

Merlon Australian Share Income Fund

Monthly Fact Sheet - September 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 th September 2005
Merlon FUM	\$791m
Strategy FUM	\$593m
Fund FUM	\$445m
Management fee	0.95% p.a
Fund objective ⁵	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)

% ¹	Fund	Benchmark ²	Yield ⁴
Since Inception (p.a.)	7.6	7.6	9.2
10 Years (p.a.)	8.8	8.8	6.9
5 Years (p.a.)	12.6	10.9	6.6
3 Years (p.a.)	11.6	12.8	6.4
1 Year	5.7	9.5	6.5
FYTD	2.6	3.8	2.1
CYTD	6.5	9.6	5.3
Quarter	2.6	3.8	2.1
Month	-2.2	-0.3	1.0

¹Performance 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.

²The 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.

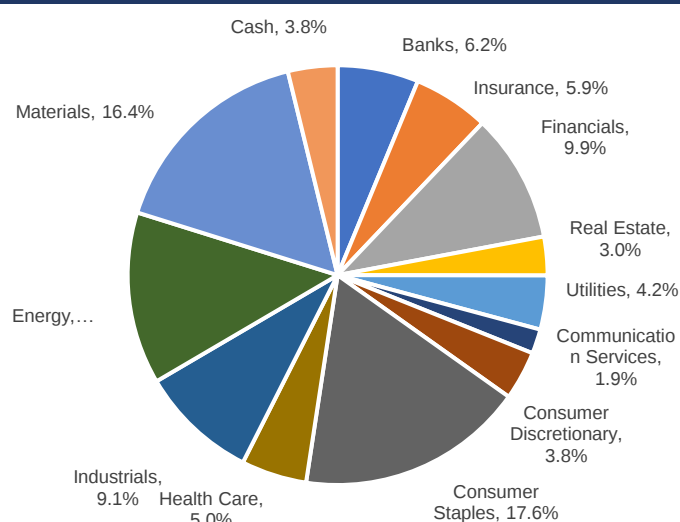
³The Inception Date for the Fund is 30 September 2005

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

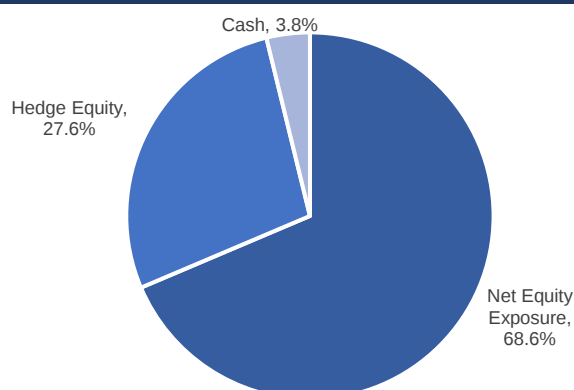
⁵In line with the Fund's benchmark change, the Fund's objective was also amended on 16 May 2022 to include a total return objective.

Source: Fidante Partners Limited, 30 September 2025.

Sector Exposures



Asset Allocation



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Performance update

The Merlon Australian Share Income Strategy returned 2.6% after fees (including 1.0% franking) while its 70% ASX200 / 30% cash benchmark rose 3.9% (including 0.3% franking). 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 86% of the ASX200 return including franking & after fees, with a beta of 0.61, while generating 6.7% per annum in income and franking credits.

The broader market gain was driven by “multiple expansion”, with the P/E climbing to 20x despite a challenging earnings season. This occurred amid upside inflation surprises, easing rate cut expectations and rising Australian bond yields. Growing risk appetite is reflected in the Materials sector gaining 20%, and large caps lagging mid- and small caps. Offshore, the S&P500's 8% surge was bettered by the NASDAQ and Russell 2000, up 11% and 12% respectively.

The quarter's underperformance was concentrated in September, following outperformance in July. This is partly explained by the Fund's defensive positioning—an outcome of our bottom-up research—in a liquidity-driven market, lacking exposure to the precious metal and commodity rally and being exposed to oil and defensive industrials short-term.

Key contributors to performance included AMP on improving platform flows, Iluka on rare earths price discovery, and Harvey Norman on strong July trading. Not holding CBA, CSL and James Hardie aided relative performance.

Detractors included Ramsay Healthcare, taking longer to offset cost inflation; the ASX, facing rising costs and an ASIC inquiry; Woolworths, losing share to Coles; and Santos, with the ADNOC takeover failing. Relative returns were also impacted by having less Materials and low exposure to the “other major banks”, where P/Es expanded to 50% above long-term averages despite anaemic earnings growth.

The Fund'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 structurally lower exposure from the hedge overlay. We believe that with high valuations, slowing growth, sticky inflation and priced-in rate cuts, our approach of investing where the market has become too pessimistic should fare well in the current environment.

This material has been prepared by Merlon Capital Partners (ABN 94 140 833 683, AFSL 343753) Merlon, the investment manager of the Merlon Australian Share Income Fund. Fidante Partners Limited ABN 94 002 835 592 AFSL 234668 (Fidante) is a member of the Challenger Limited group of companies (Challenger Group) and is the responsible entity of the Fund. Other than information which is identified as sourced from Fidante in relation to the Fund, Fidante is not responsible for the information in this material, including any statements of opinion. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable to your circumstances. The Fund's Target Market Determination and Product Disclosure Statement (PDS) available at www.fidante.com should be considered before making a decision about whether to buy or hold units in the Fund. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. Past performance is not a reliable indicator of future performance. Merlon and Fidante have entered into arrangements in connection with the administration of financial products to which this material relates. In connection with those arrangements, Merlon and Fidante may receive remuneration or other benefits in respect of financial services provided by the parties. Investments in the Fund are subject to investment risk, including possible delays in repayment and loss of income or principal invested. Accordingly, the performance, the repayment of capital or any particular rate of return on your investments are not guaranteed by Merlon Capital Partners or any member of the Challenger Group.