

# Merlon Concentrated Australian Share Fund

Monthly Fact Sheet - December 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

<b>Portfolio manager</b>	Neil Margolis
<b>Fund inception date</b>	1 <sup>st</sup> February 2018
<b>Merlon FUM</b>	\$967m
<b>Strategy FUM</b>	\$380m
<b>Fund FUM</b>	\$221m
<b>Management fee</b>	0.52% p.a
<b>Performance fee</b>	20% of the Fund's daily return above the benchmark.
<b>Fund objective</b>	The Fund aims 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>	Quarterly
<b>APIR Code</b>	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)

% <sup>1</sup>	Fund	Benchmark <sup>2</sup>	Excess
<b>Since Inception (p.a.)</b>	8.1	8.7	-0.7
<b>7 Years (p.a.)</b>	10.7	10.5	0.3
<b>5 Years (p.a.)</b>	11.6	9.9	1.7
<b>3 Years (p.a.)</b>	9.9	11.4	-1.4
<b>1 Year</b>	9.2	10.3	-1.1
<b>FYTD</b>	3.8	3.6	0.1
<b>CYTD</b>	9.2	10.3	-1.1
<b>Quarter</b>	1.5	-1.0	2.5
<b>Month</b>	-1.3	1.3	-2.6

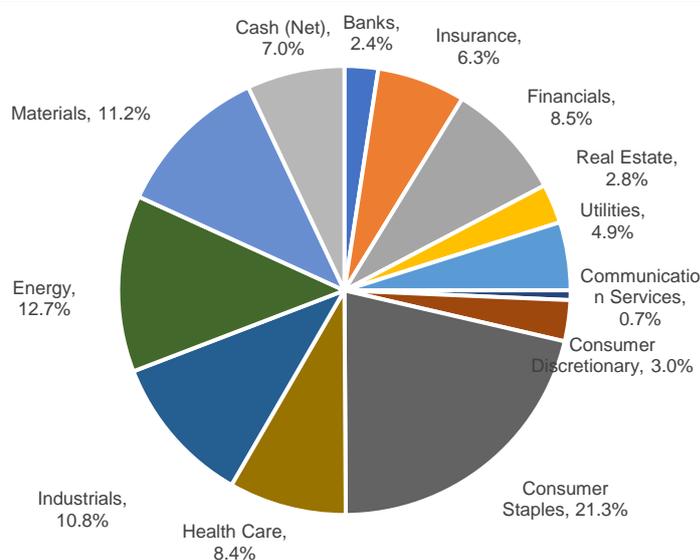
<sup>1</sup> Performance figures are calculated after fees have been deducted and assume distributions have been reinvested. No allowance is made for tax when calculating these figures. Past performance is not a reliable indicator of future performance.

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

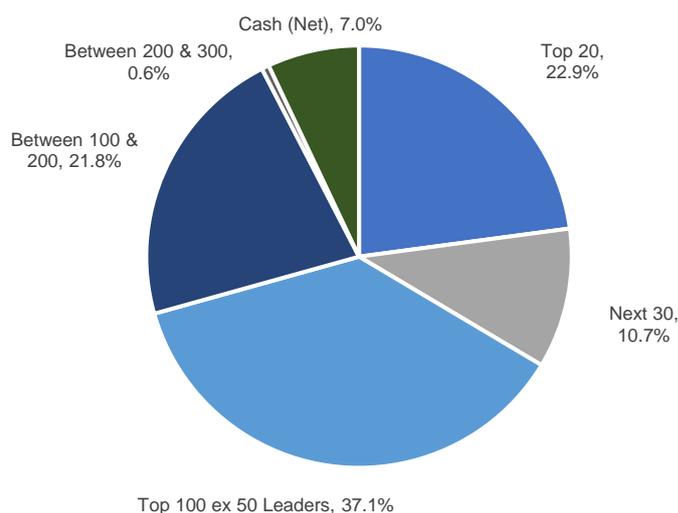
<sup>3</sup> The Inception Date for the class is 1 February 2018. Strategy Inception date is 31 May 2010.

Source: Fidante Partners Limited, 31 December 2025.

## Sector Exposures



## Market Cap Bands



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## Performance update

The Merlon Concentrated Share Fund outperformed by 2.5% in the December quarter, rising 1.5% after fees while the ASX200 declined 1.0%. Over 5 years, the strategy has returned 75% after fees versus the index's 60%.

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 0.8 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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