

MERCHANT OPPORTUNITIES FUND

The Merchant Opportunities Fund (MOF) performed well in March ending a stellar third quarter of the Financial Year. The Fund is currently up 54% for the Financial Year which is a very pleasing 34% above the Small Ordinaries Index (XSO) and 39% above the ASX 100 (XTO).

With Funds Under Management (FUM) now sitting at circa \$150m and having paid out over \$20m in redemptions since inception, we now see it as an opportune time to open the Fund up to new investors. I am comfortable with our investment strategies and believe that given the market conditions with current liquidity and the abundant landscape of (cautious) opportunities, now is the time for the Fund to take on more funds. Whilst I don't think it is reasonable to expect 54% returns each year, I do believe that the next few years at least will be relatively fruitful for our style of investing.

The Small Ordinaries Index (XSO) is up 20% for the Financial Year which is a fantastic landscape for opportunities to filter into the smaller end of the market and this is where we have consistently outperformed over the years. Combined with liquid investments in the ASX 100 (XTO), the Fund is well placed to deliver returns in most market conditions.

Currently our Top 10 holdings in no order are:

Race Oncology Limited (RAC)
Auscann Group Holdings Limited (AC8)
Bard1 Life Sciences Limited (BD1)
Brookside Energy Limited (BRK)
Polynovo Limited (PNV)
RMA Global Limited (RMY)
Fortescue Metals Group Limited (FMG)
Mineral Resources Limited (MIN)
JB Hi-Fi Limited (JBH)
BCAL Diagnostics Pty Limited (Pre-IPO)

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 March 2021

\$3.4283



The March quarter was a particularly strong one for the Merchant Opportunities Fund with large returns coming from our investments in the IT, Biotech and Oil & Gas sectors.

We have reduced holdings in the Fund in certain companies where we believe they are fully valued or in our view not offering continued out-performance such as Digital Wine Ventures Limited (DW8), and in other cases such as Race Oncology Limited (RAC) and Bard1 Life Sciences Limited (BD1) we have averaged up our positions toward month end believing that the short-term weakness is a natural pullback and overdone and expecting the share price to continue its upward trajectory in the new quarter.

At the time of writing our asset allocation of listed investments is still favouring the Biotech sector. However, we believe that COVID-19 has put a floor under this sector as more and more funds move into it and I see no reason to adjust this stance moving forward. Other notable sectors we have large exposures in are Oil & Gas, IT, Resources and Consumer Goods.

In looking at the current market curiously the Oil price is continuing to hold at circa US \$60 per barrel indicating that fundamental demand is strong. This sector looks attractive from my perspective and I suspect we will see a broader rally in Oil companies over the next 6 months as people look through the much-hyped electronic vehicle (EV) theme and instead focus more on traditional energy options. As such we, believe the Fund is well positioned to take advantage of this opportunity.

MERCHANT OPPORTUNITIES FUND - PERFORMANCE
MERCHANT OPPORTUNITIES FUND V ASX SMALL ORDINARIES INDEX
as at 31 March 2021



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