

Vertium Equity Income Fund

Fund Update | 31 March 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	0.64	1
Maximum Monthly Drawdown	-13.8%	-20.8%

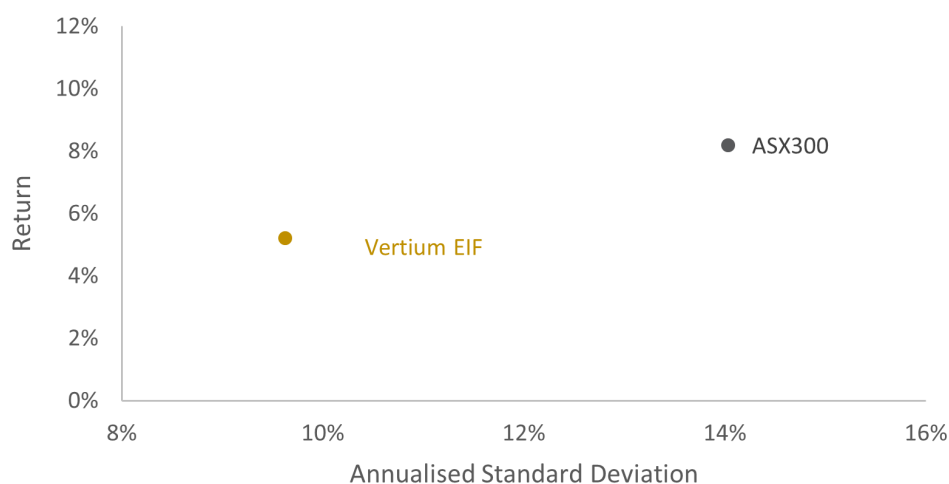
Performance* (%)

	1 Mth	3 Mth	6 Mth	1 Yr	3 Yr pa	5 Yr pa	Since Inc. pa
Income	1.0	1.0	2.0	6.5	5.7	5.6	5.8
Growth	-5.3	-2.6	-2.5	1.1	-0.4	0.3	-0.6
Fund total net return (excludes franking)	-4.3	-1.6	-0.5	7.6	5.3	5.9	5.2
Income	0.6	1.1	1.5	3.5	3.8	4.0	4.1
Growth	-7.9	-3.1	-4.4	8.1	5.6	4.4	4.1
Index total return	-7.3	-2.0	-2.9	11.6	9.4	8.5	8.2
Fund beta	N/A	N/A	N/A	0.54	0.65	0.64	0.64
Franking credits**	0.4	0.4	0.4	0.7	1.3	1.3	1.4
Grossed-up income	1.4	1.4	2.4	7.0	7.0	6.8	7.2
Grossed-up total return	-3.9	-1.2	-0.1	8.3	6.6	7.2	6.6

*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.

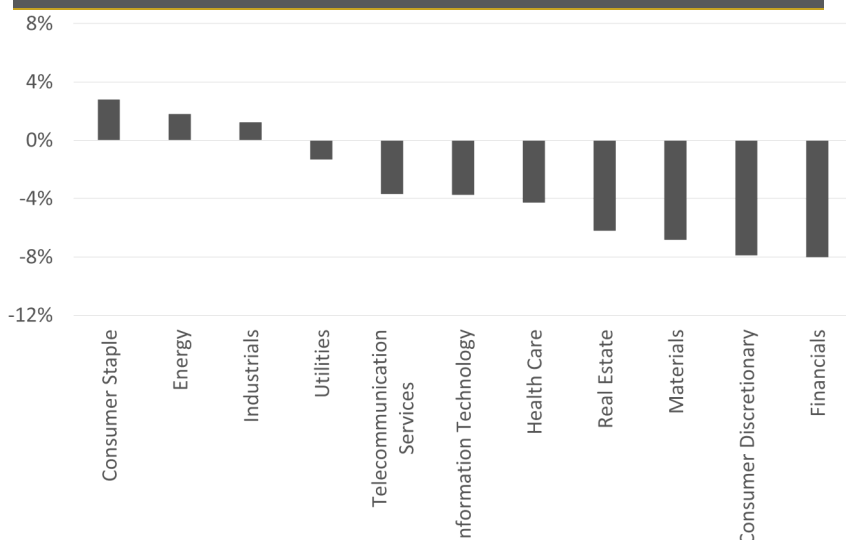
Return versus risk (since inception)



Portfolio Dashboard

Top 10 holdings	ASX Code
BHP Group Limited	BHP
Commonwealth Bank of Australia	CBA
Woolworths Group Ltd	WOW
QBE Insurance Group Ltd	QBE
Westpac Banking Corp	WBC
Fortescue Ltd	FMG
Ampol Ltd	ALD
Ramsay Health Care Ltd Fully Paid Ord. Shrs	RHC
Aurizon Holdings Ltd	AZJ
Brambles Ltd	BXB

Sector Weightings



Number of stocks	33
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Size exposure	%
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Large Cap	47
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Mid Cap	13
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Small Cap	4
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Effective Cash	36
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Option exposure	%
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Shares	71
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Call Options	N/A
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Put Options	N/A
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Effective Cash	36
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“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.

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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 -2.0% return for the March quarter. The best performing sector was Energy (37.7%) led by Woodside Energy at 51% return. The worst performing sector was IT (-27.9%), with Life360 bearing the brunt of the losses at -44%.

Australia's GDP annual growth rate in Q4 of CY2025 improved to 2.6%. The unemployment rate remained steady at 4.3% in March 2026. The annual inflation rate was steady at 3.7% in February 2026.

Commodity prices presented a mixed picture during the quarter. Both the iron ore price (-1%) and the copper price (-3%) was relatively flat. The Brent oil price (+94%) and the Newcastle thermal coal price (+34%) surged as the Strait of Hormuz crisis unfolded. The gold price was extremely volatile but finished up 8% at the end of the quarter.

Are Active Managers Bringing a Knife to a Gunfight?

Stock volatility is at unprecedented levels. Whether it is the 2026 Hormuz crisis, Liberation Day in 2025, or a company reporting season, the swings are sharper and less anchored to fundamentals than at any previous point in market history. The market structure has permanently changed in how equity prices are set, and the consequences are being felt unevenly across the active management industry. The wide dispersion of returns away from fair value has produced an equally wide dispersion of outcomes for active managers.

Whether a manager runs a value, growth, or quality investment style, the propensity for extreme outperformance and underperformance has risen sharply. The rotations between investment styles have become faster and more extreme than at any previous point in market history. Growth managers were devastated in 2022, only to recover strongly in 2023. Value managers underperformed through 2024 before conditions finally turned in their favour in 2025. Now growth is under pressure again and this time quality managers have not been spared.

The driver of this structural change is the relentless migration of capital from discretionary active management into passive index funds and ETFs. As active participants retreat, the corrective mechanism — the wisdom of crowds — that keeps prices anchored to fair value is weakened. When that diversity erodes, prices become self-reinforcing rather than self-correcting. In a passive-dominated world, it becomes easier to inflate a boom, but when the correction comes it is faster and more violent.

The cycle is self-reinforcing: more passive flows produce more valuation dispersion, which produces more extreme active manager performance, which drives more flows into passive as disappointed investors give up on active management entirely. Active managers who do not understand how the market structure has changed are paying dearly for it.

The Apex Predators

As discretionary active management retreats, a more sophisticated class of price-setter has taken its place. Multi-strategy hedge funds (pod shops) and quant funds have become the fastest-growing segment of the active industry.

According to Goldman Sachs, pod shops' assets under management reached a record US\$428 billion in 2025, up from just US\$91 billion in 2010: a near five-fold increase in fifteen years. But their assets under management figure alone dramatically understates their true market footprint as they use considerable leverage. Data from the US Office of Financial Research shows that the gross leverage of pod shops is approximately 12x today, implying gross market exposure in the vicinity of US\$5 trillion. Combined with their active trading, pod shops now account for over 30% of US equity trading volume.

Quarterly perspective | the Markets

Meanwhile, growing alongside pod shops are quant funds, systematic strategies running mathematical models across thousands of securities simultaneously. In 2025, quant funds captured more than 70% of all net inflows into hedge funds as investors sought strategies uncorrelated with volatile broader markets. Together, pod shops and quant funds represent a structural takeover of price discovery by systematic players.

These are the apex predators who set prices now. They take signals from price momentum, earnings revisions and other factors — valuation is almost entirely irrelevant. When a fundamental catalyst triggers, pod shops react first, in size, and with leverage. Quant funds pile in at a speed and breadth no discretionary manager can match, amplifying the initial move through a market with limited valuation-sensitive counterweight. The danger is not their failure — it is their success, and what it does to prices when they all move together, leaving traditional managers to lose if they are caught on the wrong side.

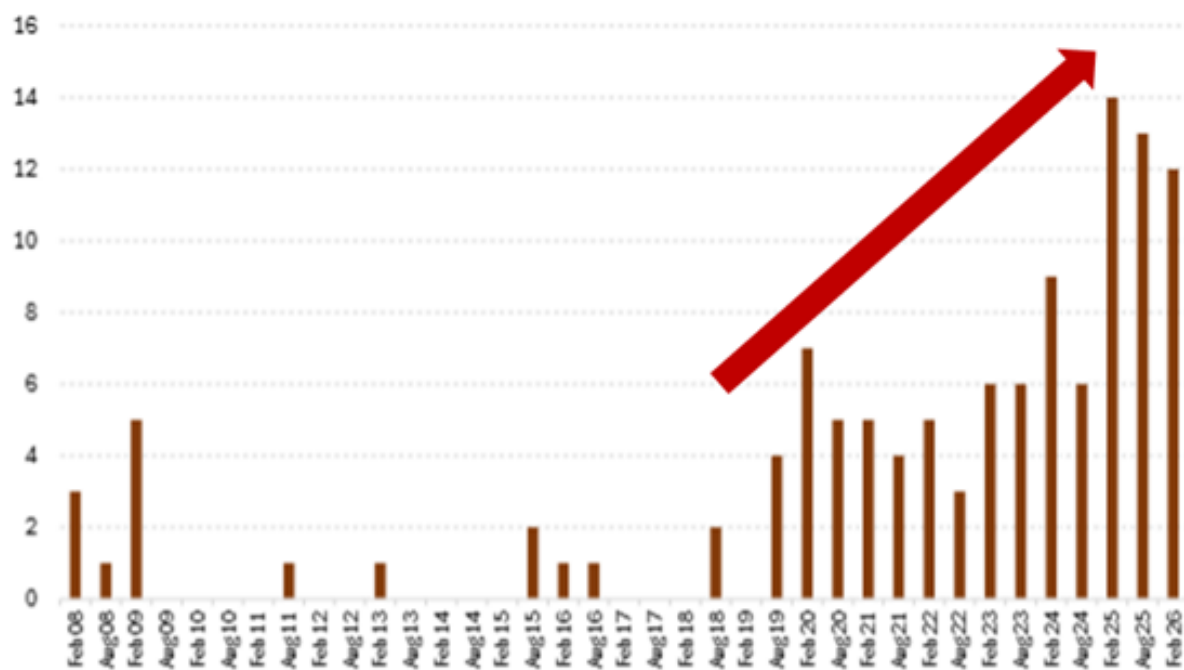
The Evidence

As the active, valuation-sensitive base shrinks, a small shift in participation by apex predators generates a disproportionately large price move. This effect intensifies as passive grows further. The evidence of disproportionate moves has three market fingerprints:

1. Outsized Reactions to Results

Reporting season is a key period when market expectations change as companies report their results and provide their outlook. In the past, share price reactions of greater than 10% on results day were rare for the top 100 stocks. Since 2020, moves of that magnitude are becoming more prevalent. For example, when Coles reported its FY25 results in August 2025 its share price surged 8.5% in a single session and 16% in three days, hitting an all-time high. Six months later, reporting its H1 FY26 results in February 2026, the same company's share price crashed 7.3% on the day. Not what you would expect from a large company selling groceries.

Figure 5: # of ASX100 companies with price move >10% on result day*

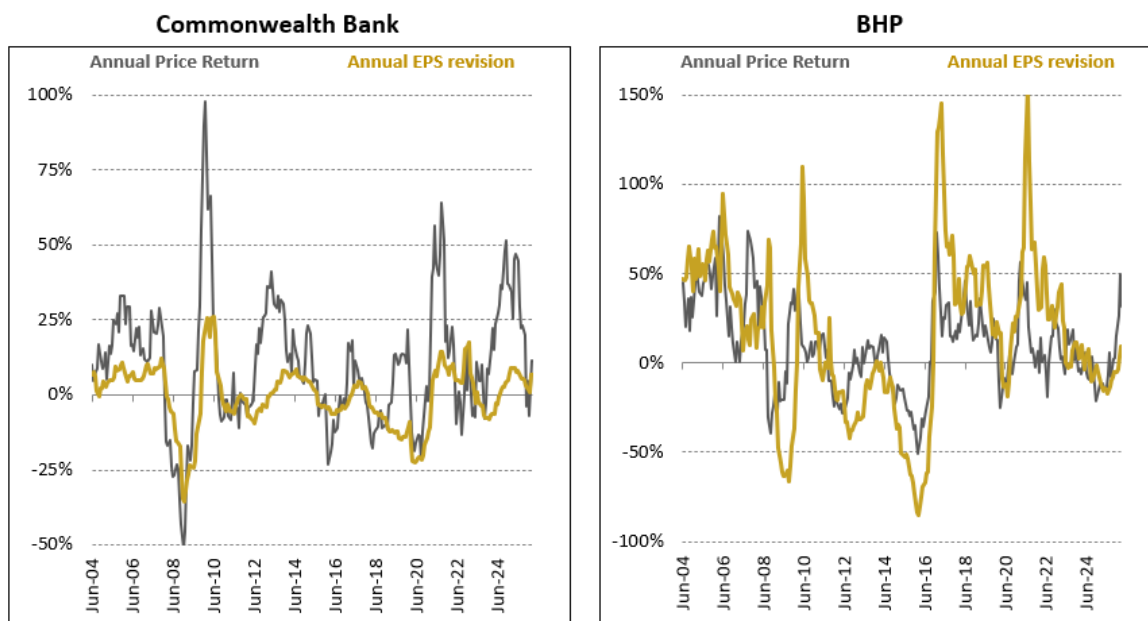


Source: UBS, FactSet, *absolute, so captures stocks that have moved either up or down by more than 10%

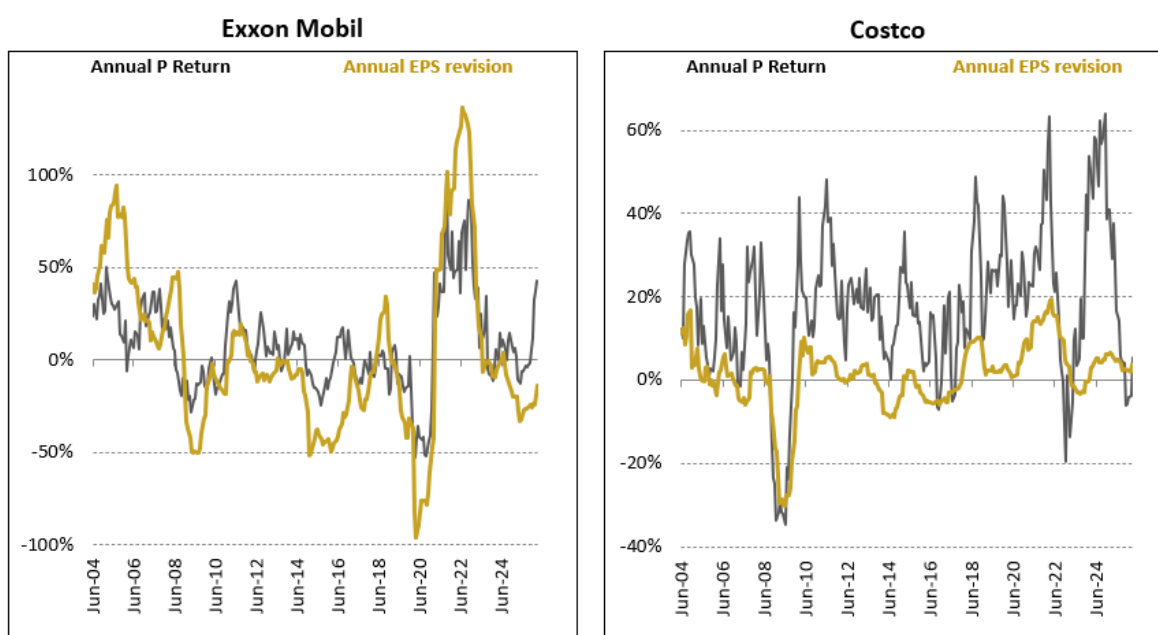
Quarterly perspective | the Markets

2. Outsized Performance to Earnings Revisions

A single earnings beat triggers an outsized price move. A sustained revision trend amplifies it further. For over two decades, Commonwealth Bank's (CBA) annual share price returns tracked its annual EPS revisions. Since 2020 that relationship has been amplified. CBA delivered 50% annual price returns in both 2021 and 2024 despite modest earnings per share (EPS) revisions. The same dynamic is visible in BHP. In 2017 and 2021, it took EPS revisions approaching 100% to deliver 50% annual returns. Now a modest 9% revision has delivered the same result. These are the two largest, most heavily researched, most widely held, most liquid stocks in the index. If it is happening to them, no stock is immune.



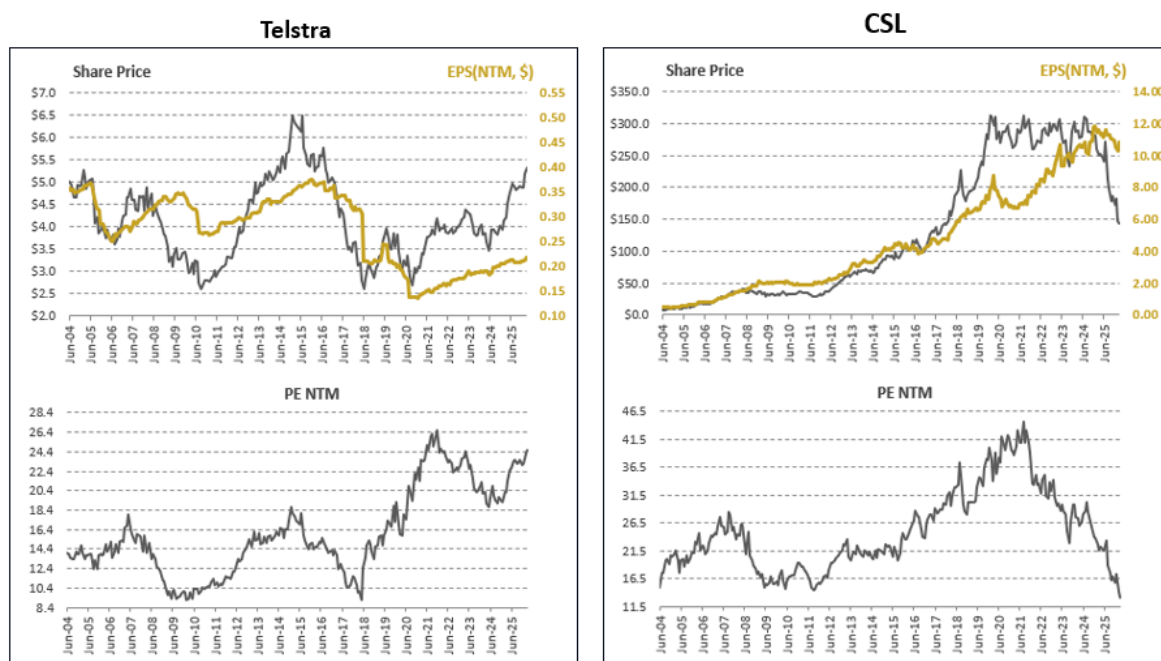
And it is not isolated to Australia. It is a global phenomenon where index heavyweights and sector leaders are moved by the same mechanical forces. It applies just as much to cyclical giants like ExxonMobil as it does to consumer staples stalwarts like Costco.



Quarterly perspective | the Markets

3. Valuations can become extreme

With flows overpowering fundamentals, valuations can become extreme and old narratives can completely reverse. Telstra was once the quintessential market laggard — a hollowed-out telco stripped of its copper network by the Government. Today its PE ratio is trading at close to all-time highs as it has not experienced any earnings downgrades since 2020. CSL tells the opposite story. Once the undisputed market darling, CSL has seen a series of earnings downgrades over the last year, driving its PE ratio to an all-time low. It is no longer about cheap or expensive valuations — it is about flows.



The wide disparity in valuations creates genuine opportunities for active managers. However, the persistence of these extreme valuations can also trap managers — selling an expensive stock only to watch it get more expensive or buying a cheap stock only to watch it get cheaper. A fundamental lens reveals the valuation but not whether the flows are with you or against you.

Large-cap stocks are now moving like small-cap stocks, because a shrinking number of market participants are determining the clearing price. With fewer valuation-sensitive participants to absorb buying or selling pressure, even a small fundamental catalyst now triggers an outsized mechanical squeeze. Asset prices now move more for a given dollar of net buying or selling than at any previous point in market history.

Sophisticated Tools Are No Longer Optional

Ken Griffin, whose Citadel is among the most successful pod shops ever built, has observed that his best traders are correct only 54% of the time. Renaissance Technologies' Medallion Fund, the most successful quant fund in history, achieved average annual gross returns of 66% over three decades with a win rate barely above 50%. In both cases, the edge was not stock picking accuracy. These firms share the ability to cleanly separate alpha from beta, knowing precisely how much of any return is skill and how much is explained by market or other factors. That clarity allows them to manage risk with precision — ensuring the losses never overwhelm the gains. The research, the technology, the systematic process, and the ability to control risk in real time amount to a genuine competitive moat.

Quarterly perspective | the Markets

That moat is what traditional active managers must now build to survive. They typically focused on one thing: generating returns. Risk management was informal and portfolio construction was an afterthought. That was sufficient when valuation sensitive participants were the dominant force that kept prices closer to their fair value. It is not sufficient now. Druckenmiller captured the problem precisely:

"People always forget that 50% of a stock's move is the overall market, 30% is the industry group, and then maybe 20% is the extra alpha from stock picking."

— Stan Druckenmiller

The instinct for many managers is to attempt to improve stock selection or add quantitative screens to their existing process. But that only addresses the 20%. The issue is the 80% that most active managers are not managing (the market, the sector, and the factor dynamics), and that is precisely what a sophisticated toolkit addresses. What is required is a genuine understanding of every dimension of how a security moves: managing position sizing against its underlying risk and monitoring how securities behave in relation to each other and to common factors across different market regimes. These volatility and correlation dimensions are not refinements layered on top of returns — they are the foundation that reveals risks that fundamental analysis alone cannot see. A manager operating purely from fundamental conviction, with little systematic framework for understanding how positions interact, is perpetually at risk of being blindsided by the next rotation before they have recovered from the last.

None of this makes fundamental analysis obsolete. Both fundamental and systematic active managers continue to play a critical role in supporting price discovery and capturing inefficiencies that passive strategies cannot address. But capturing that opportunity requires acknowledging that today's market is dominated by sophisticated players who execute with machines. The manager who understands both the fundamental picture and the mechanical forces acting on it is operating with a genuine edge. The manager who understands only one is, quite literally, bringing a knife to a gunfight.

Conclusion

Passive investing was sold as a democratising force. But at the scale it has now reached, it has fundamentally changed market structure — handing the price-setting function to pod shops and quant funds. The result is a market that amplifies every move, sustains valuations well beyond fundamentals, and produces style rotations that blindside unprepared managers.

The active managers who survive are those who have matched their tools and their thinking to the market they are operating in — not the market of twenty years ago. In a market with apex predators at the top of the food chain, survival requires the same level of sophistication. Anything less, and the predators will eat them alive.

Quarterly perspective | the Portfolio

Portfolio Comment

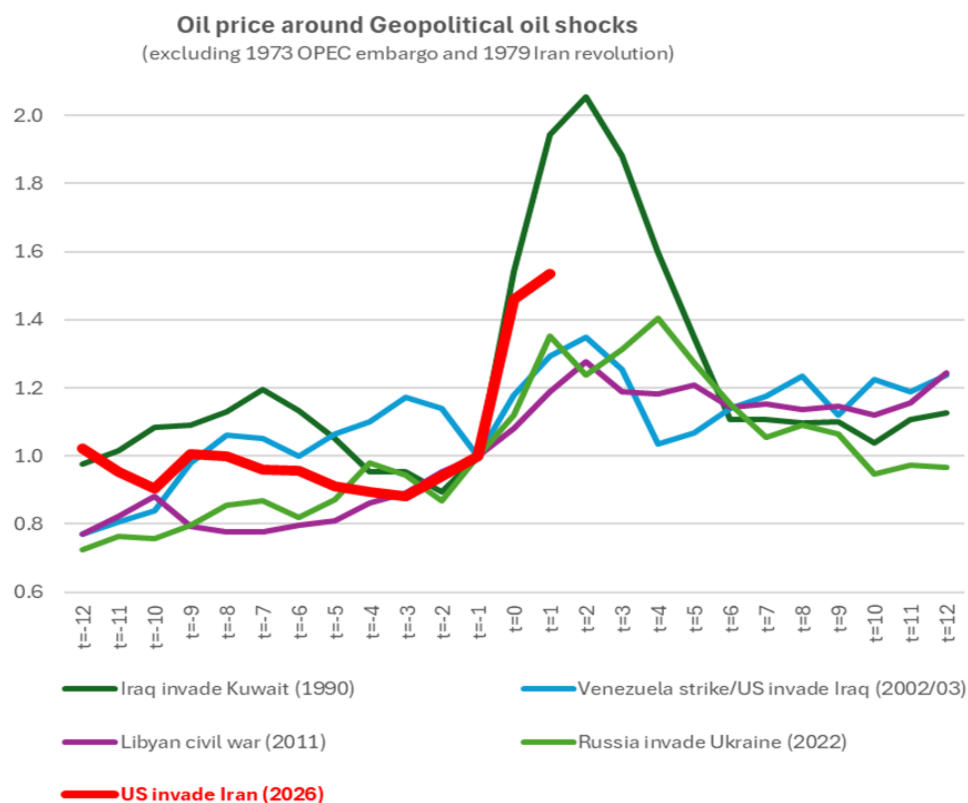
For the March quarter, the Vertium Equity Income Fund posted a total net return of -1.6% and distributed 1 cent per unit. The annual income return of 6.5% substantially exceeded the benchmark's 3.5%, and grossed up for franking credits reached 7%. The Fund delivered these outcomes while running at a fraction of the benchmark's risk — a combination that reflects the objectives of the Fund.

Managing portfolio volatility is central to how wealth is preserved. For retirees, lower volatility directly mitigates sequencing risk: the danger that a sharp drawdown early in the drawdown phase permanently impairs capital. For accumulators, the case is becoming equally compelling. As outlined in "Are Active Managers Bringing a Knife to a Gunfight?", the dominance of passive investing has raised stock-level volatility structurally. Active managers who rely on fundamental conviction alone, without systematic risk tools, are increasingly exposed to hidden factor correlations that can produce violent, unexpected drawdowns. Managing volatility is no longer optional — it is the price of survival in today's market structure.

The Fund's annual portfolio beta of 0.54 drove portfolio volatility approximately 62% below the benchmark — a substantially smoother ride for investors navigating one of the more turbulent periods in recent market history. The results extend beyond risk management: the Fund also delivers superior risk-adjusted returns that compare favourably to peers. Lower risk, better compensation per unit of that risk.

The quarter's stock-level contributors reflect our disciplined approach to risk adjusted return in practice.

Woodside and Santos were strong contributors for the quarter. Both companies rallied sharply as Brent and Middle Eastern crude benchmarks surged on Strait of Hormuz supply fears. The gains in the short term reflected the rising oil prices through long-term LNG contracts indexed to crude, and the separate surge in spot LNG prices as Hormuz disruptions tightened supply added further upside.



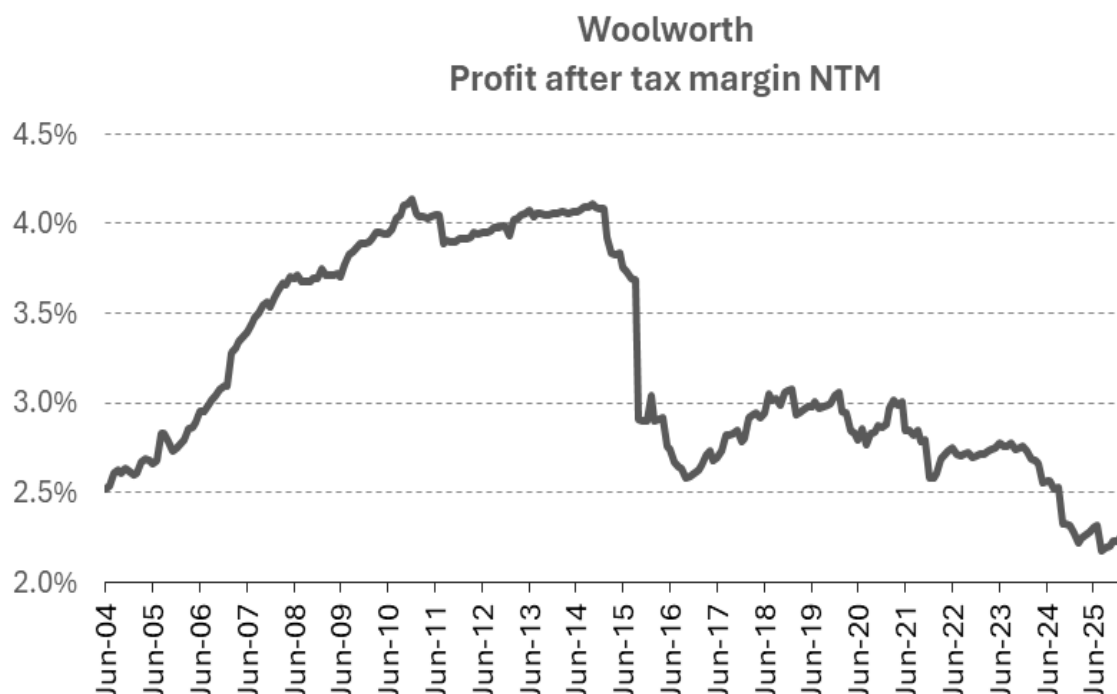
Source: Vertium, World Bank

Quarterly perspective | the Portfolio

We anticipated the Hormuz crisis would follow the same blueprint of fifty years of geopolitical oil shocks. Prices spike, driven by fear and precautionary demand that routinely overshoots the actual supply loss. Then, once the uncertainty resolves — whether through diplomacy, a de-escalation of hostilities, or the market recognising the actual supply loss was smaller than feared — the premium eventually disappears. We sold our energy holdings accordingly. On 7 April 2026, President Trump announced a two-week ceasefire with Iran, subject to the complete reopening of the Strait of Hormuz. Brent fell more than 15 percent in a single session — the largest one-day drop since the 1991 Gulf War. The market did not wait for the Strait to physically reopen. Whether the ceasefire holds and the Strait fully reopens remains to be seen — two weeks is a pause, not a settlement — but the direction of travel is clear. The fear premium is beginning to unwind.

Woolworths delivered a strong turnaround in H1 FY26, with underlying NPAT rising 16.4% to \$859 million. The result beat analyst estimates across every key metric. Australian Food was the standout: sales increased 3.6% and EBIT rose 9.9% to \$1.51 billion, reflecting improved operating discipline and a meaningful reduction in costs as a proportion of sales. Management upgraded Australian Food EBIT guidance to the upper end of its mid-to-high single-digit growth range, supported by a \$400 million cost-saving program. Trading momentum carried into the second half, with Australian Food sales growing 5.8% in the first seven weeks.

These results matter beyond the headline beat. The H1 result is the first clear evidence that the extended period of margin pressure and operational disruption following the industrial action is behind the company. Woolworths' margins remain at twenty-year lows — the concern that this was permanent rather than cyclical has now been put to rest. With operating leverage building, digital sales scaling, and cost discipline embedding across the business, the earnings recovery has significant room to run. We consider it one of the largest turnaround opportunities in the market.



Source: FactSet

Quarterly perspective | the Portfolio

BHP was a strong contributor, with the market rewarding its growing copper exposure even as the spot copper price rose only modestly. Copper now accounts for approximately 50% of BHP's earnings, and the investment case rests on demand that is still in its early stages. Copper is expected to perform well over the coming years as it reflects the scale of global hyperscaler capital expenditure programs. U.S. data-centre power demand has expanded from around 10 GW at the time of ChatGPT's launch in late 2022 to an estimated 80 GW of capacity currently in the project pipeline—an eightfold increase in just three years. AI data centres are exceptionally metal-intensive. Each gigawatt of hyperscale capacity is estimated to require approximately 25,000 tonnes of copper for high-voltage cabling, busbars, transformers, cooling systems, and server hardware. Applied across the full 80 GW of projected U.S. developments, this equates to roughly 2 million tonnes of incremental copper demand over the next five years—around 9% of current annual global copper mine production of approximately 22 million tonnes. With much of the planned investment still ahead, this capital-intensive transformation remains in its early stages to drive copper demand.

The Hormuz crisis has also created an upside tail risk for copper that may prove more durable than the oil price spike: a sulphur shortage. Sulphur is a byproduct of oil and gas refining, and the Middle East accounts for approximately 24% of global production. The closure has removed roughly 50% of global seaborne sulphur supply, tightening the market for sulphuric acid, the chemical used to leach copper from oxide ores. Around 20% of global refined copper production depends on this process. Sulphuric acid spot prices have surged more than 70% since the beginning of the Hormuz crisis, with the squeeze compounded by China's May 2026 ban on sulphuric acid exports.

Concluding Remarks

The market continues to present a mixture of opportunities and risks. While certain sectors exhibit significant overvaluation, the disciplined selection of high-quality, resilient companies remains a source of sustainable returns. The Fund remains committed to balancing income generation with capital preservation, delivering attractive risk-adjusted returns across varying market conditions. By avoiding speculative extremes and prioritising companies with durable competitive advantages, the Fund aims to provide investors with consistent income, measured growth, and reduced volatility exposure.

We are grateful for the trust you place in us and remain committed to managing your capital with diligence and discipline. Your ongoing support enables us to execute a strategy focused on long-term value, resilient income, and prudent risk management.