

Merlon Australian Share Income Fund

Monthly Fact Sheet - March 2026

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	\$979m
Strategy FUM	\$588m
Fund FUM	\$442m
Management fee	0.95% p.a
Fund objective⁵	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	Fletcher Building
AMP	NIB
ASX	Ramsay Health Care
BHP Billiton	Santos
Endeavour	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	7.4	9.1
10 Years (p.a.)	8.4	8.4	6.8
5 Years (p.a.)	10.0	8.0	6.4
3 Years (p.a.)	9.2	8.9	6.2
1 Year	8.9	10.2	6.7
FYTD	6.6	2.9	5.2
CYTD	2.3	-0.5	1.7
Quarter	2.3	-0.5	1.7
Month	-0.2	-4.8	0.9

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.

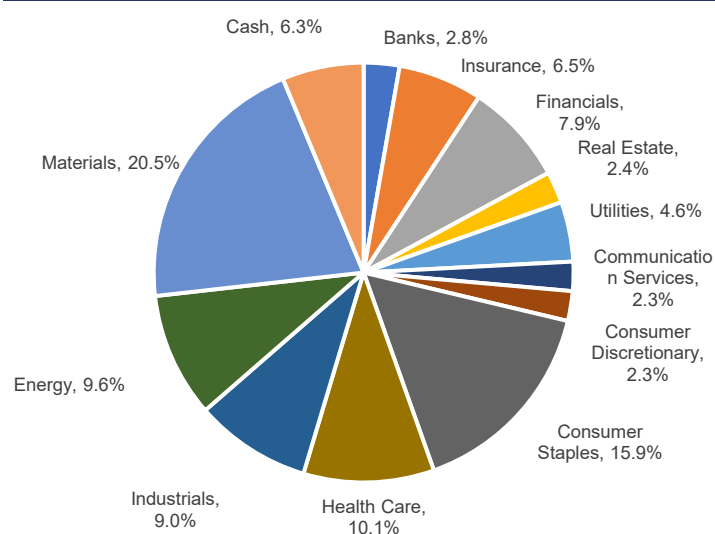
³The Inception Date for the Fund is 30 September 2005

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

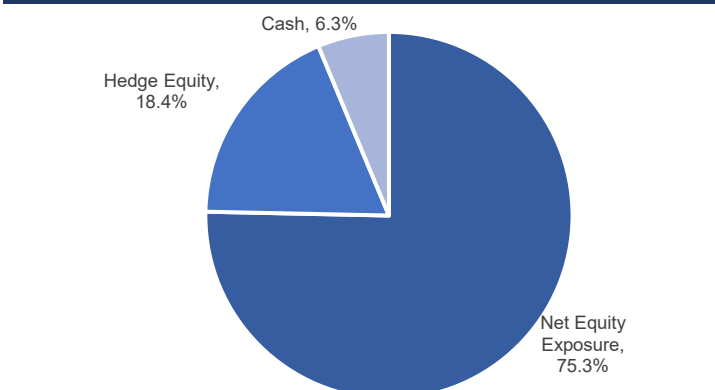
⁵In line with the Fund's benchmark change, the Fund's objective was also amended on 16 May 2022 to include a total return objective.

Source: Fidante Partners Limited, 31 March 2026.

Sector Exposures



Asset Allocation



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Performance update

The Australian Share Income Fund returned 2.3% after fees and including franking outperforming its Benchmark which fell 2.3% in the MArch quarter (4.8% in the month). Its underlying share portfolio performed inline with the Concentrated Strategy, while the income/hedge overlay added 0.4%. Over five years, the strategy has delivered 84% of the ASX200's return with a low 0.5 beta and 6.6% annual income (including franking).

The quarter saw a February all-time high before a sharp reversal in March. The war in Iran – lifting oil prices 80% in 2026 and disrupting fertiliser and petrochemical supply chains – compounded pre-existing inflationary pressure and structural weakness in tech and private credit.

Thematic tailwinds favoured Merlon's bottom-up investments in Energy and defensive Industrials, while avoiding expensive growth stocks and rate-sensitive REITs. Zero Bank exposure remained a headwind despite rising recessionary risks. Alongside oil, lithium, coal and gold remained firm while risk-free rate increased.

Key portfolio contributors included Santos, though only pricing in \$75 long-term oil, Woolworths, posting 14% earnings growth and regaining share, Ramsay Healthcare, growing top-line strongly and divesting France, Aurizon Rail, with inflation-linked returns and 50% higher dividend, and AGL, improving margins and growing battery capacity.

Detractors included not owning BHP and CBA – an eye-watering 21% of the index that impacted relative performance by 2.3% – along with Treasury Wines, with US distribution woes although Penfolds is improving, AMP, following an earnings downgrade despite trading below cash backing, and Fletcher Building, amid NZ cyclical weakness.

The portfolio's historically low beta of 0.5 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 and the structurally lower exposure from the hedge overlay. We believe our approach of investing where the market is overly pessimistic should fare well in the current environment of high valuation dispersion, slowing growth and sticky inflation.

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