



**ARMYTAGE PRIVATE**  
Est. 1995

PROSPERITY THROUGH PRUDENCE AND PRESCIENCE

## Armytage Private Funds Update - May 2021

Return (%)	1m	3m	6m	1yr	3yr (p.a.)	5yr (p.a.)	Inception (p.a.)
Armytage Australian Equity Income Fund (AEIF)	3.74%	10.22%	12.87%	26.25%	7.33%	9.33%	9.13%
Armytage Strategic Opportunities Fund (ASOF)	2.93%	9.48%	13.03%	31.68%	8.45%	11.02%	11.67%

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%
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

8.1%

Approx. Gross Yield

7.8%

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

## Market Commentary

- Inflationary pressures and economic recovery remained the core narratives across markets in May. The Aussie market posted gains in May on commodity strength and the RBA maintaining interest rates at record lows. The ASX100 Accum. Index advanced 2.6%, outperforming the All Ords Accum Index's performance of a 1.96% gain. The US markets trailed behind with the S&P500 only up 55bps while the NASDAQ declined 1.53%.
- Both funds continued to outperform the market in May. Since the beginning of CY2021, **AEIF is 1.8% ahead of the ASX100 Index** while **ASOF outperformed the All Ords Index by 2.4%**. The manager is pleased with the outperformance against the respective benchmarks of the 2 funds given their conservative overlay.
- The Information Technology sector declined over 9% in May as the rotation out of growth stocks continued, though unlike April, the decline was more stock specific. Despite announcing an increase in Annualised Contract Value (ACV) guidance, on the following day, **Nearmap (NEA)** was sued by US Eagle View for patent infringement claims. **EML** got into trouble with the Irish Bank regulator, which sent share price 40% lower on the day the announcement was made. **Afterpay (APT)** fell below \$90/share for the first time since Oct 2021, in line with the Buy Now Pay Later sector's performance.
- The Financial sector led the market in May as Big 4 banks ANZ, NAB and WBC reported better than expected results. All Big 4 banks rallied in May with **CBA** leading the group, while the regional banks lagged. Other outperformers include the insurers (**QBE, SUN**) and fund managers (**PPT, PDL, JHG**).
- The Health Care sector recovered in May with **CSL** and **ResMed (RMD)** doing the heavy lifting. Shares in **CSL** have risen over 10% from its March low as blood collection data in the US improved. The Healthcare sector, along with Energy & Utilities, are still the worst performing sectors in the 12 months relatively.

### 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

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Portfolio Manager

### Bradley King

Director  
Portfolio Manager

### Julian Mitchell

Portfolio Manager

### Patrick Trindade

Investment Committee Member

### Olivia Setchell

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### Austin Ngo

Accounting Manager  
Equity Analyst

### Chris Newman

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### Hannah Nguyen

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## For Further Information

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