

Monthly Fund Update

ARMYTAGE AUSTRALIAN EQUITY INCOME FUND (AEIF)

MAY 2023

Fund Description

The Australian Equity Income Fund mandate is to generate a 7.5% yield, with a lower than market volatility. The fund was developed after extensive consultation within the Australian IFA market. Lonsec 'recommended' since the funds inception in 2007 and has a 4 star rating with Morningstar. The recommended investment timeframe is 5 - 6 years.

Performance

As at 31 May 2023

Performance	Since Inception	5 Years	3 Years	1 Year	6 Months	3 Months	1 Month
The Fund	8.13%	7.82%	10.06%	0.32%	-2.92%	-2.33%	-2.80%
Benchmark (*)	8.23%	8.07%	12.25%	3.41%	-0.60%	-0.93%	-2.44%
Difference	-0.10%	-0.25%	-2.19%	-3.08%	-2.32%	-1.40%	-0.36%

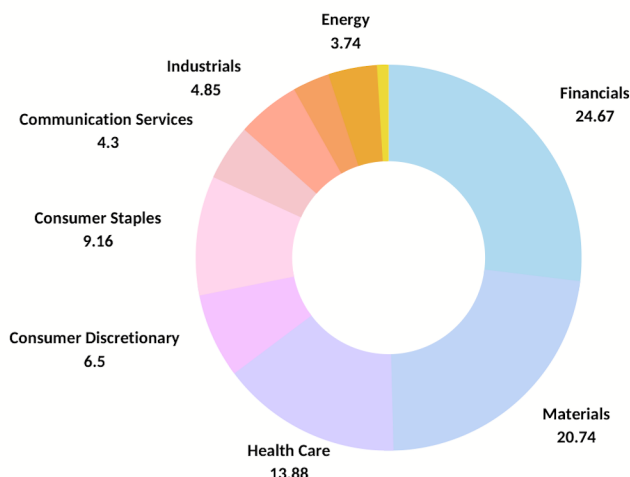
* Performance benchmarked against the ASX100 Accumulation Index

Key Facts

Inception Date	13 July 2007
APIR Code	ETL0148AU
Benchmark	S&P/ASX 100 Accum Index
Pricing Frequency	Daily
Liquidity	T + 2 Business Days
Yield	Targeting 7.5% to 9.5% gross
Distribution	Quarterly
MER	1.43%
Buy/Sell Spread	0.25%

Sector Allocation (%)

As at 31 May 2023



Service Providers

Investment Manager	Armytage Private Pty Ltd
Responsible Entity	Equities Trustees Limited
Fund Admin	Apex Group Ltd

"A new hawkish Lowe"

Holdings

#	Top 10 Holdings	%
1	BHP Group Ltd	11.22
2	CSL Ltd	8.54
3	Commonwealth Bank of Australia	8.54
4	National Australia Bank Ltd	4.4
5	Westpac Banking Corp	3.94
6	ANZ Group Holdings Ltd	3.78
7	Macquarie Group Ltd	3.77
8	Woodside Energy Group Ltd	3.74
9	Telstra Group Ltd	3.59
10	Wesfarmers Ltd	3.32

Market Commentary

The Australian Equity market retracted in May as a red-hot inflation number, on top of a stimulatory Federal Budget, fuelled bet of further interest rate rises. Market was caught off guard with a 6.9% CPI while expecting 6.4% YoY.

Artificial Intelligence (AI) became a phenomenon in May despite being an active field of research and development for several decades. The recent technology advancements and applications propelled AI into the spotlight, which fuelled share prices of AI related stocks such as NVIDIA and Microsoft. The Australian market underperformed its US peers, specifically the NASDAQ, due to the lack of investment grade options.

Down under, the unemployment rate slightly and unexpectedly ticked up to 3.7%, which we suspect it was due to seasonal factors such as the Easter break. Retail sales were flat as cost-of-living pressure depressed household spending capacity.

Unit Price: \$0.7467 (as at 15 Jun, 2023)

Performance & Stock Review

Majority of sectors finished the month lower with the consumer facing sectors performing the worst. Treasury Wine (**TWE**) lowered its earnings guidance amid an ongoing inflationary environment, particularly for packaging materials, & softening consumer demand. Similarly, other companies such as Wesfarmers (**WES**) and Endeavour Group (**EDV**) also noted weakened consumer appetite in recent months. A few retailers such as Dusk (**DSK**) & Universal Store (**UNI**) also downgraded their trading expectations, signaling that even the more resilient segments such as youth retailing was not immune to this consumption downgrade cycle.

The Material sector underperformed as a weak set of Chinese industrial data further confirmed that China's post lockdown economic recovery is losing steam. We need to see proactive easing from the Chinese policy makers to keep the momentum going. Commodity prices retreated as a result. Iron ore -7.56%, Copper -5.91%, Aluminum -3.4%, although Lithium was an exception, +67.6%. The share prices of resource stocks reflected the commodity movements, with EV/lithium stocks such as **PLS**, **AKE** and **IGO** outperformed the base metal peers (**BHP**, **RIO**, **FMG**). Additionally, during the month, AKE has agreed to merger with Livent Corp (US) to form a US\$10b lithium powerhouse, making it the 2nd lithium M&A of 2023, and further reiterate the investment thematic of lithium and Electric Vehicles.

In terms of stocks, NextDC (**NXT**) had a great month, +12.75%, on the back of the AI phenomenon. NXT remains our top Tech pick to benefit from the AI Boom due to a more affordable valuation & possession of real assets (land and properties). Some other top performers of the fund include James Hardie (**JHX**), +9.61%, as signs of recovery of the US housing market emerged. Cleanaway (**CWY**) advanced 7.4% as the company reaffirmed guidance.

Outlook

Armytage predicts a higher chance for a mild recession in Australia and expects the RBA's terminal cash rate to be well and truly above 4.5% by the end of 2023. A dramatic increase in interest rates will reduce disposable income of mortgagees and slow down economic growth. Fortunately, our low unemployment rate and Australia's status as resource exporter will provide some buffer. Inflation has peaked but we remain alert that the chance of a wage price spiral in Australia remains med to high due to political influences. We forecast inflation to remain above the RBA's preferred bandwidth (2% - 3%) for the next 12 to 18 months. In the short to medium term, we prefer sectors & stocks that are non-cyclical and less sensitive to a recession. A few of our favorite picks include Endeavour **EDV** (the BWS and Dan Murphy's owner), **CSL** (biopharma), telco **TLS** (Telstra & Aussie Broadband), the travel & tourism sectors such as Qantas (**QAN**) and nickel & lithium producers such as **IGO**, Allkem (**AKE**) and Pilbara (**PLS**).

Yield History

Yield	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Distribution	5.0c	5.2c	5.5c	5.5c	5.5c	5.5c	6.4c	5.1c	5.3c	8.2c
Net Yield	7.5%	7.2%	7.2%	7.1%	7.7%	7.0%	7.7%	6.1%	7.5%	9.98%
Gross Yield	8.7%	8.5%	8.5%	8.4%	8.8%	8.5%	12.0%	8.1%	8.4%	11.35%

GET IN TOUCH

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Disclaimer: Equity Trustees Limited ("Equity Trustees") ABN 46 004 031 298 | AFSL 240975, is the Responsible Entity for the Armytage Equity Income Fund. Equity Trustees is a subsidiary of EQT Holdings Limited (ABN 22 607 797 615), a publicly listed company on the Australian Securities Exchange (ASX: EQT). This document has been prepared by Armytage Private Pty Ltd (Armytage) ABN 51 079 960 419, AFSL 238519, the investment manager for the Fund, to provide you with general information only. In preparing this document, Armytage did not take into account the investment objectives, financial situation or particular needs of any particular person. It is not intended to take the place of professional advice and you should not take action on specific issues in reliance on this information. Neither Armytage, Equity Trustees nor any of their related parties, their employees or directors, provide any warranty of accuracy or reliability in relation to such information or accepts any liability to any person who relies on it. Past performance should not be taken as an indicator of future performance. You should consider the Product Disclosure Statement ("PDS") before making a decision about whether to invest in this product."

About The Manager

Armytage Private is a boutique investment specialist majority owned by members of its investment team and key executives.

Founded in 1995, Armytage is a pioneer in Australia's investment industry, offering a suite of actively managed IMAs and managed funds.

Armytage is a Value manager with a fundamental investment approach designed to identify quality businesses trading at a considerable discount to valuation.

The process is guided by three fundamental beliefs:

- Markets are not perfectly efficient and the true value of a business is not always reflected in its share price;
- Undervalued companies can be identified through detailed and intensive research; and
- Capital preservation is critical to wealth creation.

Investment Team

Armytage has a highly skilled and experienced team with proven investment management capabilities, and our success has been built on the strength and passion of our people.

Lee IaFrate – Chairman/Portfolio Manager



- Lee has been in the financial industry for over 36 years, with broad experience ranging from stock broking and funds management to principle lecturer at the Securities Institute of Australia.

Bradley King – Director/Portfolio Manager



- Bradley has over 20 years experience in the financial services industry, working in a variety of roles in funds/portfolio management, company analysis, stock broking, wealth services and administration.

Julian Mitchell – Portfolio Manager



- Julian has been in the Investment Industry for over 30 years. Julian was the founder of DMP Asset Management. Prior to DMP, Julian has worked for large American banks in London and New York where he was a stock research analyst.

Austin Ngo – Portfolio Manager



- Austin is a qualified CPA who has previously worked in Public Practise accounting firms, specialising in Taxation and Financial Accounting. Austin integrates software such as Bloomberg and IRESS to support his qualitative & quantitative research.

ARMYTAGE PRIVATE



Est. 1995

PROSPERITY THROUGH PRUDENCE AND PRESCIENCE

Armytage Australian Equity Income Fund

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Liquidity	T + 2 Business Days
Yield	Targeting 7.5% to 9.5% gross
Distribution	Quarterly
MER	1.43%
Buy/Sell Spread	0.25%
Performance Fee	Nil
Conservative Universe	ASX Top 100 companies

Service Providers

Investment Manager	Armytage Private Pty Ltd
Responsible Entity	Equities Trustees Limited
Fund Admin	Apex Group Ltd

Platform Availability

- AMP North
- Asgard
- NetWealth
- Hub24
- mFund
- Direct with Armytage

Ratings



Performance

As at 31 May 2023

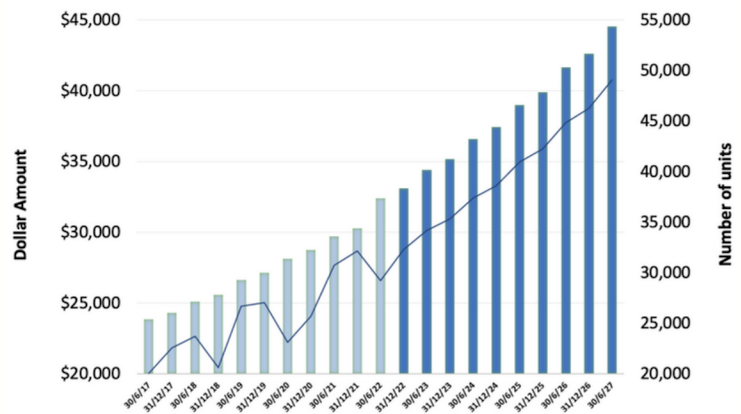
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*Armytage is the only fund manager in the Equity Income Space that has +10 years track record

AEIF Investment Projection



*Data shown following the 30/6/2022 is forecasted based on previous data

Fund Objective

The Fund is managed with a purpose of offering investors long-term capital growth and a regular quarterly income stream. From a portfolio of large-capitalisation investments that Armytage considers to be of high quality and good value. The Fund aims to provide a higher level of yield (2.5% above) than the S&P/ASX100 while matching or beating the total return of the index over the medium term.

Fund Benefits

The investment style enables Armytage to take advantage of strategic or special opportunity investments. The investment process identifies listed companies which are being discounted by the market, but still retain an asset (tangible or otherwise) which in Armytage's view, is of significant value to one or more third parties. The Fund benefits from the use of Exchange Traded Options (ETOs) which under a non-leveraged Buy-Write, Sell-Put strategy, these securities are designed to help increase the yield of the portfolio, assist to reduce market volatility and along with dividend income, provide a stable platform for quarterly distribution payments to investors.

Investment Strategy

Armytage is a value manager with a fundamental investment approach designed to identify quality businesses trading at a considerable discount to valuation.

The process is guided by three fundamental beliefs:

- Markets are not perfectly efficient and the true value of a business is not always reflected in its share price;
- Undervalued companies can be identified through detailed and intensive research; and
- Capital preservation is critical to wealth creation.

The fund uses exchange-traded options to enhance the yield on the underlying physical investments through a Buy/Write and Sell/Put strategy. Options are not used for gearing or protection purposes and the Fund is never more than 100% exposed to the market.

Suitable investors

This fund is designed for investors who seek income and capital growth from a large capitalization Australian equities portfolio with the potential for increased income through the use of Exchange Traded Options.

The Australian Economy

May 2023

RBA Cash rate 4.10%
Unemployment 3.7%
GDP 2.3% YoY
CPI 6.8% YoY

AUD 0.6502
Brent 72.66
Gold 1,962.70
Iron ore 101.85

About Armytage Private

Established in 1995, Armytage is managed by highly experienced fund managers who specialize in portfolio construction, asset allocation and derivatives management.

Armytage was one of the first truly **Individually Managed Account (IMA)** focused managers, moving on from the traditional broker transaction-based model.

In 2005, Armytage broadened its product suite by offering managed funds to retail investors, via financial advisory relationships.

The core managed funds business focuses on Australian equities with income enhancement.

Investment team

Armytage has a highly skilled and experienced team with proven investment management capabilities, and our success has been built on the strength and passion of our people.

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Louise Iozzi – Partnerships Director



- Louise joins the Armytage team with 15 years of commercial experience. Committed to establishing trusting and collaborative relationships with her clients, Louise is driven towards positive commercial outcomes, business growth and personal financial gains.

GET IN TOUCH

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