

# AgFood Opportunities Fund

## March 2021



Facts		Performance after fees	
Portfolio Value	\$15.0m in March 2021 Inc. \$3.0m committed funds	Fund	Year to date +8.08%, Annual = 12.36%
Fund commenced	1 Aug, 2020	Benchmark	Year to date +2.99%, Annual = 4.49%
Minimum Investment	A\$100,000	<b>Fees</b>	
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	\$1.0808	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									
Monthly Delta	2.33%	0.04%	-1.03%									
Annualised	19.16%	16.29%	12.36%									

### SUMMARY

The AgFood Opportunities Fund is 8.08% up for the first eight months after fees. This corresponds to an annualised rate of 12.37% and is above our 8-10%pa target over a three-year period. We had flat performance in Feb and ticked down 1% in March but are still up 1.4% for quarter.

Our cornerstone investments are TasFoods TFL.ASX (9.5% = \$3.9m), Wingara WNR.ASX (7.7% = \$1.2m), Elders ELD.ASX (\$1.3m) and Select Harvests SHV.ASX (\$1.5m). Both TFL and WNR are undergoing major changes, and this has led to some share price volatility, and opportunities for the Fund to pick up more shares at attractive prices. TFL has reset its strategy and is applying growth capital, while WNR is recruiting a new CEO and refreshing growth strategy.

AgFood Opportunities Fund is 70% in ASX listed shares, 0.5% in one pre-IPO and 31% in cash (including 20% committed funds).

Our focus this quarter was to progress unlisted invested opportunities across aquaculture, protein, agtech and brands.

### FUNDING

The AgFood Opportunities Fund ("AgFood") was seeded at \$10.2m in early August 2020. Over the last three months a significant amount of the \$4m of commitments were brought into our account. This is another \$5+m of potential funding via a Term Sheet, and we target Funds Under Management of \$25m in second half 2021.

The Opportunities Fund Information Memorandum, Unit Pricing and Application Form are available on [www.agfood.com.au](http://www.agfood.com.au)

### PEOPLE

Patrick Harris joined the AgFood Opportunities Fund team as "Business Developer and Analyst" on 1 March.

Feel free to contact Patrick directly on [pharris@agfood.com.au](mailto:pharris@agfood.com.au) or +447503268200 (during UK hours). He is working part time while completing his Masters in London and is due to be full time in Melbourne from 19 July.

Patrick has hit the ground running with processing new investors for the AgFood Opportunities Fund, and some thought provoking blogs for the website ("The Ethical Chicken Dilemma", "The Overlooked Footprint: Water"). He has also challenged some of our projects in the petfood and agbiotech areas.



### FIRST EIGHT MONTHS

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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Over the last six months we have made three types of investments:

1. Cornerstone – 9.5% of TasFoods (TFL), 7.7% of Wingara (WNR) and started a potential cornerstone in Health Plant & Protein (HPP) with 1.8%
2. Passive – Core – BUB, CAN, ELD, PBP, PTL, RIC, SHV, and Trading – MMM (Marley Spoon)
3. Unlisted – Small position in pre-IPO investment Mycolivia, a 10-year leader in therapeutic mushroom products

Our outperforming stocks in the portfolio are: TasFoods (TFL), Health Plant & Protein (HPP), Ridley (RIC), Select Harvests (SHV) and Elders (ELD). Our underperformers are Bubs Australia (BUB) and Wingara (WNR).

We have ramped up contact with BUB, WNR, HPP, MMM and peers, and have plans to be active with share trading over the next quarter.

In February 2021 we had a first site trip and saw TasFoods' Beta Milk and Nichols Chicken facilities on North Coast and saw TasFoods head office in Launceston – thank you to Jane Bennett and her team.

We also took the opportunity to visit Yumbah's Bicheno abalone aquaculture farm and Tasmanian Alkaloids. Both of these groups have significant growth opportunities from their Tasmanian base.

### TASMANIAN SITE TRIP – February 2021

#### TasFoods – Nichols Chicken Site – Jane Bennett (MD)



#### TasFoods – Beta Milk Control Room



#### Yumbah – Bicheno General Manager – Shaun Slevec



#### Yumbah – Bicheno water intake and coast



### NEXT STEPS

We will stay with a 70/20/10 Listed/Unlisted/Cash split until our next Board Meeting on 21 April 2021,

We expect to make at least one significant unlisted investment over the next quarter.

There are a number of agtech and agdata platform companies, and several vertically integrated protein and pharmaceutical supply chains under evaluation. See our summary table below.

We still believe there is better value in a few ASX listed companies vs high expectations of valuation and/or the long time period to commercial sales for several unlisted companies. So, there are a few listed companies which may be added to our cornerstone investments.

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### NEXT UPDATES

#### “Face to Face” AgFood Conference – Melbourne – 27/28 July 2021.

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

**Bubs Australia (BUB.ASX)** Kristy Carr (MD)

**Elders (ELD.ASX)** Mark Allison (MD)

**Marley Spoon (MMM.ASX)**

**Nufarm (NUF.ASX)** Brett Sutherland (GM – Asia Pacific)

**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)

**Health Plant & Protein** Dennis Lin (Exec Chairman)

**TasFoods (TFL.ASX)** Jane Bennett (MD)

**Wingara (WNR.ASX)** David Christie (Chairman)

*Unlisted:*

**Mycolivia** Paul Benhaim (Chairman)

**SunPork** Robert van Barneveld (MD)

**Yumbah Aquaculture** Anthony Hall (Director)

Please register your interest via [info@agfood.com.au](mailto:info@agfood.com.au), and we will keep you in the loop.

### UNLISTED COMPANIES UNDER CONSIDERATION

Company Name	Sector	Website	State
<b>Cash Generating</b>			
Yumbah Aquaculture	Aquaculture – abalone, oysters, mussels	<a href="#">yumbah</a>	Vic, SA & Tas
AAA	Free range eggs		Australia
BBB	AgTech Platforms		Australia
CCC, DDD, EEE, FFF	4 x Grower/Processor/Brand		Australia
GGG, HHH	2 x Pharmaceutical Producers		Australia
III	AgData Platform		Australia
JJJ	Restaurant chain		Australia

Company Name	Sector	Website	State
<b>Pre-Cash Flow</b>			
Mycolivia	Mushroom food and therapeutics	<a href="#">mycolivia</a>	Israel Australia
KKK	Data collection & management for seafood		Australia
LLL	Insect protein manufacture from waste		Australia
MMM	Carbon sequestration services and technology		Australia

### Investment Summaries – Emerging Cornerstones

#### **Wingara (WNR.ASX) – AgFood Opportunities Fund has invested \$1.4m at \$0.135/share for 7.7% of shares**

*ACTION – AgFood has suggested CEO candidates to WNR Board and awaits appointment of CEO.*

**Reason for Investment:** We have been attracted to WNR's improving Victorian oaten hay packing and logistics and leverage possible with Laverton frozen beef storage and logistics. However, we could not become comfortable with their risk management systems. When the Founder/MD left the company earlier this year and his shares came up for sale, we took the opportunity to buy half of the shares.

*NEXT UPATE – Doug C, Executive Chairman, and/or the new CEO will present at our AgFood Conference.*

*Note: PAC Partners Securities (Corporate) is corporate advisor to WNR.*

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

#### **Health Plant & Protein - AgFood Opportunities Fund has invested \$0.37m at \$0.17/share for 1.8% of shares**

*ACTION – AgFood has touched base with new CEO of Lavva Julie Wurfel, keep up to date with Executive Chair Dennis Lin and we are doing a peer review.*

**Reason for Investment:** We believe the net asset value of HPP is \$0.25/share, which is based on an independent (CBRE) valuation of the Hawaiian Macadamia Nut orchard. Therefore, an entry point at 32% discount was attractive. Post our purchase of HPP shares, the Board announced a strategic review which could bring forward the release of value from sale of orchard. HPP's US distribution and control over #1 and #2 US sourced macadamia brand are attractive, as well as the staged entry into established Lavva plant based dairy production and distribution.

*NEXT UPATE – Dennis Lin Executive Chairman will present at our AgFood Conference.*

*Note: Bell Potter and PAC Partners Securities (Corporate) are corporate advisors to HPP.*

Ref: <https://www.hppgroup.com>

#### **Disclaimer and Disclosure**

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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 (BGA, BGT, BUB, BUG/HPP, CAN, RIC, Mycolivia, 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. Anthony Hall, NED of AgFood Fund, is majority owner and NED of Yumbah.

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](http://www.agfood.com.au)**