

AgFood Opportunities Fund

December 2020



Facts		Performance after fees	
Portfolio Value	\$15.0m in December 2020 Inc. \$4.1m committed funds	Fund	Year to date +6.67% Annual +16.8%
Fund commenced	1 Aug, 2020	Benchmark	Year to date +1.84% Annual +4.42%
Minimum Investment	A\$100,000	Fees	
Income distribution date	Annual from 31 Jul 2021	Entry Fee	0.3%
Unit Valuation	Sydney Business Day	Management Fee	1.5% p.a.
Unit Price	\$1.0667	Performance Fee	20% p.a. of amount by which Fund's return exceeds benchmark after fees

UNIT PRICE

2020	1-Aug-20	Aug	Sep	Oct	Nov	Dec
Unit Price	1.000	0.9996	0.9956	0.9896	1.0305	1.0667
Monthly Delta		-0.04%	-0.40%	-0.60%	4.13%	3.51%
Annualised		-0.48%	-2.61%	-4.10%	9.43%	16.76%

SUMMARY

We are very pleased to be up 6.67% on the initial investment for the first five months. This annual rate of 16.8% is above our 8-10% target.

We set a six-month time frame to allocate capital to 70% listed shares and 20% unlisted and 10% cash. At this point we are 47% in ASX listed shares, less than 0.5% in one pre-IPO and 52% in cash (including 27% committed funds).

Our first cornerstone investment in a listed company, TasFoods TFL.ASX (8.5% for \$3m), continues to be a strong contributor and we will visit them in February. We now have a small position in Health Plant & Protein (HPP.ASX, old BUG.ASX) which is our #2 outperformer post its strategic review announcement.

A couple of significant investment opportunities are under evaluation and decisions are due early to mid-February.

FUNDING

The AgFood Opportunities Fund ("AgFood") was seeded at \$10.2m in early August 2020. Over the holiday season a significant amount of the \$4.1m of commitments were brought into our account. This is another \$5m to \$10m of potential funding via a Term Sheet, and we target Funds Under Management of \$25m in mid-2021.

The Opportunities Fund Information Memorandum and Application Form are available on www.agfood.com.au

PEOPLE

Anthony Hall is Non-Executive Director and cornerstone investor in the AgFood. Andrew Gatenby is Portfolio Director, Craig Stranger is Non-Executive Director and Paul Jenz is Chairman. Each has over 20 years of successful agribusiness and/or emerging company development experience. AgFood has access to the PAC Partners team of 30 people across four offices with 16 years of transitioning companies from unlisted to listed makes one of the most dynamic and differentiated Australian funds. See attached presentation for details.

We advertised for a Business Development Manager on Seek and Linked In from 15 January, and would appreciate any suggestions from our existing and potential investors, as well as our companies.

FIRST FIVE MONTHS

Over the last five months we have made two types of investments:

1. Cornerstone – 8.52% of TasFoods (TFL), and potential cornerstone in Health Plant & Protein (HPP) with 2.0%
2. Passive – Core – BUB, CAN, ELD, PBP, PTL, RIC, SHV, and Trading – GNC, TGR, TWE (all exited by late December)
3. Unlisted – Small position in pre-IPO investment Mycolivia, a 10 year leader in therapeutic mushroom products

Our outperforming stocks in the portfolio were: TasFoods (TFL), Health Plant & Protein (HPP), Probiotec (PBP), Cann Group (CAN) Ridley (RIC), and GrainCorp (GNC). Our underperformers were Bubs Australia (BUB), Elders (ELD) and Select Harvests.

We use 500 listed companies across 10 exchanges as our benchmark for the top 50 Australian and New Zealand listed companies, and our watchlist of 100 Australian and New Zealand unlisted companies.

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In 2020 we did detailed due diligence on more than 10 unlisted agfood companies, and five listed companies for cornerstone investments. Due to delays of a few attractive unlisted opportunities and mismatched valuation of other unlisted companies, we were drawn back to two listed companies with strong building blocks of: scalable niche; active listening/doing; and capital preservation.

We bought 8.52% of TFL through a placement of \$3m at \$0.10/share (now \$0.12/share, see detail below), started with a 2% position in Health Plant & Protein via a taking a position via a Share Purchase Plan shortfall.

Our attention in December and January switched to three major unlisted opportunities.

NEXT STEPS

We still believe there is better value in a few ASX listed companies vs high expectations of valuation from unlisted companies that need money in the short term. We will stay with a 70/20/10 Listed/Unlisted/Cash split until our next Board Meeting on 2 February 2021.

One unlisted opportunity has been pushed up the list because the voluntary administrators lost support of banks and the preferred bidder walked away.

In early February we will have a clearer idea of timeframe for attractive unlisted companies such as Yumbah, others and Agrisano (see below.)

We are still receiving great feedback from AGFOOD OPPORTUNITIES FUND CONFERENCE with WESTPAC – 25 NOVEMBER 2020 - Australia China Business Council (ACBC) and Australian Competition & Consumer Commission (ACCC) and BUB, ELD, RIC, SFG, SHV, TFL, WWG, Yumbah, AgFood Opportunities Fund - LINK TO RESEARCH [RR_AgFood_201127](#) (5 pages)

NEXT UPDATES

Site trip to Tasmania in February or March – TFL and other opportunities.

We plan to have a “Face to Face” AgFood Conference in Sydney during July 2021.

Please register your interest via info@agfood.com.au , and we will keep you in the loop.

UNLISTED COMPANIES UNDER CONSIDERATION

Company Name	Sector	Website	State
Cash Generating			
Yumbah Aquaculture	Aquaculture - abalone Viticulture	www.yumbah.com	Vic, SA & Tas
GGG, HHH	Vaccines / Therapy		Australia
BBB1, BBB2	Rural		Australia
CCC, DDD, EEE	Dairy / Pork / Poultry		Australia
JJJ	Food/Entertainment		Australia
AAA	Free range egg		Australia

Company Name	Sector	Website	State
Pre-Cash Flow			
NNN	Horticulture Health Foods		Spain South Australia
LLL	Insect protein		Vic
MMM	Carbon sequestration services and technology		Australia

Investment Summaries

TasFoods (TFL.ASX) – Jane Bennett, Managing Director, presented at our AgFood Conference.

AgFood has invested \$3m at \$0.10/share for 8.52%

ACTION – AgFood will support the TFL management and Board in the execution of the Company's growth strategy. Part of this support will be offering access to AgFood's pipeline of projects which are relevant to TFL.

NEXT UPATE – late January 2Q21 cash flow report, and AgFood will do site visit in February/March 2021

TFL processes, manufactures, and sells Tasmanian-made food products in Australia. The company operates in Dairy and Poultry segments. It offers poultry meat products under Nichols Poultry, Nichols Ethical Free Range, and Nichols Kitchen brands, and wasabi flowers and leaves, as well as fresh wasabi stems and powdered wasabi. The company also provides fresh milk, cheese, cream, and butter products under the Meander Valley Dairy, Pyengana Dairy, Real Milk, Robur Farm Dairy, Betta Milk, and Tassie Taste brands. In addition, it operates café and retail shop. The company also exports its products. TasFoods Limited is based in Launceston, Australia.

TFL is moving to a scalable niche model with:

- Dedicated team around Jane Bennett (MD), a leader in Tasmanian Food Brand development, family-owned vertical dairy products, and national technology/communications (ex CSIRO and ABC board member)
- Focus on growth while managing its cost base – which started to emerge with a reasonable 3Q20.
- Strong expansion strategy for Tasmanian food into Australian channels (like Maggie Beer with South Australia Food)
- Blue Sky with off-shore sales into Asia, MEast, Nth Asia - with small success in Singapore so far
- Mitigated risk though diversified products and channels - e.g.: surplus milk and poultry into everyday channel while high margin brands are built
- Control of whole supply chain from source to customer with key partnerships (e.g.: Fonterra milk, some contract poultry growers, mostly company owned)

The funds raised from the \$3m placement to AgFood will accelerate the implementation of the following key initiatives:

- Expansion of the Company's poultry operations through capital investment to grow the super-premium branded chicken offering in national markets;
- Acceleration of new product development initiatives to meet market demand for convenience through ready to cook and ready to eat meal offerings;
- Investment in digital marketing to support growth in online sales

Note: PAC Partners Securities (Corporate) is corporate advisor to TFL. PAC Partners accepted no fees associated with the \$3m placement to AgFood.

Ref: <https://www.tasfoods.com.au/>

Yumbah Aquaculture – Anthony Hall, Non-Executive Director, Presented at our AgFood Conference.

Yumbah Aquaculture (Yumbah) is an established Australian Abalone producer with diversified sites across the southern part of the country. It currently produces over 70% of Australia's farmed Abalone with the potential to increase its market share, through expansion at its proposed Nyamat facility (Portland Vic), and/or a joint venture with Ocean Grown Abalone (OGA.ASX), and/or alternative partnerships. In various forms, Yumbah has been in operation over 20 years and during this period management has gained significant experience with Abalone farming. It is progressively putting this experience into action to continuously expand production of a premium product at the lowest possible cost base. The global demand for farmed Abalone market is expected to grow largely driven by China and the Chinese diaspora demand and the reduction of wild caught Abalone to meet sustainability criteria.

Yumbah is well positioned to capitalise on this growth and we are positive on Yumbah for the following reasons:

- Experienced management team;
- Focussed on growth while managing cost base;
- Strong expansion strategy with many alternatives across product, region and partners;
- Mitigated risk though diversified sites; and
- Solid customers and distribution partners.

At this stage Yumbah is reviewing need for new capital in and aims for an ASX IPO in 2021.

Yumbah successfully raised \$6m from its June 2019 rights issue, and proved to be resilient through warm Port Lincoln sea waters in June 2019 and 2020's Covid-19. Biomass was restored and Yumbah was able to maintain sales with multiple product packaging options (fresh, frozen, tinned) and markets (Nth America, Nth Asia, China and Australia.)

Note:

Anthony Hall is a Non-Executive Director of AgFood's Investment Manager and a member of AgFood's Advisory Board.

Paul Jensz has written Research on Yumbah for PAC Partners institutional and sophisticated investors since 2018.

Both Anthony and Paul stand aside for investment decisions in Yumbah.

Ref: <https://yumbah.com/>

Disclaimer and Disclosure

AgFood Opportunities Fund ("Fund") is managed by the AgFood Fund Pty Ltd ("Investment Manager"). The Investment Manager is a Corporate Authorised Representative of PAC Asset Management Pty

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- an author (Paul Jenz) of this report
- a member of the immediate family of an author (Paul Jenz) of this report

PAC Partners has in the previous 12 months carried out work on behalf of Companies (BUB, BUG/HPP, CAN, RIC, Mycolivia, PBP, PTL, SHV, TFL, 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 this report. The AgFood Fund maintains a Conflict of Interest register, and manages these conflicts with an independent investment decision maker.

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