

Agriculture Credit Fund Report

September 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

\$124M

Merricks Capital Co-investment

Co-invest on all loans

Minimum Investment

AUD \$500,000

USD \$250,000

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%				

Total Net Fund Returns (%)

1 Month	0.7%
6 Month	NA
1 Year	NA
Since inception (June 2021)	10.8%

* 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

Land values surge, driven by perfect storm

The Merricks Capital Agriculture Credit Fund investment strategy focuses on investments where land is the primary security.

There is currently a mix of high commodity prices, low supply levels and increased demand for land which has led to a steady increase in agricultural land prices. In the current portfolio, over 90% of underlying security is land. As the value of our security increases in line with property value growth, the Loan to Value Ratio (LVR), and subsequently, portfolio risk declines. Currently, our overall portfolio LVR is 60%.

Rabobank has released its 2021 Agricultural Land Price Outlook. The report outlines a “base-case forecast” for Australia’s agricultural land market. Forecasting agricultural land values will continue to grow for at least the next five years, Rabobank highlighted the sharpest growth is expected to occur in 2023.

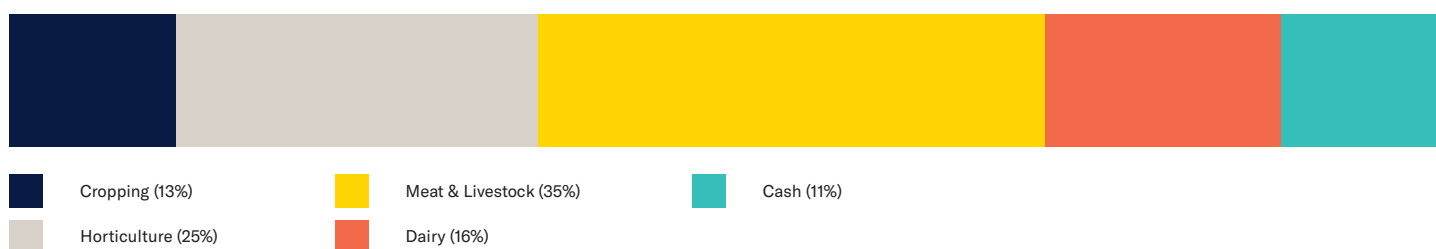
Supportive macro dynamics and a low supply of properties have factored into the growth trend in property value. According to the report, 45% fewer transactions were reported in 2020 compared to 2019. At the same time, research has shown that farmer purchasing intentions are at the highest point in at least the past five years. According to Rabobank, 9% of Australian farmers are reporting that they intend to buy land within 12 months.

Another key factor supporting the property market is improvement in farm revenue. Also released recently, the Rabobank Rural Confidence Survey shows historically high levels of reported business viability, income expectations and investment intentions among farmers.

The survey highlighted that where farmers aren’t entering the property market to expand operations, they are reinvesting in their businesses to improve productivity and efficiency. Although current seasonal conditions are strong, producers are investing in infrastructure to help better manage climate variability in the future.

Rising land values have also contributed to a number of successful loan exits. This proves the strategy of the underlying liquidity of assets in the portfolio. The forecast continued growth in land value is central to our continued confidence in investing in agriculture.

Investment Sub Strategy



Loan Size



Portfolio Characteristics

Duration (average)	22 Months
LVR (weighted average)	60%
Number of Loans	14

Portfolio Commentary

In September, the Agriculture Credit Fund returned 0.7% and 10.8% since its inception in June this year.

The Founders Share class is soft closed to new subscriptions from 30 September 2021. New subscriptions will now flow into the Ordinary Share Class.

Two new investments were added to the portfolio this month, the first a \$23.5m loan to a horticulture business farming sweetcorn, peanuts and zucchini across 695 hectares in Bundaberg, Queensland. The 24-month loan will allow the business to acquire an asset which is currently leased, allowing them to bring the assets on balance sheet and benefit from the future capital growth of the asset base. A second \$10.3m investment was added to the portfolio for a 717-hectare sheep grazing and cropping farm in the Macedon Ranges in Victoria.

A \$45m loan in the NSW Riverina was fully repaid, and a second loan for a lower amount was negotiated with the borrower.

There are currently \$750m of investments in the pipeline for the Agriculture Credit Fund.

Top Five Loans

Location	LVR (00%)	Term (months)	Description
Tas	60%	18	Facility providing funding to recapitalise a large-scale dairy business and position it for future growth
NSW	65%	18	Refinance of the borrower's existing debt and provision of funding for the purchase of additional livestock
NZ	65%	24	Refinance of the borrower's existing debt facility and to fund future orchard development across a portfolio of properties
WA	54%	24	Refinance of the borrower's current debt facilities
Qld	57%	24	Horticulture loan into a business farming sweetcorn, peanuts and zucchini across four properties and 695 hectares in Bundaberg, Queensland

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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