Monthly Fact Sheet - June 2026

Merlon Capital Partners

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	$992m
Strategy FUM	$593m
Fund FUM	$447m
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	HBC0011AU

Top Ten Holdings* (Alphabetical)

AGL Energy	NIB
Amcor	Ramsay Health Care
AMP	Sonic H'Care
ASX	Santos
Endeavour	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,
speak to your financial planner or contact Jack Dooley: jdooley@merloncapital.com

Fact Sheet

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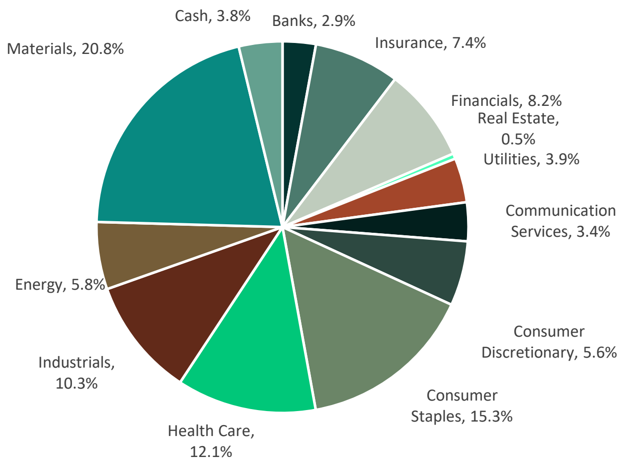
Fund Performance (net of fees)

%[1]	Fund	Benchmark[2]	Yield[4]
Since Inception (p.a.)	7.6	7.4	9.1
10 Years (p.a.)	8.6	8.4	6.8
5 Years (p.a.)	9.9	7.4	6.4
3 Years (p.a.)	8.3	9.6	6.2
1 Year	9.3	6.3	6.5
FYTD	9.3	6.3	6.5
CYTD	5.0	2.7	3.0
Quarter	2.6	3.3	1.2
Month	3.5	0.6	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	21.1%
Cash	3.8%
Net Equity Exposure	77.3%

Performance update

The Australian Share Income Fund rose 2.6% afer fees in June quarter (+3.5% in June), while its benchmark rose 3.3%. Its underlying share portfolio matched the Concentrated Strategy's alpha, while the income/hedge overlay detracted 1.3% in a rising market. Over five years, it has delivered 1.1x the ASX200's return after fees, with a low 0.5 beta and 6.5% annual income including franking.

The quarter saw three consecutive monthly market gains as war concerns and oil prices eased, shrugging off three rate rises since February and three consecutive increases in the RBA's preferred measure of inflation. The AUD weakened after peaking at 72c in May, along with bond yields, commodity prices and precious metals.

Thematic tailwinds favoured Merlon's bottom-up investments in defensive Consumer and Healthcare stocks, trading 30% below historic multiples, as did having low exposures to Materials, reduced exposure to Energy and no exposure to Banks, facing slowing credit growth and rising delinquencies.

Key portfolio contributors included Treasury Wine with an investor day that exceeded low expectations & Penfolds China depletions growing strongly; AMP, buying back 10% of shares near tangible asset backing; Reliance Worldwide on optimism related to US Federal housing initiatives and manufacturing rationalisation; and Steadfast on a takeover offer. Not owning Woodside (exited March) or Banks aided relative performance.

Detractors included Beach Energy on delayed production despite a favourable commodity backdrop; AGL with weaker wholesale electricity costs from battery capacity and wind generation; and Orora, with Saverglass logistics disrupted in the Middle East. Not owning BHP, Wesfarmers and Macquarie also detracted from relative performance.

The portfolio's historically low beta of 0.5 reflects a tilt toward defensive stocks undervalued for their cash flow and franking, and historically under-earning, combined with the structurally lower exposure from the hedge overlay. 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.

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