

Affluence Investment Fund Quarterly Update

March 2025



**Invest
Differently**

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

01

About Affluence

Our aim is to provide you with a better investment alternative. We believe in doing things differently.

We are contrarian, value focused, and invest for the long term. We believe that exposure to quality investments across multiple asset classes, managers, geographies and strategies should be a fundamental building block of any well diversified portfolio.

Our focus is on delivering superior long term investment performance for you.

Affluence Funds are focused on investor outcomes

ALL OUR FUNDS TARGET:

Better than average returns: over three years and longer.

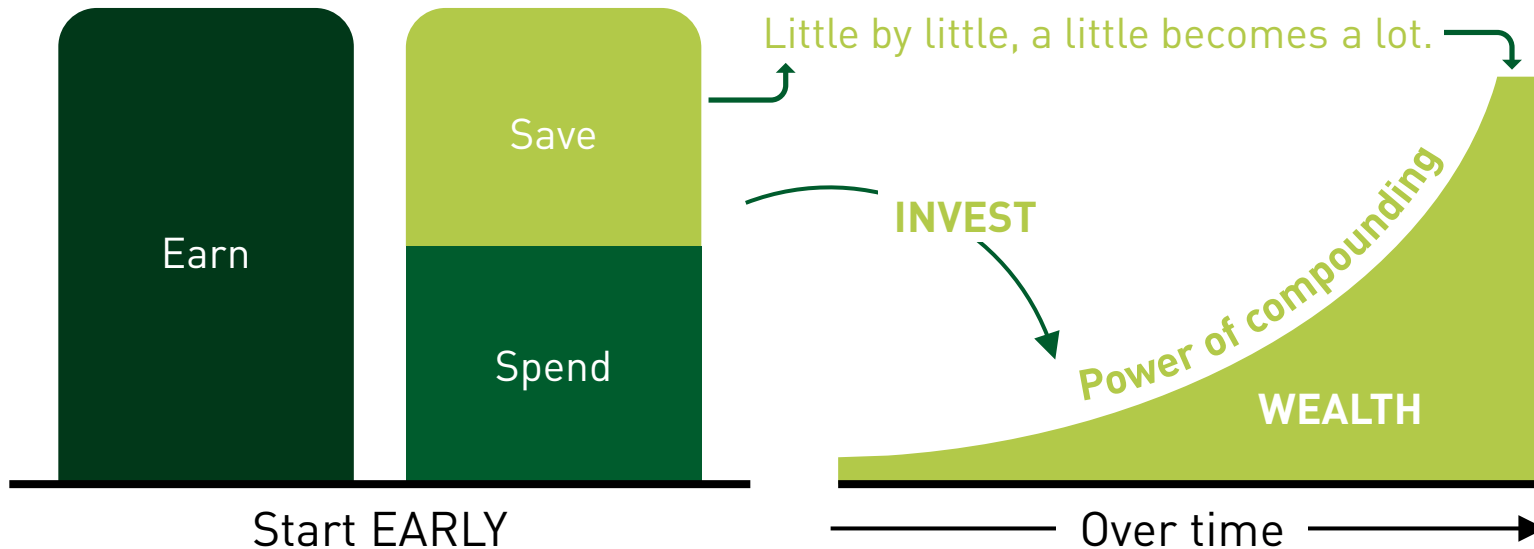
Regular income: at least 5% per annum, paid monthly or quarterly.

Smoother returns: to help limit the impact of market downturns.

1 Start early

2 Spend < Earn

3 Invest well



Our interests are aligned with investors.

We invest alongside you in all Affluence Funds.

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

Source: www.safalniveshak.com

You can 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
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.

*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

01

We reduce risk when rewards for taking risk are low. We increase risk when rewards are high.

02

We seek to diversify Fund portfolios in multiple ways.

By asset class, manager, investment style and strategy, geography and structure.

03

Wide asset allocation ranges, but gradual changes.

Low portfolio turnover which improves tax efficiency and limits transaction costs.

04

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.

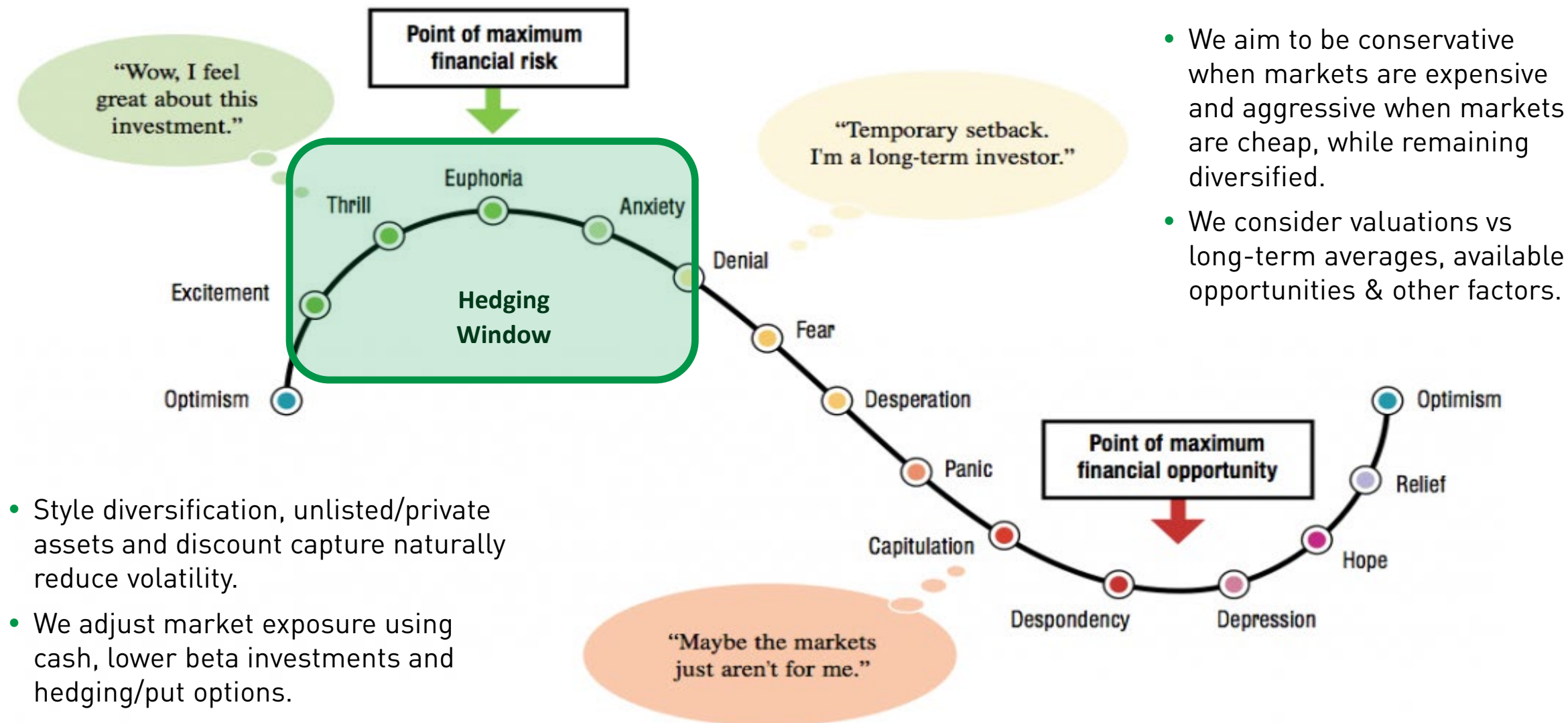
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We may not invest in a sector/asset class if values are severely stretched and/or returns are unacceptable.

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.

Strategies to manage risk & limit the impact of market downturns



- Style diversification, unlisted/private assets and discount capture naturally reduce volatility.
- We adjust market exposure using cash, lower beta investments and hedging/put options.

- We aim to be conservative when markets are expensive and aggressive when markets are cheap, while remaining diversified.
- We consider valuations vs long-term averages, available opportunities & other factors.

Affluence Funds – Outperformance over 3 years and longer.

Returns to 28 Feb 2025	Asset Class	1 Year	3 Years	5 Years	7 Years	Inception
Affluence Income Trust	Fixed Income	7.7%				7.8%
RBA Cash Rate +3%	Cash +3%	7.3%				7.3%
Affluence Investment Fund	Diversified	8.8%	5.9%	8.1%	6.8%	7.8%
Vanguard Balanced ETF	Diversified	9.5%	5.0%	4.9%	5.7%	6.0%
Affluence LIC Fund	Equities	12.0%	7.2%	13.1%	10.5%	11.0%
ASX200 Acc. Index	Equities	9.9%	9.2%	8.9%	8.6%	9.4%
Vanguard Growth ETF	Diversified	11.6%	7.4%	7.5%	7.6%	8.0%
Affluence Small Coys Fund	Small Equities	12.4%	7.0%	12.9%	8.6%	9.0%
ASX Small Ords Acc. Index	Small Equities	7.3%	2.1%	5.6%	4.7%	6.8%

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>.

02

Investment Environment

What we're thinking about right now.

Why now is the time to be a contrarian.

Perception.

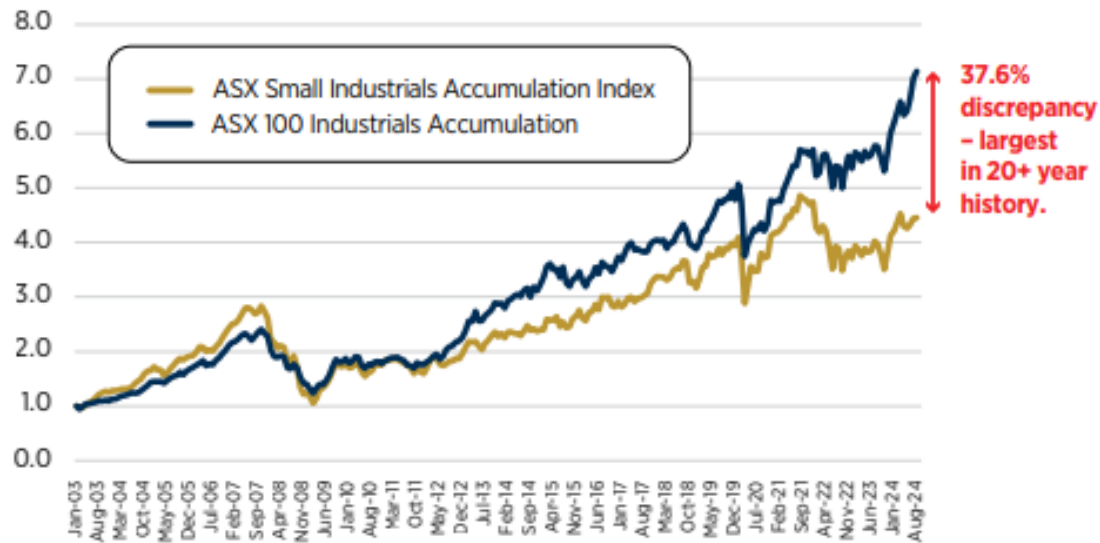
- Everything is expensive.
- US exceptionalism is worth paying for.
- You must have AI in your portfolio.
- Interest rates will fall quite a bit.
- Own quality stocks – it's worth it.
- Trump is unpredictable. Literally anything could happen.

Reality.

- There are plenty of bargains out there.
- The US market is overvalued.
- We are at the top of the hype cycle.
- Not much, unless bad things happen.
- Quality is expensive.
- That one is true!

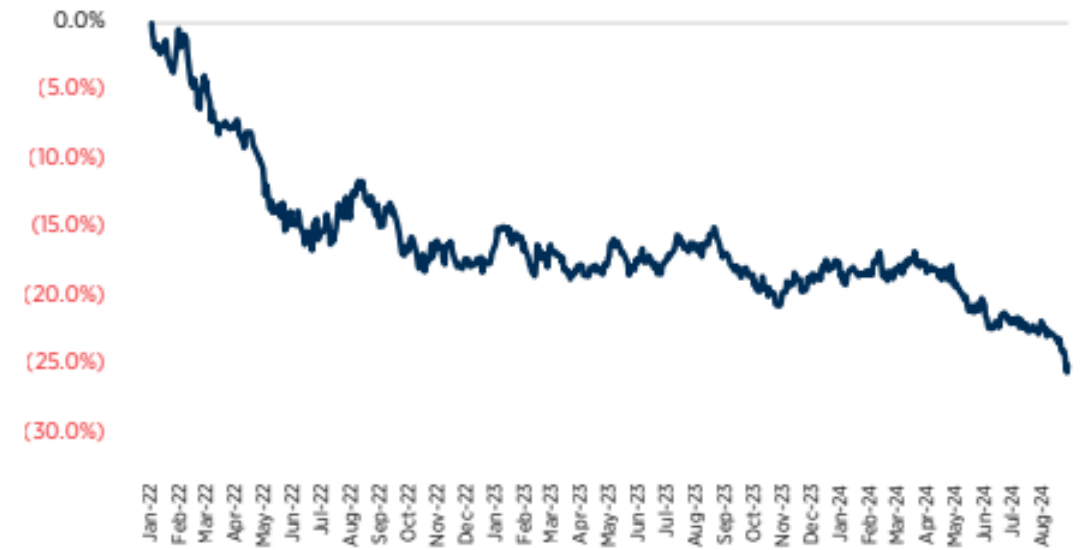
Allocations to small caps & resources show exceptional value

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



Index numbers above from 01/01/03 to 31/08/24
Data sourced from IRESS

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

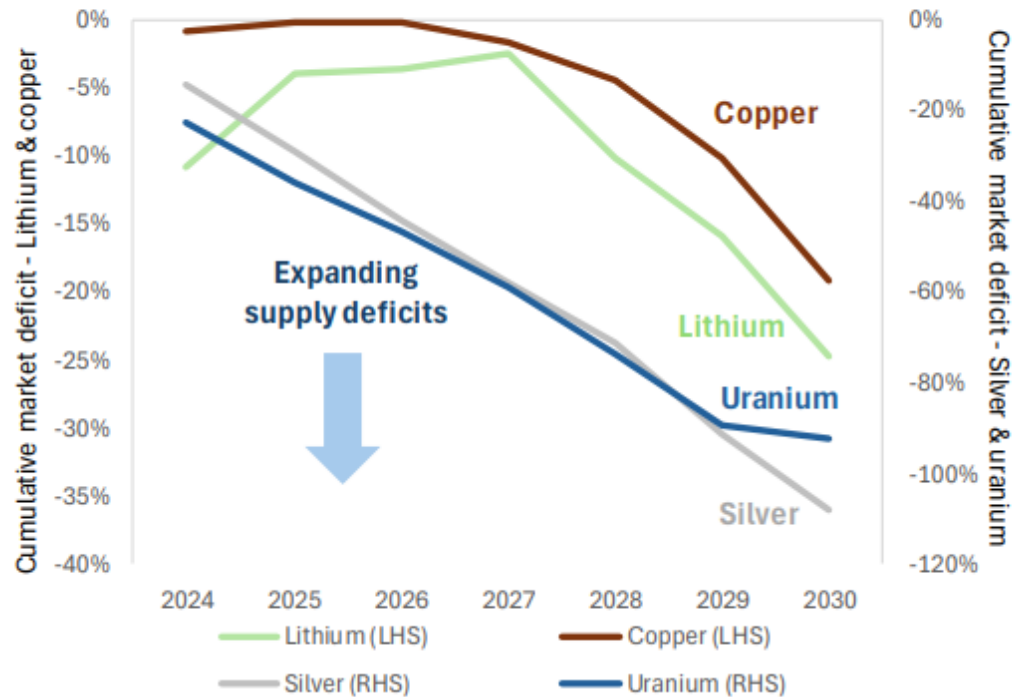


Index numbers above from 01/01/22 to 31/08/24
Data sourced from IRESS

Allocations to small caps & resources show exceptional value

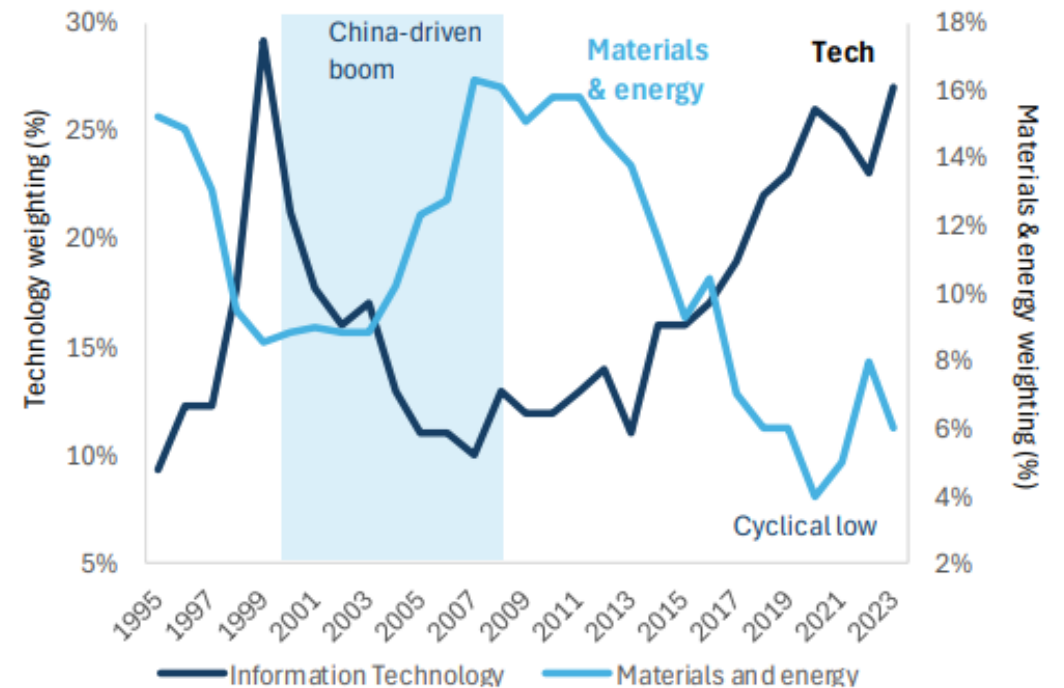
Severe supply deficits lie ahead

Cumulative deficit as % of supply



Resources weighting in the S&P500 has fallen

Materials & energy vs. Tech



03

Affluence Investment Fund (AIF)

AIF is an unlisted all-weather fund combining our portfolio construction expertise with access to 30+ talented boutique managers plus direct investments with a value focus.

Our investment mandate is very wide. We tilt the portfolio towards the asset classes that we feel are the cheapest.

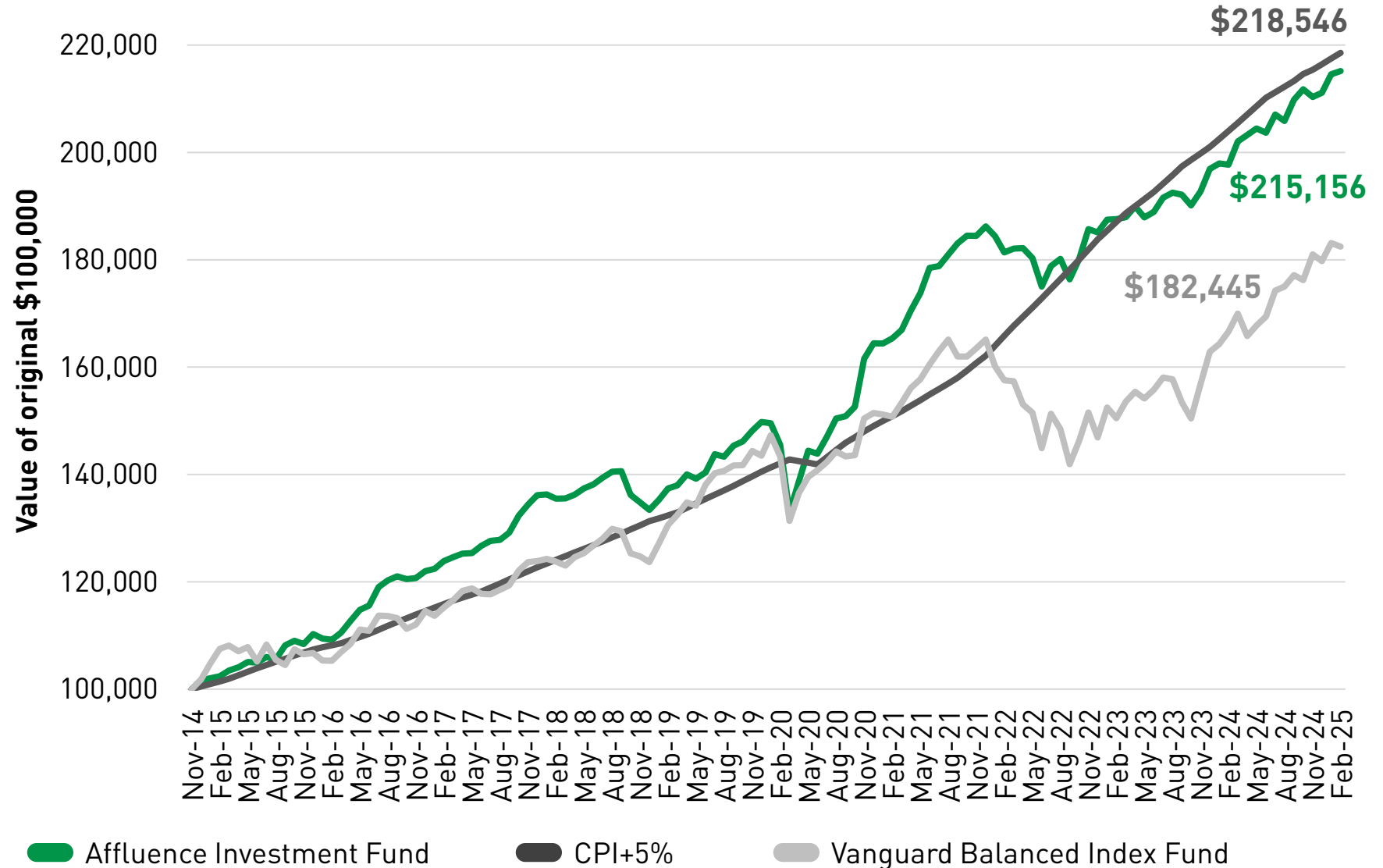
With monthly distributions and a focus on differentiated investment strategies, AIF can be a very useful portfolio diversifier.

Performance

- Significant outperformance vs a passive investment with similar volatility.
- Exceptional risk metrics.
- Our CPI+5% target has been a very difficult benchmark over the past 3 years.
- In our view, the current Affluence Investment Fund portfolio shows exceptional value.

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

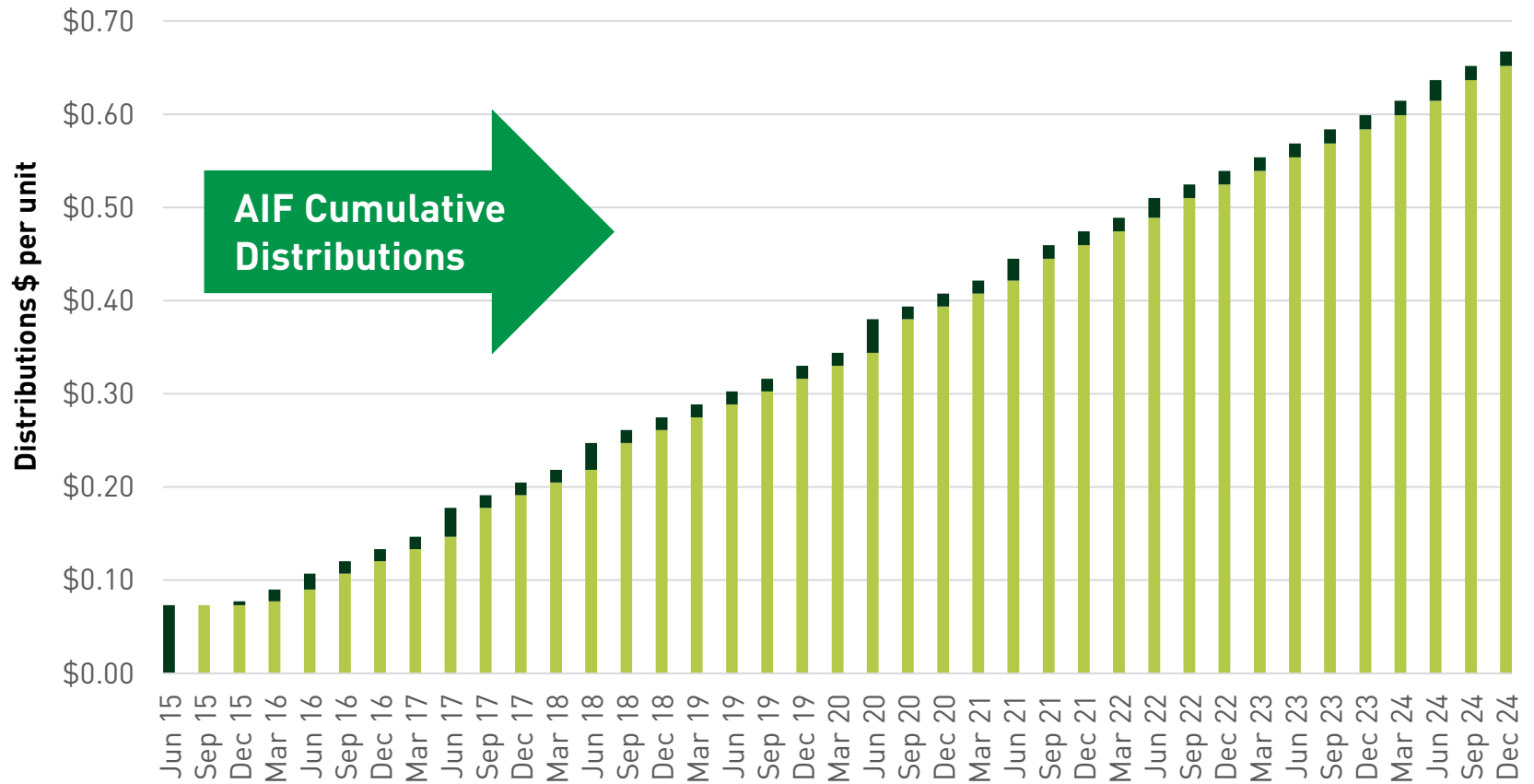
Return on \$100,000 Investment*



Regular distributions are important for many investors

AIF aims to provide investors with a minimum distribution of 5% per annum.

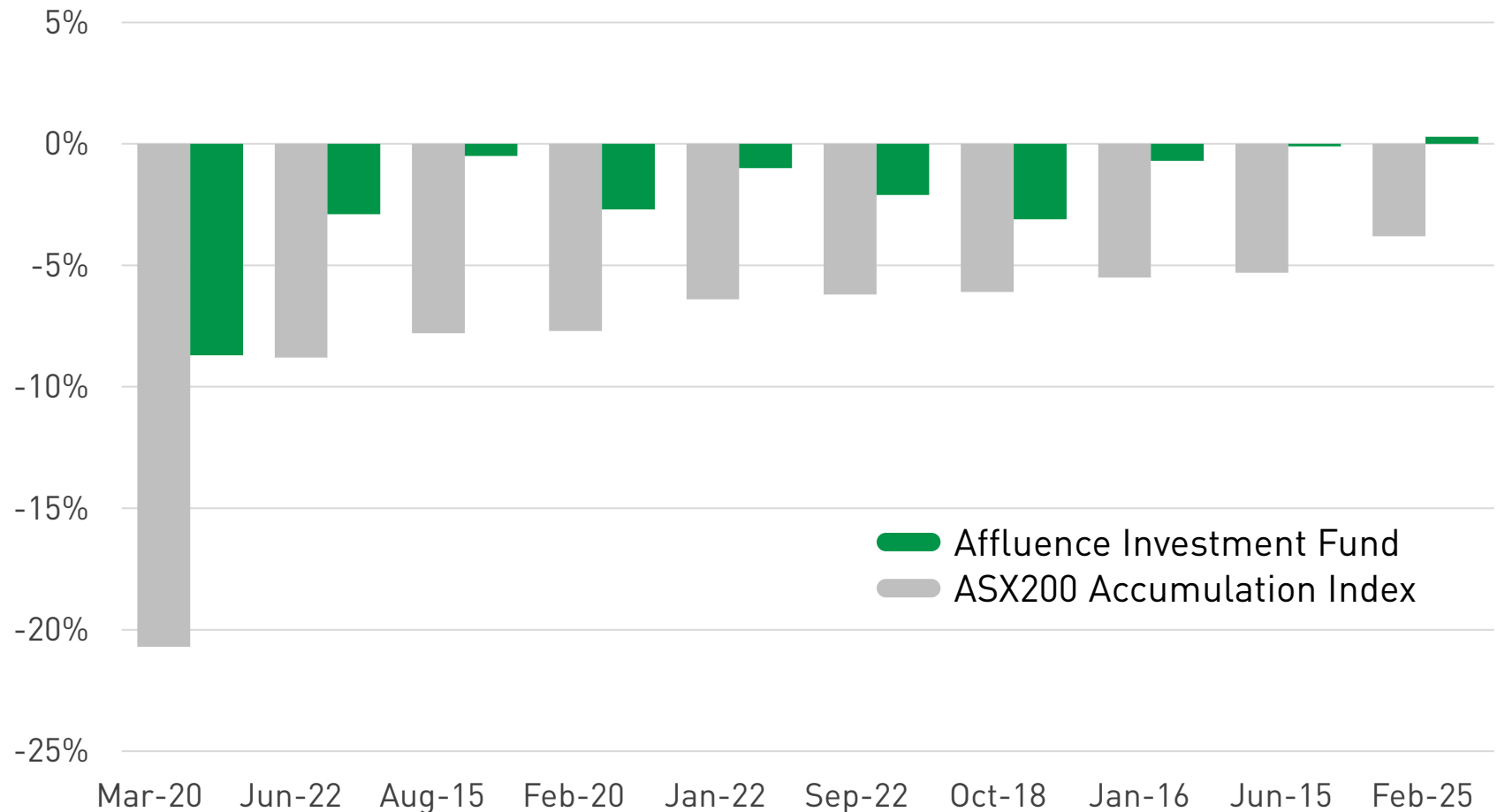
- Since inception, AIF has paid cash distributions averaging 6.4% per annum.
- Distributions are paid 10 days after the end of each month (reinvestment available).
- In addition, franking credits received from investments are passed through in full at the end of each tax year. These have typically averaged 0.4% to 0.5% per annum.



The Fund has typically outperformed in down markets.

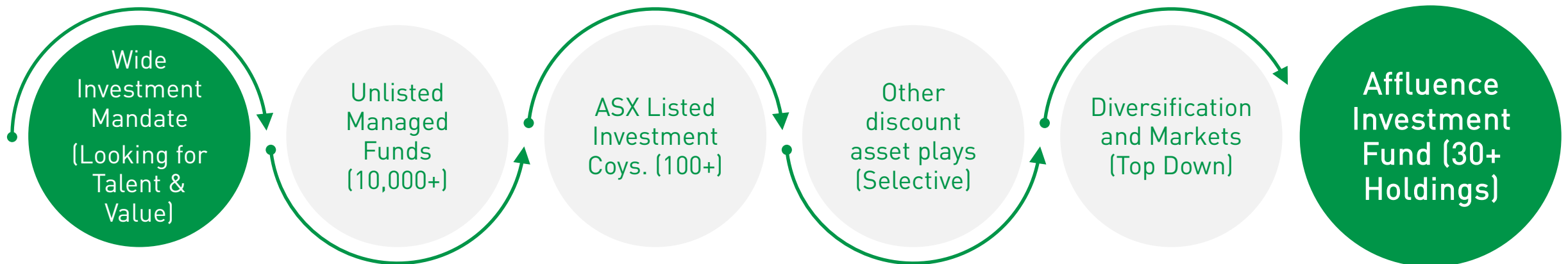
AIF has outperformed in all 10 worst months for the ASX200 since inception:

AIF Returns	7.8% pa
AIF Volatility	5.4%
AIF Sharpe Ratio	1.0
AIF Sortino Ratio	1.5
AIF Positive Months	75%
ASX200 Returns	8.6%pa
ASX200 Volatility	13.8%
Correlation vs ASX200	0.78
Beta vs ASX200	0.30
Down Capture vs ASX200	10%



How we construct the Affluence Investment Fund portfolio

- We find the best investment opportunities, including unlisted managed funds (wholesale/retail), mandates, LICs and other discounted asset plays.
- We overlay our views on market valuations and our diversification goals to produce a portfolio of 30+ investments.
- Portfolio managers make investment decisions within the asset allocation framework.
- The Investment Committee has oversight.



Choosing fund managers: what we look for

Performance, Consistency



Risk and Return

- Have outperformed a reasonable benchmark over time.
- Have less volatility and have outperformed in difficult markets OR
- Perform at different times (uncorrelated) to equities markets.

Subjective Factors

People

- Team stability, investment team history, alignment of interests.
- Display good personal traits (realistic, analytical, competitive).

Process

- Repeatable process and demonstrable competitive advantage.
- Demonstrated risk management focus.
- Usually capacity constrained.

Operational

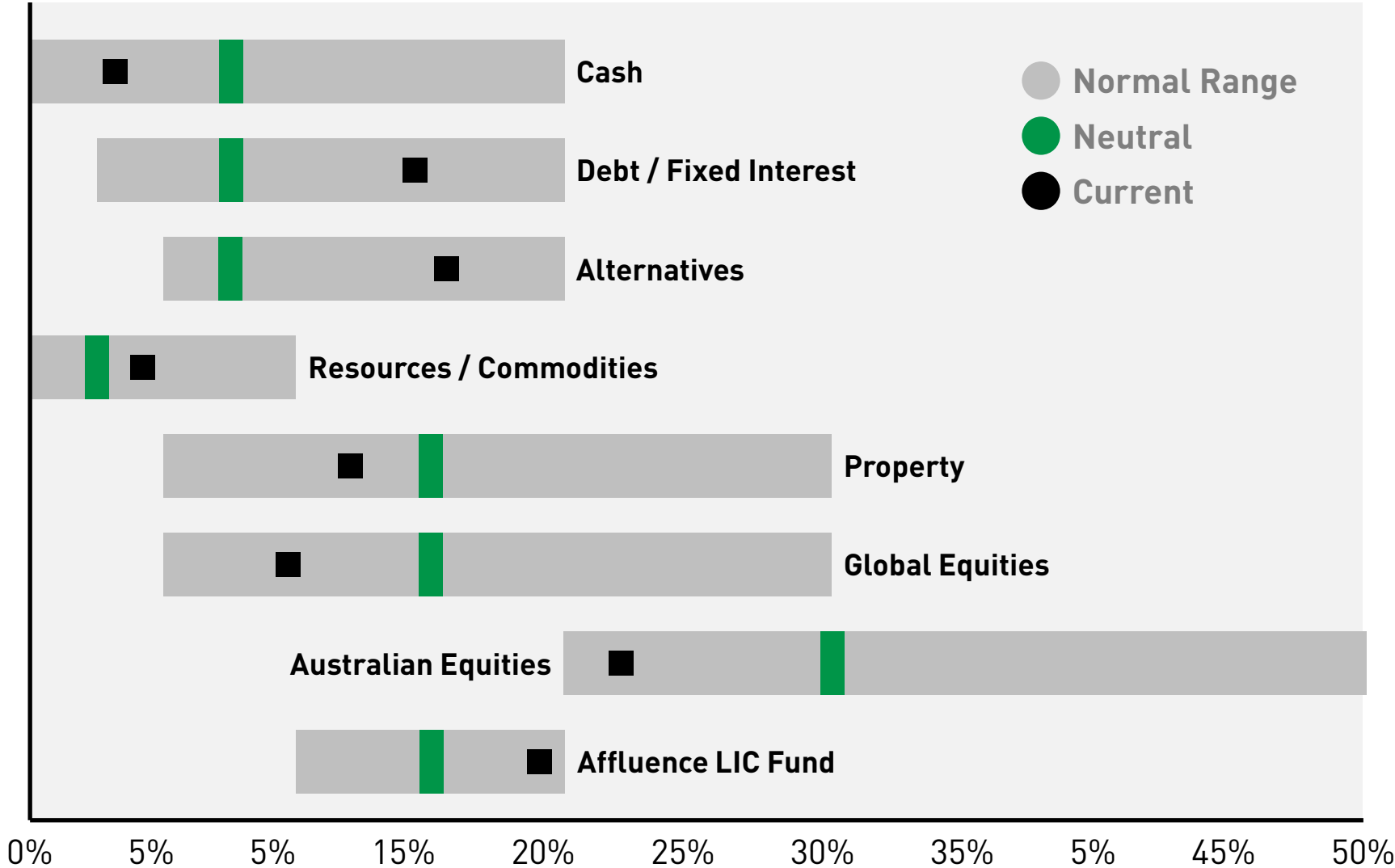
- Appropriate key service providers.
- Fund domiciled in Australia.
- Fees are fair in relation to strategy and capacity.

Current asset allocation vs our neutral settings

The goal: An all-weather portfolio that can deliver in differing market conditions

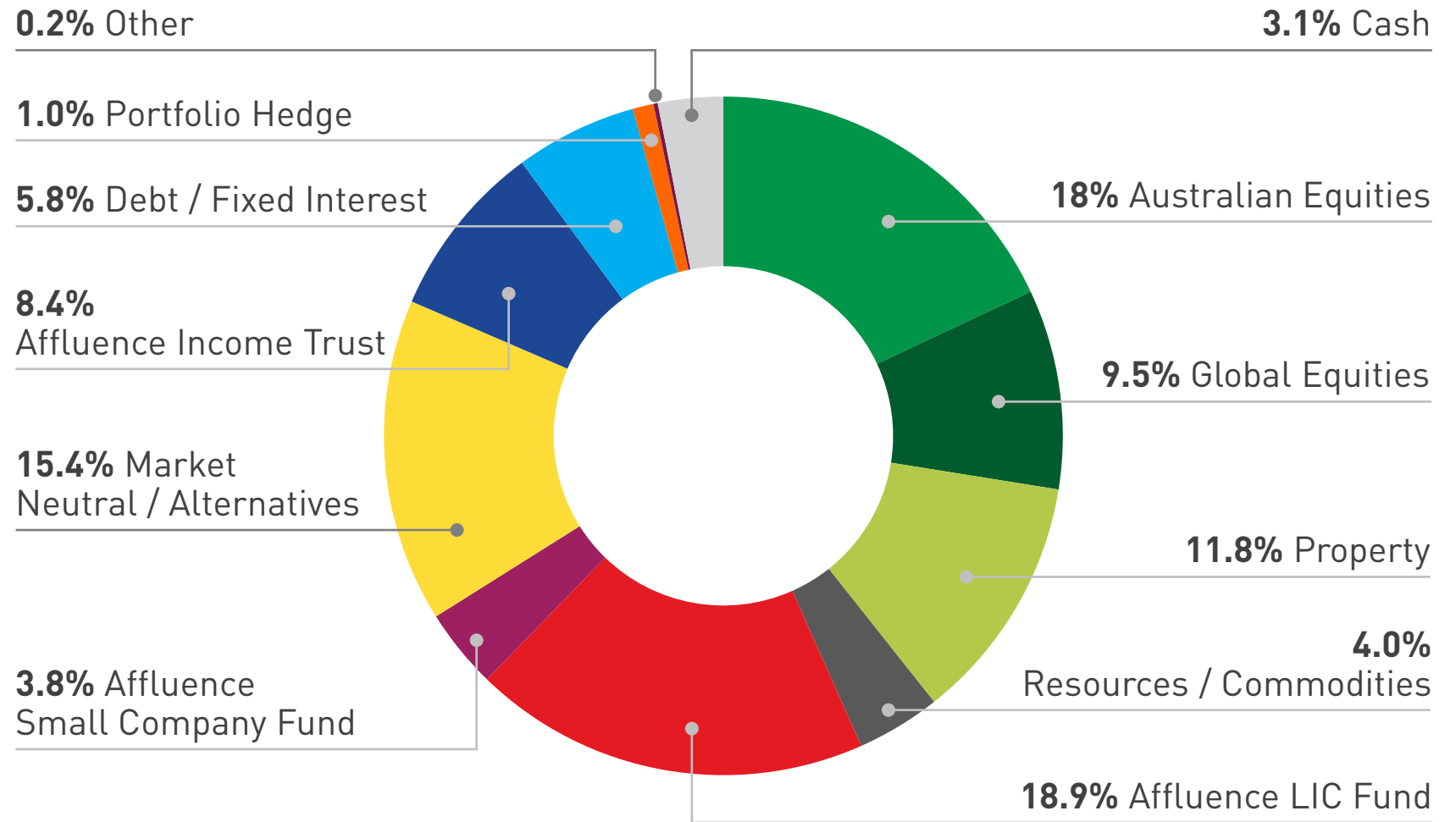
- Vastly diversified by asset class, investment strategy, style, manager and market sector.
- Allocations for each asset class can fluctuate within our pre-defined range.
- We don't try to forecast the future, but instead, assess current market values vs history.

Asset Allocation – Neutral vs Current



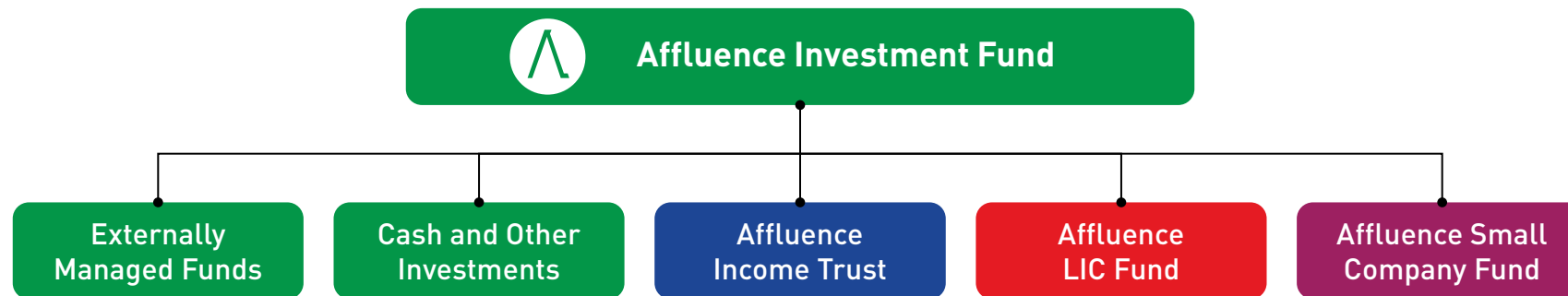
A blend of defensive and growth assets, with a strong value bias.

Current Asset Allocation



Data at 28 February 2025. Underlying funds are categorised based on their dominant asset class/strategy.

Affluence Investment Fund – Top 10 investments



Ten Largest Investments

- 01 Affluence LIC Fund
- 02 Affluence Income Trust
- 03 Samuel Terry Absolute Return Fund
- 04 Affluence Small Company Fund
- 05 Bronte Capital Amalthea Fund
- 06 Cromwell Phoenix Opportunities Fund
- 07 Totus Capital Alpha Fund
- 08 Arnott Opportunities Trust
- 09 Cromwell Phoenix Global Opportunities Fund
- 10 Pzena Emerging Markets Value Fund

Themes reflected in the AIF portfolio

- **Higher for longer.** Value stocks will fare better with interest rates at more normal levels.
- **Valuation multiples.** Prices being paid for large, quality stocks are excessive. Be careful.
- **Inflation resurgence.** Government excesses will likely reignite inflation.

What we are excited about

Private Credit

Our fixed income investments are providing strong, consistent returns. Our expectation for structurally higher interest rates, and the opportunity in private credit, provide excellent risk adjusted return prospects.

LICs

The Affluence LIC Fund portfolio discount to NTA is approximately 25%, higher than it was at 31 March 2020. We believe this level of discount is likely to reduce, and the fund is well positioned to deliver excellent returns over the medium term.

REITs

We hold a range of small-mid sized ASX listed REITs trading at large discounts to NTA. Most are also paying healthy cash distributions. We believe valuations are bottoming, and many REIT prices can increase over time to be much closer to NTA.

Small Caps

Our equity investments have a mid/small/micro cap bias. Since 2022, large companies have materially outperformed smaller companies. We believe at some point this imbalance will mean revert, and small caps will outperform.

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Portfolio Examples

Here are just a few of the current fund investments.

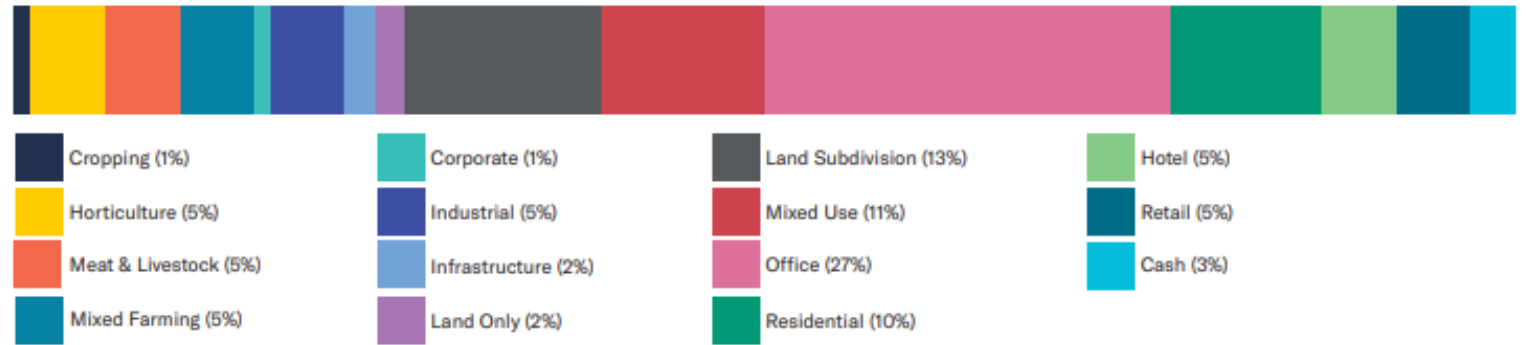
Merricks Capital

- Commercial real estate and agriculture loans.
- Very diverse Aus/NZ portfolio.
- Agriculture loans provide additional diversification.
- Unique hedging strategy against adverse credit conditions.
- Historic, and expected returns of 9-10% per annum.

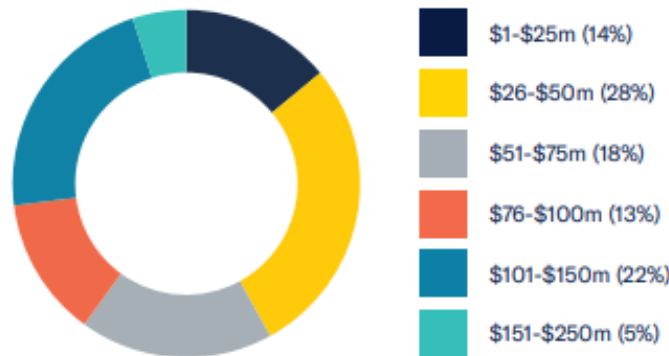
Investment Example: Fixed Income

Manager: Merricks Capital **Asset Class:** Real Estate Credit

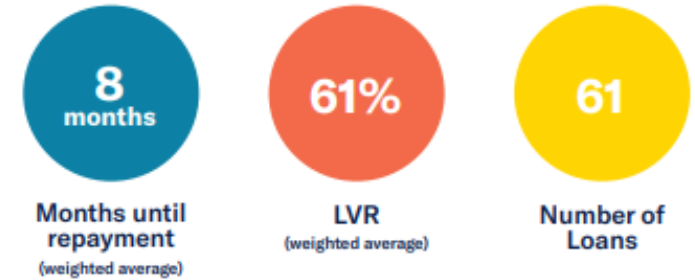
Investment Sub Strategy



Loan Size



Portfolio Characteristics



Sources: Merricks Capital

CD Funds (ASX: CD1/2/3)

- Good long term track record.
- US manager aligned and capable.
- Fixed term funds with eventual realisation.
- Trading at 30%+ discounts.
- The possibility of early portfolio sales could be a catalyst to reduce discounts sooner.

Investment Example: LIC *

Manager:	Cordish Family/K2
Asset Class:	US Private Equity

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.

Portfolio Composition	CD1	CD2	CD3
Underlying Fund Managers	9	12	13
Underlying Companies (at inception)	96	122	144
Total Realisations since inception	74	80	74
Total Remaining Portfolio Companies	20	32	64
Average Age of Remaining Companies	8.8 yrs	7.6 yrs	5.4 yrs

* Investment is held indirectly via the holding in the Affluence LIC Fund.

US Res Prop (ASX:URF)

- Hedge funds control register
- Quality US manager
- Sales program ramping up
- Potential for accelerated sale
- Trading at a discount
- Cash distributions will commence in 2025

Investment Example: Discount Capture

Manager: Internally managed REIT.

Asset Class: New York / New Jersey Apartments.

The ASX listed REIT owns a portfolio of US apartments which are being sold over time.



Tea Tree Opp. Trust

- Scentre (Westfield) + Barrenjoey.
- Acquired mid 2024 from a motivated seller.
- Distribution yield of 9%+ on purchase price.
- Cap rate at purchase 8.0% vs 5.4% in 2018.

Investment Example: Unlisted Property Fund

Manager:	Westfield / Barrenjoey
Property:	Tea Tree Plaza, Adelaide (50%).

This unlisted property fund was formed in 2024 to acquire a 50% interest in Adelaide's Tea Tree Plaza, with the balance owned by Scentre Group.



1 Tea Tree Plaza Main Centre

2 Tea Tree Plus

3 Modbury Hospital Health Precinct

4 Bus interchange with direct access to Adelaide CBD

Kiland

- Quality operators.
- Will be substantial sheep farming operation on completion.
- Carbon credit/Biochar potential.
- Potential to profit from other similar projects.

Investment Example: ESG/Private Equity

Manager: Kiland.

Asset Class: Kangaroo Island forestry.

Approximately 14,000ha of forestry assets on Kangaroo Island impacted by bushfires are being converted to agricultural land, with potential to generate carbon credits from production of biochar.



Affluence Investment Fund Summary

Multi asset, multi manager strategy

Access to the investment process used successfully for generations by family offices and endowment funds. Complements existing portfolios.

Strong returns, lower volatility

Returns since the Fund commenced have been superior to passive alternatives, with much lower volatility than equity markets.

Multi layered diversification

The Fund provides access to some exceptional investment managers and direct investments across a range of asset classes and investment strategies.

Attractive return prospects

Many markets remain expensive. Our value bias, discount capture focus and exposure to specialised strategies means we continue to find attractive opportunities.

Exclusivity and differentiation

Successful boutique managers are often hard to find, closed to new investors, limited to wholesale investors or have high minimum investment amounts.

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 if we reach investment capacity.

Regular income

Monthly distributions, targeting 5% per annum. Since commencing, the Fund has paid cash distributions of over 6% per annum, plus some franking credits.

A proven investment strategy, with access to a diversified mix of quality investment managers provides potential for attractive long-term returns.

Affluence Investment Fund key information

Fund	Affluence Investment Fund (ARSN 617 680 654 APIR AFX0001AU)
Strategy	Multi-asset, multi-manager, real return.
Fund Type	Registered Managed Investment Scheme (Australia, New Zealand).
Responsible Entity and Manager	Affluence Funds Management.
Key Investment Objectives	Total annualised returns of CPI + 5% over rolling 3 year periods. Monthly distributions of 5% per annum. Volatility less than half ASX200.
Suggested Investment Timeframe	Minimum 3 years.
Applications and Redemptions	Monthly (cut-off 25 th). Min. application \$20,000. Redemptions paid 10 days after EOM.
Distributions	Monthly (10 th of each month).
Custodian	Perpetual Corporate Trust Limited.
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 Funds also incur fees & costs – see PDS.
Buy/Sell Spread	+/- 0.25%.

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.
- Applications and withdrawals are accepted monthly.

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.

Thank you for your time



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