

MERCHANT LEADERS FUND

The Merchant Leaders Fund (MLF) is performing in line with expectations so far this Financial Year, more so given the current asset allocation which over the last 6 months has been what I would call “cautiously optimistic”. With circa 30% of the portfolio in defensive assets, the ASX equity component has materially outperformed the ASX 100 thanks in a large part to the Oil & Gas Sector and Diversified Resource investments.

With strong performances from the cyclical sections of the portfolio, as at the 1st of January 2021 we have adjusted the asset allocation by increasing the Fund's equity exposure by 7% with the addition of two property companies and one retailer to the portfolio – APA Group (APA), Charter Hall Group (CHC) and JB Hi-Fi Limited (JBH).

As per our Fund model, these additional companies are more aligned toward the defensive sector of the ASX 100 with strong yields vs high growth.

MERCHANT LEADERS FUND - PERFORMANCE MERCHANT LEADERS FUND V ASX 100 as of 31 December 2020

	Year 1	Year 2	FYTD*
Merchant Leaders Fund			
Growth	11.42%	-2.09%	11.24%
Distribution**	2.74%	8.76%	2.27%
Total Return	14.16%	6.67%	13.51%
ASX 100 (XTO)	6.54%	-11.11%	11.37%

*FYTD – Financial Year to 31 December 2020.

**Distribution is approximate at this time

MERCHANT LEADERS FUND MODEL RESULTS FOR ASX 100

TOP 10 RANKED		BOTTOM 10 RANKED	
JB Hi-Fi Limited	JBH	Lendlease Group	LLC
APA Group	APA	Sydney Airport	SYD
Beach Energy Limited	BPT	Crown Resorts Limited	CWN
BHP Group Limited	BHP	Transurban Group Ltd	TCL
Worley Limited	WOR	Seek Limited	SEK
Fortescue Metals Group Ltd	FMG	Vicinity Centres	VCX
Magellan Financial Group Limited	MFG	Challenger Limited	CGF
Wisetech Global Limited	WTC	AMP Limited	AMP
Charter Hall Group	CHC	Flight Centre Travel Group Limited	FLT
Mineral Resources Limited	MIN	Qantas Airways Limited	QAN

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 December 2020

\$1.1363



MERCHANT OPPORTUNITIES FUND

The Merchant Opportunities Fund had a solid month during December 2020. The Fund pulled back from all-time highs toward the end of the calendar year as a result of the recent sell off in risk assets that we observed globally based on geopolitical tensions (for something different!).

I'd suggest we will see continued growth in the Small Cap Sector, albeit at a more subdued rate than what we have seen for the first 6 months of this Financial Year. The rising tide really did float most boats over the last 6 months as the world recovered from the COVID-19 lows of March, and we believe the next 6 months will be more selective with certain sectors benefitting from the recovery more than others.

With liquidity in the markets strong we expect to see both secondary market and M&A (merger & acquisition) opportunities across all sectors but especially in Biotech, Medical Cannabis, Mining and IT. With decent size holdings in these four areas of the Small Cap Sector, the Fund is well positioned to capitalise heading toward the end of the Financial Year.

ABOUT MERCHANT OPPORTUNITIES FUND

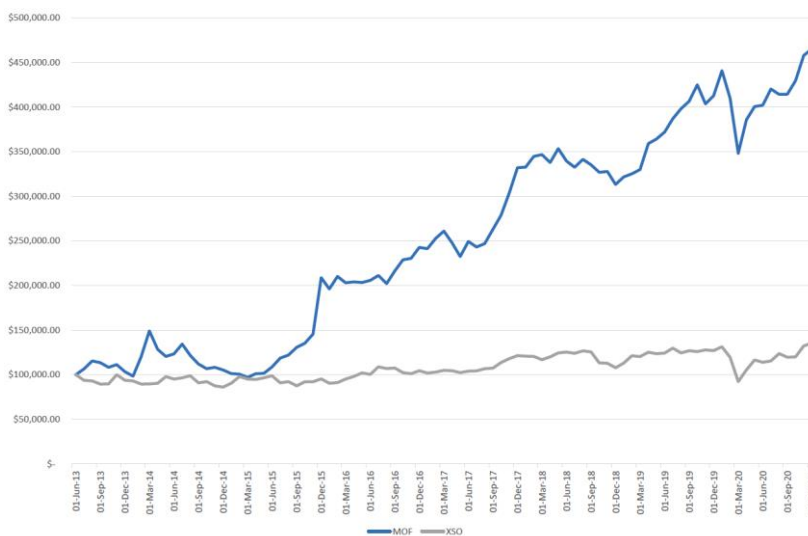
The Merchant Opportunities Fund enables investors to get exposure to early-stage opportunities. This includes both early-stage ASX-listed companies or those soon to be listed. Through our comprehensive and strong networks, the Merchant Opportunities Fund provides investment opportunities that our clients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

\$2.5688

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