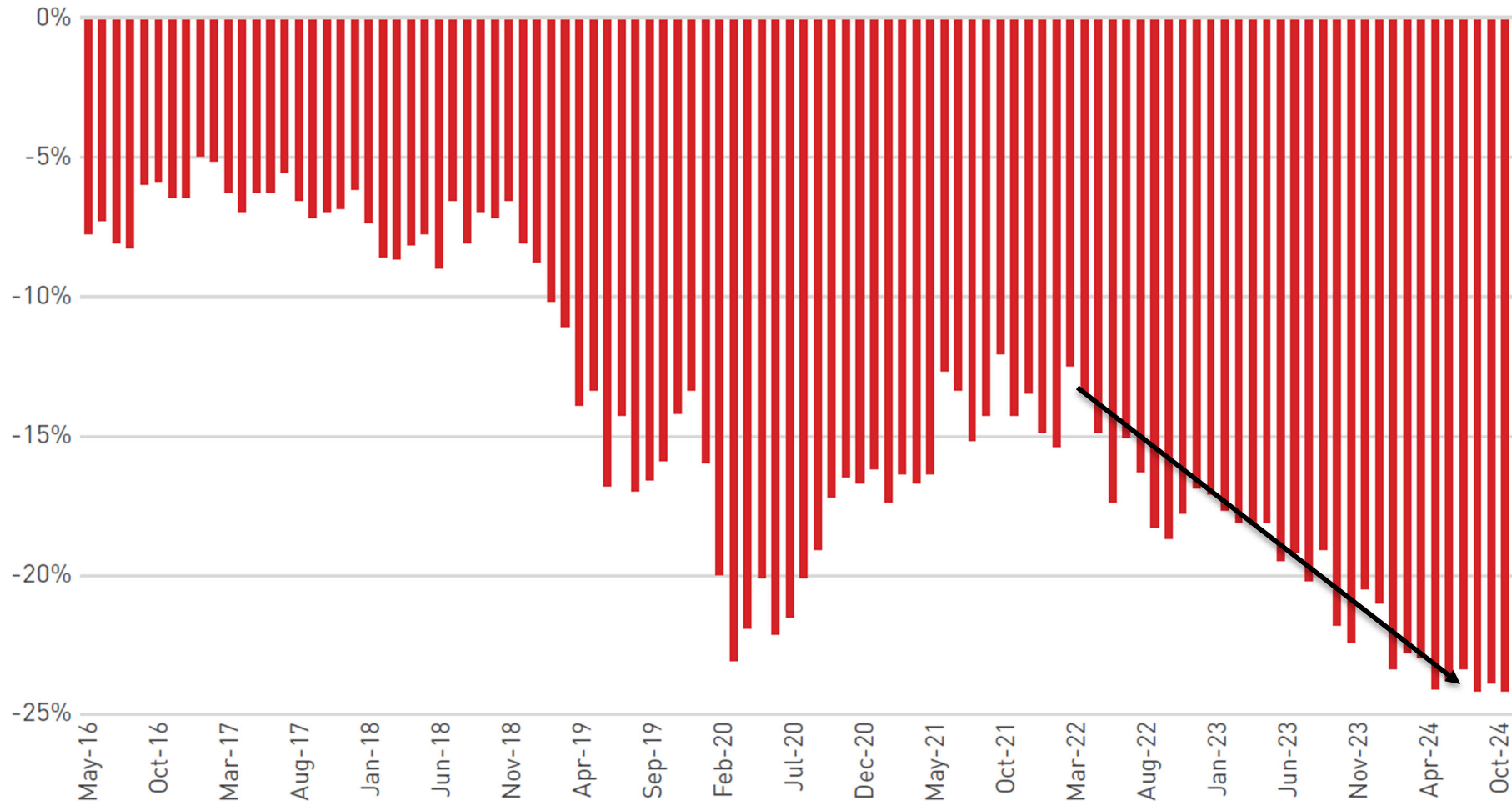
Past performance is not indicative of future performance.

Share price premium/discount to NTA



LIC discounts have been a headwind but are now very attractive.

- LIC discounts have increased by 10% since 2021 to a cyclical high. Currently 24% discount
- We expect this to normalise over time, providing additional return potential.
- Pressure on underperforming managers is leading to mergers, wind-ups and other activity.

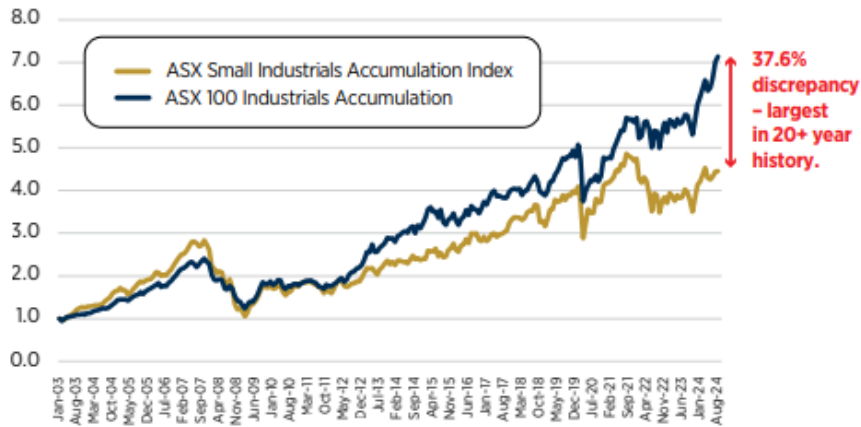


Source: Affluence, ASX.



Small caps and resources are showing exceptional value.

Relative Performance of Small & ASX 100 Industrials indexed to Jan 2003

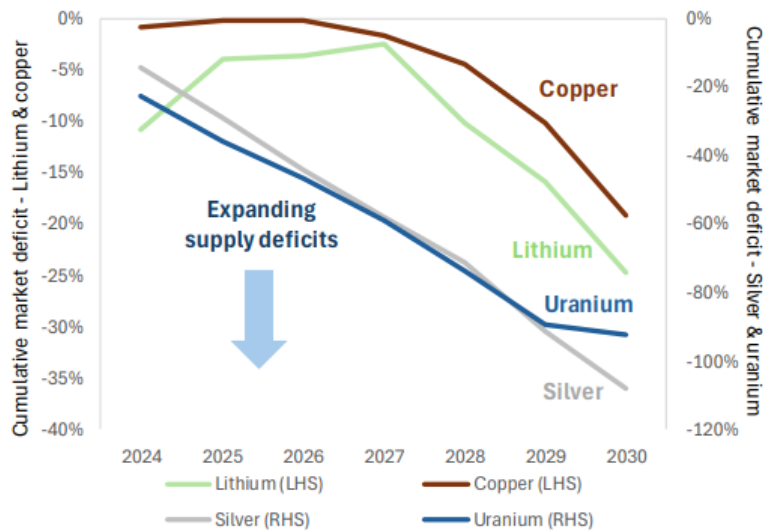


Discount - Small Industrials to ASX 100 Industrials - Indexed from Jan 2022



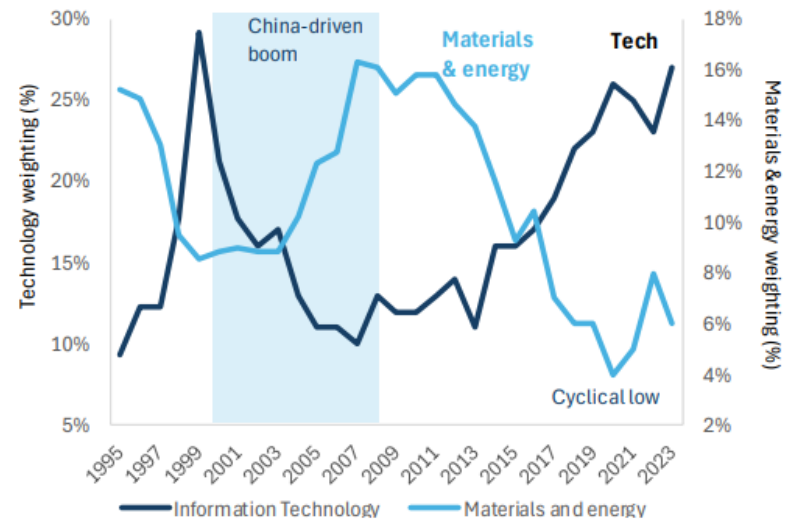
Severe supply deficits lie ahead

Cumulative deficit as % of supply



Resources weighting in the S&P500 has fallen

Materials & energy vs. Tech



Sources: Salter Brothers, Baker Steel.

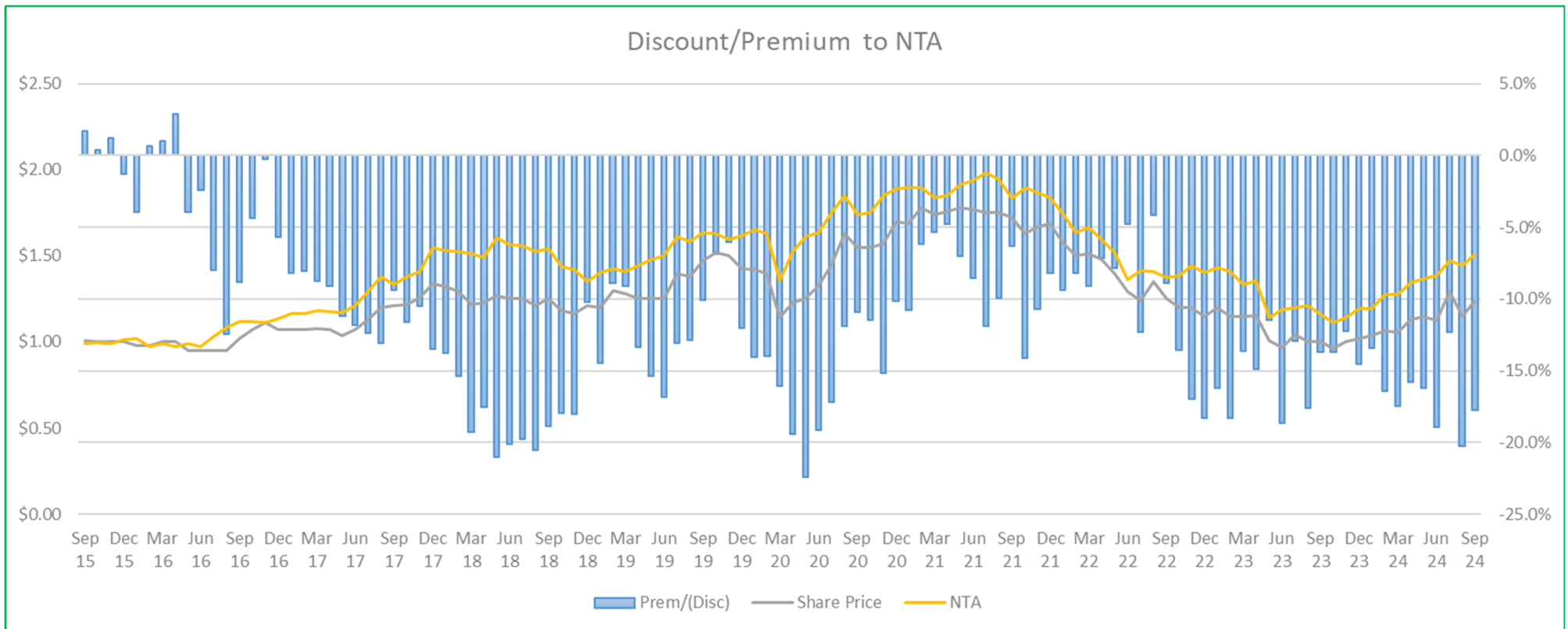


Current Investment: Ryder Capital (ASX: RYD)

Manager	Ryder Investment Management
Key People	Peter Constable, David Bottomley
Strategy	ASX small caps
Date Listed	2015
Market Cap	\$100 million

Why We Like It

- Attractive valuation/entry point.
- Strong alignment of interest
- Discount near a historic high.
- Potential for a restructuring event



Current Investments: CD Funds (ASX: CD1/2/3)

Manager	Cordish Family/K2
Key Person	Jonathan Sinex
Strategy	US Private Equity
Date Listed	Various
Market Cap	\$180 million (combined)

Why We Like Them

- Good long term track record.
- US manager aligned and capable.
- Fixed term funds with certain realisation.
- Trading at a 30-35% discounts.

Portfolio Composition	CD1	CD2	CD3
Underlying Fund Managers	9	12	13
Underlying Portfolio Companies (since inception)	96	122	144
Total Realisations since Inception (76%)	70	79	59
Total Remaining Portfolio Companies	26	43	85
Average Age of Remaining Companies	7.4 years	6.7 years	4.5 years

Quality US Private Equity Manager. Continuing significant discounts and fixed termination dates mean attractive returns could be on offer if you're prepared to be patient. The possibility of early portfolio sales could be a catalyst to reduce discounts sooner.

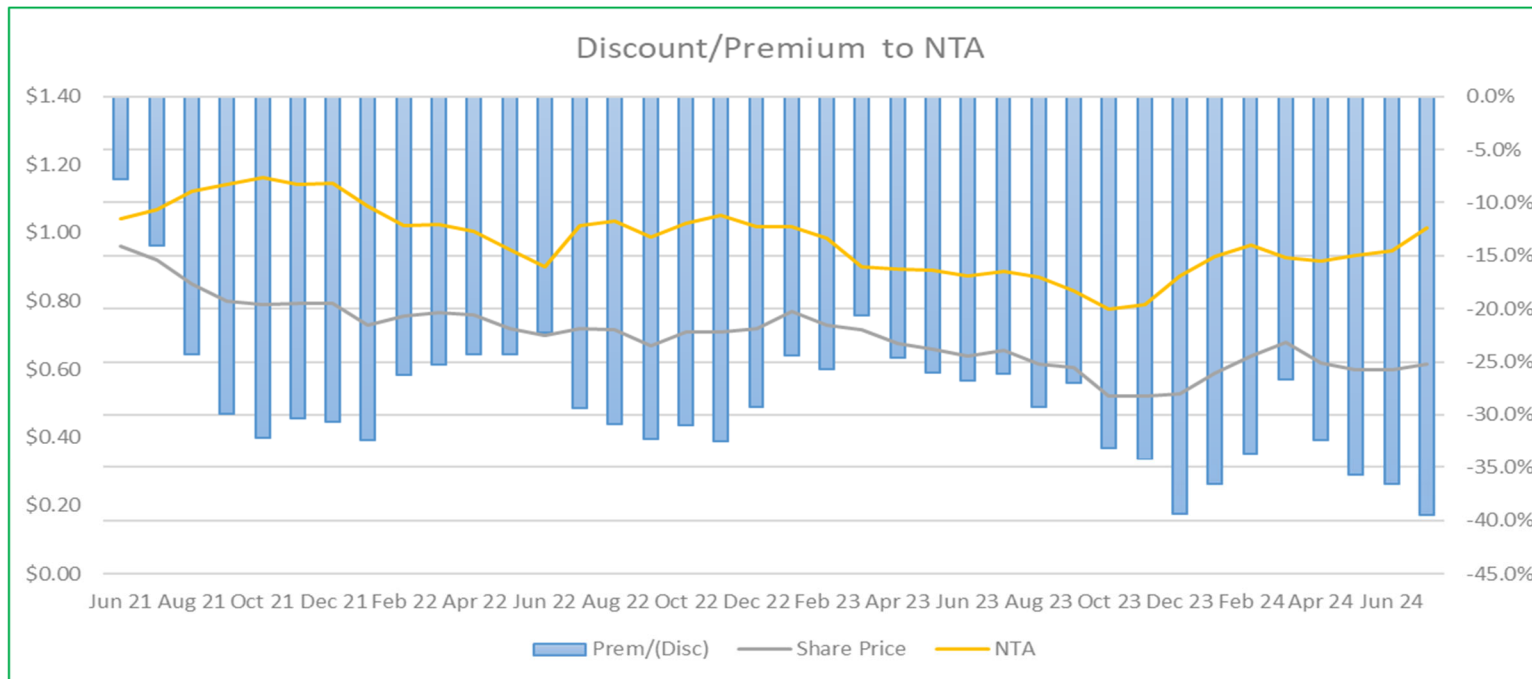


Current investment: Salter Bros Emerging (ASX: SB2)

Manager Salter Bros
Key Person Gregg Taylor & Team
Strategy Small Cap Growth
Date Listed 2021
Market Cap \$57 million

Why We Like It

- Activist shareholder on the register.
- Small and micro-cap focus.
- Very attractive discount.
- Attractive portfolio valuation metrics.



Top 5 Holdings

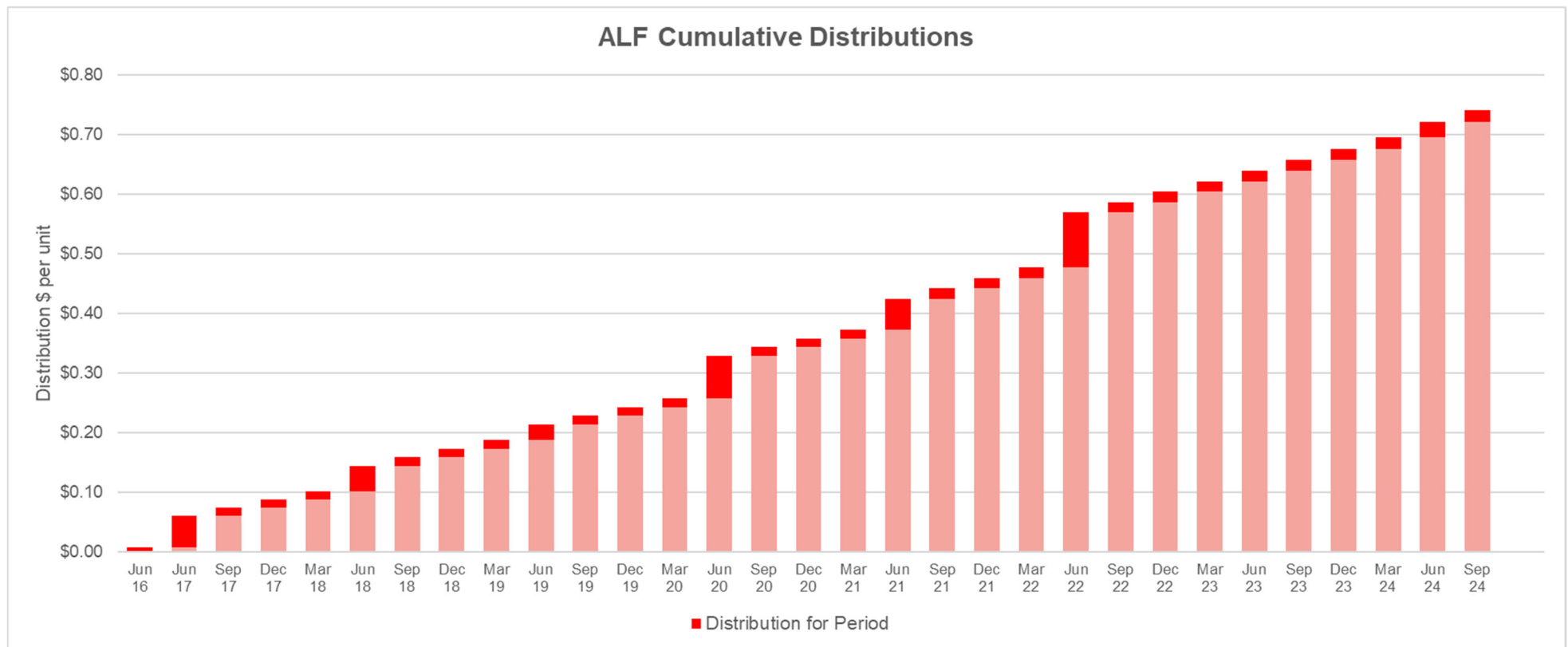
1. Ai-Media Technologies Ltd (ASX:AIM)
2. OFX Group Ltd (ASX:OFX)
3. Smart Parking Ltd (ASX:SPZ)
4. Alfabs Australia Limited (ASX:AAL)
5. Alcidion Group Ltd (ASX:ALC)

ASX small caps have been underperformers over the past 18 months, but the sector now screens as very cheap and a recovery appears to have begun for this LIC.



Regular distributions are important for many investors

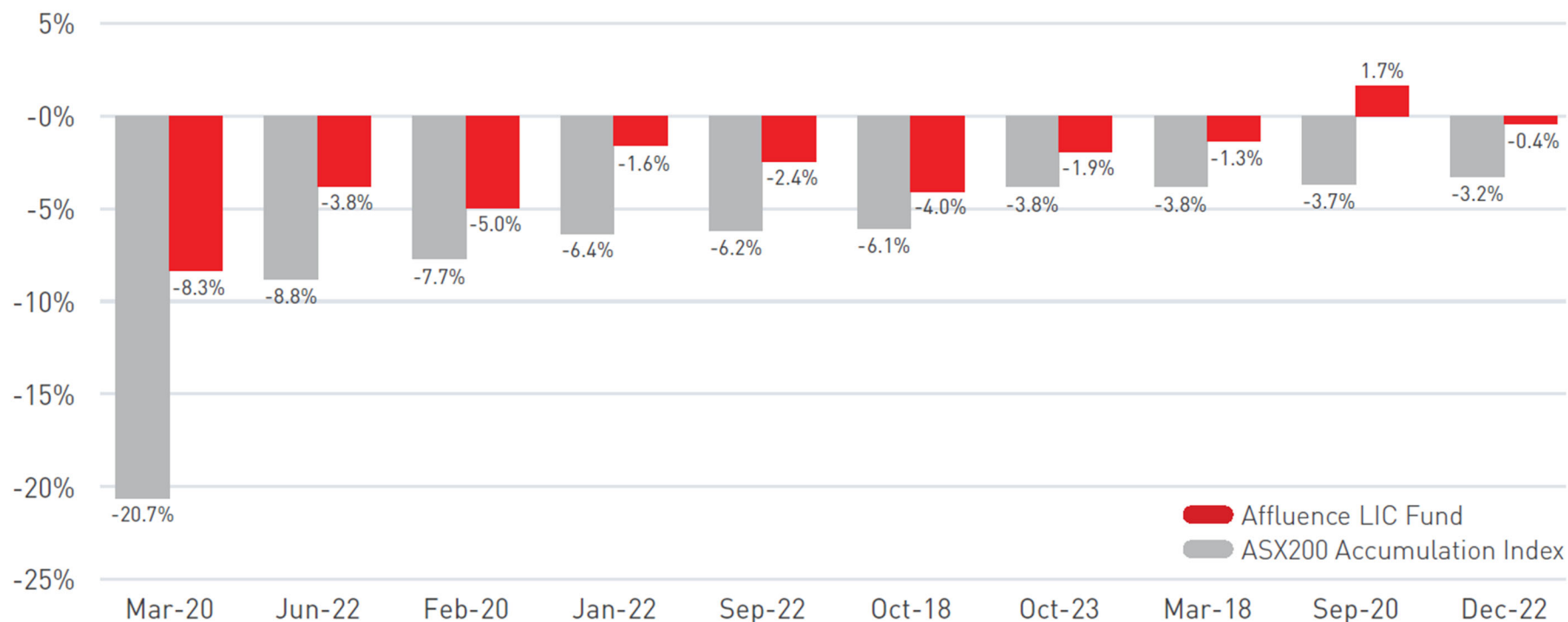
- The Fund aims to provide investors with a minimum distribution of 5% per annum.
 - Distributions are paid to investors approximately 10 days after the end of each quarter.
 - Since inception, the Fund has paid cash distributions averaging 7.8% per annum.
 - In addition, franking credits received from LIC investments are passed through in full at the end of each tax year. These typically add an additional 0.5% to 1.0% per annum.



The Fund has typically outperformed in down markets.

ALF Returns	11.4%pa	ASX200 Returns	9.6%pa
ALF Volatility	8.4%	ASX200 Volatility	13.8%
ALF Sharpe Ratio	1.1	ALF Correlation to ASX200	0.74
ALF Sortino Ratio	2.1	ALF Beta vs ASX200	0.45
ALF Positive Months	70%	ALF Down Capture v ASX200	20%

ALF has outperformed in all 10 worst months for the ASX200 since inception:



The Affluence LIC Fund Summary

- **A specialised focus** - An actively managed portfolio of 20-35 LICs that can complement your other equity investments. We concentrate mostly on small to medium sized LICs, where mispricing is more common.
- **Quality and diversification** - The Affluence LIC Fund portfolio includes some of Australia's best investment managers, and a range of alternative investment strategies.
- **An extra way to add value** - The Affluence Discount Capture strategy aims to generate additional returns for the Fund by taking advantage of LICs trading at unusually large discounts to NTA. Right now, those discounts are higher than average. The average discount for the portfolio at 31 Oct 24 was 24%.
- **Alignment of interests** – We co-invest in the Fund with you. We only charge fees based on Fund performance, with no fixed management fees. We will close the Fund to new investors when we reach investment capacity.
- **Strong returns, lower volatility** - Returns since the Fund commenced have averaged 11.4% per annum, with significantly more consistency than the Australian share market.
- **Regular income** - Quarterly distributions, targeting a minimum 5% per annum. Since commencing, the Fund has paid cash distributions of 7.8% per annum, plus some franking credits.



Affluence LIC Fund - Key Information

Fund	Affluence LIC Fund (ARSN 634 532 424 APIR AFX6930AU)
Strategy	ASX Listed Investment Companies, Discount Capture.
Fund Type	Unlisted Retail Fund. Open to investors in Australia and New Zealand.
Responsible Entity and Manager	Affluence Funds Management.
Key Investment Objective	Total annualised returns above ASX 200 AI over rolling 3 year periods.
Suggested Investment Timeframe	At least 3 and preferably 5 years.
Applications and Redemptions	Monthly (cut-off last business day). Minimum initial application \$20,000. Redemptions paid 10 days after EOM.
Distributions	Quarterly. Targeting 5% per annum. Distributions are not guaranteed.
Custodian	Perpetual.
Registry	Registry Direct.
Auditor	Pitcher Partners.
Legal	Hall & Wilcox.
Fees & Costs	Affluence charges no fixed fee. Costs capped at 0.25% of net assets. Performance fee of 12.5% of positive returns, with a high water mark. Underlying LICs also incur fees & costs – see PDS.
Buy/Sell Spread	+/- 0.10%



What next?

- 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.
- 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.
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