



Merlon Concentrated Australian Share Fund

About Merlon

Merlon Capital Partners is an Australian-based boutique fund manager established in May 2010. We partner with advisers and long-term investors seeking conviction, discipline and trusted stewardship through market cycles. Merlon invests with an absolute-return mindset focused on protecting and growing capital in uncertain markets.

Fund Features

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

Simple Process: We invest in undervalued companies where we think market participants have become too pessimistic.

Concentrated: A portfolio of 25-35 companies constructed without regard to benchmark weights.

True-to-Label Performance: Merlon's investment team has a proven long-term value investing track record since its 2010 inception.

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.

Portfolio Managers



Neil Margolis

Founded Merlon Capital Partners in May 2010. Prior to Merlon, Neil was Portfolio Manager of Challenger Limited's Australian Share Income Fund, having established the strategy in 2005. Neil joined Challenger in 2004 as a Senior Industrials Analyst from Alliance Capital Management where he held the position of Senior Equities Analyst. Neil was with Alliance for three years, and prior to that worked for JP Morgan Investment Bank. Neil holds a B.BusSc (Hons), CA and CFA.

Fund Objective

The Fund aims to outperform the benchmark on a total return basis over the medium to long term.

Fund Facts

Fund inception date	1st February 2018
Merlon FUM	\$962m
Strategy FUM	\$386m
Fund FUM	\$222m
Management fee	0.52% p.a
Performance fee	20% of the Fund's daily return above the benchmark.
Minimum Investment	\$10,000
Suggested timeframe	At least 5 years
Buy/Sell Spread	+0.20% / -0.20%
Distribution Frequency	Quarterly
APIR Code	HOW2217AU

Top Ten Holdings* (Alphabetical)

AMP	Ramsay Health Care
ASX	South 32
Aurizon	Sonic H'Care
Endeavour	Santos
Fletcher Building	Treasury Wine

* Top ten company exposures adjusted for the impact of derivatives

Investment Enquiries

To find out more about investing in the Australian Share Income Fund, peak to your financial planner or contact Andrew Fraser: afraser@merloncapital.com



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Merlon Concentrated Australian Share Fund

Fund Performance (net of fees)

% ₁	Fund	Benchmark ₂	Yield ₄
Since Inception (p.a.)	7.6	8.5	-0.9
10 Years (p.a.)	8.8	8.5	0.3
5 Years (p.a.)	10.5	8.1	2.4
3 Years (p.a.)	8.5	11.0	-2.6
1 Year	4.0	6.9	-2.9
FYTD	3.4	5.4	-2.0
CYTD	-0.4	1.7	-2.1
Quarter	-3.5	-4.0	0.6
Month	-1.9	1.1	-3.0

¹ Performance figures are calculated after fees have been deducted and assumed distributions have been reinvested. No allowance is made for tax when calculating these figures. Past performance is not a reliable indicator of future performance.

² The Fund benchmark is the S&P/ASX 200 Accumulation Index.

³ The Inception Date for the class is 1 February 2018. Strategy Inception Date is 31 May 2010.

Source: Fidante Partners Limited, 28 February 2026.

Performance update

The Merlon Concentrated Share Fund declined 1.9% before fees in May, underperforming the ASX200, which rose 1.1%. Over 5 years, the Fund has returned 72% after fees versus the index's 48%.

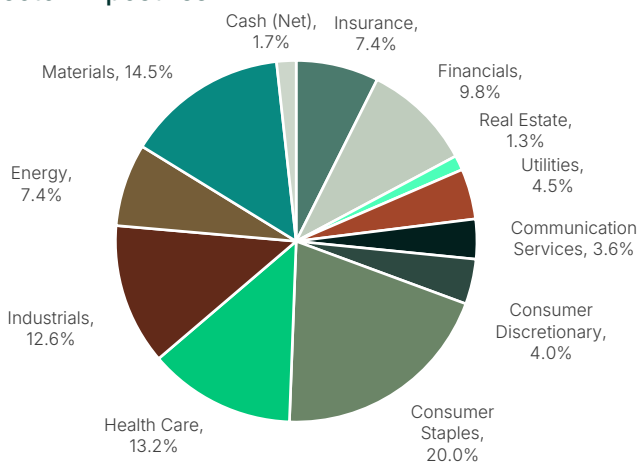
The month witnessed extreme sector divergence, with Resources ex Energy surging 11% (BHP +16%), while Healthcare tumbled 9% (CSL -23%), followed by Energy (-6%) on fading war concerns, and Banks (-5%). While investors increasingly chase base metals as an inflation hedge, BHP's rally – driven by copper +6% despite softer iron ore -1% – sees it trading 41% above its 20-year average multiple on two-year forward estimates. Domestically, the slowdown is deepening following 75bp of RBA hikes, negative real wages growth and cooling property sentiment post federal budget tax changes. This creates a highly challenging backdrop for Banks, a quarter of our index, but absent from Merlon funds.

Key portfolio contributors included South32 as aluminium rallied; Fletcher Building, reducing debt via non-core divestments; AMP, buying back shares near tangible asset backing; and Metcash following a positive trading update. Not owning CBA or Brambles also aided relative performance.

Detractors included ASX, guiding to higher costs in FY27, a doubling since FY21 levels; Endeavour, flagging a protracted turnaround at its investor day; AGL, facing lower power price volatility from rising battery capacity and low domestic gas prices, and Ramsay Healthcare, battling persistent wage inflation. However, the largest headwind to relative performance was not owning BHP (-1.5%).

The portfolio's historically low beta of 0.7 reflects a tilt toward defensive stocks undervalued for their cash flow and franking, and under-earning versus history. We believe investing where the market has become too pessimistic – and without regard to index weights – should fare well against a benchmark highly concentrated in macro-sensitive stocks on elevated multiples, especially amid heightened inflation risk and slowing growth."

Sector Exposures



Market Cap Bands

Top 20, 14.4%	Between 100 & 200, 26.7%
Next 30, 12.3%	Between 200 & 300, 0.2%
Top 100 ex 50 Leaders, 41.1%	Cash (Net), 1.7%

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