



## Vertium Equity Income Fund Fact Sheet

Designed for investors looking for lower-risk equity market exposure or those drawing down on their savings, such as retirees, the Vertium Equity Income Fund is a portfolio of quality Australian companies with attractive valuations that pays consistent and sustainable distributions.

Over the long term, the Fund seeks to deliver investors relative to the S&P/ASX 300 Accumulation Index:

- more income
- less absolute risk, and
- greater returns.

# Rethinking retirement portfolios

## Different investment needs demand a different investment approach

Accumulating wealth through superior investment returns is often a key focus during an investor's working life. Investment portfolios become skewed towards growth assets, such as equities, with little regard for the risks associated with targeting higher returns.

However, as investors move from accumulating to preserving wealth, their investment needs and risk profiles change. Chasing higher returns becomes less important. Instead, receiving income, lowering risk and cautiously growing wealth, become critical.

But are retirement investment portfolios changing accordingly?

### Retirees have different investment needs

Unlike investors accumulating wealth, retirees broadly need:

#### 1. Regular income

As investors move permanently out of the workforce their focus shifts from building assets to drawing down on their capital. Without a regular wage or salary, retirees are more reliant on deriving income from their investments to cover expenses and over the longer term, to adjust for the rising cost of living.

#### 2. Lower investment risk

As well as income, retirees often seek to reduce their investment risk to ensure their money lasts. They have limited ability to benefit from market volatility, which can play a positive role in a wealth accumulator's portfolio when growth assets are purchased during weak markets. In retirement, however, investors have less time to invest and capital available to tolerate, or take advantage of, adverse

**Minimising the amount retirees draw down is critical to preserving capital. However, if a retiree's portfolio comprises only growth assets, selling investments to generate income when markets are down means that when markets improve, the capital value is unlikely to recover.**

market movements.

#### 3. Investment growth

Thinking longer term during retirement can be overshadowed by more immediate living expenses. However, with inflation and market movements inevitable over the long term, achieving some capital growth during retirement can provide a buffer to market downturns and reduce the risk of outliving one's savings.

## Rethinking investing in retirement

Retiree investment portfolios have traditionally favoured defensive assets, such as fixed income and cash. Although this strategy may deliver regular income and reduced volatility, low interest rates may not generate sufficient income to adequately sustain retirees over the long term.

**Many believe blending defensive and growth assets can smooth returns and reduce investment risk. However, these portfolios generally cannot absorb the occasional extreme shocks equities can experience. If a portfolio suffers a loss, to recover the original capital base, investors must take on more risk or extend their investment time horizon in the market.**

### Equity income strategy

*"With living costs rising and people living longer, there is a real social and financial risk that retirees employing only an asset allocation strategy may outlive their savings."*

An equity income strategy has the potential to reduce this risk and become an integral part of a balanced retirement investment portfolio.

Equity income funds aim to generate income by investing in shares in a risk-controlled manner. Exposure to equities allows retirees to access the inherent income-producing abilities of companies coupled with their potential to deliver higher returns, and importantly for eligible investors, the benefit of franking credits. A strong emphasis on managing downside risk aims to reduce the risk of capital loss.

Funds like the Vertium Equity Income Fund (Fund) are designed to address the needs and satisfy the risk appetite of retirees by providing an attractive mix of higher income, reduced volatility and capital growth.

"Pre-retirees and retirees have different investment needs. We aim to not only preserve retirement savings while delivering regular income, but grow capital in a risk-controlled way so investors may have more for longer."

“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.”

## Fund overview

Managed by Vertium Asset Management (Vertium), the Fund is a unit trust specifically designed for investors looking for lower-risk equity market exposure or those drawing down on their savings, such as retirees.

Relative to the S&P/ASX 300 Accumulation Index, the Fund aims to deliver:

- more income
- less absolute risk, and
- greater returns

## Key facts

### Manager

Vertium Asset Management

### Responsible entity

Copia Investment Partners

### Inception date

July 2017

### Benchmark

S&P/ASX 300 Accumulation Index

### Objective

- Greater income return than the benchmark yearly
- Lower absolute risk than the benchmark yearly
- Greater total return than the benchmark on a rolling five-year basis

Minimum Initial Investment \$20,000

### Investment time frame

At least five years

### Number of stocks

20 - 40

### Distributions

Quarterly

### Fees

Management fee: 0.97% p.a. (including GST net of RITC)

### Suitable investors

- Investors drawing down on their savings, such as retirees
- Investors seeking lower-risk equity market exposure, such as pre-retirees
- Investors seeking an active investment approach with an investment horizon of five years or more
- Endowment funds, such as universities, schools, churches and charities

## Investment approach

### Margin of safety

Central to Vertium's investment philosophy is a margin-of-safety approach. Buying shares below their intrinsic value has the potential to mitigate downside risk and provide a buffer to capital loss.

### Quality companies

Vertium invests in quality Australian companies with attractive valuations to deliver investors lower-risk, sustainable returns over the long term.

### Multiple income sources

Dividend yields, franking and Vertium's use of conservative option strategies aim to provide investors higher income relative to the Fund's benchmark.

## Investment team

Established in 2017 by Jason Teh, Vertium is a specialist Australian equity income investment manager.



**Jason Teh**  
Chief Investment Officer  
MFin, BSc

- Founded Vertium in 2017, responsible for managing the firm and its investment team.
- Oversees portfolio management and responsible for the firm's investment philosophy and strategy.
- Prior to Vertium, Jason was a Senior Portfolio Manager at Investors Mutual where he was the architect of the Investors Mutual Equity Income Fund.



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

- Tomas joined Vertium in 2019 as a Portfolio Manager / Equity Analyst.
- Has 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.



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

- Joined Vertium in 2017 as a Portfolio Manager / Equity Analyst.
- Assists the CIO and responsible for researching and analysing Australian companies.
- Prior to Vertium, Daniel was a Portfolio Manager / Senior Equities Analyst at Forager Funds where he assisted managing the Forager Australian Shares Fund.



**Trent Crawley**  
Equity Analyst  
BCom, CAIA, CFA

- Joined Vertium in 2017 as an Equity Analyst.
- 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

### 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 was the architect and portfolio manager of the Investors Mutual Equity Income Fund.

### Regular income

Potentially receive higher levels of income than the equity market and a traditional defensive investment portfolio, with the added advantage of franking credits. Receive income quarterly at the end of March, June, September and December.

### Capital preservation

Have the opportunity to preserve capital through Vertium's prudent risk management and cautious approach that prioritises managing downside risk.

### Investment growth

Gain exposure to the inherent income-producing abilities of quality companies which have the potential to deliver capital growth.

### Well rated

'Recommended' by Lonsec and Zenith. As Lonsec states in its report, "The Fund's strong focus on capital preservation combined with a defensive options strategy is highly appealing".



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