

Merlon Concentrated Australian Share Fund

Monthly Fact Sheet - September 2025



For queries, please call Investor Services on 1300 721 637

Fund Features

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

Simple Process: We invest in undervalued companies where we think market participants have become too pessimistic.

Concentrated: A portfolio of 25-35 companies constructed without regard to benchmark weights.

True-to-Label Performance: Merlon's investment team has a proven long-term value investing track record since its 2010 inception.

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 manager	Neil Margolis
Fund inception date	1 st February 2018
Merlon FUM	\$791m
Strategy FUM	\$198m
Fund FUM	\$198m
Management fee	0.52% p.a
Performance fee	20% of the Fund's daily return above the benchmark.
Fund objective	The Fund aims 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	Quarterly
APIR Code	HOW2217AU

Top Ten Holdings (Alphabetical)

AGL Energy	Fletcher Building
AMP	Ramsay Health Care
ASX	Santos
Aurizon	Treasury Wine
Coles	Woolworths

Fund Performance (net of fees)

% ¹	Fund	Benchmark ²	Excess
Since Inception (p.a.)	8.1	9.2	-1.0
5 Years (p.a.)	15.7	13.0	2.7
3 Years (p.a.)	14.2	15.2	-0.9
1 Year	6.7	10.6	-3.8
FYTD	2.3	4.7	-2.5
CYTD	7.6	11.5	-3.9
Quarter	2.3	4.7	-2.5
Month	-3.8	-0.8	-3.0

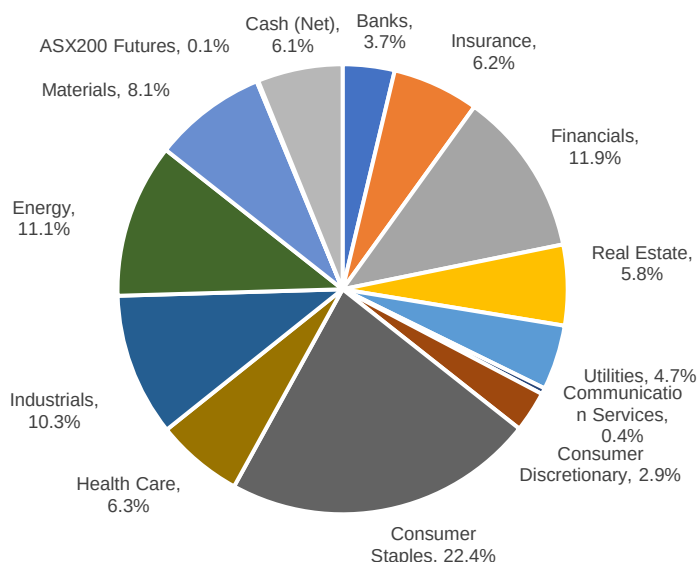
¹ Performance figures are calculated after fees have been deducted and assume distributions have been reinvested. No allowance is made for tax when calculating these figures. Past performance is not a reliable indicator of future performance.

² The Fund benchmark is the S&P/ASX 200 Accumulation Index.

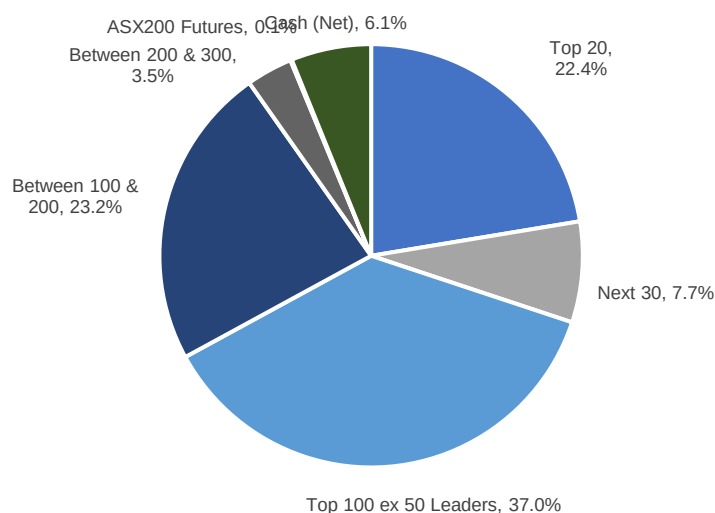
³ The Inception Date for the class is 1 February 2018. Strategy Inception date is 31 May 2010.

Source: Fidante Partners Limited, 30 September 2025.

Sector Exposures



Market Cap Bands



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Performance update

The Merlon Concentrated Share Strategy rose 2.3% (after fees) in the September quarter, trailing the ASX200's 4.7% rally. Despite recent underperformance, the Fund has returned 108% since inception (after fees), outperforming the benchmark's 84%.

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&P'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 Strategy'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 portfolio's historically low beta of 0.8 reflects a tilt toward defensive stocks undervalued for their cash flow and franking, and under-earning versus history. 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 Concentrated Australian Share 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.