

General Economic and Market Update

- The Australian market took a step back in September after rallying in the previous 11 consecutive months. The All Ords Accum Index declined 1.58% for the month of September.
- The price of iron ore fell below \$100 for the first time in 14 months as worries about the anticipated default of Chinese developer Evergrande added downward pressure on the commodity. Concerns around a spill-over impact on China's property market are deepening. There is no relief on production cut pressure, as the government is asking more provinces around Beijing to cut their steel production to improve air quality ahead of the Winter Olympics next year.
- China's central bank (PBoC) increased its injection of short-term cash into the financial system after concern over a debt crisis at China Evergrande Group roiled global markets. The People's Bank of China injected 120 billion yuan into the banking system through reverse repurchase agreements, exceeding the 30 billion yuan of maturities.
- Brent crude prices settled at the highest level in almost three years as supplies shrink at a time when a global energy crunch makes it increasingly likely oil will be tapped for power generation. Oil inventories are rapidly tightening. Supplies in the US are at the lowest since 2018 with output levels weaker after recent US Gulf Coast storms, while stockpiles at a key hub in Europe remain below average levels for the time of year.
- Two of the world's largest bitcoin exchanges have halted new registrations for Chinese users, taking one of the first actions to comply with Beijing's latest cryptocurrency ban.
- Stressed supply chains through the pandemic threaten to push up prices significantly for consumers and are unlikely to abate before the virus is under control, ANZ analysts have warned.

Australian Economy

- The Australian economy has risen 0.7% in the second quarter compared with the prior three month period. Economists had been expecting an increase of 0.4%. On an annualised basis, GDP grew 9.6%, soaring from 1.1% in the previous quarter. Forecasters had been expecting an increase of 9.1%.
- National house prices climbed 15.8% this CY and 1.5% in August, almost 11x faster than wages growth over the past year. COVID restrictions have resulted in falling listings and the ongoing shortage of properties available for purchase is central to the upwards pressure on housing values.
- Australia's trade surplus touched a fresh record high of \$12.1b, driven by elevated commodities prices.
- Australia's unemployment rate has fallen to 4.5% in August, from 4.6% a month earlier, despite lockdowns in New South Wales and Victoria driving the increase. Total employment fell by 146,300. Economists had been forecasting a fall of 80,000 jobs. The rate was kept low by a fall in the participation from 66% to 65.2%.
- Retail trade fell 1.7% in August, on a seasonally adjusted basis, marking the third consecutive monthly decline as lockdowns in Australia's two largest cities crimp buying. Retail turnover continues to be negatively impacted by lockdown restrictions, with each of the eastern mainland states experiencing falls in line with their respective level of restrictions.

Market performance as at 30/9/21	1 month %	1 year %
ASX100 Accumulation Index	-1.85%	30.94%
All Ordinaries Accumulation Index	-1.58%	31.46%
S&P500	-4.76%	28.09%
NASDAQ Composite Index	-5.31%	29.38%

Key Indicators	31/8/21	30/9/21
AUD/USD	0.7316	0.7260
Brent Crude Oil (US\$)	72.99	79.28
Gold (US\$)	1,813.89	1,760.98
Iron Ore (US\$)	148.90	122.25

ASX200	1 Month Perf %	1 Year Perf %
Communication Services	0.88%	37.56%
Consumer Discretionary	-0.90%	34.56%
Consumer Staples	-4.43%	14.39%
Energy	16.38%	35.65%
Financials	1.46%	51.50%
Health Care	-5.50%	6.84%
Industrials	-0.83%	15.04%
Information technology	-4.00%	29.17%
Materials	-12.09%	9.51%
Real Estate	-3.89%	21.53%
Utilities	2.07%	-11.73%

Sector Review

- The Energy sector performed the best in September as Crude Oil prices reached 3-year-high levels amid signs of a rapidly tightening market. In its monthly report, the International Energy Agency noted that global supply fell by 520k barrels per day due to unexpected disruptions. Additionally, coal prices rallied as the electricity shortage issue in China intensified. All energy stocks finished the month significantly higher though it is worth to note that majority of energy stocks are still trading below pre-COVID market crash levels. **Whitehaven (WHC)** rallied 27%, while **Beach Energy (BPT)** and **Woodside (WPL)** were up 42% and 22% respectively.
- The Utility sector had an interesting month filled with corporate activity. **APA** and Brookfield Asset Management engaged in a bid war for **Ausnet (AST)**. **Sydney Airport (SYD)** also welcomed the IFM consortium back on Board after receiving a revised bid. Shares in **Origin Energy (ORG)** were also supported by strong oil prices.
- Iron ore related stocks had a tough month as geopolitical uncertainty weighed on the sector. Pure play Fortescue (FMG) declined 17% while shares in **BHP** and **RIO** declined 9.95% and 10.6% respectively. Gold miners didn't have a good month either. Gold prices plunged 3.12% in September as the FED was increasingly confident in lifting interest rate starting around the end of CY22 or beginning of CY23.
- The **Financial sector** outperformed market in September, as investors await the full year results from ANZ, NAB and WBC, along with their fully franked dividends.

Stock Snapshot

- **HomeCo (HMC)** raised \$650 million for the **HCW** IPO, which floated with 27 medical hubs, private hospitals, childcare centres, aged care and life sciences and government facilities.
- **Qube (QUB)** has entered into a binding agreement to acquire Newcastle Agri Terminal (NAT) from the existing shareholders CBH, Viterra Australia, Riverina and CTC Terminals for a total consideration of \$90 million.
- Software business **Zoom2u (ZZU)** debuted on the ASX in September, more than doubled its IPO price of 20c.
- **Sydney Airport (SYD)** has granted due diligence to the Sydney Aviation Alliance, a consortium led by IFM, after it upgraded its takeover offer for the company. The consortium made a revised indicative, conditional and non-binding proposal worth of \$8.75 a share.
- **Brambles (BxB)** flagged lowered revenue and underlying profit growth for FY22 due to short-term transformational costs.
- **Wesfarmers (WES)** has agreed to purchase ASX-listed **Australian Pharmaceutical Industries** for \$1.55 per share. **Sigma Healthcare (SIG)** subsequently launched a rivaling bid at \$1.57 per share.
- Financial software business **Iress (IRE)** said neither it nor private equity suitor EQT are able to finalise a takeover deal valuing Iress at \$15.91 per share.
- **AusNet Services (AST)** has received a takeover offer from Brookfield Asset Management worth \$2.50 a share. **APA Group** also joined the battle for AST, bidding for the company at \$2.60 per share.
- **Transurban(TCL)** has cemented its dominance of Sydney's tolled roads by securing full ownership of the city's newest motorway, WestConnex, in an \$11.1 billion deal. TCL is raising \$2.9b for the deal.

About Armytage

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.

Products & Services

Investment strategies offered by Armytage include:

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- [Armytage Strategic Opportunities Fund](#)
- [Armytage Micro Cap Activist Fund](#)
- [Armytage Individually Managed Account](#)

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