



## MERCHANT LEADERS FUND

Heading into October the Merchant Leaders Fund (Leaders Fund) is 75% long, 20% short and sitting on just over 5% cash. The performance of the Leaders Fund is in line with expectation with the Fund down **0.03%** for the Financial Year to 30 September 2018 with the ASX 100 (XTO) up **0.19%** for the same period.

The largest positive contributors to the overall performance of the Leaders Fund during the month of September were Whitehaven Coal Limited (WHC) and South32 Limited (S32). We actively traded these Companies through the month averaging down at substantially lower levels than the closing prices of 28 September 2018.

The Fund received substantial dividend payments during the month. The following Companies held in the Leaders Fund have all paid dividends over the recent period: BHP Billiton Limited (BHP); Crown Resorts Limited (CWN); Janus Henderson Group Plc (JHG); Rio Tinto Limited (RIO); South32 Limited (S32) and Whitehaven Coal Limited (WHC).

As we now head into October (a notorious month for weakness along with May), we feel that we are well positioned with circa 30% either held in cash or short (sold) positions.

We are not subscribers to the Global Meltdown type theories, however do anticipate an increase in volatility in the markets as the US market adjusts to higher interest rates and slower growth. The companies we see as most vulnerable would be Technology companies that have driven the NASDAQ to record highs in September however do not expect that we are seeing the beginning of another GFC type event.

### ABOUT MERCHANT LEADERS FUND

In July 2018, Merchant launched a new fund called the Merchant Leaders Fund. The Merchant Leaders Fund provides clients with broader exposure to Australia's leading companies, using bespoke quantitative analysis to identify stocks in the ASX-100 that are expected to outperform and underperform, with investments made accordingly.

The Fund is intended to generate total returns over and above the ASX 100, after all fees and expenses.

The Merchant Leaders Fund is now open for investors.

The Fund is open for new applicants, with a minimum initial investment amount of A\$100,000.

Unit Price as at  
30 September 2018

**\$0.9978**

## MERCHANT LEADERS FUND TOP 10 and BOTTOM 10 RANKED ASX LISTED COMPANIES

TOP 10 RANKED		BOTTOM 10 RANKED	
South 32 Limited	S32	Transurban Group	TCL
BHP Billiton Limited	BHP	Aust. and New Zealand Banking Group Ltd	ANZ
Rio Tinto Limited	RIO	Orica Limited	ORI
Northern Star Resources Ltd	NST	Healthscope Limited	HSP
Charter Hall Group	CHC	National Australia Bank Limited	NAB
Crown Resorts Limited	CWN	Bank of Queensland Limited	BOQ
Janus Henderson Group PLC	JHG	Newcrest Mining Limited	NCM
Whitehaven Coal Limited	WHC	Spark Infrastructure Group	SKI
BlueScope Steel Limited	BSL	AusNet Services Limited	AST
Aristocrat Leisure Limited	ALL	TABCORP Holdings Limited	TAH



## MERCHANT OPPORTUNITIES FUND

We are also pleased with the performance of the Merchant Opportunities Fund (Opportunities Fund) during the month of September and feel we are well positioned to generate superior returns this financial year with several our larger positions performing well since 1 July 2018.

At the moment the fund is down **1.26%** versus the Small Ordinaries Index (XSO) which is up **0.06%** for the financial year to 30 September 2018.

The largest positive contributors to the performance of the Opportunities Fund came from PolyNovo Limited (PNV) where we still maintain a large position; Brookside Energy Limited (BRK) which benefited from the oil price movement; and we had a substantial uplift in one of our Cyber Security investments, Sapien Cyber Limited (formerly SC8 Technologies Pty Ltd) as they completed a capital raising at a 50% increase in value from the price we were carrying the asset at.

Leading into October we have been extremely busy with European Cannabis Corporation Limited, formerly known as 1-Page Limited, with both Chris Mews and I currently on the Board. We have overseen a total corporate restructure of the Company and have sought and obtained Shareholder approval to delist the Company from the ASX to pursue a listing in Canada on either the TSX or the CSE in the coming months. Operationally the business EuroCann, is doing exceptionally well and we anticipate that this investment will create a substantial uplift in the Opportunities Fund value over the course of the Financial Year.

RMA Global Limited (RMY), known to many as Rate-My-Agent, is also a business that we feel will do well leading into year-end. For those of you that haven't heard about this Company, do yourself a favour and have a look at [www.ratemyagent.com.au](http://www.ratemyagent.com.au). The Opportunities Fund has a large position here and we believe this Company will substantially re-rate in the coming months as the market looks to the inflection of the US business being very similar to that of the domestic real estate agent market.

## ABOUT MERCHANT OPPORTUNITIES FUND

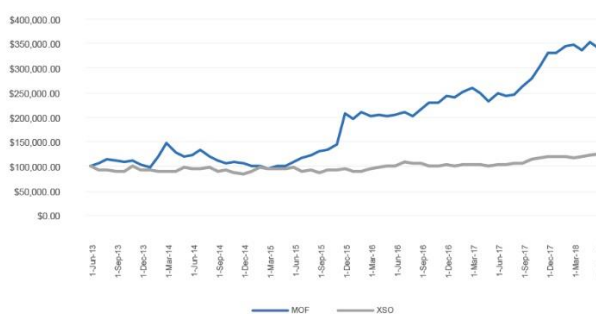
The Merchant Opportunities Fund enables investors to get exposure to early-stage opportunities. This includes both early-stage ASX-listed companies or those soon to be listed. Through our comprehensive and strong networks, the Merchant Opportunities Fund provides investment opportunities that our clients could not necessarily find themselves, such as investing in companies at the pre-IPO stage.

The Merchant Opportunities Fund has consistently outperformed, with returns (after fees) well ahead of the ASX Small Ordinaries Index over a 1-year, 3-year, and a 5-year period.

Unit Price as at  
30 September 2018

**\$1.8512**

MERCHANT OPPORTUNITIES FUND - PERFORMANCE  
MERCHANT OPPORTUNITIES FUND V ASX SMALL ORDINARIES INDEX  
As at 30 JUNE 2018



## DISCLOSURE

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Merchant Leaders Fund is a wholesale only Fund managed by Merchant Funds Management Pty Ltd (ACN 154 493 277) under an agreement with CIPL Licensing Limited, AFSL 471728.

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