



ARMYTAGE PRIVATE
Est. 1985

ARMYTAGE FUNDS UPDATE

End of Financial Year 2022
Edition



ARMYTAGE AUSTRALIAN EQUITY INCOME FUND (AEIF)

Performance	1 Month	3 Months	6 Months	1 Year	3 Years	5 Years	Since Inception
The Fund	-6.90%	-8.88%	-7.25%	-3.84%	2.37%	7.29%	7.95%
Benchmark (*)	-8.45%	-11.13%	-8.47%	-4.97%	3.86%	7.17%	7.66%
Difference	1.55%	2.25%	1.22%	1.12%	-1.49%	0.11%	0.30%

* Performance benchmarked against the ASX100 Accumulation Index

ARMYTAGE STRATEGIC OPPORTUNITIES FUND (ASOF)

Performance	1 Month	3 Months	6 Months	1 Year	3 Years	5 Years	Since Inception
The Fund	-7.78%	-11.90%	-12.89%	-7.58%	3.28%	8.47%	9.82%
Benchmark (*)	-9.36%	-12.91%	-11.50%	-7.44%	3.81%	7.15%	7.54%
Difference	1.58%	1.01%	-1.39%	-0.14%	-0.52%	1.32%	2.28%

* Performance benchmarked against the All Ordinaries Accumulation Index



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ARMYTAGE AUSTRALIAN EQUITY INCOME FUND (AEIF)

Yield	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Distribution	5.0c	5.2c	5.5c	5.5c	5.5c	5.5c	6.4c	5.1c	5.3c	8.2c
Net Yield	7.5%	7.2%	7.2%	7.1%	7.7%	7.0%	7.7%	6.1%	7.5%	9.98%
Gross Yield	8.7%	8.5%	8.5%	8.4%	8.8%	8.5%	12.0%	8.1%	8.4%	11.35%

30 June Unit Price: \$0.7117

ARMYTAGE STRATEGIC OPPORTUNITIES FUND (ASOF)

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



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Fund Manager's Comments

Key Economic Stats

RBA Cash Rate: 1.35%
Government 10Y Bond Yield: 3.7%
Unemployment Rate: 3.8%
Job Vacancies: 13.8%
Retail Sales: +10.4% YoY
Trade surplus: \$10.5b
CPI: 5.1% YoY
GDP: 3.3% YoY

Commodities

AUD/USD: 0.69
Brent Crude Oil: \$114.81
Gold: \$1,807.25
Iron Ore: \$116.30

The Australian **All Ords Accum Index** fell into technical correction territory in June after falling 11.34% peak-to-trough intra-month amid the RBA's hawkish stance on interest rate & inflation and the unresolved COVID situation in China weighed on sentiment.

The first 6 months of 2022 have proven to be very challenging and extremely volatile for the Equity markets all over the World. We have had a perfect storm of:

1. The war in Ukraine that triggered a chain of effects such as rocketing oil and gas prices, dampening economic outlook for the Eurozone ...
2. The resurgence of COVID19 in China and the world's 2nd largest economy's COVID Zero policy created a recipe for disaster, which consequently fueled up the supply chain disruption issue.
3. Inflation run hot across the Globe with the main contributors being fuel, shelter and foods. This has prompted Reserve Banks to raise interest rates as well as withdrawing the QE support previously provided to cushion the economies against COVID19 impacts.

Overall, the Australian Market finished Financial Year 2022 in negative territory. The majority of the gains were effectively wiped out in the span of a few months, further proving the extreme level of market's volatility. However, on the positive side, the unemployment rate is at a record low with the number of job vacancies hitting a record high. Saving ratio remains higher than historical average. Retail sales consistently beat expectations. With China hinted its willingness to provide stimulus to keep the economy train going, we believe Australia might come out better than expected.

Both Armytage Funds performed relatively well in Financial Year 2022. **AEIF** outperformed the market by 1.12% while **ASOF** performed in line with its benchmark. Some of the biggest performance contributors are:

- Going overweight BHP prior to the BHP Unification and going underweight BHP before the China lockdown seriously impacted the market.
- Overweight the banks up until the first RBA's rate hike, then slightly went to an underweight position.
- Overweight positions in quality recession proof stocks: Amcor, Endeavour and Tabcorp.
- M&A: Ramsay Healthcare, Sydney Airport in both funds; Unity Wireless, BNK Banking in **ASOF**.
- Quality new IPO opportunities.

AEIF's final distribution came in at 5.2 cents per unit, above our expectations, as a result of an influx of special dividends and buybacks from the iron ore miners and the banks. **ASOF**'s final distribution came in at 2.1 cents per unit, in line with expectations. Both funds are forecast to provide a net yield of between 7% to 8% in Financial Year 2023, with franking credits being the cherries on top.



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Stock & Sector Allocations

Sector	AEIF	ASOF
Communication Services	4.73%	3.03%
Consumer Discretionary	8.70%	10.54%
Consumer Staples	9.38%	8.77%
Energy	2.06%	1.80%
Financials	28.81%	22.88%
Health Care	11.63%	11.51%
Industrials	4.31%	6.47%
Information technology	2.17%	2.08%
Materials	15.78%	12.49%
Real Estate	6.10%	7.37%
Utilities	0.00%	0.00%

Top 10 Holdings	AEIF	ASOF
1	BHP	BHP
2	Commonwealth Bank	CSL Limited
3	CSL Ltd	Commonwealth Bank
4	National Australia Bank	National Australia Bank
5	Macquarie Bank	Westpac
6	Westpac	Macquarie Bank
7	ANZ	ANZ
8	Woolworths	Woolworths
9	Telstra	TransUrban
10	Wesfarmers	Wesfarmers

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 Team

Lee laFrate **Chairman/Portfolio Manager**

Bradley King **Director/Portfolio Manager**

Julian Mitchell **Portfolio Manager**

Olivia Setchell **Portfolio Manager**

Austin Ngo **Portfolio Manager/Accounts Manager**

Patrick Trindade **Investment Committee Member**

Chris Newman **Strategy & Analyst**

Louise Iozzi **Partnerships Director**

Hannah Nguyen **Accountant**

David Green **Marketing Consultant**

Emma Thornbrough **Digital Marketing Officer**

For Further Information

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