

Agronomics

Fermenting growth and commercial viability

Agronomics (ANIC) invests in cellular agriculture companies. This note provides an update on our [January 2022 initiation note](#) and [March 2022 update](#), following the announcement of ANIC's Q2 NAV and some exciting new portfolio investments. These investments mark a shift in focus, in favour of companies such as precision fermentation contract manufacturer Liberation Labs and All G Foods, which appear to offer greater near-term commercial potential. ANIC's performance since inception in 2019 has been positive, with an NAV total return of 80% over this period. And we share the company's view that there is significant potential for further NAV uplifts over time, as and when the company's greater focus on nearer-term income pays off, and its longer-standing portfolio holdings make further progress towards financial viability.

NAV performance relative to benchmark since inception



Refinitiv, Edison Investment Research. Note: Total returns in sterling.

Recent developments

- ANIC reports its NAV quarterly. At end-June 2022 its NAV was 15.27p per share, up from 15.11p at end-March 2022, and 11.71p per share, at end-June 2021. This represents a quarterly increase of 1.1%, a 30.4% rise over the 12 months to end-June 2022 and an 80.3% gain since the fund adopted its current investment policy in April 2019.
- ANIC's recent investment in Liberation Labs has diversified the portfolio by increasing its exposure to industrial-scale precision fermentation, infrastructure that is essential to the commercial viability of many cellular agriculture companies. This technology is in high demand from many businesses in the sector (details below), reducing the need for ANIC to pick individual winners.
- Liberation Labs has ambitious plans to address the global shortage in capacity in precision fermentation, and if successful it will, in turn, support the progress of several of ANIC's other portfolio holdings that need access to this technology.
- ANIC's historically high premium narrowed further in H122, for reasons unrelated to its portfolio holdings. But the company's conservative valuation policy, combined with its scarcity value as the only UK-listed investment vehicle targeting cellular agriculture and this industry's very favourable outlook, should support the premium over time. So now may be a good time for investors to gain exposure to this growing, game-changing sector at an attractive level.

Investment trusts Cellular agriculture

9 August 2022

Price 17.4p
Market cap £170m
AUM* £148m

NAV** 15.27p
Premium to NAV*** 13.9%

*At 30 June 2022. **Including income at 30 June 2022.
***Based on current share price and last published NAV.

Yield 0.0%
Ordinary shares in issue 978.0m
Code/ISIN ANIC/IM00B6QH1J21
Primary exchange LSE
AIC sector N/A
52-week high/low 32.7p 14.0p
NAV* high/low 15.27p 5.56p

*Including income.

Net gearing 0.0%
Net cash (30 June 2022) £51.5m

Fund objective

Agronomics' aims to create value for shareholders by investing in companies that operate in the field of cellular agriculture, which derives conventional agricultural products directly from cell culture and fermentation, without the need for animals. It encompasses the concepts of cultivated meat, materials and precision fermentation, the use of microorganisms to grow valuable, formerly animal-derived ingredients and materials.

Bull points

- A rare opportunity to gain early-stage exposure to a new, game-changing sector, with major growth potential.
- An increasingly diversified portfolio, including a recent investment in upstream precision fermentation facilities which are in high demand by many producers across the sector.
- The sector offers potentially huge ESG positives that could make a significant contribution to climate change mitigation and animal welfare.

Bear points

- Investors need to give the sector time to overcome technical and regulatory barriers.
- Early-stage nature of ANIC's investments makes them difficult to value by standard means.
- The liquidity of ANIC's shares resulted in some sales during H122 as investors raised funds to meet redemptions driven by political uncertainty.

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The team's view: Increasing focus on near-term income

ANIC invests in sector-leading companies producing environmentally friendly alternatives to traditionally produced meat, dairy, seafood, leather, cotton, chocolate and other products, via cellular agriculture. (Exhibit 1 provides a full list of the company's 24 portfolio holdings). The ANIC team views cellular agriculture as the 'ultimate solution' to global food sustainability, as it disconnects food and materials production from conventional agriculture. In doing so, cellular agriculture dramatically reduces the use of land, water and energy, and cuts greenhouse gas emissions, thereby contributing to climate change mitigation. It also improves animal welfare and virtually eliminates the use of antibiotics. The team also believes that the sector offers a more attractive investment opportunity than plant-based foods, as barriers to entry are higher due to the greater complexity of the biotechnology used in production.

In its Q222 update, the ANIC team noted that it was constantly impressed by the rate of innovation it is witnessing across the cellular agriculture sector, as companies continue to achieve their technical milestones and develop processes with the ability to succeed at commercial scale. ANIC's chairman, Richard Reed, remains upbeat about the sector's outlook, noting that while global venture funding across all sectors declined by 23% over Q222, reflecting market volatility, the prospects for cellular agriculture 'remain promising' due to 'significant ESG tailwinds, intrinsic excitement and near-term (valuation) uplifts, all of which will benefit ANIC's portfolio'. Reed expects these developments to deliver significant valuation creation for the company's underlying assets over the second half of 2022, and beyond.

Greater precision fermentation capacity – the key to faster development of cellular agriculture

However, while the outlook for this sector is undoubtedly positive, it is still at a very early stage of development and faces several near-term challenges. One of the most significant of these is a global shortage of bioreactor capacity to produce precision fermentation derived products. Bioreactors are stainless steel vats similar to those used to brew beer. The precision fermentation process modifies microbes to produce valuable ingredients such as dairy, egg and collagen proteins, fats and oils. However, many of the fermentation facilities in use within the sector were built for other purposes, including the production of pharmaceuticals, chemicals and amino acids. Most of these units are over 40 years old and are incapable of producing food grade proteins cost efficiently. Advocates of precision fermentation technology believe that addressing this shortfall in global bioreactor capacity will accelerate the disconnection of food production from animal agriculture and help address global food security issues by providing sustainable, reliable sources of protein at scale.

Liberation Labs aiming to meet the high demand for precision fermentation facilities

The ANIC team has previously flagged its interest in diversifying the portfolio by investing in the industrial-scale infrastructure required by cellular agriculture companies to manufacture their products at scale, and it took the first step in this direction in June this year. ANIC led the founders round for Liberation Labs, a contract manufacturing company whose goal is to address the lack of precision fermentation capacity for cellular agriculture companies (see transaction details below). Liberation Labs was co-founded by industry veterans Mark Warner and Etan Bendheim and aims to become the global leader in this field, with purpose-built facilities for industrial biotechnology intended to provide several million litres of fermentation capacity once fully operational in several years' time. The first facilities are expected to be online in a couple of years. Jim Mellon, ANIC's

founder and executive director, says Liberation Labs' operations 'will set the standard for precision fermentation, with cost-effective, reliable and strategically situated facilities to meet growing consumer demand across the globe. It is a crucial step in the advancement of cellular agriculture.'

For Anthony Chow, a member of ANIC's advisory team, this investment is one of the company's 'most exciting' holdings. He is very confident about the extent of demand for Liberation Labs' services; although the company is still in its infancy, it is already seeing interest from potential customers.

Several of ANIC's portfolio holdings are set to benefit

As well as diversifying ANIC's portfolio into a new, upstream area of the cellular agriculture sector, which offers the prospect of relatively near-term commercial success, the investment in Liberation Labs also potentially improves the commercial prospects of several of ANIC's other portfolio holdings. Access to high-quality, industrial-scale, cost-efficient precision fermentation facilities is intrinsic to the long-term financial viability of Formo, which produces dairy proteins for use in cheesemaking, egg protein producers The EVERY Company (EVERY) and Onego, and Geltor, which manufactures collagen. Improving the availability of fermentation facilities will greatly assist these companies on their journey to commercial viability.

Investing in infrastructure reduces risk

Investment in infrastructure services in high demand from many participants in the cellular agriculture sector also significantly reduces some of the risks usually associated with investing in start-ups and early-stage businesses. Typically, success in this sphere requires investors to identify the most likely success stories among innovative, technologically sophisticated, but infant enterprises that face many challenges on their path to commercial viability. The ANIC team has deep and widely recognised skills and experience in the cellular agriculture sector and the team is thus very well-placed to recognise the most attractive investment opportunities as they emerge.

However, investing in precision fermentation facilities suitable for use by many different companies arguably eliminates the need to identify individual winners, and reduces the associated risks, because if one precision fermentation company falters, Liberation Labs will simply be able to contract its facilities out to other customers.

The ANIC team appears to agree with this argument. In July Agronomics' chairman confirmed that while the company will continue to support the cell culture companies in which it is invested, it intends to further increase its exposure to precision fermentation and its enabling technologies. Reed cited 'near-term commercial opportunities, combined with limited technology risks' as the key drivers of this shift in investment focus. ANIC's two most recent investments further illustrate this change in direction. In August, ANIC announced its investment in Clean Food Group, which focuses on commercialising palm oil from fermentation, and in All G Foods, a dairy precision fermentation company (both detailed below).

Increasing focus on non-meat companies to further boost near-term revenues

In addition to its recent investment in precision fermentation infrastructure, ANIC's team is taking other steps to improve the near-term commerciality of its portfolio. Several of its most recent investments have been in companies producing non-meat alternative proteins and other food ingredients. These products are at a more advanced stage of development, and thus closer to commercial viability, than cultivated meats and seafood, which face greater technical and scalability challenges. Dairy and egg proteins are used as crucial ingredients in the manufacture of a variety of foods and are therefore much easier to produce and market than more complex end products such

as burgers, sausages and chicken and fish fillets, where manufacturers are still working to replicate the sensory experience of consuming meat and seafood produced by traditional methods.

Furthermore, the regulatory hurdles faced by alternative dairy, egg and other protein producers are much lower than those faced by cellular meat and seafood companies. For example, EVERY is already selling its egg protein products. By contrast, another portfolio holding, BlueNalu, the first company to seek US regulatory clearance for cellular seafood products, is still working its way through the approval process. BlueNalu was initially expected to receive the go-ahead from regulators late last year, but it is still awaiting approval. However, Chow is confident that BlueNalu will eventually clear this regulatory hurdle and the team will maintain its investment in the meantime.

Compelling synergies at work

In summary, ANIC's shift in focus in favour of investments in precision fermentation and the non-meat cellular agriculture products, many of which are reliant on this technology, generates some very compelling synergies. The investment in precision fermentation should, over the next two to three years, help to unblock current capacity bottlenecks faced by the sector, improving the near-term growth and commercial prospects of not only Liberation Labs, but also several of Agronomics' other portfolio investments.

Recent investments and current portfolio

Agronomics' investment in Liberation Labs is one of three new investments the company has made since the publication of our last note in March 2022. ANIC invested US\$0.63m in the founders' financing round, alongside CPT Capital LLP, a co-investor in alternative proteins. This investment gives ANIC a 47% equity stake, and the company plans to participate in Liberation Labs' later funding rounds, although its equity share is likely to be diluted as additional investors come on board.

In keeping with its increasing focus on non-meat producers, in early August this year, ANIC announced two other new investments. Firstly, it led Clean Food Group's seed financing, with a £0.58m investment. This follows its participation in Clean Food Group's initial financing round in March this year. SEED Innovations, an AIM-traded company in which Jim Mellon holds a 6.95% share, also joined the funding round, alongside other private investors. Following the close of the seed funding round, Agronomics will hold a 35% equity stake in Clean Food Group, with an aggregate value of £3.8m. This represents an unaudited £2.9m valuation uplift in the company's initial equity stake following its participation in Clean Food Group's March financing round. The team will also have the right to a board seat, and Jim Mellon will be appointed as non-executive co-chairman.

Clean Food Group is a UK-based cellular agriculture company focused on the commercialisation of palm oil produced by fermentation. Palm oil is widely used in the production of food, soap and cosmetics. The global market for palm oil reached US\$50.6bn in 2021 and is forecast to reach US\$65.5bn by 2027. However, its production is a major driver of the destruction of some of the world's most biodiverse forests, which capture and store carbon. This deforestation and the conversion of the forests' carbon-rich peat soil into arable land releases millions of tonnes of greenhouse gases into the atmosphere, contributing to climate change and destroying the habitat of already endangered species. Finding sustainable, bio-equivalent palm oil alternatives such as those being pioneered by Clean Food Group could therefore make a meaningful contribution to climate change mitigation and environmental protection, while also eradicating the exploitative labour practices common in this industry. Clean Food Group's product is already generating significant

interest as a food ingredient and the company expects to seek market approval from the European and UK Food Standards Agencies later this year.

Agronomics also led the Series A funding of All G Foods, with an A\$15m (approximately £8.7m) investment, which gives ANIC an 8.01% share of the company and the right to a board seat. All G Foods is an Australian alternative protein company focused on the commercialisation of its precision fermentation platform, which produces dairy proteins and products including whey and caseins. It aims to be the first Asia-Pacific company to commercialise next-generation dairy proteins. All G Foods possesses leading dairy precision fermentation expertise, notably in casein micelle formation, the 3D spherical assembly of casein proteins critical to the replication of dairy products produced by traditional methods. To date, perfecting this process has been a challenge for other companies in the global sector. All G Foods also owns a rapidly growing plant-based meat business called Love BUDS, which is marketing its products throughout the Asia-Pacific region through various retailers, including Woolworths. It will be able to utilise this distribution network to market its dairy products.

Since the publication of our March 2022 update, Agronomics has also made follow-on investments in two of its existing portfolio holdings:

- In May, the team completed a US\$2m investment in Chinese cultivated meat company CellX, co-leading its Series A funding round alongside Lever VC and Joyvio Capital. The team views China as a large and attractive market, ripe for disruption from cultivated meat, and is excited by the commercial opportunity, especially now the Chinese government has included cultivated meat in its latest five-year agricultural plan. According to ANIC, CellX has made 'sustained and impressive' progress, which has established it as China's leading cultivated meat company. Following the completion of this funding round, ANIC's existing investment was revalued, resulting in an unrealised, unaudited gain of US\$0.5m on the original investment.
- Cultivated leather company VitroLabs also completed a successful Series A financing round in May, raising a total of US\$46m. Agronomics led this financing round with a US\$7m investment completed in September 2021. Kering, a global luxury fashion group that owns several high-end leather goods producers including Gucci, Yves Saint Laurent, Bottega Veneta and Balenciaga, also participated. VitroLabs claims it has made significant recent progress on product quality, and in scaling its production process to commercial levels. This funding round will be used to fast-track VitroLabs' commercialisation and has led to a £1.8m uplift in the valuation of ANIC's equity holding in VitroLabs.

Other recent news from portfolio holdings included the announcement by Tropic Biosciences UK that it had raised US\$35m in its latest funding round, which was led by sustainable food system investor Blue Horizon. ANIC did not participate in this funding round and will continue to carry the position on its books at cost (US\$3m), given the funds were raised via a convertible loan note. Tropic Biosciences is a UK-based gene-editing company developing high-performing commercial varieties of tropical crops such as bananas, coffee and rice, markets with a combined value of US\$400m. Tropic Biosciences' proprietary gene-editing technology improves crop performance and disease protection. In November 2021, the company received confirmation from the US Department of Agriculture Animal and Plant Inspection Service that its gene-edited potato product would be exempt from regulation, a promising sign that other products using this technology will also be admitted for sale in the United States.

The other significant recent development among portfolio companies was the July unveiling of Meatable's cultivated pork sausage product, which uses real meat produced using the company's proprietary technology. Meatable is a Dutch cultivated meat company focused on pork and beef production. This pork sausage is Meatable's first product and marks a major milestone for the company on its way to widescale commercialisation. Meatable expects to sell its first products to

Singaporean consumers in 2025, if not sooner, before expanding into the US and European markets.

As at end June 2022, ANIC had £51.5m in cash, thanks to capital raisings conducted in May and December 2021 (see our initiation note for details). Following its recent investments, available cash is now closer to £41.5m. This cash means the company is well-positioned to take advantage of new investment opportunities as they emerge, and to provide existing portfolio companies with additional financial support as they progress towards market. It has no immediate plans for further financing.

Exhibit 1: Portfolio holdings (at 5 August 2022)

	Value at last valuation	ANIC investment	Stage	ANIC's equity share (%)	Category	Investment rationale
SuperMeat	US\$19.35m	US\$12.0m	Series A	7.77	Cultivated chicken	Operational pilot plant capable of producing several hundred pounds of meat per week
VitroLabs	US\$12.75m	US\$10.5m	Series A	11.69	Cultivated leather	Scalable tissue engineering platform focused on leather. Revenue generation expected soon
Formo	€10.7m	€4.15m	Series A	5.94	Fermentation derived dairy protein	Producing genuine dairy proteins, focused on cheese production. Technology reduces industry inefficiency & animal welfare concerns of raising dairy cows
All G Foods	£8.7m	£8.7m	Series A	8.01	Fermentation derived dairy proteins and plant-based meat	Produces casein and whey proteins via microbial fermentation. Strong expertise in formation of functional casein micelles. Plant-based meat product gaining impressive traction in Asia-Pacific region
Geltor	US\$9.5m	US\$9.5m	Secondary purchase	2.05	Fermentation derived proteins including collagen	Produces bio-designed proteins usually derived from animals. Income-generating company offering 4 products containing human collagen & elastin for cosmetic use.
BlueNalu	US\$8.55m	US\$8.0m	Pre-series B	5.85	Cultivated seafood	Highly experienced team with +30 years' food industry experience. Leader in cellular aquaculture with a species agnostic platform to produce whole muscle fish fillet
Meatable	€8.15m	€5.2m	Series A	5.84	Cultivated pork	Unique technology for rapid transformation of stem cells to muscle and fat. Long-term sector experience
The EVERY Company	US\$8.0m	US\$8.0m	Series C	<2.00	Fermentation derived egg proteins	Precision fermentation company focused on the commercialisation of alternative sources of animal proteins
Onego Bio	€6.9m	€6.9m	Seed	19.94	Fermentation derived egg proteins	Tech platform established at the VTT Institute in Finland. Utilises the same methodology as Perfect Day, the global leaders in precision fermentation
Solar Foods	€6.0m	€6.0m	Series A	5.80	Air protein	Technology uses carbon dioxide from the air and water electrolysis to produce sustainable protein. Versatile application as an alternative to soy and pea protein
The LIVEKINDLY Collective	US\$5.55m	US\$3.0m	Seed	1.00	Plant-based protein	Strong operational management team including former Unilever North American president. Raised US\$200m in largest founder round in history of food
Clean Food Group*	£3.8m	<£1m	Seed	35.03	Palm oil produced by fermentation	Acquired intellectual property from the University of Bath for a microbial fermentation platform which has been developed over 8 years to produce a viable palm oil alternative.
Mosa Meat	€3.5m	€3.5m	Series B	1.62	Cultivated beef	Leading European cultivated meat producer with clear regulatory pathway. Advanced product development with muscle, fat and connective tissue
New Age Meat	US\$3.6m	US\$0.7m	Series A	4.00	Cultivated pork	First company to produce a meat-based tasting prototype sausage. Preparing for market entry through hybrid products
GALY	US\$3.47m	US\$1.5m	Series A	4.11	Cultivated cotton	Producing cotton grown directly from cells. Minimal footprint versus intensive cotton crops
Tropic Biosciences	US\$3.0m	US\$3.0m	Series B	2.95	Gene-edited seedlings	Developing high-performing commercial varieties of tropical crops, mainly coffee and bananas
CellX	US\$2.54m	US\$2.05m	Pre-seed	<2.0	Cultivated meat and seafood	First investment in China, which adds to portfolio's geographical diversity. Has technically strong founders. Huge Chinese animal protein market ripe for disruption
California Cultured	US\$2.2m	US\$2.2m	Seed	18.33	Cultivated cocoa	Harnesses cell culture technology to produce cocoa products. Potential to solve deforestation concerns related to conventional chocolate production
Ohayo Valley	US\$1.5m	US\$1.5m	Pre-seed	18.75	Cultivated beef	Company established by a leading cultivated meat scientist. First product is Waygu beef. ANIC's first investment in whole cut beef products, which constitute 60% of all beef sales in the United States
Liberation Labs	<£1.0m	<£1.0m	Founder	47.00	Precision fermentation contract manufacturer	Liberation Labs aims to build the world's first, fit-for-purpose, large scale fermentation facilities for alternative protein companies – addressing a huge bottleneck in the industry
Good Dog Food	<£1.0m	<£1.0m	Founder	N/A	Cultivated meat for pet food	ANIC's 1st joint venture and 1st UK-based investment, with Roslin Technologies, a food biotech company famous for Dolly the sheep, the world's first cloned adult mammal
Shiok Meats	US\$0.64m	US\$0.5m	Seed	1.60	Cultivated seafood	Combined scientific and entrepreneurial experience of co-founders. First cultivated meat company in South-East Asia
Rebelyous Food	US\$0.35m	US\$0.35m	Series A	1.20	Plant-based food	Revenue generating with corporate cafeterias trialling product via Compass Group
Bond Pet Foods	US\$0.15m	US\$0.15m	Seed	3.00	Fermentation derived pet food	Uses precision fermentation to produce animal proteins. Targeting the US\$25bn pet food market

Source: Agronomics, Edison Investment Research. Note: *Production not based on cellular agriculture. **Jim Mellon holds an additional personal interest in this company.

Performance: NAV rising strongly, headed for '18–19pp'

Exhibit 2: Five-year discrete performance data

12 months ending	Share price (%)	NAV (%)	CBOE UK All Cos (%)	MSCI World (%)
31/07/18	(19.0)	--	9.1	10.3
31/07/19	101.8	--	1.1	8.8
31/07/20	(40.3)	(15.8)	(18.5)	(1.7)
31/07/21	360.0	99.8	26.4	25.7
31/07/22	(23.3)	30.4	6.1	2.2

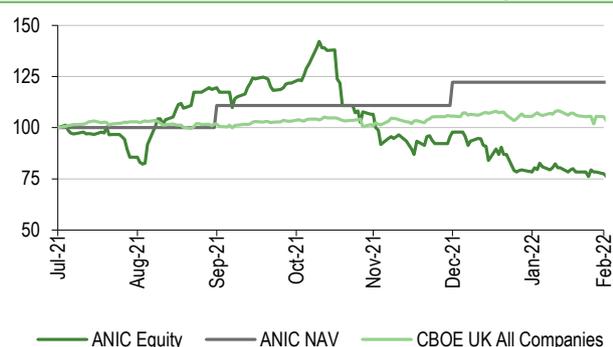
Source: Refinitiv. Note: All % on a total return basis in pounds sterling. Note: Using NAV at end June 2022.

Agronomics is a relatively new investment vehicle. It adopted its current investment strategy in April 2019 and early performance has been positive. The company reports its NAV on a quarterly basis. The latest available NAV, for the period ended 30 June 2022, was 15.27p per share, up from 15.11p at end March 2022 and 11.71p at end June 2021. This represents an increase of 1.1% over the quarter, 30.4% over the 12 months to end June 2021 and 80.3% since April 2019. Net assets increased to £148.0m at end June 2022, from £141.8m at end March 2022, including cash and cash equivalents of £51.5m (versus £45.3m in March).

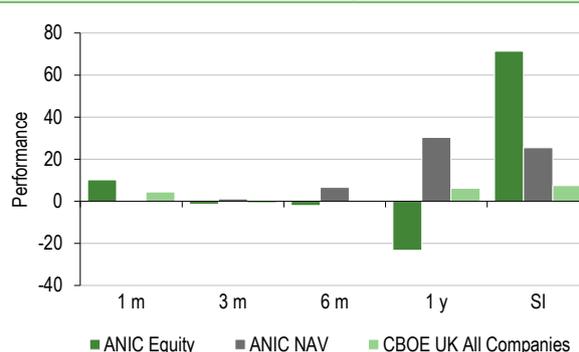
ANIC's NAV was supported over Q222 by unrealised gains on the revaluation of its investments in CellX (US\$0.5m) and VitroLabs (£1.8m), both discussed above. Other upward influences on the NAV over this period have not yet been disclosed.

Exhibit 3: Investment trust performance to 31 July 2022*

Price, NAV and benchmark** total return performance, one-year rebased



Price, NAV and benchmark** total return performance (%)



Source: Refinitiv, Edison Investment Research. Note: *Using NAV at end June 2022. **Although ANIC does not have a benchmark, the CBOE UK All Companies Index is included for comparative purposes. Since inception (SI) figures are annualised.

Increases in Agronomics' share price have outpaced the rise in its NAV. Since the adoption of its current investment strategy in April 2019, the company's shares are up almost 290%. However, the share price has been under pressure over the past year. After peaking at 34.95p per share in early May 2021, the share price has since dropped below 20.0p per share, where it has established a new trading range.

Several factors have contributed to recent share price weakness, although none are related specifically to ANIC's portfolio holdings. As has been the case for many other listed companies, its share price declined following Russia's invasion of Ukraine, as investors responded to the escalating geopolitical uncertainty by converting assets to cash. In addition, it appears that the market has begun to reassess some of the very high valuations in the broader alternative protein sector. For example, the share price of the sector's 'poster child', the plant-based protein producer Beyond Meat, remains weak after a dramatic fall during H221, which was triggered by disappointing sales and earnings. Investors may also be losing patience with the lengthy wait for regulatory approval of the products of some cellular agriculture companies such as BlueNalu (discussed above).

Looking ahead, ANIC's NAV will be supported over the coming quarter by a £2.9m valuation uplift to Clean Food (as discussed above). In addition, Meatable is likely to undertake a new funding round soon, following the launch of its pork sausage product, and the Agronomics team expects the associated revaluation of its holding to boost its NAV by at least a couple of pence per share. Liberation Labs will also need to seek additional funding, which the team also expects to lead to a valuation uplift to ANIC's position. When BlueNalu finally receives the long-awaited regulatory approval, the resultant upward valuation is likely to add modestly to ANIC's NAV. In total, the Agronomics team estimates that these expected developments will raise the company's NAV to about 18–19p per share. And greater gains may lie ahead. As we outlined in our initiation report and in our March 2022 update, we see scope for further, potentially significant NAV upside over the longer term as portfolio investments reach commercial scale.

Exhibit 4: Share price and NAV total return performance, relative to indices* (%)

	One month	Three months	Six months	One year	Since inception
Price relative to CBOE UK All Companies	5.9	(0.6)	(2.6)	(29.4)	96.0
NAV relative to CBOE UK All Companies	(4.4)	1.9	6.0	24.3	104.8
Price relative to MSCI World	2.6	(2.8)	(1.0)	(25.5)	71.5
NAV relative to MSCI World	(7.6)	(0.3)	7.7	28.2	80.2

Source: Refinitiv, Edison Investment Research. Note: NAV at end June 2022, other data to end-July 2022. Geometric calculation. *Although ANIC does not have a benchmark, the CBOE UK All Companies index and MSCI World Index are used for comparative purposes.

Premium should be supported by several factors

Historically, Agronomics' share price has traded at a substantial premium to its cum-income NAV. The premium peaked at around 500% in May 2021, but has since narrowed dramatically, due in part to the issuance of new shares, and also due to the share price decline discussed above. Based on the current share price and the end June 2022 NAV, ANIC's share price is presently trading at a premium of 13.9% (Exhibit 6).

However, its share price, and hence its premium, should find underlying support from several factors over time. Most importantly, ANIC's shares possess scarcity value, as it is the only UK-listed investment vehicle targeting cellular agriculture, and investor interest in the broader sector is increasing as alternative protein products prove their commercial viability. In addition, the company's conservative, 'backward-looking' valuation policy has the effect of limiting NAV uplifts (as explained in our initiation report). We expect upward revaluations to the company's portfolio holdings to lift the NAV over time, as we discuss above, and this will, of course, limit upward pressure on the premium, as will further rounds of equity issuance as ANIC seeks to meet its funding requirements. However, in the meantime, there are good reasons to suggest that the company's premium may not remain at its current, relatively narrow level indefinitely. But while it does, it appears to provide investors with the opportunity to gain exposure to this rapidly growing, game-changing sector at an attractive price.

Exhibit 5: Premium/discount since inception (NAV including income), %



Source: Refinitiv, Edison Investment Research

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