



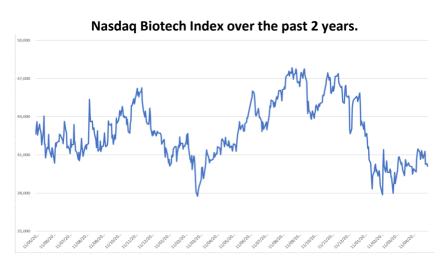
MERCHANT BIOTECH FUND

April brought another volatile month on the stock market. The release of inflation numbers and a rise in interest rates both globally and domestically led to a shakeout in the small cap sector and offered good buying opportunities in some stocks. The Merchant Biotech Fund (MBF) continued to focus on raising capital and also investing in a select portfolio of stocks that we believe can outperform in coming years and analysing new opportunities that have been presented.

The graph below shows the two-year chart of the NASDAQ Biotech Index (NBI).

Unit Price as at 30 April 2022 \$0.7717

This is a great indicator of the biotech markets globally and as we know with all global markets the US stock market is a lead indicator to other stock markets around the world as well as specific sectors. When the NASDAQ is down in the US, the Australian technology market almost always follows suit in the following days trade. This does not spare the biotechnology sector. We see this chart below as a good indication that the biotech market could be bouncing off recent lows and see this as a good time to invest.



This month management took the opportunity to increase its unitholding in the Merchant Biotech Fund investing over \$350,000. Post April's application, Fund Manager Andrew Chapman personally holds over 10% of the Fund.

Without the advantage of a crystal ball, we are not sure what surprises may be hiding in global markets and cannot predict further a further sell off, however we are taking the view that the Biotech sector has been sold off and the overall global environment isn't as bad as the markets have been predicting. Unemployment is low, and hopefully with inflation becoming under control through well managed interest rate rises we can see the Biotech sector improve.

Further to raising capital for the Merchant Biotech Fund in April, we also added to existing holdings in Polynovo Limited (PNV), Dimerix Limited (DXB) and Arovella Therapeutics Limited (ALA). PNV has had a strong few trading days with the Chairman David Williams backing his public comments and buying large amounts of stock on market. The market has responded well to this, and this key position in the MBF has been performing well.

Another key position in the MBF of which Merchant has been a supportive investor and shareholder of for many years is Race Oncology Ltd (RAC). RAC is an Oncology company with a Phase 2/3 cancer drug called Zantrene® and is focused on the development of bisantrene, a cancer chemotherapy drug. RAC recently completed a review of its clinical pathway and has established its 'three pillars strategy', focused on three discrete commercial pathways targeting melanoma/renal cell carcinoma, breast cancer and relapsed/refractory acute myeloid leukemia (r/r AML). The Company also has compelling clinical data for Zantrene as a chemotherapeutic agent and is in clinical trial in Acute Myeloid Leukaemia (AML).

RAC recently raised \$38 million via a Share Purchase Plan at \$3 per share and is well funded to progress the company's leading projects into the future.

DISCLOSURE

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