

# Merlon Concentrated Australian Share Fund

Monthly Fact Sheet - May 2026



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>	\$962m
<b>Strategy FUM</b>	\$386m
<b>Fund FUM</b>	\$222m
<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)

AMP	Ramsay Health Care
ASX	South 32
Aurizon	Sonic H'Care
Endeavour	Santos
Fletcher Building	Treasury Wine

## Fund Performance (net of fees)

% <sup>1</sup>	Fund	Benchmark <sup>2</sup>	Excess
<b>Since Inception (p.a.)</b>	7.6	8.5	-0.9
<b>7 Years (p.a.)</b>	8.8	8.5	0.3
<b>5 Years (p.a.)</b>	10.5	8.1	2.4
<b>3 Years (p.a.)</b>	8.5	11.0	-2.6
<b>1 Year</b>	4.0	6.9	-2.9
<b>FYTD</b>	3.4	5.4	-2.0
<b>CYTD</b>	-0.4	1.7	-2.1
<b>Quarter</b>	-3.5	-4.0	0.6
<b>Month</b>	-1.9	1.1	-3.0

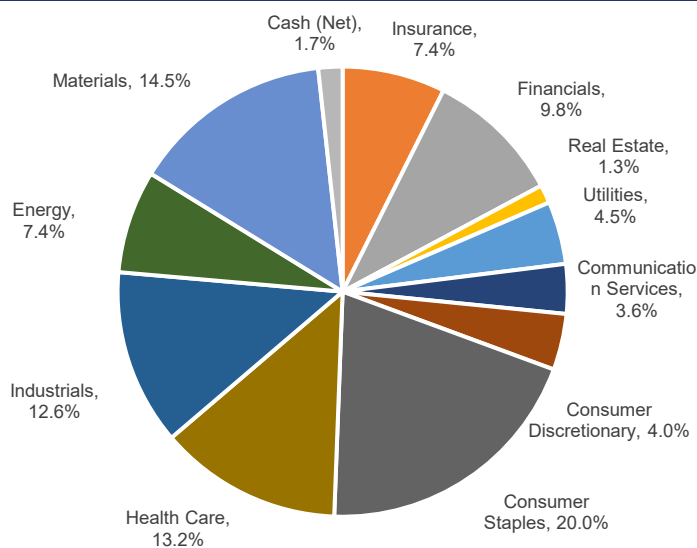
<sup>1</sup> Performance figures are calculated after fees have been deducted and assume distributions have been reinvested. No allowance is made for tax when calculating these figures. Past performance is not a reliable indicator of future performance.

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

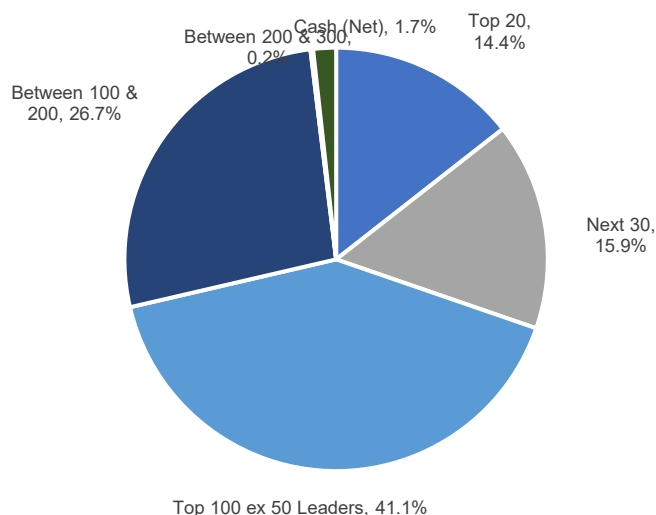
<sup>3</sup> The Inception Date for the class is 1 February 2018. Strategy Inception date is 31 May 2010.

Source: Fidante Partners Limited, 31 May 2026.

## Sector Exposures



## Market Cap Bands



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## Performance update

The Merlon Concentrated Share Fund declined 1.9% before fees in May, underperforming the ASX200, which rose 1.1%. Over 5 years, the Fund has returned 72% after fees versus the index's 48%.

The month witnessed extreme sector divergence, with Resources ex Energy surging 11% (BHP +16%), while Healthcare tumbled 9% (CSL -23%), followed by Energy (-6%) on fading war concerns, and Banks (-5%). While investors increasingly chase base metals as an inflation hedge, BHP's rally – driven by copper +6% despite softer iron ore -1% – sees it trading 41% above its 20-year average multiple on two-year forward estimates. Domestically, the slowdown is deepening following 75bp of RBA hikes, negative real wages growth and cooling property sentiment post federal budget tax changes. This creates a highly challenging backdrop for Banks, a quarter of our index, but absent from Merlon funds.

Key portfolio contributors included South32 as aluminium rallied; Fletcher Building, reducing debt via non-core divestments; AMP, buying back shares near tangible asset backing; and Metcash following a positive trading update. Not owning CBA or Brambles also aided relative performance.

Detractors included ASX, guiding to higher costs in FY27, a doubling since FY21 levels; Endeavour, flagging a protracted turnaround at its investor day; AGL, facing lower power price volatility from rising battery capacity and low domestic gas prices, and Ramsay Healthcare, battling persistent wage inflation. However, the largest headwind to relative performance was not owning BHP (-1.5%).

The portfolio's historically low beta of 0.7 reflects a tilt toward defensive stocks undervalued for their cash flow and franking, and under-earning versus history. We believe investing where the market has become too pessimistic – and without regard to index weights – should fare well against a benchmark highly concentrated in macro-sensitive stocks on elevated multiples, especially amid heightened inflation risk and slowing growth.

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](http://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.