Rural Funds Group (ASX: RFF)

Equity raising presentation

6 March 2015

Rural Funds Management

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1 Tocabil almond development

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Overview

- Tocabil acquired on 31 October 2014 for $5.2m plus stamp duty
- 22 year lease signed in March 2015 with Olam Orchards Australia to develop and operate a 600 ha almond orchard
  - Lease to commence on completion of the Equity Raising and FIRB approval
- Almond orchard development to commence immediately, at a total cost of $27.5m over 4.5 years
- $15.0m equity to provide initial funding for the development
  - $7.5m institutional Placement
  - $7.5m non-renounceable Entitlement Offer
- Capital will initially be used to repay debt
- Debt to be redrawn as development progresses
- Balance of property currently leased to RFM Farming for a 3 year term
- AFFO neutral in FY16 and accretive from FY17 onwards

Proposed Tocabil development

Proposed almond orchard development

Tocabil property purchase	• 6,900ha • Includes 766ha of developed irrigation land, of which 600 ha is to be developed into almonds and leased to Olam Orchards Australia • Includes significant groundwater entitlements
Lessee	• Olam Orchards Australia Pty Ltd (subsidiary of SGX-listed Olam International Limited)
Key lease terms	• 600ha almond plantings (planted over 2 years – 400ha year 1) • 22 years ending April 2037 • Gross lease rate consistent with portfolio average • 12ML/ha permanent water entitlements. 10ML/ha required before planting can proceed (i.e. 4,000ML required FY15) with the remaining 2ML/ha to be purchased following planting • Lease payable in advance. Lease rate applied to all capital expenditure, including capitalised orchard maintenance costs for years 1 – 4[1] • Conditional on finalising initial development funding, FIRB approval
Capex	• Capped at $56,000/ha • Olam to incur costs as required; RFF to reimburse quarterly • 4.5-year development schedule • Total capex estimated at $27.5 million
Lease indexation	• CPI • No market reviews
Overall funding	• Capital will be sourced from a combination of equity raised under this Offer, retained earnings, and debt.
Portfolio Impact	• FFO accretive as development progresses • FY15 DPU guidance of 8.59 cents maintained. FY16 DPU forecast to increase 3% to 8.85 cents • Pro forma WALE increases from 12.2 years to 13.4 years[2] • Pro forma annual rent indexation increase from 2.06% to 2.11%[2,3]

Tocabil – Hillston, NSW

[1] Orchard maintenance costs (direct growing costs) capitalised in years 1 – 4 (i.e. attract rental income) and thereafter become lessee's responsibility
[2] Pro forma WALE and pro forma annual rent review weighted by FY15 revenue contribution, calculated as though Tocabil development had been completed 1 July 2014.
[3] Average rent review assuming CPI of 2.5%

Almond orchard development overview

Development timetable and capital cost

	FY15	FY16	FY17	FY18	FY19	Total
Additional water entitlements	1.5	4.0				$5.5m
Infrastructure and trees	7.1	2.4				$9.6m
Orchard maintenance[1]	0.2	1.7	2.9	3.4	4.1	$12.4m
Total development	**$8.9m**	**$8.2m**	**$2.9m**	**$3.4m**	**$4.1m**	**$27.5m**
Existing Tocabil assets[2]	4.2	0.4				$4.6m
Total leased assets	**$13.1m**	**$8.6m**	**$2.9m**	**$3.4m**	**$4.1m**	**$32.1m**

- 7,200ML required for total development, 3,428ML acquired to date (inclusive of the Tocabil entitlements)
  - 4,000ML required for FY15 planting to commence (i.e. a further 572ML)
- Total orchard development budget of $27.5 million over 4.5 years
- Assumes 400ha to be planted in year 1, and 200ha to be planted in year 2
- All required infrastructure development and water acquisition completed by year 3
- Orchard maintenance costs years 1 – 4 included as capex.

Shaded area to be leased to Olam

Notes:
1. Orchard maintenance includes all direct growing costs, on farm staffing costs, farm overheads, repairs and maintenance, temporary water purchases and water charges
2. Tocabil assets to be leased to Olam include land, water, and infrastructure are valued at $4.6 million. The balance of Tocabil is leased to RFM Farming for cropping and grazing

Rationale

- An almond orchard development, and associated equity raising, is consistent with RFF's stated objectives

RFF's objectives are long term

Increase net assets	✓	Grows net assets from $137m to $151m, with potential for further capital appreciation
Without diluting FFO	-	Small dilution effect in FY15 due to capital raising and timing Neutral FY16, accretive FY17 onwards
Increase distributions	-	FY15 distributions maintained. FY16 DPU forecast to increase 3% to 8.85 cents. Potential to increase in later years due to increase in FFO
Reduce leverage	-	Gearing initially reduced. Reverts to current levels as development progresses
Maintain asset quality while diversifying	✓	Prime almond orchard location to be developed according to best practice principles
Maintain tenant quality while diversifying	✓	Leading global agribusiness company, second largest almond grower globally
Lower operating costs per unit	✓	Fixed costs shared amongst larger equity base

Key assets

	Existing assets					
	Poultry infrastructure	**Almond orchards**	**Vineyards**	**Pre-transaction** (weighted average)	**Tocabil almond development**[5]	**Pro forma**[6]
Gross lease rate[1]	9.1% as at 31 December 2014				Slight increase in pre-transaction weighted average	
Annual indexation[2]	65% of CPI (capped at 2%)	2.5% p.a. (market review 1 July 2016)	2.5% p.a. (market review 1 July 2017)	**2.06%**	CPI	**2.11%**
WALE[3]	12.3 years	14.1 years	7.5 years	**12.2 years**	22 years	**13.4 years**
Asset value[4]	$97.0m	$90.0m	$38.0m	**$225.0m**	$32.1m (total over 4.5 years)	**$257.2m**

Notes:
1. Gross lease rate defined as forecast FY15 rental income divided by 30 June 2014 independent valuations.
2. Average weighted by forecast FY15 revenue. CPI assumed to be 2.5%.
3. WALE weighted by forecast FY15 revenue, as at 31 December 2014
4. Asset values are 30 June 2014 independent valuations. Tocabil asset value is forecast total leased assets.
5. All Tocabil almond development calculations assumed to be based on the forecast total leased assets.
6. Pro forma weighted average annual indexation and WALE calculated as if Tocabil development had been completed 1 July 2014.

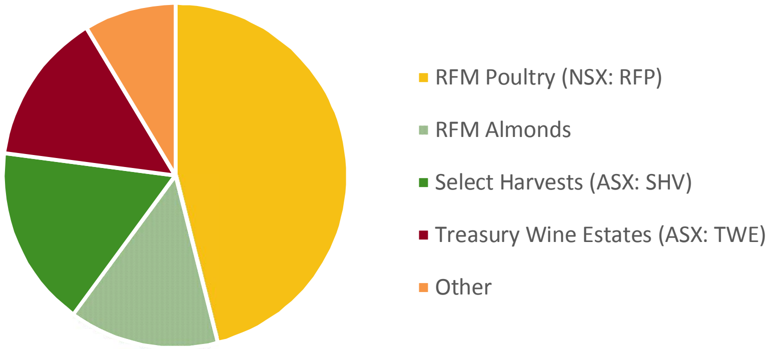
Farm 64, Griffith, NSW

Mooral almond orchard, Hillston, NSW

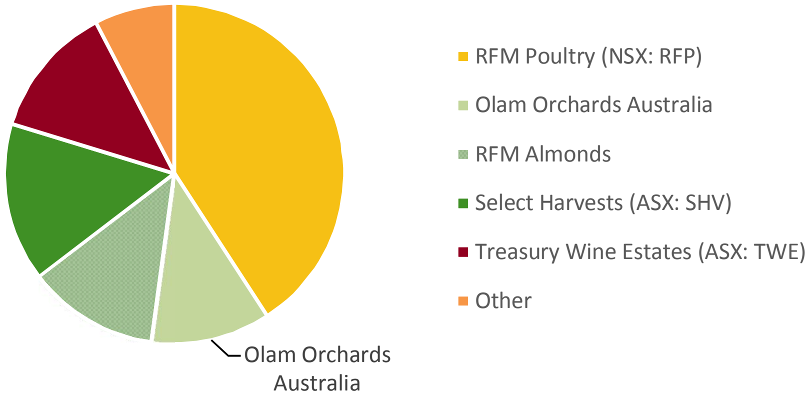
Geier vineyard, Barossa Valley, SA

Improved counterpart diversification

Pre-transaction FY15 forecast revenue



Pro forma FY15 forecast revenue[1]



RFF tenant diversification to improve significantly over the next five years:

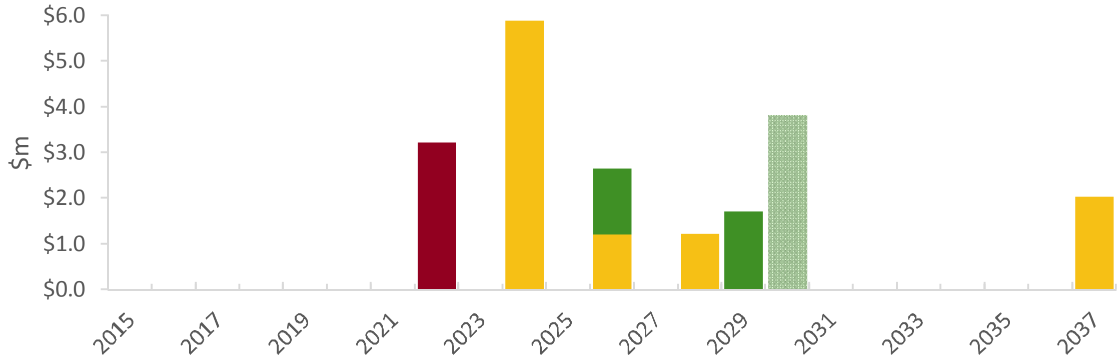
- Revenue from Olam Orchards Australia to represent approximately 12% of the portfolio
- Five major counterparts
- Largest counterpart to represent 41% of the portfolio, a reduction from 46%

Note:

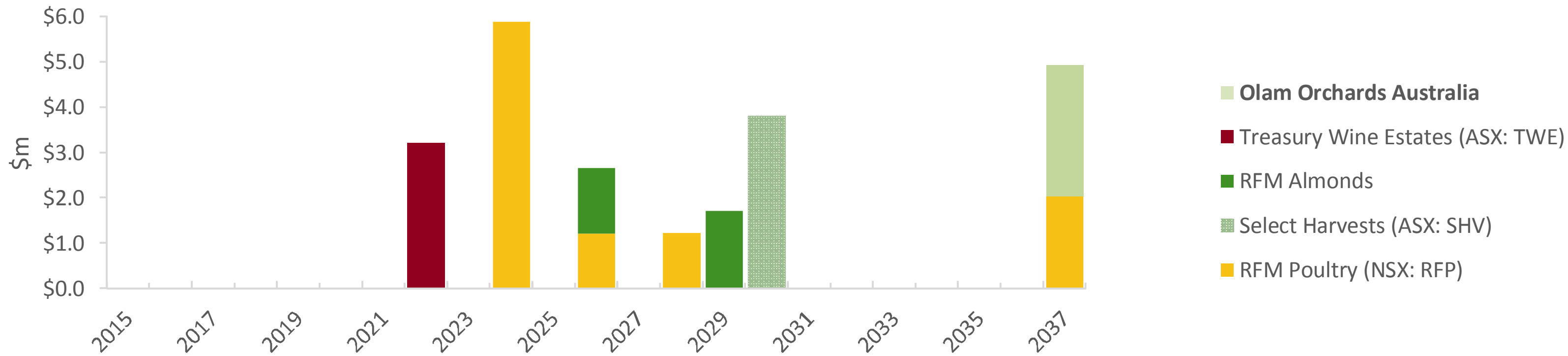
1. The above charts assume forecast FY15 revenue from existing counterparts and revenue from Olam Orchards Australia based on the forecast total leased assets of $32.1m, calculated as if the project had been completed 1 July 2014.

Improved WALE

Pre-transaction: weighted average lease expiry – 12.2 years



Pro forma: weighted average lease expiry – 13.4 years[1]



- RFF weighted average lease expiry to increase from 12.2 to 13.4 years
- No RFF lease expires before 2022

Note:

1. The above charts assume forecast FY15 revenue from existing counterparts and revenue from Olam Orchards Australia based on the expected total project cost of $32.1 million, calculated as if the project were completed 1 July 2014

2 Equity Raising

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Equity Raising

Pre-transaction FY15 forecast revenue

Structure	• $7.5m Placement to institutional and sophisticated investors
	    • 7.1 million New Units (~6% of pro forma issued capital, including the Entitlement Offer)
	• 2 for 33 non-renounceable Entitlement Offer to raise up to $7.5m
	    • 7.1 million New Units
	    • Intended to be underwritten, subject to completion of Placement, execution of formal documentation
	    • Units issued pursuant to the Placement will not be eligible to participate

Offer Price	• Fixed offer price of $1.05 per Unit
	    • 0.9% discount to last close (5 March close $1.06)
	    • 2.3% discount to 5-day VWAP of $1.075
	    • 1.9% discount to TERP[1]
	    • 8.4% forecast FY16 distribution yield at Offer Price

Use of funds	• Initially to pay down debt, available for redraw to fund the almond orchard development • Offer costs • Post completion of the Offer, RFF expects to have undrawn facilities of ~$18.0 million
Ranking	• All New Units will be fully paid and rank equally with RFF's existing Units, including a right to the March quarterly distribution (2.15cpu)
Offer jurisdictions	• Registered addresses in Australia and New Zealand
Lead Manager	• Wilson HTM Corporate Finance Ltd

Note:
1. Theoretical ex-rights price (TERP) includes Placement Units and calculated on pre-announcement 5-day VWAP price

Sources and uses of funds

Sources and uses of funds FY15

($000s)	
Sources	
Entitlement Offer	7,500
Institutional Placement	7,500
Total sources	**15,000**
Uses	
Almond development (FY15 capex)	8,900
Transaction costs	749
Debt repayment	5,351
Total uses	**15,000**

- The development is initially funded entirely by equity raised under this Offer, with surplus funds being used to reduce debt:
  - On completion of the Equity Raising, all proceeds applied to debt reduction
  - FY15 development capex will progressively draw down against borrowings
- In subsequent years additional capital will be sourced from a combination of retained earnings and debt
- The equity raised under this Offer together with retained earnings and debt is forecast to be sufficient to complete the development over 4.5 years while maintaining gearing at or around the current level

Pro forma summarised balance sheet

($000s)	Actual 31 December 2014	Offer proceeds	Offer Costs	Pro forma 31 December 2014
		Note 1	**Note 2**	
Cash	800	-	-	800
Property investments	238,045	-	-	238,045
Deferred tax assets	1,596	-	-	1,596
Other assets	6,991	-	-	6,991
Total Assets	**247,432**	**-**	**-**	**247,432**
Interest bearing liabilities				
Current	751	-	-	751
Non-current	101,012	(15,000)	749	86,761
Deferred tax liabilities	-	-	-	-
Other liabilities	8,982	-	-	8,982
Total Liabilities	**110,746**	**(15,000)**	**749**	**96,495**
Net Assets	**136,686**	**15,000**	**(749)**	**150,937**
Units on issue ('000s)	117,459	14,286	-	131,744
NAV per unit	**$1.16**			**$1.15**

Notes:

1. The proceeds from this Offer are applied to debt reduction. Units are assumed to be issued at $1.05. Assumes full $15m raised.
2. Costs associated with this Offer. $43k Equity Raising costs expensed, with remainder offset against net assets attributable to unitholders.

Debt

Debt metrics

	Actual 31 December 2014	Post-transaction pro forma[1] 31 December 2014
Term debt facility limit	$103.0m	$103.0m
Term debt drawn	$99.3m	$85.0m
Headroom	$3.7m	$18.0m
Loan to Value Ratio (LVR)[1,2]	43.8%	43.8%
Debt Facility expiry	18 Dec 2018	18 Dec 2018
Interest Cover Ratio[1,3]	3.30x	3.30x
Hedging policy	>50%	>50%
Proportion hedged[4]	75.5%	88.2%
Weighted average hedge expiry	30 Sep 2017	30 Sep 2017
Effective hedge rate	3.44%	3.44%
Effective cost of total debt (6 mths to Dec 14)	5.39%	5.39%

- Amortisation of $2 million per annum commencing 30 Sept 2016
- Key financial covenants:
  - LVR <50%
  - Interest Cover Ratio >2.25x, with distribution permitted at >2.5x
  - Net Tangible Assets >$100 million
- Security:
  - Real property mortgages
  - General security agreement
  - Cross guarantees between RFF and subsidiaries

Notes:
1. Assumes $15 million of Equity Raising proceeds less Offer costs applied towards paying down borrowings
2. LVR calculated as facility limit / directly secured assets, and therefore will not change as a result of the transaction
3. Interest Cover Ratio calculated based on 12 months to 31 December 2014 (no pro forma adjustment)
4. Proportion hedged based on term debt drawn

Development impact - assumptions

Development timetable and capital cost

	FY15	FY16	FY17	FY18	FY19	Total
Additional water entitlements	1.5	4.0				$5.5m
Infrastructure and trees	7.1	2.4				$9.6m
Orchard maintenance[1]	0.2	1.7	2.9	3.4	4.1	$12.4m
Total development	**$8.9m**	**$8.2m**	**$2.9m**	**$3.4m**	**$4.1m**	**$27.5m**
Existing Tocabil assets[2]	4.2	0.4				$4.6m
Total leased assets	**$13.1m**	**$8.6m**	**$2.9m**	**$3.4m**	**$4.1m**	**$32.1m**

Other Assumptions

- 7,200 ML water required for total development, 3,428ML acquired to date (inclusive of the Tocabil entitlements)
- Total orchard development budget of $27.5 million over 4.5 years
- Assumes 400 ha to be planted in year 1, and 200 ha to be planted in year 2
- All required infrastructure development and water acquisition completed by year 3
- Orchard maintenance costs years 1 – 4 included as capex
- Gross rental calculated based on contract lease rate, with all capex occurring 30 June and 31 December each year. Gross rental on existing Tocabil assets based on incremental rental over current leasing rates
- Effective cost of debt based on 5 year BBSY rate plus margin
- CPI of 2.5%
- $15m raised at $1.05/unit issue price, all remaining development capital expenditure assumed to be funded through debt

Notes:

1. Orchard maintenance includes all direct growing costs, on farm staffing costs, farm overheads, repairs and maintenance, temporary water purchases and water charges
2. Tocabil assets to be leased to Olam include land, water, and infrastructure are valued at $4.6 million. The balance of Tocabil is leased to RFM Farming for cropping and grazing.

Development impact – FFO

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Tocabil development impact

	FY15	FY16	FY17	FY18	FY19	Total
Total leased assets	**$13.1m**	**$21.7m**	**$24.6m**	**$28.0m**	**$32.1m**	**$32.1m**
Rental income[1]	$0.2m	$1.4m	$2.0m	$2.3m	$2.7m	$8.5m
Net interest[2]	$0.1m	$0.1m	($0.2m)	($0.4m)	($0.6m)	($1.0m)
Management fee	($0.0m)	($0.1m)	($0.2m)	($0.2m)	($0.3m)	($0.9m)
Tocabil FFO	$0.2m	$1.3m	$1.5m	$1.7m	$1.9m	$6.6m
FFO per Unit (cpu)[3]:						
- Tocabil	0.2	1.0	1.2	1.3	1.4	
- Capital raising effect[4]	(0.3)	(1.0)	(1.0)	(1.0)	(1.0)	
- Net	**(0.1)**	**0.0**	**0.2**	**0.3**	**0.4**	

- Tocabil development is FFO neutral in FY16 and accretive from FY17 onwards

Notes:

1. Rental income, net interest and management fees calculated based on development capital expenditure occurring 30 June and 31 December each year. Rent is payable upon capital being deployed, with CPI escalation (2.5%pa) at 1 January each year. Rent on existing Tocabil assets is based on incremental rental income over current lease rates, adjusted for CPI.
2. Net interest assume 5 year BBSY rate plus margin on new debt relating to the Tocabil development, with debt drawn to fund new development capex.
3. Per unit calculations based on 131.9m units on issue on completion of the capital raising, including 0.2m units assumed to be issued in April 2015 DRP.
4. Capital raising effect on FFO/unit based on $10.8m FFO, 117.6m existing units and 14.3m units issued as part of the capital raising (FY15: 121.0m average over the year and 131.9m average for other years).

Timetable

Placement key dates

Recommence trading	Tuesday, 10 March 2015
Settlement of Placement units	Tuesday, 17 March 2015
Allotment and trading of Placement units	Wednesday, 18 March 2015

Entitlement Offer key dates

Ex-date for Entitlement Offer	Thursday, 12 March 2015
Record Date for Entitlement Offer	Monday, 16 March 2015
Entitlement Offer opens	Wednesday, 18 March 2015
Offer Booklet and personalised Entitlement and Acceptance Forms sent to all Eligible Unitholders	Wednesday, 18 March 2015
Entitlement Offer closes (Closing Date)	Wednesday, 1 April 2015
Allotment of units issued under Entitlement Offer	Friday, 10 April 2015
Dispatch of holding statements	Friday, 10 April 2015
Expected date for trading of Entitlement Offer units	Monday, 13 April 2015

3 Key risks

Key Risks

An investment in RFF, like any investment, involves risk. These risks can be broadly divided between specific risks, property market risks, and general risks relevant to RFF.

Whilst the assumptions used in generating the forward looking statements within this presentation are considered reasonable, a number of these risk factors could affect the achievement of the forecasts. Most risk factors are outside the control of RFM.

Detailed below are risk factors however this is not an exhaustive list. Unitholders should make their own independent assessment of the Offer.

Specific risks

Risk	Summary
Counterpart	All land and infrastructure assets owned by RFF are leased in order to ensure that Unitholders are not directly exposed to agricultural operational risk. There is a risk that a counterpart may default on its lease obligations to RFF. Any default would reduce RFF's revenue and, thus, its ability to meet its obligations and the payment of distributions. RFF has several lessees, with the largest lessee (by rental income) being RFM Poultry, representing 43% of RFF's revenue stream during the 2014 financial year.
Rental risk – timing of development expenditure	The money raised under this Offer will be used to fund the development over four and a half years of a 600 hectare almond orchard leased for 22 years to Olam Orchards Australia Pty Ltd. There is a risk that delays in the commencement of the development of the almond orchard, or the timing of the expenditure may result in a reduction, or deferral of rent received under the lease until the development is completed.
Takeover	RFM, an experienced agricultural manager, is the responsible entity of RFF. Another entity may seek to take over RFF or replace RFM as responsible entity. Any change of responsible entity will require Unitholders' approval of an ordinary resolution at a Unitholder meeting.
Future distributions or reduction in distributions	RFF must meet its operating expenses, capital commitments and debt servicing obligations before distributions can be made to Unitholders. Consequently, distributions may vary.
Olam lease conditions precedent	The lease with Olam Orchards Australia Pty Ltd is conditional on Foreign Investment Review Board approval and RFF raising sufficient equity funding by 30 April 2015 or such later date as agreed between RFM and Olam Orchards Australia Pty Ltd. Under the terms of the lease, RFF must acquire by 30 April 2015 10 ML/ha of water entitlement for the 400 hectares to be planted in 2015. At present RFF has acquired approximately 8.6 ML/ha and is actively seeking to acquire further entitlements. There is a risk that RFF may not be able to acquire the water and Olam terminate the lease if this condition was not met within the 90 day rectification period.

Key Risks

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Specific risks (continued)

Risk	Summary
Suspension event	There is a risk that a suspension event could occur under the terms of the chicken growing contracts. Under the terms of the RFM Poultry lease, any reduction in the grower fee revenue relating to a suspension event will result in a proportional reduction in the rent payable to RFF. RFM Poultry has chicken growing contracts with Bartter Enterprises that expire over the period from 31 March 2024 to 3 July 2036. RFM Poultry is dependent on the income from those contracts to meet its obligations to RFF under the leases. The Bartter Enterprises growing contracts include the following suspension events, which, if triggered, mean all obligations under the relevant growing contract, including payments to RFM Poultry, are suspended until the suspension event is rectified. In the event RFM Poultry suffers a suspension event, this will have a corresponding suspension or reduction in the lease payments received by RFF under its lease with RFM Poultry. If the suspension event persists for longer than six months, the growing contract may be terminated by either party by giving one months' notice. Suspension events for all chicken growing contracts include: acts of God; epidemics, fires, industrial disputes by Bartter employees, livestock husbandry issues, disease caused by RFM Poultry and chicken meat importation. In the case of the Lethbridge farm growing contracts, suspension events that result in contract payments being suspended as a result of either disease or chicken meat importation, allow for RFM Poultry to be compensated when the next batch of chicks are placed with that farm.
Competition	RFM has a significant track record in identifying, acquiring and managing agricultural properties in Australia. A number of competitors exist for potential acquisitions, which could impact upon RFM's ability to execute Rural Fund Group's business strategy and RFF's financial performance.
Acquisition risk	In order to drive future growth of the business of RFF, RFM intends to develop a significant acquisition pipeline. There is no guarantee that RFM will be able to execute any or all future acquisitions.
Business strategy	RFM's business strategy for RFF is focused on building the group's portfolio and cash yield through acquisition and development. RFF's future growth is dependent on the successful execution of this strategy and funding. Any change or impediment to implementing this strategy or funding may adversely impact RFF's operations and future financial performance.

Key Risks

Specific risks (continued)

Risk	Summary
Asset valuations	Rental yield and profitability of RFF is attached to the valuations of the leased properties, biological assets and water rights. Factors affecting asset valuations include capitalisation and discount rates, the economic growth outlook, and demand for end-market products such as chicken meat, almonds and wine. Such impacts on property valuations may lead to variations in the valuation of RFF and the rental yields RFF is able to achieve.
Insurance	RFF enters into insurance policies on its properties with policy specifications and insured limits that it believes to be customary in the industry. However, potential losses of a catastrophic nature, such as those arising from war, terrorism, insects or severe flooding, may be uninsurable, or not insurable on reasonable financial terms, may not be insured at full replacement costs, or may be subject to large excesses.
Hedging of interest rates	RFF undertakes interest rate hedging to help protect against changes in interest rates. Interest rate swaps, although used for hedging, can create interest rate risk and counterpart risk. Further, for accounting purposes, swaps are required to be valued at market value, and this can create earnings volatility.
RFM Poultry right of rent review	Under the terms of the RFM Poultry lease, there is a right of rent review where there is material permanent change to the profitability of chicken growing activities. Any reduction in RFM Poultry's profitability may result in a reduction in the rent payable to the RFF.
Gearing	RFF has secured a debt facility that sets limits for the next five years. Beyond this, there is a risk that RFF's bank could reduce the gearing limit. In these circumstances, where asset values have not increased sufficiently to offset any decrease in gearing limits, Rural Funds Group may be required to sell assets and reduce or suspend distributions to retire debt.
Reliance on RFM's skills	Unitholders have no direct control over the decisions that affect the day-to-day management of RFF. Instead they rely on the skills of RFM and RFM's employees to manage RFF assets. An RFM employee may have a specialist skill set that is used to manage those assets. If that RFM employee resigns, then RFM may not be able to replace that specialist skill set quickly or easily.

Key Risks

Specific risks (continued)

Risk	Summary
Conflict of interest and related party transactions	RFM is the responsible entity for RFF and for a number of other funds. It is possible that investment opportunities will arise for RFF through RFM's relationship with those other funds. Therefore, from time to time, RFM may face a conflict of interest that arises because of its role as the responsible entity for RFF and its role as the responsible entity for other funds. Related party transactions are subject to the RFM Conflict of Interest Management Policy.
Inflation	Inflation risk is the uncertainty over the future real value of your investment and specifically whether revenue or profitability will increase at least in line with inflation. The Select Harvests and Treasury Wine Estates leases allow for annual indexing of 2.5% p.a. with five yearly reviews to market. The RFM Poultry lease is subject to standard indexation capped at 2% p.a. The leases to RFM's Almond Funds are subject to standard indexation of 2.5% p.a. There is the risk that inflation will be more than the results achieved by the market reviews and annual indexing.
Litigation	There is current litigation relating to the lease of RFF's 320 hectare olive orchard located near Hillston NSW. RFF has terminated this lease and has commenced action in the NSW Civil and Administrative Tribunal to regain possession of the property. The lessee has lodged a counter claim in the NSW Supreme Court to set the termination aside and for damages and losses of $6.8m. RFF considers this claim to be without merit and is vigorously defending the action.
Olam lease force majeure	During the development period there is a risk of force majeure events (which prevents the development of the almond orchard such as an extreme climatic event) which are beyond the control of either party. If a force majeure event results in the 2015 plantings of between 350 and 400 hectares not being completed within 18 months from the event, then the Olam Orchards Australia Pty Ltd can terminate the lease.

Key Risks

Property Market risks

Risk	Summary
Decline in asset value	RFF owns property including land, water and infrastructure for agricultural production. The value of these assets may rise or fall because of general economic conditions, local and global agricultural conditions, changes in independent valuation methodologies, and changes in discount rates.
Destruction or damage of property	It is possible that the assets owned by RFF could be destroyed or damaged by natural or other events. RFM will maintain appropriate levels of insurance, provided it is economically sensible to do so.
Property illiquidity	The majority of assets owned by RFF are large scale. Given this scale, the number of potential buyers is limited. Therefore, the sale of assets at book value may take longer to realise.
Water entitlements	Pursuant to the terms of the Treasury Wine Estates Limited leases, and the lease for the RFM Almond Funds 2007 and 2008, where there is a reduction in water entitlements, RFF is required by the terms of the leases to replace the entitlements from an alternative source. Failure to do so may result in a rent abatement or a right to terminate the lease. In the case of the Select Harvests leases, RFF is not required to replace any reduction in entitlements and there is no rental abatement at the time of the reduction. However the reduction will be taken into account in determining the Orchard value at the next review date; and therefore is likely to result in a rental reduction then. In the case of the Tocabil lease, any reduction in water entitlements results in a rent abatement. If RFF secures additional water, rent is payable based on the capital cost of the purchase. In the event that a reduction results in less than 10ML/ha being available and not replaced by RFF within 18 months of the reduction taking effect, Olam have the right to terminate a proportional area in order to bring the entitlement back to 10ML/ha. If the remaining area is less than 350 ha, Olam have the right to terminate the entire lease. There is no such requirement in any of the other existing leases. Annual water allocation risks are on account of the Lessee's.

Key Risks

General risks

Risk	Summary
Change in economic conditions	The following economic conditions may impact the performance of RFF assets: ▪ national economic growth; ▪ industry change; ▪ interest rates; ▪ inflation; ▪ exchange rates; and ▪ changes to government economic policy.
Change in political and regulatory environment	The following international or domestic political conditions (as well as others that are not listed here) may adversely affect RFF's assets: ▪ legislative changes; ▪ regulatory changes; ▪ taxation changes; and ▪ foreign policy changes (including the status of trade agreements).
Taxation changes	Section 4 in the Retail Offer Booklet provides an outline of the current taxation status of RFF. As a Unitholder, you should be aware that taxation law can change, which may materially impact your taxation position or the value of your investment in RFF.
Units trading at below net asset value	The buying and selling of Units is conducted on the ASX. The trading history of Units indicates that RFF Units have traded below their net asset value. The trading price of the Units will be dependent on the financial performance of RFF.
Liquidity	The ability to sell your Units will depend on the availability of buyers. Larger stocks generally have a higher level of liquidity or turnover than smaller stocks. There are approximately 2,000 stocks listed on the ASX.

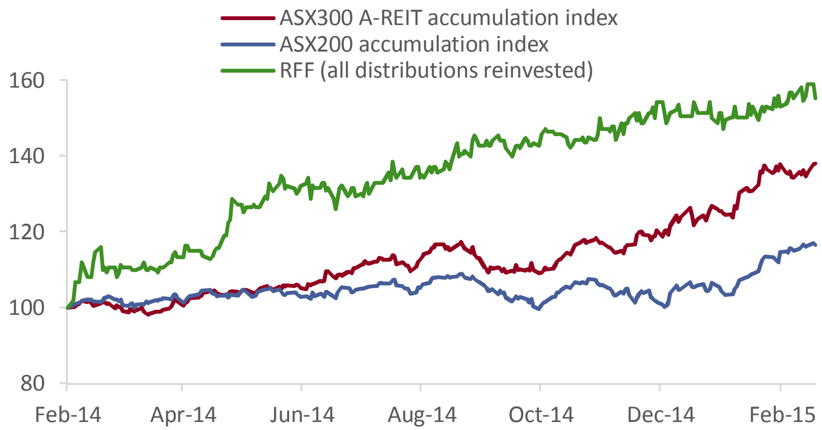
Rural Funds Management

RFF overview

- Listed on the ASX in February 2014 at a market capitalisation of ~$88 million[1]
  - Created through the merger and compliance listing of 3 existing unlisted funds
- Adopted a stapled structure in October 2014
- Owns a diversified portfolio of agricultural assets including almond orchards and water entitlements, poultry farms and vineyards
- Offers low-risk exposure to the agricultural sector with attractive, stable income yield and the potential for capital growth over time
- Significant potential for value accretive growth through further acquisitions
- Delivered substantial outperformance compared to ASX200 and ASX300 A-REIT indices since listing
- External management company (RFM), 80% owned by managing director David Bryant

Notes:
1. Market capitalisation based on closing price of first day of ASX trading (14 Feb 2014) of $0.75/unit
2. Indices and RFF rebased to 100 as at 14 Feb 2014 close (RFF first day of trading)
3. Prepared on a pro forma basis and includes the acquisition of Tocabil and a $15m Equity Raising
4. Market capitalisation based on 31 December 2014 closing share price. Pro forma market capitalisation includes net proceeds of the Equity Raising
5. Average daily turnover is for the 6 month period to 31 December 2014

Total return performance since listing[2]



Key metrics

	Actual 31 Dec 2014	Pro forma 31 Dec 2014[3]
Net assets	$137m	$151m
Gearing	41.1%	35.4%
Market capitalisation[4]	$127m	$141m
Average daily turnover[5]	$147,000	$147,000
WALE	12.2 years	13.4 years
NAV per security	$1.16	$1.15

Responsible entity relationship

RFM is one of the oldest and most experienced agricultural funds management organisations in Australia

- Rural Funds Management Limited (RFM) is an experienced fund and asset manager that specialises in Australian agriculture
- Established in 1997, RFM has historically operated as an external manager and is currently the responsible entity for 7 agricultural investment funds which as at 31 December 2014 had approximately $313m of assets under management in New South Wales, South Australia and Victoria and a combined FY15 turnover of approximately $85m
- RFM holds units in each of the listed funds that it manages
- RFM manages additional operational entities enabling RFF to benefit from shared services
- The RFM management team includes specialist fund managers, finance professionals, horticulturists, livestock managers, and agronomists. This team provides RFM with the specialised skills and experience required to manage the agricultural assets
- RFM employs 24 full time corporate staff (offices in Canberra, Sydney and Melbourne) and 14 full time farm staff
- RFM has a simple and transparent fee structure for managing and administering RFF:
  - Fund and Asset Management Fees totalling 1.05% p.a. of gross asset value
  - Reimbursement of all reasonable expenses; and
  - Constitution provides for a termination fee of 1.5% of gross asset value in the event RFM is removed as responsible entity

RFM board and management team

Rural Funds Management

RFF is externally managed and governed by a highly experienced management team and board

Board of directors

Guy Paynter
Non-executive Chairman

- Former director of broking firm JBWere with more than 30 years' experience in corporate finance
- Guy was former member of the ASX
- Agricultural interests include cattle breeding in the Upper Hunter region in New South Wales

David Bryant
Managing Director

- Established RFM in February 1997
- Responsible for leading the RFM Executive and sourcing and analysing new investment opportunities
- Responsible for over $300m in assets acquisitions across eight Australian agricultural regions, including negotiating the acquisition of more than 25 properties and over 60,000 megalitres of water entitlements

Michael Carroll
Non-Executive Director

- Serves a range of food and agricultural businesses in a board and advisory capacity, including Tassal Group Ltd, Select Harvests Ltd, Sunny Queen Ltd and the Gardiner Dairy Foundation
- Senior executive experience in a range of companies, including establishing and leading NAB's Agribusiness division

Contact

Stuart Waight
Chief Operating Officer

- Joined RFM in 2003
- Responsible for reviewing and optimising the performance of the RFM funds, and analysing future developments, acquisitions, and investments
- Oversees the Asset Management activities, as well as the Farm Management activities of the National Manager of each of Poultry, Almonds, and Cropping and Livestock.

Andrea Lemmon
Executive Manager, Funds Management

- Joined at inception in 1997
- RFM Company Secretary
- Responsible for the development of new products, the continuous improvement of existing products, management of research activities, and the provision of services and communications to investors and advisers

Tim Sheridan
Senior Analyst

- Joined RFM in 2008
- Responsible for the analysis of RFF financial performance, and the analysis of future development and investment opportunities

James Powell
Investor Relations and Distribution Manager

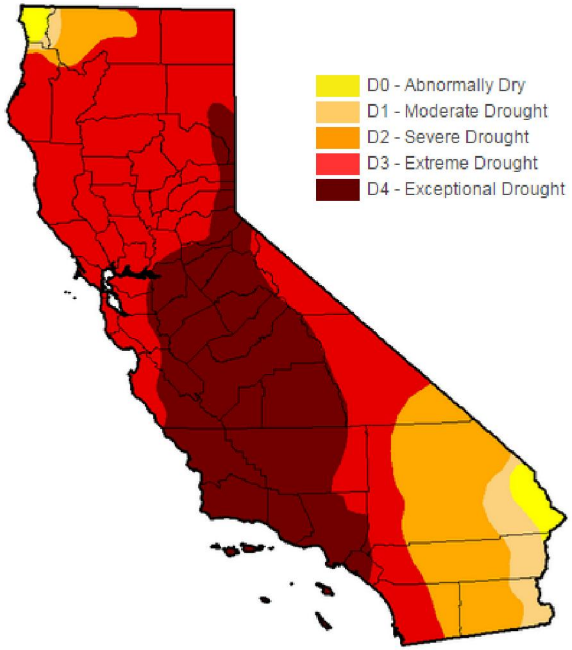
- Joined RFM in 2006
- Responsible for overseeing RFM's sales and distribution activities, development of key relationships required to increase the awareness of RFM's investment opportunities and part of the product development division

Almond industry outlook

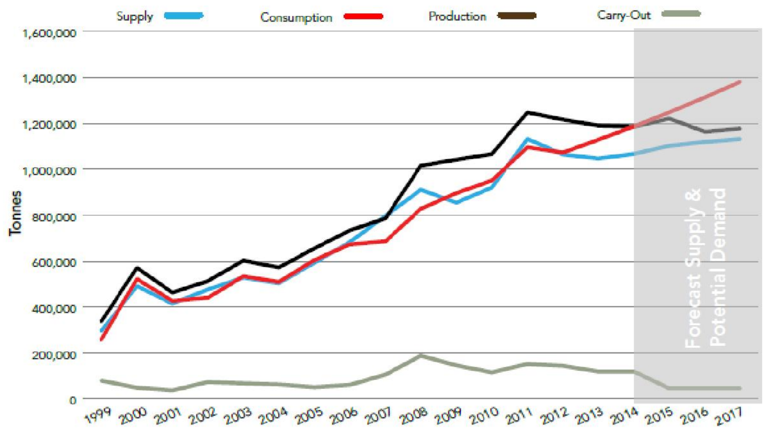
Three key factors provide a promising outlook for the Australian almond industry:

- Difficult conditions for Californian growers
  - source of 80% of the worlds almonds
- Declining AUD
  - Favourable for Australian growers as almonds traded in $US
- Long term increasing demand for almonds
  - limited natural resources see supply constrained long term

Exceptional Californian drought



Improving supply and demand outlook



Declining AUD

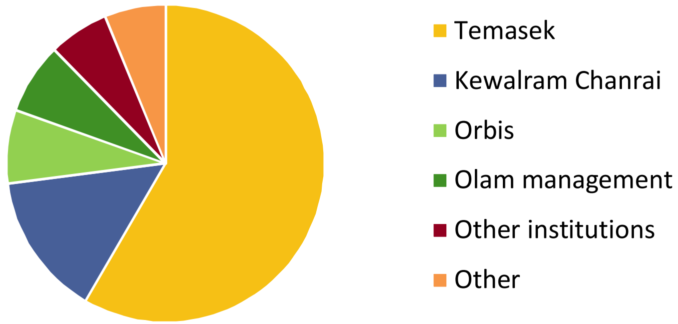
Sources: USDA Drought Monitor (accessed January 14 2015), Almond Insights 2013-2014, Almond Board of Australia, Reserve Bank of Australia

Olam International Limited

Overview

- Leading global agribusiness company operating from seed to shelf in 65 countries
- 23,000 employees
- Covers 16 product platforms with leadership positions in a variety of commodities including cocoa, coffee, cashew, rice and cotton
- Second largest grower of almonds globally and the only supplier with operations in both Australia and California
  - 30,000 acres in Australia, 7,000 acres in California
- Listed on SGX Mainboard
- Founded in 1989 by the Kewalram Chanrai Group, one of Singapore's oldest family-owned trading groups

Key shareholders



Australian operations

- Integrated supply chain operations in five commodities – cotton, almonds, pulses, grains and dairy
- Over 400 permanent and ~300 seasonal employees
- Largest almond orchard operator in Australia
  - 30,000 of Australia's total 70,607 acres of orchards
- Corporate activity in Australia:
  - Acquisition of Qld Cotton Holdings (2007)
  - Acquisition of Timbercorp almond orchards (2010)
  - Sale and leaseback of A$200m of almond orchards (2014)
  - Sale of Dirranbandi and Collymongle cotton gins (2014)
  - Grain JV with Mitsubishi Corporation (2014)

Key metrics (as at 25 February 2015)

Annual sales revenue	S$19.8 billion
Total assets	S$16.6 billion
Market capitalisation (S$2.04/share)	S$5.0 billion
Enterprise Value	S$13.1 billion
FY15 consensus PE	11.4x
Consensus price target	S$2.25

Sources: Olam company information, CapitalIQ, Orient Capital, Select Harvests investor presentation 26 Feb 2015

Corporate information




Rural Funds Management Ltd

ACN 077 492 838
AFSL 226701

Canberra Office
Level 2
2 King Street
Canberra ACT 2600

Telephone: +61 2 6203 9700
Facsimile: +61 2 6281 5077
Website: www.ruralfunds.com.au

For further information:

David Bryant
Managing Director
Rural Funds Management
T 02 6203 9700
E DBryant@ruralfunds.com.au

For media enquiries:

Stuart Waight
Chief Operating Officer
Rural Funds Management
T 0419 126 689
E SWaight@ruralfunds.com.au

Investor relations enquiries:

James Powell
Investor Relation and Distribution Manager
Rural Funds Management
T 0420 279 374
E JPowell@ruralfunds.com.au