

# Merlon Australian Share Income Fund

## Monthly Fact Sheet - August 2025

For queries, please call Investor Services on 1300 721 637



### Fund Features

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

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

**Portfolio diversification:** The benchmark unaware approach to portfolio construction is a key structural feature, especially given the concentrated nature of the ASX200 index.

**Downside protection:** 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.

**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.

### Fund Facts

Portfolio managers	Neil Margolis & Andrew Fraser
Fund inception date	30 <sup>th</sup> September 2005
Merlon FUM	\$826m
Strategy FUM	\$622m
Fund FUM	\$463m
Management fee	0.95% p.a
Fund objective <sup>5</sup>	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.
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	Santos
Aurizon	Treasury Wine
Fletcher Building	Woolworths

\* Top ten company exposures adjusted for the impact of derivatives

### Fund Performance (net of fees)

% <sup>1</sup>	Fund	Benchmark <sup>2</sup>	Yield <sup>4</sup>
Since Inception (p.a.)	7.7	7.7	9.2
10 Years (p.a.)	8.8	8.7	6.9
5 Years (p.a.)	12.1	10.4	6.5
3 Years (p.a.)	11.1	11.4	6.4
1 Year	10.1	12.4	6.4
FYTD	4.9	4.2	1.1
CYTD	8.9	10.0	4.3
Quarter	5.0	5.3	1.5
Month	1.4	2.4	0.7

<sup>1</sup>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.

<sup>2</sup>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.

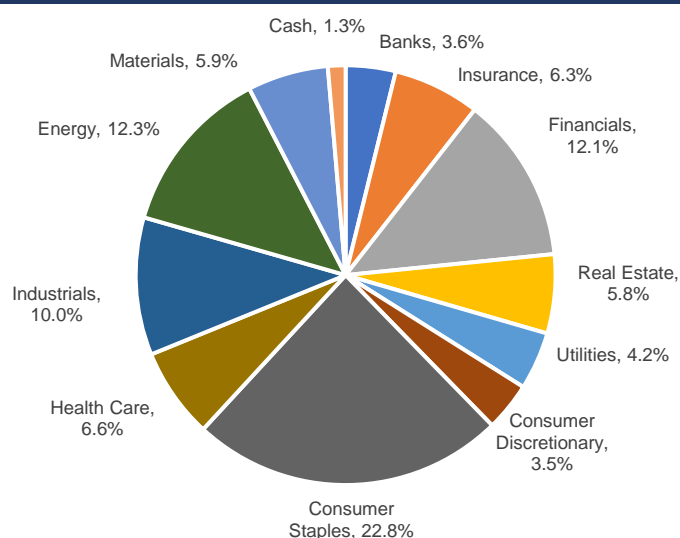
<sup>3</sup>The Inception Date for the Fund is 30 September 2005

<sup>4</sup>Yield represents the Gross distribution yield (inclusive of franking credits)

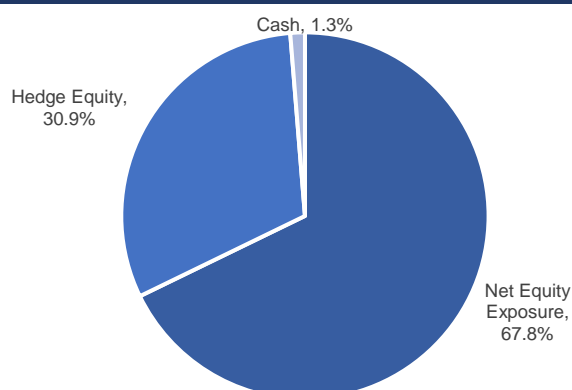
<sup>5</sup>In line with the Fund's benchmark change, the Fund's objective was also amended on 16 May 2022 to include a total return objective.

Source: Fidante Partners Limited, 31 August 2025.

### Sector Exposures



### Asset Allocation



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### Performance update

The Merlon Australian Share Income Fund returned 1.4%, after fees and including franking credits, 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 87% of the ASX200 return after 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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