Monthly Fact Sheet - July 2026

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	$1,008m
Strategy FUM	$618m
Fund FUM	$465m
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	Ramsay Health Care
Amcor	South 32
ASX	Sonic H'Care
Endeavour	Santos
NIB	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 Andrew Fraser: jdooley@merloncapital.com

Fact Sheet

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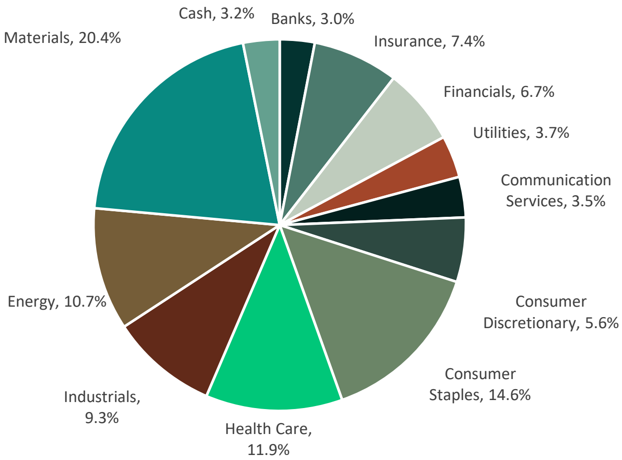
Merlon Capital Partners

Fund Performance (net of fees)

%[1]	Fund	Benchmark[2]	Yield[4]
Since Inception (p.a.)	7.8	7.5	9.0
10 Years (p.a.)	8.5	8.1	6.8
5 Years (p.a.)	10.7	7.6	6.4
3 Years (p.a.)	8.8	9.5	6.2
1 Year	10.1	6.3	6.5
FYTD	4.2	1.7	0.4
CYTD	9.4	4.5	3.5
Quarter	6.4	3.3	1.3
Month	4.2	1.7	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	22.7%
Cash	3.2%
Net Equity Exposure	75.2%

Performance update

The Australian Share Income Fund rose 4.2% after fees and including franking credits while its benchmark rose 1.7%. The underlying share portfolio outperformed in line with the Concentrated Fund, and the yield and hedge overlay detracted 1.3% given the underlying portfolio increase. Over five years, the strategy has delivered 1.2x the ASX200 return after fees, with a beta of 0.5 and 6.5% annual income (including franking).

The month saw markets advance despite rising bond yields and widening credit spreads, as sticky inflation cemented expectations for an August RBA rate hike. The top performing sectors were Energy, with oil rallying 21% on renewed war concerns, and Banks, a perceived earnings beneficiary of higher rates in the short-term, despite NAB's new mortgage applications falling 15% in the June quarter. Laggard sectors included Technology and Materials, taking a breather but still up 47% over the year. The Australian dollar rose 2%, and global cyclicals underperformed defensives by 4%.

Key portfolio contributors included AMP with its China partnership driving a profit guidance upgrade; South32, agreeing to sell its aluminium business to Alcoa; Santos with higher oil and reconfirmed production guidance; Fletcher Building on a positive trading update; and Endeavour Group.

During the period, an equally weighted index of stocks we covered underperformed the ASX200 capitalisation weighted index by 1.3%, mainly due to the index heavyweight Banks outperforming. Stock-specific detractors included Iluka, with commissioning delays overshadowing strategic progress in rare earths; and Reliance Worldwide, where near-term restructuring costs overshadowed long-term manufacturing efficiency gains.

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 in 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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