

AgFood Opportunities Fund

July 2021



Facts		Performance after fees	
Portfolio Value	\$15.0m in July 2021 Inc. \$2.4m committed funds	Fund	Year to date 11.20% , Annual = 11.20%
Fund commenced	1 Aug, 2020	Benchmark	Year to date 4.53%, Annual = 4.53%
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	\$1.1120	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%

2021	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Unit Price	1.0916	1.0920	1.0808	1.1088	1.1087	1.0521	1.1120					
Monthly Delta	2.33%	0.04%	-1.03%	2.80%	-0.01%	-5.66%	5.99%					
Annualised	19.16%	16.29%	12.36%	14.76%	13.18%	5.70%	11.20%					

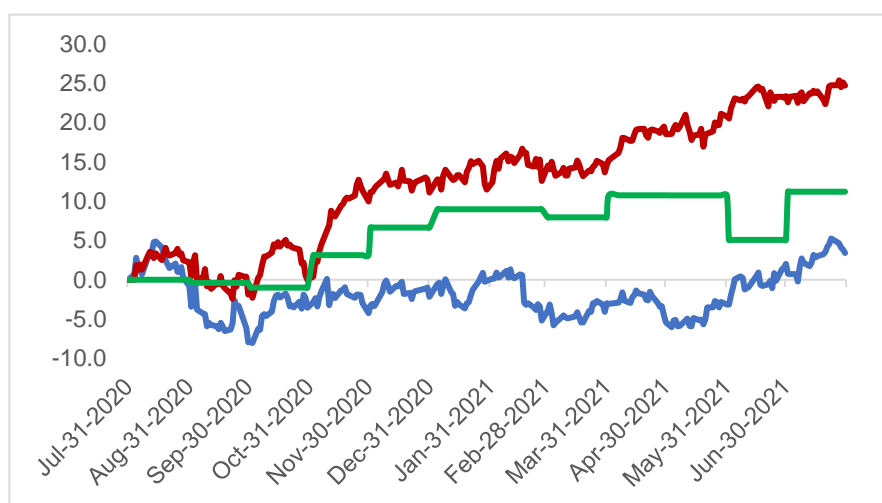
SUMMARY

The AgFood Opportunities Fund is up 11.2% for our first year after fees. We aim to deliver a steady 8-10% that is not correlated to index performance thus acting as an active alternative investor that is defensive.

Despite being index-agnostic, we can learn from the impressive ASX200 annual performance of 24.7%. There were three outperforming sectors: resources, technology, and life sciences and this was well captured by specialist funds in these sectors: Bombora – Technology/Life Sciences +30.8% to 30 June and Lion Selection Group – Resources +24.0% to 31 May.

We continue to believe in the long-term growth prospects of agfood in Australasia. The Australian Federal Government and industry nominate a 5.5% per annum growth rate pre-farm gate until 2030. Our 28 July AgFood Conference with PAC Partners and Westpac showcased 13 leaders and spoke for 95% of our invested funds. The 330 active on-line participants challenged presenters on: plant, cellular and animal protein; resilient supply chains; retailer pricing power, agtech role; and Brand Australia. The responses highlighted how the industry and companies can lift productivity improvements and meet community and customer's expectations. Critically for us, the event highlighted 25 companies which have with 5-25% market share and/or a niched differentiation to scale up significantly.

AgFood vs ASX 200 Index, ASX Consumer Staples Index (%)



Source: CapIQ and MSC (AgFood Trustee)

The AgFood Opportunities Fund was bias to companies from the Consumer Staples sector during its first year. This index underperformed as investors moved away from the defensive Covid-19 position of 2020 to the hard commodity/tech growth of 2021.

The AgFood Opportunities Fund outperformed this sector by 7.7%.

We selected the superior leaders that improved capital allocation with some external assistance from commodity prices (Select Harvests +49%, Ridley +32%)

Other outperformance came from emerging companies: Health Plant & Protein +59% with clearer focus on macadamia orchard and Nth American distribution; and TasFoods +13% starting to leverage its #1 position in Tasmanian poultry "Nichols" and Tasmanian dairy/cheese "Pyengana", "Betta".

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FIRST YEAR

AgFood Opportunities Fund is 83% in ASX listed shares, 1% in unlisted investments and 16% in cash (including 15% committed funds).

Our focus this year was to establish a few sustainable platforms across: protein; aquaculture; brand and technology.

We have made good progress on protein and brand, and are executing on an unlisted aquaculture opportunity.

- Protein** – We have three cornerstone positions in emerging companies that use around 60% of the Fund and holdings in agfood leaders:
 - 12.0% of TasFoods (TFL) – Tasmanian poultry & dairy – Market Capital;
 - 9.6% of Wingara (WNR) – Oaten hay processing and supply into Nth Asian dairy; and,
 - 1.8% of Health Plant & Protein (HPP) – Hawaiian Macadamia and Nth American distribution)
 - AgFood protein leaders include Elders (ELD), Select Harvests (SHV) and Ridley (RIC)
- Aquaculture** – We aim to have at least 10% of the Fund in Aquaculture.
 - Post 31 July we bid into the unlisted Yumbah Aquaculture equity raising. Yumbah/Cameron's Oysters made \$12.4m EBITDA to June 2021 and is valued at \$80m post purchasing Cameron's Oysters and Enterprise Value of \$103m (EV/EBITDA of 8.3x). Yumbah is aiming to IPO in a 6-18 month time frame.
 - We have a position in Ridley which makes 20% of its EBITDA by selling feed to aquaculture and developing agtech such as Novacq.
 - *Post 31 July we have started to build a position in Tassal (TGR), the leading listed aquaculture company.*
- Brand/Distribution** – We have positions in leading food brands such as Bega Cheese (BGA), Marley Spoon (MMM) TasFoods ("Pyengana", "Nichols", "Beta Milk") and (post 31 July) Tassal.

Technology has proven to be difficult with good early-stage companies at very high valuations. We are trying to work with listed companies to increase their exposure to agtech and agdata. We have a modest position in Cann Group (CAN) for its leading position in Australian medical cannabis production and strong global position with high grade exports ("GMP" Good Manufacturing Practice) and first to market in Australia with an Aussie pain reduction product without psychoactive (Mid-2022 "CBD without THC"). We are evaluating seeding a portfolio of 5-10 emerging technology companies which suit our teams' skills. We will start with three and evaluate risk-time-reward.

Our outperforming stocks in the portfolio are: Health Plant & Protein (HPP), Ridley (RIC), Select Harvests (SHV) and TasFoods (TFL),

Our underperformers are Bubs Australia (BUB) and Cann Group. We have trimmed our position in BUB until we see a clearer path for dairy infant nutrition. We built a larger position in CAN during the recent equity raising that allows CAN to step up from \$10m revenue per annum to \$30m with positive cash flow.

FUNDING THE NEXT PHASE

The AgFood Opportunities Fund ("AgFood") is considering several more significant unlisted investments and listed investment with a combined \$15m of capital over the next 6-12 months. We divide them into three tiers:

1. Always fund from existing cash and investments.
2. Funded from existing and new funds raised
3. Funded from above and co-investment from other investors (for a fee)

Please see the summaries on some of these unlisted investments below.

We are currently trying to raise \$5m to \$10m from existing and new investors to ensure we can execute on all Tier 1 and Tier 2.

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

AgFood Conference – Melbourne – 28 July 2021.

AgFood Opportunities Fund, PAC Partners and Westpac ran a very successful event last week, with 13 leaders and 330 registered online attendees.

You are welcome to register and view the presentations and videos via this link <https://agfood2021.delegateconnect.co/>

PAC Partners put together a useful summary [PAC RR AgFood 210802](#)

It was very pleasing to showcase our portfolio in action, and participate in the dynamic panels on the key issues of the day: plant, cellular and animal protein; resilient supply chains; retailer pricing power, agtech role; and Brand Australia

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Here are the leaders who presented

Bega Cheese (BGA.ASX) Barry Irvin (Exec Chairman)

Elders (ELD.ASX) Mark Allison (MD)

Ridley Corporation (RIC.ASX) Quinton Hildebrand (MD)

Select Harvests (SHV.ASX) Paul Thompson (MD)

Emerging:

Biogene (BGT.ASX) Richard Jagger (MD)

Cann Group (CAN.ASX) Peter Crock (MD)

Fuji Kava Anthony Nobel (CEO)

Health Plant & Protein Dennis Lin (Exec Chairman)

TasFoods (TFL.ASX) Jane Bennett (MD)

Wingara (WNR.ASX) James Whiteside (CEO)

Unlisted:

SunPork Robert van Barneveld (MD)

Yumbah Aquaculture Anthony Hall (Director)

UNLISTED COMPANIES UNDER CONSIDERATION

Company Name	Sector	Website	State
Committed Funds			
Yumbah Aquaculture	Aquaculture – abalone, oysters, mussels	yumbah	Vic, SAust & Tas
Cash Generating			
4 x Grower/Processor/Brand	Dairy / Pork / Petfood / Clothes		Australia
2 x Pharmaceutical Producers	Vaccines / Therapy		Australia
Restaurant chain	Food/Entertainment		Australia
Pre-Cash Flow			
XXX	Insect protein manufacture from waste		Vic
Carbon Link*	Carbon sequestration services and technology	Carbon Link	Australia
XXX	Enhanced Oil Seed for multiple applications		Australia
AgTech Platform	Plant based biotech		Australia
AgData Platform	Supply chain data		Australia
*See drivers below			

NEXT UPDATES

Quarterly Update - Wednesday 13 October – 5pm

- 0 - Questions at anytime
- 1 - Performance
- 2 - Opportunities - Top Three
- 3 - Next steps

Join Zoom Meeting

<https://us02web.zoom.us/j/87217432889?pwd=Y0hJdy9oSjJkZkh0VDd4V0F5RDdkUT09>

Meeting ID: 872 1743 2889, Passcode: 374509

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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

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

Andrew Gatenby, a non-executive advisor of AgFood Fund, is CEO of Carbon Link.

PAC Partners has in the previous 12 months carried out work on behalf of Companies (BGA, BUB, HPP, CAN, RIC, PBP, 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 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