

# Armytage Enhanced Leaders Fund

(%)	1 Month	3 Months	6 Months	FYTD	2 yrs	Inception*	December 2009
<b>Fund Performance</b>	3.19%	4.20%	23.36%	23.36%	-9.02%	<b>-0.10%</b>	
<b>S&amp;P / ASX 100 Accumulation Index</b>	3.56%	3.24%	25.58%	25.58%	-14.48%	<b>-6.30%</b>	

## Investment objective

The Fund is managed with a view to offering investors long-term capital growth potential and a regular semi-annual income stream, from a portfolio of large-capitalisation investments.

The Fund uses exchange-traded options to enhance income on the underlying physical investments. Options are not used for gearing purposes.

## Investment process

Armytage uses fundamental valuations to assess potential investments in the fund. Armytage focuses on companies with strong cash flows from operations, and the ability to distribute these to shareholders in the form of fully franked dividends. In addition, potential investment opportunities will also be assessed by the following criteria:

- ◆ High return on equity—focusing on margin and asset utilisation
- ◆ Consistent and replicable earnings; and dividend growth above the market

## Fund Commentary

- ◆ The portfolio returned 3.19% for the December month, slightly under performing the ASX100, which produced a monthly return of 3.56%.
- ◆ AELF managed to outperform by almost 1% during the December quarter, a period which saw some questions being raised about the sustainability of the market rally.
- ◆ Gold slid by 7% in December as the \$US began to show some short term strength. This was based on a few better than expected economic reports.
- ◆ The AUD lost some momentum, weakening to around the 88c level during the month. A further \$A pick up is likely short term due to strengthening domestic retail and jobs data, making further interest rate hikes a necessity.
- ◆ Within the Fund - AXA Asia Pacific (+13%) was a solid performer as NAB weighed in to battle AMP for control of the company. Overweight US exposed NewsCorp and Computershare provided a solid contribution.
- ◆ The banking sector continued to under perform the broader market after a very strong recovery from their March lows.
- ◆ AELF maintained out performance to the market since inception by over 6%, with low turnover and substantially lower volatility.
- ◆ Monthly income from options was approximately 0.24%, based on the maintenance of conservative call and put positions. The cash position of the fund was increased slightly.
- ◆ Annualised income generated from the option strategy sits above 2.5%, with the base portfolio currently yielding approximately 4.5% pa. (7%+ combined, before franking / fees)

Key Features	Description
<b>Investment Category</b>	Australian Equities
<b>Investment style</b>	Value Oriented
<b>Comparison index</b>	S&P / ASX 100
<b>Management Costs</b>	0.97%
<b>Performance Hurdle</b>	10% absolute return p.a.
<b>Suggested Timeframe</b>	5 to 6 years
<b>Expected holdings</b>	20 to 30 stocks
<b>Portfolio turnover</b>	Medium—Low
<b>Fund Size</b>	\$A 45m

Top Ten Shareholdings @ 31 December 2009	
Company	Percentage Holding
<b>BHP Billiton</b>	9.52%
<b>Commonwealth Bank</b>	7.91%
<b>Westpac bank</b>	7.24%
<b>National Australia Bank</b>	6.89%
<b>Rio Tinto</b>	5.73%
<b>ANZ Bank</b>	5.60%
<b>Wesfarmers Limited</b>	3.42%
<b>Woolworths Limited</b>	3.36%
<b>QBE Insurance</b>	3.33%
<b>Woodside Petroleum</b>	3.30%
<b>Cash Holding</b>	<b>8.46%</b>

Income Distributions—Pre-Frinking Credits	
<b>FY10 interim Distribution</b>	1.55 cpu
<b>Est. Yield FY10</b> (Annualised after fees)	6.30%

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\*Fund inception date was the 06/08/2007



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