



**ARMYTAGE PRIVATE**  
Est. 1995

PROSPERITY THROUGH PRUDENCE AND PRESCIENCE

## Armytage Private Funds Update - April 2021

Return (%)	1m	3m	6m	1yr	3yr (p.a.)	5yr (p.a.)	Inception (p.a.)
Armytage Australian Equity Income Fund	3.36%	8.01%	19.57%	25.97%	6.47%	9.49%	8.72%
Armytage Strategic Opportunities Fund	4.34%	7.98%	23.04%	35.38%	8.06%	11.22%	11.38%

Armytage Australian Equity Income Yield (AEIF)	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Distribution	5.0c	5.2c	5.5c	5.5c	5.5c	5.5c	6.4c	5.1c
Net Yield	7.5%	7.2%	7.2%	7.1%	7.7%	7.0%	7.7%	6.1%
Gross Yield	8.7%	8.5%	8.5%	8.4%	8.8%	8.5%	12.0%	8.1%

Approx. Gross Yield

**8.1%**

Armytage Strategic Opportunities Fund Yield (ASOF)	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Distribution	3.3c	3.4c	3.9c	4.0c	4.4c	4.2c	4.2c	4.0c
Net Yield	7.1%	7.2%	7.4%	7.1%	8.8%	7.4%	7.0%	6.5%
Gross Yield	10.0%	8.5%	8.6%	8.4%	11.4%	10.62%	10.11%	7.82%

Approx. Gross Yield

**7.8%**

*\*Past performance is not an indicator of future performance*

## Market Commentary

- Global markets regained momentum in April as fears of rapid inflation and rising bond yields subsided. Markets were also supported by iron ore hitting record highs, the earnings seasons commenced in the US and better than expected employment data post JobKeeper in Australia.
- Technology stocks rebounded in April as the bond yield rally took a breather and investors believed rising inflation was transitory. Shares in **Afterpay (APT)** and **NextDC (NXT)** recovered from their March lows. **Unity Wireless (UWL)** continued to search for new highs, finishing the month at \$2.77, up 20.43%.
- Travel & Tourism stocks were heavily impacted by the rapidly developing COVID19 crisis in India and the delay in rolling out the vaccine in Australia. **Sydney Airport (SYD)**, **Webjet (WEB)** and **Hello World (HLO)** all traded lower. On a positive note, Australia is considering allowing vaccinated residents to travel abroad first under a staggered system of reopening its borders. Additionally, **Qantas (QAN)** expected domestic capacity to reach 90% of pre-pandemic levels in 3Q2021.
- Gold stocks dominated the Material sector in April as the precious metal found a base in March and rebounded over 5% in April. Iron ore miners (**BHP**, **RIO**) and steel producers (**BSL**) firmed while **Alumina (AWC)** and nickel stocks (**NIC**, **MCR**) failed to capture rising aluminium and nickel prices. On the M&A front, **Orocobre (ORE)** agreed to acquire **Galaxy (GXY)**.
- The Industrial sector performed in-line with market in April. **Cleanaway (CWY)** led the sector after announcing it would acquire Suez's Sydney Assets via debt funding. **Bingo (BIN)** agreed to a \$2.3b takeover by MIRA at \$3.45 per share. **Transurban (TCL)** advanced 6% in April as domestic travel recovery underway and office workers returning to the CBDs.

### The Portfolio is designed for investors who...

- Seek an above average yield with long term capital growth
- Expect consistent returns at below market volatility
- Have a long term investment horizon of at least five years

Fund	Distribution FYTD	Upcoming distribution
AEIF	3 CPU	Jun21, 2.1 CPU (est)
ASOF	2 CPU	Jun21, 2 CPU (est)

## Investment Approach

### A Four Stage Investment Process

Intensive bottom-up research is the cornerstone of the entire process, supplemented by top-down economic and thematic views. The process is disciplined and consistently applied, using a number of proprietary qualitative and quantitative techniques to ensure that targeted companies have been thoroughly scrutinised.

The aim is to uncover undervalued businesses. The companies that Armytage typically invests in are those with strong and reliable management, good profit and dividend growth expectations, reasonably predictable future profits and cash flows, and a very clear business model.

### Stage 1: Defining the Investment Universe (Screening)

The first stage of the process is to narrow the number of stocks in the investment universe by applying a number of screens. This approach systematically eliminates companies that do not meet certain minimum standards, allowing the Investment team to focus more intensely on companies of potential interest.

### Stage 2: Bottom-up Fundamental Company Research

Armytage's research programme is focused on understanding the key drivers of business performance and returns, namely people, operations, products and services, and market dynamics.

For companies remaining in the Investment Universe, Armytage undertakes a detailed assessment of executive management, interviews competitors and suppliers, reviews financials, and forms a clear view on the outlook for the company's industry.

### Stage 3: Portfolio Construction

Risk management and capital preservation are key themes underlying the portfolio construction framework. With a focus on actively managing down-side portfolio risk for investors, Armytage constructs an efficiently diversified portfolio of high quality, undervalued companies, and invests for the long term (typically 3 to 5 years) in an effort to maximise after-tax returns.

### Stage 4: Income Enhancement (ETO Overlay)

After the portfolio of stocks has been selected, we then utilise Exchange Traded Options (ETOs) to enhance the portfolio's overall yield and reduce volatility relative to the market as part of the fund's active investment strategy. This provides a stable platform for the delivery of strong and consistent distribution payments to investors. Importantly, ETOs are not used to gear the Fund, but rather to enhance the portfolios ability to generate above market income through a conservative buy/write, sell/put strategy where all positions are cash or asset backed.

## 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.

## The Armytage Team

### Lee laFraté

Chairman  
Portfolio Manager

### Julian Mitchell

Portfolio Manager

### Olivia Setchell

Portfolio Manager

### Chris Newman

Strategy & Analyst

### Hannah Nguyen

Accountant

### Bradley King

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Portfolio Manager

### Patrick Trindade

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### Austin Ngo

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## For Further Information

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