




CORPORATE PROFILE



Established in 2017 by Jason Teh, one of Australia's leading equity income investors, Vertium Asset Management is a specialist Australian equity income investment manager focused on meeting the needs of investors in the lead-up to and during retirement.

Combining the extensive Australian equities investment management experience of professional investors who share a quality and value investment philosophy, Vertium brings a fresh approach to equity income investing in the Australian market.

Investment philosophy

Underpinning Vertium's philosophy are three central beliefs:

1. Markets work well most of the time

"Over the long term, a company's share price will reflect its fundamentals."

Vertium believes the wisdom of crowds is broadly correct most of the time. Companies can be cheap or expensive for good reason: generally, stocks with negative fundamentals are penalised, while stocks with positive fundamentals are rewarded. In other words, low-quality stocks tend to be cheap and high-quality stocks tend to be expensive.

2. Mispricing occurs with emotions

"In the short term, the market may overreact or underreact to fundamentals."

Vertium believes human judgments are rational but bounded by cognitive limitations. There are limits to rationality because the capacity of the human mind is small compared to the complexity of the environment. Thus, when humans simplify information by using mental short cuts, it can lead to mistakes because emotions, ego and misguided incentives can override rational decisions.

While Vertium believes the collective wisdom of crowds works well most of the time, because of cognitive limitations, sometimes the magnitude of a price reaction is incorrect (the market may overreact or underreact to fundamentals) creating mispriced opportunities.

Vertium's margin-of-safety approach is an evidence-based approach. Vertium is not in the business of prediction and does not take on risk purely to be contrarian: the team believes both are risky endeavours.

The evidence must show a clear margin of safety before Vertium invests. The team actively rejects stocks with little margin of safety, such as superficially cheap value traps or expensive high-quality stocks.

3. Margin of safety is critical

"The greater the margin between the price paid below the security's valuation, the lower the downside risk."

Superior active management can identify mispriced opportunities with Vertium believing a margin-of-safety approach to be the most compelling way to generate long-term, sustainable risk-adjusted performance. When applied properly, the team believes it can offset investment dangers such as unpredictable events, volatility from a rapidly changing world or the possibility of human error.

"We believe margin of safety is the best investment tool to mitigate downside risk."

With a strong focus on downside risk, the team's line of questioning, and hence its research direction, is based on 'how much money could be lost?', rather than 'how much money can be made?'.

"Loss avoidance is the cornerstone of our investment philosophy. We prefer to miss out on opportunities than increase the risk of capital loss by chasing higher returns."

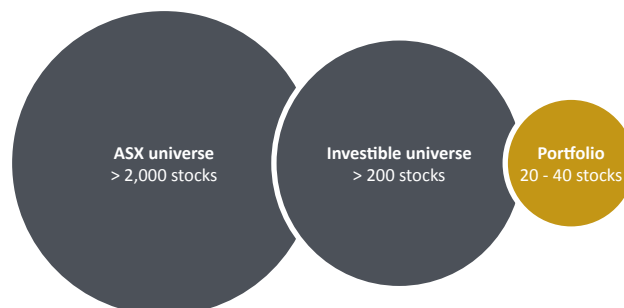
Jason Teh, Chief Investment Officer

Investment process

Bottom-up fundamental stock analysis forms the basis of Vertium's investment process with the team focusing primarily on downside risk. As a result, Vertium aims to:

- buy stocks when the margin of safety is expected to be sufficient, and
- sell stocks when the margin of safety disappears.

"Vertium's ideal investment is a high-quality stock bought at an attractive price."



Stage 1 | Generating ideas

Aim: to screen securities that display a margin of safety.

To identify margin-of-safety opportunities, Vertium applies a quality and value screen to stocks listed on the ASX. Its margin-of-safety framework enables the team to identify mispriced securities, where lower-quality stocks require a greater margin of safety and higher-quality stocks require less margin of safety.

Stage 2 | Assessing risk

Aim: to assess the risk level of the stocks generated from the team's margin-of-safety framework.

The team investigates all aspects of a stock's investment drivers by conducting and applying:

- quality assessments – to understand the factors that affect a company's profitability
- valuation assessments – to determine a reasonable range of values for a company
- reality tests – to test how the value of a company may change under different conditions
- clarity tests – to ensure the investment idea is clear, transparent and easily understandable.

"Vertium believes risk is the most important component to control in the investment process."

Stage 3 | Assessing yield

Aim: to assess the yield potential of a security.

Vertium focuses on risk before focusing on income yield. The team believes incorrectly assessing risk can lead to capital losses that are far greater than any income generated from dividends, franking credits or from selling options.

To assess a stock's income potential, the team adds the:

- dividend yield (dividends are derived from the stocks the team owns in the portfolio)
- franking yield (imputation credits are derived from dividends or off-market buy-backs)
- option yield (income is generated when options are sold).

Stage 4 | Constructing the portfolio

Stock position sizes within the portfolio are based on Vertium's margin-of-safety assessment, rather than yield or total return expectations. The position size reflects the degree of assessed downside risk.

Vertium does not specifically target size and sector exposures, instead they are an outcome of the team's stock-selection process. The portfolio's cash level will vary depending on the opportunity set of stocks.

Vertium's final portfolio typically comprises between 20 and 40 quality Australian companies with attractive valuations that pays consistent and sustainable dividends.

Investment team

Established in 2017 by Jason Teh, Vertium combines the extensive Australian equities investment management experience of professional investors who share a quality and value investment philosophy.



Jason Teh
Chief Investment Officer
MFin, BSc

Jason founded Vertium Asset Management in 2017 and has around 20 years' Australian equity investment management experience. He leads Vertium's investment team and is responsible for the firm's investment philosophy, process and portfolio management.

Before establishing Vertium, Jason was a Senior Portfolio Manager at Investors Mutual where he was the architect of the Investors Mutual Equity Income Fund. As the second-longest serving employee at Investors Mutual spanning over 16 years, he had a variety of roles including managing a share of the Investors Mutual's Australian Share Fund and as an Equity Analyst and Senior Quantitative Analyst.



Tomas Vasquez
Portfolio Manager /
Equity Analyst
BEng, MAppFin, CFA

Tomas joined Vertium in 2019 as a Portfolio Manager / Equity Analyst. He has around 15 years' experience across Australian equities and Latin American equity markets. At Vertium, Tomas assists the CIO and is responsible for researching and analysing Australian companies.

Before joining Vertium, Tomas was an Equities Analyst at Investors Mutual. Prior to Investors Mutual, Tomas held similar roles at the Commonwealth Bank of Australia, ABN AMRO and Aspect Huntley (now Morningstar).



Daniel Mueller
Portfolio Manager /
Equity Analyst
BCom, GDipAppFin, CA, CFA

Daniel joined Vertium Asset Management in 2017 as a Portfolio Manager / Equity Analyst and brings with him nearly 15 years' Australian equity investment management experience. At Vertium, Daniel assists the CIO and is responsible for researching and analysing Australian companies.

Prior to Vertium, Daniel was a Senior Equity Analyst / Portfolio Manager at Forager Funds where he assisted in managing Forager's Australian equities portfolio.

Before Forager, Daniel held similar roles at Morningstar, Northward Capital, Investors Mutual and MMC Asset Management.



Trent Crawley
Equity Analyst
BCom, CAIA, CFA

Trent joined Vertium in 2017 as an Equity Analyst. He has around seven years' investment management experience. At Vertium, Trent is responsible for researching and analysing Australian companies.

Before joining Vertium, Trent was a Trader at Franklin Templeton Investments Australia and an Investment Analyst at Mercer.

Why invest with Vertium

Retirement income specialist

Vertium understands retirees have different investment needs. With the aim of delivering better investment outcomes in the lead-up to and during retirement, Vertium has specifically designed an equity income solution that gives investors the opportunity to receive more income, take less risk and achieve greater returns relative to the Australian share market.

Proven, long-term track record

Gain access to the team's extensive Australian equities investment management capabilities and specifically the equity income expertise of Chief Investment Officer, Jason Teh, who successfully developed and managed the Investors Mutual Equity Income Fund.

Risk management focus

With significant emphasis on managing downside risk, Vertium primarily seeks to preserve, rather than aggressively grow, investors' capital while providing income.

About Copia



Copia Investment Partners is an independent multi-boutique investment management group committed to giving investment managers, like Vertium, the best opportunity to prosper, while harnessing their unique capabilities for the long-term benefit of investors.

Copia forms partnerships with select Australian and international investment professionals to establish, grow and support successful boutique businesses. At the same time, it gives established managers the opportunity to access and broaden their reach within Australia's highly competitive investment market.

By providing the resources and infrastructure needed for success, from expert marketing, administration and compliance services, as well as distribution through its extensive industry networks, Copia's experienced service teams enable its managers to focus solely on delivering investors superior investment outcomes.

Today, Copia is the partner of choice of Vertium and several other managers, who together are entrusted to manage over \$1 billion for retail and institutional investors across regions, asset classes and strategies.

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