

AgFood Opportunities Fund – Investor Update

September 2022



Facts

Portfolio Value	\$15.0m on 31 August 2022 Inc. \$4.9m committed funds
Fund commenced	1 Aug, 2020
Minimum Investment	A\$100,000
Income distribution date	31 Jul 2022
Unit Valuation	Sydney Business Day
Unit Price – Daily	\$0.7881 – 30 Sep 2022

Unit Price (NAV) – Monthly \$0.7881 – 30 Sep 2022

Important Documents

[Online Application Form](#)

Contacts

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Performance after fees to 30 September

Past performance is not indicative of future performance

Fund Annual since 1 Aug 2020
-10.4%pa

Benchmark Annual = 6.00%pa

Fees

Entry Fee	0.3%
Management Fee	1.5% p.a. plus GST of Fund's NAV
Performance Fee	20% p.a. plus GST of amount by which Fund's return exceeds benchmark subject to a two-year high-water mark

[AgFood Fund Website](#)

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[Information Memorandum](#)

[Online Existing Investor Application Form](#)

UNIT PRICE

2020	1-Aug-20	Aug	Sep	Oct	Nov	Dec
Unit Price	1.000	1.000	0.996	0.990	1.031	1.067
Monthly Change		-0.04%	-0.40%	-0.60%	4.13%	3.51%
Annualised		-0.48%	-2.61%	-4.10%	9.43%	16.76%

2021	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec
Unit Price	1.0916	1.0920	1.0808	1.1088	1.1087	1.0521	1.1120	1.0801	1.0077	0.9932	0.9541	0.9912
Monthly Change	2.33%	0.04%	-1.03%	2.80%	-0.01%	-5.66%	5.99%	-3.19%	-7.24%	-1.45%	-3.91%	3.71%
Annualised	19.16%	16.29%	12.36%	14.76%	13.18%	5.70%	11.20%	7.37%	0.66%	-0.54%	-3.46%	-0.62%

2022	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec
Unit Price	0.9008	0.8997	0.8669	0.8665	0.8233	0.7808	0.8003	0.8252	0.7881			
Monthly Change	-9.04%	-0.11%	-3.28%	-0.04%	-4.32%	-4.25%	1.95%	2.49%	-3.71%			
Annualised	-6.73%	-6.46%	-8.21%	-7.86%	-10.06%	-12.11%	-10.54%	-8.81%	-10.41%			

SUMMARY

Over the past two weeks we caught up with leaders of our top five investments in Adelaide and Melbourne.

Our key investment in plant protein, **Wingara** (ASX:WNR) has made significant progress in the past six months. Last week it finalised the sale of Austco Polar Cold Storage for \$1.3m equity and \$19.3m lease liability with no writedowns. In our view, this was a necessary step for the company to move forward and generate meaningful cashflow. We believe, there is consolidation playing out in the Oaten Hay sector and Wingara are assessing all options.

We also got the opportunity to catch up with Paul Thompson from **Select Harvests** (ASX:SHV) at an ESG agri-business event in Melbourne. We have a trading position in SHV as we think there is material upside to the current almond price in the next 12-24 months.

TasFoods (ASX:TFL) is making progress on their internal systems to reduce logistics costs for the business. TasFoods has also pushed through price rises across all of their SKU's to keep up with the rising cost increases. Scott and the team have given us confidence that TasFoods can evolve outside of Tasmania. We caught up with the TasFoods team in July as part of our roadshow. TasFoods brought along their high-quality cheeses which received good reviews from investors and the AgFood team.

Health and Plant Protein (ASX:HPP) has been disappointing as it has missed the timeline of the macadamia orchard sale. Dennis Lin has retired from Executive Chair and has been replaced by Albert Tse. Dennis Lin did not simply have enough time to focus on HPP. We think Albert is motivated to revisit the M&A strategy with strong interest in sustainable Hawaiian macadamias and US health food distribution.

During August we decided to lock in some profits in **Ridley** (ASX:RIC), and decided to sell Ridley (ASX:RIC) because we thought at their valuation there was small upside compared to other opportunities. We still hold the view of Ridley as a gatekeeper in protein, and we would look to re-enter at a suitable price.

In September we did some Site Trips: Yumbah Aquaculture (Adelaide), we saw David Wood and the team at Yumbah's processing facility where they package and distribute abalone. Yumbah also presented at the ESG Agribusiness Australia event alongside, Fonterra and Food Frontier. In our opinion, Yumbah was the standout in this front with 10 years of sustainable improvements done.

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We also visited **Clean Seas Seafood** (ASX:CSS) in Adelaide at their processing and distribution facility. Given, Tassal is now off the boards of the ASX, the team is assessing the next up and coming aquaculture companies on the ASX. We have started to build a small position in Clean Seas Seafood.

We had the opportunity to meet the **Crush Dynamics** team and their Australian commercial consultants, Spiegare in Adelaide. Kirk Moir from Crush Dynamics came down from Canada to Adelaide to assess potential partners for grape marc off-take, manufacturing partners and potential customers. We made an investment of A\$250,000 into Crush Dynamics in early 2022, and we are now looking at ways to further support Crush Dynamics. We like Crush Dynamics as we believe they have a low cost and scalable model. We also like them from a sustainability point of view, as they take a waste product and process it into a consumable product.

We finalised our A\$500,000 investment into **Digital Agriculture Services**, in our view the leading geo-spatial mapping company in agriculture. We like DAS for its business model and how it uses its data. DAS do not monetise farmers, they target large enterprises such as grain traders, banks and insurers. DAS' technology was developed from CSIRO, which gives it credibility and rigour in our opinion. DAS are looking at international expansion and our investment will help facilitate part of this. We think Anthony Willmont and his team are proactive, they also attended the ESG Agribusiness Australia event with the intention of finding new customers.

The AgFood Opportunities Fund's performance is -10.41% per annum since 1 August 2020 inception, all after fees. Past performance is not indicative of future performance. We will have periods of underperformance during internal and external changes in cornerstone investments. Our assistance and support of management and staff lead to a stronger platform with more sustainable growth.

We remain comfortable with the two-to-three-year returns reaching the 8-10%pa returns because of 3-6% underlying growth in agfood ex-farm gate value growth from Australia, and our focus on higher growth areas of aquaculture, protein (plant and animal) and brands.

Our performance is correlated to index performance, thus delivering active alternative investment returns which are defensive. With many macro events outside Australian control likely to affect supply chains (for example: Ukraine and Taiwan conflicts, Central Banks tightening access to money) we are very comfortable investing mainly in Australian food production and proven agtech improvements.

Differentiators and Portfolio

	Leader	Core	Emerging
Focus	<p>Aquaculture</p>	<p>Brand</p>	<p>Plant Protein</p>
Change	<p>People</p>	<p>Sustainable Build Futures</p> <p>Health Defensive</p>	<p>Technology</p>
Screen	<p>Proactive Management</p> <p>Experienced People</p> <p>Respect external advisors</p>	<p>Scalable Niche</p> <p>Supply chain position</p> <p>Scope to grow</p>	<p>Capital Preservation</p> <p>Major change with funding</p> <p>External investment welcome</p>

Source: AgFood Fund

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CURRENT PLATFORM

AgFood Opportunities Fund is 39% in ASX listed shares, 28% in unlisted investments and 34% in cash (mostly in committed funds). We have a number of unlisted opportunities which will move us to 40/60 unlisted and listed companies across sustainable platforms in: protein; aquaculture; brand and technology.

Protein – We have three cornerstone positions in emerging companies that use around 28% of the Fund and holdings in agfood leaders:

- 10.9% of TasFoods (TFL) – Premium Tasmanian dairy and poultry;
 - 8.8% of Wingara (WNR) – Oaten hay processing and supply into North Asian dairy; and,
 - 1.8% of Health Plant & Protein (HPP) – Hawaiian Macadamia and North American distribution)
- AgFood protein leaders include Elders (ELD) and Select Harvests (SHV)

Aquaculture – We have 22% of the Fund in Aquaculture.

- We invested \$3m into the unlisted Yumbah Aquaculture equity raising in 2021. Yumbah has been able to consolidate Cameron Oysters and Sea Farms Mussels over the past 12 months.
- Yumbah is looking at distressed assets in aquaculture and we think there could be another opportunity to support the next stage of growth. Yumbah announced on 12 October a strategic ownership position in East 33 (E33.ASX) – the largest Sydney Rock oyster producer.
- We expect Yumbah to IPO with a 24-month time frame.
- We built a small position in Tassal (TGR.ASX) during the year, we have switched that into Clean Seas Seafood post Cooke Incorporated's successful bid for Tassal.

Brand/Distribution - We have 20% of our portfolio positions in TasFoods due to the leading Tasmanian food brands such as ("Pyengana", "Meander Valley Cheese", "Nichols", "Betta Milk") and scalable opportunity with national distribution and artesian food regions.

Technology – We have 5% of the Fund and holdings invested in technology:

- We invested \$250,000 in Crush Dynamics in early in 2022, with underwritten \$3.3m via two more tranches in late 2022 and late 2023 for growth into Australia.
- We invested \$500,000 into Digital Agriculture Services in October 2022, with a plan to support future capital raises with underwritten \$2m for expansion into USA.

FUNDING THE NEXT PHASE

We are currently seeking to raise a further \$5m to \$10m from existing and new investors over the next six months.

Existing shareholders have underwritten \$5.3m of this investment into Crush Dynamics and Digital Agriculture Services. This underwriting has enabled the AgFood Fund to be the only new wholesale Australian investor into these businesses subject to performance hurdles.

The AgFood Opportunities Fund provide a diverse and actively managed exposure to AgTech along with sustainable traditional companies that are incorporating improvements across aquaculture, brands and plant based protein.

The AgFood Opportunities Fund Information Memorandum, Unit Pricing and Application Form are available on www.agfood.com.au We have now streamlined our application process for new and existing unit holders. We have an [Online Application Form](#) for new investors and an [Online Existing Investor Application Form](#).



Scott Hadley, MD of TFL presenting to The AgFood Fund and investors.

Source: AgFood Fund



Board panel presenting at the May 2022 AgFood Conference in Melbourne.

Source: Ag Food Fund



David Wood presenting at the Agribusiness event, ESG beyond the farmgate.

Source: AgFood Fund



Paul Jenz and Kirk Moir MD of Crush Dynamics at the Canadian Consulate in Sydney.

Source; AgFood Fund

Disclaimer and Disclosure

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The following person(s) holds a direct economic interest in HPP securities covered in this report or other securities issued by the subject issuer which may influence this report:

- an author (Paul Jenz) of this report

Anthony Hall, a non-executive director of AgFood Fund, is a major shareholder and non-executive director of Yumbah.

PAC Partners has in the previous 12 months carried out work on behalf of Companies (BGA, CAN, HPP, RIC, PTL, SHV, TFL, WNR, Yumbah) described in this report and received fees on commercial terms for its Research and Corporate services. PAC Partners indirectly benefits from securities of Companies in the Fund via its founding shareholding in AgFood Fund, and directly benefits via its ownership of Units in the Fund.

As a result, investors should be aware that AgFood Fund and PAC Partners may have a conflict of interest that could affect the objectivity of management of the Fund and preparing this report. The AgFood Fund maintains a Conflict of Interest register and manages these conflicts with an independent investment decision making process.

The 8-10% return target over a three year period is not guaranteed.

If any investor has any concerns then they should contact the Fund Manager at info@agfood.com.au or Paul (pjenz@agfood.com.au) and Max (maxandrews@agfood.com.au) directly.

For more information about the AgFood Opportunities Fund please visit www.agfood.com.au