Rural Funds Group (RFF)

Corporate presentation

November 2015

Rural Funds Management

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Agenda

1. Overview
2. Assets and lease arrangements
3. FY15 results summary
4. Outlook
5. Appendices

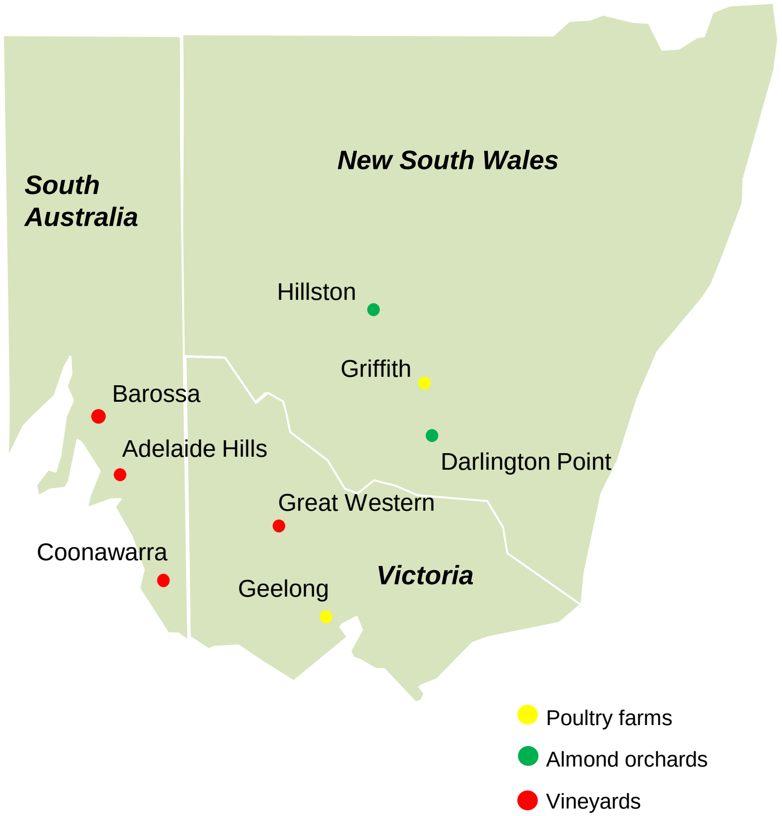
1 Overview

RFF overview

RFF is the only diversified agricultural REIT listed on the ASX

- Listed February 2014 $0.75, 52 week high $1.40
- Specialised REIT: agricultural assets
- Quality portfolio of 29 properties deriving revenue from 3 primary agricultural sectors; poultry farms, almond orchards and vineyards
- Quality tenants with long weighted average lease expiry
- Rural Funds Management Ltd (RFM or the responsible entity) has managed the assets on average in excess of 10 years and has significant sector specific expertise
- Offers an attractive stable income yield and the potential for capital growth over time with low operating risk exposure to the agricultural sector
- Potential to acquire or develop value accretive investment opportunities

Asset locations



RFF snapshot

RFF has an attractive forecast distribution supported by a long-dated WALE

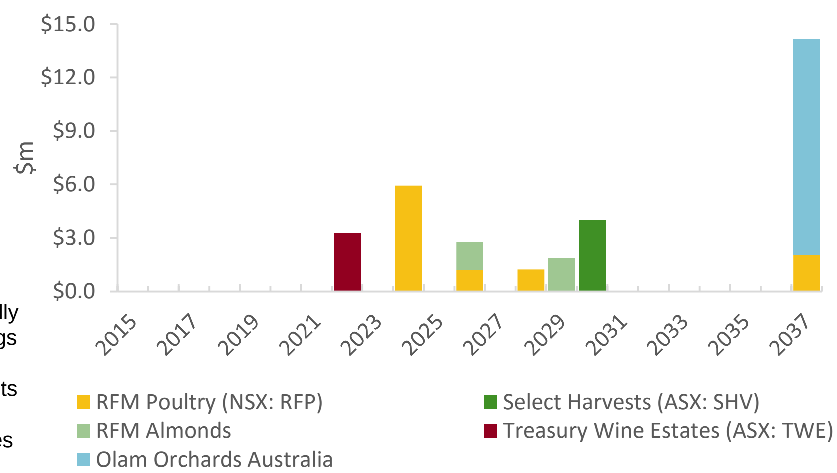
Key statistics 30 June 2015

	Actual 30 June 2015	**Pro forma**[1] 30 June 2015
Total assets	$252.7m	$291.0m
Net Asset Value (NAV)	$151.9m	$185.4m
Units on issue	132.1m	164.1m
NAV per unit	$1.15	$1.13
Adjusted Total Assets[2]	$262.2m	$300.6m
Adjusted NAV	$161.5m	$194.9m
Adjusted NAV per unit	$1.22	$1.19
Gearing[3]	35.1%	32.3%
Number of properties	27 properties	29 properties
WALE[4]	12.9 years	15.7 years
Occupancy	100%	100%

Key forecasts FY16

Distributions per unit FY16	8.93 cents
Distribution growth rate	4%
Distribution payment frequency	Quarterly
Forecast income yield based on $1.30 per unit (closing price at 31 October 2015)	6.9%

Pro forma lease expiry profile[4]

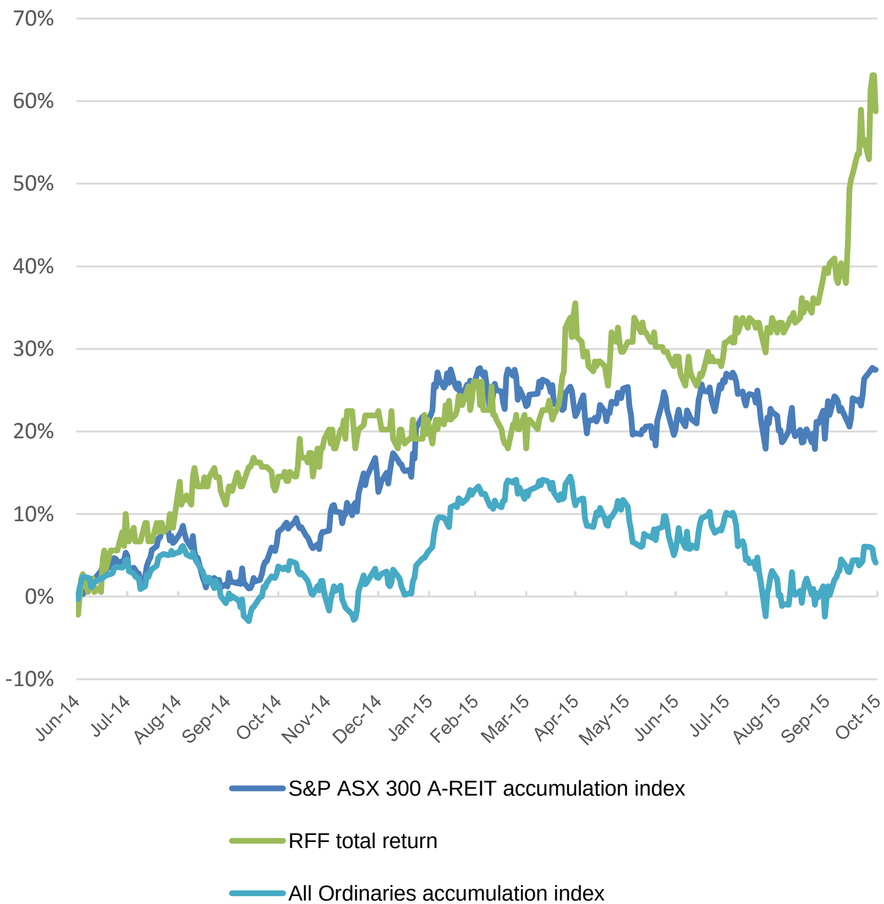


Notes:
[1] Pro forma figures assume $35 million of Equity Raising proceeds less Offer costs are initially applied towards settlement of Kerarbury and water entitlements, and paying down borrowings (disclosure date 28 September 2015).
[2] Adjusted assets incorporate independent property valuations, inclusive of water entitlements
[3] Gearing calculated as external borrowings / adjusted total assets
[4] The post-transaction pro forma WALE assumes forecast FY16 revenue from existing leases and assumes the Tocabil and Kerarbury developments completed 30 June 2015

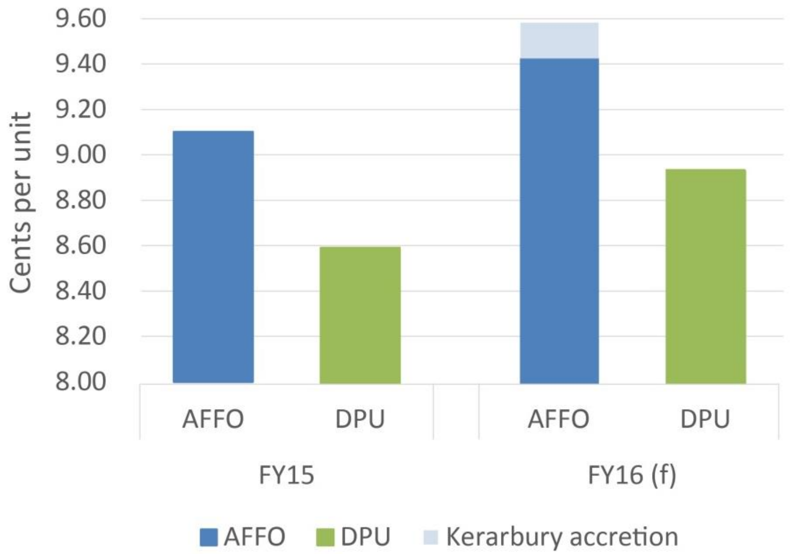
RFF performance & distributions

RFF has materially outperformed both the ASX A-REIT index and ASX All Ordinaries accumulation index

Total shareholder return 1 July 2014 – 31 Oct 2015[1]



AFFO[2] and distributions per unit



February 2014: compliance listed on ASX without raising additional capital

March 2015: announced $15.0m capital raising at $1.05 per unit as part of funding package to develop Tocabil, a 600 ha almond orchard leased to Olam for 22 years

October 2015: raised $35.0m at $1.10 per unit as part of funding package for the purchase and development of Kerarbury, a 1,500 ha almond orchard leased to Olam for 22 years and 9 months

Notes:
[1] RFF total return assumes all distributions are reinvested at the DRP price. Total return of indices as provided by S&P
[2] Adjusted Funds from Operations (AFFO) represents a pre-tax FFO for the Group as the Rural Funds Trust entity is treated as a flow-through trust for tax purposes

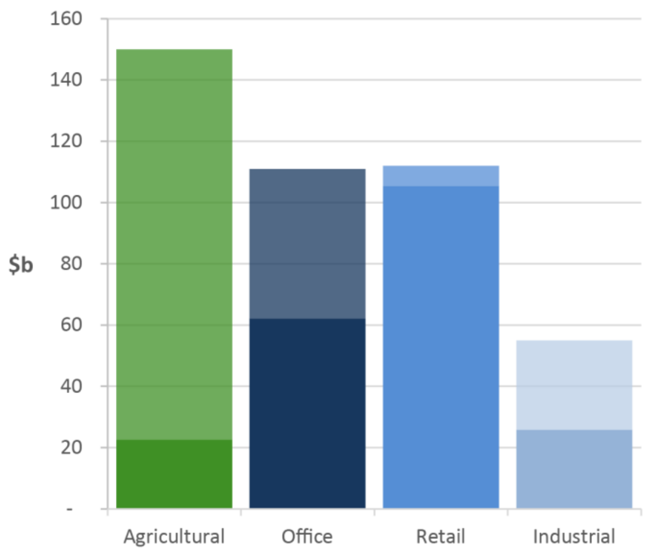
Agricultural property leasing

Rural Funds Management

RFF uses a leasing model in an underserviced domestic sector

- Observations:
  - Academic research demonstrates that leasing assets provides capital management benefits and flexibility to lessees and is linked to higher company returns
  - The combined value of Australian <u>commercial</u> real estate is $280 billion of which an average of 70% is leased
  - Australian <u>agricultural</u> property represents a figure in the order of $150 billion of investment grade assets (of which an estimated 5% are leased)
  - Agricultural property leasing is common in mature agricultural markets such as the US and parts of Europe (approx. 40% of property)

Australian property sectors



Note: the heavily shaded portion denotes proportion of institutional ownership

- Conclusions:
  - Leasing agricultural property and assets to suitable companies provides a mutual benefit
  - The agricultural property leasing sector in Australia is underserviced
  - It is RFM's contention that this structure is a preferable way for investors to gain exposure to the agricultural thematic (combination of asset ownership and low volatility yield)

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Assets and lease arrangements

Rural Funds Management

Assets and lessees overview

Rural Funds Group (ASX: RFF) is a stapled security

Assets

Rural Funds Trust
- Poultry farms
- Almond orchards
- Vineyards

RF Active
- Other

Lessees

Poultry farms
- **RFM Poultry** (NSX: RFP)
- One of the largest contract chicken growing operations in Australia
- RFP has grower contracts with Baiada Poultry Pty Ltd[1]
- Baiada Poultry Pty Ltd
  - One of two largest processors in Australia
  - Key brands: Steggles, Lilydale

Almond orchards
- **Select Harvests** (ASX: SHV)
  - Australia's largest vertically integrated nut and health food company, A$0.75b[2]
- **Olam Orchards Australia Pty Ltd**
  - a wholly owned subsidiary of SGX-listed Olam International Ltd, A$5b[2], second largest global almond grower
- **RFM Almond Funds & RFM**

Vineyards
- **Treasury Wine Estates** (ASX: TWE)
  - World's largest listed pure-play wine company, A$5b[2]
  - Key brands: Penfolds, Wolf Blass, Seppelt

Other
- 60+ Livestock Operators (lessees for livestock owned by RFM StockBank)
- RFM Almond Funds (Plant and equipment)

Notes:
[1]RFP grower contracts with Bartter Enterprises, a wholly owned subsidiary of Baiada Poultry Pty Ltd
[2] Market capitalisation as at 5 November 2015

Key assets further details

Poultry farms

154 sheds on 17 farms. Consisting of 134 sheds on 13 farms in Griffith, NSW, and 20 sheds on 4 farms in Lethbridge, VIC. Aged between 6 and 32 years.

Griffith assets are located within a 8km radius of the processing facility and contribute ~50% throughput. Limited additional development potential within similar proximity to processing facility.

RFM has successfully managed chicken growing operations since 2003, now operated by RFP.

WALE[1]:	11.8 yrs
Indexation:	65% of CPI capped at 2%
Independent valuation 30/6/15:	$94.0m
Valuer:	Opteon Property Group

Almond orchards

Two established almond orchards located near Hillston, NSW, of which 1,221 ha leased to SHV, 551 ha leased to RFM Almond Funds and 42 ha to RFM. Orchards are now mature and cash flow positive with minimal future capital expenditure required. Produced more than 4t/ha in 2015 harvest year.

Two additional orchards, Tocabil and Kerarbury, covering 2,100 ha in total to be developed and leased by Olam Orchards Australia Pty Ltd. Plantings scheduled for 2015 to 2017.

WALE[1]:	19.2 yrs
Indexation and market review:	RFM & SHV: 2.5% p.a. & SHV market review on 1 July 2016, 3 yearly thereafter. Olam: CPI
Valuation 30/6/15[2]:	$115.6m
Valuer:	CBRE Valuations Pty Ltd

Vineyards

Seven vineyards with 666 ha planted to vines leased to TWE. Principally located in the Barossa Valley (499 ha planted primarily to Shiraz) as well as Adelaide Hills, Coonawarra and Grampians.

Vineyards have historically contributed essential quantities of Icon, A and B grade fruit for key premium labels.

WALE[1]:	7.0 yrs
Indexation and market review:	2.5% p.a. and market review on 1 July 2017
Independent valuation 30/6/15:	$39.4m
Valuer:	Colliers International Consultancy

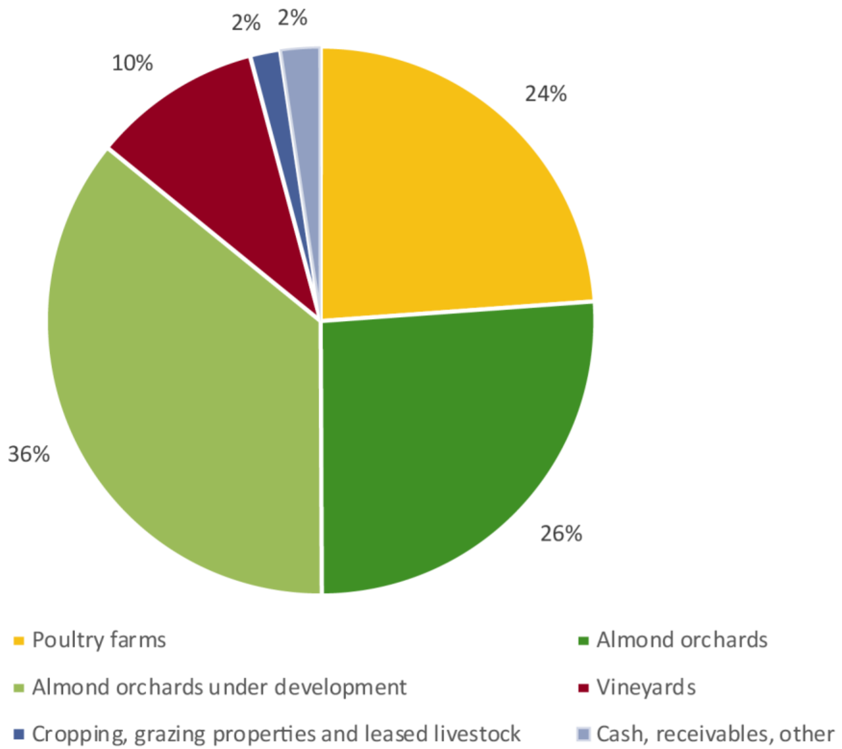
Notes:

[1] Lease expiries weighted by forecast FY16 rental income, calculated on a pro forma basis assuming Tocabil and Kerarbury developments were completed

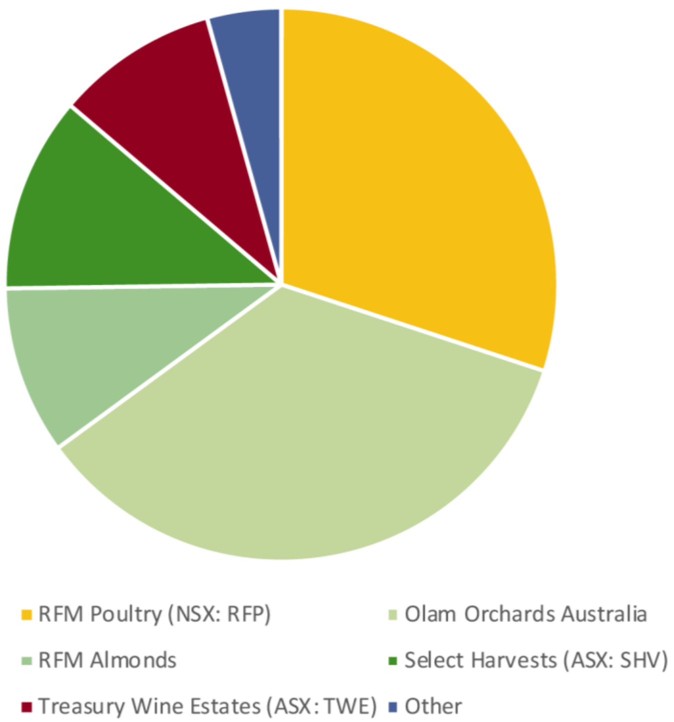
[2] Almond orchards (including surplus land) independently valued at $105.2m plus internal valuation of $10.4m for Tocabil

Diversified assets and counterparts

Pro forma adjusted asset values[1]



Pro forma FY16 forecast revenue by lessee[2]



Notes:

[1] Based on pro forma property valuations to adjusted total assets of $262.2m as at 30 June 2015 and assumes Tocabil ($32.1m) and Kerarbury ($109.5) developments completed

[2] Pro forma assumes forecast FY16 revenue from existing leases and that the Tocabil and Kerarbury developments completed 30 June 2015

Exposure to water assets

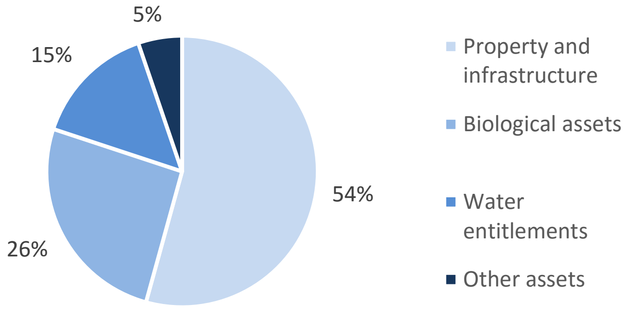
- RFF provides investors with exposure to the Australian water entitlement markets. Water entitlements are regularly traded in secondary markets and are independently valued by qualified valuers
- RFF is one of the largest owners of agricultural water entitlements on the ASX
- RFF owns significant water entitlements, sufficient for the ongoing operation of each key asset. Owning water entitlements is integral as demand for water security will increase with further horticultural plantings and increased demand from maturing plantations across the Murray Darling Basin
- As at 30 June 2015, RFF owned 34,212 ML of water entitlements representing 15% of assets
- Immediately following the settlement of the Kerarbury transaction (12 October 2015), RFF owned 51,606 ML of water entitlements[1]
- At completion of the Kerarbury development RFF is forecast to own 58,755 ML of water entitlements[1]

Notes:

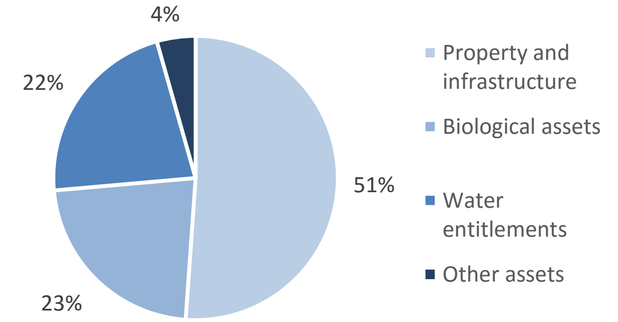
[1] This includes water entitlements that are forecast to be acquired as part of the Tocabil development. Adjusted to a high security basis this equates to 54,921ML

[2] Post-transaction asset allocation assumes Kerarbury (excluding water entitlements) held entirely as property and infrastructure

Pre-transaction: asset allocation at 30 June 2015



Post-transaction: asset allocation[2]



Kerarbury acquisition details

Key points

Funding

- RFF announced a completed \$12.6m Placement and \$22.4m fully underwritten Entitlement Offer on 28 September 2015
- Remainder of funding from retained earnings and debt

Property details

- Refers to two properties: “Kerarbury” and “Kamelda”, total area 7,756 ha
- Located in Darlington Point, NSW, 50km south of Griffith, 135km south of RFF’s existing almond orchards
- Independent soil surveys indicate the property is suitable for 2,500 ha of almond orchards, surplus land suitable for irrigated cropping and grazing
- Three types of water access; Groundwater (Lower Murrumbidgee Groundwater aquifer), Murrumbidgee River, Kerarbury Channel Scheme

Water details

- Owned water: 6,575 ML of Lower Murrumbidgee Groundwater Source
- Contracted water: 7,489 ML high security equivalent

Key lease features

- Lessee: Olam Orchards Australia Pty Ltd (subsidiary of SGX-listed Olam International Limited)
- 22.75 year lease ending April 2038
- 1,500 ha almond plantings commencing 2016, plantings over two years
- Lease rate applied to all capital expenditure (payable quarterly in advance) indexed at CPI and line fee payable on any undrawn capital expenditure
- Total capex estimated at \$109.5 million, capped at \$70,000/ha (excluding surplus land), 4.5 year development schedule
- 12 ML/ha permanent water entitlements. 8 ML/ha required before planting with balance of 4 ML/ha to be purchased following planting

Portfolio impact

- Immediately AFFO accretive, increasingly accretive in future years
- FY16 DPU guidance of 8.93 cents maintained
- Pro forma WALE increases from 12.9 years to 15.7 years[1]
- Pro forma annual rent indexation increase from 2.12% to 2.23%[1,2]

Kerarbury – Darlington Point, NSW

Notes:

[1] Pro forma WALE and annual rent review indexation by FY16 revenue contribution, calculated as though Kerarbury and Tocabil developments completed 30 June 2015

[2] Average rent indexation assuming CPI of 2.5%

Tocabil development update

Tocabil lease features and development update

Funding	• Placement and Entitlement Offer completed April 2015 to fund the development of a 600 ha almond orchard leased to Olam Orchards Australia Pty Ltd (Olam) • The property, Tocabil, is situated near Hillston in central west NSW in close proximity to existing RFF almond orchards
Key lease features	• Orchard development undertaken by Olam, funded by RFF and monitored by RFM • 22 year term ending April 2037 • Gross lease rate consistent with portfolio average for FY15, indexed at CPI and payable quarterly in advance • Lease rate applied to all capital expenditure, including capitalised orchard maintenance costs for years 1 – 4 • Triple net basis • Balance of property leased to RFM Farming for cropping and grazing until 30 June 2017
Development update	• As at 30 June 2015, RFF deployed \$10.4m total capital expenditure • Orchard development on schedule: 400 ha to be planted 2015 calendar year and a further 200 ha in 2016 • RFF has acquired 4,118ML of water entitlements to date, with a further staged acquisition of 3,082ML by 30 June 2017 • \$12.9m capital expenditure forecast to be deployed FY16


Pump station under construction


Installation of drip tube irrigation prior to planting


First plantings

3

FY15 results summary

Rural Funds Management

Highlights

FY15 highlights
Net profit before income tax of $9.4m
Adjusted funds from operations of $11.0m in line with previous forecast
Net Asset Value (NAV) of $1.15 per unit, adjusted NAV of $1.22 per unit
Gearing 35.1%
FY16 distribution forecast to increase 4% to 8.93 cpu

FY15 results summary

Metrics as at 30 June 2015

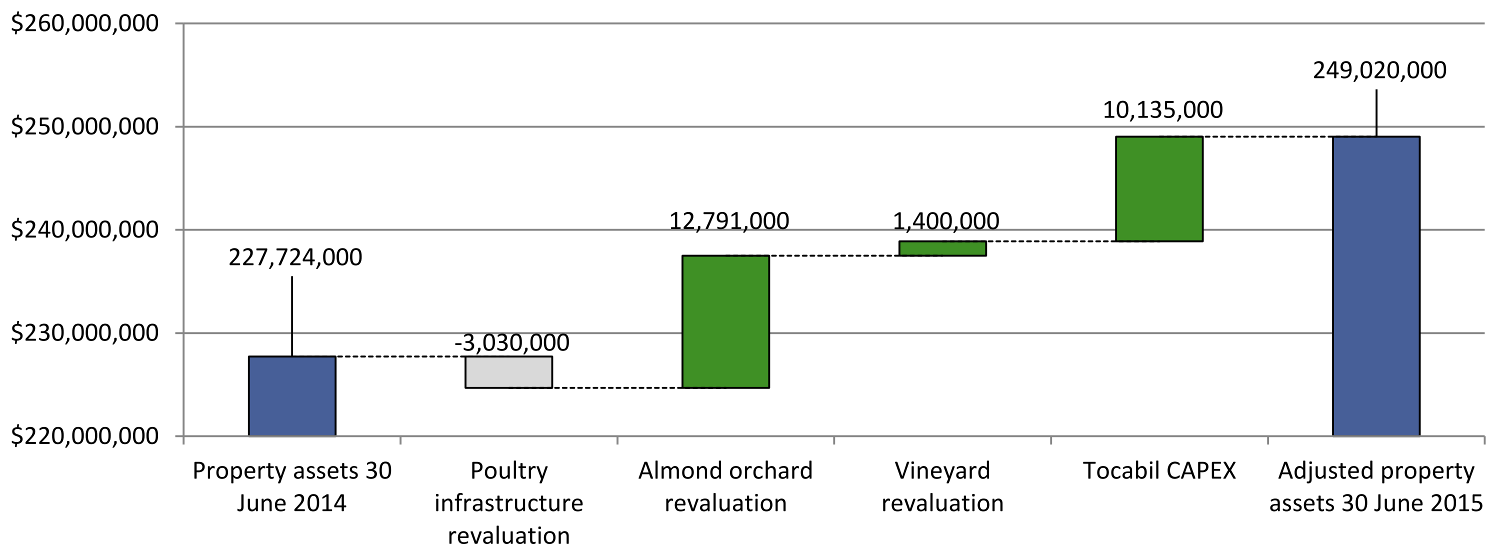
Income	Net profit before income tax	$9,441,000
	Total comprehensive income	$10,161,000
	Adjusted funds from operations (AFFO)	$11,009,000
	AFFO per unit[1]	9.1 cents
	Earnings per unit	8.4 cents
Portfolio	Net asset value (NAV)	$151,940,000
	Adjusted NAV	$161,515,000
	NAV per unit	1.15
	Adjusted NAV per unit	1.22
Balance sheet	Total assets	$252,663,000
	Adjusted total assets	$262,238,000
	External borrowings	$92,108,000
	Gearing[2]	35.1%
Distributions	Declared at:	
	September 2014	$2,519,000
	December 2014	$2,522,000
	March 2015	$2,833,000
	June 2015	$2,838,000
	CPU per distribution	2.15 cents
	Total distributions (cpu)	8.59 cents

- AFFO $11.0m (pre-tax) and AFFO per unit 9.1 cents in line with previous forecast to 30 June 2015
- Adjusted NAV and adjusted total assets based on independent valuations. Financial Statements recognise water entitlements at cost as per ASIC guidance and accounting standards. Refer to FY15 results slide 28

Notes:
[1] For reconciliation see AFFO slide 29
[2] Gearing calculated as external borrowings / adjusted total assets

Property revaluations

Adjusted property assets reconciliation FY15[1]



- Assets are independently valued annually. The primary valuation methodology is on an encumbered basis
- Property revaluation movement is mainly attributable to the existing almond orchards which have increased by $7k per hectare, to $56k per hectare on an encumbered basis ($62k per hectare unencumbered)
- **Almond orchard revaluation** key drivers; proximity to rent reviews, increased maturity of the orchards, optimism in the almond industry and higher almond prices
- **Poultry infrastructure revaluation** decrement reflects the increasing average age of the infrastructure, remaining lease term, and is consistent with management's approach to depreciate the poultry sheds
- **Vineyard revaluation** has outperformed expectations largely due to improved market conditions and a grafting program increasing Shiraz and Cabernet Sauvignon area

Note:
[1] Tocabil CAPEX includes $0.2m of revaluation

Debt facility

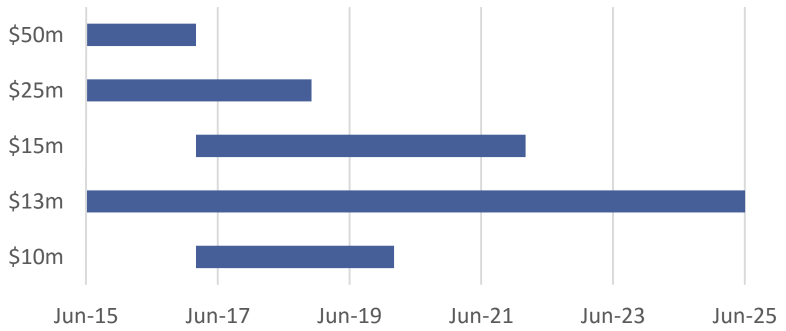
Debt metrics

	Actual 30 June 2015	Post-transaction pro forma[1] 30 June 2015
Term debt facility limit	$103.0m	$103.0m
Term debt drawn	$89.7m	$94.6m
Headroom	$13.3m	$8.4m
Loan to Value Ratio (LVR)[2]	42.2%	36.5%
Gearing	35.1%	32.3%
Debt facility expiry	18 Dec 2018	18 Dec 2018
Interest Cover Ratio[3]	3.16x	3.16x
Hedging policy	>50%	>50%
Proportion hedged[4]	82.0%	79.3%
Weighted average hedge expiry	30 Sep 2017	30 Sep 2017
Effective hedge rate (excludes bank margin)	3.44%	3.44%

Notes:
[1] Assumes $35 million of Equity Raising proceeds less Offer costs initially applied towards settlement of Kerarbury and water entitlements, and paying down borrowings
[2] LVR calculated as facility limit / directly secured assets
[3] Interest Cover Ratio calculated based on 12 months to 30 June 2015 (no pro forma adjustment)
[4] Proportion hedged based on term debt drawn
[5] Key financial covenants for FY16: LVR <50%, Interest Cover Ratio >2.5x, with distribution permitted at >2.75x, Net Tangible Assets >$100 million

- Approval received for $33m increase to existing debt facility
  - Sufficient to fund development through to December 2016[5]
- Security:
  - Real property mortgages
  - General security agreement
  - Cross guarantees between RFF and subsidiaries
- Amortisation of $2m per annum commencing 31 March 2016

Hedging instruments as at 30 June 2015



Outlook

4

Forecast distributions

- Each lease contains indexation clauses which provide RFF with annual increases in rent, and therefore additional free cash flow that can be distributed to Unitholders. In 2016, indexation and market review mechanisms are expected to result in an increase to free cash flow, sufficient for RFF to grow distributions by 4%, whilst retaining cash for debt reduction or investment opportunities
- FY16 DPU forecast 8.93 cents
- FY15 declared distributions are expected to be majority tax deferred

FY16 forecast & actual distributions

Record date	CPU
30 September 2015	2.23
31 December 2015	2.23
31 March 2016	2.23
30 June 2016	2.23
Total FY16	**8.93**

Key forecasts FY16

	Post-transaction pro forma 30 June 2016
AFFO (before tax) per unit	9.58 cents[1]
Distribution payout ratio	93%
Distributions per unit FY16	8.93 cents
Distribution payment frequency	Quarterly

Note:
[1] Forecast AFFO accretion assumes $49.6m is deployed on Kerarbury during FY16

Areas of focus for management

1. Managing the growth of funds from operations and therefore distributions per unit
2. Continue to address differential between trading price and adjusted NAV, through:
   a) Growth via accretive acquisitions
   b) Increased market awareness

RFM continues to perform an oversight role as lessor including:

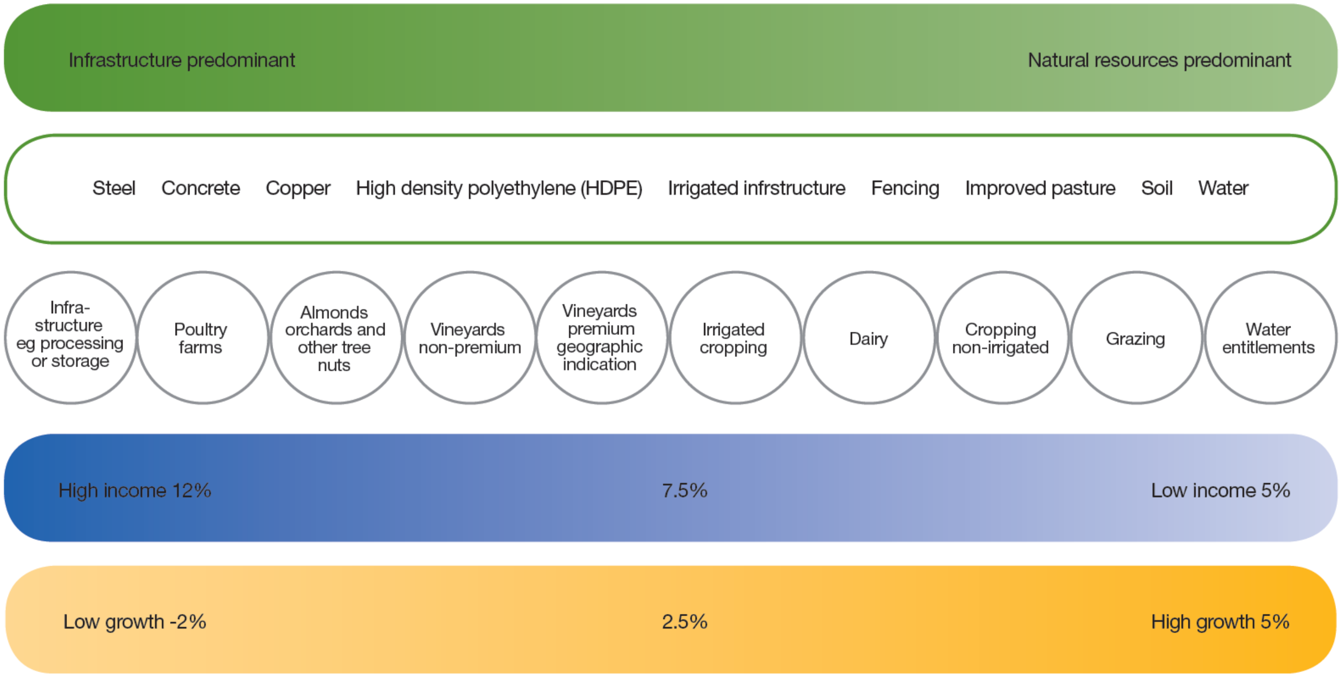
- Overseeing compliance to the financial, farming and reporting aspect of each lease
- Water management including obtaining approvals, engagement with government
- Management of infrastructure e.g. replacement capex and ongoing development such as bores
- Annual independent valuations
- Facilitating acquisitions
- Managing lessee/customer relationships

Spectrum of investment opportunities

RFF will pursue acquisitions of additional assets to grow the quantum and diversity of its earnings

- The investment strategy is to invest across the full range of the asset continuum shown below, with the objective of ensuring the asset mix can continue to fund distributions consistent with current levels
- Natural resource predominant assets that offer capital growth will be balanced by infrastructure predominant assets that generate higher initial yields

Spectrum of investment opportunities[1]



Note: [1]The income and growth figures presented in the figure above have been provided to differentiate the profile of income and growth that can be derived from different assets. They are based on RFM's experience and observations of agricultural lease transactions and historical rates of growth. They are neither forecasts nor projections of future returns. Past performance is not a guide to future performance.

Investment criteria

The Kerarbury almond orchard development is in line with RFM's stated long term objectives for RFF

Long term objectives

Increase net assets	✓	Grows adjusted net assets from $162m to $195m, with potential for further capital appreciation
Without diluting AFFO per unit	✓	Immediately AFFO accretive and increasingly accretive in future years
Increase distributions over time	✓	FY16 distributions growing by 4% from FY15. Potential to increase growth rate in later years due to increase in AFFO
Reduce leverage	✓	Gearing remains within target range of 30-40%. Trending lower.
Maintain asset quality while diversifying	✓	Prime almond orchard location to be developed according to best practice principles
Maintain tenant quality while diversifying	✓	Olam is a leading global agribusiness company, second largest almond grower globally
Lower operating costs per unit	✓	Fixed costs shared amongst larger equity base

Appendices

5

FY15 results

Summarised statement of comprehensive income

	12 mths ended 30 June 2015 $	12 mths ended 30 June 2014 $
Property revenue	22,218,000	15,764,000
Almond revenue	-	1,211,000
Revenue	**22,218,000**	**16,975,000**
Other income	69,000	347,000
Share of net profit – equity accounted investments	125,000	-
Almond cost of goods sold	-	(1,093,000)
Property expenses and overheads	(3,617,000)	(3,711,000)
Management fees	(2,496,000)	(1,894,000)
Property revaluations	(344,000)	5,200,000
Finance costs	(5,285,000)	(4,478,000)
Change in fair value of derivatives	(734,000)	(920,000)
Depreciation and impairments	(490,000)	(3,958,000)
Loss on sale of assets	(5,000)	(45,000)
Merger related transactions	-	(3,021,000)
Profit before tax	**9,441,000**	**3,402,000**
Income tax benefit	712,000	16,724,000
Profit after tax	**10,153,000**	**20,126,000**
Other comprehensive income	8,000	193,000
Total comprehensive income	**10,161,000**	**20,319,000**

- Unrealised loss relating to interest rate swaps of $0.73m primary difference to previous forecast of $10.75m
- Stapled Rural Funds Trust (RFT) to RF Active during period, collectively called the Rural Funds Group (ASX: RFF)
- RFT treated as a flow through trust for tax purposes. Income tax relates to RF Active and AWF[1]
- Property revaluations based on holding water entitlements at cost
- FY14 was a transitional period
- Reconciliation to AFFO provided in slide 29

Note:
[1] RFM Australian Wine Fund is a subsidiary of RFT that has formed a tax consolidated group

FY15 results

Adjusted balance sheet

	Statutory balance sheet at 30 June 2015	Revaluation of water entitlements	Adjusted balance sheet at 30 June 2015
As at 30 June 2015			
Assets	**$**	**$**	**$**
Total current assets	3,748,000	-	3,748,000
Total non-current assets	248,915,000	9,575,000	258,490,000
Total assets	**252,663,000**	**9,575,000**	**262,238,000**
Liabilities			
Total current liabilities	5,671,000	-	5,671,000
Total non-current liabilities	95,052,000	-	95,052,000
Total liabilities	**100,723,000**	**-**	**100,723,000**
Net assets	**151,940,000**	**9,575,000**	**161,515,000**
Net asset value per unit	1.15	0.07	1.22

- Water entitlements are held at cost based on ASIC guidance and accounting standards
- External valuations at 30 June 2015 have attributed additional value in water entitlements of $9.58m
- Adjusted net assets of $161.5m
- Adjusted NAV per unit of $1.22
- Water entitlements held at fair value for 30 June 2014

AFFO

Reconciliation of net profit after tax to AFFO

	12 mths ended 30 June 2015 $	12 mths ended 30 June 2014 $
Net profit before tax	9,441,000	3,402,000
Adjusted for merger transaction	-	1,569,000
Adjusted for merger related costs[1]	-	2,378,000
Net profit after tax adjusted for merger transaction	9,441,000	7,349,000
Other items:		
Property revaluations	344,000	(5,200,000)
Change in fair value of derivatives	734,000	920,000
Depreciation and impairment	490,000	3,958,000
AFFO	**11,009,000**	**7,027,000**
AFFO per unit[2]	9.1 cents	9.1 cents

- Table adds back non cash items to reconcile net profit after tax to AFFO
- Major items for FY15
  - $0.73m unrealised loss on interest rate hedges

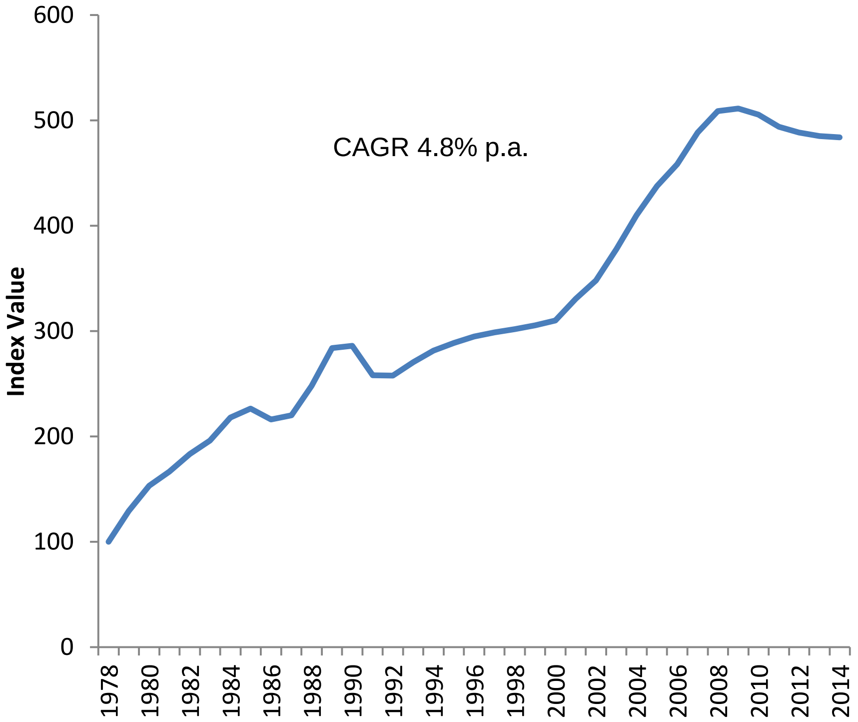
Notes:
[1]The adjustments for merger related costs include external and internal costs incurred as part of the merger transaction
[2]Based on the weighted average number units on issue during the period

Australian agriculture

Australian agriculture is benefiting from a number of macro trends and comparative advantages

- Trends supporting Australian agriculture include:
  - Emerging Asian middle class: rising wealth and incomes leading to increased calorie consumption and higher protein diets
  - Population growth: world's population expected to increase 35% from 7 billion to 9.6 billion in 2050
  - Increase in agricultural production is dependent on productivity growth
  - Low level of institutional ownership in sector
- Many Australian agricultural sectors possess comparative advantage:
  - Significant agricultural production capacity
  - Close proximity to growth markets in Asia
  - Robust biosecurity systems
  - Track record of innovation and productivity growth
  - Reputation for food safety and quality
  - Skilled workforce

Growth in Australian agricultural land values: 1978 to 2014



Source: ABARES - Agricultural land growth comprises growth in the value of cattle and sheep grazing properties and cropping land . Re-based to 100

Lease agreements

RFF seeks indexed leases and develops a full lifecycle model to capital commitments

Lessee	Payment frequency	Indexation mechanism	Rent review	Capital commitments
RFM Poultry (NSX: RFP)	Quarterly in advance	65% of Consumer Price Index (CPI) capped at 2%	The lessee and the lessor have the right of rent review where there is a significant permanent change in the profitability of chicken growing activities	R&M and ongoing capital expenditure on account of lessee Structural capital expenditure on account of lessor
Select Harvests Ltd (ASX: SHV)	Quarterly in advance	2.5% p.a. plus rent review	Reviewed to market value at 1 July 2016, and 3 years thereafter. Review is based on unencumbered market value of orchard with contracted rate applied.	R&M on account of lessee Development and replacement capital items on account of lessor – subject to additional lease income. On account of lessee after first rent review.
RFM Almond Funds	Quarterly in advance or annual	2.5% p.a.	n/a	R&M on account of lessee Development and replacement capital items on account of lessor – subject to additional lease income
Olam Orchards Australia Pty Ltd	Quarterly in advance	CPI	n/a	R&M on account of lessee Development capex on account of lessor, which derives lease income, and limited to $56,000 per planted hectare on Tocabil and $70,000 on Kerarbury Replacement capital items on account of lessor, which derives additional lease income
Treasury Wine Estate Ltd (ASX: TWE)	Quarterly in advance	2.5% p.a. plus rent review	Capital value reassessed at fifth anniversary, based on independent valuation. Cannot be less than 2014 rent indexed for 5 years	R&M on account of lessee Development and replacement capital items on account of lessor – subject to additional lease income and rent review

About RFM

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 operates as an external manager and is currently the responsible entity for seven agricultural investment funds which as at 30 June 2015 had approximately $325m of assets under management in New South Wales, South Australia and Victoria and a combined FY15 turnover of approximately $85m
- David Bryant is the founding director and majority owner (80%) of RFM. Other owners include senior staff and non-executive directors
- Both RFM and David Bryant have investments in each of the listed entities RFM 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 or directly contracts 32 corporate staff (offices in Canberra, Sydney and Melbourne) and 32 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

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 $350m in assets acquisitions across eight Australian agricultural regions, including negotiating the acquisition of more than 30 properties and over 65,000 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, Paraway Pastoral Company, 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
- RFM Company Secretary
- Responsible for reviewing and optimising the performance of the RFM funds, and analysing future developments, acquisitions, and investments
- Oversees the asset and farm management activities of the National Managers of Poultry, Almonds, 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

Key risks

Specific risks

Counterparty risk

All land and infrastructure assets owned by RFF are leased in order to ensure that Unitholders are not exposed to operational risk. There is a risk that a counterparty may default on its lease obligations to RFF. Any default by a counterparty would reduce RFF's revenue and thus its ability to meet its obligations and the payment of distributions.

Takeover risk

RFM, an experienced agricultural manager, is the Responsible Entity of RFF. Another entity may seek to take over RFF. Any change of responsible entity will require Unitholder 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.

Welfare standards

The adoption by Baiada of higher animal welfare standards may lead to increased costs. The increased costs may not be included in the grower fee until the subsequent year, or not at all.

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 RFP 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.

Property market risks

Decline in asset values

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.

Key risks

Property market risks (continued)

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 availability

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.

Under the terms 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.

Under the terms of the Kerarbury and Tocabil leases with Olam, 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 8 ML/ha (Kerarbury) and 10 ML/ha (Tocabil) being available and not replaced by RFF within 18 months of the reduction taking effect, Olam have the right to surrender an area in order to bring the entitlement back to 8 ML/ha (Kerarbury) and 10ML/ha (Tocabil). If the remaining area is less than 800 ha for Kerarbury and 300 ha for Tocabil, 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 Lessees.

General risks

Change in economic conditions

Changes in national economic growth rate, industry changes, inflation, exchange rate and changes to government policy will impact on the performance of RFF.

Change in political and regulatory environment

Legislative changes, regulatory changes, taxation changes; and foreign policy changes (including the status of trade agreements) or other international or domestic political conditions may adversely affect RFF’s assets.

Hedging of interest rates

RFF undertakes interest rate hedging to help protect against changes in interest rates and interest rate swaps are currently used for this purpose. These swaps provide more certainty in a changing interest rate market and will result in a higher or lower interest expense, and cash flow, relative to the spot market. Accounting policies require interest rate swaps to be recorded at fair value and this may lead to fluctuations in comprehensive income, however these market adjustments are non cash and do not impact AFFO.

Key risks

General risks (continued)

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, RFF may be required to sell assets and reduce or suspend distributions to retire debt.

Taxation changes

Unitholders should be aware that taxation law can change which may materially impact your taxation position or the value of your investment in RFF.

Reliance on RFM's skills

RFF 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 of 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.

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 and are submitted to the ECC for review. The ECC comprises a majority of members who are external to RFM.

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 RFP lease is subject to standard indexation capped at 2% p.a. The leases to RFM's Almond Projects 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.

Corporate information





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