

### MERCHANT LEADERS FUND

Whilst we remain overly cautious on the current market recovery, we began selectively adding back some positions and reducing the cash holdings in the Merchant Leaders Fund portfolio over the month of July bringing our cash position down to approximately 30% of the portfolio.

Whilst the market has continued to run, we have used this opportunity to exit a couple of investments where we felt in comparison to the overall market, they have perhaps run too hard and are due for a pullback.

We believe that with the US and most of Europe at almost record highs, the Australian market is by comparison undervalued. And with a second mining boom in full swing both in WA and QLD this will offset some of the more broader negative headline numbers that are no doubt about to hit the market in September and as such, are becoming a little more comfortable in the data coming through that is beginning to reflect more of a V shaped recovery than first thought. I understand it doesn't make much sense from an economic perspective just yet, but markets are typically a leading indicator and I might be wrong, but I believe we have seen the worst of the markets - for 2020 anyway.

Post finalising the full financial year accounts we were pleased to declare a distribution of just over \$0.09 per share which you will now see reflected in the number of units you hold.

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



### MERCHANT LEADERS FUND MODEL RESULTS FOR ASX 100

TOP 10 RANKED		BOTTOM 10 RANKED	
ASX Limited	ASX	Sydney Airport	SYD
Resmed Inc	RMD	Virgin Money UK PLC Shs CDI	VUK
CSL Limited	CSL	Woodside Petroleum Ltd	WPL
Evolution Mining Limited	EVN	CIMIC Group Limited	CIM
Coles Group Limited	COL	Incitec Pivot Limited	IPL
Fortescue Metals Group Ltd	FMG	Vicinity Centres	VCX
Magellan Financial Group Limited	MFG	AMP Limited	AMP
JB Hi-Fi Limited	JBH	Scentre Group	SCG
The A2 Milk Company Limited	A2M	Transurban Group Ltd	TCL
Rio Tinto Limited	RIO	Lendlease Group	LLC

### 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 July 2020

**\$1.0434**



## MERCHANT OPPORTUNITIES FUND

The Merchant Opportunities Fund (MOF) has started the financial year strongly with the fund back above \$2.30 per unit again – a level not seen since February this year. We are up 4.51% for the month vs the Small Ordinaries Index (XSO) up 1.33% for the same period.

Strong gains continue in the portfolio from the Biotech Sector with the MOF continuing to build its exposure to RACE Oncology Ltd (RAC). We believe RAC to be one of the better managed Small Cap Biotech companies on the ASX and we continue to see a multiple upside in this holding over the next 6 – 12 months from where it is currently trading. Other gains from the Biotech Sector over the last month have included Bard1 Life Sciences Limited (BD1) and Rhythm Biosciences Limited (RHY).

The strongest area of the portfolio over July came from our exposure to Archtis Limited (AR9) – whilst at the moment it looks like we may have exited too early, the continued strength in this sector bodes extremely well for our unlisted asset - Sapien Cyber Security Limited continuing to increase in value towards a liquidity event later in the year or early next year.

Other gains across the Fund this month have come from Cycliq Group Ltd (CYQ) which we believe is now on the right track, same goes for Digital Wine Ventures Limited (DW8). In the Gold Sector we have backed the team that has done it all countless times before – Castile Resources Ltd (CST).

Next newsletter we will elaborate on our recent position in Webcentral Group Limited (WCG).

### ABOUT MERCHANT OPPORTUNITIES FUND

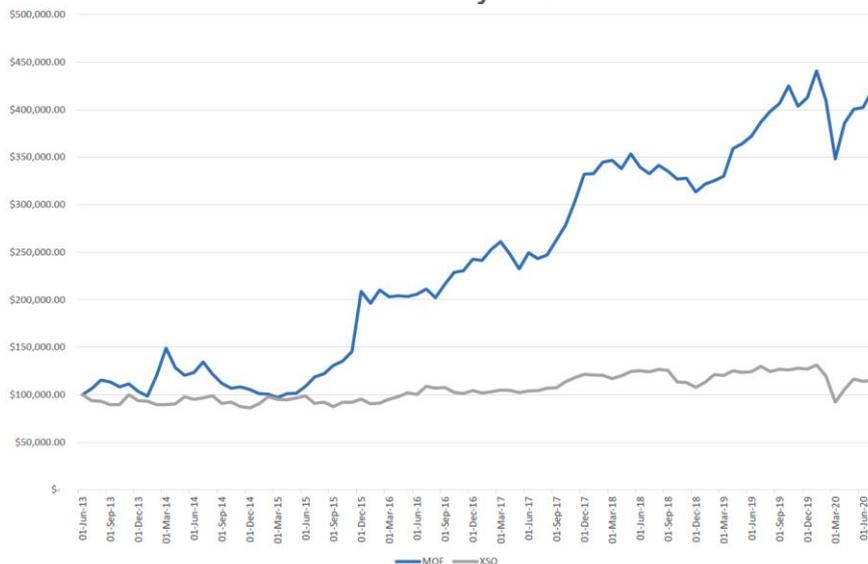
The Merchant Opportunities Fund enables investors to get exposure to early-stage opportunities. This includes both early-stage ASX-listed companies or those soon to be listed. Through our comprehensive and strong networks, the Merchant Opportunities Fund provides investment opportunities that our clients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

**\$2.3206**

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



### 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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