

### MERCHANT LEADERS FUND

The Merchant Leaders Fund (MLF) remained relatively stable for the month with the Fund receiving positive contributions from the equity allocation offset by our current positioning of a very high weighting to cash and defensive assets.

The MLF is currently down 4.07% for the Financial Year vs the ASX 100 which is down 13.60% over the same period.

The equity component of the portfolio performed well against the ASX 100 – with high weightings in the ASX (itself), the Biotech and Gold Sectors all bouncing into the end of May along with the market.

Surprisingly, the market continued to rally into the close of May with the ASX 100 rebounding +15% since the 1<sup>st</sup> of April despite real economic data worsening. One of the causes in my view of this occurrence was the lack of choice for investors – meaning that investors are now forced into the market to chase returns given the alternatives of remaining in cash are so low.

Given I've been around in this game a few years (20 plus!), I believe that the best approach right now is caution and as a result whilst we have missed some of these gains, I do firmly believe that this wild ride that is 2020, isn't over yet...so I am very comfortable preserving cash for the rainy day which I believe will come soon enough.

#### MERCHANT LEADERS FUND - PERFORMANCE MERCHANT LEADERS FUND V ASX100 as at 31 MAY 2020



#### MERCHANT LEADERS FUND MODEL RESULTS FOR ASX 100

##### TOP 10 RANKED

ASX LIMITED
WOOLWORTHS GROUP LIMITED
RESMED INC
CSL LIMITED
EVOLUTION MINING LIMITED
COLES GROUP LIMITED
ARISTOCRAT LEISURE LIMITED
APA GROUP
THE A2 MILK COMPANY LIMITED
JAMES HARDIE INDUSTRIES PLC

ASX
WOW
RMD
CSL
EVN
COL
ALL
APA
A2M
JHX

##### BOTTOM 10 RANKED

UNIBAIL-RODAMCO-WESTFIELD	URW
VICINITY CENTRES	VCX
VIRGIN MONEY UK PLC	VUK
WESTPAC BANKING CORPORATION	WBC
WESFARMERS LIMITED	WES
WHITEHAVEN COAL LIMITED	WHC
WORLEY LIMITED	WOR
WOODSIDE PETROLEUM LTD	WPL
WISETECH GLOBAL LIMITED	WTC
XERO LIMITED	XRO

#### 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 May 2020

**\$1.0688**



## MERCHANT OPPORTUNITIES FUND

The Merchant Opportunities Fund (MOF) has performed well since the lows of March with an overall rebound of almost 20% since then. In contrast to the big end of town the Small Cap and Microcap Market rebounded strongly since April 1<sup>st</sup> with a lot of mining companies in particular up substantially on volume.

The MOF is up 7.65% for the Financial Year vs the Small Ordinaries Index (XSO) down 6.22% over the same period. Our weightings to the Oil & Gas sector rebounded strongly in line with the oil price recovering from negative \$30 per barrel to circa positive \$20....in my investing life I never actually thought that would be a sentence – negative \$30 a barrel oil prices....crazy times in 2020.

The Biotech holdings all recovered as did the Medical Cannabis holdings, we made good money trading some FinTech holdings intra-month also and saw a great uplift in the carrying value of two companies we have a significant position in – Bard1 Life Sciences Limited (BD1) and Sienna Cancer Diagnostics Limited (SDX) as the merger becomes closer to completion. I suspect this combined entity will be our next big Biotech play with a higher performing board, an excellent management team and plus \$13m cash in the tin.

With a large holding in RMA Global Limited (RMY) we are confident that the positive momentum in the uptake of users in the US will continue and suspect that this will turn into a large position in the MOF over the next 12 months as the team capitalise on their strong local and international position.

### ABOUT MERCHANT OPPORTUNITIES FUND

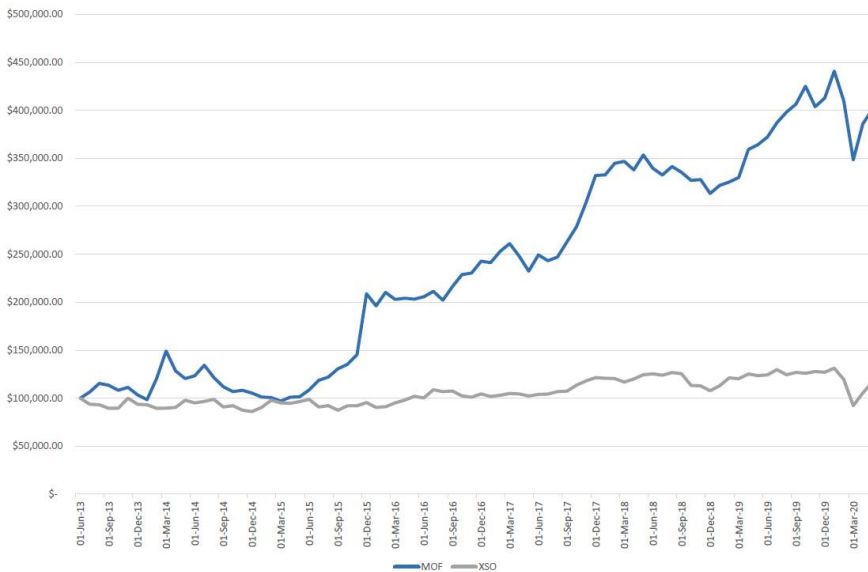
The Merchant Opportunities Fund enables investors to get exposure to early-stage opportunities. This includes both early-stage ASX-listed companies or those soon to be listed. Through our comprehensive and strong networks, the Merchant Opportunities Fund provides investment opportunities that our clients 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 May 2020

**\$2.2118**

### MERCHANT OPPORTUNITIES FUND - PERFORMANCE MERCHANT OPPORTUNITIES FUND V ASX SMALL ORDINARIES INDEX as at 31 MAY 2020



### 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.

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