

MERCHANT OPPORTUNITIES FUND

The Merchant Opportunities Fund (MOF) slipped slightly from its all-time high in March to finish this month at \$3.3531 per unit which is up a pleasing 51.01% for the current Financial Year. In comparison, the Small Ordinaries Index (XSO) is up 26.40% and the ASX 100 (XTO) is up 19.03%.

With a pullback of risk appetite in the Small Cap Sector being the main feature during the month of April, losses in our Biotech investments were partially offset by solid gains in the large Iron Ore miners – BHP Group Limited (BHP), Fortescue Metals Group Limited (FMG) and Mineral Resources Limited (MIN).

Brookside Energy Limited (BRK) is currently one of our top holdings and I suspect with their major asset about to be drilled, we will see a lot more upside in this Company in the coming weeks and months. With onshore oil assets in the US, BRK will be a big beneficiary of our current positioning – the view that oil prices are heading much higher as first world economies emerge from enforced COVID lockdowns and demand for fundamental services and products, increases worldwide.

We originally provided BRK with funding via a loan agreement a few years ago. Over the years BRK paid back 50% of the loan and with liquidity at all-time highs in BRK, we elected to convert our remaining loan to equity. This swap has provided the Fund with a 50% uplift in carrying value of the investment as the BRK share price has strengthened since we agreed to the swap. We struck this agreement when oil prices were circa US \$40 per barrel and the AUD was \$1.05 vs the USD so have also made money on the currency movements by receiving the income in USD and converting to AUD.

Currently our Top 10 holdings in no order are:

JB Hi-Fi Limited (JBH)
BHP Group Limited (BHP)
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)

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
30 April 2021

\$3.3531

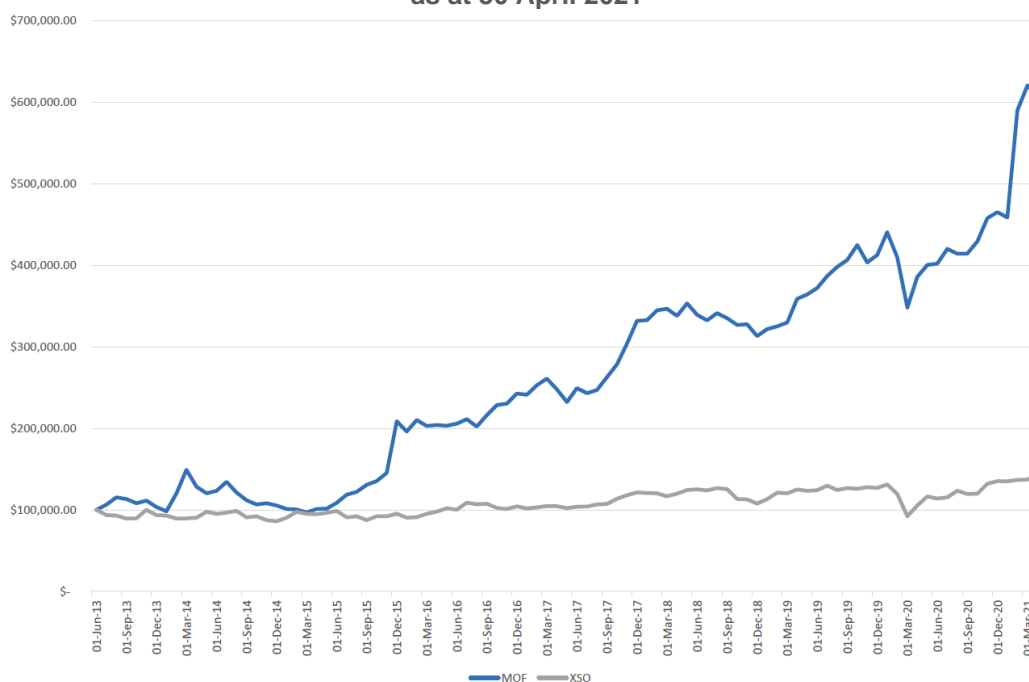


With a strong market leading into the end of the Financial Year we are seeing a slight rotation out of the Small Cap stocks into Blue Chips and as such the MOF is now benefiting from this resurgence of investor confidence. By combining the strategies of the Merchant Opportunities Fund and the Merchant Leaders Fund recently, we have been able to substantially increase liquidity in the portfolio whilst taking advantage of movements in both the Small and Large Cap sectors of the market.

While past performance is not an indicator of future performance, we believe that the strategy going forward of having a strong portfolio of Small Cap and Blue Chip stocks will allow us to consistently generate returns above the index over the long-term.

With funds under management of circa \$150m, the MOF is now open to new investors until such time as the fund reaches \$200m.

MERCHANT OPPORTUNITIES FUND - PERFORMANCE MERCHANT OPPORTUNITIES FUND V ASX SMALL ORDINARIES INDEX as at 30 April 2021



DISCLOSURE

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