

# Partners Fund Report

July 2021

## Fund Details

### Strategy

Senior secured loans against hard assets in the Commercial Real Estate, Agriculture, and Infrastructure Sectors.

### General Loan Duration

12-30 months

### Typical Loan Structure

Senior secured debt

### Typical Loan Size

\$5M - \$250M

### Fund Size

\$671M

### Merricks Capital Co-investment

Co-invest on all loans

### Minimum Investment

AUD \$500,000  
USD \$250,000

### Auditor

EY

### Administrator

Citco Fund Services

### Contact

Fiona Clark  
Investor Relations Manager  
fiona.clark@merrickscapital.com

## Adrian Redlich

### CHIEF EXECUTIVE OFFICER

“Merricks Capital’s private credit investment strategies adapt with market conditions with the agility to move between asset classes and across cycles. Our proprietary investment platform creates innovative portfolio construction and investment structures. Combined with our specialist trading capabilities we provide investors with access to unique and diverse opportunities across Australia & New Zealand.”

## 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
<b>2017</b>	0.5%	0.5%	0.7%	0.8%	1.5%	0.9%	0.8%	0.9%	0.9%	0.8%	1.1%	2.2%	12.4%
<b>2018</b>	0.6%	0.5%	0.7%	0.8%	1.0%	0.9%	1.1%	1.2%	0.9%	1.0%	1.1%	1.0%	11.4%
<b>2019</b>	1.0%	1.5%	0.9%	0.8%	0.9%	0.8%	0.9%	0.8%	0.5%	0.4%	0.9%	2.6%	12.6%
<b>2020</b>	0.8%	1.0%	2.2%	-0.6%	0.2%	0.3%	0.5%	0.8%	0.7%	0.6%	0.7%	0.6%	8.1%
<b>2021</b>	0.8%	0.6%	0.6%	0.7%	0.7%	0.8%	0.6%						

## Total Net Fund Returns (%)

1 Month	0.6%
6 Month	4.0%
1 Year	8.4%
Since inception (% pa)	10.7%

\* 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

### An increase in investment opportunities follow structural shifts in market sub-sectors

The Partners Fund has flexibility to invest in loans secured by assets across an increasingly diverse range of market sub-sectors. Some of these markets have been undergoing significant structural shifts, resulting in an increasing level of investment opportunities.

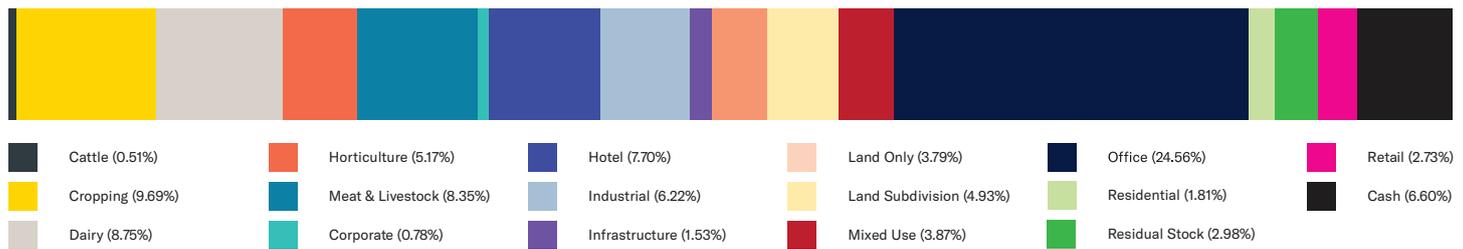
Companies are beginning to revisit their office relocation strategies due to the impact of COVID-19 on the traditional “workplace”. A desire to create more flexible working conditions, including working-from-home arrangements and workplaces closer to transport hubs, along with a desire for cost efficient spaces and locations has meant higher demand for fringe locations. We have previously seen this in Melbourne and are now seeing number of opportunities in the Sydney fringe office market.

The core fringe office market in Sydney have experienced lower vacancy rates and the lower level of supply means incentive packages are likely to remain significantly lower than CBD incentives. With record levels of enquiry over the first half of the year, we expect any new projects in these core areas will be highly sought after.

Another market which has seen a significant demand shift has been the Gold Coast apartment market, where data from Urbis showed apartment sales rose almost 100% in the March quarter from the previous period, marking the strongest quarterly sales result since 2013. The increased demand is being driven by intra-state moves within Queensland, followed by demand from Victorians, while the key driver has been downsizing owner-occupiers who have displaced investors as the primary purchasers. Urbis says the unprecedented demand has led to a stock shortage, with the rate of sales expected to remain for several years. Apartment stock is now at historically low levels and we expect this to review an increasing number of opportunities in this sector in coming months.

In agricultural markets, local prices have gained despite a broadly softer global commodity complex, assisted by the weaker Australian dollar. There has been strength in barley, wool, cotton, and canola, while beef and milk have experienced record highs in recent months. Seasonal conditions are favourable and further good rainfall is predicted, ensuring land valuations will be well supported. With conservative loan-to-valuation ratios and limited agriculture lending competition, the Fund is able to achieve attractive relative returns with limited downside risk.

## Investment Sub Strategy



## Loan Size



## Portfolio Characteristics

Duration	23 Months
LVR (weighted average)	59%
Number of Loans	45

## Portfolio Commentary

The Partners Fund achieved a return of 0.6% for the month.

During July a new \$35m residual stock facility was added to the Fund. The investment is secured against the unsold stock in a 49-level mixed-use tower in Melbourne's CBD which includes 229 apartments, offices, and retail spaces. This two-year loan will provide investors with an IRR of ~8%.

Since month end, two new investments have been added to the portfolio. One of these is a \$57 million agriculture loan secured against pristine dairy farming land, running 30,000 cattle, in the northwest tip of Tasmania. A second loan of NZ\$39 million is secured against four properties in Mangawhai (90kms north of Auckland) and Homestead Bay (12km south of Queenstown) in New Zealand.

A prime land development site in bayside Melbourne was repaid during the month via a construction loan, evidence of the strong appetite to fund apartment projects in premier locations despite limited presales are in place.

There are now 45 loans (across 40 assets) in the portfolio across a diverse range of commercial real estate and agriculture subsectors.

The pipeline remains strong. There is a \$140m commercial real estate loan in due diligence that is expected to settle in the next week, and a further \$370 under term sheet. In the agriculture sector there is ~\$120 under review across a range of subsectors including horticulture, horticulture and viticulture, dairy processing and sheep.

## Top Five Loans

Location	LVR (00%)	Term (months)	Description
Sydney, NSW	58%	35	Mixed use scheme incorporating a residential tower with a 5-star hotel, residential high-end units and retail. The tower will comprise 122 rooms up to level 10 then 131 units starting at level 11 up to level 36.
Melbourne, Vic	68%	24	Commercial office building comprising 24,000sqm over 24 levels, along with a small retail offering and 134 car spaces.
Melbourne, Vic	63%	18	Commercial office building comprising 19,888sqm of net lettable area across 9 levels of A-grade office space, ground floor retail and basement parking.
Auckland, NZ	59%	36	Commercial office building in core CBD location on Queen Street in Auckland with a 15-year lease pre commitment by WeWork.
Melbourne, Vic	65%	26	Bridging finance & construction facility for a proposed 24 level A-grade office building in Melbourne CBD.

# 14

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