

ARSN: 616 927 318

APIR: ETL7981AU and ETL0725AU

PENTALPHA INCOME FOR LIFE FUND

Monthly Fact Sheet - 31 Jan 2020

Fund Facts	
Fund Manager	Pentalpha Investment Management
Fund Type	Protected Dividend Income Fund
Distribution Forecast	1.0% Quarterly Target
Return Target	6.0% plus p.a. before fees
Applications / Redemptions	Daily
Buy / Sell Spread	+/-0.35%

Unit Price

Pentalpha Income for Life Fund	Foundation Class ¹	Ordinary Class ¹
APIR	ETL7981AU	ETL0725AU
Inception Date	28-Feb-17	31-Dec-18
Manager Fees & Costs ²	0.72% p.a.	0.92% p.a.
Application Price	n.a. (Closed)	\$0.8958
NAV Price ³	\$0.8945	\$0.8927
Redemption Price	\$0.8914	\$0.8896

Fund Characteristics

KEY ATTRIBUTES:

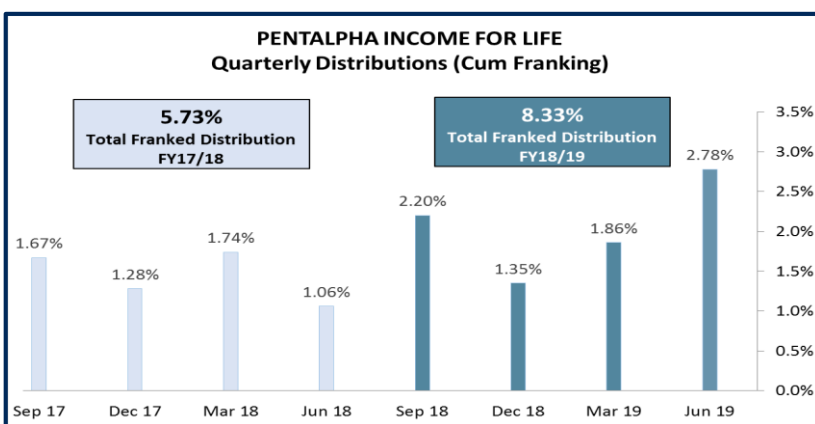
- ✓ **High, Tax-Enhanced Dividend Yield** (paid quarterly)
- ✓ **Low Risk** (both volatility and drawdown)
- ✓ **Capital floor - downside protection always on**
- ✓ **Daily liquidity** (price includes franking credits for unitholder equity)
- ✓ **Pre-defined range of absolute returns each financial year**
- ✓ **Capital growth to mitigate inflation** (low-risk equity exposure)
- ✓ **Portfolio diversification** (Beta <0.4, Vol <4%, Value at Risk 5%)
- ✓ **Multiple uses** (cash alternative, income generation, drawdown risk management, enhanced savings plan, defensive alternative, absolute return)

STOCK SELECTION & RISK MANAGEMENT:

- Concentrated portfolio of Australian equities (10-20 stocks)
- Defensive, high quality, attractively valued companies
- Individual stocks perfectly hedged with put & call options
- Long only, no leverage, no short puts, no long calls
- Dynamic & active risk management to maximise upside capture
- Liquid and transparent ETOs used for zero (or low) cost protection

Distribution History ⁴

Distribution	Dec Qtr 2019	Sep Qtr 2019	Jun Qtr 2019	Mar Qtr 2019	2019 FY	2018 FY
Total	1.31% ⁴	1.93%	2.78%	1.86%	8.33%	5.73%
Cash	1.00%	1.00%	2.61%	1.00%	5.72%	4.06%
Frank. Credits	0.31%	0.93%	0.17%	0.86%	2.61% ⁵	1.67% ⁵



Portfolio Holdings (12m Forward Yield est.)

Portfolio 31 Jan 2020	Industry	Gross Yield incl. Franking 12-Mth (Fwd Est)	Unhedged Weight	Hedged Weight for Risk ⁸
Largest				
Origin Energy	Energy	5.4%	13.1%	6.8%
Scentre Group	REITs	5.9%	10.9%	6.9%
Suncorp	Insurance	7.1%	10.0%	6.0%
Smallest				
Nine Ent Corp	Media	6.8%	1.6%	0.2%
Coles Group	Food & Staples Retailing	4.6%	3.6%	1.2%
Medibank Private	Insurance	5.4%	3.7%	1.5%
Total Equities		6.1%	88.2%	40.9%
Physical Cash	incl. Net Receivables	0.2%	11.8%	11.8%
Synthetic Cash	Bear Collar Hedges ⁸			47.3%
Total Portfolio		5.4%	100.0%	100.0%

Return Summary Net of Manager Fees & Costs ⁴

%	Jan-20 Mth	Dec-19 Mth	Nov-19 Mth	Oct-19 Mth	Sep-19 Mth	Aug-19 Mth	FYTD Jan-20	Rolling 3-Mth	Rolling 6-Mth	Rolling 12-Mth	Inceptn p.a.
Income Yield	0.00	1.00	0.31	0.00	1.13	0.46	2.93	1.31	2.93	7.90	6.69
Cash Dist.	0.00	1.00	0.00	0.00	1.00	0.00	2.01	1.00	2.01	5.71	4.56
Frank. Credits ⁵	0.00	0.00	0.31	0.00	0.13	0.46	0.92	0.31	0.92	2.19	2.14
Cap. Return ⁶	-0.45	-2.68	0.44	-0.99	0.35	0.35	-2.24	-2.70	-3.04	-1.48	-3.76
Total Return ⁷	-0.51	-1.75	0.70	-1.05	1.42	0.75	0.26	-1.57	-0.48	5.66	2.23

Risk Characteristics Since Inception ⁹

	Volatility p.a.	Maximum Drawdown	Sharpe Ratio
Pentalpha	3.50%	-5.15%	0.25
Index ¹⁰	9.15%	-12.88%	1.25

Monthly % Returns Net of Manager Fees & Costs ⁴

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2017							0.97	-0.04	0.04	1.88	0.65	0.11
2018	-0.62	0.26	-1.63	0.17	0.05	0.74	0.61	1.11	-1.39	-2.32	-0.33	-0.41
2019	0.45	1.23	0.99	0.72	1.10	1.24	0.74	0.75	1.42	-1.05	0.70	-1.75
2020	-0.51											

4. **Distribution History** and **Fund Performance** reflects the **Foundation Class** of unit. The performance of the **Ordinary Class** of unit is the same as the Foundation Class but for the fee concession of 0.20% p.a. You should be aware that past performance is not a reliable indicator of future performance.

Pentalpha Team

Denis Donohue (**Executive Chairman** and **Head of Investments**) and Ewan Macleod (**Head of Research**) have worked together for many years, dating back to their mutual time at Suncorp Investment Management where they undertook a variety of investment management roles over the course of their respective careers. Since moving on from Suncorp (\$5.5 billion AUM), Denis established a start-up in 2008 as the Founding Managing Director and Head of Equities of Solaris Investment Management (\$5.0 billion AUM), while Ewan joined RACQ in 1993 as Investment Manager, eventually becoming the Chief Investment Officer reporting to the Board of Directors (\$0.5 billion AUM).

Of particular relevance to Pentalpha's capital protected (hedged) dividend income strategy, these roles included the management of Suncorp's balance sheet and the risk management of equity positions held through the use of stock specific exchanged-traded option strategies.

Denis and Ewan have accumulated nearly 70 years of hands-on investment management experience between them, while other team members have diverse backgrounds within the industry of nearly 25 years each, spanning investment consulting and research, investment operations and business development-client service.

Notes to Monthly Fact Sheet

1. The **Foundation Class** of unit was closed to all applications on 31 July 2019. Applications to invest in the Fund from all existing and future investors after this date are by way of the **Ordinary Class** of unit.
2. **Manager Fees and Costs** are inclusive of GST and net of RITCs. The concession of 0.20% p.a. available to early Fund investors is the **only differentiation between the Foundation Class and Ordinary Class** of unit.
3. The **Net Asset Value (NAV) Unit Price** is determined in accordance with the Fund Constitution. The **Application Unit Price** is the entry price (NAV Unit Price plus 0.35% Buy Spread). The **Redemption Unit Price** is the withdrawal price (NAV Unit Price minus 0.35% Sell Spread).
4. **Distribution History and Fund Performance** reflects the **Foundation Class** of unit. The performance of the **Ordinary Class** of unit (commencing from 31 December 2018) is the same as the Foundation Class but for the fee concession of 0.20% p.a. for early investors prior to that time.
5. **Franking Credits** of 0.31% earned in FY2017-18 were distributed in FY2018-19. Franking Credits are recognised for **Total Return** purposes when the relevant shares go "ex-dividend". Franking Credits for **Distribution** purposes are recognised when the dividends to which they are attached are received. Reported franking credits for Total Return and Distribution purposes therefore reflect these timing differences between "ex-dividend" and "dividend received" dates.
6. **Capital Return** is the residual return that reconciles the **Total Return** on a before Manager Fees & Costs basis to the **Income Yield** and therefore may include distributable net income yet to be distributed as of the reporting date.
7. **Total Return** is calculated using the net asset value per unit (which does not include the buy/sell spread) and represents the combined income and capital returns of the Fund net of Manager Fees & Costs on a pre-tax basis compounded over the period reported, **including the full value of franking credits available to the zero-cost taxpayer attributable to dividend income earned during the period**. The **inception date** for the measurement of the Total Return of the Fund is **1 July 2017**. You should be aware that past performance is not a reliable indicator of future performance.
8. **Exchange Traded Put and Call Options** at the level of each of the individual stock holdings (held long and short respectively to create a "Bear Collar") form the hedge, reducing the exposure of the portfolio to the equity risk of each of these holdings and effectively creating an allocation to "synthetic" cash in its place.
9. **Volatility** is the standard deviation of monthly returns. **Maximum Drawdown** is the maximum return observed from peak to trough before a new peak is attained (always negative). **Sharpe Ratio** is the excess return above the risk free rate per unit of volatility (e.g. a Sharpe Ratio of 1.0 implies a return of 1% p.a. above the risk free rate for every 1% of risk or volatility experienced). The average of the **RBA Cash** rate over the period since inception is used as the risk free rate in calculating the Sharpe Ratio (1.35% p.a. to 31 November 2020).
10. **Index** for the purpose of benchmarking the risk (not return) characteristics of the Fund is the **S&P/ASX 200 Accumulation Index**. The return of the Fund is benchmarked against the **Fund investment objective of 6% plus p.a. before fees**.

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