

Monthly Fund Update

ARMYTAGE STRATEGIC OPPORTUNITIES FUND (ASOF)

SEPTEMBER 2022

KEY ECONOMIC RELEASES

RBA Cash Rate:	2.60%
Unemployment Rate:	3.50%
Retail Sales:	0.6% MoM
Trade Surplus:	\$8.73b
Property Prices:	-1.4% MoM
CPI:	6.8% YoY

COMMODITIES

AUD/USD:	0.65
Brent Crude Oil:	\$88.86
Gold:	\$1,660.6
Iron Ore:	\$98.35

Market Review

Equities performed well during the first half of September. However, a hotter than expected core CPI in the US and the UK PM delivering the largest tax cuts since 1972 triggered a sell-off globally. The Australian All Ords Accum Index declined 6.41% in September; the European market declined at a similar pace while the US market plummeted over 10% as a hard landing case has now become a more likely scenario. The 10-year treasury yields surged over 4% in both Australia and the US as a result of a massive bond sell-off. Fortunately, the Bank of England's emergency bond buying program put a brake into the decline.

The RBA delivered its 5th consecutive interest rate hike, bringing the official cash rate to 2.35%, the highest level since 2014. Interestingly, the RBA flagged further interest rate increases in the near term, however "not on a pre-set path", hinting the peak of the tightening cycle is near.

"The key to making money in stocks is not to get scared out of them"

~ Peter Lynch

Investor, fund manager, philanthropist

Performance & Stock Review

It was a broad sell-off with all sectors finishing the month in negative. Interest rate sensitive sectors such as Real Estate and Technology were amongst the worst performers while the Resources & Energy sectors performed better, supported by resilient commodity prices.

The fund returned -6.41% for the month, slightly below market. However, we believe it was a solid effort amid market volatility and extremity. Mid and small cap stocks tend to underperform in a bear market.

On a stock level, **Oz Minerals (OZL)** was the best performer, up 5.5% in September. We believe **BHP** might have to sweeten the takeover bid to cover their copper shortage. Only 26% of BHP's portfolio is copper, while iron ore and coal accounted for 49% and 25% respectively. In the mining space, **BHP** and **RIO** performed relatively well in anticipation of more economic stimulus from China. In Healthcare, shares in **Resmed (RMD)** advanced on another round of Phillips mask recall while **CSL** received good news in regard to blood donors. Solomon Lew led **Premier Investments (PMV)**, the owner of Just Jeans & Smiggle, had a stellar month after delivering a strong FY22 result (7% above consensus) along with a special dividend (approx. 7% annualised yield). Shares in wealth platform **Praemium (PPS)** also firmed in anticipation of the 3Q FUM flow report due in early October.

#	TOP 10 HOLDINGS	%
1	BHP Group Ltd	9.03
2	CSL Ltd	7.72
3	Commonwealth Bank of Australia	7.56
4	National Australia Bank Ltd	4.89
5	Macquarie Group Ltd	4.26
6	Westpac Banking Corp	4.21
7	Australia & New Zealand Banking	3.69
8	Wesfarmers Ltd	2.66
9	Woodside Energy Group Ltd	2.65
10	Woolworths Group Ltd	2.55

SECTOR ALLOCATIONS	%
Financials	25.61
Consumer Discretionary	15.41
Materials	14.14
Health Care	12.83
Consumer Staples	7.33
Industrials	5.06
Real Estate	4.83
Communication Services	3.85
Energy	2.65
Information Technology	2.31

Performance	Since Inception	5 Years	3 Years	1 Year	6 Months	3 Months	1 Month
The Fund	9.41%	7.49%	2.34%	-13.21%	-13.30%	-1.59%	-6.89%
Benchmark (*)	7.42%	7.11%	3.12%	-8.57%	-12.21%	0.80%	-6.41%
Difference	1.99%	0.38%	-0.78%	-4.64%	-1.09%	-2.39%	-0.48%

* 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. We believe Equities are oversold. The Australian market is trading below historical averages. 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 June Unit Price: \$0.5549

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.

GET IN TOUCH

W: www.armytage.com.au
E: backoffice@armytage.com.au @ArmytagePrivate
PH: +61 03 9674 0600
Level 5, 30 Collins Street
Melbourne, VIC 3000



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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 PRIVATE



Est. 1995

PROSPERITY THROUGH PRUDENCE AND PRESCIENCE

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



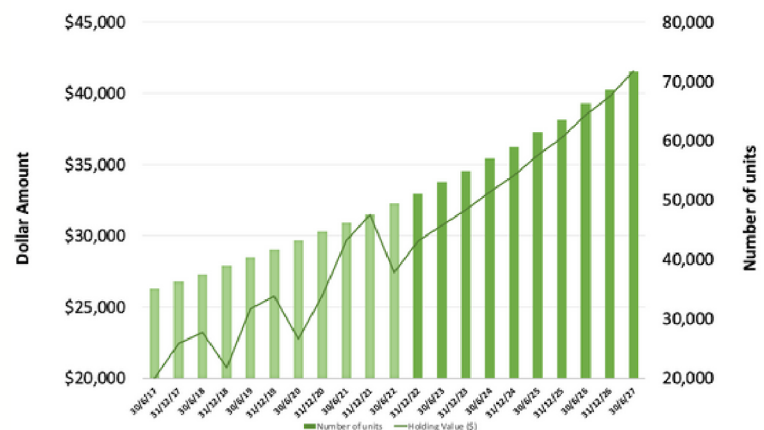
Performance As of 30 September 2022

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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.

Market Commentary

September 2022

- Retail sales rose 1.3% MoM in July, its 7th straight month of growth, or 16.5% YoY. Growth was seen across all categories except for household goods (-1.1%). The data suggested Australian consumers are continuing to spend despite rising inflation, interest rates and living costs.
- The RBA lifted the cash rate by 50bps to 1.85% as the Bank prioritised returning inflation to 2% - 3% over time. The RBA lifted inflation forecast for this year to 7.75% (previously 6%) and for calendar year 2023 to over 4% (previously over 3%), while downgrading GDP growth forecast for CY23 to 3.25% (from 4.25%) and CY24 to 1.75% (from 2%). The bank has also revised its unemployment forecast to 4% (previously 3.25%).
- Australia's trade surplus hit a new record of \$17.7b in June vs forecast of \$14b, supported by demand for commodities and elevated prices. Exports rose 5.1% MoM.
- The unemployment rate fell to an almost 5-decade-low, slightly below the forecast rate of 3.5%. Despite a 41k fall in employment, the number of unemployed people also declined by 20k, tipping the unemployment rate down to 3.4%. The participation rate was slightly lower, at 66.4%. It should be noted that July marked the first fall in employment since Oct 2021.

GET IN TOUCH

W: www.armytage.com.au

E: louise@armytage.com.au @ArmytagePrivate

PH: +61 03 9674 0600

Level 5, 30 Collins Street

Melbourne, VIC 3000



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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