

# Merlon Australian Share Income Fund

## Monthly Fact Sheet - October 2025

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>	\$792m
<b>Strategy FUM</b>	\$593m
<b>Fund FUM</b>	\$442m
<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	NIB
AMP	Ramsay Health Care
ASX	Santos
Aurizon	Treasury Wine
Fletcher Building	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	7.6	9.2
<b>10 Years (p.a.)</b>	8.5	8.5	6.9
<b>5 Years (p.a.)</b>	12.2	10.6	6.5
<b>3 Years (p.a.)</b>	10.1	11.3	6.3
<b>1 Year</b>	8.1	10.8	6.6
<b>FYTD</b>	3.8	4.2	2.5
<b>CYTD</b>	7.7	10.0	5.7
<b>Quarter</b>	0.3	2.4	2.1
<b>Month</b>	1.2	0.4	0.4

<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.

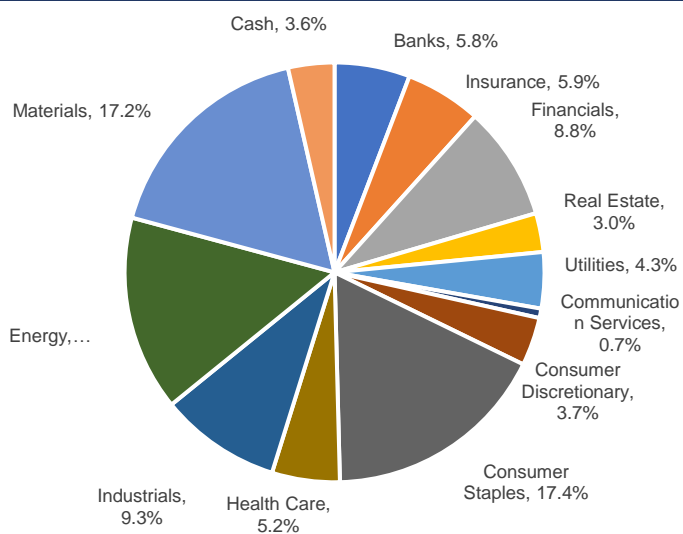
<sup>3</sup>The Inception Date for the Fund is 30 September 2005

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

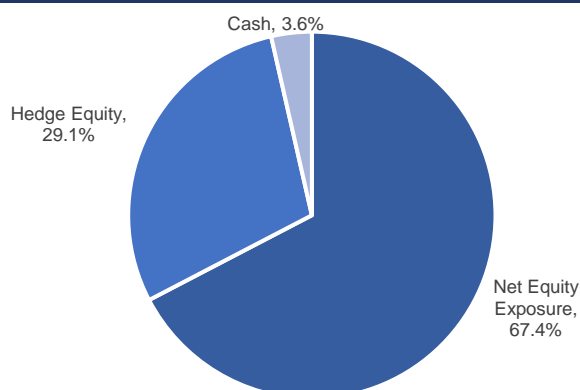
<sup>5</sup>In line with the Fund's benchmark change, the Fund's objective was also amended on 16 May 2022 to include a total return objective.

Source: Fidante Partners Limited, 31 October 2025.

### Sector Exposures



### Asset Allocation



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## Performance update

The Merlon Australian Share Income Strategy returned 1.2% (after fees and including franking) while its 70% ASX200 / 30% cash benchmark rose 0.4%. The underlying share portfolio outperformed in-line with Merlon Concentrated Share Strategy and the hedge overlay detracted 0.3% due to the rising share portfolio. Over five years, the Fund has returned 85% of the ASX200 return including franking & after fees, with a beta of 0.61, while generating 6.6% per annum in income and franking credits.

The modest market gain belied solid 3.5% growth in consensus earnings expectations—the best in three years. This was driven by higher commodity prices, lower bank bad debts, and positive AGM commentary. Although the P/E ratio eased to 19x, it remains well above the 20-year average of 15x. Easing trade tensions boosted Resources, while a surprisingly strong inflation report dampened policy-easing bets, hurting consumer-facing sectors. In a familiar theme, Banks outperformed, and Healthcare underperformed. Most commodities rallied, led by Lithium, Copper, and Aluminium. Bonds were stable, and credit spreads lingered at historic lows. Offshore, the S&P500 continued its narrow leadership, outperforming its equal-weight counterpart by 3% for the month and 13% over the year.

Key contributors to portfolio performance included, Iluka on rare earths supply chain optimism, Aurizon on a key contract win and buyback, AMP on improving platform flows, and Woolworths on better sales trends. Not holding CSL and Wesfarmers aided relative performance.

Detractors included Treasury Wines on further rebasing of earnings and awaiting new CEO, Santos on weaker oil prices and CFO resignation, and Coles with its quarterly not matching high expectations. Not holding CBA and Fortescue impacted relative returns.

The portfolio's historically low beta of 0.5 reflects a tilt toward defensive stocks undervalued for their cash flow and franking, and under-earning versus history, combined with the structural reduction from the hedge overlay. We believe that with high valuations, slowing growth, sticky inflation and priced-in rate cuts, our approach of investing where the market has become overly pessimistic should fare well in the current environment.

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