



NEWSLETTER

MERCHANT OPPORTUNITIES FUND

The MOF is currently down 15.41% since 30 June against a Small Ordinaries Index that is at the time of writing, down 19.94% for the Financial Year. Unfortunately, without a miracle happening in the next month, it looks like our run of 8 years without a down year, has come to an end.

There are a number of factors at play at the moment globally and whilst we are seeing extreme volatility in most markets, some of the real data is beginning to suggest that inflation in the US could be moderating despite printing very high statistics recently (remember the stats are a few months behind the market).

Whilst the bucking bronco that is the market at the moment is a little hard to stomach and gives me a few sleepless nights, I'm looking out for that day (that we may have just had) of total panic selling. Typically all of these market swings culminate in one of these days before forming a base and moving higher. Over my 22 plus years in this game I find sleepless nights and teeth grinding are generally for me the turning points...so let's hope that this is the case.

We have written in this note recently about HAPA Pharm – our current Medical Cannabis transaction that is European focused. We are 'pregnant with news' on this one in relation to a transaction that will see a substantial rerate of the price of the carrying value of HAPA and in turn the unit price of the MOF. In an ideal world we would have been able to deliver this before the end of June thereby keeping our record intact however with some regulatory delays, this will most likely be in July unfortunately.

Right now, we are focusing on the companies currently in the portfolio and see little point taking on new risk in this market. Where we have cash funds available to invest, we are investing in the same companies we already own believing that the prices we are seeing at the moment are sale prices and this has most of the time proved a winning strategy. Having been through so many of these cycles in my career now, I don't see any reason in changing tact or moving strategies to catch the next best thing...I'd suspect all the investors that jumped on the Coin/Crypto craziness are probably wishing they'd stuck to their knitting right about now with some of these investments off 90% this year – Bitcoin alone is down 60% from its high only 5 months ago!

**Unit Price as at
31 May 2022**

\$2.3642

Sometimes the markets like what we have experienced over the last 12 months, are best handled with doing as little as possible. We have stuck to that strategy this year and focused internally vs externally and I believe this will set us up extremely well for the next financial year which I am really looking forward to starting.

Currently our Top 10 holdings in no order are:

- PolyNovo Limited (PNV)
- Race Oncology Limited (RAC)
- Inoviq Limited (IIQ)
- Brookside Energy Limited (BRK)
- South Harz Potash Limited (SHP)
- Fortescue Metals Group Limited (FMG)
- Oz Minerals Limited (OZL)
- BlueScope Steel Limited (BSL)
- Incitec Pivot Limited (IPL)
- Sky and Space Company Ltd (SAS)

MERCHANT OPPORTUNITIES FUND - PERFORMANCE MERCHANT OPPORTUNITIES FUND V ASX SMALL ORDINARIES INDEX as at 31 May 2022



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