

Monthly Fund Update

ARMYTAGE STRATEGIC OPPORTUNITIES FUND (ASOF)

AUGUST 2022

KEY ECONOMIC RELEASES

| | |
|--------------------|-----------|
| RBA Cash Rate: | 2.35% |
| Unemployment Rate: | 3.4% |
| Retail Sales: | 1.3% MoM |
| Trade Surplus | \$17.7b |
| Property Prices: | -1.4% MoM |
| CPI: | 6.1% YoY |
| PPI: | 5.6% YoY |

COMMODITIES

| | |
|------------------|------------|
| AUD/USD: | 0.68 |
| Brent Crude Oil: | \$96.49 |
| Gold: | \$1,711.04 |
| Iron Ore: | \$101 |

Market Review

All eyes were on the Federal Reserve's economic conference in Jackson Hole, where Chairman Jerome Powell reiterated the FED's hawkish stance on inflation and hinted more monetary tightening measures to come in the near future. Equity markets reacted negatively to the news amid fears of higher interest rates would lead to a slowdown in economic activity. The All Ordinaries Accum. Index advanced 1.28% in August, outperforming global peers.

The RBA showed no sign of slowing down the pace of hiking interest rates as it delivered another consecutive 50 basis point increase. To wrap it up on a positive note, the August reporting season was better than feared. The hit-to-miss ratio came in at 1.8x. A big portion of companies was able to protect margin better than analysts' expectations as they were able to pass on rising input costs to consumers.

"Consumer spending has held up well with JB Hi Fi, Wesfarmers, and Premier Investments performing relatively well."

Performance & Stock Review

The fund returned -0.73% for the month as small cap stocks were harshly sold off post Jerome Powell's speech at the economic conference in Jackson Hole.

On a stock level, olive oil producer Cobram Estate was the best performer, up 16.5%. Despite the US expansion plan taking longer than expected, the Australian segment was ahead of forecast, thanks to a higher fair value adjustment on oil inventories. Travel and tourism stocks Webjet and Flight Centre contributed positively to the fund's relative performance as travel activity recovery well progressed. Our overweight positions in Health Care stocks such as CSL, ResMed and Ansell, also contributed positively to the fund's relative performance. Despite rising costs of living due to inflation and higher mortgage repayments as a result of higher interest rates, consumer spending has held up well. JB Hi Fi, Wesfarmers, and Premier Investments (owner of Just Jeans, Jay Jays ...) performed relatively well. Other outstanding performers in the small cap space include People Infrastructure (Human Resources in Health & Hospitality) and Praemium (wealth management platform). Last but not least, the fund held an overweight position in BHP, which provided a nice boost to income as mining giant declared a record final dividend.

| # | TOP 10 HOLDINGS | % |
|----|---------------------------------|------|
| 1 | BHP Group Ltd | 8.95 |
| 2 | Commonwealth Bank of Australia | 7.95 |
| 3 | CSL Ltd | 7.36 |
| 4 | National Australia Bank Ltd | 5.29 |
| 5 | Macquarie Group Ltd | 4.3 |
| 6 | Westpac Banking Corp | 3.83 |
| 7 | Australia & New Zealand Banking | 3.36 |
| 8 | Woolworths Group Ltd | 2.5 |
| 9 | Telstra Corp Ltd | 2.44 |
| 10 | Wesfarmers Ltd | 2.15 |

| SECTOR ALLOCATIONS | % |
|-------------------------|-------|
| Communications Services | 2.94 |
| Consumer Discretionary | 15.89 |
| Consumer Staples | 7.11 |
| Energy | 2.15 |
| Financials | 25.35 |
| Health Care | 12.15 |
| Industrials | 5.25 |
| Information Technology | 2.3 |
| Materials | 12.25 |
| Real Estate | 5.78 |
| Utilities | 0 |

| Performance | Since Inception | 5 Years | 3 Years | 1 Year | 6 Months | 3 Months | 1 Month |
|-------------------|-----------------|--------------|---------------|---------------|---------------|---------------|---------------|
| The Fund | 10.31% | 9.12% | 5.64% | -7.14% | -1.23% | -2.53% | -0.73% |
| Benchmark (*) | 8.25% | 8.55% | 6.17% | -3.86% | 0.28% | -2.38% | 1.28% |
| Difference | 2.06% | 0.57% | -0.53% | -3.28% | -1.52% | -0.16% | -2.01% |

* 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 some 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 at 13.26x PE, 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 (BWS and Dan Murphy's owner), CSL (biopharma) 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.

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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.