

Vertium Equity Income Fund

Fund Update | 30 June 2026

Key Facts

Awards

Money magazine's Best of the Best Awards—Australian Equity Income 2024

Financial Standard Leadership Award—Australian Equity Income Focused 2023

Investment objective

Higher level of income than the Index

Lower volatility and drawdown than Index

Potential for capital growth over the medium to long term (net of all fees)

Benchmark Index

S&P/ASX 300 Accumulation Index

Inception date

April 2017

Number of stocks

20 - 40

Distribution

Quarterly

Management fee

0.97 p.a.

Buy/Sell spread

+0.25 / -0.25

Minimum investment

\$20,000

APIR

OPS1827AU

Suitable investors

1. Low-risk or low-tax investors
2. Pre-retirees and retirees
3. Endowments and charities

Key Platforms

Asgard | BT Panorama | CFS | HUB24
 IOOF | Linear | MLC | Netwealth
 Oneview | Praemium | MyNorth

Capital preservation metrics (since inception) ^

	Fund	ASX300
Outperformance frequency in down markets	82.9%	N/A
Down market capture ratio	67.9%	1
Beta	0.6	1
Maximum Monthly Drawdown	-13.8%	-20.8%

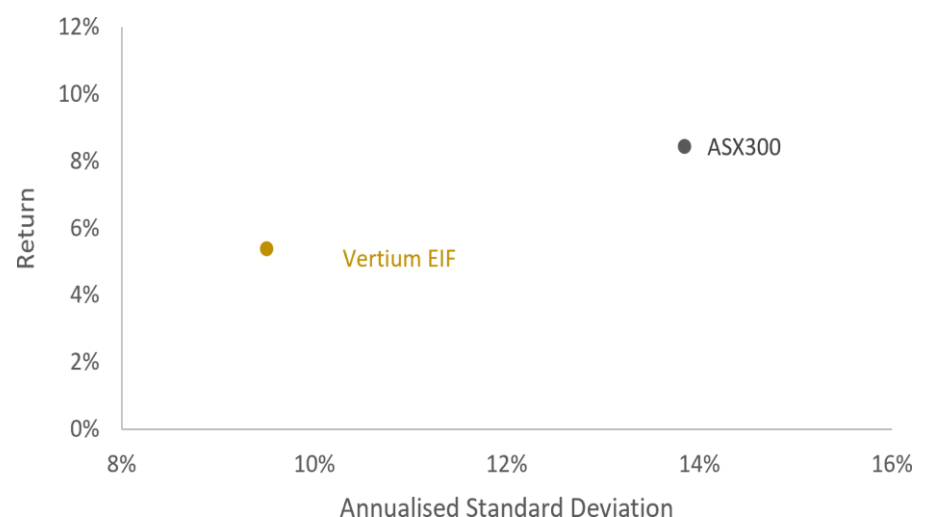
Performance* (%)

	1 Mth	3 Mth	6 Mth	1 Yr	3 Yr pa	5 Yr pa	Since Inc. pa
Income	5.0	5.0	6.0	8.2	6.7	6.3	6.2
Growth	-3.9	-2.2	-4.8	-3.1	-1.4	-0.9	-0.8
Fund total net return (excludes franking)	1.0	2.8	1.2	5.0	5.2	5.4	5.4
Income	0.1	0.5	1.6	3.3	3.8	4.0	4.0
Growth	0.5	3.6	0.4	2.8	6.8	3.6	4.4
Index total return	0.6	4.1	2.0	6.2	10.5	7.6	8.4
Fund beta	N/A	N/A	N/A	0.55	0.65	0.64	0.64
Franking credits**	0.9	0.9	1.3	1.3	1.5	1.4	1.4
Grossed-up income	5.8	5.8	7.3	9.5	8.2	7.7	7.6
Grossed-up total return	1.9	3.7	2.5	6.3	6.7	6.8	6.8

*Past performance is not a reliable indicator of future performance.

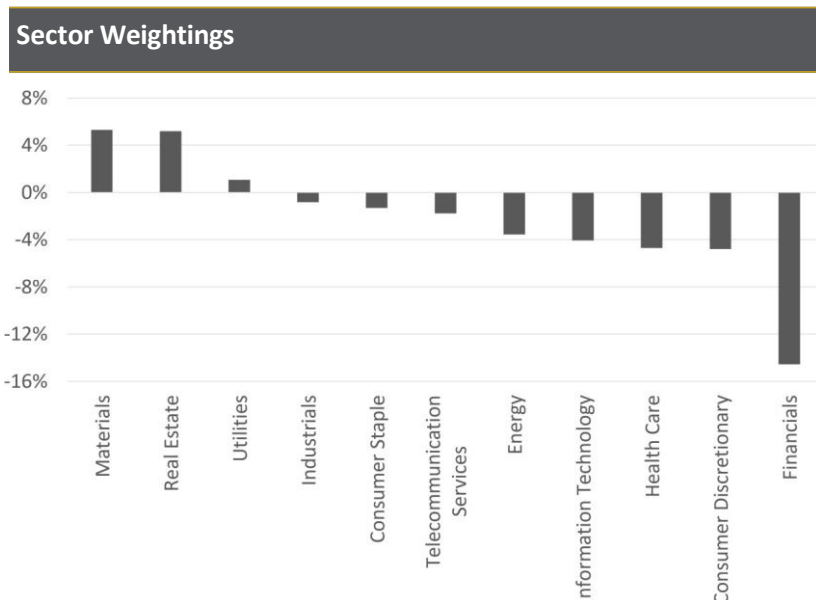
**Franking credits are provided as a guide only and may vary depending on individual investor circumstances. Vertium does not provide tax advice, and investors should seek independent taxation advice to understand how franking credits may apply to their personal situation.

Return versus risk (since inception)



Portfolio Dashboard

Top 10 holdings	ASX Code
BHP Group Ltd	BHP
Commonwealth Bank of Australia	CBA
BlueScope Steel Ltd	BSL
Charter Hall Group	CHC
Westpac Banking Corp	WBC
Stockland Corporation Ltd	SGP
Transurban Group	TCL
Aristocrat Leisure Ltd	ALL
Challenger Ltd	CGF
Goodman Group	GMG



Number of stocks	39
Size exposure	%
Large Cap	56
Mid Cap	16
Small Cap	3
Effective Cash	24
Option exposure	%
Shares	82
Call Options	-5
Put Options	-1
Effective Cash	24

“Our equity income fund is designed with conservative investors in mind. We seek to deliver the benefits of equity exposure including attractive, tax effective income - with a commitment and focus on capital preservation.”

Jason Teh

Chief Investment Officer

FOR MORE INFORMATION, VISIT VERTIUM.COM.AU

Notes: As of 31.08.2021 the calculation of Income and Growth return series has been updated in line with FSC Standard NO. 6. ^Based on monthly data. Past performance is not a reliable indicator of future performance.

Disclaimer: The total return performance figures quoted are historical, calculated using soft close, end-of-month mid-prices and do not allow for the effects of income tax or inflation. Total returns assume the reinvestment of all distributions. The performance is quoted net of all fees and expenses. The index does not incur these costs. This information is provided for general comparative purposes. Soft close unit prices are interim unit prices struck at month end before all transactions for the month have been completed. Performance data available on the Vertium website, vertium.com.au, however, is based on hard close unit prices which are struck after all transactions for the month have been completed. ^ Month-end unit prices are hard-close and cum-distribution. # In order of highest to lowest weighting at the end of the reported month. Past performance is not a reliable indicator of future performance. Positive returns, which the Vertium Equity Income Fund (the Fund) is designed to provide, are different regarding risk and investment profile to index returns.

This document and its contents are general in nature and do not constitute or convey personal financial advice. It has been prepared without consideration of anyone's financial situation, needs, or financial objectives. Before acting on the areas discussed and contained herein, you should consider whether it is appropriate for you and whether you need to seek professional advice. Investment in securities and other financial products involves risk. An investment in a financial product may have the potential for capital growth and income but may also carry the risk that the total return on the investment may be less than the amount contributed directly by the investor. Investors risk losing some or all of their capital invested. Past performance is not a reliable indicator of future performance. The material contained in this document is for information purposes only and is not an offer, solicitation or recommendation with respect to the subscription for, purchase or sale of securities or financial products and neither or anything in it shall form the basis of any contract or commitment. The Company, its related parties and its respective officers may have an interest in the securities or derivatives of any entities referred to in this material. The analyst(s) hereby certify that all the views expressed in this report accurately reflect their personal views about the subject investment theme and/or company securities. Except for any liability which cannot be excluded, the authors and distributors of this document accept no liability for any loss or damage suffered by any person as a result of that person, or any other person, placing any reliance on the contents of this document.

Vertium Asset Management Pty Ltd (ABN 25 615 639 659), is a Corporate Authorised Representative (Corporate Authorised Representative Number 001258758) of Clime Asset Management Pty Ltd (ABN 72 098 420 770), AFSL 221146.

Equity Trustees Limited ("Equity Trustees") (ABN 46 004 031 298), AFSL 240975, is the Responsible Entity for the Vertium Equity Income Fund ("the Fund"). Equity Trustees is a subsidiary of EQT Holdings Limited (ABN 22 607 797 615), a publicly listed company on the Australian Securities Exchange (ASX: EQT). This Monthly Fund Update has been prepared by Vertium Asset Management to provide you with general information only. In preparing this monthly fund update we did not take into account the investment objectives, financial situation or particular needs of any particular person. It is not intended to take the place of professional advice, and you should not take action on specific issues in reliance on this information. Neither Vertium Asset Management, Equity Trustees nor any of its related parties, their employees or directors, provide any warranty of accuracy or reliability in relation to such information or accepts any liability to any person who relies on it. Past performance should not be taken as an indicator of future performance. You should obtain a copy of the Product Disclosure Statement before making a decision about whether to invest in this product. Vertium Equity Income Fund's Target Market Determination is available here- https://www.vertium.com.au/_files/ugd/b7ad02_b91913d819174e5e99f4d870e1238148.pdf

A Target Market Determination is a document which is required to be made available from 5 October 2021. It describes who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed.

Quarterly perspective | **the Markets**

Market commentary

The S&P/ASX 300 Accumulation Index delivered a 4.1% return for the June quarter. The best-performing sector was Consumer Discretionary (+19.0%), while the worst-performing sector by a significant margin was Energy (-16.5%) as oil and natural gas prices retreated sharply.

Australia's GDP annual growth rate in Q1 of CY2026 expanded 2.5%. The unemployment rate moved to 4.4% in May 2026. Annual CPI inflation slowed to 4.0% in May 2026, but remaining above the central bank's 2–3% target range.

Commodity prices were largely weaker during the quarter. Brent oil plummeted by 38.4%, while thermal coal fell 10.4% following Iran war de-escalations. Gold also slid by 14.1%, and iron ore dropped 5.8% over the period. Copper bucked the trend, finishing up 9.9% over the quarter.

Active Managers: Bringing a Gun to the Gunfight

What basketball, Formula 1 and chess teach active managers about surviving a machine-driven market

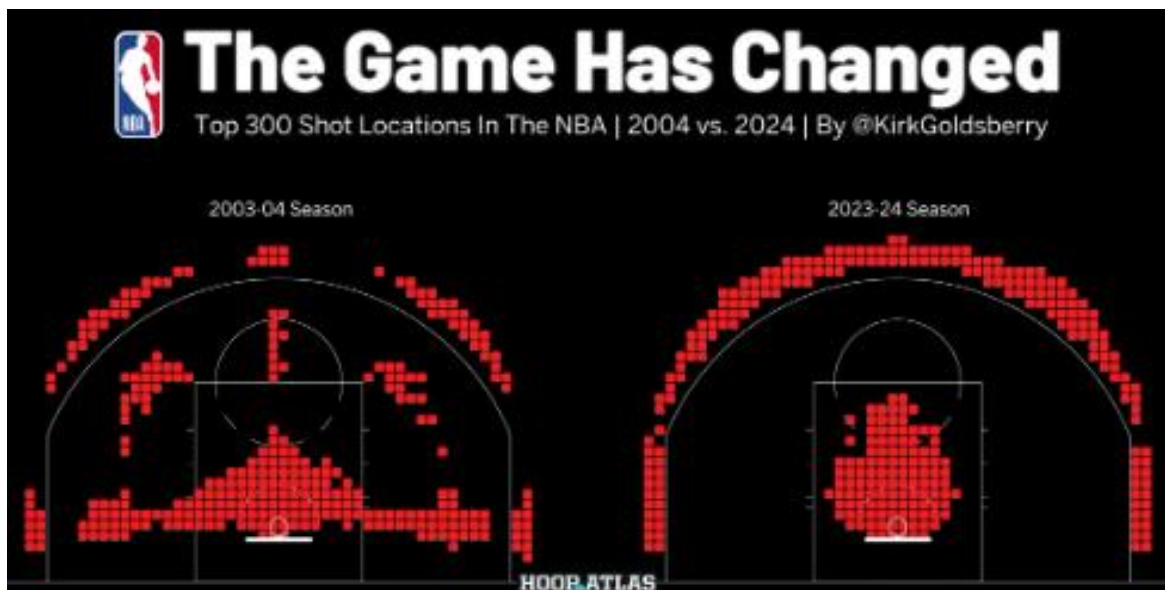
In "[Are Active Managers Bringing a Knife to a Gunfight?](#)" I argued that the rise of passive investing has handed price-setting to sophisticated systematic players, and that discretionary active managers must evolve. Markets are not the only place this has happened. Professional basketball, Formula 1 and chess were all reshaped by data over the past two decades, and each has something to teach active managers facing the same shift.

The NBA: asymmetric mathematics

For decades, shot selection was a matter of feel. Guards and forwards worked the mid-range, the zone between the key and the three-point line, taking jump shots based on spacing and personal comfort. Camera-tracking technology ended that. Once analysts could calculate the expected value of every square foot of the floor, the mid-range jump shot was the least efficient play in the sport.

Kirk Goldsberry's shot charts capture the shift. Map the league's top 300 shot locations in 2003-04 and the mid-range is dense with activity. Map the same thing in 2023-24 and it has been hollowed out. The volume migrated to two zones: at the rim, and behind the arc.

Quarterly perspective | the Markets



Source: @kirkgoldsberry

The two zones win for different reasons, and the mid-range loses on both counts. Using recent league averages, the maths is revealing:

- At the rim, shooters convert around 66%. Two points a time, that is 1.32 points per shot ($66\% \times 2$).
- From mid-range, accuracy falls to about 41%. Still two points, so 0.82 points per shot ($41\% \times 2$).
- Behind the arc, accuracy drops further to roughly 36%. But the shot pays three, lifting the return to 1.08 points per shot ($36\% \times 3$).

The mid-range sits between the other two on the floor but finishes behind both on the maths. The rim wins on accuracy, the arc wins on payout, and the shot in the middle wins on neither. A lower accuracy shot can still be the better shot if it pays enough, which is the logic the hedge fund manager Paul Tudor Jones built a career on.

"Five to one means I'm risking one dollar to make five. What five to one does is allow you to have a hit ratio of 20%. I can actually be a complete imbecile. I can be wrong 80% of the time, and I'm still not going to lose."

- Paul Tudor Jones

This is the first lesson. Being right more often is not what separates the best. Citadel is one of the most successful hedge funds ever built, yet its top portfolio managers are correct only 54% of the time. Accuracy is not what sets them apart. Position sizing and portfolio construction turn a hit rate slightly above 50% into strong, consistent returns.

Formula 1: the infrastructure behind the driver

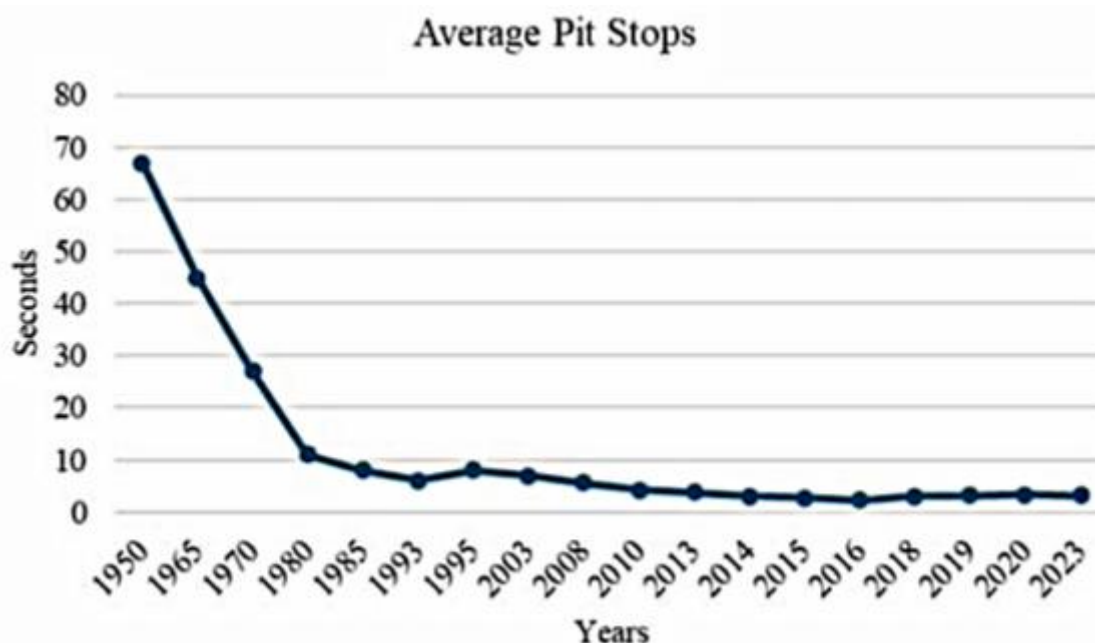
If basketball shows what an optimised strategy looks like, Formula 1 shows the infrastructure required to execute one.

An F1 driver is the ultimate discretionary manager, turning the wheel and managing risk in real time. But the driver does not operate on intuition. He sits at the tip of a computing ecosystem. Before a race weekend, simulation engines run millions of permutations across tyre degradation, track temperature, fuel weight and safety car probability, mapping the physical limits of the car.

Quarterly perspective | the Markets

During the race, hundreds of sensors feed telemetry to a pit wall that resembles mission control. The driver does not change tyres on a hunch about the asphalt. He receives an instruction because a model just recalculated the optimal pit window against live competitor data.

The pit stop itself makes the point. Through the 1990s and 2000s a stop took eight to ten seconds, most of it spent pumping fuel. When refuelling was banned in 2010, the tyre change became the only variable, and the entire engineering effort turned to shaving it. Times fell to around three seconds within a year, and the record now stands at 1.80 seconds, set by McLaren at the 2023 Qatar Grand Prix. That was not achieved by telling mechanics to move faster. It was unlocked by embedding sensors in the wheel guns, feeding an automated system that triggers the green release light the millisecond the job is mathematically complete. The modern pit stop is a software loop executed by human hands.



Source: L. Belkovics, K. András and I. Takács, "The Technological Innovation of Pit Stops in Formula 1," 2024 IEEE 22nd Jubilee International Symposium on Intelligent Systems and Informatics (SISY), Pula, Croatia, 2024, pp. 101-106.

Markets have run the same compression. A result used to reprice over days while analysts interpreted it. Now the systematic players read the announcement and reprice the stock before a fundamental manager has finished the first page. The reaction has become its own software loop, run at machine speed.

This is the second lesson. The pit crew did not get faster by trying harder. They got faster by measuring the task and stripping out everything a machine could do better. The same is true in markets: you cannot out-react a machine, so the edge moves upstream, to understanding the forces acting on a price before the catalyst hits and surviving the move when it comes. Reading how earnings drive company value is only one of those forces. Understanding the others requires quantitative machinery that can stress test a portfolio across environments, the way an F1 car is simulated across weather conditions. Navigating machine-driven factor rotations on intuition alone is driving in the wet without radar.

The rise of the centaur

Basketball showed a strategy solved by maths, and Formula 1 the machinery to execute it. Chess put a name to what both were really doing: combining human and machine. In 1997, world champion Garry Kasparov lost a match to IBM's Deep Blue supercomputer.

Quarterly perspective | **the Markets**

Everyone took it as proof the machine had won. Kasparov asked a different question. If a machine could beat the best human alive, what could a human and machine do together? The pairing became known as a centaur, half human, half machine.

The proof came at the 2005 PAL/CSS Freestyle tournament, where two amateur Americans running three ordinary computers beat both grandmasters with supercomputers and the machines alone. The winning ingredient was neither the strongest human nor the strongest machine, but the best process for combining them. Chess has since moved past this. The engines no longer need humans, because chess is a closed, unchanging system. Its rules are fixed, so a machine that has mastered it never falls behind. Markets are not. What worked last year may stop working this year. Regimes turn over, and the model tuned to the last environment is the most exposed to the next. The judgment never fully transfers to the machine.

That is the choice active managers face. The apex predators are already centaurs, human oversight wired to systematic machines. The manager who still runs on fundamental research alone is the last standalone grandmaster in the room. Survival does not mean out-computing the predators. It means keeping the one edge they lack, deep conviction on individual businesses, and wiring it to enough systematic risk infrastructure to stop being run over by the forces they set in motion.

The reverse is also true. Even the purest machine still answers to a human. Renaissance is the most successful quant fund ever built. When its models bled 20% in three days during the 2007 Quant Quake, Jim Simons considered pulling the plug. The firm had to decide: let the models run or override them and cut risk. They let them run, and Medallion finished the year up around 85%. Even at the apex of quantitative sophistication, the machine could measure the loss but not decide what it meant. That call belonged to a human.

Adapting to the modern arena

The mid-range shooter and the refuelling-era pit crew have one thing in common. They no longer exist. Once an arena has been mapped and quantified, there is no going back, and the competitors who refused to adapt disappeared with them.

Survival does not belong to the manager who tries to out-calculate the machines, nor to the one who trusts them blindly. It belongs to the centaur: fundamental conviction wired to systematic risk and factor infrastructure, with the judgment to know when the model has stopped describing the world. Stephen Curry still has to shoot. Lewis Hamilton still has to drive. Jim Simons still had to decide when to trust the machine. A model is built for one world, and it cannot tell you the moment that world has changed. That judgment is the one thing the machine cannot hand back.

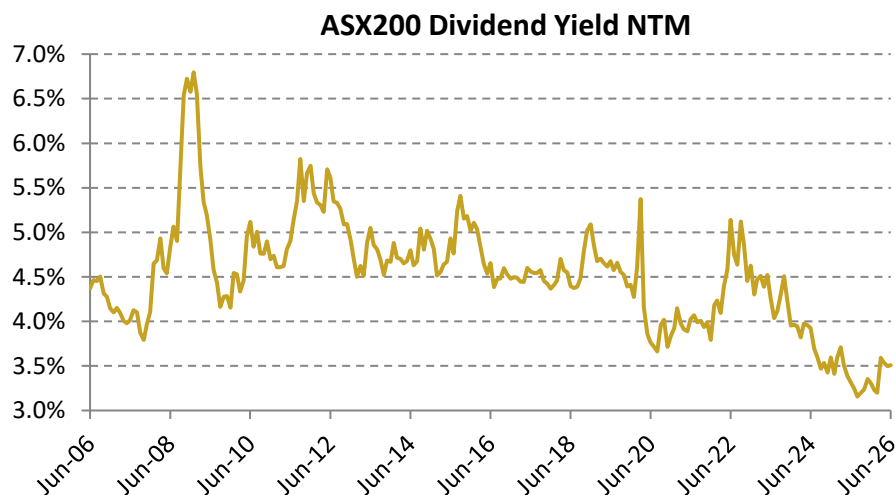
To bring a gun to the gunfight, you must let the data build the weapon and keep a human to aim it.

Quarterly perspective | the Portfolio

Portfolio Comment

For the June quarter, the Vertium Equity Income Fund posted a total net return of 2.8%. The Fund distributed 4.8 cents per unit for the quarter. This helped deliver a robust 8.2% annual income return, well ahead of the benchmark's 3.3%. Including a 1.3% franking credit return, the grossed-up annual income return reached 9.5%.

Looking ahead, the ASX200 expected dividend yield has fallen to 3.5%, close to a two-decade low. The Fund's diversified income strategy is driven primarily by dividends and supplemented by option income and franking credits. This positions it to consistently outperform the market's income generation.



Source: FactSet

The Fund's core focus on capital preservation aims to help reduce exposure to market risk and support a smoother investment experience during periods of market turbulence. Historically, the Fund has delivered a lower volatility return profile for investors, with the portfolio's beta of 0.55 contributing to volatility that was 40% lower than the benchmark over the past year. This defensive profile has helped reduce the severity of portfolio swings. These outcomes extend beyond risk mitigation, with the Fund delivering risk-adjusted returns that compare favourably with peers and has seen better compensation per unit of risk taken.

The quarter's stock-level contributors reflect our disciplined approach to risk-adjusted return. Aristocrat (ALL), BlueScope Steel (BSL) and Challenger (CGF) were strong contributors for the quarter. Wesfarmers (WES) was a drag on relative returns.

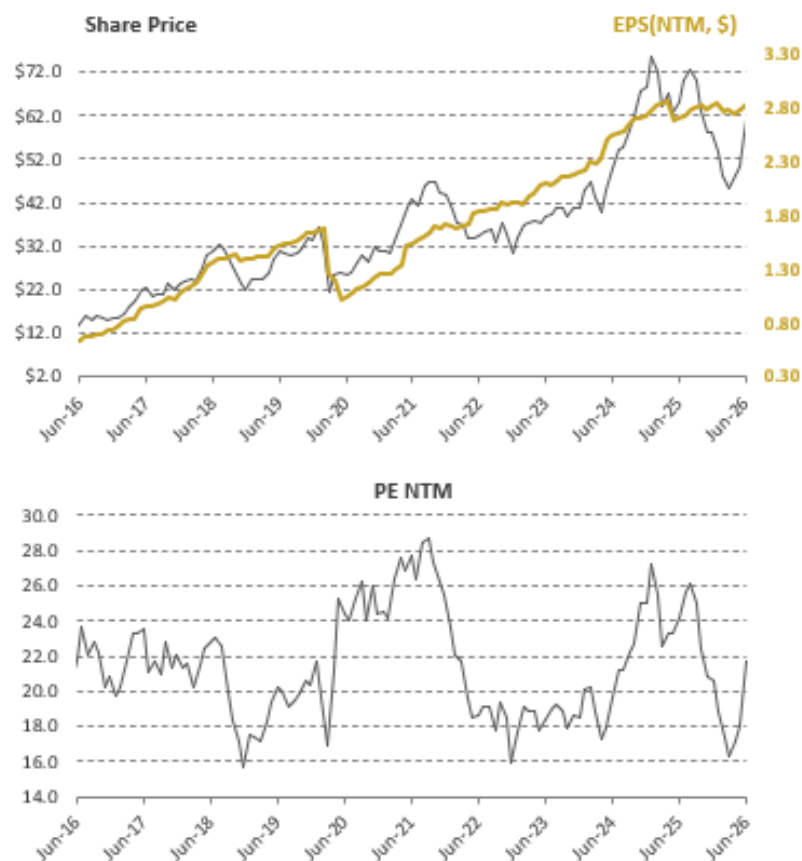
Quarterly perspective | the Portfolio

Aristocrat (ALL)

ALL rose more than 36% over the June quarter, driven by its Half Year 2026 result. Normalised profit grew 8%, or 16% in constant currency. Management reiterated a positive full-year growth outlook and reaffirmed its target to scale Aristocrat Interactive toward a US\$1 billion revenue milestone by FY2029. Recurring revenues now exceed 70% of total group income. Momentum was supported by scaling digital social casino operations via Product Madness and Pixel United, both of which proved resilient against broader macroeconomic headwinds.

Management expanded its on-market share buyback program by a further \$1 billion and extended it through to May 2027. This capital return framework was complemented by a 13.6% increase to the interim unfranked dividend, lifting it to 50 cents per share. Backed by this profit trajectory, the stock re-rated from its previously discounted price-to-earnings (P/E) multiples during the quarter.

Aristocrat share price, EPS (NTM) and PE (NTM)



Source: FactSet

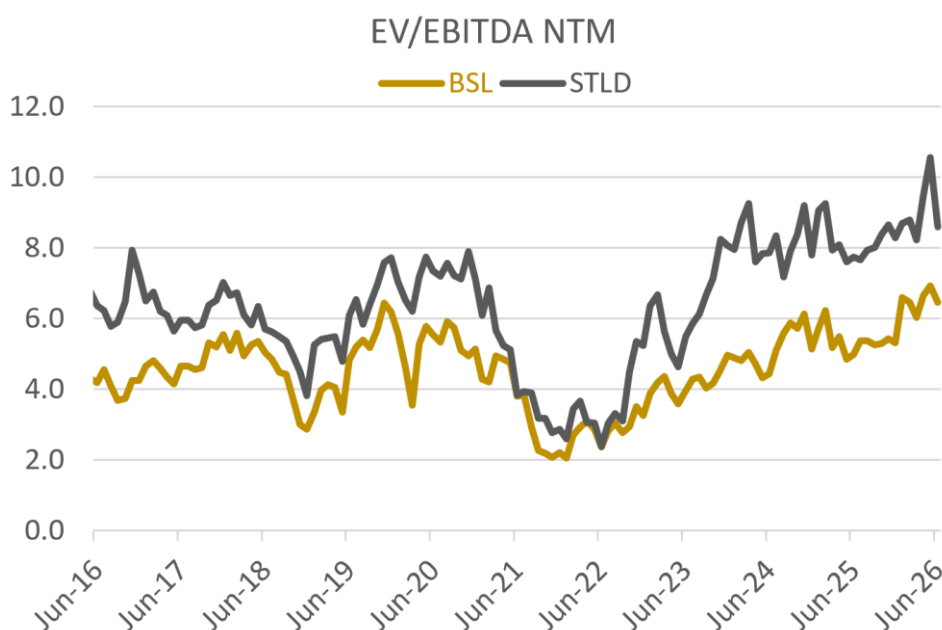
Quarterly perspective | the Portfolio

BlueScope Steel (BSL)

BSL defied the broader Materials sector's structural weakness, rallying about 24% over the period following resilient corporate upgrades. Operational outperformance was driven by widening US hot-rolled coil steel spreads at its North Star steel facility. This shielded the group's consolidated earnings from volatile global raw materials pricing. Equity analysts upgraded target prices mid-quarter, recognising the stock's superior manufacturing margins.

As the most profitable steel mill in the United States, North Star has long attracted the attention of Steel Dynamics (STLD), one of the largest US steel producers. In February 2026, a consortium of SGH Limited and STLD lodged a revised best-and-final offer of A\$32.35 per share, valuing BSL at about A\$15 billion. Under the proposal, SGH would acquire BSL and on-sell the North American operations to STLD. The board rejected the bid as significantly undervaluing the company, the fourth such rejection since late 2024. We believe the timing of this consortium approach was opportunistic, taking advantage of a period where US steel prices were temporarily depressed by a subdued industrial cycle. Since the beginning of 2026, the US industrial cycle has shown signs of improvement, supporting a recovery in steel spreads. North Star therefore has significant operating leverage to firming US hot-rolled coil prices. STLD trades at a premium to BSL's EV/EBITDA multiple, giving the consortium ample balance sheet capacity to pay a higher premium for the premier steel mill asset in the US market.

BlueScope and Steel Dynamic EV/EBITDA (NTM)



Source: FactSet

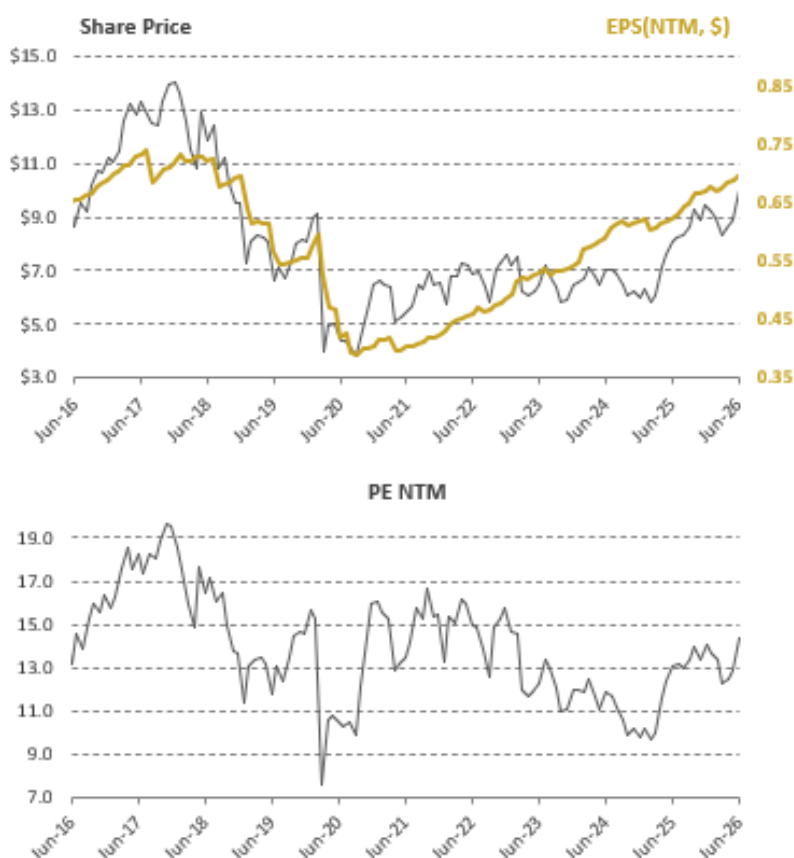
Quarterly perspective | the Portfolio

Challenger (CGF)

CGF rallied about 21% for the quarter and reached fresh multi-year highs. The business benefited from a supportive APRA regulatory framework for longevity products and accelerating retail annuity sales, driven by an ageing demographic seeking yield certainty. Strategic momentum accelerated in mid-June following the announcement of a transaction merging its Fidante unit with Channel Capital to form a \$150 billion investment services platform known as Channel Group. In recent years, Fidante had struggled to grow as persistent structural outflows from active fund management weighed on group profits. The combined entity reduces Fidante's direct operational drag on group earnings while giving Challenger exposure to global private asset demand.

The market reacted favourably to the deal structure. Challenger will receive up to A\$172 million in cash payments alongside a 45% equity stake in the newly formed entity, with Channel Capital shareholders holding the remaining 55%. The transaction allows Challenger to capture more diversified fee earnings and realise an estimated \$100 million pre-tax gain on sale in FY27. Capital discipline remained excellent, reinforced by active execution within its A\$150 million on-market share buyback program. This buyback is a direct result of APRA's recent regulatory changes, which released significant excess capital back to the business. Beyond funding the buyback, this regulatory shift allows Challenger to maintain a more stable capital structure and a more predictable EPS growth profile. These improvements should support P/E multiple expansion over time.

Challenger share price, EPS (NTM) and PE (NTM)



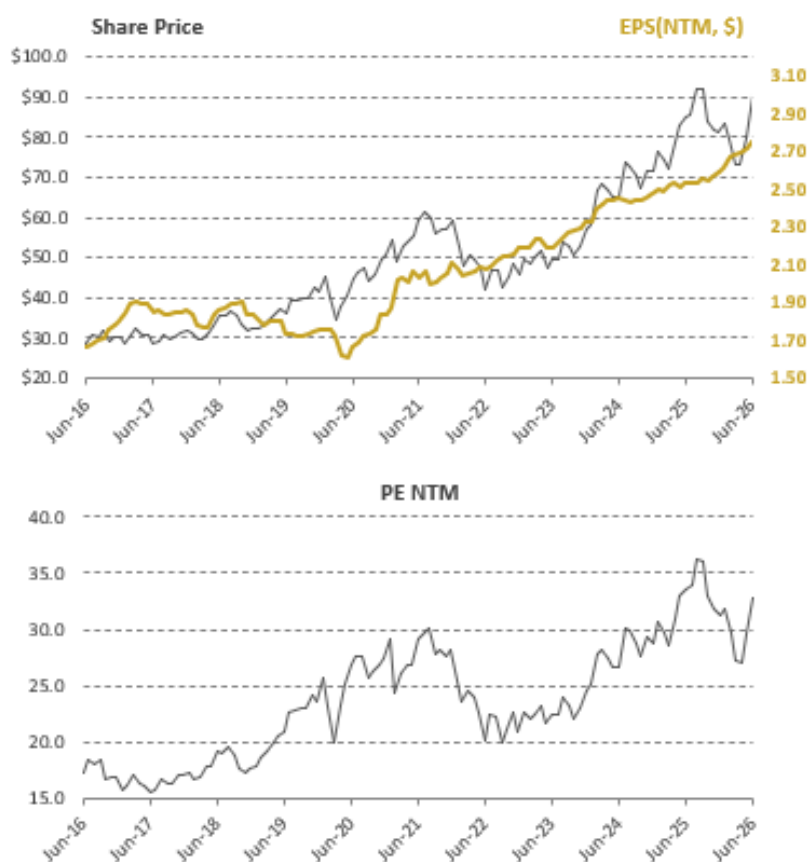
Source: FactSet

Quarterly perspective | the Portfolio

Wesfarmers (WES)

The Fund's underweight position in WES was the main detractor. WES outperformed during the June quarter following the group's 2026 Strategy Briefing Day on 10 June. Management reassured the market by demonstrating how Bunnings and Kmart's low-cost, value-leadership models are capturing trade-down traffic from cash-strapped consumers. The company also showcased its accelerated digitisation and AI rollout, positioning these efficiency tools to absorb the Fair Work Commission's recent 4.75% award wage increase. Sentiment was further supported by the announcement that the Industrial and Safety businesses will integrate under Bunnings from 1 July 2026 to streamline group efficiency. While Bunnings and Kmart hold dominant industry positions, we continue to view the stock as too expensive at current valuation multiples.

Wesfarmers share price, EPS (NTM) and PE (NTM)



Source: FactSet

Concluding Remarks

The market remains vulnerable to volatility, with pockets of significant overvaluation alongside compelling opportunities. The Fund remains disciplined in its approach to ensure investors benefit from both attractive income and sustainable risk adjusted returns.

In closing, this quarter marks a historic milestone. The business has been officially acquired by Clime Investment Management. It has been a dynamic and eventful nine years building this firm. Over this journey, we are proud of having consistently generated high levels of income while delivering some of the best risk-adjusted returns in the sector. We are equally proud of the deep relationships we have formed along the way. As we transition into this next chapter, we want to express our deepest gratitude to our investors. Your trust, ongoing support, and shared vision have been fundamental to navigating these markets and achieving this outcome. Thank you for an unforgettable nine years.