

Performance Update - Armytage Australian Equity Income Fund

*Net Return (%)	1m	3m	6m	1yr	3yr	5yr	Incep (p.a)
Armytage	-2.39%	1.26%	0.94%	22.33%	8.56%	9.37%	9.50%
S&P/ASX100 Accum	-2.23%	0.70%	3.20%	24.06%	10.39%	8.95%	9.30%
Difference	-0.16%	0.56%	-2.27%	-1.74%	-1.83%	0.42%	0.20%

Portfolio Yield	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Distribution	4.0c	5.0c	5.2c	5.5c	5.5c	5.5c	5.5c	6.4c
Net Yield	6.0%	7.5%	7.2%	7.2%	7.1%	7.7%	7.0%	7.7%
Gross Yield	7.4%	8.7%	8.5%	8.5%	8.4%	8.8%	8.5%	12.0%

Approximate Gross Yield:

8.7%

Fund Commentary

- December was a short options trading month but volatile as Trump's impeachment, the ongoing bushfires/PM backlash in Australia and escalating tension between the US and Iran weighed on markets. The ASX100 Accum. Index fell on the final trading day of 2019, wiping out gains from Santa rallies and finished the month 2.23% lower. However, markets delivered a +20% return CYTD. The vast majority of sectors fell into negative territory and only 2 sectors managed to edge higher in December.
- The Materials sector advanced 1.37% in December, led by Northern Star (NST) who announced it has completed the acquisition of Super Pit. NST shares surged 17.94%. Despite slightly lower iron ore prices towards the end of the month as Chinese port inventories increased, Fortescue (FMG), BHP and RIO held onto their gains. Boral (BLD) crashed in early December as the company found financial irregularities in its North America Windows unit.
- Consumer Staples stocks underperformed in December. Shares in the two supermarkets retreated from recent highs as news of outstanding payments to farmers in Coles case (COL) and staff underpayments in Woolworths case (WOW) were announced. Shares in Treasury Wines (TWE) fell for 9 consecutive trading sessions as softer US sales growth worried investors.
- The Real Estate sector also had an underwhelming month as bond yields rallied. Several A-REITs also went ex-dividend in December, such as Dexis (DXS) and Goodman Group (GMG).
- The fund paid a distribution of 1 CPU during the 2nd quarter. FYTD distribution totals up to 2 CPU.**

Portfolio Structure Sector Weightings

GICS Sector	Fund	ASX100 Accum. Index	Index 1 month per (%)
Cash	8.66%	0.00%	0.00%
Communication Services	6.16%	3.50%	-6.43%
Consumer Discretionary	15.25%	5.81%	-2.28%
Consumer Staples	0.44%	5.76%	-8.56%
Energy	1.56%	5.68%	-1.25%
Financials	34.32%	31.38%	-1.63%
Health Care	10.64%	10.70%	-2.73%
Industrials	4.98%	8.50%	-3.03%
Information Technology	0.00%	2.01%	-4.93%
Materials	8.05%	17.45%	1.37%
Real Estate	8.33%	7.21%	-5.07%
Utilities	1.61%	2.01%	0.78%

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

Investment Objective

The objective of the Armytage Australian Equity Income Fund is to provide investors with a consistent, tax-efficient and growing cash dividend yield, and long-term capital growth from a concentrated portfolio of blue-chip Australian shares.

Enhanced Income & Lower Volatility

The fund targets above market income by combining high yielding equities with an exchange traded option exposure. The objective is to provide investors with a dividend yield that is at least 2.5% above the S&P/ASX 100 Accumulation Index, which is being consistently achieved.

For Further Information

Financial advisers seeking additional information can contact:

☎ 03 9674 0600

No.	Company Name	ASX Code
1	CSL Limited	CSL
2	Commonwealth Bank of Australia	CBA
3	BHP Billiton Limited	BHP
4	Westpac Banking Corporation	WBC
5	Australia & New Zealand Banking Group Limited	ANZ
6	National Australia Bank Ltd	NAB
7	Telstra Corp Ltd	TLS
8	Woolworths Group Ltd	WOW
9	Aristocrat Leisure Ltd	ALL
10	Macquarie Group Ltd	MQG

**Figures quoted above are net of fees and mark to market options*

Past performance is not indicative of future performance. Inception date Aug 2007

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

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For Further Information

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