

Monthly Fund Update

ARMYTAGE STRATEGIC OPPORTUNITIES FUND (ASOF)

NOVEMBER 2022

Fund Description

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 Facts

Inception Date	20 June 2005
APIR Code	ETL0139AU
Benchmark	All Ordinaries Accum Index
Pricing Frequency	Daily
Liquidity	T + 2 Business Days
Yield	Targeting 7.5% to 9.5% gross
Distribution	Semi Annual
MER	1.78%
Buy/Sell Spread	0.25%

Service Providers

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

Holdings

#	TOP 10 HOLDINGS	%
1	BHP Group Ltd	8.68
2	Commonwealth Bank of Australia	8.22
3	CSL Ltd	6.99
4	National Australia Bank Ltd	4.94
5	Macquarie Group Ltd	4.16
6	Westpac Banking Corp	3.62
7	Australia & New Zealand Banking	3.35
8	Woolworths Group Ltd	2.77
9	Wesfarmers Ltd	2.67
10	Aussie Broadband Ltd	2.22

Performance

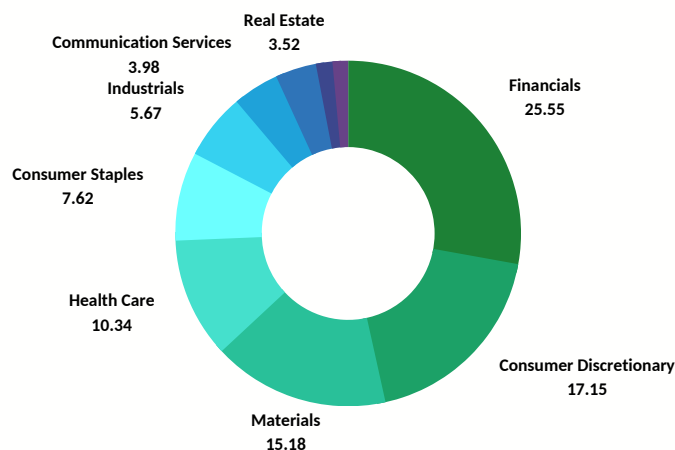
As at 30th November 2022

Performance	Since Inception	5 Years	3 Years	1 Year	6 Months	3 Months	1 Month
The Fund	10.43%	8.47%	4.32%	-2.23%	0.49%	3.10%	5.17%
Benchmark (*)	8.60%	8.38%	6.30%	3.03%	2.78%	5.28%	6.44%
Difference	1.82%	0.10%	-1.99%	-5.26%	-2.29%	-2.18%	-1.28%

* Performance benchmarked against the All Ordinaries Accumulation Index

Sector Allocation (%)

As at 30th November 2022



Market Commentary

The All Ords Accum Index rallied 6.44% in November as investors warmed up to China's plans to gradually exit COVID-Zero and return to normality. Improved sentiment towards the Chinese economy sent iron ore prices up over 30% in November, rising above US\$100/t level. The Aussie dollar also rose to 67.33 US cents, after hitting its 1-year-low in October at 61.90 US cents.

Inflation unexpectedly eased in October with the CPI coming in at 6.9% YoY, falling short of consensus forecast. The October CPI is well below previous month's reading of 7.3%. Retail sales also missed forecast for the first time since the beginning of CY2022. Retail sales declined 0.2% MoM in October, compared to expectations of a 0.5% MoM gain. We suspect the effects of interest rate hikes which led to increased mortgage payments, in conjunction with rising living costs, have started to affect households' spending on discretionary items.

Performance & Stock Review

The fund returned 5.17% for the month of November.

The Materials sector rallied over 15% in November as commodity prices soared on China's reopening, specifically iron ore, and nickel. The fund held an overweight position in **BHP** and a market weight position in **RIO**. Shares in **BHP** and **RIO** advanced 21.84% and 24.29% in November respectively. The fund also held a slight overweight position in **OZ Minerals (OZL)**, which received a revised takeover bid from BHP, valuing the copper miner at \$28.25. **Nickel Mines (NIM)** was the fund's best performing stock in November, up 33.56% for the month, which the fund held an overweight position. On the other hand, Lithium miners underperformed in November on the back of Tesla's weak vehicle sales report. Lithium stocks have had a good run in recent months; therefore, a pullback was not unexpected.

Interest rate sensitive sectors such as **Real Estate**, **Technology** and bond proxy styled **Infrastructure** also performed well as a CPI miss sparked hopes that the RBA would soon pause its rate hike cycle. **Goodman Group (GMG)** is the fund's only exposure in the Property Trust space, which rallied 12.47%. **Transurban (TCL)** also firmed 7.7% as bond yields declined.

On stock basis, shares in **CSL** surpassed the \$300 level for the first time in more than a year as investors anticipated a worse than normal flu season in the US. Shares in **Commonwealth Bank (CBA)** hit its all-time high in November. The fund remained bullish on the Big 4 banks and **Macquarie Bank (MQG)**. Our COVID recovery picks, **Webjet (WEB)** and **Viva Leisure (VVA)** travelled well as normality returned. **Aussie Broadband (ABB)** firmed 12% in November as the newly proposed NBN fee structure highly favoured ABB.

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%

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30 November Unit Price: \$0.6047

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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.

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.

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.

Disclaimer: Equity Trustees Limited ("Equity Trustees") ABN 46 004 031 298 | AFSL 240975, is the Responsible Entity for the Armytage Strategic Opportunities 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."



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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	Apex Group Ltd

Platform Availability

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

Ratings



Performance

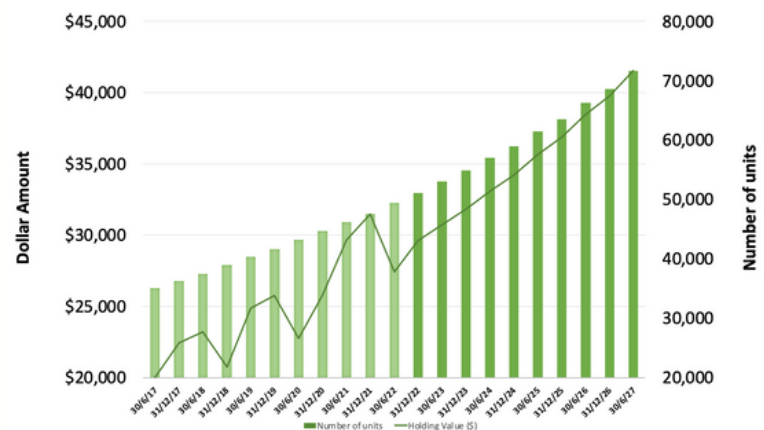
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Yield History

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Gross Yield	10%	8.5%	8.6%	8.4%	11.4%	10.6%	10.1%	7.8%	8.7%	7.87%

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

November 2022

- The RBA unsurprisingly increased the official cash rate by another 25 basis points, bringing it to 2.85%.
- Inflation eased in October, coming in at 6.9% YoY after peaking at 7.3% the month before. However, the ABS noted that a new CPI weighting structure has produced a smaller number. The CPI would be 7.1% instead of 6.9% if using the previous weights. Regardless, the CPI has declined MoM.
- The unemployment rate edged slightly down to 3.4% on the back of 32.2k jobs created in October. Market was expecting 15k new jobs and a jobless rate steady at 3.5%. Meanwhile, job ads have pulled back from record highs despite remaining well above long-term averages.
- Housing finance approvals plummeted 8.2% vs expectations of a 3% increase. Owner-occupied loans and investors loan retreated 9.3% and 6% respectively. Other finance data such as SME and personal loans also showed mixed results.

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.

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- 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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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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