

Agriculture Credit Fund Report

August 2021

Fund Details

Strategy

Senior secured loans against hard assets in the Agriculture sector.

General Loan Duration

12-30 months

Typical Loan Structure

Senior secured debt

Typical Loan Size

\$5M - \$250M

Fund Size

\$90M

Merricks Capital Co-investment

Co-invest on all loans

Minimum Investment

AUD \$500,000

USD \$250,000

Auditor

EY

Administrator

Citco Fund Services

Contact

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Adrian Redlich

CHIEF EXECUTIVE OFFICER

“Merricks Capital has a strong background in the agricultural sector. Our agriculture loans are focused on helping farmers and the agriculture supply chain grow. With limited competition outside the balance sheet of the commercial banks, we consider there to be a significant opportunity to deploy alternative credit and achieve consistent risk-adjusted returns through our asset-backed investment philosophy.”

A Hard Asset Investment Specialist

Our mission, in partnership with our investors, is to continue to deliver consistent returns by providing innovative capital solutions across agriculture, commercial real estate and infrastructure.

Fund Performance

Net Fund Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Net Annual Return
2021	-	-	-	-	-	0.6%	1.0%	0.8%					

Total Net Fund Returns (%)

1 Month	0.8%
6 Month	N/A
1 Year	N/A
Since inception (June 2021)	2.4%

* Past performance is not a reliable indicator of future performance.

** Total net fund returns are based on general class shares and are calculated after the deduction of all fees and expenses.

*** Individual investor circumstances may vary and as such your fund returns may differ from the net fund returns quoted.

Market Review

2021 continues to see rural property values on an upward trajectory

At Merricks Capital, we are constantly in discussion with rural sales agents and are seeing strong demand for properties valued at more than \$10m. The agriculture investment strategy is focussed on \$25-\$50m loans where we see the strongest investment opportunities. Growth in property price has been driven by a combination of factors. Ultimately, supply and demand dynamics underpin the increase.

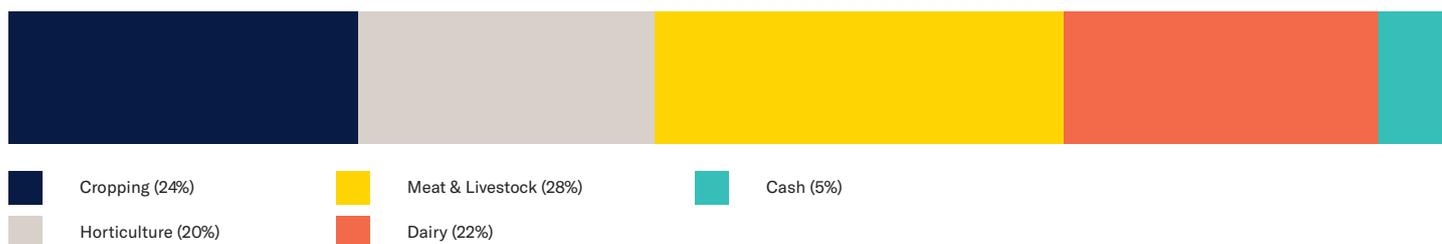
Strong commodity prices and good seasonal conditions have tightened the hold producers have on their current land assets while prompting an expansion phase in their operations. Low supply of farms on the market has improved transaction expectation of vendors.

Additional demand has originated from investors and international buyers who are seeing value in Australian rural property. Urbanites chasing a regional lifestyle are pushing up rural land value on urban fringes while investors looking for environmental driven outcomes, for example in the carbon farming space, are also increasing competition in the market.

When we complete loans, we do not assume any asset value appreciation in Loan to Value Ratio (LVR), our key credit metric. However, asset value appreciation reduces individual loan risk exposure in our Agriculture Investment Portfolio.

Based on the market signals above, we anticipate asset values will continue to rise, however we will continue to remain conservative in our assessment of each individual loan, assuming no rise in underlying asset values for the life of the loan

Investment Sub Strategy



Loan Size



Portfolio Characteristics

Duration (average)	23 Months
LVR (weighted average)	61%
Number of Loans	13

Portfolio Commentary

The Agriculture Credit Fund returned 0.8% during August and 2.4% since inception in June 2021. The Founders Share Class will be closing end of September 2021 all new subscriptions from October 2021 will flow in to the Ordinary Share Class.

One new investment was added to the portfolio during August. A \$57m agriculture loan secured against A-Grade dairy farming land, running 30,000 dairy cows, in the northwest tip of Tasmania. This loan will be added to both the Partners Fund and the Agriculture Credit Fund and will provide investors with an IRR of ~8.7%.

An agricultural loan of \$48.1m was fully repaid, delivering an IRR of ~15.7% IRR to the fund compared to the forecast IRR of ~9.9%. There have been three small loan extensions across the agriculture portfolio of between 4-6 months.

The pipeline remains strong for the Agriculture Credit Fund with \$500m of agriculture opportunities in Due Diligence. In early September, we expect to reach financial close on a \$24m, two-year facility secured by 2,000 acres of farmland in the Bundaberg region. On average new loans in the pipeline continue to promise approximately 10% effective interest rates net to the fund.

Top Five Loans

Location	LVR (00%)	Term (months)	Description
TAS	60%	18	Facility providing funding to recapitalise a large-scale dairy business and position it for future growth.
NSW	65%	18	Refinance of the borrower's existing debt and provision of funding for the purchase of additional livestock.
NZ	65%	24	Refinance of the borrower's existing debt facility and to fund future orchard development across a portfolio of properties.
NSW	58%	12	Large scale irrigated and dryland farming operation growing cotton, cereals, almonds and wine grapes on over 3,200ha in the Riverina.
WA	54%	24	Refinance of the borrower's current debt facilities.

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Years experience
Established in 2007

MANAGED OVER
\$5 Billion

in global investment
opportunities

TRADED IN EXCESS OF
\$250 Billion

of securities and
commodities



Agriculture



Commercial
Real Estate



Infrastructure