

Merlon Australian Share Income Fund

Monthly Fact Sheet – April 2021

For queries, please call Investor Services on 13 51 53



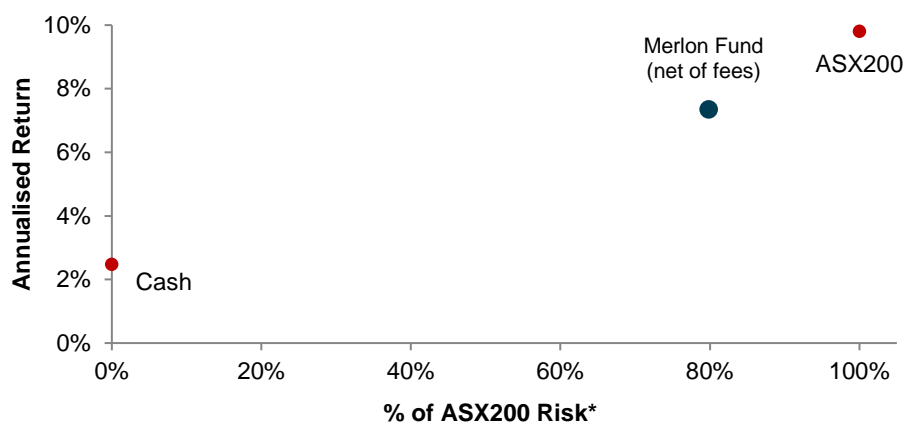
Performance ⁱ (%)	Month	Quarter	FYTD	Year	3 Years (p.a.)	5 Years (p.a.)	7 Years (p.a.)	10 Years (p.a.)
Fund Total Return (net of fees)	-0.9	1.7	12.6	21.5	4.3	6.4	6.0	7.3
70% ASX200/30% Bank Bills	2.4	5.6	15.9	21.7	8.2	8.8	7.3	7.8
ASX200	3.5	8.0	23.0	31.7	10.8	11.6	9.4	9.8
Average Daily Exposure	67%	68%	65%	66%	67%	68%	68%	68%
Gross Distribution Yield	0.4	2.0	5.7	7.2	7.1	7.2	7.3	8.3

* Past performance is not a reliable indicator of future performance. All returns above are grossed up for franking credits. Portfolio inception date is 30/09/2005. The source of fund returns and benchmark returns is Fidante Partners Limited, 30 April 2021.

Monthly Performance Commentary

Strong performances from resource companies, led by the iron ore minors driven by a 20% rise in the iron ore price, and the major banks, drove a 3.5% return from the ASX200 in April. Rebounding from recent falls Afterpay and CSL also contributed strongly to the index return. Energy companies were the laggards retreating from recent gains despite the oil price rallying. Woolworths fell after announcing third quarter sales that disappointed the market. Against this backdrop the Fund fell -0.9%. The Fund's investments in energy exposed names (Origin Energy and Oil Search) were the largest detractors. AMP fell after ending talks with Ares Capital over the sale of the private markets business and announcing a plan to separately list the business within the next year. Health insurer NIB was the largest contributor after providing the market with positive earnings update. Fuel retailer Viva Energy also outperformed after issuing first quarter operational data that was ahead of market expectations. The hedge overlay offset some of the falls in the underlying share portfolio.

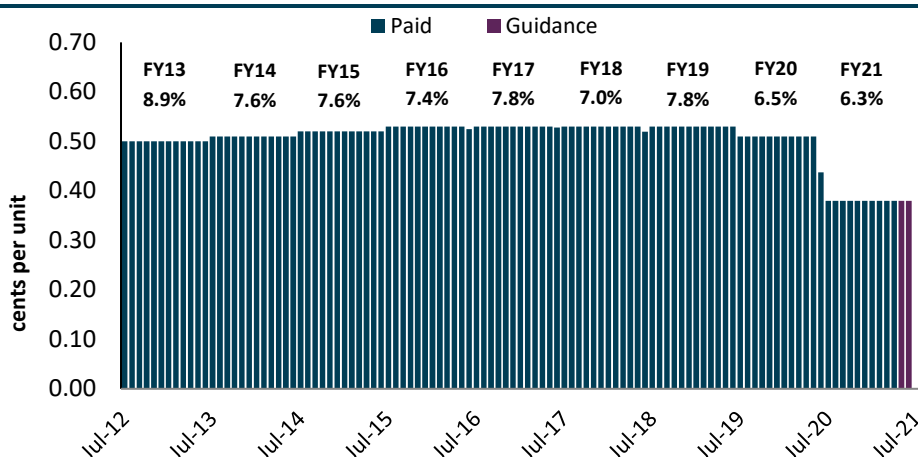
Rolling Ten Year Performance Historyⁱⁱ



Top Ten Holdings (%)

QBE Insurance	5.3
Westpac	5.1
Alumina	5.0
NIB	5.0
Aurizon	4.9
IAG Insurance	4.6
Unibail-Rodamco Westfield	4.6
Woodside	4.6
Coles	4.6
Origin Energy	4.5

Monthly Income since July 2012ⁱⁱⁱ



Merlon Australian Share Income Fund

Monthly Fact Sheet – April 2021

For queries, please call Investor Services on 13 51 53



Fund Details [^]		Portfolio Analytics ^{iv}		
Fund size	\$ 462m		Fund	ASX200
Firm-wide FUM	\$ 971m	Number of Equity Positions	34	200
APIR Code	HBC0011AU	Active Share	80%	0%
ASX Code	MLO02	Net Equity Exposure	67%	100%
Inception Date	30 September 2005	Beta	0.7	1.0
Distribution Frequency	Monthly	EV / EBITDA	8.4x	13.6x
Minimum Investment	\$ 10,000	Price / Earnings Ratio	15.2x	20.3x
Buy / Sell Spread	+/- 0.20%	Mid-cycle Free Cash Flow Yield	7.0%	4.3%

[^] Source: Fidante Partners Limited, 30 April 2021.

About Merlon

Merlon Capital Partners is an Australian based fund manager established in May 2010. The business is majority owned by its five principals, with strategic partner Fidante Partners Limited providing business and operational support.

Merlon's **investment philosophy** is based on:

Value: We believe that stocks trading below fair value will outperform through time. We measure value by sustainable free cash flow yield. We view franking credits similarly to cash and take a medium to long term view.

Markets are mostly efficient: We focus on understanding why cheap stocks are cheap, to be a good investment market concerns need to be priced in or invalid. We incorporate these aspects with a "conviction score".

About the Fund

The Merlon Australian Share Income Fund's investment approach is to construct a portfolio of undervalued companies, based on sustainable free cash flow, whilst using options to overlay downside protection on holdings with poor short-term momentum characteristics. An outcome of the investment style is a higher level of tax-effective income than the broader market, paid monthly, along with the potential for capital growth over the medium-term.

Differentiating Features of the Fund

Deep fundamental research with a track record of outperformance. This is where we spend the vast majority of our time and ultimately how we expect to deliver superior risk-adjusted returns for investors.

Portfolio diversification with no reference to index weights. The benchmark unaware approach to portfolio construction is a key structural feature, especially given the concentrated nature of the ASX200 index.

Downside protection through fundamental research and the hedge overlay. 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.

Sustainable income, paid monthly and majority franked. As the Fund's name suggests, sustainable above-market income is an outcome of our investment approach and a key objective of the Fund.

Merlon Australian Share Income Fund

Monthly Fact Sheet – April 2021

For queries, please call Investor Services on 13 51 53



Footnotes

ⁱ Performance (%)

Average Daily Market Exposure is calculated as the daily net market exposure divided by the average net asset value of the Fund.

Fund franking[^]: Month 0.0%, Qtr 0.9%, FYTD 1.6%, Year 1.6%, 3 Years 1.7% p.a., 5 Years 1.7% p.a., 7 Years 1.7% p.a., 10 Years 1.9% p.a.

ASX200 franking[^]: Month 0.0%, Qtr 0.4%, FYTD 0.9%, Year 0.9%, 3 Years 1.3% p.a., 5 Years 1.4% p.a., 7 Years 1.4% p.a., 10 Years 1.4% p.a.

Composite benchmark is calculated as 70% S&P/ASX200 Accumulation Index and 30% Bloomberg AusBond Bank Bills Index. The Fund reduces exposure to share market volatility to a typical range of 60-80% through the use of derivatives with the remaining 20-40% option protection seeking to deliver a cash-like risk/return profile.

[^] Source: Fidante Partners Limited, 30 April 2021.

ⁱⁱ Rolling Ten Year Performance History

Past performance is not a reliable indicator of future performance. Returns for the Fund and ASX200 grossed up for accrued franking credits and the Fund return is stated after fees as at the date of this report. Merlon Australian Share Income Fund franking 2.0% p.a., ASX200 franking 1.5% p.a. % of ASX200 Risk represents the Fund's statistical beta relative to the ASX200

ⁱⁱⁱ Monthly Income since July 2012

Past performance is not a reliable indicator of future performance. Income returns exclude 'bonus income' from above-normal hedging gains in FY13.

^{iv} Portfolio Analytics

Source: Merlon, Active share is the sum of the absolute value of the differences of the weight of each holding in the portfolio versus the benchmark, and dividing by two. It is essentially stating how different the portfolio is from the benchmark. Net equity exposure represents the Fund's net equity exposure after cash holding's and hedging. Beta measures the volatility of the fund compared with the market as a whole. EV / EBITDA equals a company's enterprise value (value of both equity and debt) divided by earnings before interest, tax, depreciation, and amortization, a commonly used valuation ratio that allows for comparisons without the effects of debt and taxation.

Disclaimer

Unless otherwise specified, any information contained in this publication is current as at the date of this report and is provided by Merlon Capital Partners Pty Ltd ABN 94 140 833 683, AFSL 343 753 (Merlon), the investment manager of the Merlon Australian Share Income Fund ARSN 090 578 171 (Fund). Fidante Partners Limited ABN 94 002 835 592 AFSL 234668 (Fidante Partners) is the responsible entity and issuer of interests in the Fund. The information in this publication should be regarded as general information and not financial product advice, and has been prepared without taking into account of any person's objectives, financial situation or needs. Because of that, each person should, before acting on any such information, consider its appropriateness, having regard to their objectives, financial situation and needs. Each person should obtain and consider the Product Disclosure Statement (**PDS**) and any additional information booklet (**AIB**) for the Fund before deciding whether to acquire or continue to hold an interest in the Fund. A copy of the PDS and any AIB can be obtained from your financial adviser, our Investor Services team on 13 51 53, or on our website www.fidante.com.au. Please also refer to the Financial Services Guide on the Fidante Partners website. Past performance is not a reliable indicator of future performance. Neither your investment nor any particular rate of return is guaranteed. The information contained in this document is not intended to be relied upon as a forecast and is not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy, nor is it investment advice. If you acquire or hold the product, we, Fidante Partners or a related company will receive fees and other benefits which are generally disclosed in the PDS or other disclosure document for the Fund. Neither Fidante Partners nor a Fidante Partners related company and its respective employees receive any specific remuneration for any advice provided to you. However, financial advisers (including some Fidante Partners related companies) may receive fees or commissions if they provide advice to you or arrange for you to invest in the Fund. Merlon, some or all Fidante Partners related companies and directors of those companies may benefit from fees, commissions and other benefits received by another group company.