

MERCHANT OPPORTUNITIES FUND

The Merchant Opportunities Fund (MOF or Fund) has started the Financial Year quietly as we have consolidated our return from the last Financial Year. The Fund is currently down 0.13% for the Financial Year vs the ASX Small Ordinaries Index up 5% and the ASX 200 up 2%.

The MOF has been notably affected in the last 6 weeks by the almost halving of the Iron Ore price from the record US\$230 set in June to now sitting at US\$120 (at the time of writing), with our biggest Blue-Chip holdings in Fortescue Metals Group Ltd (FMG), Rio Tinto Limited (RIO), BHP Group Limited (BHP) and Mineral Resources Limited (MIN) all falling over 20%. With some geo-political uncertainty weighing on the price, an uncertain growth outlook from here and uncertain emergence from lockdowns, plus more recently the decision by the Australian Government to align with the US and UK in terms of National Security with Nuclear Subs in the Pacific Region, in my view this route in the Iron Ore price looks set to continue. We have reduced the exposure in the MOF portfolio accordingly.

Most of the companies in the Blue-Chip section of the portfolio have gone ex-dividend in recent weeks which will be reflected in the coming month when cash is received in the Fund. Recent changes to the Blue-Chip sector of the portfolio include the addition of Elders Limited (ELD) (Agriculture) and Reliance Worldwide Corporation Limited (RWC) (Building Products).

Currently our Top 10 holdings in no order are:

Janus Henderson Group Plc (JHG)
Beach Energy Limited (BPT)
Race Oncology Limited (RAC)
Auscann Group Holdings Limited (AC8)
Bard1 Life Sciences Limited (BD1)
Brookside Energy Limited (BRK)
Reliance Worldwide Corporation Limited (RWC)
RMA Global Limited (RMY)
Fortescue Metals Group Limited (FMG)
Elders Limited (ELD)

Notable movements in the overall portfolio has seen PolyNovo Limited (PNV) off about 30% over the last month as the market awaits guidance on sales figures and some of the "blue sky" has been removed from its market cap as the business matures. For those of you who have been investors with us for many years, PNV was one of our early successes having first purchased shares at 5.5c some years ago. The BTM technology is amazing - saves lives and allows burns victims to recover quicker and better than the prior standard of care and as such we expect that the revenue line will continue to grow significantly, and this resetting of investor expectations is a natural part of an overall journey moving into the Blue-Chip section of the portfolio.

ABOUT MERCHANT OPPORTUNITIES FUND

The Merchant Opportunities Fund enables investors to get exposure to both Blue Chip ASX-listed companies and Small Cap ASX-listed companies plus 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 momentum based algorithmic investing in ASX 200 companies or companies at the pre-IPO stage or via listed placements that are normally the domain of professional investors.

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 August 2021

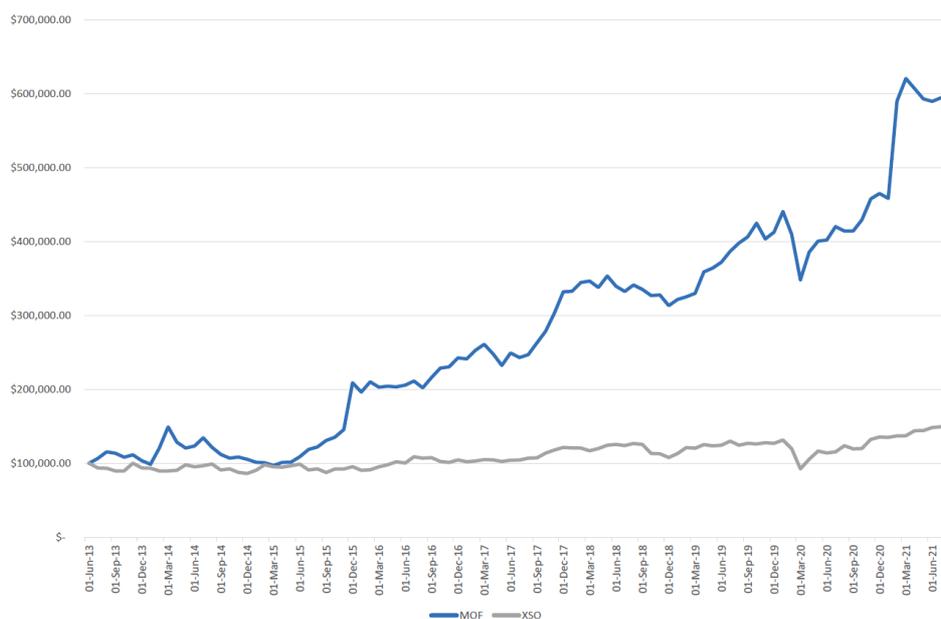
\$2.8620



Dimerix Limited (DXB) our latest Biotech investment has done reasonably well since the MOF entry price at \$0.20 per share via a placement handled by Canaccord. This was to ultimately be our first investment in the new Merchant Biotech Fund when it was intended to be launched last month. Having anticipated (underestimated!) the speed at which setting up a new Fund would take in the post COVID environment, this investment went into the MOF and as a result has contributed substantially to the performance of the Fund in the last two weeks with the stock trading at \$0.30, or a 50% gain on our entry point. We anticipate, post the settlement of the second tranche, being a substantial shareholder in DXB and we are excited by the prospect of DXB being fully funded and the cheapest market cap company on the ASX with 3 x Phase 3 Trials currently underway (2 x COVID, 1 x FSGS). With results imminent we are confident this will be an investment that will ultimately be the size of Race Oncology Ltd (RAC), Bard1 Life Sciences Limited (BD1) and Polynovo Limited (PNV) in the portfolio. Further to the investment in DXB another of our Biotech investment listed on ASX during the month - Clarity Pharmaceuticals Ltd (CU6). The Fund invested in CU6 prior to listing, and we are pleased to report an uplift in value of 50% on our initial investment.

The **Merchant Biotech Fund** is launching as soon as we get all our relevant ASIC approvals which should be any day now!

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



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