



# Merchant Opportunities Fund

## January 2024

### Unit Price

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31 January 2024	\$1.9653	30 September 2023	\$2.1320
31 December 2023	\$2.1532	31 August 2023	\$2.1408
30 November 2023	\$2.1181	31 July 2023	\$2.2261
31 October 2023	\$2.1229	30 June 2023	\$2.2195

### Month in Review

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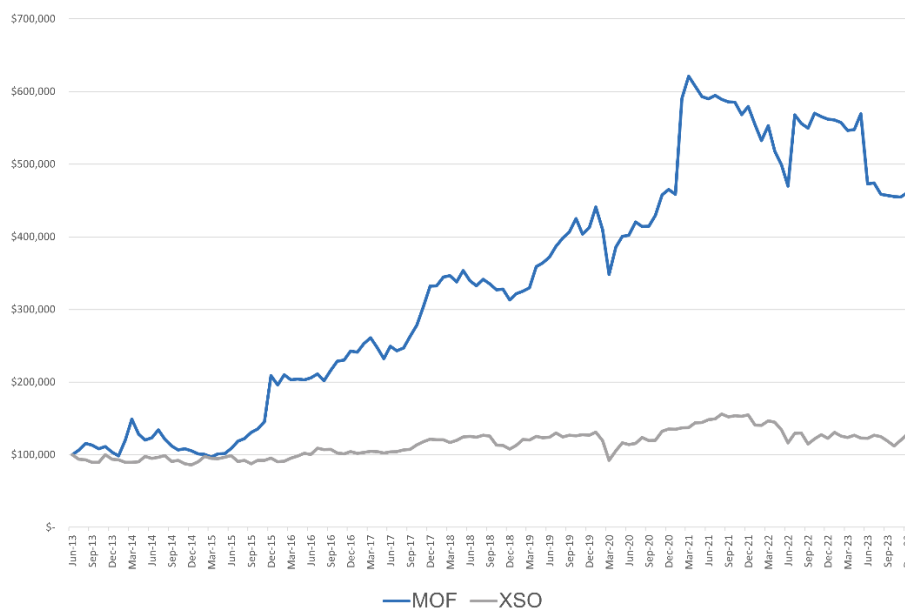
We are starting to see green shoots in our sector of the market of late, despite an easing in January. With the US now firmly in election mode and global interest rates looking like they aren't going any higher, the market is now looking towards cuts sometime in 2024. This in turn is having a long overdue impact on the Small Cap sector of the market which should continue through 2024 with many market professionals calling for a Bull Market in this sector. This would certainly be a welcome change for the market, and pleasingly our listed investments are well positioned to capitalize on this movement.

During the month of January we reduced the carrying value of our medical cannabis holding European Cannabis Corporation Limited (Eurocann). Whilst the fundamental business and strategy hasn't changed and remains strong, the reality is that given the difficult liquidity landscape in Germany at the moment especially for startups, the company will convert the debt on its balance sheet to equity - and therefore with more shares on issue, the price of each share is now lower. This is common in startup businesses and we have experienced this extensively over the last 12 months on multiple assets within the Merchant Opportunities Fund due to the extreme lack of liquidity I have previously written about. The valuation for this asset has been set at the pre-IPO funding round signed documentation and as such we are comfortable that this is reflective of the position of where the new investors are coming into the company at. Importantly the company will be fully funded to progress toward IPO in the coming months and with the legislative environment in Germany now clear for medical and recreational cannabis and exciting new products being launched to penetrate this market, we expect a strong IPO and therefore an uplift in this valuation later in 2024.

As mentioned, liquidity is still very tight but there are some green shoots forming and we are very conscious of letting our winner's ride. There is an old expression that you shouldn't water your weeds and pull your flowers and we are very aware of this at this time and we are making sure the Fund has enough investments that are performing so that we can hold them and increase the unit price back to higher highs.

## MERCHANT OPPORTUNITIES FUND (MOF) v ASX SMALL ORDINARIES INDEX (XSO) as at 31 January 2024

Value of \$100,000 invested June 2013



## About Merchant

Merchant Funds Management Pty Ltd (“Merchant”) is an unlisted investment company that invests in emerging opportunities and undervalued companies listed or soon to be listed on the ASX and/or other recognised exchanges.

Established in 2011, Merchant is the Investment Manager of the Merchant Opportunities Fund (“MOF”) and Merchant Biotech Fund (“MBF”). With a high degree of management and employee ownership within our Funds, interests of the management team and unitholders are clearly and transparently aligned.

The investment focus of the Funds is predominantly micro to mid-cap companies outside the ASX 100.

The Funds are suitable for investors wishing to gain exposure in micro to mid-cap companies and are willing to accept highly volatile returns and increased levels of risk over the long-term, including returns that from time to time could be negative, and with the aim of seeking higher absolute returns over the long-term. An investment in the MOF or MBF should only be considered by investors with a high-risk tolerance and a long-term time horizon.

The Merchant Opportunities Fund has consistently outperformed, with returns (after fees) well ahead of the ASX Small Ordinaries Index over a 3-year, 5-year, 7-year and a 10-year period.

### DISCLOSURE

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

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