

Overview

Merricks Capital is an Australian Based Funds Manager established in 2007. The Merricks Capital Soft Commodities Fund (**Fund**) focuses on Soft Commodities and allows investors to get direct exposure to Soft Commodities which includes Wheat, Corn, Soybean Oil, Canola Oil, Sugar, Dairy and Cotton. The Merricks Capital team have a long history and involvement in the Soft Commodities sector and bring these years of specialised knowledge and experience to managing the Fund.

The objective of the Fund is to find outstanding investment opportunities in the Soft Commodities sector and to also take advantage of mispricing between commodities. All investments are based on bottom up fundamental research and the Fund limits directional exposure of its investments through a strict process of portfolio construction and risk management.

The Fund's trading strategies include calendar spreads, substitution spreads, geographic spreads, processing spreads and basis trades and the Merricks Capital trading platform allows the Fund to trade on all markets (including ASX, CBOT, Euronext and Malaysia).

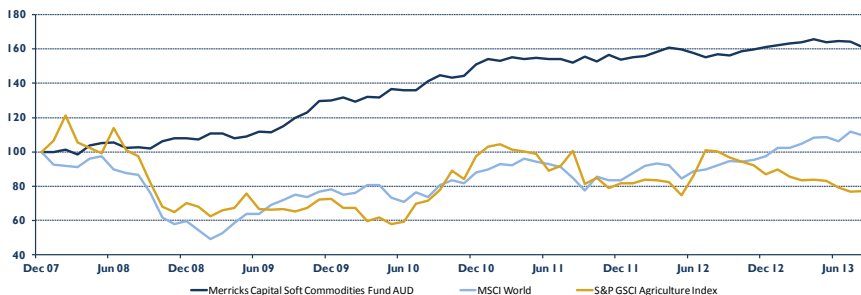
Performance

Merricks Capital Soft Commodities Fund AUD (Net of management and performance fees)

Performance	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2008	0.00%	1.37%	-2.82%	5.35%	1.31%	0.18%	-2.99%	0.36%	-0.44%	3.91%	1.82%	0.02%	8.02%
2009	-0.71%	3.29%	0.05%	-2.56%	0.81%	2.65%	-0.40%	3.45%	4.15%	2.56%	5.52%	0.16%	20.34%
2010	1.30%	-1.92%	2.42%	-0.48%	3.69%	-0.47%	-0.03%	4.04%	2.38%	-0.90%	0.58%	4.65%	16.09%
2011	2.13%	-0.74%	1.56%	-0.85%	0.65%	-0.64%	0.03%	-1.25%	2.19%	-1.78%	2.47%	-1.80%	1.85%
2012	0.93%	0.52%	1.68%	1.54%	-0.76%	-1.33%	-1.46%	0.95%	-0.34%	1.53%	0.76%	0.92%	4.98%
2013	0.49%	0.73%	0.33%	1.07%	-0.92%	0.28%	-0.24%	-1.73%					-0.02%

Merricks Capital Soft Commodities Master Fund USD (Net of management and performance fees)

Performance	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2011	-	-	-	-	-	0.00%	-0.59%	-1.69%	2.05%	-2.32%	2.85%	-2.50%	-2.31%
2012	0.99%	0.51%	1.47%	0.86%	-0.81%	-1.79%	-1.72%	0.81%	-0.51%	1.33%	1.01%	0.80%	2.92%
2013	0.40%	0.59%	0.30%	0.88%	-0.88%	0.29%	-0.20%	-1.67%					-0.31%

Since Inception
61.35%

Since Inception
0.22%

Top Monthly Performers

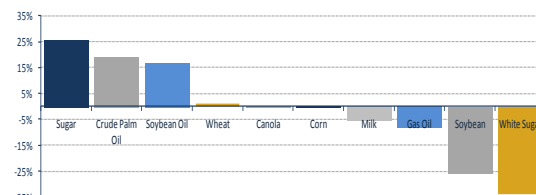
Best Performers	Worst Performers
Palm Oil Long	Oil Share
Soybean Meal Short	Soybean Options
Milk Short	Corn Option Spread
RapeCan Spread	Long Corn

Portfolio Parameters

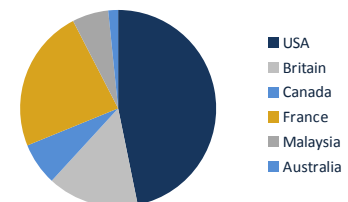
Positions	Parameters	Limits
Average Number of Positions	40	Target Volatility 15% pa
Average Number of Longs	20	Gross Exposure Up to 4 times
Average Number of Shorts	20	Typical Gross 1.5 to 2 times
Illiquid Assets	Up to 10%	Net Exposure Up to 30%
Physical Assets	Up to 25%	Directional Position Limit Up to 15%
Stop Loss	-7.5%	Total Directional Limit Up to 25%
		Bull Calendar Spread Up to 50%
		Bear Calendar Spread Up to 25%
		Cross Border Basis in the Same Commodity Up to 50%
		Cross Commodity in the Same Geography/Currency Up to 25%
		Cross Commodity in Different Geography/Currency Up to 15%
		Other Spreads Up to 15%

Exposures

Exposures	% of NAV
Long Exposure	152.7%
Short Exposure	-162.9%
Gross Exposure	315.6%
Net Exposure	-10.2%



Country Allocation



Fund Service Providers

Prime Broker	UBS, Merrill Lynch
Auditor	Ernst & Young
Administrator	Citco Fund Services

Disclaimer

These figures are for the AUD Merricks Capital Soft Commodity Fund (**Fund**) since July 2009 and prior to that are the performance attribution of the Soft Commodities Strategy of the Merricks Capital Multi-Strategy Fund. The actual performance for your account will be provided in your monthly statement. Actual performance will vary for investments made in different classes, or at different times throughout the year. This newsletter is intended to provide general background information only. Nothing in this document constitutes legal, tax or investment advice or any other form of advice or recommendation nor is it to be relied upon when making an investment or other decision. You should assess whether this information is appropriate for you and consider seeking professional advice before making any decision to acquire, continue to hold or dispose of units in the Fund. The Information Memorandum contains important information about the Fund and any investment decision must be based solely upon the information contained in the Information Memorandum or any supplement to that document. Market, exchange rate movements and other variables may cause the value of the Fund to decrease as well as increase and no guarantee is given against loss resulting from an investment in the Fund. Past performance is not a reliable indicator of future performance. While all reasonable care has been taken to ensure that the information in this document is complete and correct, no representation or warranty is given as to the accuracy of any of the information provided, including any forecasts. To the maximum extent permitted by law, Merricks Capital Pty Limited ACN 126 528 005, its related bodies corporate, directors, or employees are not liable and take no responsibility for the accuracy or completeness of this document or for any loss or damage of any kind (whether foreseeable or not) that may arise from any person acting on any statements contained in this document.

Fund Information

Strategy Inception Date	January 2008
Fund Inception date	July 2009
Management Fees	2% pa
Performance Fees	20% subject to high water mark

Contact

Adam Lindell	+61 3 8319 8111
adam.lindell@merrickscapital.com	
www.merrickscapital.com	

Portfolio Commentary

Performance Summary

The Soft Commodity Fund returned -1.73% of performance in August. Commodity markets rallied strongly in August in response to record breaking dry weather across the US Midwest. Conditions were least favourable for soybeans and US production estimates have been revised lower in response. Corn and wheat markets traded higher though lagged the 18% rally in soybeans. The portfolio's performance was negatively impacted by our short soybean positioning expressed in our long soybean oil, short soybean (Oil Share) position (-220bps) as well as the long soybean put, short soybean call option spread (-67bps). Our long EU wheat, short US wheat (+62bps) and long EU rapeseed, short Canadian canola (+13bps) performed strongly as seasonal export trade flow dictated a reversion to mean in these spreads. The long ethanol, short gasoline spread provided an additional +53bps of performance as our thesis of tightening old crop corn supply, slowing ethanol production and tightening ethanol inventories played out as expected.

Portfolio Gross Exposure

The graph to the right shows that portfolio gross position is currently at a 3 year high. We have been patient during the past 18 months, limiting risk while our opportunity set was sub-optimal. This resulted in portfolio volatility between 2% and 3%. While our deleveraging may have resulted in modest returns during this period, it has ensured we met our capital preservation objective. Now, in response to our confidence in an improving opportunity set, we are increasing the breadth of our portfolio with more strategies as well as increasing the size of our existing high conviction positions.

Portfolio Themes

- Long Matif Wheat, Short CBOT Wheat**

Our long Matif wheat, short CBOT wheat was the portfolio's best performing position in August. EU wheat exports are tracking at 5 year highs so despite a larger harvest in the EU this year, EU wheat remains competitively priced into key markets and remains the best priced export origin after the Black Sea. Demand in key wheat markets has improved recently with China likely to take over Egypt as the world's largest wheat importer this year. Our expectation of a Matif wheat quality premium and freight advantage over US wheat is only now starting to play out after a late harvest in the EU restricted early grain export trade. We remain highly convicted in this spread and expect that the large US corn crop will weigh on US wheat from October forward.

- Oil Share - Long Soybean Oil, Short Soybeans**

Oil Share was the largest negative contributor of performance in August. The prolonged dry spell in the US Midwest has resulted in a lower revision of US soybean production. Our analysis continues to confirm a reversion to mean in the Oil Share spread due to the following factors; 1./ A large exportable surplus of Brazilian soybeans will compete strongly with US soybean exports this marketing year 2./ US markets remain focused on the immediate tight supply environment which will be alleviated by soybean harvest commencing in late September 3./ US soybean oil inventories are at 8 year lows, and our analysis suggests a significant ramp up in soybean oil consumption ahead of the December 31st expiry of the US biodiesel tax credit 4./ South American soybean oil cash appreciated 9% against US soybean oil in August. A tight vegetable oil supply scenario is building into the end of 2013 that will support the relative value oil of soybean oil to soybeans once weather premium is removed from the soybean pricing in late September.

- Long Matif Rapeseed, Short Canadian Canola**

Our long Matif rapeseed, short ICE Canada position continues to perform in line with our expectations. A record canola crop is forecast for Canada this year possibly exceeding previous records by more than 10%. Our analysis suggests that this spread will outperform during periods of large year on year increases in the Canadian canola exportable surplus. This year's increase in exportable surplus is expected to be the largest year on year increase since 2007.

Market Positioning and Outlook

This year's transition from tight US and global supply of grain and oilseeds to surplus was always going to be a difficult one. Recent US weather has delayed the recovery in US oilseed supply, but in contrast to last year, global needs are now well supplied. The US now becomes an island of high price with demand rationing necessary into early 2014 for the soybean complex. On the other hand, grain markets have transitioned much more favourably with both US and world grain supply up sharply this year. Slowing US ethanol demand growth is limiting corn demand growth. With food demand growth more in line with farm productivity growth, we should expect lower grain prices and a return to full carry futures curves during the next 3-9 months.

We continue to monitor new opportunities in the palm oil, sugar and cotton markets. Palm oil production continues to underperform industry estimates resulting in tightening inventories into Q1 2014. Raw sugar markets are trading just above the cost of production which offers a good buying opportunity in deferred 2014 futures positions. The peak in the world sugar surplus has now passed and imminent changes in Brazil fuel pricing are likely to tighten sugar production into 2014. Cotton markets are expected to suffer from poor import demand from China in 2014 as the Chinese state procurement policy undergoes changes that will result in a drawdown of the huge government stockpile.

Benchmark	Aug 13	YTD
MC Soft Commodities Fund (AUD)	-1.73%	-0.02%
MSCI World Index	-2.06%	12.23%
MSCI Asia Pacific Index (AUD)	-0.60%	19.66%
ASX 300 Index	2.81%	14.47%
S&P GSCI Agriculture Index	0.35%	-11.27%
HFRX Global Hedge Fund Index	-0.86%	3.30%
Bond Indices Aus Govt 7-10yr TR	-0.88%	-2.25%

