

MERCHANT OPPORTUNITIES FUND

Well, there goes another relatively boring month from a Fund perspective with the Merchant Opportunities Fund (MOF) trading water for the month of October. This leaves us slightly down for the Financial Year (0.76%) vs the Small Ordinaries Index (XSO) which is up 3.53% for the same period.

The market seems to be trading sideways now albeit with a slight downward trend back towards the 30 Day Moving Average level on the XJO (ASX 200) of 7358 points. I'm not much of a chartist but in saying this, given the run we had last financial year I think the market has held up remarkably well since its peak in August. There are obviously still risks in the system with inflation beginning to have an impact worldwide – especially shipping and freight bottlenecks where my bamboo shutters I ordered in May for delivery in August are now 3 months behind schedule...which is in turn, in a practical sense also leading to wage pressure and pretty much full employment; all the typical signs of inflation which will ultimately force the Reserve Bank of Australia to raise rates sooner rather than later. The Federal Reserve in the US has announced that they will effectively be ending the current round of stimulus measures mid 2022 so I'd expect the market is already pricing in rate rises and despite this, the market continues to hold if not strengthen in the US which we believe is a positive sign for equities.

In terms of the portfolio one major change this month was that we have gone back into our old favourite stock – PolyNovo Limited (PNV). They've had a tough time of late dropping to circa \$1.50 with the recent resignation of their CEO. The board has remained constant and with the return of Max Johnston as interim CEO we believe the company to be in a very safe pair of hands. Ultimately though we have reinvested in PNV for the re-opening trade in the US, believing that as more and more hospitals re-open to patients other than Covid related illnesses, the restocking for materials for elective surgeries will be substantial.

One bright spark in the portfolio of late has been South Harz Potash Ltd (SHP) (previously Davenport). The Fund invested heavily at an entry price of \$0.045 per share and SHP is currently trading at \$0.17 per share. With drilling permits imminent and such a large resource base in a very favourable jurisdiction we believe this investment could do very well over the coming 6 months.

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 October 2021

\$2.8414



Currently our Top 10 holdings in no order are:

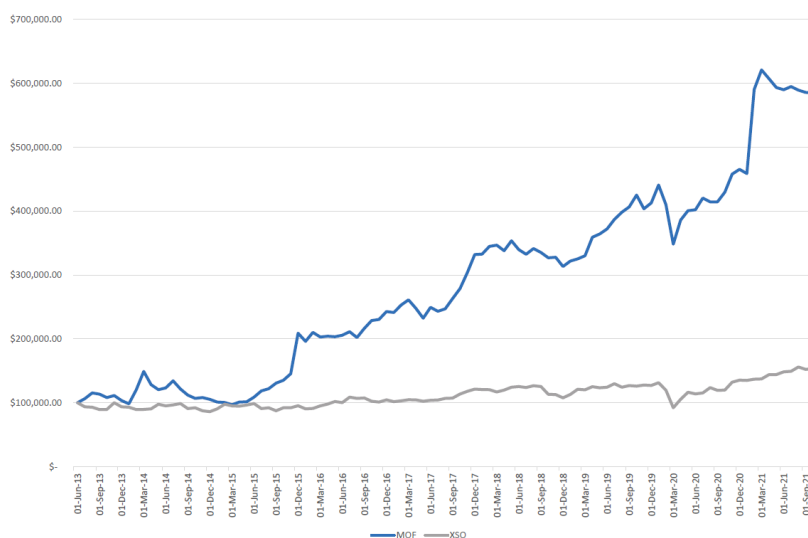
- Janus Henderson Group Plc (JHG)
- Beach Energy Limited (BPT)
- Race Oncology Limited (RAC)
- Auscann Group Holdings Limited (AC8)
- Bard1 Life Sciences Limited (BD1)
- Brookside Energy Limited (BRK)
- PolyNovo Limited (PNV)
- RMA Global Limited (RMY)
- Fortescue Metals Group Limited (FMG)
- Elders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

From next week the **Merchant Biotech Fund** will be open to all investors.

Should you have any interest in becoming a unitholder in this new Fund at its inception price of \$1.00 per share please email:

info@merchantgroup.com.au

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



DISCLOSURE

Merchant Funds Management Pty Ltd (ACN 154 493 277) is the Manager of Merchant Opportunities Fund, under an agreement with our Responsible Entity, CIP Licensing Limited, AFSL 471728.

This publication has been prepared on behalf of and issued by Merchant Funds Management Pty Ltd (ACN 154 493 277) Corporate Authorised Representative No. 420444 of Draupner Investment Management Pty Ltd (ACN 112 894 845) AFSL No. 303566.

Merchant Funds Management Pty Ltd (Merchant), does not accept any liability for loss or damage suffered or incurred by any person however caused (including negligence) relating in any way to this Newsletter including, without limitation, the information contained in it, any errors or omissions however caused or any person placing any reliance on this presentation, its accuracy, completeness or reliability.

Merchant and its affiliates or any of its directors, agents, officers or employees do not make any representation or warranty, express or implied, as to or endorsement of, the accuracy or completeness of any information, statements, representations or forecasts contained in this Newsletter, and they do not accept any liability for any statement made in, or omitted from, this Newsletter. Merchant accepts no obligation to correct or update the information in this Newsletter.

This Newsletter is intended only to provide a summary and general overview of matters of interest. The Newsletter is not financial product advice, whether personal or general, for the purposes of Section 766B of the Corporations Act. The Newsletter does not involve or imply a recommendation or a statement of opinion in respect of whether to buy, sell or hold a financial product. The information in this Newsletter does not take into account the objectives, financial situation or needs of any person. You should not act on or rely on the contents of this Newsletter before first obtaining professional advice specific to your circumstances.

This Newsletter and contents has been made available in confidence and may not be reproduced or disclosed to third parties or made public in any way without the express written permission of the Fund or Merchant Funds Management Pty Ltd.