

# Merlon Australian Share Income Fund

## Monthly Fact Sheet - February 2026

For queries, please call Investor Services on 1300 721 637



### Fund Features

**Sustainable income:** Paid monthly and majority franked. As the Fund's name suggests, sustainable above-market income is a targeted outcome of our investment approach and a key objective of the Fund.

**Proven Investment Philosophy:** We believe people are motivated by short-term outcomes, overemphasise recent information and are uncomfortable having unpopular views.

**Portfolio diversification:** The benchmark unaware approach to portfolio construction is a key structural feature, especially given the concentrated nature of the ASX200 index.

**Downside protection:** In addition to placing a heavy emphasis on capital preservation through our fundamental research, we use derivatives to reduce the Fund's market exposure and risk by 30% whilst still retaining all of the dividends and franking credits from the portfolio.

**Integrated ESG Approach:** We believe deep consideration of governance, social as well as environmental issues – coupled with active ownership – enhances investment, business and community outcomes.

### Fund Facts

<b>Portfolio managers</b>	Neil Margolis & Andrew Fraser
<b>Fund inception date</b>	30 <sup>th</sup> September 2005
<b>Merlon FUM</b>	\$988m
<b>Strategy FUM</b>	\$595m
<b>Fund FUM</b>	\$446m
<b>Management fee</b>	0.95% p.a
<b>Fund objective<sup>5</sup></b>	The Fund aims to provide a higher level of tax effective income with a lower level of risk than the S&P/ASX 200 Accumulation Index, whilst also aiming to outperform the benchmark on a total return basis over the medium to long term.
<b>Minimum Investment</b>	\$10,000
<b>Suggested timeframe</b>	At least 5 years
<b>Buy/Sell Spread</b>	+0.20% / -0.20%
<b>Distribution Frequency</b>	Monthly
<b>APIR Code / ASX Code</b>	HBC0011AU / MLO02

### Top Ten Holdings\* (Alphabetical)

AGL Energy	Ramsay Health Care
ASX	Rio Tinto
Aurizon	Santos
Fletcher Building	Treasury Wine
NIB	Woolworths

\* Top ten company exposures adjusted for the impact of derivatives

### Fund Performance (net of fees)

% <sup>1</sup>	Fund	Benchmark <sup>2</sup>	Yield <sup>4</sup>
<b>Since Inception (p.a.)</b>	7.6	7.7	9.1
<b>10 Years (p.a.)</b>	9.0	9.3	6.9
<b>5 Years (p.a.)</b>	10.4	9.4	6.5
<b>3 Years (p.a.)</b>	9.2	10.8	6.2
<b>1 Year</b>	8.2	13.2	6.5
<b>FYTD</b>	6.9	8.1	4.3
<b>CYTD</b>	2.6	4.4	0.9
<b>Quarter</b>	1.8	5.5	1.3
<b>Month</b>	0.6	3.1	0.5

<sup>1</sup>Performance figures are calculated after fees have been deducted and assume distributions have been reinvested. All returns are grossed up for franking credits. No allowance is made for tax when calculating these figures. Past performance is not a reliable indicator of future performance.

<sup>2</sup>The Fund's benchmark is a composite of 70% S&P/ASX 200 Accumulation Index / 30% Bloomberg Ausbond Bank Bill Index and is used for all time periods. From 30 September 2005 to 16 May 2022, the Fund's benchmark was the S&P/ASX 200 Accumulation Index.

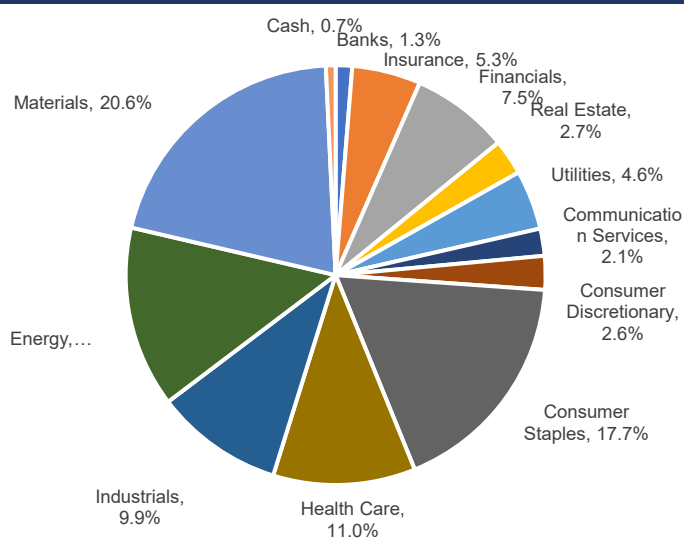
<sup>3</sup>The Inception Date for the Fund is 30 September 2005

<sup>4</sup>Yield represents the Gross distribution yield (inclusive of franking credits)

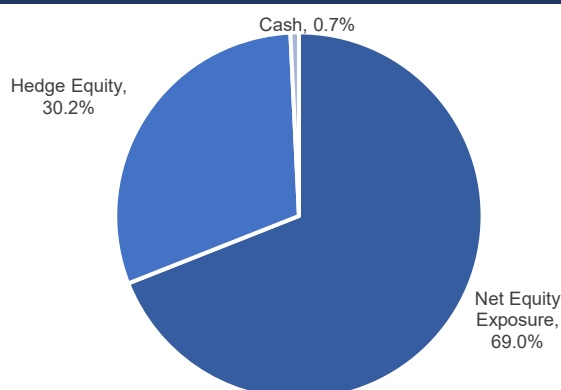
<sup>5</sup>In line with the Fund's benchmark change, the Fund's objective was also amended on 16 May 2022 to include a total return objective.

Source: Fidante Partners Limited, 28 February 2026.

### Sector Exposures



### Asset Allocation



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## Performance update

The Australian Share Income Fund returned 0.6% after fees and including franking underperforming its Benchmark which rose 3.1%. Its underlying share portfolio performed inline with the Concentrated Strategy (+1.4%), while the income/hedge overlay detracted 0.8%. Over five years, the strategy has delivered 84% of the ASX200's return with a low 0.5 beta and 6.6% annual income (including franking).

Merlon's non-benchmark approach – investing only in undervalued companies where the market has become overly pessimistic – faced major headwinds. The S&P/ASX 100 Equal Weight Index was flat, while the ASX20 rose 8% (albeit with better earnings revisions) and Banks surged 14%. The Bank sector P/E of x now dwarfs the 10x average of 27 global peers and its own 20-year-average of 12x. A reversion to its long-term average – reflecting high leverage, capital intensity and modest returns – would see the ASX200 fall 10%, leaving the Merlon portfolio unaffected.

Key portfolio contributors included Ramsay Healthcare, posting 9% revenue growth and French divestment plans; Iluka, with positive new mine and rare earths progress; Woolworths regaining share and expanding margins; Aurizon, with a volume and regulatory-led earnings beat and returning capital; and AGL, improving retail margins and battery capacity. Not owning Wesfarmers, CSL and Goodman Group aided relative performance.

Most of the underperformance was driven by not holding Banks or BHP. Within the portfolio, AMP detracted on a small earnings miss and hesitance to return capital, though it trades below capital backing; Treasury Wine with excess inventory crimping near-term earnings but claiming strong underlying Chinese demand; and Fletcher Building, cutting its dividend amid NZ cyclical volume weakness.

The portfolio's historically low beta of 0.4 reflects a tilt toward defensive, cash-flow and franking-rich stocks that are under-earning and trading at the low-end of their valuation range and the structurally lower exposure from the hedge overlay. We believe our approach of investing where the market is overly pessimistic should fare well in the current environment of high valuation dispersion, slowing growth and sticky inflation.

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