

### General Economic and Market Update

- The strong momentum from November/December continued into January 2021 as the stock markets traded higher for majority of the month. However, during the final week, an army of Robinhood Reddit traders started crowd trading and put share prices of some highly shorted stocks such as GameStop and BlackBerry on a rocket, as well as sending a few hedge funds into short-squeeze/near bankruptcy positions. Domestically, WA Premier Mark McGowan put Perth into a 5-day lockdown amid news of a hotel quarantine worker tested positive for the new UK/South Africa strain of COVID19. The S&P500 gave up all gains in January to finish the month in negative territory (-1.11%) while the Australian All Ords index barely finished above the line, up 0.3%.
- Major Chinese government-backed investments in Australia face an informal ban after Treasurer Josh Frydenberg acted on national security concerns to reject a \$300 million takeover of building contractor Probuild by China's largest construction company.
- China's economic recovery continues to gain traction as exports (+18.1% YoY) and imports (+21.1%) beat expectations in December. China's trade surplus increased to \$US78.1 billion in the month, topping expectations the surplus would be \$US72 billion.
- The U.S. government's deficit in the first three months of the budget year was a record-breaking \$US572.9 billion, 60.7% higher than the same period a year ago, as spending to deal with the COVID19 pandemic surged while revenue declined.
- Joe Biden and Kamala Harris have officially sworn into office as the new President and VP of the United States. President Biden has begun signing his first executive orders in the Oval Office, aiming to halt the border wall construction, re-joining the Paris Climate Accord and the WHO, revoking the approval of the Keystone XL oil pipeline, etc. Meanwhile, Donald Trump became the first US president to be impeached twice, this time for incitement of insurrection.

### Australian Economy

- Retail sales have risen 7.1% in November, above market expectations of a 7% increase. November has become an increasingly active period for retail sales due to the Black Friday and Cyber weekend sale events.
- Job vacancies increased by 23% in the three months to the end of November, to 254,400, according to the ABS. Job vacancies rose by 48,000 in the November 2020 quarter, following the sharp rise of 77,000 in August, as COVID-related restrictions continued to be relaxed across Australia.
- The Australian labour force added 50k jobs in December, in line with consensus, of which 35.7k were full-time while 14.3k were part-time. The unemployment rate came in at 6.6% versus expectations of 6.8%. The participation rate slightly ticked up to 66.2% in December.
- December-quarter consumer price inflation rose at a faster-than-expected pace of 0.9% vs expectations of 0.7%. The most significant price rises in the December quarter came from tobacco, up 10.9%, childcare, up 37.7% while the most significant price fall was in electricity, which declined 7.5%.

Market performance as at 31/1/21	1 month %	1 year %
ASX100 Accumulation Index	0.42%	-3.66%
All Ordinaries Accumulation Index	0.30%	0.42%
S&P500	-1.11%	15.15%
NASDAQ Composite Index	1.42%	42.83%

  

Key Indicators	31/12/20	31/1/21
AUD/USD	0.7683	0.7628
Brent Crude Oil (US\$)	51.34	55.04
Gold (US\$)	1,892.04	1,847.65
Iron Ore (US\$)	158.41	156.45

All Ords Sector Allocations	1 Month Perf %	1 Year Perf %
Communication Services	1.98%	0.75%
Consumer Discretionary	4.88%	14.24%
Consumer Staples	1.99%	-0.59%
Energy	-0.20%	-24.23%
Financials	2.21%	-7.71%
Health Care	-1.39%	-7.89%
Industrials	-2.37%	-13.21%
Information Technology	0.97%	41.19%
Materials	-1.32%	20.41%
Real Estate	-4.13%	-13.66%
Utilities	-0.27%	-14.03%

## Sector Review

- Despite uncertainty, the All Ords Accum. Index still finished the month in the black, up 0.3%.
- Consumer Discretionary was the best performing sector of the month, finishing up 4.88%. Retailers were expected to deliver strong first half 2021 results after strong retail sales data recorded in November driven by the Black Friday & Cyber Monday sales events (+7% MoM, +12% YoY). Shares in major names such as **Adairs (ADH)**, **Baby Bunting (BBN)** and **JB Hi Fi (JBH)** all charged higher. Travel related stocks were impacted by the 5 day lockdown in WA.
- The Financial sector also performed well in January with the platform/fund admin stocks pulling the weight. Shares in **Netwealth (NWL)**, **Praemium (PPS)** and **HUB24 (HUB)** defied gravity after reporting stellar quarterly fund inflows and funds under management/administration. Shares in the big 4 banks also trended higher as the market expected them to distribute higher dividends at the upcoming reporting season in February.
- The Property Trust underperformed in January, triggered by net asset devaluation particularly from retail REITs (e.g. VCX) and broker downgrade on a few stocks. Interestingly, **Unibail (URW)** shares benefited from the GameStop phenomenon as the stock has high short interest and days to cover ratios.

## Stock Review

- **Altium (ALU)** experienced a decline in first half revenue for fiscal 2021 of 3% to \$US89.6 million. The decline was due to extreme COVID conditions in the US and Europe and challenging economic conditions, post COVID in China, for license compliance activities. Altium remains confident that it will deliver a stronger second half with growth in the Americas, China and NEXUS and maintain its full year guidance (ex-TASKING).
- **JB Hi-Fi (JBH)** has lifted first half NPAT 86.2% to \$371.7 million and first half sales 23.7% to \$4.94b. Online sales and a well-executed Black Friday promotional period more than offset government mandated temporary store closures. Gross margins expanded in key categories, especially in The Good Guys business.
- CPE Capital has lodged a formal bid for **Bingo Industry (BIN)** at \$3.50/share. The unsolicited bid was subject to due diligence and financing. Meanwhile, rival Cleanaway (CWY) announced its CEO stepping down.
- **Kogan (KGN)** business growth continued at a strong pace during the Christmas trading period. Gross sales for 1H grew by more than 96%, gross profit grew by more than 120% while adjusted EBITDA rose by more than 175%. The company has \$78.9m in cash as at the end of December 2020. Active customers also surpassed 3m.

## 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:

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

## For Further Information

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