

# Affluence Small Company Fund

Wholesale investors only

May 2025



Invest  
Differently

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# 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

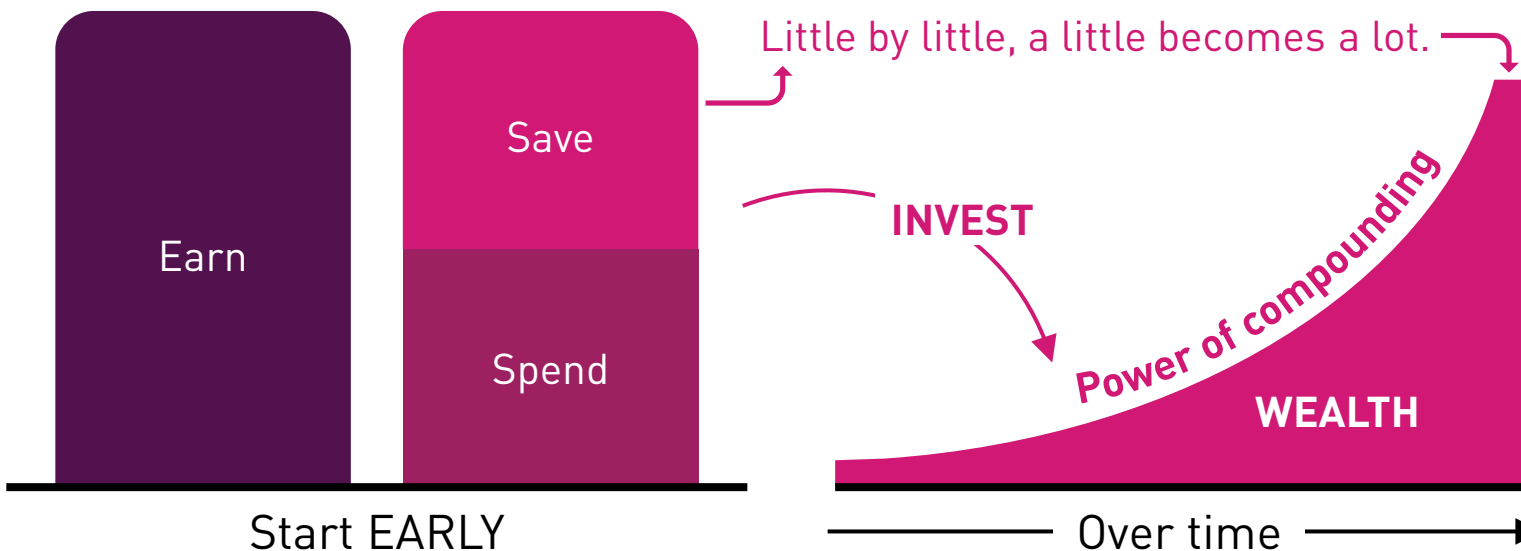
## ALL OUR FUNDS TARGET:

**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



Source: [www.safalniveshak.com](http://www.safalniveshak.com)

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.

# //// 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.

# 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.

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



# 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.

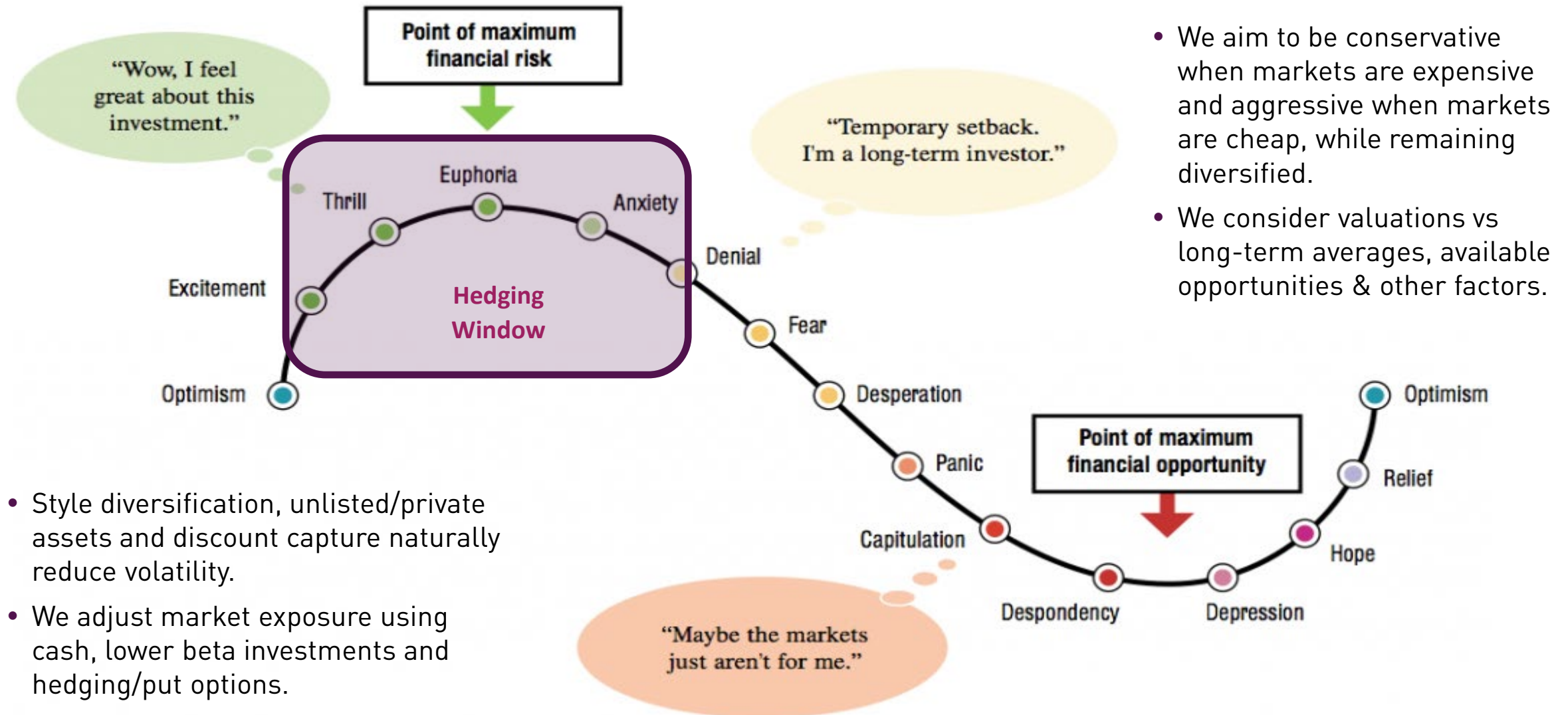
05

**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





# //// Affluence Funds Performance

Returns to 31 March 2025	Asset Class	1 Year	3 Years	5 Years	7 Years	Inception
<b>Affluence Income Trust</b>	<b>Fixed Income</b>	<b>7.5%</b>				<b>7.8%</b>
RBA Cash Rate +3%	Cash +3%	7.3%				7.3%
<b>Affluence Investment Fund</b>	<b>Diversified</b>	<b>6.3%</b>	<b>5.7%</b>	<b>10.1%</b>	<b>6.8%</b>	<b>7.7%</b>
Vanguard Balanced Index Fund	Diversified	5.1%	4.3%	6.3%	5.5%	5.8%
CPI + 5%	Benchmark	6.9%	9.4%	9.0%	8.4%	7.9%
<b>Affluence LIC Fund</b>	<b>Equities</b>	<b>6.7%</b>	<b>6.0%</b>	<b>14.6%</b>	<b>10.4%</b>	<b>10.7%</b>
ASX200 Acc. Index	Equities	2.8%	5.6%	13.2%	8.6%	8.9%
Vanguard Growth Index Fund	Diversified	5.8%	6.1%	9.4%	7.3%	7.6%
<b>Affluence Small Coys Fund</b>	<b>Small Equities</b>	<b>7.9%</b>	<b>6.0%</b>	<b>16.6%</b>	<b>8.6%</b>	<b>8.7%</b>
ASX Small Ords Acc. Index	Small Equities	-1.3%	-0.8%	10.2%	4.5%	6.3%

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

## Affluence Small Company Fund

**The Fund invests directly and indirectly in a wide range of ASX small caps.**

With a strong value bias, the Fund has significantly outperformed the Small Ords Index. We believe there is exceptional opportunity embedded in the current portfolio.

# //// The what, why and how of small companies

## What

### What are Small Companies?

- We define Small Companies as ASX listed equities outside the S&P/ASX 100 Index.
- Market values of Small Companies range from less than \$20 million to \$1 billion plus.
- Smaller does not mean low quality. There are some exceptional companies in the sector.

## Why

### Why invest in Small Companies?

- Opportunities. There are over 2,000 companies and limited research. This can make it easier for talented specialist investment managers to find mispriced bargains.
- Winning in two ways. There is more opportunity for smaller companies to be able to grow their earnings. As they grow, price/earnings multiples can also grow.
- Greater diversification. The ASX 200 is overly concentrated. Small Companies provide greater choice.

## How

### Small Company prices can be more volatile and fall more in market downturns, so:

- We use several strategies with the aim to limit drawdowns and reduce volatility.
- These strategies include varying cash levels, manager diversification, discount capture and having the ability to hedge.

# How ASF is different to other small company funds

**Instant small company diversification via a wide range of managers and investment styles.**

## **Ability to access a range of managers not necessarily available directly:**

- ASF can invest in retail and wholesale funds, LICs, SMAs and direct mandates.
- Some managers impose a high minimum or are only available to “institutional” investors.
- Some managers are soft/hard closed and no longer accepting new investors.

## **Several additional ways to add value:**

- An allocation to emerging managers, which tend to do well in early years.
- An allocation to LICs for diversification and discount capture.
- Addition of direct holdings in specified areas of expertise.

## **Regular distributions:**

- ASF pays quarterly distributions and targets 5% per annum.

## **Targeting lower volatility than ASX Small Ords. Has delivered lower volatility than the ASX200:**

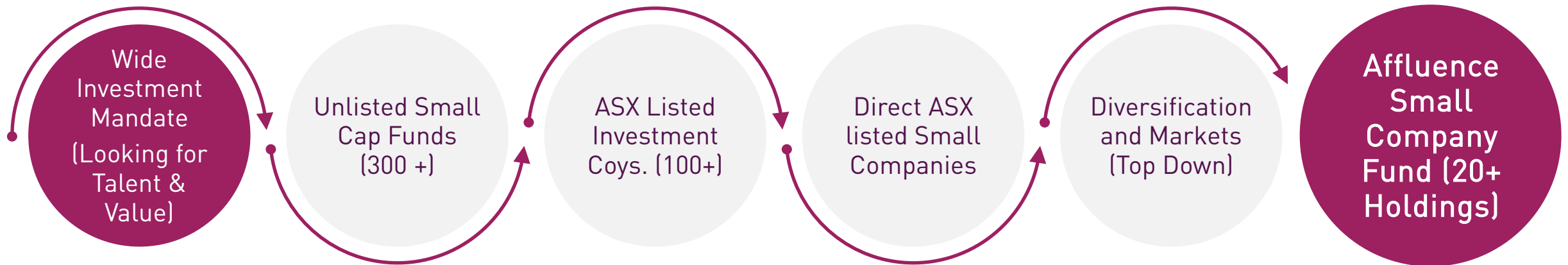
- Diversification by manager, asset allocation flexibility and ability to hold cash and hedge.

# How we construct the Affluence Small Company Fund portfolio

## We seek the best small cap opportunities regardless of structure:

- Unlisted managed funds (wholesale/retail) and mandates.
- ASX listed investment companies at discounts.
- Direct holdings in ASX listed small caps.

## We then overlay our views on market valuations and our diversification goals to produce a portfolio of 20+ small cap managers & other investments.



# Emerging small cap managers can provide additional alpha

## We specifically target some emerging Small Cap managers in the portfolio

- Often, these are teams who have previously worked together for a long period at a larger manager. In this case, the prior track record can be quite relevant.
- Accessing these managers before they get “discovered” can be lucrative.
- In some cases, we can also access preferential fee deals.
- Our due diligence is heavily focused on prior track record for the team, including any changes to the investment strategy/opportunity set/operating environment/risk controls.

## Better alpha with less FUM

- Many boutique managers outperform the most in their early years.
- This additional alpha is predominantly due to lower FUM.
- The “emerging manager advantage” is especially pronounced for small cap managers.
- Frustratingly for many investors, it can be difficult to find/access these managers early.





# Access to managers that are no longer accepting new investors

**Many small cap managers soft close early, meaning no access for new investors.**

- Allows existing investors to continue to build a position.
- Rewards early supporters and ensures capacity is limited.
- Investors can access these opportunities via ASF.

**Hard closed funds are also accessible via ASF.**

- Though we can't add to these, ASF investors still get exposure to the existing holding.
- We can also often get preferred status, or prior notice if hard closed funds reopen.
- Typically funds that reopen only do so for short periods. Need to be able to react quickly.



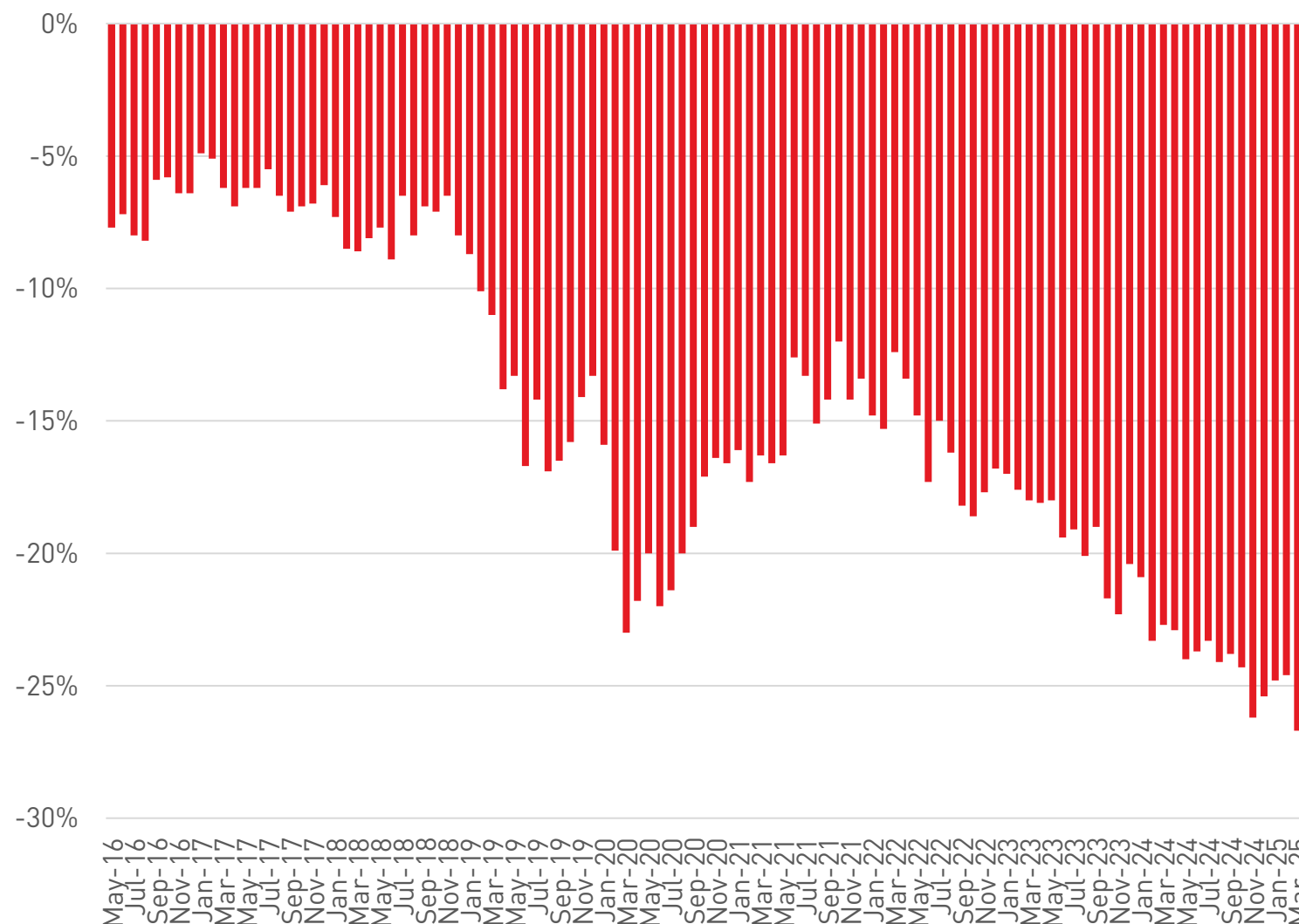
● ● ● Phoenix Portfolios



# How LICs enhance the portfolio

- Access to managers not available through any other structure (e.g., Cordish, Thorney, Lion)
- Buying LICs at a discount to NTA and seeking to profit from discount capture
- LIC discounts are currently well above average. Mean reversion can add value.

## Affluence LIC Fund Portfolio - Discount to NTA History



# How direct investments enhance the portfolio.

Direct investments generally meet three criteria:

- Ideas drawn from key holdings of Small Company Managers and other Affluence funds.
- They must be within our circle of competence. This includes REITs, agricultural businesses, fund managers, discount asset plays and simple operating businesses.
- They must enhance the return prospects of the Fund. Targeting returns of at least 15%pa over a 3-year investment period for these holdings.

## Current examples:

### **Kiland:**

Forestry plantation impacted by 2020 bushfires. Being converted to farmland. Several potential sources of upside.

### **Emeco:**

Listed mining services business, which can significantly grow earnings. Significant discount to NAV, attractive PE ratio + growth.

### **GDI Property:**

Listed REIT, including a portfolio of mostly Perth office property. Significant discount to NTA, growing earnings and minimal near term lease expiries.

### **US Residential:**

Listed REIT that owns residential houses in New York/New Jersey. Significant discount to NTA. Portfolio being sold over time, and capital being returned under the watchful eye of several major shareholders.

### **Iluka Resources:**

Mineral sands and rare earths producer with significant inventory. Building an Australian rare earths processing plant with potential for significant strategic value.

# 03

## Performance

# Affluence Small Company Fund performance

To 30 April 2025	3 Months	1 Year	3 Years	5 Years	7 Years	Inception
Distributions	1.2%	5.1%	6.6%	8.0%	7.5%	6.6%
Change in Unit Price (Capital Growth)	-4.6%	0.8%	-0.6%	6.5%	1.2%	2.0%
<b>Affluence Small Company Fund Total Return</b>	<b>-3.4%</b>	<b>6.0%</b>	<b>6.1%</b>	<b>14.5%</b>	<b>8.6%</b>	<b>8.6%</b>
ASX200 Small Ordinaries Index (All)	-4.6%	3.7%	0.3%	7.7%	4.4%	6.5%
<b>Performance compared to Small Ords Index</b>	<b>1.2%</b>	<b>2.2%</b>	<b>5.8%</b>	<b>6.8%</b>	<b>4.3%</b>	<b>2.1%</b>

Fund Objective	Result	To 30 April 2025
<b>Total annualised returns in excess of the ASX Small Ords Accum. Index over rolling 3 year periods</b>	✓	The Fund has returned 6.1% pa, exceeding returns from the ASX All Ords by 5.8% pa. Adding LICs & direct holdings since 2019 has significantly enhanced performance.
<b>Access to a diversified portfolio of predominantly ASX Small Companies</b>	✓	The Fund holds Small Company Funds, LIC's and direct holdings. Some exposure to other equity sectors and global small caps. Diversified by manager & structure.
<b>Deliver volatility of returns less than that of the ASX Small Ords</b>	✓	Since inception, volatility of returns for the Fund has been 10.5% compared to the ASX Small Ords at 17.3%.
<b>Minimum distribution yield of 5% per annum, paid quarterly.</b>	✓	Distributions have averaged 6.6% pa since inception plus some franking credits. Distributions are paid quarterly and reinvestment is available.

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/asf/](http://www.affluencefunds.com.au/asf/).

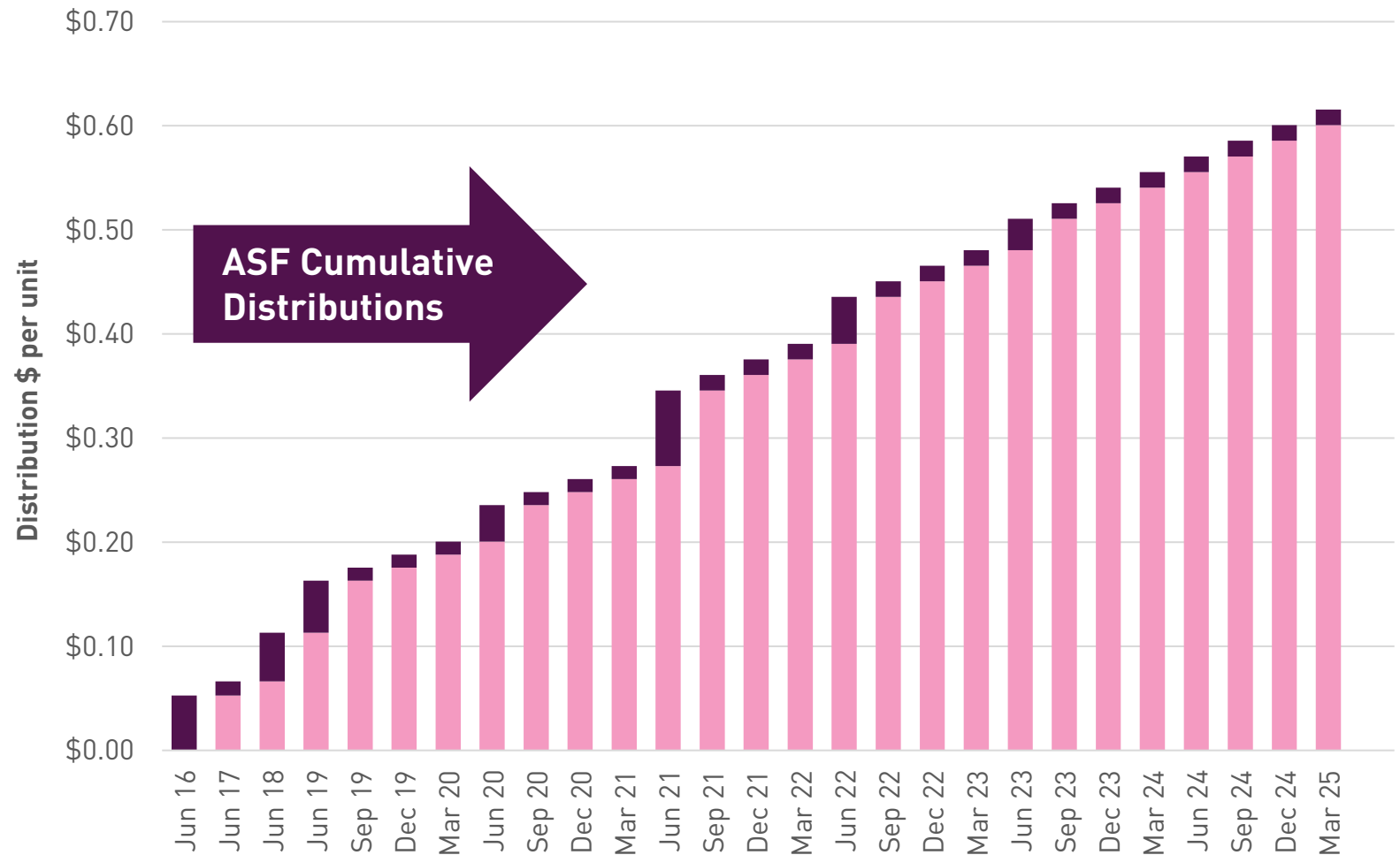
# Regular distributions are important for many investors

**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.

**The Fund has exceeded this objective historically.**

- Since inception, the Fund has paid cash distributions averaging 6.6% per annum.
- Franking credits from underlying investments are also passed through in full at the end of each tax year. These have typically added an additional 0.5% to 1.0% per annum.

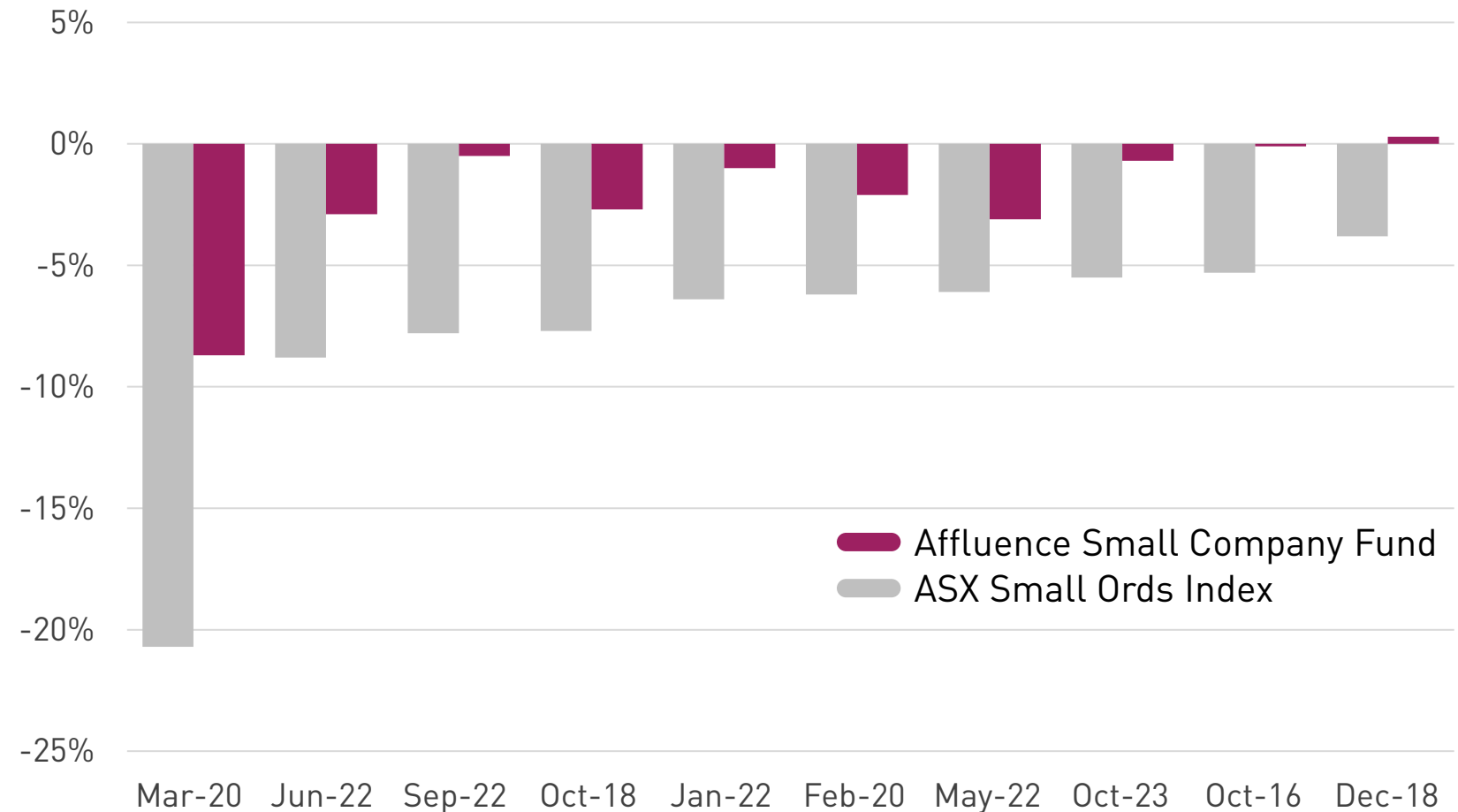




# ////// The Fund has typically outperformed in down markets.

ASF has outperformed in all 10 worst months for the Small Ords since inception

ASF Returns	8.6%
ASF Volatility	8.4%
ASF Sharpe Ratio	0.6
ASF Sortino Ratio	1.2
Correlation to Small Ords	0.86
ASF Positive Months	60%
ASF Small Ords Returns	6.5%pa
ASF Small Ords Volatility	17.3%
Beta vs Small Ords	0.52
Down Capture vs Small Ords	34%



# 04

## Current Portfolio

# Key portfolio holdings

The best of all small caps, regardless of structure.

## Unlisted Funds

Phoenix Global Opportunities Fund

Samuel Terry Absolute Return Fund

Glenmore Australian Equity Fund

Phoenix Opportunities Fund

Terra Capital Natural Resources Fund

## LICs

CD Funds I, II, III

WAM Alternative Assets

NGE Capital Limited

Lowell Resources

Ryder Capital

## Direct Investments

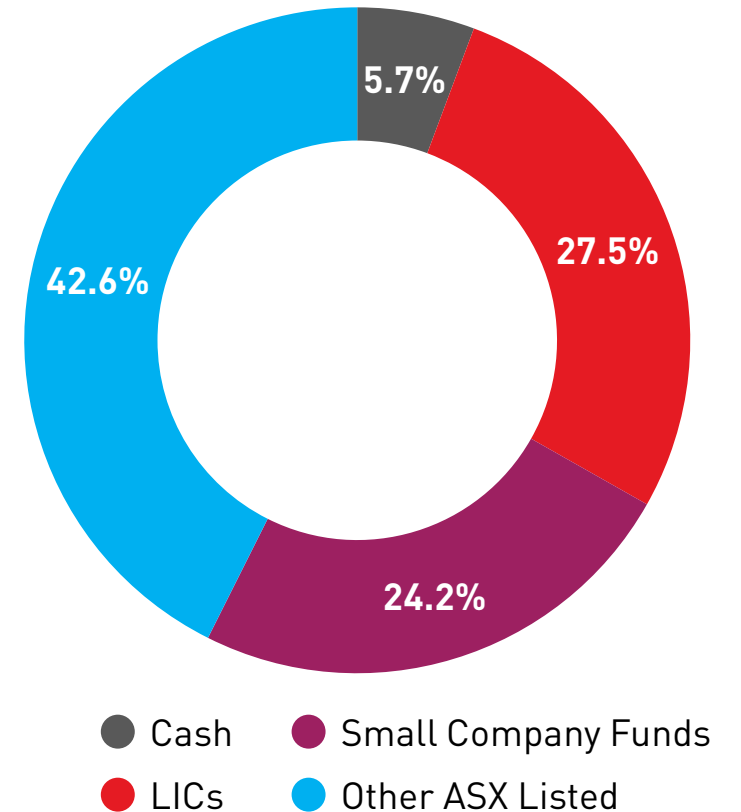
Emeco

GDI Property

US Residential Fund

Kiland

Duxton Farms



# 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!

# Themes reflected in the ASF portfolio

- **Higher for longer.** Value stocks will fare better with interest rates at more normal levels.
- **Valuation multiples.** Valuation multiples for small and micro cap value companies appear near cyclical lows, while prices being paid for large, quality stocks are excessive.
- **Inflation resurgence.** Government excesses and tariffs may reignite inflation over time.

## What we are excited about

### Micro Caps

Our investments have a micro cap bias. Since early 2022, large companies have materially outperformed smaller companies. We believe at some point this imbalance will mean revert, and micro caps will outperform, as we saw happen in the March quarter.

### LICs

LIC discounts to NTA are at cyclical highs, and significantly larger than usual. A reduction in discounts over time can enhance returns. In addition, valuations for many LIC portfolios are very attractive, providing a potential double benefit.

### 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.

### Corporate Activity

Our direct holdings have already benefited from takeover activity in the past 12 months. We expect this to continue. Small and micro cap companies are trading at prices which are extremely attractive for strategic shareholders, competitors and offshore investors.

# Cromwell Phoenix Opportunities Fund

- A 13 year + track record of exceptional returns.
- ASX microcap fund, with a focus on discount capture situations.
- Closed to new investment – not available to invest directly.
- Strong investment team with long tenure.
- Paired with a second fund from the same manager that pursues the same strategy globally.

## Investment Example: Unlisted Manager

<b>Manager:</b>	Phoenix Portfolios	<b>Asset Class:</b>	ASX micro caps
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This microcap discount capture specialist has been a core investment since inception of ASF.

### PERFORMANCE

	1 Year	3 years	5 years	Inception (Dec-11)
<b>Fund Performance</b>				
After fees & costs, inclusive of the value of franking credits	13.7%	6.4%	21.0%	17.4%
<b>Fund Performance</b>				
After fees & costs, excluding the value of franking credits	12.6%	4.5%	18.8%	15.6%
<b>Benchmark</b>				
S&P/ASX Small Ordinaries Accumulation Index	(1.3%)	(0.8%)	10.2%	5.2%

Past performance is not a reliable indicator of future performance.

Source: Phoenix Portfolios



# CD Funds (ASX: CD1, CD2, CD3)

- 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: LICs

**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

# Emeco (ASX:EHL)

- One of the larger direct investments in the portfolio.
- Growing earnings.
- Trading on a PE ratio of >7.
- Quality management team.
- Large strategic shareholder.
- Debt being reduced.
- Refinance in 1-2 years a key potential catalyst for re-rating.
- Likely takeover target in time.

## Investment Example: Direct holding.

**Industry:** Mining services.

**Market Cap:** \$400m

This ASX listed mining services and equipment hire company has a large and growing client base and has delivered increases in profit for a number of years. The in house equipment maintenance and refurbishment business is a key differentiator.





Affluence  
SMALL COMPANY FUND

05

Summary

# //// The Affluence Small Company Fund Summary

01

## **A specialised focus**

An actively managed portfolio of Small Company funds, LICs and direct holdings that can complement your other equity investments.

02

## **Quality and diversity**

The Affluence Small Company Fund portfolio includes some of Australia's best small cap fund managers, using a range of investment strategies, many of which are no longer accepting new clients.

03

## **An extra way to add value**

Targeting some emerging small cap managers, which can outperform in their early years. Discount capture via LICs and direct holdings.

04

## **Regular income**

Quarterly distributions, targeting a minimum 5% per annum. Since commencing, the Fund has paid cash distributions of 6.8% per annum, plus some franking credits.

05

## **Strong returns, lower volatility**

Returns since the Fund commenced have averaged 9.3% per annum. Volatility has been lower than both the Small Ords and ASX200.

06

## **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.

# //// Affluence Small Company Fund – Key Information

Fund	Affluence Small Company Fund (APIR AFX0240AU)
Strategy	ASX Small Companies (excludes ASX100).
Fund Type	Unlisted Wholesale Fund.
Eligible Investors	Open to Wholesale and Sophisticated Investors in Australia.
Trustee and Investment Manager	Affluence Funds Management.
Key Investment Objectives	Exceed ASX Small Ords Accum. Index return over 5 year periods.
Suggested Investment Timeframe	At least 5 years.
Applications and Redemptions	Monthly (cut-off 25 <sup>th</sup> ). Minimum application \$20,000. Redemptions paid 10 days after EOM.
Distributions	Quarterly. Target 5% per annum. Distributions are not guaranteed.
Registry	Registry Direct.
Audit	Pitcher Partners.
Legal	Hall & Wilcox.
Fees & Costs	Affluence charge no fixed fee. Costs capped at 0.25% of net assets. Performance fee of 12.5% of positive returns, with high water mark. Fees & costs are also payable to underlying managers – see PDS.
Buy / Sell Spread	+/- 0.35%

# 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.

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# Thank you for your time



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