

# Affluence

## Now is the time to be contrarian

March 2025



**Invest  
Differently**

## Important

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Performance data for Affluence funds is calculated assuming the reinvestment of distributions and is expressed net of fees and costs, excluding the buy-sell spread. Returns for periods of more than 1 year are annualised. Past performance, including distributions, is not indicative of future performance. Any forecast or projected information, including financial, is not guaranteed and there is no guarantee of any distributions, any investment return or repayment of capital.

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

# 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
<b>Summary</b>	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.
<b>Asset class</b>	Fixed Income	Diversified	Predominantly Equities	Small Cap Equities
<b>Risk profile</b>	Low	Medium	Medium-High	High
<b>Return focus</b>	Income + Capital Preservation	Income + Capital Growth	Income + Capital Growth	Mostly Capital Growth
<b>Target total return *</b>	RBA Cash Rate + 3%	Inflation + 5%	ASX200 Accum. Index	ASX Small Ords Index
<b>Distribution payment frequency *</b>	Monthly	Monthly	Quarterly	Quarterly
<b>Suggested investment timeframe</b>	At least 1 year	At least 3 years	At least 3 years	At least 5 years
<b>Fund Status</b>	Open for investment	Open for investment	Open for investment	Open to wholesale & sophisticated investors
<b>Minimum investment</b>	\$20,000	\$20,000	\$20,000	\$20,000
<b>Applications and withdrawals</b>	Monthly, by the 25 <sup>th</sup> of each month.	Monthly, by the 25 <sup>th</sup> of each month.	Monthly, by the last business day.	Monthly, by the 25 <sup>th</sup> of each month.

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

# Affluence Funds are focused on investor outcomes

## ALL OUR FUNDS TARGET:

**Better than average returns:** over three years and longer.

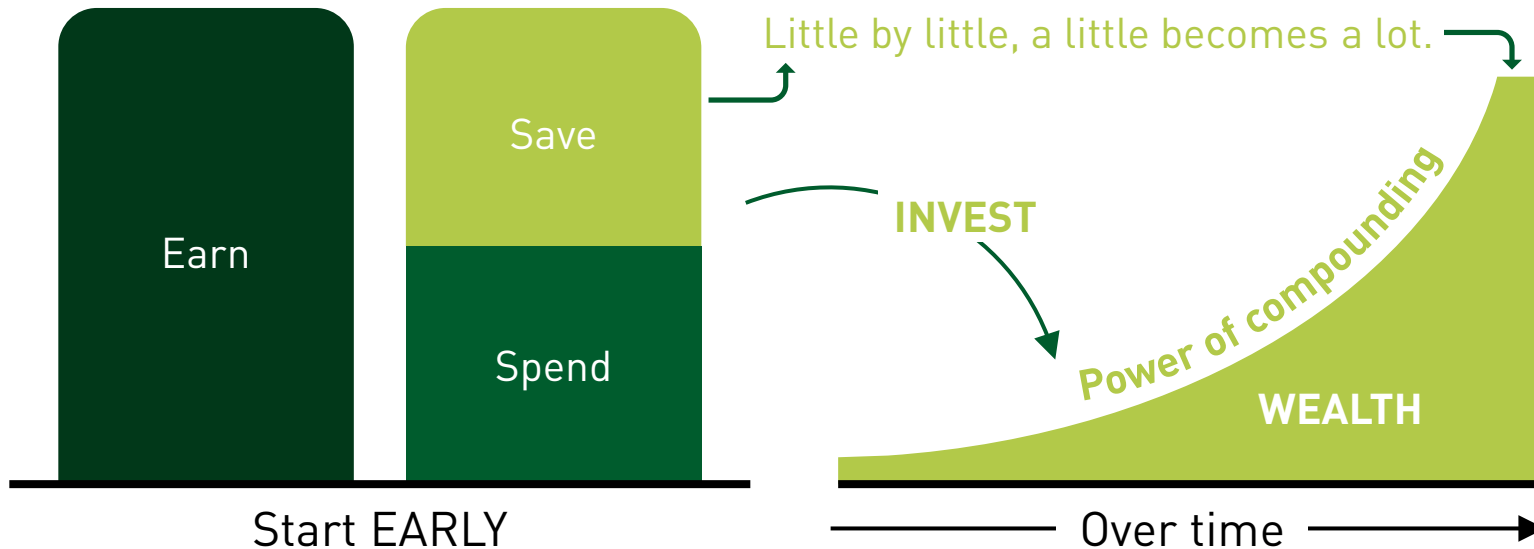
**Regular income:** at least 5% per annum, paid monthly or quarterly.

**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](http://www.safalniveshak.com)

# Why now is the time to be a contrarian.

## Perception.

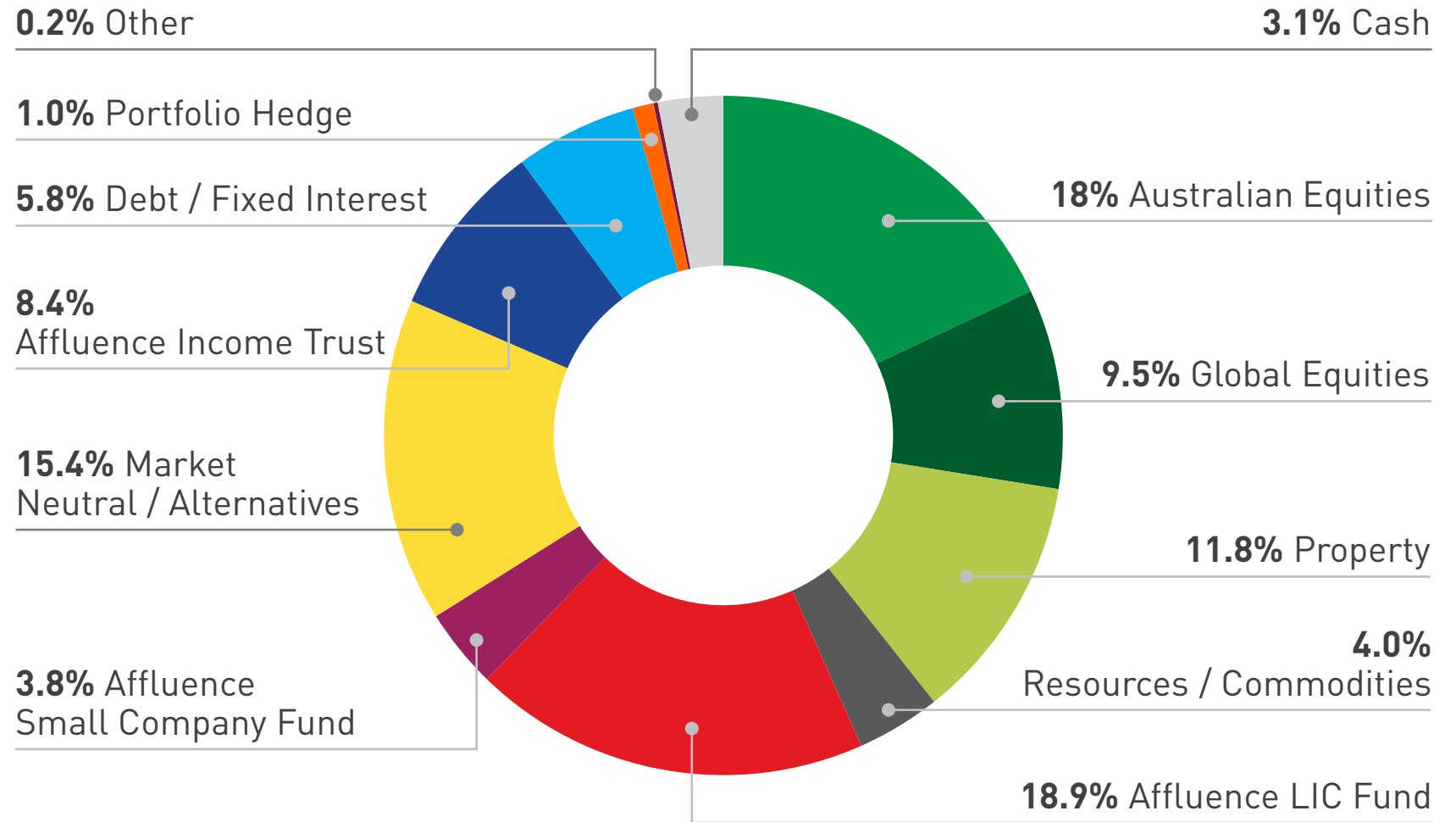
- Everything is expensive.
- US exceptionalism is worth paying for.
- You must have AI in your portfolio.
- Interest rates will fall quite a bit.
- Own quality stocks – it's worth it.
- Trump is unpredictable. Literally anything could happen.

## 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!

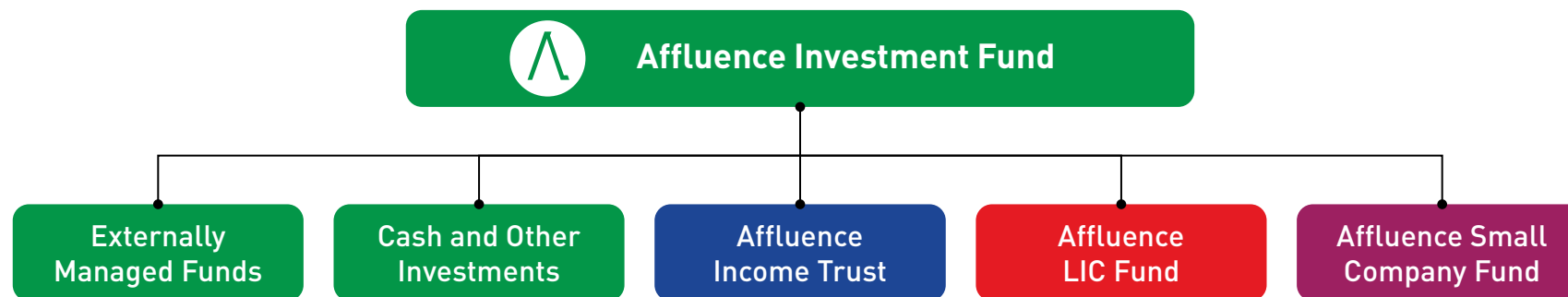
A blend of defensive and growth assets, with a strong value bias.

## 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.



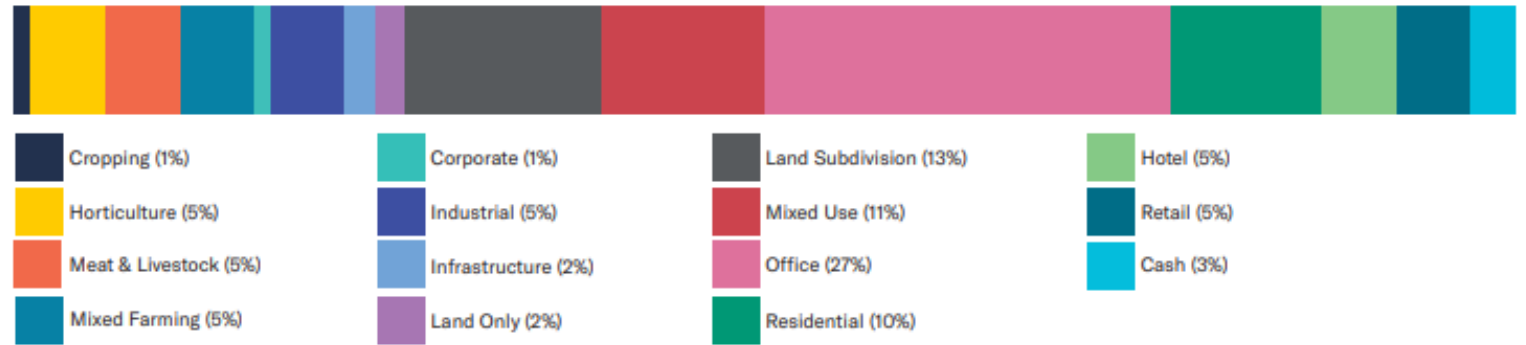
# Merricks Capital

- 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.

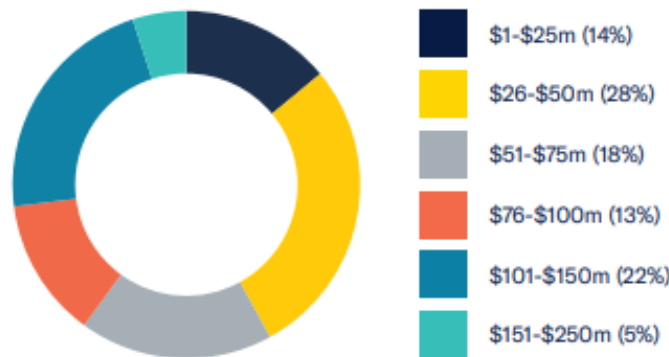
## Investment Example: Fixed Income

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

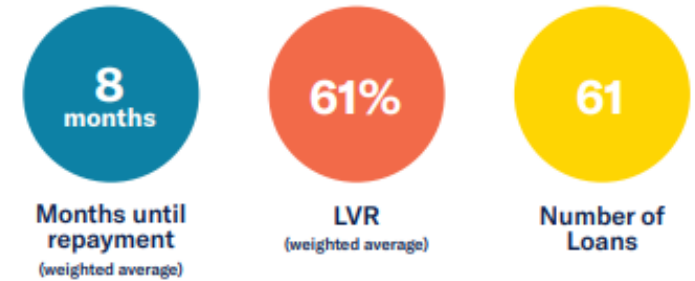
### Investment Sub Strategy



### 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 \*

<b>Manager:</b>	Cordish Family/K2
<b>Asset Class:</b>	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
<b>Underlying Fund Managers</b>	9	12	13
<b>Underlying Companies (at inception)</b>	96	122	144
<b>Total Realisations since inception</b>	74	80	74
<b>Total Remaining Portfolio Companies</b>	<b>20</b>	<b>32</b>	<b>64</b>
<b>Average Age of Remaining Companies</b>	<b>8.8 yrs</b>	<b>7.6 yrs</b>	<b>5.4 yrs</b>

\* 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

<b>Manager:</b>	Westfield / Barrenjoey
<b>Property:</b>	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.

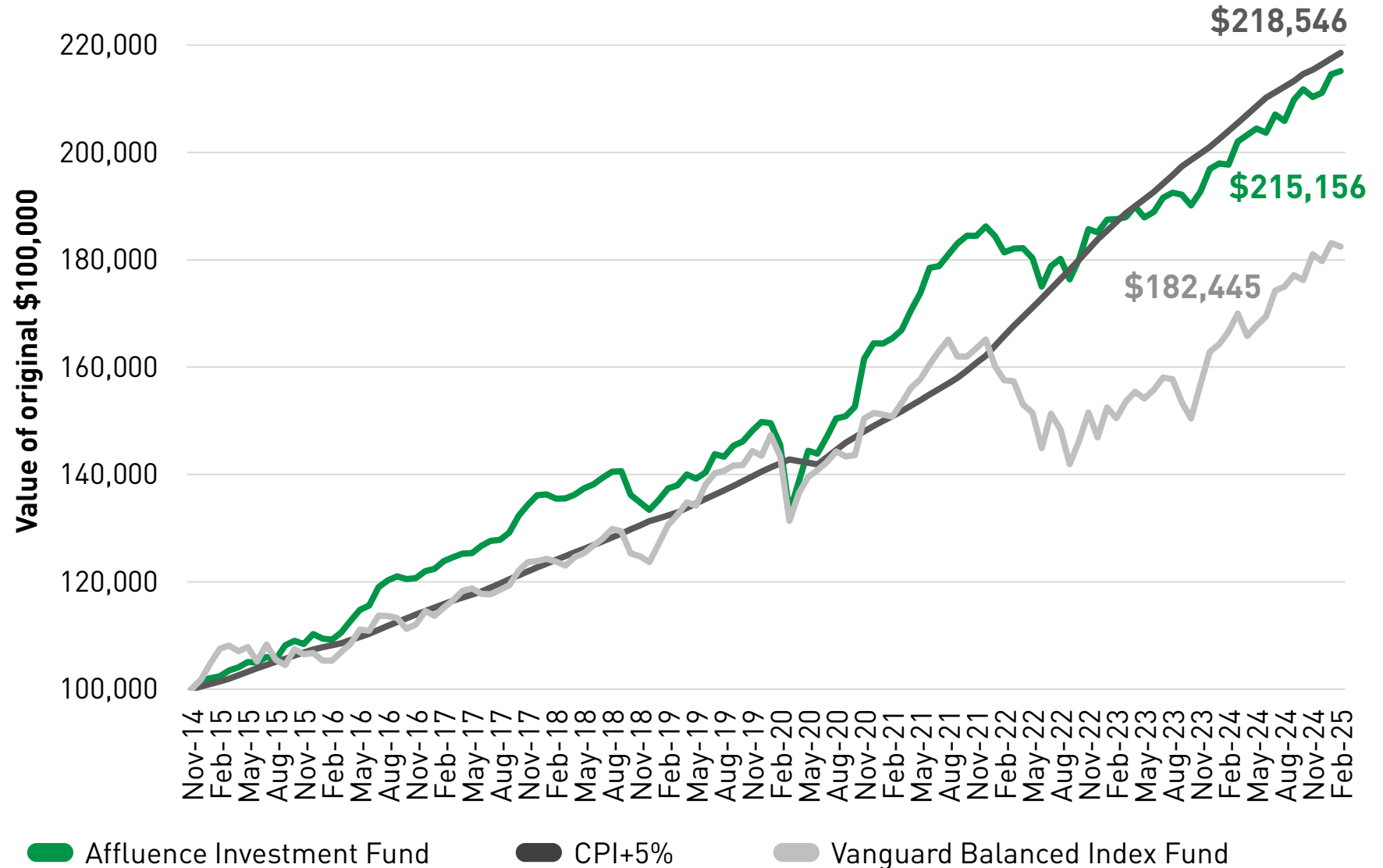


# Performance

- 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.

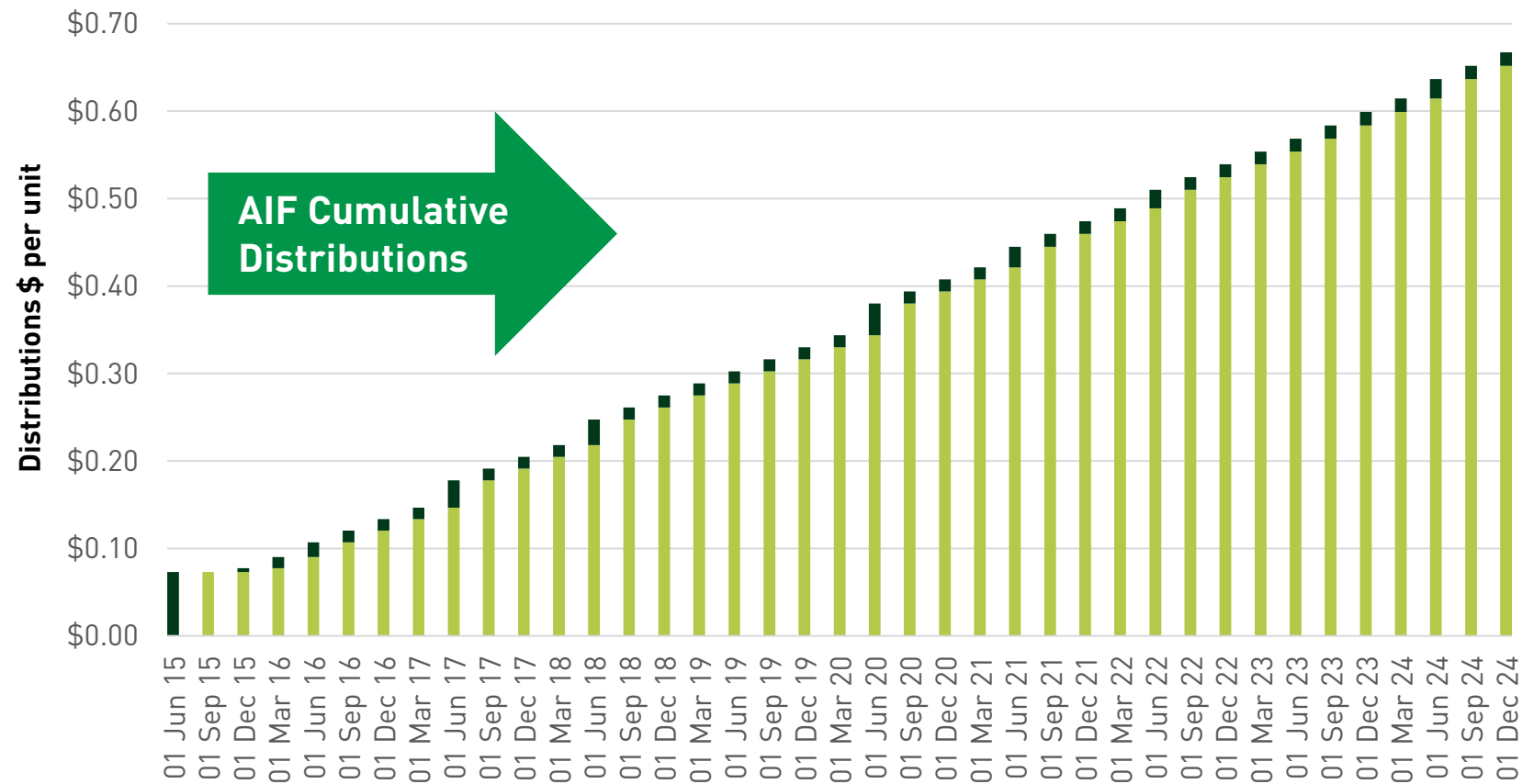
## Return on \$100,000 Investment\*



# 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.

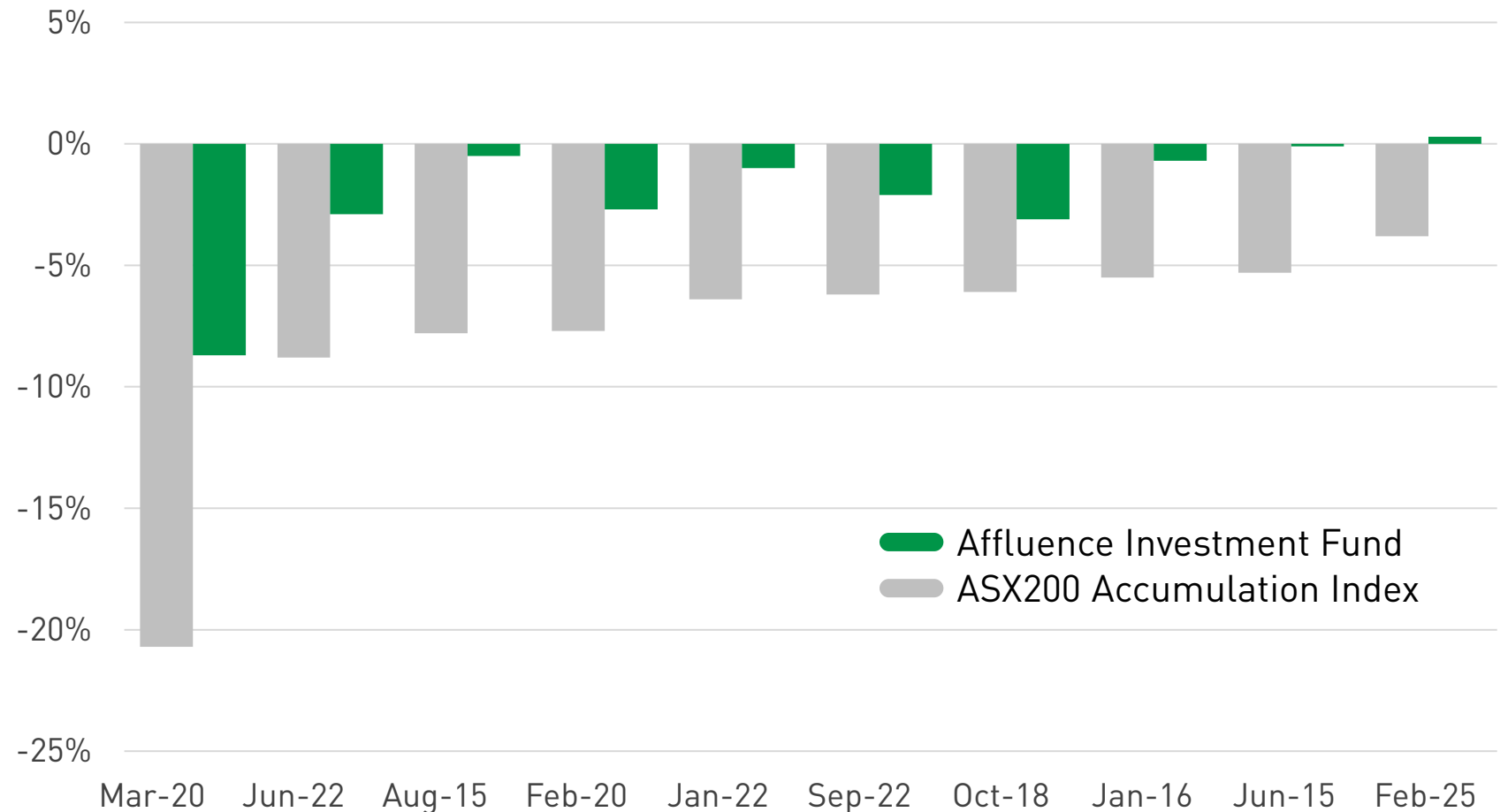




# The Fund has typically outperformed in down markets.

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%



# 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](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.

## 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.

# Affluence Investment Fund key information

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

# Thank you for your time



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