



MERCHANT LEADERS FUND

Another horrible month for the ASX, with the ASX100 Index (XTO) dropping a further 5.57% for the month of October alone. The Merchant Leaders Fund is currently down 5.07% since the start of the Financial Year.

Traditionally both October and May are average months for investors and this October was no exception despite a two-day rally into the close of the month. Lack of company profit results and fundamental news flow left institutional traders with not much option but to focus on the never-ending drama that is US politics and the escalating trade tension between the US and China.

In short, the US is looking to raise tariffs on a number of imported items which is designed to bring more production back onshore and by increasing the tariffs on imported goods, the hope is that domestic products will be better able to compete on price. This is actually very good for the US economy and probably bad for the Chinese economy. The issue has meant that the Chinese Government has stepped into their markets and driven their currency down accordingly. From a simple perspective – the problem the US has with this is that whilst they are the biggest economy in the world right now, the Chinese Government has time and again, shown they not only have the capacity but they will step in and protect their markets at all costs.

If the US wins this trade war, what does the future look like in a slower but ultimately more stable, growing economy? What does it mean for China and in turn the Chinese demand for Australia's materials? How does this slower growth impact us and in turn our already overheated Eastern seaboard property market? All questions which traders are focusing on, so I suspect we will see more volatility ahead till the dust settles somewhat offshore.

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
31 October 2018

\$0.9493

MERCHANT LEADERS FUND MODEL RESULTS FOR ASX 100

TOP 10 RANKED

South 32 Limited	S32
BHP Billiton Limited	BHP
Rio Tinto Limited	RIO
Northern Star Resources Ltd	NST
Charter Hall Group	CHC
Crown Resorts Limited	CWN
Janus Henderson Group PLC	JHG
Whitehaven Coal Limited	WHC
BlueScope Steel Limited	BSL
Aristocrat Leisure Limited	ALL

BOTTOM 10 RANKED

Transurban Group	TCL
Aust. and New Zealand Banking Group Ltd	ANZ
Orica Limited	ORI
Healthscope Limited	HSP
National Australia Bank Limited	NAB
Bank of Queensland Limited	BOQ
Newcrest Mining Limited	NCM
Spark Infrastructure Group	SKI
AusNet Services Limited	AST
TABCORP Holdings Limited	TAH



MERCHANT OPPORTUNITIES FUND

In the Microcap land where the Merchant Opportunities Fund invests, we had a relatively benign month and as a result the Fund's Unit Price is sitting at \$1.8051 and therefore only down 3.72% for the Financial Year to date.

We are pleased where the Fund is positioned and have no intention of changing the way we are operating the Fund at this time. We have several investments coming to the market in the near term and we are looking forward to the new year when we are anticipating European Cannabis Corporation Ltd (**EuroCann**) listing offshore. For those of you who are unaware EuroCann is the old 1-Page (ASX: 1PG).

Huge news in the cannabis space with full recreational legalisation in Canada announced last week, finally after very limited fanfare. Investing in medical cannabis shares is now legal in the UK and we suspect, that both the UK and Germany will end up eclipsing the Canadian market as the two biggest cannabis markets in the coming years.

We've seen positive contributions to the Fund in the month of October from our large holdings in the biotechnology space, which has been heating up of late (we haven't had a biotech boom in over 10 years - we are certainly due one!), with the positive contributions being derived from PolyNovo Limited (ASX: PNV); Sienna Cancer Diagnostics Limited (ASX: SDX); and Rhythm Biosciences Limited (ASX: RHY).

ABOUT MERCHANT OPPORTUNITIES FUND

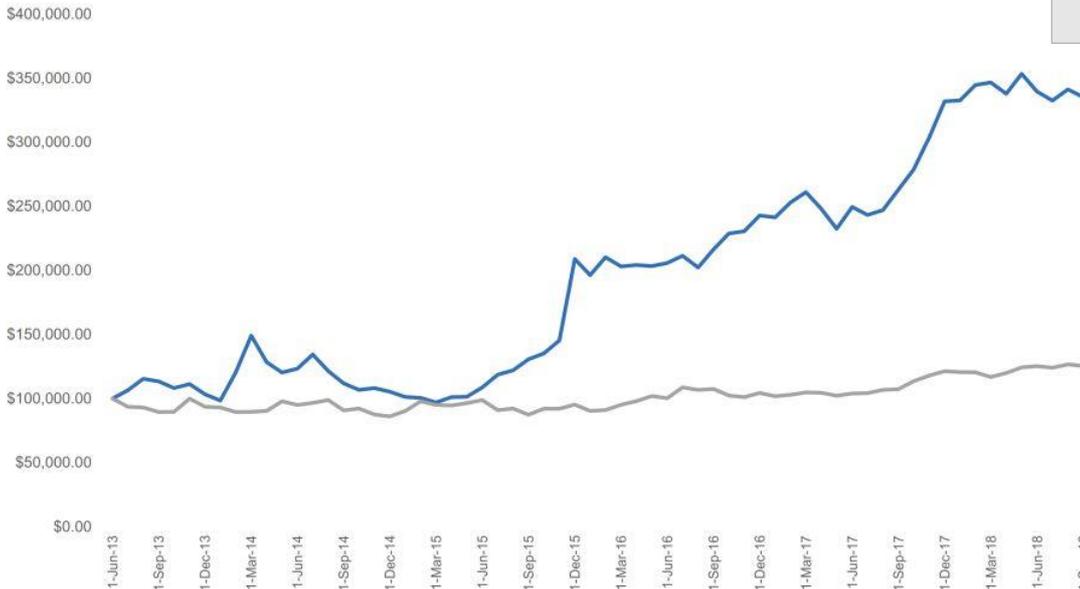
The Merchant Opportunities Fund enables investors to get exposure to early-stage opportunities. This includes both early-stage ASX-listed companies or those soon to be listed. Through our comprehensive and strong networks, the Merchant Opportunities Fund provides investment opportunities that our clients 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
31 October 2018

\$1.8051

MERCHANT OPPORTUNITIES FUND - PERFORMANCE MERCHANT OPPORTUNITIES FUND V ASX SMALL ORDINARIES INDEX as at 31 OCTOBER 2018



DISCLOSURE

Merchant Funds Management Pty Ltd (ACN 154 493 277) is the Manager of Merchant Opportunities Fund, under an agreement with our Responsible Entity, CIP Licensing Limited, AFSL 471728.

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.

This publication has been prepared on behalf of and issued by Merchant Funds Management Pty Ltd (ACN 154 493 277) Corporate Authorised Representative No. 420444 of Draupner Investment Management Pty Ltd (ACN 112 894 845) AFSL No. 303566.

Merchant Funds Management Pty Ltd (Merchant), does not accept any liability for loss or damage suffered or incurred by any person however caused (including negligence) relating in any way to this Newsletter including, without limitation, the information contained in it, any errors or omissions however caused or any person placing any reliance on this presentation, its accuracy, completeness or reliability.

Merchant and its affiliates or any of its directors, agents, officers or employees do not make any representation or warranty, express or implied, as to or endorsement of, the accuracy or completeness of any information, statements, representations or forecasts contained in this Newsletter, and they do not accept any liability for any statement made in, or omitted from, this Newsletter. Merchant accepts no obligation to correct or update the information in this Newsletter.

This Newsletter is intended only to provide a summary and general overview of matters of interest. The Newsletter is not financial product advice, whether personal or general, for the purposes of Section 766B of the Corporations Act. The Newsletter does not involve or imply a recommendation or a statement of opinion in respect of whether to buy, sell or hold a financial product. The information in this Newsletter does not take into account the objectives, financial situation or needs of any person. You should not act on or rely on the contents of this Newsletter before first obtaining professional advice specific to your circumstances.

This Newsletter and contents has been made available in confidence and may not be reproduced or disclosed to third parties or made public in any way without the express written permission of the Fund or Merchant Funds Management Pty Ltd.