



NEWSLETTER

MERCHANT BIOTECH FUND

Another terrible month in the Biotech Sector which has resulted in the Merchant Biotech Fund (Fund or MBF) sliding a little further south in the short term. Against the ASX & US Listed Biotech Indexes we are faring better but at the moment it's all a little painful.

I cannot remember a worse time in this sector in my 22 years in this industry so surely it's an omen of better times ahead... but for now we just need to ride the waves we are on. Chasing new swells is always fraught with danger and we are loath to change tack or strategy at this point in time with the volatility triggered by global inflation hopefully at its zenith. In my years in this game, the market always leads the real economy by about 6 months so whilst there isn't pain in the street yet, it's probably coming however the market will turn higher before this.

High profile investors such as Kathy Wood's ARK Fund are down this calendar year circa 80% and with pain all over the place, we are seeing the best buying opportunities in a long time. Specifically, companies in the sector that we are holding have strong balance sheets, strong technology and strong IP protection and we are confident that this pain will be short lived

Of note the MBF has a holding in HAPA Pharm, a medical cannabis company based in Germany. In the next few months we anticipate HAPA will deliver substantial **returns to the MBF** as it moves to market. We will elaborate more on the specifics of the investment and why we are so excited by the near-term opportunities for HAPA and the sector in next month's newsletter. We were hopeful of a June revision substantially upwards in the MBF unit price but with some regulatory delays pending we expect to see this uplift in the unit price in July.

As per our previous newsletters, each month we look at an investment in more detail and this month its Imugene Limited (IMU).

Unit Price as at
31 May 2022

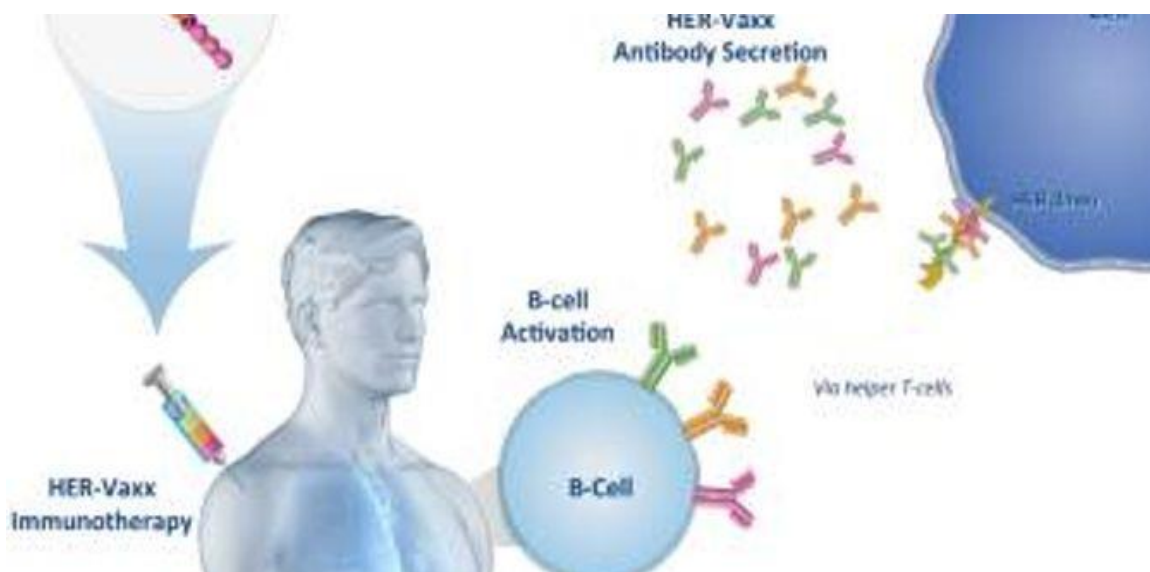
\$0.7318

IMU has been the market darling of the Australian Biotech sector over the past 3 years, with the 'Guru' of Australian Biotech Paul Hopper at the helm. Imugene is a clinical stage immuno-oncology company developing a range of new and novel immunotherapies that seek to activate the immune system of cancer patients to treat and eradicate tumours. The unique platform technologies seek to harness the body's immune system against tumours, potentially achieving a similar or greater effect than synthetically manufactured monoclonal antibody and other immunotherapies. The pipeline includes multiple immunotherapy B-cell vaccine candidates and an oncolytic virotherapy (CF33) aimed at treating a variety of cancers in combination with standard of care drugs and emerging immunotherapies such as CAR T's for solid tumours. Imugene is well funded and resourced with a high calibre management team with a proven track record, excellent partnerships and product range which should enable it to deliver on its commercial and clinical milestones.

IMU took the initiative this month and communicated directly to its shareholder base with a well-constructed letter which illustrated the difficulties that the sector has been facing. The key points from the letter are highlighted below:

"We are writing to you regarding the share price performance of Imugene over the last few months and to point out that Imugene is as strong as it has ever been in its history. It is an understatement to say we are living in turbulent times. Since December last year, biotech share prices have fallen dramatically. According to Bloomberg, April was the worst month on record for US biotech's since at least 1997, and the sector has tumbled roughly 65% from its February 2021 peak, sinking 22% in April alone. In addition, investors around the world have been spooked by the Ukraine - Russia tensions, hawkish comments from the US Federal reserve, stubborn inflation, and a worsening COVID situation in China. Imugene has not been immune to this slide and many of you have been in contact with us to understand why the company's share price has been impacted so dramatically. We remain in the top 3 largest biotech companies in Australia today"

(source: <https://www.asx.com.au/asxpdf/20220523/pdf/4596lwxm5g4hh.pdf>)



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