



Affluence LIC Fund

Product Disclosure Statement

Dated 30 September 2022 | APIR AFX6930AU | ARSN 634 532 424

Issued By Affluence Funds Management Limited

ABN 68 604 406 297 | AFSL 475940

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Contact Us

For the answer to any questions you have regarding this Fund, please contact your financial adviser or Affluence Funds Management Limited.

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Important Notice and Disclaimer

About this document

This product disclosure statement ("PDS") is dated 30 September 2022 and issued by Affluence Funds Management Limited ABN 68 604 406 297 ("we, us, our, AFM or Responsible Entity"). Affluence is the responsible entity and investment manager for the Affluence LIC Fund ("the Fund") and holds Australian financial services licence no. 475940.

You should read this PDS in full before making an investment decision.

This PDS relates to the offer of units in the Fund. This PDS has not been lodged with ASIC and is not required by the Corporations Act to be lodged with ASIC. AFM will notify ASIC that this PDS is in use in accordance with section 1015D of the Corporations Act. ASIC takes no responsibility for the contents of this PDS.

No one is authorised to provide any information or to make any representation about the offer which is not contained in this PDS. No such information or representation may be relied on as having been authorised by us.

An electronic version of this PDS is available on our website at www.affluencefunds.com.au/alf/. If you have received this PDS electronically and would like a paper copy, AFM will provide one to you free of charge upon request. Contact AFM by calling 1300 233 583 or e-mailing invest@affluencefunds.com.au.

Throughout this PDS certain defined terms are used. Defined terms appear in the glossary in Section 11 of this PDS.

In this PDS, an administration service or an investor directed portfolio service such as a wrap account, master trust or nominee service is referred to as an "IDPS". AFM consents to the use of this PDS by IDPS operators that include the Fund on their investment menu.

Updated information

Further information on AFM and the Fund is available on our website at www.affluencefunds.com.au. Where this PDS indicates certain information is available on our website, we recommend you view that information before making a decision whether to invest.

No representation or warranty, expressed or implied, is given by AFM or any other person as to the accuracy, reliability or completeness of the information contained in this PDS.

The information in this PDS is up to date at the time of preparation. However, some information can change from time to time. If the change is materially adverse to the offer and the offer is still open, then in accordance with the Corporations Act, we will issue a supplementary PDS. If the change is not materially adverse to the offer, then a supplementary PDS will not be issued. Updated information will be available on our website at www.affluencefunds.com.au/alf/. A paper copy of any updated information will be provided to you by AFM free of charge upon request.

Continuous disclosure

In accordance with ASIC Regulatory Guide 198 "Unlisted disclosing entities: Continuous disclosure obligations", AFM advises that it will fulfil its continuous disclosure requirements by way of website disclosure which complies with ASIC's good practice guidance. Investors may access material information regarding the Fund on our website at www.affluencefunds.com.au/alf/. Copies of documents lodged with ASIC in relation to the Fund may be obtained from, or inspected at, an ASIC office.

No investment advice or recommendation

The Responsible Entity is not authorised to give any personal financial product advice. This PDS contains important information; however, it does not consider your personal investment objectives, financial situation, or needs. Accordingly, before you invest, you should read this PDS, any supplementary PDS and website updates carefully and in their entirety. If you consider it necessary or appropriate, you should also obtain independent financial and taxation advice about whether an investment in the Fund is suitable for you.

No performance guarantee

Neither AFM, the Custodian, nor any of their associates or directors, guarantee the performance or success of the Fund, the repayment of capital, or any particular rate of capital or distribution return.

Investment risks

This PDS provides important information for you to decide if you wish to invest in the Fund and should be read in its entirety. An investment in the Fund is subject to investment and other risks including those specific risks set out in Section 5. The risk factors should be examined carefully before investing in the Fund.

Custodian

The Custodian is not the issuer of this PDS and has not prepared this PDS. The Custodian has no supervisory role in relation to the operation of the Fund and is not responsible for protecting your interests. The Custodian has no liability or responsibility to you for any act done or omissions made in accordance with the terms of the agreements appointing it, nor does the Custodian guarantee the return of any investment in the Fund.

Taxation considerations

The taxation considerations in this PDS are general and based on present taxation laws, rulings and their interpretation as at the date of this PDS. You should seek independent

professional tax advice before making any decision based on this information.

Availability of offer

The offer under this PDS is available to persons receiving this PDS within Australia and New Zealand. This PDS does not constitute and should not be construed as an offer, invitation or recommendation by AFM to apply for units in any other state, country, or jurisdiction where such offer, invitation or recommendation may not be lawfully made.

If this offer is being made to you in New Zealand, then at the same time you are provided with a copy of this offer document, it must be accompanied by a warning statement prepared in accordance with the relevant New Zealand legislation, being the Financial Markets Conduct Act 2013 and Financial Market Conduct Regulations 2014.

Warning statement for New Zealand investors

1. This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 (Aust) and the regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.
2. This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 (Aust) and the regulations made under that Act set out how the offer must be made.
3. There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.
4. The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.
5. Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Financial Markets Authority, New Zealand (www.fma.govt.nz). The Australian and New Zealand regulators will work together to settle your complaint.
6. The taxation treatment of Australian financial products is not the same as for New Zealand financial products.
7. If you are uncertain about whether this investment is appropriate for you, you should seek the advice of a financial advice provider.
8. The offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.
9. If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.
10. The dispute resolution process described in this offer document is available only in Australia and is not available in New Zealand.

Welcome

Thank you for your interest in the Affluence LIC Fund.

A Listed Investment Company (LIC) is a specialised type of investing fund. They pool together shareholders' money and invest it under an approved investment strategy. There are approximately 100 LICs currently listed on the Australian Securities Exchange (ASX), with a total market capitalisation of more than \$50 billion at the date of this PDS. Investments in LICs most commonly provide exposure to a basket of underlying shares listed on Australian or international stock markets, although there are some specialist LICs that provide exposure to other asset classes.

Despite the large size of the LIC sector, there is relatively limited attention from institutional researchers and professional investment managers. This can provide more opportunities for mispricing than in other areas of the stock market. In addition, some quality investment managers can only be accessed through LICs.

Through the Affluence LIC Fund, we seek to take advantage of the opportunities available in the LIC sector. The Fund aims to outperform the ASX 200 Accumulation Index (ASX 200 Index) over rolling 3 year periods and provide a minimum distribution yield of 5% per annum, paid quarterly. This is a target only and returns from the Fund are not guaranteed.

The Fund invests in LICs in a way which we believe balances maximum returns with low volatility. The Fund aims to invest in LICs that meet one or more of the following criteria:

- Alpha Generators – LICs that can outperform the market.
- Discount Capture – LICs trading at attractive discounts to NTA.
- Event Driven – special situations such as IPOs, capital raisings and other corporate activities.

Through these LICs, the Fund provides access to Australian and global equities as well as some exposure to other asset classes. These LICs use a broad range of investment styles and investment strategies.

The Fund aims to deliver returns with volatility which is significantly less than the ASX 200 Index, measured over rolling 3 year periods. We seek to achieve this through sector diversification and investing with many different managers using various investment

strategies. We may also elect to put portfolio protection measures in place at times if we feel markets are substantially overvalued.

The Fund's investment philosophy is designed around our core investment values:


- To achieve better than average results, you must invest differently.
- Value investing can deliver excellent long-term returns.
- Investing in markets where there is less competition makes it easier to achieve above-average results.
- Being aware of long-term cycles and seeking to time investments can significantly improve performance.
- A focus on lowering the volatility of returns through diversification provides comfort for investors.
- Long-term success requires a long-term focus, which in turn requires patience and discipline.

We charge no up-front or ongoing fixed fees for managing the Fund. Instead, we only charge a performance fee, based on the total returns of the Fund. In addition, we bear any administration costs of the Fund above 0.25% of the net asset value of the Fund per annum. The managers of the LICs we invest with also charge fees for their services, which are not charged directly to you or the Fund but are reflected in the performance of the Fund's investments.

Like any investment, there are risks associated with investing in the Fund and which may result in a loss of capital. Please refer to Section 5 for a detailed overview of the risks of investing in the Fund.

If you are a patient investor with a long-term focus, we encourage you to consider investing alongside us in the Affluence LIC Fund. In doing so, please read this PDS carefully and consult your financial or other adviser if you have one, to ensure the Fund is appropriate for your objectives, financial situation and needs.

Yours faithfully,



Daryl Wilson
Portfolio Manager



Greg Lander
Portfolio Manager

1. Key Features

The table below provides a summary of the key features of the Fund. It is not intended to be exhaustive. For more detailed information, refer to the relevant Section of the PDS. You should read this PDS in its entirety to make an informed decision about whether to invest in the Fund.

Feature	Summary	Section
Fund	The Affluence LIC Fund is a registered managed investment scheme. ARSN 634 532 424 ABN 52 848 325 376 APIR AFX6930AU	
Commencement Date	May 2016	
Responsible Entity and Investment Manager	Affluence Funds Management Limited (we, us, our, AFM or Affluence). ABN 68 604 406 297 AFSL 475940	3.2
Custodian	Perpetual Corporate Trust Limited	3.3.1
Investment Objective	<p>The Fund aims to provide you with:</p> <ul style="list-style-type: none"> • A total annualised return (distributions plus increase in Unit Price) after all fees and costs in excess of the ASX 200 Index over rolling 3 year periods. • Access to a diversified portfolio of predominantly equity based investments. • Volatility of returns which is significantly less than the ASX 200 Index, measured over rolling 3 year periods. • A minimum distribution yield of 5% per annum, paid quarterly. <p>The investment objective is a target only and returns from the Fund are not guaranteed and are subject to risks, including the risks disclosed at Section 5.</p>	4.1
Investment Strategy	<p>We typically invest in 20 to 35 LICs. We invest with them in a way which we believe balances maximum returns with low volatility.</p> <p>The Fund aims to invest in LICs that meet one or more of the following criteria:</p> <ul style="list-style-type: none"> • Alpha Generators – LICs that can outperform the market. • Discount Capture – LICs trading at attractive discounts to NTA. • Event Driven – special situations such as IPOs, capital raisings and other corporate activities. <p>Through LICs, the Fund provides access to Australian and global equities as well as some exposure to other asset classes. These LICs use a broad range of investment styles and investment strategies.</p>	4.3, 4.4

Feature	Summary	Section
Suggested Timeframe	You may wish to consider an investment in the Fund after consulting your financial or other adviser if you are a patient, long term investor with a potential investment timeframe of at least 5 years.	6.1
Benefits of Investing in the Fund	<p>In setting the Fund's investment objectives, we seek to provide you with an attractive combination of:</p> <ul style="list-style-type: none"> • Total returns which exceed that of the ASX 200 Index. • Access to a differentiated LIC investment strategy which may complement your existing investment portfolio. • Lower volatility than the ASX 200 Index, with a focus on outperforming the index when markets are declining. • Reasonable, consistent distributions paid frequently (to satisfy income needs). 	4.1
Investment Portfolio and Investment Limits	<p>The Fund is likely to hold 20 to 35 investments at any given time, but may hold more or less than this.</p> <p>The Fund predominantly invests in LICs (including LIC options) traded on the ASX and cash.</p> <p>The Fund may also invest in derivatives such as exchange traded index options from time to time for hedging purposes.</p> <p>The Fund has investment limits and other processes in place to help manage risk.</p>	4.5, 4.6
Key Risks of Investing in the Fund	<p>As with all investments, an investment in the Fund is subject to risks. If these risks eventuate, they may result in a reduction in the value of your investment in the Fund and/or a reduction or cessation of distributions. Distributions are not guaranteed, nor is the return of your capital.</p> <p>Key risks include concentration and volatility risk, economic and market risk, legal and regulatory risk, manager and key person risk and currency risk.</p> <p>AFM aims, where possible, to actively manage risks. However, some risks are outside our control.</p>	5
Reporting and Current Fund Information	<p>As an investor in the Fund, you will receive:</p> <ul style="list-style-type: none"> • A monthly Fund report. • Quarterly distribution advices and annual investment statements. • An annual statement to assist in preparing your tax return. <p>Fund reports, annual reports and other updates are published on the Fund's web page at www.affluencefunds.com.au/alf/.</p>	9.2

Feature	Summary	Section
Minimum Amounts ¹	<p>The following minimum amounts apply to direct investors in the Fund:</p> <p>A minimum initial investment of \$20,000.</p> <p>Minimum additional investments of \$1,000.</p> <p>A minimum withdrawal of \$10,000.</p> <p>A minimum balance of \$10,000.</p>	6.3, 6.4
Unit Price	Unit Prices are calculated monthly.	6.2
Monthly Applications	<p>The application cut-off date is the last Business Day of each month.</p> <p>Applications received on or prior to the last Business Day will be processed as at the first day of the following month.</p>	6.3.1
Cooling Off Period	A 14-day cooling off period applies to applications received from Retail Clients. During this period if you change your mind about your application, you may request in writing the return of your money.	6.3.4
Monthly Withdrawals	<p>The withdrawal cut-off date is the last Business Day of each month.</p> <p>Withdrawal requests received on or prior to the last Business Day will usually be paid to you approximately 10 days after the end of the month.</p> <p>In extreme cases, withdrawals may be limited or suspended.</p>	6.4
Distributions	<p>Distributions are paid quarterly (usually approximately 10 days after the end of the relevant quarter) and are able to be reinvested. Distributions will include an entitlement to any franking credits received by the Fund on its investments.</p> <p>If no option is chosen on the application form or no bank account details are provided for payment, distributions will be automatically reinvested. Distributions are not guaranteed, nor is the return of your capital.</p>	6.5

1. AFM reserves the right to vary minimum amounts. IDPS investors should contact their IDPS operators for minimum transaction balance requirements, reinvestment policies, fees and other costs.

Feature	Summary	Section
Management Fees and Costs ¹	<p>1.58% per annum of the NAV of the Fund, comprising 0.25% direct costs and 1.33% indirect fees and costs of LICs the Fund invests in.</p> <p>AFM does not charge a fixed ongoing fee for management of the Fund.</p> <p>Fees and costs of LICs are not paid by the Fund directly, but are reflected in the performance of the LICs the Fund invests in.</p>	7
Performance Fees ¹	<p>2.55% per annum of the NAV of the Fund, comprising 1.79% AFM performance fees and 0.76% LIC performance fees.</p> <p>AFM is entitled to receive a performance fee of 12.5% of any cumulative positive total returns delivered to investors in the Fund after recovery of any previous underperformance. The performance fee is calculated and paid monthly in arrears from the assets of the Fund.</p> <p>LIC performance fees vary by investment. They are not paid by the Fund directly, but are reflected in the performance of the LICs the Fund invests in.</p>	7
Transaction Costs ¹	<p>0.38% per annum of the NAV of the Fund, comprising 0.17% direct transaction costs and 0.21% indirect transaction costs of LICs.</p> <p>Transaction costs are net of amounts recovered by the buy/sell spread.</p> <p>Transaction costs of LICs are not paid by the Fund directly, but are reflected in the performance of the LICs.</p>	7
Buy/Sell Spread	<p>These costs are included in the relevant unit price and paid into the Fund when investing or withdrawing from the Fund</p> <p>A buy spread of 0.10% is added to the Unit Price for applications.</p> <p>A sell spread of 0.10% is subtracted from the Unit Price for withdrawals.</p>	6.2.3, 7.3.10
Entry/Exit Fees	There are no entry or exit fees.	

¹ Fees and costs are based on amounts paid in the previous financial year, or an average of the last five financial years for performance fees, and are subject to change. Actual fees and costs will depend on many factors, including the future performance of the Fund and investments respectively.

How to Invest







Apply online or use the Application Pack

You can apply online at www.affluencefunds.com.au/alf/.

OR

Complete the relevant forms in the Application Pack.

Application Instructions

	Read the PDS	You should read the PDS in full and assess, with or without a financial or other adviser, whether the Fund is appropriate for you, given your objectives, financial situation and needs. Application Forms are contained within the Application Pack which is provided with this PDS. Alternatively, forms may be obtained from www.affluencefunds.com.au/alf/ or by calling AFM on 1300 233 583.
	To add to an existing Fund investment	To add to an existing investment, complete the Application Form – Additional Investment.
	New investors complete the appropriate Application Form	If the applicant has not invested in the Fund previously, complete the Application Form - New Investment for the type of entity making the investment. Refer to the Application Pack for detailed instructions.
	New investors must provide Identification Information	If the applicant has not invested in an Affluence fund previously, they must provide the relevant Identification Information. Refer to the Application Pack for detailed instructions.
	Pay the investment amount by cheque or direct deposit	<div>Cheque</div> <div>Direct Deposit</div> <div>Cheques should be either Australian bank cheques or drawn on an Australian domiciled account in the name of the applicant. If you would like to make payment by direct deposit, instructions and bank account details can be found on the Application Form.</div>
	Send these items to us	Affluence Funds Management Limited GPO Box 112 Brisbane QLD 4001 OR invest@affluencefunds.com.au

Key dates¹

Cut off for applications/withdrawals	Last Business Day of each month
Unit pricing	Last Business Day of each month
Distribution payments	10th of the month after each quarter
Withdrawal payments	10th of each month

1. All dates are approximate and subject to change.

Incomplete applications

If for any reason, AFM is unable to process your application (e.g. if the application form is incorrectly completed or we have not received all the required Identification Information or the application monies in full), we may at our absolute discretion delay your application and request you to rectify any deficiencies in your application. In such an instance, your application monies will be held in a trust account pursuant to section 1017E of the Corporations Act. If your application is not processed within 30 days, your application monies will be returned. Any interest earned on application funds will be retained in the Fund.

2. Disclosure Principles and Benchmarks

ASIC requires responsible entities of certain funds to address benchmark and disclosure principles set out in ASIC Regulatory Guide 240 ("RG 240") to assist potential investors to make a more informed decision when investing in products like the Fund.

The following table highlights the benchmarks and disclosure principles and refers to the section in the PDS where you can find that information.

Updates on the status of information relating to the disclosure benchmarks and principles will be available on our website: www.affluencefunds.com.au/alf/.

Benchmark	Requirement	Summary	Section
1. Valuation of Assets	The Responsible Entity has and implements a policy that requires valuations of the Fund's assets that are not exchange traded, to be provided by an independent administrator, or an independent service provider.	The Fund does not meet this benchmark.	6.2.2
2. Periodic Reporting	The Responsible Entity has and implements a policy of providing periodic (annual and monthly) reports on certain key information.	The Fund meets this benchmark.	9.2.1

Disclosure Principle	Section
1. Investment Strategy	Section 4 and Section 5
2. Investment Manager	Section 3.2 and Section 5.3.3
3. Fund Structure	Section 3, Section 4.4 and Section 5.2.3
4. Valuation, Location and Custody of Assets	Section 3.1, Section 4, Section 5 and Section 6.2
5. Liquidity	Section 4.6.4 and Section 5.3.9
6. Leverage	Section 4.6.5 and Section 5.3.7
7. Derivatives	Section 4.6.6 and Section 5.3.5
8. Short Selling	Section 4.6.7 and Section 5.3.8
9. Withdrawals	Section 5.3.10 and Section 6.4

3. Fund Overview

3.1 Fund Structure

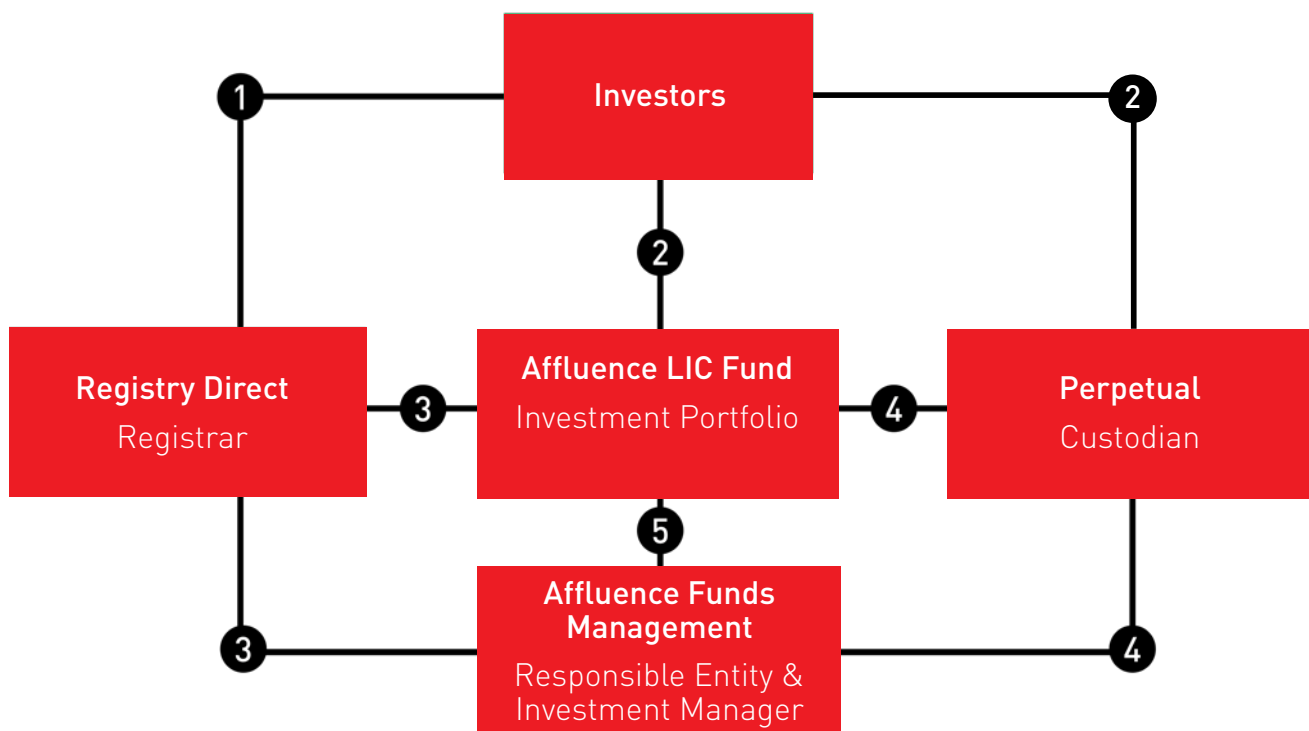
The Fund is an Australian unit trust registered under the Corporations Act as a managed investment scheme.

The Fund is governed by a Constitution (see Section 10.1), a compliance plan (see Section 10.2), this PDS, the Corporations Act and other laws such as the general law relating to trusts.

Investors in the Fund are issued with units. Each unit gives the investor a beneficial interest in the assets of

the Fund. We may issue more than one class of units in the Fund with differing rights. As at the date of this PDS there are only ordinary class units on issue.

The diagram below sets out the structure of the Fund and the relationship between investors, the Fund, AFM and key service providers. Risks associated with the Fund structure are set out in Section 5.



1. Fund application, transfer and withdrawal forms are submitted to AFM or the Registrar. The Registrar provides transaction notifications, distribution advices, investment statements and tax statements to investors.
2. Application monies are paid into the Fund application account operated by the Custodian. When an application is accepted, the investor is issued units in the Fund. When a redemption is processed, the proceeds are paid to the investor and their units are effectively bought back by the Fund and cancelled.
3. The Registrar is contracted by AFM to provide certain registry services for the Fund.
4. The Custodian is contracted by AFM to provide custodial services for the Fund. The Custodian holds the assets of the Fund, including bank accounts and investments.
5. AFM acts as Responsible Entity and investment manager of the Fund.

3.2 Manager

AFM is the Responsible Entity and investment manager of the Fund. AFM holds AFS licence number 475940, issued by ASIC, which authorises AFM to operate the Fund.

AFM was founded in 2015 by Daryl Wilson. Entities associated with Daryl Wilson and Greg Lander hold a material interest in AFM.

Daryl and Greg are the key persons managing the Fund. Both Daryl and Greg spend the majority of their time managing the investment portfolios of the Fund and other AFM managed funds. There have been no adverse regulatory findings against AFM, Daryl Wilson or Greg Lander.

3.2.1 Daryl Wilson - Portfolio Manager

Daryl has overall responsibility for investment and funds management activities at AFM. Daryl was responsible for setting up the Fund in 2016 and is co-manager of the Fund investment portfolio.

Daryl has experience across all aspects of funds management including investment, operations and capital raising.

Prior to forming AFM, Daryl was a Director of Cromwell Property Group, an ASX-listed property and fund manager, for over 15 years.

From 2008 until 2015, Daryl was responsible for Cromwell's unlisted funds management business, which created and managed investment funds worth over \$1 billion and delivered impressive returns for the thousands of investors in these funds.

Daryl holds a Bachelor of Commerce, a Diploma of Financial Planning and is a member of the Institute of Chartered Accountants.

3.2.2 Greg Lander - Portfolio Manager

Greg joined AFM in 2015. Greg is co-manager of the Fund investment portfolio. He is primarily responsible for analysing new investment opportunities, asset allocation, fund analysis, performance reporting, and investment management.

Prior to joining AFM, Greg was employed by Cromwell Property Group for over 9 years. During this time, he held a range of positions including fund analyst, transactions analyst and investment strategist.

Greg holds a Bachelor of Applied Science (Property Economics).

3.3 Key Service Providers

AFM has the power to delegate certain activities and has engaged service providers to perform some of those functions. The key service providers are:

Responsible Entity and investment manager	Affluence Funds Management Limited	Responsible entity of the Fund and managing the Fund's investments
Custodian	Perpetual Corporate Trust Limited	Holds custody of the Fund's assets
Registrar	Registry Direct	Fund unit registry
Auditor	Pitcher Partners	Auditing annual financial accounts and the Fund's compliance plan

Each of the key service providers are Australian domiciled.

Each key service provider has entered into a contract with AFM which sets out the service provider's obligations to the Fund. AFM monitors the performance of key service providers on an ongoing basis to determine their compliance with the agreed obligations.

None of the key service providers are related parties of AFM, nor does AFM believe that there are any material arrangements with key service providers that would be considered to be not on commercial terms or at arm's length.

3.3.1 Custodian

Perpetual Corporate Trust Limited (AFSL 392673), a subsidiary of Perpetual Limited, is the Fund's custodian.

Perpetual Limited is an ASX listed company with a history of over 130 years as a trustee company.

The Custodian holds assets on behalf of the Fund as an agent for AFM. Assets are held and managed in accordance with regulatory obligations and a custody agreement between AFM and the Custodian.

3.3.2 Registrar

Registry Direct Limited is the Registrar of the Fund. Registry Direct Limited is a specialist registry software provider owned by ASX listed Complii Fintech Solutions Ltd.

The Registrar provides certain unit administration and registry software services for the Fund. Services are provided in accordance with a registry services agreement between AFM and the Registrar.

3.3.3 Auditor

Pitcher Partners is the Auditor of the Fund. Pitcher Partners Brisbane audit both the financial reports and the compliance plan of the Fund. Services are provided in accordance with an agreement between AFM and the Auditor.

Pitcher Partners is a national association of independent firms. The Pitcher Partners national association is also an independent member of Baker Tilly International. Each firm operates as a separate independent business, but with a shared commitment to provide exceptional client service.

4. Investment Objective and Process

4.1 Investment Objective

The Fund aims to provide you with:

- A total annualised return (distributions plus increase in Unit Price) after all fees and costs in excess of the ASX 200 Index over rolling 3 year periods.
- Access to a diversified portfolio of predominantly equity based investments.
- Volatility of returns which is significantly less than the ASX 200 Index, measured over rolling 3 year periods.
- A minimum distribution yield of 5% per annum, paid quarterly.

In setting the Fund's investment objectives, we seek to provide you with an attractive combination of:

- Total returns which exceed that of the ASX 200 Index.
- Access to a differentiated LIC investment strategy which may complement your existing investment portfolio.
- Lower volatility than the ASX 200 Index, with a focus on outperforming the index when markets are declining.
- Reasonable, consistent distributions paid frequently (to satisfy income needs).

The investment objective is a target only and returns from the Fund are not guaranteed and are subject to risks, including the risks disclosed at Section 5.

4.2 Investment Philosophy

The Fund's investment philosophy is designed around our core investment values:

- To achieve better than average results, you must invest differently.
- Value investing can deliver excellent long-term returns.
- Investing in markets where there is less competition makes it easier to achieve above-average results.
- Being aware of long-term cycles and seeking to time investments can significantly improve performance.

- A focus on lowering volatility of returns through diversification provides comfort for investors.
- Long-term success requires a long-term focus, which in turn requires patience and discipline.

We have a strong value and contrarian focus. While the Fund will hold many investments that pursue different strategies, it is likely the portfolio will always have a bias towards value investing.

4.3 Investment Strategy

The Fund aims to deliver the investment objectives by investing in LICs that meet one or more of the following criteria:

- Alpha Generators – LICs that can outperform the market.
- Discount Capture – LICs trading at attractive discounts to NTA.
- Event Driven – special situations such as IPO's, capital raisings and other corporate activities.

An LIC is a specialised type of investing fund. The majority use a company structure, although some are trusts. LICs pool together shareholders' money and invest it under an approved investment strategy. There are approximately 100 LICs currently listed on the ASX, with a total market capitalisation of more than \$50 billion at the date of this PDS. Investments in LICs most commonly provide exposure to a basket of underlying shares listed on Australian or international stock markets, although there are some specialist LICs that provide exposure to other asset classes. Different LICs may focus on distinct equity sectors, for example, large caps, small caps and global equities. LICs can also provide access to a range of different investment strategies, such as long only, long short and market neutral strategies.

Despite the large size of the LIC sector, there is relatively limited attention from institutional researchers and professional investment managers. This can provide more opportunities for mispricing than in other areas of the stock market. In addition, some quality investment managers can only be accessed through LICs.

Through the Affluence LIC Fund, we seek to take advantage of the opportunities available in the LIC sector. The Fund typically invests in 20 to 35 LICs in

a way which we believe balances maximum returns with low volatility.

Through LICs, the Fund provides access to Australian and global equities as well as some exposure to other asset classes. These LICs use a broad range of investment styles and investment strategies.

Some LICs issue options from time to time, particularly when the LIC is first listed. The Fund may invest in LIC options as well as, or instead of, the LIC itself.

The Fund will also hold cash. Cash holdings are likely to be higher when AFM is of the view that attractive investment opportunities are limited and/or that markets are overvalued.

The Fund may also invest in exchange traded options and exchange traded funds from time to time, to provide exposure to certain asset classes and for hedging purposes.

4.4 Investment Process

We seek to identify attractive LIC investments which meet one or more of our three criteria. Some LIC investments may satisfy more than one criteria.

4.4.1 Alpha Generators

We seek to invest a substantial portion of the Fund's portfolio in Alpha Generators. These are LICs where we have a high degree of confidence in the underlying manager being able to outperform their relevant market benchmark (for example the ASX 200 Index), on a risk adjusted basis over reasonable periods of time. Alpha Generators tend to be core, longer term holdings in the portfolio.

We use a number of processes to identify Alpha Generators, including measuring historical performance, volatility and other quantitative and qualitative criteria.

4.4.2 Discount Capture

Individual LICs often trade at prices significantly above or below their NTA. There are many factors that contribute to the level of discount/premium. Some of the main factors are; historical performance, dividend profile, market capitalisation, underlying asset type, portfolio concentration, market conditions, and marketing to investors.

The discount capture strategy aims to purchase LICs when they are trading at a larger discount, or smaller premium, than their assessed average, with the intent of selling the LIC when the discount reduces or premium increases.

4.4.3 Event Driven

Like other listed entities, LICs undertake corporate actions such as IPOs, capital raisings, and option to share conversions. The Fund aims to participate in these events where we believe we can generate attractive risk-adjusted short term returns.

4.5 Asset Allocation

When constructing a portfolio, AFM focuses most strongly on current values of assets compared to our assessment of intrinsic value over a cycle.

The Fund targets an asset allocation which is well diversified, with exposure to Australian and global equities, some exposure to other asset classes, and a broad range of underlying investment styles and investment strategies.

In addition to a diversified portfolio, we believe asset allocation can add value over the long term if an investor is cycle-aware and patient.

When constructing a portfolio, we seek to tilt the portfolio towards those assets and sectors that we have the highest conviction can deliver the best risk adjusted returns.

The Fund's range of allocations to each asset class as a percentage of the total assets are set out below. We measure asset allocation with reference to the assets predominantly held by each LIC. Asset allocation will change over time within the asset allocation ranges depending on AFM's views of the relative value of various asset classes.

Asset Class (% of Fund)	Min	Max
Australian Listed Equities	0.0%	100.0%
Australian Unlisted Equities	0.0%	35.0%
International Listed Equities	0.0%	75.0%
International Unlisted Equities	0.0%	35.0%
Australian Government Bonds	0.0%	50.0%
Australian Corporate Bonds	0.0%	50.0%
International Government Bonds	0.0%	50.0%
International Corporate Bonds	0.0%	50.0%
Structured Products	0.0%	35.0%
Real Property	0.0%	50.0%
Infrastructure	0.0%	35.0%
Exchange Traded Derivatives	0.0%	30.0%
Over-the-counter Derivatives	0.0%	0.0%
Cash Equivalent Investments	0.0%	75.0%
Other	0.0%	35.0%

The weighting of each asset class the Fund holds can at times change significantly due to factors outside AFM's control such as market movements or changes in the price of an individual investment. Where such changes occur and the Fund moves outside its asset allocation ranges or an investment limit, AFM will seek to re-balance the portfolio as soon as practicable, provided it is not, in AFM's reasonable opinion, detrimental to the Fund.

AFM does not expect the investment strategy, asset allocation ranges or investment limits to change. If there are significant changes then you will be given 30 days' notice of any such changes and the reasons for it.

4.6 Risk Management

AFM has a number of investment limits and other processes in place to manage risk. Some of these are outlined below. Not all risk can be eliminated. Further detail of the risks of investing in the Fund are set out in Section 5.

4.6.1 Targeting Reduced Volatility

AFM seeks to reduce volatility of returns by:

- Maintaining a diversified investment portfolio, including some investments which may produce positive returns in falling markets.
- Seeking to invest with managers who have demonstrated a capacity to outperform a fair benchmark in unfavourable market conditions.
- Holding some portfolio protection from time to time by investing in derivatives such as exchange traded put options.
- Having the ability to hold up to 75% cash.

4.6.2 Diversification

To ensure appropriate diversity of holdings, no more than 20% of the Fund will be invested in any single holding.

4.6.3 Offshore Listed Entities

The Fund generally does not invest in LICs listed outside Australia, although some investments do access or have exposure to offshore assets, markets, currencies or funds. AFM take this into account when assessing potential investments.

4.6.4 Liquidity

The Fund may hold some investments that may not be actively traded or may only usually be traded in

relatively small volumes. Such securities may not be bought or sold quickly or in higher volumes, without some adverse impact on the price obtained. For this reason, AFM may not be able to realise at least 80% of the Fund assets at the value ascribed to those assets in calculating the Fund's net asset value, within 10 days.

To appropriately manage liquidity through the investment cycle:

- The Fund processes applications and withdrawals monthly.
- Withdrawals are paid approximately 10 days after each cut-off date, to provide time to sell Fund investments if necessary.
- AFM targets at least 30% of Fund assets to be held in cash or investments that can be realised within 10 days of the next withdrawal cut-off date.
- AFM targets at least 80% of Fund assets to be held in cash or investments that can be realised within 40 days of the next withdrawal cut-off date.

4.6.5 Leverage

The Fund does not borrow directly.

Some investments the Fund holds will have exposure to leverage, through borrowings, derivatives or short selling. The Fund does not have any limits on underlying leverage either across all underlying investments or for individual investments. Taking into account the leverage used in underlying investments, we expect the Fund to have an indirect leverage ratio of between 0% and 50%. In estimating the look through leverage ratio, we rely upon information provided by each LIC with regard to any direct borrowings and their gross exposure levels. As at the date of this PDS, the estimated look through leverage ratio excluding cash in the Fund and investments, was 135% (35% leverage, or for every \$1 of the Fund's net asset value the gross exposure was \$1.35), and the leverage ratio including cash in the Fund and investments, was 109%, or for every \$1 of the Fund's net asset value the gross exposure was \$1.09).

In assessing a potential investment, we take into account the level of any leverage used by the LIC and the potential impact of that leverage on returns, risk and volatility of the investment.

A worked example of the impact of leverage on investment returns and losses is set out below.

This example assumes the upper level of expected gross exposure of 150%. This example further assumes that the Fund is fully invested. This will mean for each \$10,000 invested, the gross exposure will be \$15,000 (in other words, for every \$10,000 invested, the Fund is leveraged a further \$5,000).

- A 1% increase in the return on assets of the Fund results in a 1.5% increase in return to investors (\$150 gain for the gross exposure of \$15,000).
- A 1% decrease in the return on assets of the Fund results in a 1.5% loss to investors (\$150 loss for the gross exposure of \$15,000).

In the above example, if no leverage was used, the gross exposure on \$10,000 invested would be \$10,000:

- A 1% increase in the return on assets of the Fund results in a 1% increase in return to investors (\$100 gain for the gross exposure of \$10,000).
- A 1% decrease in the return on assets of the Fund results in a 1% loss to investors (\$100 loss for the gross exposure of \$10,000).

The above example has been provided for reference purposes only. Any assumptions underlying these examples are hypothetical only.

4.6.6 Derivatives

The Fund may use derivatives to provide exposure to certain asset classes from time to time and to manage risk. Derivatives used are exchange traded options and exchange traded funds.

To ensure appropriate risk management:

- The notional value of derivatives held by the Fund (the maximum loss the derivatives expose the Fund to) will be limited to no more than 30% of the net assets of the Fund.
- Net derivative positions which require any future commitment must be backed by cash, outstanding settlements or assets that can be readily converted to cash in a timeframe sufficient to meet all potential obligations.
- Processes are in place to monitor derivatives exposure for the Fund and investments to ensure an understanding of total capital at risk.

The Fund may also have exposure to derivatives through some investments. The Fund does not have any limits on the types of derivatives or level of exposure to derivatives used by underlying investments. However, in assessing a potential investment, we take into account the type and level of exposure to derivatives on returns, risk and volatility of the investment.

The risks to the Fund in using derivatives are set out in Section 5.

4.6.7 Short Selling

The Fund does not engage in short selling.

The Fund may have exposure to short selling through some investments. The Fund does not have any limits on the level of short selling either across the Fund or for individual investments. However, in assessing a potential investment, AFM will take into account the level of any short selling and the potential impact of those activities on returns, risk and volatility of the investment.

The risks to the Fund in its exposure to short selling via its underlying investments are set out in Section 5.

5. Investment Risks

5.1 Risk Overview

An investment in the Fund is subject to various risks. The risks outlined in this Section are not exhaustive, but we consider them to be the key risks of investing in the Fund. If these risks eventuate, they may result in a reduction in the value of your investment in the Fund and/or a reduction or cessation of distributions.

Where applicable, information is included on how we aim to manage risks. However, risks cannot be avoided altogether and some risks are outside our control.

You should read and consider the entire PDS, your attitude towards risk in general and other factors such as your age and where other parts of your wealth are invested when considering an investment in the Fund. You should also consider obtaining professional investment advice that is tailored to your investment objectives, financial situation and particular needs.

The Fund investment strategy requires patience and a long-term focus from both AFM and you as an investor in the Fund. The returns of the Fund will be impacted by market cycles, particularly movements in the ASX 200 Index. For these reasons, you may wish to consider an investment in the Fund if you are a patient, long term investor with an investment timeframe of at least 5 years to lower the risk of a reduction of capital and volatility of returns.

Distributions and returns are not guaranteed, nor is the return of your capital.

5.2 General Risks

These risks relate to many different types of investments, including the Fund.

5.2.1 Economic and Market Risk

The performance of the Fund will be impacted by changing economic and market conditions. These may include movements in interest rates, currency exchange rates, securities (stock) markets, inflation, consumer spending, employment and the performance of individual local, state, national and international economies.

5.2.2 Legal and Regulatory Risk

Changes in laws, regulations or government policy could have a negative impact on the performance of the Fund.

5.2.3 Fund Risk

Risks associated with most managed funds include that the Fund could terminate before the end of the recommended investment period, fees and expenses charged for managing the Fund could change, and the trustee, investment manager or key investment staff could change.

Also, investing in the Fund could give different results than investing in the same investments individually because of income or capital gains accrued in the Fund and the consequences of investment and withdrawal by other investors.

5.3 Specific Risks

These risks relate specifically to investing in the Fund.

5.3.1 Concentration and Volatility Risk

The Fund is expected to have exposure to many investments, asset classes, geographies and LIC Managers and will, therefore, provide some diversification.

However, in the future there may be a reduction in the number of investment opportunities due to consolidation, market forces or other factors. This could lead to a reduction in available investments and a decrease in diversification of the Fund.

In addition, prices of LICs can at times be more volatile than larger, more liquid companies and more volatile than the underlying portfolio of investments the LIC holds.

While AFM seeks to take advantage of this volatility through the discount capture strategy, where a range of LICs trade at abnormally high discounts to the net asset value, it will impact the value of a unit in the Fund.

5.3.2 Individual Investment Risk

Individual investments the Fund makes, and the underlying securities those investments own or are exposed to, can and do rise and fall in value for

many reasons. A change in the value of any Fund investment will impact the value of a unit in the Fund.

We seek to manage this risk by limiting maximum allocations to any one investment, diversifying appropriately and taking expected volatility into account when assessing investments.

5.3.3 Manager and Key Person Risk

An investment in the Fund means that an investor is delegating relevant investment decisions to AFM.

The success of the Fund, therefore, depends on the competency of AFM and its ability to identify investment opportunities which achieve the Fund's objective.

AFM relies on a small investment team. In addition, Daryl Wilson is a key person for the purposes of AFM's AFSL.

How the Fund performs depends partly on the performance of AFM and key investment staff, and to a degree, the LIC Managers. There is a risk that the Fund will not, in any period, perform as well as similar funds or achieve the investment objective.

Also, AFM, key investment staff or LIC Managers could change, and this could impact the performance of the Fund.

5.3.4 Asset Allocation Risk

The Fund has wide asset allocation ranges. This provides significant discretion to us in making investments and is intended to allow us to take advantage of what we believe are the best investment opportunities at any given time. However, this brings with it a wider range of potential outcomes for the Fund, including the risk of worse performance compared to similar but more constrained funds run by other managers.

We seek to limit this risk by seeking significant diversification by LIC, LIC Manager and investment style.

5.3.5 Derivative Risk

The Fund or LIC Managers may use derivatives such as exchange traded options to manage risk or to gain exposure to certain assets.

A derivative is a financial instrument that derives its value from the price of another asset. Losses may occur when there is an adverse movement in the price or value of the asset underlying the derivative.

Other risks associated with using derivatives include the value of the derivative failing to move in line with the value of the underlying asset, reduced liquidity

in the derivative, or the holder or a counterparty not being able to meet payment obligations when they arise.

We utilise the risk management procedures set out in section 4.6.6 to assist in managing exposure to, and the risks associated with, derivatives.

5.3.6 Currency Risk

The Fund will usually hold some investments that have exposure to foreign currencies through assets, earnings or borrowings held in foreign countries.

The values of these investments may be impacted by currency fluctuations.

Changes in foreign currency rates could have both positive and negative impacts on the Fund.

Currency hedging strategies may be used by the Fund or LIC Managers to reduce these risks, but the Fund would rarely use such strategies and the impact of foreign exchange fluctuations cannot be completely eliminated.

5.3.7 Leverage Risk

The Fund does not expect to borrow directly. However, some investments will have direct or indirect exposure to borrowings and/or other strategies such as short selling or the use of derivatives, which increase leverage.

Borrowing or leverage enhances the potential for both increases and reductions in distributions and Fund returns.

Risks associated with borrowing or leverage include falls in asset values or income are exacerbated, failure to refinance or repay debt when due, breaches of loan terms leading to adverse actions by a lender or facility provider, increases in interest rates, and failure of a counterparty to meet their obligations under a contract.

AFM takes into account the level of any underlying borrowings or leverage and the potential impact of leverage on returns, risk and volatility when assessing any investment.

5.3.8 Short Selling Risk

The Fund will not engage in short selling directly. However, the Fund is likely to have exposure to short selling through some of its investments because the LICs the Fund invests in may engage in short selling.

Short selling is a strategy that aims to generate returns from a fall in value of an investment. This strategy can potentially produce positive investment returns irrespective of the direction of markets.

This can assist to reduce market risk and protect investment returns.

Risks associated with short selling include the potential for large losses in proportion to the money invested, counterparty risk, and high implementation and holding costs.

In assessing and monitoring an investment, we consider the level of any short selling and the potential impact of those activities on returns, risk and volatility of the investment.

5.3.9 Liquidity Risk

The Fund may hold some investments that may not be actively traded or may only usually be traded in relatively small volumes. Such securities may not be bought or sold quickly or in higher volumes, without some adverse impact on the price obtained.

There is also a risk that trading in one or more investments might be suspended.

These risks could impact portfolio liquidity. A reduction in portfolio liquidity can impact the ability of the Fund to satisfy withdrawal requests, particularly in periods of market volatility or when a large volume of withdrawals are requested.

We monitor the liquidity of underlying investments and utilise the risk management procedures set out in Section 4.6.4 in managing portfolio liquidity.

5.3.10 Withdrawal Risk

The Fund offers withdrawals monthly. Factors such as a reduction in portfolio liquidity or distributions, adverse market movements or an increase in withdrawal requests can negatively impact the ability of the Fund to provide withdrawals.

This could cause the Fund to cease to be “liquid” for the purposes of the Corporations Act or to otherwise limit or suspend withdrawals. If the Fund ceases to be “liquid”, then AFM would only be able to provide withdrawal opportunities in accordance with the Corporations Act, and in that scenario, investors may not be able to withdraw their investment each month.

Also, since the withdrawal price is calculated based on the Unit Price at the time a withdrawal is paid, not on the day the withdrawal request is received, the withdrawal price may be higher or lower than the withdrawal price at the time the withdrawal request was made.

We seek to manage withdrawal risk by monitoring and managing portfolio liquidity, encouraging investors to take a long-term view, reducing the

volatility of returns and seeking a wide spread of investors into the Fund to limit the impact if one or a few investors wish to withdraw in close succession.

5.3.11 Operational Risk

Interruptions in business resources such as information technology or other factors such as a failure of operational controls may impact day to day operation of the Fund. This could result in processing delays and temporary or permanent impacts on the performance of the Fund.

AFM seeks to reduce this risk by having procedures in place to monitor and manage human resource, information technology and financial business risks.

5.3.12 LIC Manager and Service Provider Risk

AFM and most LIC Managers appoint a number of service providers to carry out certain activities.

Losses may arise from the actions of one or more of these service providers or LIC Managers, including failure to perform assigned functions, failure to act, failure to deliver on contractual obligations, misconduct, fraud or insolvency, and this may impact the performance of the Fund.

5.3.13 Litigation Risk

The Fund may be involved in disputes or litigation. A material dispute or legal action could adversely affect the value of the assets or the income of the Fund.

5.3.14 Counterparty Risk

There is a risk that a counterparty to a transaction or contract (including an LIC Manager or a service provider) may fail to perform their agreed obligations or tasks and this could lead to losses for the Fund.

5.3.15 Cyber Risk

There is a risk of fraud, data loss, business disruption or damage to the information of the Fund or registry provider or to investors’ personal information as a result of a threat or failure to protect this information or data.

6. Investing and Withdrawing

6.1 Suggested Investment Timeframe

The Fund is not suitable for short term investment. An investment period of at least 5 years is suggested to allow the Fund to achieve its objectives. We recommend that you consider, with your financial adviser, the suggested investment period for the Fund, having regard to your personal circumstances.

6.2 Unit Pricing

The value of a unit in the Fund will vary as the value of the Fund's assets and liabilities rises and falls. The number of units issued to you on application for units in the Fund and the number of units redeemed when you withdraw units from the Fund will depend on the Unit Price calculated on the day your application or withdrawal is accepted.

You can obtain Unit Prices online at www.affluencefunds.com.au/alf/, by contacting your financial or other adviser or by contacting AFM.

If you invested via an IDPS, you can obtain Unit Prices from the IDPS operator.

6.2.1 Unit Pricing Methodology

Issue and withdrawal prices for units in the Fund are usually calculated each month in accordance with the Constitution and our unit pricing policy. You can request, free of charge, a copy of that policy and the record of any discretions exercised outside of the policy by contacting AFM.

Unit Prices are calculated by:

- Determining the net asset value of the Fund, which is calculated by deducting the value of the Fund's liabilities from the value of its assets, calculated in accordance with the Constitution and the unit pricing policy.
- For the issue price, dividing the net asset value of the Fund by the number of units on issue and adding the buy spread.
- For the withdrawal price, dividing the net asset value of the Fund by the number of units on issue and subtracting the sell spread.

Most assets are exchange traded and are usually valued at their most recent market value, using

independent pricing sources, where available.

At times the Fund may hold assets that are not exchange traded. These will be valued based on information provided by the manager of that investment, including published unit prices.

LIC Managers of the Fund's investments may or may not use independent fund administrators or valuation service providers. AFM does not require LIC Managers to use independent service providers.

The Fund's assets may include accrued income not yet received from investments. The Fund's liabilities may include Fund costs and fees accrued, but not yet paid.

6.2.2 Valuation Policy

The Fund does not employ the services of an independent valuation service provider. However, AFM has established and follows robust valuation procedures and related party/conflict of interest procedures. AFM believes the risk of a lack of independence in valuing the Fund's assets, together with any related party conflicts that may arise, are appropriately addressed by AFM's valuation procedures and related party/conflict of interest procedures.

6.2.3 Buy/Sell Spreads

The unit issue price includes a buy spread. The unit withdrawal price includes a sell spread. The buy and sell spreads reflect the amount of transaction costs AFM estimates will be incurred in buying and selling the Fund's assets as a result of an application or withdrawal.

The purpose of the buy and sell spreads is to ensure that those investors transacting in the Fund's units proportionately bear the costs of buying and selling assets as a result of their transaction.

The buy and sell spreads are retained by the Fund to pay for transaction costs and are not paid to AFM. As the buy and sell spreads reflects AFM's estimate of transaction costs, they are subject to change from time to time. Refer to Section 7.3.10 for further information.

6.3 Applications

6.3.1 Application Cut Off Date

Applications are processed monthly. The application cut-off date is the last Business Day of each month. We recommend you apply well in advance of the cut-off date in case any additional information is required to finalise your application.

If all required information and application funds are received on or prior to the cut-off date, you will be issued units as at the first day of the following month. An investment confirmation will be sent to you approximately 10 days after the end of the month.

Application forms and investment funds received after the cut-off date are taken to be received on the next day and will be processed the following month.

Your application monies are held in a trust account until your units are issued. Any interest earned on application funds is paid to the Fund.

6.3.2 How to Apply

You can apply online or complete the relevant application form within the Application Pack available from AFM at www.affluencefunds.com.au/alf/. If you have not previously invested in a fund managed by AFM, you may also be required to provide relevant identification information.

Initial investments must be a minimum of \$20,000. Payment of application funds can be made by way of cheque or electronic funds transfer.

Additional investments of at least \$1,000 can be made.

An application will not be accepted until payment has been received in full.

Refer to the Application Pack for further information on how to apply.

AFM reserves the right to establish higher or lower minimum investment amounts or minimum balances than those stated in this PDS, or to accept or decline part or all of any application.

To assist in maintaining MIT status for tax purposes, AFM does not intend to allow any non-MIT investor and their associates to hold 20% or more, or any individual non-resident investor and their associates to hold 10% or more of the units on issue in the Fund at any time.

6.3.3 IDPS Investors

If you are investing indirectly through an IDPS, the application process will be different. Please contact your IDPS operator to find out how to apply to invest in the Fund.

If you invest through an IDPS, you do not become a unitholder in the Fund and you do not acquire the same rights as direct investors. Those rights are acquired by your IDPS operator. The IDPS operator can exercise or decline to exercise the rights they have as a unitholder on your behalf, according to the arrangements governing the IDPS.

Some information in this PDS may be relevant only for direct investors.

6.3.4 Cooling Off Period

A 14-day cooling off period applies for applications from Retail Clients. During this period if you change your mind about your application, you may request the return of your money by notifying AFM either electronically or in writing.

The cooling off period runs for 14 days from the earlier of the date you receive confirmation of your investment, or the end of the fifth day after your units are issued.

The amount refunded to you is calculated on the day AFM receives your request and may be more or less than your investment amount due to market movements, expenses, taxes, or transaction costs incurred between the date your units were issued and the date AFM receives your request.

Please note: Cooling off rights do not apply to units issued under the distribution reinvestment option, nor do they apply if the Fund becomes illiquid.

6.4 Withdrawals

6.4.1 Withdrawal Cut Off Date

Withdrawals are processed monthly. The withdrawal cut-off date is the last Business Day of each month.

Withdrawal funds will usually be paid to you on approximately the 10th day of the month after acceptance of your withdrawal request. We recommend you submit your withdrawal form well in advance of the cut-off date in case any additional information is required.

Withdrawal forms received after the cut-off date are taken to be received on the next day and will be processed the following month.

6.4.2 How to Withdraw

To make a withdrawal, you should complete a withdrawal request form available from www.affluencefunds.com.au/alf/.

Where a correctly completed withdrawal request form and any other required information is received on or before the cut-off date, you will receive the withdrawal Unit Price calculated for that month.

The minimum withdrawal amount is \$10,000 or a lesser amount at AFM's discretion. If a withdrawal would result in you having a remaining holding valued at less than \$10,000, then we may compulsorily redeem your entire holding at our discretion.

6.4.3 IDPS Investors

If you are investing indirectly through an IDPS, the withdrawal process will be different. Please contact your IDPS operator to find out how to withdraw from the Fund.

6.4.4 Withdrawals May Be Suspended

At the date of this PDS, the Fund is "liquid" as defined under the Corporations Act.

In exceptional circumstances (for example, periods of prolonged and substantial market volatility leading to valuation uncertainty) or if AFM believes it is in the best interests of investors to do so for other reasons, withdrawals may be limited or suspended. In such circumstances the Fund may be declared illiquid.

Under the Corporations Act, where a fund is "illiquid", AFM can only allow withdrawals by way of a prescribed withdrawal offer procedure, although we are not obliged to do so.

Where AFM declares the Fund "illiquid", but no such offer is made, you will have no right to withdraw from the Fund.

Any variation in withdrawal rights will be communicated at www.affluencefunds.com.au/alf/.

6.5 Distributions

The Fund earns income such as dividends, distributions and interest from its investments.

The Fund aims to deliver a minimum distribution yield of 5% per annum of the average monthly Unit Price over rolling 12 month periods. This is a target only and returns from the Fund are not guaranteed. AFM will estimate the amount available for distribution on a regular basis and aims to pay

distributions quarterly, taking into account that estimate.

If the Fund makes significant taxable capital gains on the sale of assets, the distribution may be greater than the targeted amount. Refer to Section 8 for information on the taxation of distributions and taxation of an investment in the Fund generally.

Distributions are calculated in cents per unit and are paid to you quarterly in arrears based on the number of units you hold at the end of the quarter. Distributions are not guaranteed and may be reduced or ceased if unforeseen events occur. The key risks which may impact distributions are outlined in Section 5.

Distributions will normally be paid to you by electronic funds transfer approximately 10 days after the end of each quarter. If you prefer, distributions can be reinvested in the Fund by nominating that option on the application form or otherwise advising the Registrar in writing. Where no bank account details are provided in the application form, distributions will automatically be reinvested.

The price of units issued on reinvestment of distributions does not include any buy spread. This is because no transaction costs are incurred by the Fund on the reinvestment of distributions.

AFM may cease the reinvestment option at any time. You will be notified if this occurs. If that is the case, subsequent distributions will be paid to you in cash and not reinvested.

6.6 Transferring Units

You may transfer your units in the Fund by submitting a completed form signed by both the transferor and the transferee. Transfer forms are available from www.affluencefunds.com.au/alf/.

We reserve the right to decline transfer requests at our absolute discretion, including when a transfer is not completed correctly, is not stamped, if any non-MIT Australian resident investor and their associates would hold 20% or more of the units in the Fund, or if any individual non-resident investor and their associates would hold 10% or more of the units in the Fund.

A transfer of units is likely to have tax implications. You should discuss this with your tax adviser before requesting a transfer.

6.7 Information and Privacy

6.7.1 Privacy Statement

An application to invest in the Fund requires you to provide personal information.

AFM and service providers may collect, hold and use your personal information in order to assess an application, service your needs, send marketing communications about other AFM investment opportunities, provide facilities and services to investors, AFM or the Fund and for other purposes permitted under the Privacy Act 1988 (Cth). Under tax, company and anti-money laundering laws, we may be required to pass on certain information to other organisations, such as the Australian Taxation Office.

If you do not provide the information requested or provide AFM with incomplete or inaccurate information, your application may not be able to be processed efficiently, or at all. Information may be disclosed to your financial adviser and to AFM's agents and service providers on the basis that they deal with such information in accordance with AFM's privacy policy.

Personal information may also be used by AFM to administer, monitor and evaluate products and services, gather, aggregate and report statistical information, assist you with any queries and take measures to detect and prevent fraud and other illegal activity. AFM may also be allowed or obliged to disclose information by law.

If you have concerns about the completeness or accuracy of the information AFM has about you or would like to access or amend personal information held by AFM, you can contact AFM's privacy officer using the contact details in Section 12. A copy of AFM's privacy policy can be obtained from www.affluencefunds.com.au or from the privacy officer.

6.7.2 AML/CTF Legislation

AFM is required to comply with the Anti-Money Laundering and Counter-Terrorism Financing ("AML/CTF") legislation.

As a requirement of AML/CTF legislation, we need to identify all investors (including individuals, companies, trusts and SMSFs) noted on the application form prior to the issue or transfer of units in the Fund. We must also identify anyone acting on your behalf (including under a power of attorney). We cannot issue units until all required information has been received and satisfactorily verified.

This means that we require you to provide personal information and documentation in relation to your identity when you first invest in the Fund. AFM may also need to obtain additional information from you to process your application, withdrawal or other transactions or at other times during your investment period.

In some circumstances, AFM may need to re-verify information.

We may delay or refuse any request or transaction, including suspending the issue, transfer or withdrawal of units in the Fund, if we are concerned that a request or transaction may breach any obligation of, or cause AFM to commit or participate in an offence under AML/CTF legislation. AFM will incur no liability to any investor if it does so.

6.7.3 FATCA

The Fund is registered with the United States Internal Revenue Service (IRS) for Foreign Account Tax Compliance Act (FATCA) purposes. FATCA is a US tax law with the purpose of improving tax information reporting to the IRS regarding US persons, in respect of their Australian investments.

As a result, AFM may require you to provide certain information regarding your identification and will undertake certain due diligence procedures to enable us to comply with FATCA obligations. This information is required when you first invest in the Fund and may be required at other times.

We are required to report annually in relation to relevant investors' financial information.

6.7.4 OECD CRS Information

Australia has adopted the OECD Multilateral Competent Authority Agreement on Automatic Exchange of Account Information. This enables Common Reporting Standard (CRS) information to be exchanged between jurisdictions' tax authorities where relevant legislation has been adopted.

AFM is required to collect certain information about you and provide it to the ATO. The ATO may pass this information on to tax authorities in other jurisdictions who have adopted the CRS. The requirements are similar to those which exist under FATCA, however, there are a larger number of countries in respect of which the ATO may provide information to the respective tax authorities.

7 Fees & Other Costs

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns.

For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower fees. Ask AFM or your financial or other advisor.

TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC)** website www.moneysmart.gov.au has a managed funds fee calculator to help you check out different fee options.

7.1 Fees & Other Costs

This section shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the Fund assets as a whole.

Taxes are set out in Section 8 of this PDS.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

Fees and costs summary

Type of Fee or Cost	Amount	How & when paid
<i>Ongoing annual fees and costs</i>		
Management fees and costs The fees and costs for managing your investment.	1.58% per annum of the NAV of the Fund, comprising 0.25% direct costs and 1.33% indirect fees and costs of LICs the Fund invests in.	AFM does not charge any fixed fee for managing the Fund. Direct costs are generally paid monthly or as incurred, from the assets of the Fund Fees and costs of LICs the Fund invests in are not paid by the Fund directly, but are reflected in the performance of the investments.
Performance fees Amounts deducted from your investment in relation to the performance of the Fund.	2.55% per annum of the NAV of the Fund, comprising 1.79% AFM performance fees and 0.76% LIC performance fees.	AFM is entitled to receive a performance fee of 12.5% of the positive returns of the Fund. Any previous negative returns must be recovered before the fee is payable. AFM performance fees are accrued monthly and payable to AFM quarterly in arrears from the assets of the Fund. LIC performance fees vary by investment. They are not paid by the Fund directly, but are reflected in the performance of the investments.

Type of Fee or Cost	Amount	How & when paid
Ongoing annual fees and costs (continued)		
Transaction costs The costs incurred by the Fund when buying or selling assets.	0.38% per annum of the NAV of the Fund, comprising 0.17% direct transaction costs and 0.21% indirect transaction costs of LICs the Fund invests in.	These costs are payable from Fund assets as incurred and are reflected in the unit price. This amount is disclosed net of amounts recovered by the buy/sell spread referred to below. Indirect transaction costs of LICs are not paid by the Fund directly, but are reflected in the performance of the investments.

Type of Fee or Cost	Amount	How & when paid
Member activity related fees and costs (fees for services or when your money moves in or out of the Fund).		
Establishment fee The fee to open your investment.	Nil	Not applicable
Contribution fee The fee on each amount contributed to your investment.	Nil	Not applicable
Buy-sell spread An amount deducted from your investment representing costs incurred in transactions by the Fund.	A buy spread of 0.10% of the amount invested. A sell spread of 0.10% of the amount withdrawn.	These costs are included in the relevant unit price and paid into the Fund when investing or withdrawing from the Fund.
Withdrawal fee The fee on each amount you take out of your investment.	Nil	Not applicable
Exit fee The fee to close your investment.	Nil	Not applicable
Switching fee The fee for changing investment options.	Nil	Not applicable

If you invest via an IDPS, the IDPS operator will be the registered holder of units and may charge you fees that are different or in addition to the Fund fees detailed in this section. You should refer to the offer document for the relevant IDPS for more information.

All fees set out in the table are inclusive of the net effect of GST (less any reduced input tax credits) and stamp duty.

7.2 Example of Annual Fees and Costs

The table below gives an example of how the ongoing annual fees and costs for this Fund can affect your investment over a one year period. You should use this table to compare this Fund with other managed investment products.

Example¹:

Type	Amount (%)	Amount (\$) based on a balance of \$50,000 plus a contribution of \$5,000 during the year
Contribution Fee	0.00%	For every additional \$5,000 you put in, you will be charged \$0 ¹ .
PLUS Management fees and costs ²	1.58%	AND for every \$50,000 you have in the Fund, you will be charged or have deducted from your investment \$790 each year.
PLUS Performance fees ³	2.55%	AND you will be charged or have deducted from your investment \$1,275 in performance fees each year.
PLUS Transaction costs ²	0.38%	AND you will be charged or have deducted from your investment \$190 in transaction costs each year.
EQUALS Cost of Fund		If you had an investment of \$50,000 at the beginning of the year and you put an additional \$5,000 during that year then for that year, you would be charged fees and costs in the range of \$2,255 - \$2,260 ⁴ . What it costs you will depend on the fund you choose and the fees you negotiate.

1. This does not include the buy spread which is incorporated into the unit price. The buy spread of 0.10% on a \$5,000 investment is \$5.
2. The management fees and costs and the transaction costs in the example are based on amounts paid in the year to 30 June 2022. The management fees and costs comprise \$125 Fund costs and \$665 fees and costs relating to LICs the Fund invests in.
3. The performance fees in the example are based on the average performance fee (including LIC performance fees) for the five years to 30 June 2022 (comprising \$895 AFM performance fees and \$380 LIC performance fees). This is not a forecast of the future performance of the Fund or its investments. The level of performance fees charged by AFM and LICs in the future depends on the future performance of the Fund and investments.
4. Depending on when during the year you make your additional \$5,000 investment. Additional fees may apply. This example does not include any additional fees that your financial adviser or IDPS operator may charge you. The fees and costs are disclosed as a percentage of NAV for the year to 30 June 2022 to show the fees and costs on a net investment in the Fund.

7.3 Additional Explanation of Fees and Costs

7.3.1 How Management Fees and Costs Are Charged

No fees are charged directly against your investment. The Fund pays fees and costs both directly and indirectly through the investments it makes. These fees and costs are therefore paid indirectly by you in proportion to your investment in the Fund.

7.3.2 AFM Management Fees

We do not charge any fixed ongoing fees for managing the Fund.

7.3.3 Management Costs

Management fees and costs include the day-to-day fees and expenses and other abnormal/non-recurring fees incurred in administering the Fund and are paid directly by the Fund to AFM.

AFM is entitled under the Constitution to be reimbursed for all expenses, liabilities and 'abnormal costs' incurred in the proper performance of its duties under the Constitution. This includes (but is not limited to) costs relating to:

- Establishing the Fund including the preparation, promotion and distribution of any disclosure document.
- Professional services of custodians, registrars, auditors, accountants, lawyers, valuers or other experts.
- Convening and holding any meeting of investors.
- The issue of any units.
- Any GST expense not able to be claimed.

To limit the impact of direct Fund costs on investors, AFM has agreed to bear any normal ongoing costs above 0.25% per annum of the Fund's net asset value (before the deduction of any accrued performance fees) (e.g., \$125 per annum for every \$50,000 of NAV).

AFM reserves the right to recover any abnormal expenses (such as costs of investor meetings) from the Fund in addition to the capped administration costs. Whilst it is not possible to estimate such expenses with certainty, we anticipate the events which may give rise to such expense will rarely occur. Since commencement of the Fund, no abnormal expenses have been incurred.

7.3.4 Underlying Management Fees and Costs and other indirect costs

Management fees and costs include the fees and costs of LICs in which the Fund invests and the cost of derivatives used to gain exposure to other assets (i.e., indirect costs).

These will vary depending on the mix of investments held by the Fund from time to time. Fees charged by LIC Managers and cost of underlying investments vary. They are generally charged on a monthly or quarterly basis and are payable in arrears. These fees and costs are not charged to you or the Fund directly. Rather, they are reflected in the performance of the investments.

7.3.5 AFM Performance Fees

AFM may be entitled to receive a performance fee. The performance fee (if any) is calculated and payable monthly in arrears out of the assets of the Fund. The performance fee amount is calculated as 12.5% of the Fund's positive returns, after allowance for costs and recovery of any previous negative returns.

The Fund return is calculated:

- Inclusive of any distributions declared during the period.
- Prior to accruing any performance fee for the relevant month.

Over or under performance is calculated in respect of each month.

The performance of the Fund is calculated by taking the net asset value per unit on the last Business Day of each month (the 'closing net asset value per unit'), subtracting the value on the last Business Day of the preceding month (the 'opening net asset value per unit') and adding the amount of distributions paid per unit during the period. The result is then divided by the opening net asset value per unit to determine the performance in percentage terms (positive or negative).

The performance fee is calculated by multiplying the performance of the Fund by the average daily value of the net assets of the Fund during the period.

If the result is a negative amount, it is added to any negative amounts carried forward from previous periods and represents the carried forward under performance. In this case, no performance fee is payable in respect of that period.

If the result is a positive amount, any carried forward underperformance from previous periods is subtracted. If this results in a negative amount, then that represents the carried forward underperformance. In this case, no performance fee is payable in respect of that period.

If the result is a positive amount, that amount is multiplied by 12.5% and represents the performance fee payable in respect of that period.

7.3.6 AFM Performance Fee Example

This example is provided for information purposes only, to illustrate the calculation of the performance fee. Actual results are likely to vary significantly from those set out in this example.

The example calculation includes the following assumptions for a hypothetical monthly performance fee calculation:

- The closing net asset value per unit was \$1.0050.
- The opening net asset value per unit was \$1.0000.
- Distributions of \$0.005 per unit were paid during the month.
- The average daily value of the net assets of the Fund during the month was \$40,000,000.
- Carried forward underperformance from previous periods was \$100,000.

The performance of the Fund for the month is 1.0%, calculated as:

(Closing NAV – Opening NAV + Distributions)
Opening NAV
(\$1.0050 – \$1.0000 + \$0.0050)
\$1.0000

The performance fee is \$37,500, calculated as:

((Fund performance * average daily NAV) – previous underperformance) * 12.5%

((1.0% * 40,000,000) – 100,000) * 12.5% = \$37,500

7.3.7 LIC Performance Fees

The level of performance fees charged by LIC Managers depends on many factors including the mix of investments held by the Fund and the performance of each investment against that investments benchmark. It is not possible to accurately forecast future performance or future performance fees for

LICs, but in general, the higher the Fund returns, the higher the performance fees for LICs are likely to be.

LIC performance fees (where applicable) are generally charged on a monthly, quarterly, six monthly or annual basis, and are payable in arrears. These fees are not charged to you or the Fund directly. Rather, they are reflected in the performance of the Fund investments.

7.3.8 Performance Fee Historical Five Year Average

Over each of the five years to 30 June 2022, Fund returns have varied from -2.8% to 43.2% and have averaged 10.9%¹. Performance fees, comprising AFM and LIC performance fees, have varied from 0.88% to 6.69% of the net asset value of the Fund, and have averaged 2.55%.

AFM performance fees have varied from 0.49% to 4.92% of the net asset value of the Fund, and have averaged 1.79%. It is not possible to accurately forecast future Fund performance or future AFM performance fees. Fund returns and AFM performance fees charged in the future may be higher or lower than the range noted above. In general, the higher the Fund returns, the higher the AFM performance fees are likely to be.

LIC performance fees have varied from 0.31% to 1.78% of the net asset value of the Fund, and have averaged 0.76%. It is not possible to accurately forecast future LIC performance fees. The amount charged in the future will vary depending on the mix of investments held by the Fund from time to time, the performance of each investment against that investments benchmark and performance fees (if any) charged by LIC Managers. The amount of LIC performance fees may be higher or lower than the range noted above.

¹ Past performance is not a reliable indicator of future performance.

7.3.9 Transaction Costs

Transaction costs are incurred by the Fund when buying and selling assets. They include costs incurred directly, such as brokerage, settlement and clearing costs, buy/sell spreads on any unlisted investments, costs of derivatives used for hedging purposes and stamp duty, as well as similar costs paid by LICs in which the Fund invests.

Transaction costs are reflected in the net return after fees and other costs are applied.

Transaction costs are reduced by the buy/sell spreads recovered by the Fund and underlying investments.

Transaction costs for the year ended 30 June 2022 were estimated to be 0.43% on a gross basis (excluding the impact of the buy/sell spread) and 0.38% net of the buy/sell spread. The transaction costs shown in the 'Fees and costs summary' at Section 7.1 is shown net of the amount recovered by the buy/sell spread. Transaction costs are an additional cost to investors where these costs have not already been recovered by the buy/sell spread.

Actual transaction costs are likely to vary from year to year as they are impacted by a number of highly variable drivers as well as changing investment and market conditions.

7.3.10 Buy/Sell Spread

A buy spread is added to the unit price when issuing units in the Fund. A sell spread is subtracted from the unit price for withdrawals from the Fund. The buy/sell spreads reflect AFM's estimate of the transaction costs expected to be incurred in buying and selling assets as a result of investments in, and withdrawals from, the Fund.

The buy spread is 0.10% and the sell spread is 0.10%. No buy spread is applied to reinvested distributions.

Further information about the buy and sell spreads is in Section 6.2.3.

7.3.11 Related Party Fees and Services

AFM or other related parties may provide services such as custody, accounting, registry and unit pricing services to the Fund in the future. Should that occur, AFM or that related party may charge fees for those services at commercial market rates. At the date of this PDS, no fees are charged to the Fund for any such services.

7.3.12 Changes to AFM Fees and Expenses

AFM may change the fees and expense recoveries referred to in this PDS without investor's consent. AFM will provide at least 30 days notice to you of any proposed fee or expense recovery changes.

7.3.13 Waiver or Deferral of AFM Fees

AFM may, at its discretion:

- Partially or fully waive any fees to which it is entitled.
- Defer its entitlement to fees to which it would otherwise be entitled and may claim these in the event it is removed as Responsible Entity of the Fund.

As at the date of this PDS, AFM has not deferred its entitlement to any fees.

The maximum fees chargeable by AFM as set out in the Constitution are the same as those outlined in this Section.

In the event AFM is removed as Responsible Entity of the Fund, AFM will require payment of any fees it has previously deferred and any accrued performance fees on the date that AFM ceases to be Responsible Entity.

7.3.14 Advice Fees

You may agree with your financial adviser that an advice fee will be paid by you for personal financial planning services your financial adviser provides to you in relation to your investment in the Fund. You and your financial adviser determine the amount of any advice fee. This advice fee is additional to the fees shown in this PDS, and is paid by you to the Australian financial services licensee responsible for your financial adviser (or your financial adviser directly if they are the licensee). It is not paid to or by AFM.

7.3.15 Other Payments and Benefits

Your financial adviser may receive payments and/or other benefits from the Australian financial services licensee or organisation under which they operate. These payments and benefits are not paid by AFM or the Fund.

8. Taxation Information

8.1 Taxation Overview

There are tax implications when investing, disposing of units and receiving income from the Fund. The taxation information in this PDS is based on Australian tax legislation at the date of this PDS.

The information is of a general nature and does not consider your personal circumstances. It should not be regarded as tax advice. Tax treatment may vary according to individual circumstances and you are advised to seek your own tax advice in respect of an investment in the Fund.

Tax liabilities are the responsibility of each individual investor and we are not responsible for taxation or penalties incurred by you.

The taxation information in this PDS does not consider the treatment of IDPS investors. IDPS investors should consult their tax adviser in relation to investing through an IDPS.

8.2 How the Fund is Taxed

The Fund is an Australian resident trust for tax purposes.

AFM intends to limit the Fund's investment activities to ensure that the Fund is treated as a 'flow through' entity for the purposes of Australian tax law.

8.2.1 Net Taxable Income

On the basis that the investors in the Fund are entitled to all the distributable income of the Fund, the Fund itself does not pay tax on the taxable income of the Fund. The Fund investors will be allocated a proportional share of the taxable income of the Fund based on their share of the distributable income.

The taxable income may include dividends (grossed up for franking credits), interest, net capital gains on the sale of investments and other income.

8.2.2 Capital Gains

The Fund qualifies as a MIT and has elected to treat gains and losses on the sale of eligible investments on capital account. This means certain gains and losses are taxed under the capital gains tax regime. Broadly, where the Fund disposes of an asset it has held for more than 12 months, it may be eligible for discount capital gains concessions.

8.2.3 Treatment of Losses

If the Fund makes a total net tax loss or net capital loss in any tax year, these losses cannot be passed on to Fund investors. They may instead be used to offset taxable income and capital gains in subsequent years, subject to satisfaction of certain conditions.

8.2.4 Goods and Services Tax (GST)

The issue and redemption of units in the Fund are not subject to GST. However, most expenses incurred by the Fund will attract GST at the rate of 10%. The Fund is only entitled to claim a reduced rate of GST input tax credits on some expenses.

8.3 Australian Resident Investors

This information is relevant to you if you are an Australian resident investor and hold your units as a long-term investment on capital account.

8.3.1 Distributions and Net Taxable Income

AFM provides you with an annual tax statement after the end of each tax year. This tax statement includes details of your total distributions and the components of those distributions. This includes any distributions reinvested or amounts that you were entitled to but had not yet received as at the end of the tax year.

The relevant taxable amounts should be included in your tax return for that tax year.

The tax implications for you will be dependent on the components of the distributions and your personal situation. Some of these components are discussed below.

8.3.2 Foreign Income

Income received by the Fund from sources outside Australia may be subject to tax in the country of source. You may be entitled to a proportionate share of tax credits in respect of your share of any foreign tax paid.

8.3.3 Capital Gains

Capital gains information will be included in the annual tax statement to ensure you can calculate your capital gain position.

The Fund does not make allowance in the Unit Price for any tax on unrealised capital gains or losses accruing when investments are valued.

8.3.4 Other Distribution Components

Distributions from the Fund may include tax deferred income or a return of capital. Such amounts are not taxable to you when distributed but will result in adjustments to the cost base of your units for capital gains tax purposes.

These adjustments could result in an increased capital gain or a reduced capital loss when the units are subsequently disposed of by you.

8.3.5 Tax Credits

Distributions from the Fund may include an entitlement to franking credits or other tax credits received by the Fund.

These amounts are included in the annual tax statement and should be included in your tax return. Depending on your personal circumstances, these amounts may be available to offset any tax liability or refunded to you if the tax credits exceed your total tax liability.

8.3.6 Tax on Disposal of Units

Depending on your personal circumstances, you may be liable for tax on any capital gains realised on the disposal of your units in the Fund.

You must determine your own capital gain/loss position on the disposal of units in the Fund. In doing so, you will need to adjust the capital gains cost base of your units for any tax deferred distributions received from the Fund. You may be entitled to discount capital gain concessions where units in the Fund have been held for more than 12 months.

8.3.7 Quoting a TFN or ABN

You are encouraged to quote a Tax File Number (TFN) or claim a TFN exemption when completing an application form to invest in the Fund. Collection of TFN's is authorised and their use and disclosure strictly regulated by the tax laws and the Privacy Act 1988.

Alternatively, you may quote an Australian Business Number (ABN) if relevant.

If you choose not to provide a TFN, TFN exemption or ABN, we will be required to deduct withholding tax at prescribed rates from certain components of your distributions.

8.3.8 Social Security

An investment in the Fund may impact Government income and assets test calculations and could therefore affect your entitlement to social security pensions or other benefits. You should obtain professional advice concerning the particular social security implications for your circumstances.

8.4 Non-Resident Investors

The taxation information in this Section is relevant to you if you are a non-resident investor who holds your units as a long-term investment on capital account. This information only deals with Australian tax legislation and does not consider the tax treatment in your country of residence.

As a non-resident, you should seek independent tax advice before investing, taking into account your particular circumstances, the tax law in your country of residence and any relevant taxation agreement between Australia and your country of residence.

The following comments are general in nature and assume the Fund continues to qualify as a MIT, which allows AFM to apply concessional withholding tax rates on distributions to non-residents.

To help ensure the Fund continues to qualify as a MIT, we intend to limit the amount that any individual non-resident investor holds, or has the right to hold in the Fund, to under 10% of the value of units, number of units, or entitlement to distributions of the Fund.

8.4.1 Tax on Income

AFM is required to withhold tax at varying rates on any Australian taxable income distributed by the Fund to a non-resident investor.

Generally, withholding tax of 10% will apply to the Australian interest component of distributions.

Withholding tax of 30% will apply to distributions of unfranked dividends (other than dividends from a foreign source), though this rate may be reduced by the application of any taxation agreement between Australia and the country in which you reside.

AFM is also required to withhold tax on a non-resident investor's behalf in respect of any other Australian taxable income distributed by the Fund. Other Australian taxable income includes taxable income except for interest, dividends, capital gains not related to taxable Australian property, and non-Australian source income.

For investors that are tax residents in countries that hold a tax Information Sharing Agreement ("ISA") with Australia, a final withholding tax rate of 15% currently applies to this other Australian taxable income.

For investors that are tax residents in countries that do not hold an ISA with Australia, the final withholding tax rate for other Australian taxable income is 30%. These taxes are 'final' Australian withholding taxes. This means that you are not required to lodge an Australian tax return and expenses cannot be claimed against these types of taxable income.

8.4.2 Tax on Disposal of Units

A non-resident investor will only make a taxable capital gain on the disposal of units in the Fund where, together with associates, they hold 10% or more of the units in the Fund and more than 50% of the value of the fund is attributable to Australian real property.

8.5 AMIT Tax Regime

A regime referred to as the Attribution Managed Investment Trust (AMIT) regime is in place for the taxation of certain trusts.

AFM expects the AMIT regime will apply to the Fund.

Under the AMIT regime, investors are attributed the taxable income, tax offsets and credits on a fair and reasonable basis consistent with their interest in the Fund based on the Constitution.

The AMIT regime seeks to ensure that the character of income and gain received by the Fund is retained in the hands of the investors.

In any tax year in which the AMIT regime applies, the Fund will provide you with an AMIT Member Annual Statement (AMMA Statement). The AMMA Statement will set out the amount which has been attributed to you, its components and other relevant tax information.

9. Investment Services

9.1 Customer Service

AFM has appointed Registry Direct Limited as the Fund's Registrar. You can set up a user account with Registry Direct which allows you to administer aspects of your investment online.

To enquire about the Fund, or your investment, you should contact AFM. See Section 12 for AFM contact details. You can contact AFM by phone between 8:30am and 5:00pm (Brisbane time), on any Brisbane business day.

9.2 Communicating with You

9.2.1 Reporting

You will receive the following communications from the Registrar, unless you elect otherwise:

- An acknowledgement following receipt of your application.
- An investment confirmation within 10 days following the issue of units.
- A distribution advice within 5 days following the payment of a distribution.
- Investment statements within 30 days after the end of each financial year.
- An annual tax statement within 2 months after the end of each financial year.

Annual financial reports will be made available at www.affluencefunds.com.au/alf/. They will not be sent to you unless requested.

AFM reports on the following matters, by way of the monthly Fund report available on our website at www.affluencefunds.com.au/alf/.

- The current total net asset value of the Fund and the redemption value of a unit as at the date the net asset value was calculated.
- The key service providers if they have changed since the last report, including any change in their related party status.
- The net return on the Fund's assets after fees, costs and taxes.
- Any material change in the Fund's risk profile.
- Any material change in the Fund's strategy.

- Any change in the individuals playing a key role in investment decisions for the Fund.

We report annually (or more frequently if required) in writing on the following matters:

- The actual asset allocation to each asset type.
- The liquidity profile of the portfolio of assets at the end of the period.
- The maturity profile of the liabilities at the end of the period.
- The leverage ratio (including leverage embedded in the assets of the fund, other than listed equities and bonds) as at the end of the period.
- The derivative counterparties engaged.
- The monthly or annual investment returns over at least a five-year period.
- Any changes to key service providers since the latest report given to investors, including any change in their related party status.

9.2.2 IDPS Investors

An IDPS investor will not receive statements, tax information or other information directly. You should receive equivalent information from the operator of the IDPS. Up to date access to Fund information is also available online at www.affluencefunds.com.au/alf/.

9.2.3 Continuous Disclosures

The Fund is a 'disclosing entity' as defined in the Corporations Act, and is subject to regular reporting and disclosure obligations. Copies of Fund documents lodged with ASIC may be obtained from or inspected at an ASIC office, are available online at www.affluencefunds.com.au/alf/ and will also be made available by AFM on request.

You also have the right to obtain a copy of the following documents from AFM upon request:

- The annual financial report most recently lodged with ASIC.
- Any half year financial report lodged with ASIC after the lodgment of the latest annual financial report and before the date of this PDS.
- Any continuous disclosure notices released by the Fund after lodgment of the latest annual financial report and before the date of this PDS.

AFM meets its continuous disclosure requirements by way of website disclosure which complies with ASIC's good practice guidance and accords with industry best practice. All other continuous disclosure notices required under the Corporations Act will be made available online at www.affluencefunds.com.au/alf/.

9.3 Complaints Handling

The Constitution sets out the procedure by which AFM is to receive, consider, investigate and respond to complaints by investors who are dissatisfied with the management or administration of the Fund.

If you wish to make a complaint, AFM can be contacted via:

Phone: 1300 233 583
Email: invest@affluencefunds.com.au
In writing: Affluence Funds Management
GPO Box 112
Brisbane, QLD 4001
AUSTRALIA

AFM will acknowledge any complaint in writing immediately. AFM will within 30 days investigate, properly consider and decide what action (if any) to take or offer regarding the complaint, and communicate its decision to you.

AFM may, at its discretion, give any of the following remedies to a complainant:

- Information and explanation regarding the circumstances giving rise to the complaint.
- An apology.
- Compensation for loss incurred by the investor as a direct result of the breach (if any).
- Such other remedies as AFM considers appropriate.

If you are not satisfied with how the complaint has been handled or a response was not provided to you within 30 days, you can refer your complaint to the Australian Financial Complaints Authority, an external dispute resolution scheme of which AFM is a member.

The Australian Financial Complaints Authority can be contacted via:

Phone: 1800 931 678
Email: info@afca.org.au
Website: www.afca.org.au
In writing: Australian Financial Complaints Authority
GPO Box 3
Melbourne, VIC 3001
AUSTRALIA
Fax: +61 3 9613 6399

The external complaints resolution scheme is generally only available to Retail Clients in Australia. It is not available to New Zealand investors.

IDPS investors should contact their IDPS operator in the first instance with any complaints in relation to an investment in the Fund.

10. Additional Information

10.1 Constitution

The Constitution, this PDS, the Corporations Act and other laws (such as the general law relating to trusts) govern the relationship between investors and AFM.

The Constitution sets out the basis upon which AFM is appointed Responsible Entity of the Fund. The Responsible Entity or the appointed custodian holds the assets of the Fund on trust for the investors, subject to the provisions of the Constitution, the Corporations Act and other relevant laws.

A number of the provisions of the Constitution have been dealt with elsewhere in this PDS. Other important provisions of the Constitution are set out below. A copy of the Constitution can be inspected at AFM's office, or can be requested by contacting AFM.

As an investor, you have the following rights under the Constitution:

- The right to share in any distributions.
- The right to attend and vote at meetings of investors.
- The right to participate in the proceeds of winding up of the Fund.

In relation to AFM's powers, duties and liabilities as manager of the Fund, the Constitution:

- Allows AFM to refuse applications for units, in whole or in part, at AFM's discretion and without giving reasons.
- Allows AFM to set a minimum investment to be made in the Fund.
- Provides that, unless the Corporations Act or other law provides otherwise or AFM acts fraudulently, negligently or in breach of trust, involving a failure to show the degree of care and diligence required of it having regard to the powers, authorities or discretions conferred on it by the Constitution, AFM is not liable for any loss suffered in any way relating to the Fund.
- Allows AFM to change the Constitution, but requires investors' approval if the change would adversely affect the rights of investors.

10.2 Compliance Plan

The Fund has a compliance plan which is lodged with ASIC and sets out the measures that we will apply in operating the Fund to ensure compliance with the Corporations Act and the Constitution.

The compliance plan is audited annually.

The AFM board of directors ("Board") monitors the operation of the Fund and overall compliance with the compliance plan. The Board has the obligation to monitor compliance with the compliance plan and to report certain breaches of the Corporations Act and the compliance plan to ASIC.

The Board may appoint a separate compliance committee to undertake these functions and must do so if the majority of members of the Board are not external.

10.3 Disclosure of Interests

No expert or any firm in which an expert is a partner has any interest in the offer under the PDS and no amounts have been paid or agreed to be paid (other than normal fees) to any expert or any firm in which they are a partner, for services rendered by the expert or the firm in connection with the offer under this PDS.

10.4 Interests and Fees of Other Parties

Other than as set out below or elsewhere in the PDS, no director of AFM or any person named in the PDS as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the PDS has, within the 2 year period prior to the date of this PDS, had an interest in the promotion of the Fund and no amounts, whether in cash or shares or otherwise, have been paid or agreed to be paid to any director or proposed director either to induce him to become, or to qualify as, a director, or otherwise for services rendered in connection with the promotion of the Fund.

10.5 Ethical Considerations

Decisions made by us about whether to buy, hold or sell investments are based primarily on economic and investment factors.

Environmental, social and ethical considerations and labour standards are taken into account only where they may have a material impact on the value of an investment.

10.6 Conflicts of Interest

AFM has established internal policies and procedures to ensure that any conflicts of interest in relation to the Fund are adequately identified and appropriately managed.

Where AFM considers that a particular conflict of interest is likely to have a materially adverse effect on investors, we will seek to implement adequate arrangements to mitigate, prevent and/or minimise (where practicable) the conflict of interest.

10.7 Related Party Transactions

10.7.1 Related Party Agreements

AFM as the Responsible Entity for the Fund may appoint related entities to provide some services to the Fund.

Related party transactions carry a risk that they could be assessed and reviewed less rigorously than transactions with other parties. Where material transactions occur, investors should consider the capability and sustainability of those related party arrangements and the potential for conflicts of interest.

AFM has, and complies with, written policies with regard to related party transactions. The policies cover, amongst other things, the assessment and approval process for related party transactions as well as how the risk of any actual or perceived conflict of interest as a result of a related party transaction is managed. All related party transactions require AFM to take into account clearly identified governance policies and guidelines and only approve transactions if they are considered to be on arm's length terms. Otherwise, unless another exception is available under the Corporations Act, the transaction would be subject to approval by Fund investors.

AFM, its employees, officers, and related entities, including managed investment schemes of which AFM is the responsible entity/trustee may subscribe

for, acquire or redeem, units in the Fund on the same terms as other investors.

At the date of this PDS, entities related to AFM held units in the Fund.

At the date of this PDS the Affluence Investment Fund, a registered managed investment scheme for which AFM is the Responsible Entity, held approximately 34% of the issued units of the Fund. While the holding percentage is expected to change over time, the Affluence Investment Fund is expected to continue to hold a material interest in the Fund.

The Fund may invest in other managed investment schemes of which AFM is the responsible entity/trustee. To the extent that it does so, AFM waives or sets-off the additional performance fees payable to AFM in respect of such investments so that investors only bear the fees set out in Section 7.

10.7.2 Fund Service Providers

AFM may appoint a related party to provide accounting, unit pricing and other administrative services to the Fund. Any appointment, if made, will not be exclusive and AFM may engage external service providers to undertake some or all of the functions noted in their relevant agreements.

Any appointment of a related party will be done in accordance with AFM's policies and will be made on arm's length commercial terms at market rates or lower.

The value of any financial benefit received by a related party for administrative services is expected to be in the form of fees received from the Fund. Fees are set and reviewed annually, having regard to the nature and scope of work performed and taking into account similar fees charged by other managers and service providers, and the cost of providing the services.

As appropriate, AFM will provide ongoing updates of material service engagements and financial benefits that are paid to related parties through updates to investors. Any updates can be found on the AFM website at www.affluencefunds.com.au/alf/.

The value of related party transactions are also reported yearly as part of the Fund's annual accounts. The annual accounts for the Fund are available on our website www.affluencefunds.com.au/alf/.

11. Glossary

Affluence Investment Fund	The Affluence Investment Fund, ARSN 617 680 654.
AFM, Trustee, Investment Manager, we or us	Affluence Funds Management Limited ABN 68 604 406 297, AFSL 475940.
AFSL	Australian financial services licence.
ASIC	Australian Securities & Investments Commission.
ASX	The Australian Securities Exchange.
ASX 200 Index	The S&P/ASX 200 accumulation index, which measures the total returns of approximately 200 of the largest and most liquid entities listed on ASX.
Auditor	Pitcher Partners ABN 84 797 724 539
Business Day	A day that is not Saturday, Sunday or a public holiday in Sydney, Australia.
Buy spread	An amount added to the Unit Price for applications (excluding distribution reinvestments), which represents AFM's estimate of the relevant transaction costs associated with implementing application funds.
Constitution	The constitution of the Fund dated 5 April 2016 (as amended).
Corporations Act	The Corporations Act 2001 (Cth) and the regulations in force as amended.
Custodian	Perpetual Corporate Trust Limited ABN 99 000 341 533.
Fund	The Affluence LIC Fund, ARSN 634 532 424.
IDPS	An investor directed portfolio service such as a wrap, master trust or platform.
investment	An investment held by the Fund.
LIC	An entity classified as a listed investment company or listed investment trust by ASX.
LIC Manager	The investment manager of an LIC.
MIT	Managed Investment Trust.
Net asset value	The value of all the Fund's assets less all the Fund's liabilities, determined in accordance with the Constitution.
NTA	Net tangible assets, being the net assets of an LIC or other entity, excluding any intangible assets and, unless the entity is expected to realise the majority of its investment portfolio in the near term, excluding any deferred tax assets or liabilities.
offer	The offer set out in this PDS.
PDS	This product disclosure statement.
Registrar or Registry	Registry Direct Limited ABN 35 160 181 840.
Retail Client	An investor who is a retail client for the purposes of Section 761G and 761GA of the Corporations Act.
Sell spread	An amount subtracted from the Unit Price for withdrawals, which represents AFM's estimate of the relevant transaction costs associated with implementing withdrawals.
unit price	The value calculated by dividing the net asset value of the Fund by the number of units on issue. The unit issue price and the unit withdrawal price are adjusted for the buy spread and the sell spread respectively.

12. Corporate Directory

Responsible Entity and Investment Manager

Affluence Funds Management Limited
ABN 68 604 406 297, AFSL 475940
Level 22, 127 Creek Street
BRISBANE QLD 4000

Web: www.affluencefunds.com.au
Telephone: 1300 233 583
Email: invest@affluencefunds.com.au
Post: GPO Box 112, BRISBANE QLD 4001

Registrar

Registry Direct Limited
ABN 35 160 181 840
10 Exon Street
BRIGHTON VIC 3186

Web: www.registrydirect.com.au
Telephone: 1300 556 635
Email: registry@registrydirect.com.au

Custodian

Perpetual Corporate Trust Limited
ABN 99 000 341 533
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SYDNEY NSW 2000

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