



Merlon Australian Share Income 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

Sustainable income: Monthly, largely franked, targeting consistent above-market returns.

Proven philosophy: A contrarian approach grounded in recognising short-term bias and discomfort with unpopular views.

Diversification: Benchmark-unaware construction, critical given ASX200 concentration.

Downside protection: Capital preservation first, using derivatives to reduce exposure ~30% while retaining income.

Integrated ESG: Active ownership with a focus on governance, social and environmental factors to enhance outcomes.

Portfolio Managers



Neil Margolis

Founded Merlon in 2010. Prior to Merlon, he established and managed Challenger's Australian Share Income Fund from 2005.



Andrew Fraser

Andrew joined Merlon as Principal and Co-Portfolio Manager in 2010, overseeing risk management and trade execution. Prior to Merlon, he was Senior Dealer for Challenger's Australian equities team.

Fund Objective

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.

Fund Facts

Fund inception date	30th September 2005
Merlon FUM	\$962m
Strategy FUM	\$575m
Fund FUM	\$433m
Management fee	0.95% p.a
Minimum Investment	\$10,000
Suggested timeframe	At least 5 years
Buy/Sell Spread	+0.20% / -0.20%
Distribution Frequency	Monthly
APIR Code / ASX Code	HBC0011AU / MLO02

Top Ten Holdings* (Alphabetical)

AGL Energy	NIB
AMP	Ramsay Health Care
ASX	Rio Tinto
BHP Billiton	Santos
Fletcher Building	Woolworths

* Top ten company exposures adjusted for the impact of derivatives

Investment Enquiries

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



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Merlon Australian Share Income Fund

Fund Performance (net of fees)

% ₁	Fund	Benchmark ₂	Yield ₄
Since Inception (p.a.)	8.5	7.5	9.1
10 Years (p.a.)	8.8	8.2	6.8
5 Years (p.a.)	10.6	7.7	6.4
3 Years (p.a.)	8.9	9.9	6.1
1 Year	6.8	6.8	6.3
FYTD	6.6	5.7	5.9
CYTD	1.9	2.1	2.5
Quarter	-0.9	-2.2	1.6
Month	-1.3	1.0	0.4

¹ 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.

² 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.

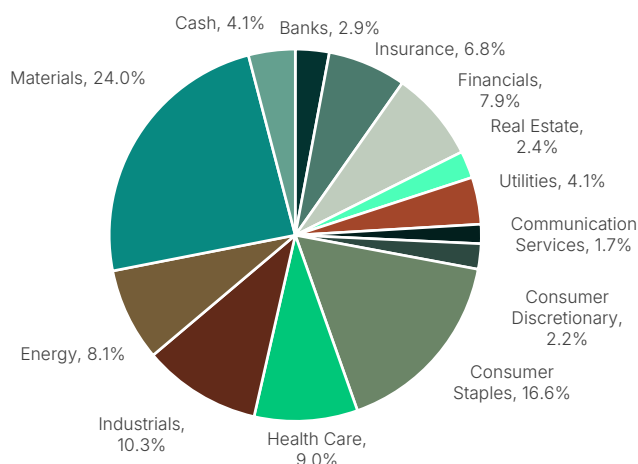
³ The Inception Date for the Fund is 30 September 2005.

⁴ Yield represents the Gross distribution yield (inclusive of franking credits)

⁵ 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

Hedge Equity	20.9%
Cash	4.1%
Net Equity Exposure	75.1%

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Performance update

The Merlon Australian Share Income Fund returned 1.5% before fees while its 70% ASX200 / 30% cash benchmark rose 2.4%. The underlying share portfolio underperformed in-line with Merlon Concentrated Share Strategy and the hedge overlay detracted 0.9% due to the rising market. Over five years, the Fund has returned 94% of the ASX200 return before fees with a beta of 0.63, while generating 6.6% per annum in income and franking credits.

Equities reached all-time highs despite a 1% slip in aggregate forward earnings, as a 4% PE expansion drove returns. US earnings revisions fared better, contributing to more to its index's monthly return. Bond yields were flat, and credit spreads rose with long-term inflation expectations. Higher Australian and US inflation didn't stop the Fed flagging a September rate cut on weak employment data. Commodities were mixed, with lithium and iron ore rising while oil and coal fell.

The top-performing sectors were Materials, Consumer Discretionary, and Banks. Healthcare, Technology, and Insurance were the biggest detractors.

Key portfolio contributors included Coles, gaining market share and expanding margins post automation investments, Iluka, on growing rare earths potential, and Super Retail Group, shrugging off competition concerns with a strong trading update. Not holding CSL and CBA aided relative performance.

Detractors included Ramsay Healthcare, taking longer to turnaround but activity is improving at underutilised sites; AGL, with a weaker short-term outlook yet longer term upside from higher gas prices and battery earnings; ASX, struggling to contain costs and under ASIC pressure although revenue is growing strongly; and Woolworths, losing share to Coles. The Fund's underweight exposure to BHP and having reduced WBC, now trading 60% above its long-term PE, detracted.

The portfolio's historically low beta of 0.5 reflects a tilt toward defensive stocks undervalued on maintainable cash flow and franking credits. More recently, we have added commodity exposure and reduced banks and insurers. Given increasing concentration of returns and multiples against a backdrop of persistent inflation and priced-in rate cuts, we believe our approach—investing where the market is overly pessimistic—is well-positioned for the outlook.



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