MERRICKS CAPITAL

Agriculture Credit Fund Report

November 2021

Fund Details

Strategy

Senior secured loans against hard assets in the Agriculture sector.

General Loan Duration

12-30 months

Typical Loan Structure

Senior secured debt

Typical Loan Size

$5M - $250M

Fund Size

$158M

Merricks Capital Co-investment

Co-invest on all loans

Minimum Investment

AUD $500,000

Auditor

EY

Administrator

Citco Fund Services

Contact

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Adrian Redlich

CHIEF EXECUTIVE OFFICER

"Merricks Capital has a strong background in the agricultural sector. Our agriculture loans are focused on helping farmers and the agriculture supply chain grow. With limited competition outside the balance sheet of the commercial banks, we consider there to be a significant opportunity to deploy alternative credit and achieve consistent risk-adjusted returns through our asset-backed investment philosophy."

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
2021	-	-	-	-	-	0.6%	1.0%	0.8%	0.7%	0.6%	0.6%		

Total Net Fund Returns (%)

1 Month	0.6%
6 Month	4.4%
1 Year	NA
Since inception (Annualised)	9.6%

* Past performance is not a reliable indicator of future performance.

** Total net fund returns are based on founders class units 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

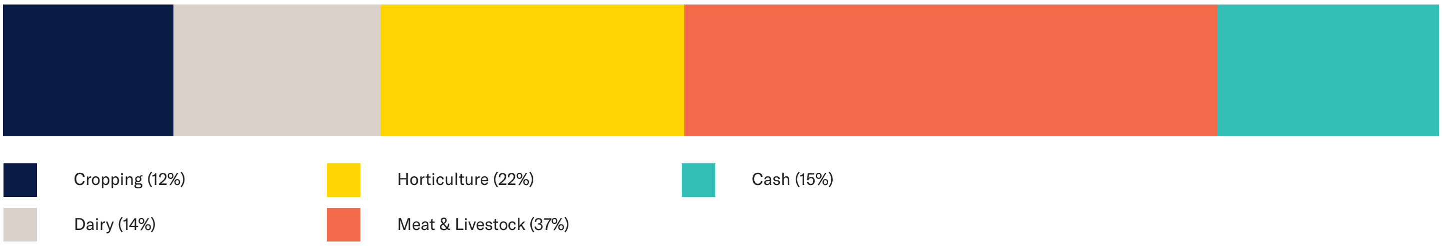
Agricultural land values remain very strong, driven by transactions across the spring selling season and underpinned by the weight of capital that continues to flow into the sector. Institutional funds and family farmers continue to pay record prices for assets, with values underpinned by a combination of high commodity prices, low interest rates and positive seasonal conditions across Australia and New Zealand.

In Australia, November 2021 was the wettest month in 122 years with rainfall 124% above the monthly average according to the Bureau of Meteorology. Widespread rain across pastoral production regions was enjoyed by livestock producers. Cattle prices increased in response to the climatic conditions driven by La Niña with the Eastern Young Cattle Indicator reaching a new record high of 1,102 cents per kilogram carcass weight above the five-year average of 659 cents per kilogram. We are cognisant that these macro tailwinds could ease over a two-to-three-year horizon, so we have entered beef and cropping opportunities at a lower LVR to the rest of the portfolio. As at the date of this report, the average portfolio LVR for a beef or cropping loan is 54%, compared to the overall portfolio average of 57%.

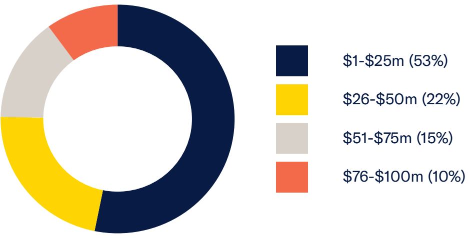
In New Zealand, Fonterra lifted its milk payment for this season to the highest in 20 years. The company is now expecting to pay its farm suppliers between $8.40 and $9.00 NZD per kilogram of milk solids. According to NZStat, increases in the value of raw milk and dairy products have been a key factor driving the producer price to increase more in the year to September 2021 than in any other year for the past decade. With limited competition in the New Zealand market for alternate debt funding, the fund's investment allocation to NZ dairy is expected to increase in 2022. Dairy also remains one of the fund's best performing investment classes returning a +12% investor IRR (net of fees and costs) in 2021.

In Australian horticulture, the ABARES September quarter market analysis identified that retail prices for fruit and vegetables increased beyond the levels typically seen at that time of year. Key factors which influence retail prices are lower-than-usual supply and/or increased costs of labour, fertilizer and other inputs being passed through to consumers. Given horticultural farm output levels have remained stable, the increase in retail prices demonstrates the inflationary pressures across all supply chains. We are actively seeking capital investments in fruit and vegetable opportunities, due to favourable investment metrics such as land and water comprising a high percentage of our security assets.

Investment Sub Strategy



Loan Size



Portfolio Characteristics

Duration (average)	22 Months
LVR (weighted average)	57%
Number of Loans	17

Portfolio Commentary

In November, the Agriculture Credit Fund returned 0.6% and 9.6% on an annualised basis since its inception in June.

Capital deployment increased from October with the financial close of an $82.3m loan facility of which $15.4m was funded by the Agriculture Credit Fund. This loan is to a diversified agribusiness in the Riverina region of NSW with operations across irrigated and dryland cropping, livestock grazing and a large cattle feedlot. The 24-month loan will allow the borrower to significantly increase capacity in the feedlot and expand their existing branded beef business. Investor IRR is forecast 9.85% (net of fees and costs). No other loans were added to the portfolio in November.

Due diligence progressed on five loans with one settling first week of December and a further two expected to close by mid-December, this will deploy an additional $79m of investment capital at a forecast investor IRR of 9.2% (net of fees and costs). There were also steps taken in the month to restructure two existing loans to capture investment opportunities that have arisen since funding these businesses.

The investment outlook for 2022 remains positive for agricultural credit with $404m of Term Sheets across 11 opportunities. The weighted average IRR forecast of the term sheets issued is 10.0% (net of fees and costs). We continue to maintain a balanced portfolio approach by targeting new investments into a spread of key geographic regions and multiple primary production sectors.

Top Five Loans

Location	LVR (00%)	Term (months)	Description
NSW	49%	24	Facility providing funding for the recapitalisation of a diversified agribusiness in the Riverina region of NSW.
NSW	65%	18	Refinance of the borrower's existing debt and provision of funding for the purchase of additional livestock.
TAS	60%	18	Facility providing funding to recapitalise a large-scale dairy business and position it for future growth.
NZ	65%	24	Refinance of the borrower's existing debt facility and to fund future orchard development across a portfolio of properties.
VIC	30%	24	Facility providing acquisition funding and working capital for a milk processing plant.

14
Years experience
Established in 2007

MANAGED OVER
$7 Billion
in global investment opportunities

TRADED IN EXCESS OF
$250 Billion
of securities and commodities

Agriculture

Commercial Real Estate

Infrastructure