

# Merlon Australian Share Income Fund

## Monthly Fact Sheet - December 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

<b>Portfolio managers</b>	Neil Margolis & Andrew Fraser
<b>Fund inception date</b>	30 <sup>th</sup> September 2005
<b>Merlon FUM</b>	\$967m
<b>Strategy FUM</b>	\$587m
<b>Fund FUM</b>	\$439m
<b>Management fee</b>	0.95% p.a
<b>Fund objective<sup>5</sup></b>	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.
<b>Minimum Investment</b>	\$10,000
<b>Suggested timeframe</b>	At least 5 years
<b>Buy/Sell Spread</b>	+0.20% / -0.20%
<b>Distribution Frequency</b>	Monthly
<b>APIR Code / ASX Code</b>	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>
<b>Since Inception (p.a.)</b>	7.5	7.5	9.1
<b>10 Years (p.a.)</b>	8.4	8.3	6.9
<b>5 Years (p.a.)</b>	9.9	8.8	6.4
<b>3 Years (p.a.)</b>	8.5	10.2	6.2
<b>1 Year</b>	8.2	9.3	6.6
<b>FYTD</b>	4.2	3.5	3.4
<b>CYTD</b>	8.2	9.3	6.6
<b>Quarter</b>	1.6	-0.3	1.2
<b>Month</b>	-0.7	1.0	0.4

<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.

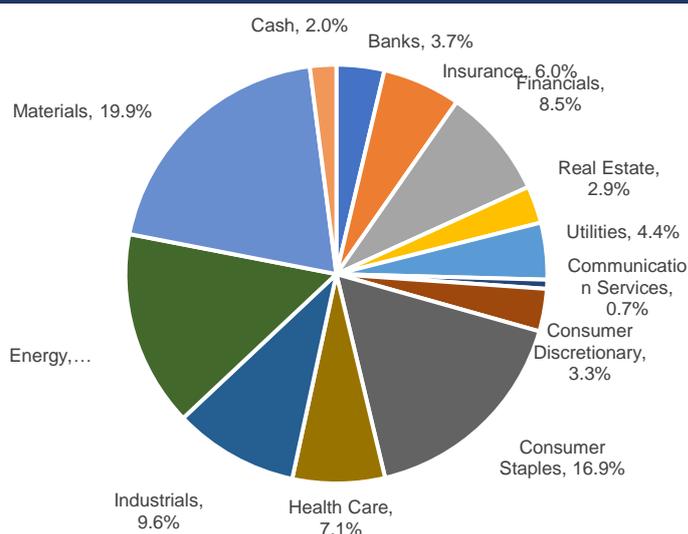
<sup>3</sup>The Inception Date for the Fund is 30 September 2005

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

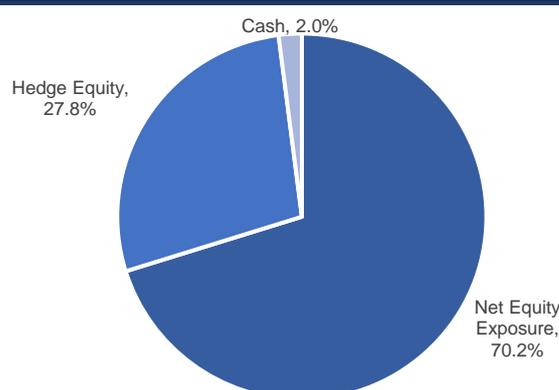
<sup>5</sup>In line with the Fund's benchmark change, the Fund's objective was also amended on 16 May 2022 to include a total return objective.

Source: Fidante Partners Limited, 31 December 2025.

### Sector Exposures



### Asset Allocation



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## Performance update

The Merlon Australian Share Income Strategy outperformed in the December quarter, returning 1.6% after fees and including 0.1% franking while its 70% ASX200 / 30% cash benchmark declined 0.3% (including 0.1% franking). The underlying share portfolio matched the Concentrated Share Strategy's outperformance, while the hedge overlay detracted 0.2%. Over five years, the strategy has delivered 86% of the ASX200's return (including franking, after fees) with a low beta of 0.5 and income of 6.5% per annum (including franking).

In a rollercoaster quarter defined by record highs and inflation anxiety, the ASX 200's P/E contracted 7% to 18.3x. However, aggregate earnings rose 5%, bolstered by resilient iron ore and surging lithium. This sparked rotation from high-valuation Technology (-26%), Consumer Discretionary (-12%) and Healthcare (-10%) into Materials (+13%). "Sticky" domestic inflation triggered a hawkish pivot, shifting consensus to rate hikes in 2026. Consequently, 10-year yields surged over 50bps to a one-year high, diverging sharply from the US, where cooling labour markets sustained rate-cut expectations. The Equal Weight ASX100 rose 0.4%, validating Merlon's index unaware approach.

Key portfolio contributors included Aurizon with a draft regulatory agreement highlighting its inflation hedge attributes; AMP, on 60% higher platform flows; Woolworths with early 2Q sales growth accelerating to 5% (ex-tobacco), and Ramsay Healthcare, announcing 6% 1Q earnings growth (vs consensus -2%). Not owning CSL and Wesfarmers aided relative performance.

Detractors included Treasury Wine, with the new CEO materially rebasing earnings amid US/China inventory resets, the ASX facing rising costs and an ASIC inquiry; Metcash's result highlighting cyclical Hardware weakness; and Santos, with oil down 9%. Not owning enough Materials (BHP, gold or lithium) detracted from relative performance.

The portfolio's historically low beta of 0.4 reflects a tilt toward defensive, cash-flow and franking-rich stocks that are under-earning and trading at the low-end of their valuation range. We believe our approach of investing where the market is overly pessimistic should fare well amid high valuation dispersion, slowing growth and sticky inflation.

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