

Monthly Fund Update

ARMYTAGE STRATEGIC OPPORTUNITIES FUND (ASOF)

OCTOBER 2022

KEY ECONOMIC RELEASES

RBA Cash Rate:	2.85%
Unemployment Rate:	3.50%
Retail Sales:	0.6% MoM
Trade Surplus:	\$12.4b
Property Prices:	-1.1% MoM
CPI:	7.3% YoY

COMMODITIES

AUD/USD:	0.6398
Brent Crude Oil:	\$94.83
Gold:	\$1,663.74
Iron Ore:	\$77.35

Market Review

The RBA's unexpected dovish turn and a better-than-expected GDP data in the US helped boost market sentiment in October. The **All Ords Accum Index** rallied 5.68% in October, slightly below more mid and small cap oriented peers such as the **Small Ords Accum Index** (+6.46%) as the risk-on sentiment took the centre stage.

October marked the RBA's 6th consecutive interest rate hike as the Reserve Bank lifted the official cash rate to 2.85% as its ongoing battle with inflation continued. However, the increase was smaller than expected, hinting the tightening cycle is almost finished.

Meanwhile, the September quarter CPI data came in at 7.3% YoY, higher than consensus forecast of 7.1% and unemployment rate remained at a multi-decade low level of 3.5%. This reinforced the RBA's statement of more interest rate rises to come, but at a slower pace (smaller increment).

Performance & Stock Review

The fund returned 5.29% for the month, slightly below market.

In terms of sectors, **Energy** had a stellar month as OPEC+ and allies announced the biggest on record production cut, adding more pressure on an already tightly supplied oil market. Other sectors that were negatively affected by the interest rate & recession fears such as **Real Estate** and **Consumer Discretionary** also rallied across the board.

Stock wise, shares in **Qantas (QAN)** rose 16% as the Flying Kangaroo expected to be back in black by the end of December, buoyed by strong travel demand despite high fuel cost headwind. October saw an across-the-board rally amongst the banks as investors expected an improvement in Net Interest Margin (NIM) as a result of higher interest rates. Shares in **NAB, ANZ, WBC** and **MQG** traded higher in anticipation of their full year results due in late October/early November.

Bond sensitive stocks such as **Transurban (TCL)** and **NextDC (NXT)** also recovered as the Aussie 10y bond yield dipped below 4%. It is also interesting to note that the Aussie 10y bond yield is now below the US counterpart, a feat that has not been seen in 2018.

In the mid to small cap space, shares in **Jumbo (JIN)** and the **Lottery Corp (TLC)** trended higher, leading up to the \$160m Powerball. **HUB24 (HUB)** rallied 21%, as the wealth platform operator recorded \$3b in net inflows for the September quarter, bringing its Funds Under Admin to \$68.4b.

During the month, the fund topped up our positions in the supermarkets (**WOW** and **COL**) and **EDV** as their valuations have become more attractive in the past few months. These stocks tend to perform well in a weaker economic environment. We also took some profit in **Woodside (WDS)** but remained our overweight position in the stock.

#	TOP 10 HOLDINGS	%
1	BHP Group Ltd	8.95
2	CSL Ltd	8.37
3	Commonwealth Bank of Australia	6.80
4	National Australia Bank Ltd	5.34
5	Macquarie Group Ltd	4.13
6	Westpac Banking Corp	3.89
7	Australia & New Zealand Banking	3.64
8	Wesfarmers Ltd	2.92
9	Woodside Energy Group Ltd	2.58
10	Woolworths Group Ltd	2.36

SECTOR ALLOCATIONS	%
Financials	26.57
Consumer Discretionary	17.98
Materials	14.24
Health Care	10.32
Consumer Staples	7.32
Industrials	5.53
Communication Services	3.65
Real Estate	3.24
Energy	2.92
Information Technology	1.26

Performance	Since Inception	5 Years	3 Years	1 Year	6 Months	3 Months	1 Month
The Fund	9.93%	7.83%	3.74%	-8.28%	-7.65%	-2.67%	5.29%
Benchmark (*)	7.97%	7.44%	5.17%	-3.52%	-6.46%	0.18%	5.68%
Difference	1.95%	0.39%	-1.43%	-4.76%	-1.19%	-2.85%	-0.39%

* Performance benchmarked against the All Ordinaries Accumulation Index

Outlook

Armytage forecast a soft-landing scenario for Australia where the RBA's tightened monetary policies will lead to a slowdown in economic activity. A tight labour market, huge long-term demand for commodities and strong household balance sheets will provide buffer. Armytage expects inflation to peak later this year and start to normalise in 2023 and in turn, the RBA will decelerate the pace of its interest rate hikes. In the short to medium term, we prefer sectors & stocks that are non-cyclical and less sensitive to a recession. A few of our favourite picks include **Endeavour** (the BWS and Dan Murphy's owner), **CSL** (biopharma), the travel & tourism sectors such as **Qantas (QAN)** and some Electronic Vehicle mineral mining names.

Yield	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Distribution	3.3c	3.4c	3.9c	4.0c	4.4c	4.2c	4.2c	4.0c	4.1c	4.1c
Net Yield	7.1%	7.2%	7.4%	7.1%	8.8%	7.4%	7.0%	6.5%	7.8%	6.39%
Gross Yield	10%	8.5%	8.6%	8.4%	11.4%	10.6%	10.1%	7.8%	8.7%	7.87%

30 September Unit Price: \$0.5461

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 laFrate – 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.

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.

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.

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.

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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.



Armytage Strategic Opportunities Fund

The Armytage Strategic Opportunities 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 2005 and has a 4 star rating with Morningstar. The recommended investment timeframe is 5 – 7 years.

Key Fund Facts

Inception Date	20 June 2005
APIR Code	ETL0139AU
Benchmark	All Ordinaries Accum Index
Liquidity	Semi-annual
Yield	Targeting 7.5% to 9.5% gross
Distribution	Daily unit pricing
MER	1.78%
Buy/Sell Spread	0.25%
Performance Fee	Nil
Blue Chip Companies	ASX All Ordinaries Universe
Service Providers	
Investment Manager	Armytage Private Pty Ltd
Responsible Entity	Equities Trustees Limited
Fund Admin	Mainstream

Platform Availability

- mFund
- Navigator
- Hub24
- Direct with Armytage
- NetWealth

Ratings



Performance

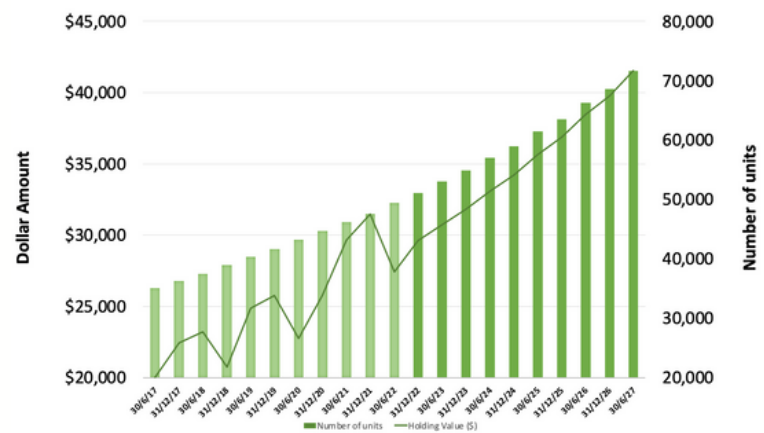
As of 31st October 2022

Performance	Since Inception	5 Years	3 Years	1 Year	6 Months	3 Months	1 Month
The Fund	9.93%	7.83%	3.74%	-8.28%	-7.65%	-2.67%	5.29%
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Yield History

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ASOF 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 semi-annual income stream, from a portfolio of micro, small and 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 All Ordinaries, 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 is income growth focused with exposure to small to mid-caps. As part of Armytage's active investment strategy, 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 semi-annual 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. Additionally, the fund has the ability to invest in the mid cap and small cap sectors of the Australian market when the manager sees significant value in doing so.

Suitable investors

This fund is designed for investors who seek an exposure in Australian equities that is able to generate income and capital growth from a mix of strategic opportunities identified.

The Australian Economy

October 2022

- The RBA increased the official cash rate for the 6th consecutive month, however by a smaller increment. The official cash rate was lifted by 25 basis points, below consensus forecast of a 50-basis point hike, hinting the peak of this interest rate hike cycle is near.
- Australia recorded \$8.3b in trade surplus, slightly below the previous month's number. Exports rose \$1.4b, or 2.6%, driven by coal, coke, and briquettes while Imports rose \$2.7b, or 4.5%, driven by fuels and lubricants.
- The unemployment rate remained steady at decades-low of 3.5%, in line with expectations. Disappointingly, employment growth was flat vs expectations of additional 25k new jobs. The participation rate stayed at 66.6%.
- Treasurer Jim Chalmers delivered his first budget since the Labour government won the election earlier this year. There were no major surprises. Winners include households, infrastructure, telco, renewables while the Losers include energy users and mortgagees.
- The Consumer Price Index (CPI) rose 1.8% in the September quarter or 7.3% YoY, beating expectations. Utility bills, foods and rents were the biggest contributors. This marks the highest CPI record since 1990.

GET IN TOUCH

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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.

Lee laFrate – 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.

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- 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.

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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.

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.

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