



Rural Funds Group (RFF)

Investor presentation

March 2016

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Introduction

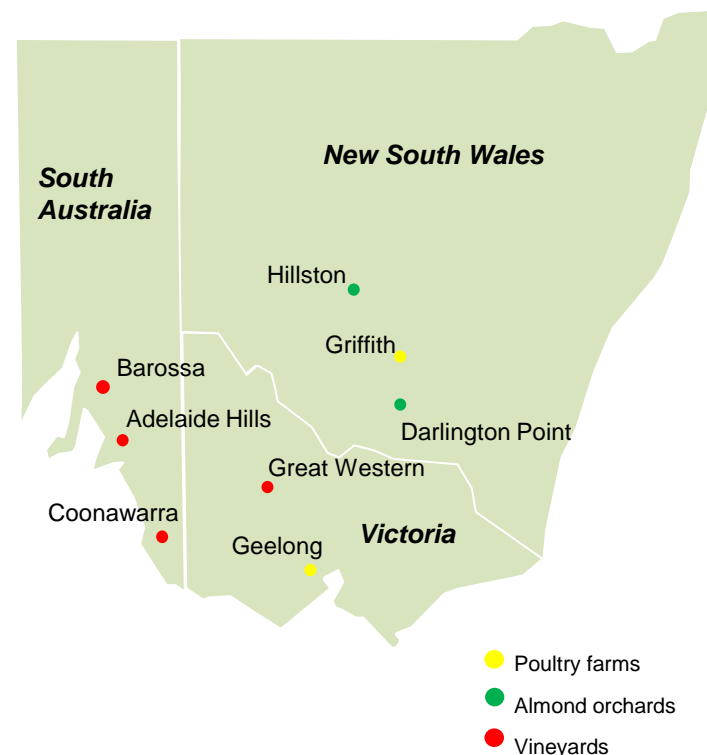


RFF is an agricultural REIT

Key information as at 31 Dec 2015

Adjusted total assets ¹	\$312.1m
Adjusted net assets ¹	\$193.7m
Adjusted NAV per unit ¹	\$1.18
Market capitalisation	\$230.2m
Number of properties	32
Weighted average lease expiry (WALE)	13.4 years
Occupancy	100%
Gearing (85.4% hedged)	33.8%
AFFO per unit (FY16 forecast)	9.58 cents
Distributions per unit (FY16 forecast)	8.93 cents
Forecast distribution yield	6.4% ²
Forecast distribution growth	4%

Key asset locations



Note:

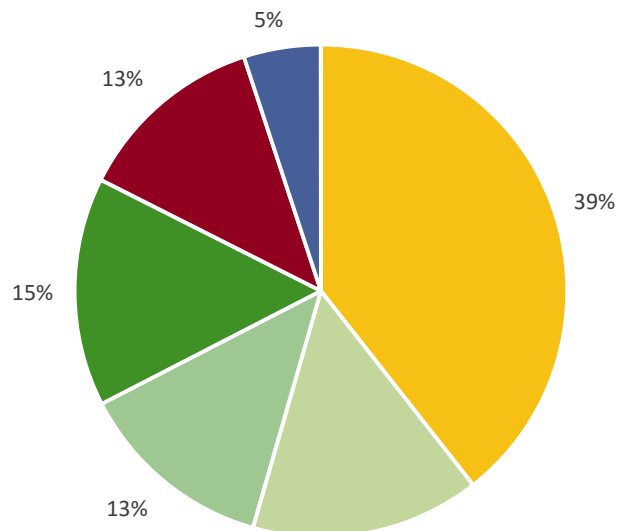
¹ Adjusted total assets is presented to show valuations including water stated at fair value. Total assets at 31 Dec 2015 equal \$302.5m, net assets \$184.1m, NAV per unit \$1.12

² Based on 31 Dec 15 close of \$1.40 and FY16 forecast DPU 8.93 cents

RFF revenue diversification

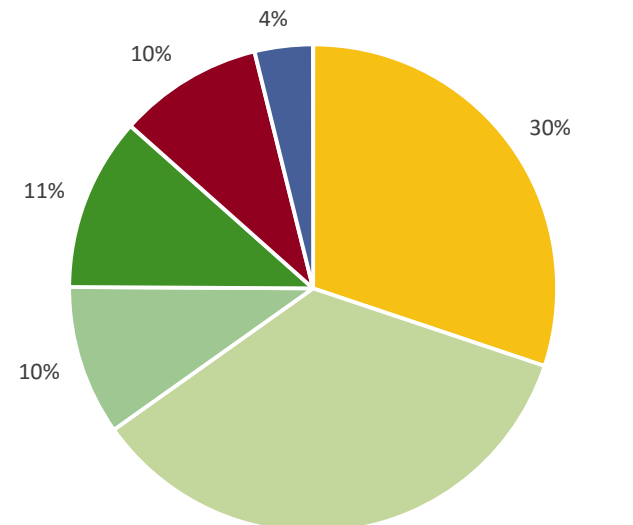
RFF is diversified across three key sectors

FY16 forecast revenue by lessee¹



- RFM Poultry (NSX: RFP)
- Olam Orchards Australia
- RFM Almonds
- Select Harvests (ASX: SHV)
- Treasury Wine Estates (ASX: TWE)
- Other

Pro forma forecast revenue incorporating Tocabil & Kerarbury developments²



- RFM Poultry (NSX: RFP)
- Olam Orchards Australia
- RFM Almonds
- Select Harvests (ASX: SHV)
- Treasury Wine Estates (ASX: TWE)
- Other

Notes:

¹ Assumes forecast FY16 revenue

² Assumes forecast FY16 revenue from existing tenants. Assumes Tocabil and Kerarbury developments were completed 1 July 2015

Rural Funds Management (RFM)

RFM is the manager of RFF

Key information

Established	1997
Assets under management	\$380m
Turnover	\$85m
Ownership	D Bryant & staff
Funds managed	RFF RFM Poultry StockBank Almond Funds 06-08 2007 Macgrove Project
Asset locations	NSW, SA, Vic & Qld
Farm management & operations staff	51
Funds management staff	26
Farming experience (almonds, vineyards, poultry)	10+yrs
Management team tenure	10+yrs (avg.)

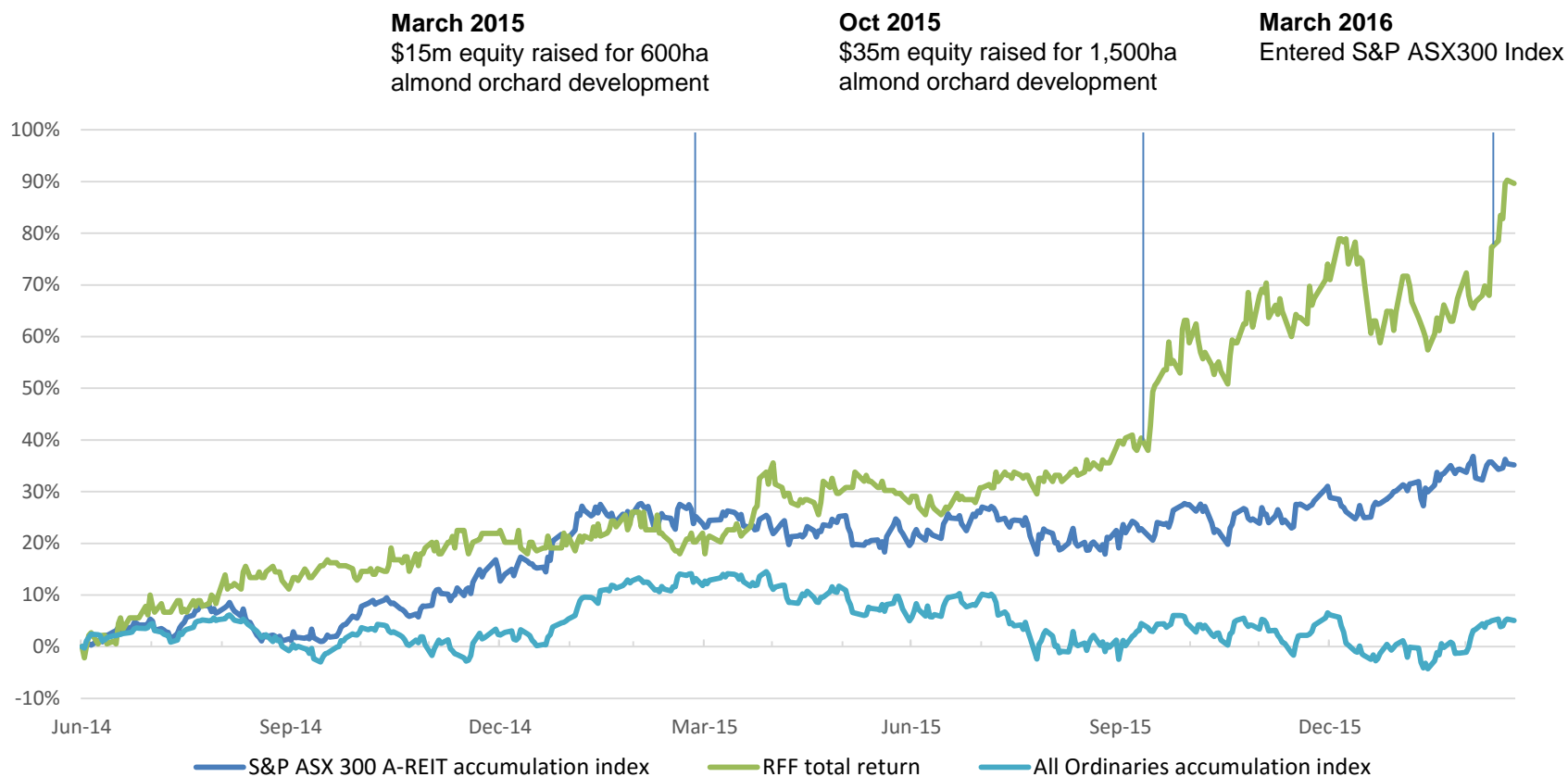


"Managing good assets with good people"

Key events

RFF compliance listed on ASX in February 2014

Total shareholder return¹ & key events since July 2014



Notes:

¹ Total return assumes all distributions are reinvested at the DRP price. Total return of indices as provided by S&P

Tocabil \$32m

Tocabil development of 600ha almond orchard on schedule

- Orchard development on schedule: 400 ha planted 2015 calendar year, and a further 200 ha planned for 2016
- RFF has acquired 5,314ML¹ of water entitlements to date, with a further staged acquisition of 1,886ML by 30 June 2017
- Capital expenditure of \$7.9m for 1HY16 (\$18.0m total) and \$8.4m forecast to be deployed in 2HY16

August 2015



Pump station under construction

February 2016



Pump station operational



Installation of drip tube irrigation prior to planting



Drip tube irrigation watering trees



First plantings



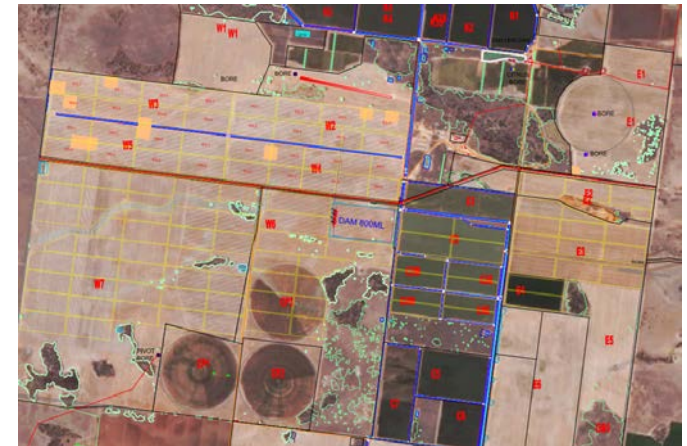
First plantings, 6 months on

¹High security equivalent

Kerarbury development of 1,500ha almond orchard on schedule, additional plantings possible

- Orchard development on schedule: 1,200 ha to be planted 2016 calendar year (increase of 200 ha) and a further 300 ha in 2017. Additional 2017 plantings are being investigated
- RFF has acquired 15,082 ML of water entitlements to date, with a further staged acquisition of 2,918 ML by 30 September 2020
- \$36.7m capital expenditure for the period and \$21.8m capital expenditure forecast to be deployed 2HY16
- RFM working with Olam in regards to orchard design including irrigation specifications, layout and varietal selection
- Kerarbury development draws on RFM's expertise and experience with similar successful developments, including:
 - site selection (soils, climate, access to water, drainage)
 - high capacity irrigation system for water and nutrient delivery
 - water security through ownership of entitlement
 - development execution (e.g. uniformity)
- A high quality asset provides an efficient orchard and assists the lessee to achieve above average yields and lower cost per kg of production

Kerarbury development



Satellite image with irrigation and block layout



Soil sampling during the Kerarbury orchard design process

Pro forma adjusted total assets will grow to \$413m¹, driven by existing development program

- Tocabil and Kerarbury orchard developments are forecast to total \$141.6m. \$54.7m deployed to 31 Dec 15 with remaining portion funded with debt and retained earnings
- Additional plantings on Kerarbury are possible
- ‘Other’ refers to macadamia orchards (29 January 2016) and Perth Markets Ltd investments (12 February 2016)

RFF adjusted total assets growth²

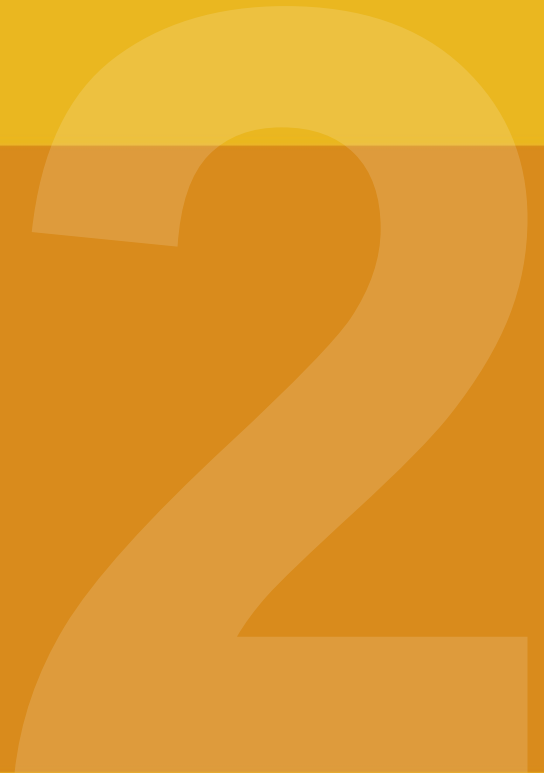


Notes:

¹ Includes PML, macadamias, and Tocabil and Kerarbury projects upon completion

² Based on total capital expenditure as disclosed in the Offer Booklets dated 10 March 2015 (Tocabil) and 28 September 2015 (Kerarbury)

Outlook



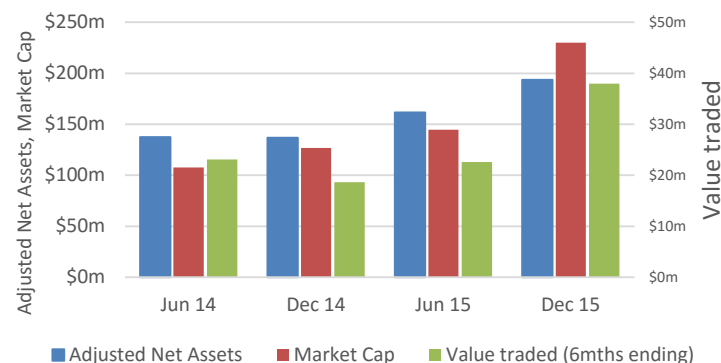
RFF objective

RFM has been successful in achieving RFF's stated objective to date

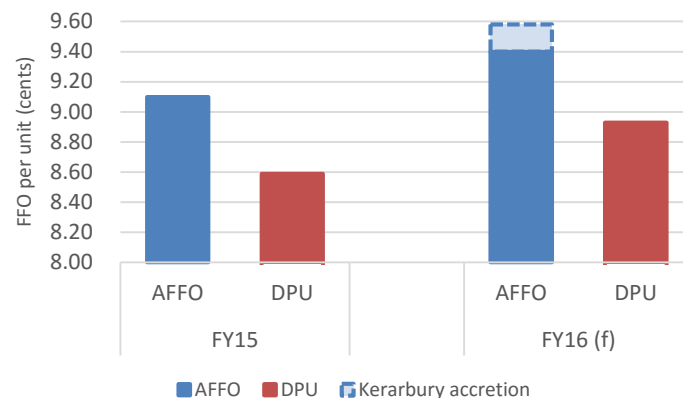
- RFM has communicated the following objective for RFF:
 - Increase market liquidity by growing net assets

- RFM continues to pursue this objective by:
 1. Increasing AFFO per unit and distributions
 2. Improving the market's understanding of RFF
 3. Increasing market capitalisation through accretive acquisitions funded by new equity and retained cash

Net asset, market cap and liquidity improvement



AFFO and DPU accretion



RFF uses a leasing model in an underserved domestic agricultural sector

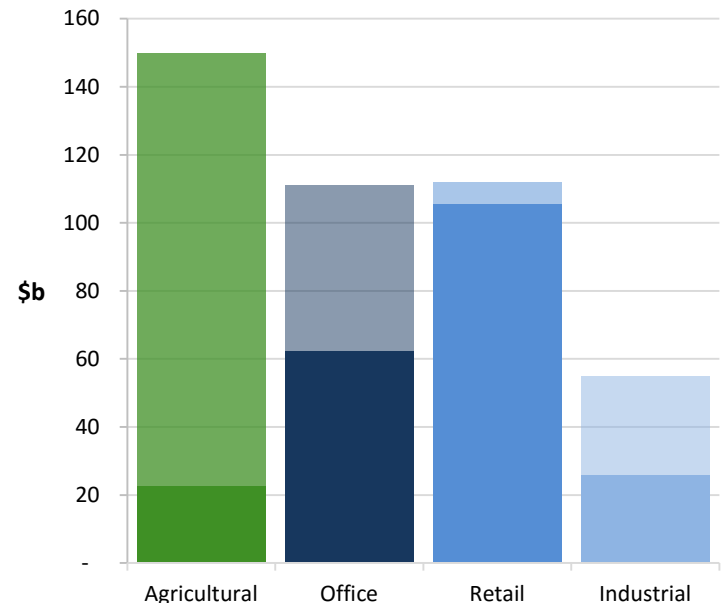
Observations:

- 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 commercial real estate is \$280 billion of which an average of 70% is leased²
- Australian agricultural property represents a figure in the order of \$150 billion of investment grade assets (of which an estimated 5% are leased)³
- Agricultural property leasing is common in mature agricultural markets such as the US and parts of Europe (approx. 40% of property)⁴

Conclusions:

- Leasing agricultural property and assets to suitable companies provides a mutual benefit
- The agricultural property leasing sector in Australia is underserved
- The presence of a REIT in agriculture is a logical development
- RFF provides exposure to the income and capital growth without all the operating risks associated with a direct investment

Australian property sectors¹



Notes:

¹ The heavily shaded portion denotes proportion of institutional ownership

² Higgins, Dr D.M. (2013) 'Australian Commercial Property Investment Market: Styles, Performance and Funding', RMIT University.

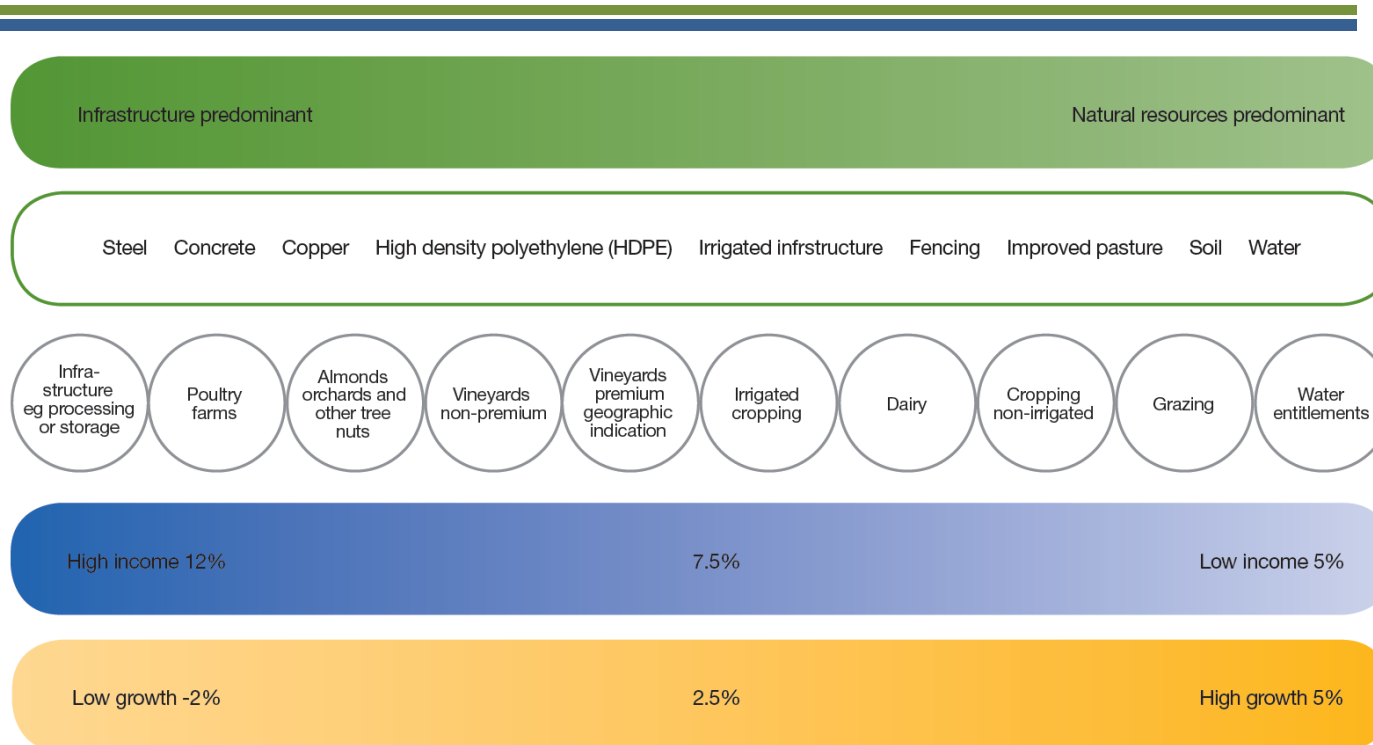
³ RFM estimates

⁴ Stead, David. (2004) 'Agricultural Tenures and Tithes' & USDA Agricultural Resources and Environmental Indicators (2003)

Spectrum of investment opportunities

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

Spectrum of investment opportunities¹



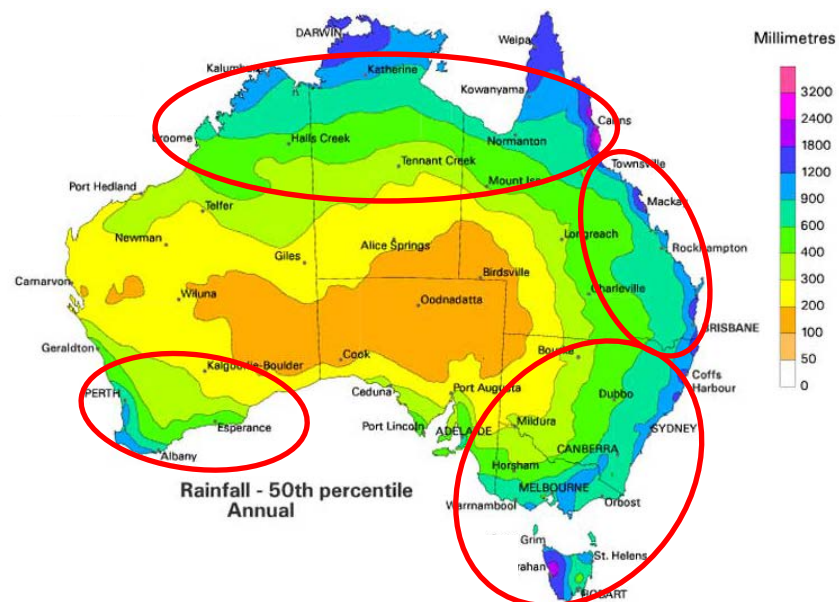
- The investment strategy is to invest across the full range of the asset continuum shown below, with the objective of ensuring the asset mix can continue to fund distributions consistent with current levels
- Natural resource predominant assets that offer capital growth will be balanced by infrastructure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

Climatic diversification

RFM is pursuing climatic diversification

- RFM has conducted a study on rainfall variability correlation across Australia to identify the likelihood of above or below average seasons occurring in the same year across different locations¹
- While the majority of RFFs existing assets fall within low to moderate rainfall variability locations² where rainfall is more consistent from one year to the next, the study is informative as RFF seeks to acquire new assets, particularly natural resource predominant assets
- RFM concluded that by selecting assets across differing climatic zones, the likelihood of experiencing wetter or drier conditions across the entire portfolio can be minimised. Broadly the three main zones identified are; South Eastern, Northern and South Western Australia
- While RFF does not operate assets, climatic diversification will moderate lessee risk during climate extremes
- In addition, climatic diversification will enable RFF to accumulate more diverse counterparts driven by the different commodities produced across varying climatic zones

Australian rainfall variability (1900 – 2003) and climatic zones¹



Notes:

¹Data sourced from Bureau of Meteorology, RFM calculated a mean Growing Season Rainfall for summer and winter cropping locations and correlations between those locations

²As defined by the Bureau of Meteorology index as 0.5 – 1.0

RFM has identified a range of sectors considering climatic diversification and RFF's investment criteria

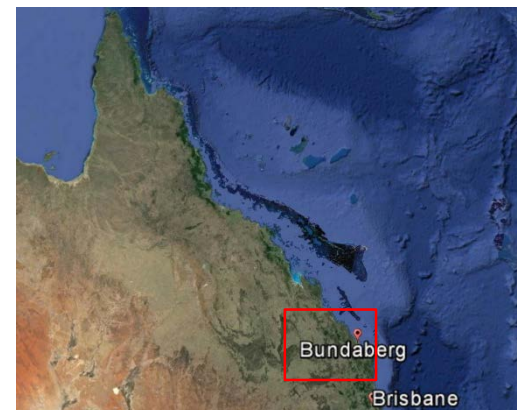
- In seeking further opportunities to expand the portfolio RFM has identified new sectors that consider climatic diversification across three uncorrelated climatic regions (South Eastern, Northern and Western Australia):
 - Cattle properties
 - Macadamia orchards
 - Infrastructure (wholesale markets, processing and storage)
- RFM recently announced two acquisitions:
 - 259 ha of macadamia orchards in Bundaberg, Qld, (29 January 2016)
 - 9% stake in Perth Markets Ltd, Perth's central wholesale market and trading hub for Western Australia's fruit and vegetables (12 February 2016)
- Macadamias and Perth Markets Ltd are a measured step into new climatic regions

Macadamia orchards

Macadamia orchards are part of RFF's climate diversification strategy

- RFF acquired three macadamia orchards (259 ha)
- Orchards located near Bundaberg in Queensland
- 234 ha leased to a tax effective managed investment scheme (MIS), planted between 2007-2009 with similar structure to the RFM Almond Funds which are current lessees to RFF. 25 ha of mature orchards to be leased to RFM
- Investment case:
 - exceed the AFFO and IRR hurdle (initially debt funded)
 - orchards are entering maturity and have reached profitability
 - provide a logical extension of RFF's almond exposure
 - 117 lessees with full recourse (MIS 78% and RFM 22%)
 - lease terms up to 21 years
 - the assets meet RFF's selection criteria
 - competitive cost of production with likely productivity gains
 - provides climatic diversification
 - macadamia industry growing rapidly
 - RFM will also acquire the existing farm management entity and control farming operations. RFM's farm development, horticultural expertise and management systems will be applied to these assets
- The acquisition represents a measured first step into the macadamia industry

Macadamia orchards location



The three orchards are located within 15km of a major macadamia processing facility and 20km from the South East Queensland City of Bundaberg

Perth Markets Limited investment

PML offers networking opportunities as part of RFF's climate diversification strategy

- On 12 February 2016 RFF announced the acquisition of an 8.96% stake in Perth Markets Limited (PML) for \$5.275m
- PML is a consortium consisting of Brisbane Markets Ltd, Adelaide Markets Ltd, United Crates and RFF as well as wholesalers and retailers that access the market
- The Perth Markets were previously owned by the Western Australian Government, and have been privatised through a competitive tender process
- Investment case:
 - return exceeds AFFO and IRR hurdle
 - potential for increased profitability via indexation, market review mechanisms and other recovery agreements within the leases
 - opportunity for further development and investment
 - further opportunities for investment in other city markets is likely
 - investment connects RFF as a landlord with 2,600 growers and 600 buyers of agricultural produce, providing greater market information and insight
- Debt funded with banking approval received
- Brisbane Markets Ltd purchased the Brisbane Markets in 2002, under a similar process and since that time have significantly increased revenue and total assets

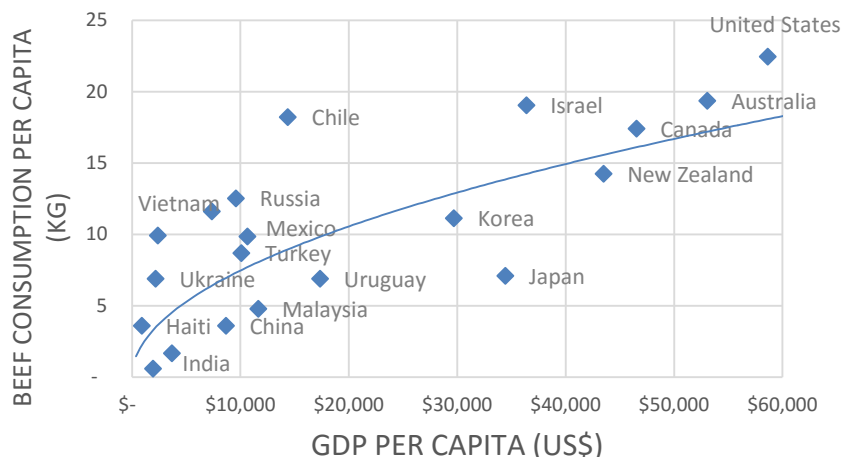
Perth Markets



- Located in Canning Vale, approximately 20km south of the Perth CBD
- In FY15, 42% (by volume) and 55% (by value) of WA's wholesale produce was traded through Perth Markets
- Consists of a 51 hectare plot of freehold land divided amongst core operations (15.1ha), non-core operations (3.5 ha), and undeveloped land (13.6 ha)
- Total Net Lettable Area (NLA) is 85,972 m²
- 169 leases/licences to 114 tenants with evidence of strong rental demand

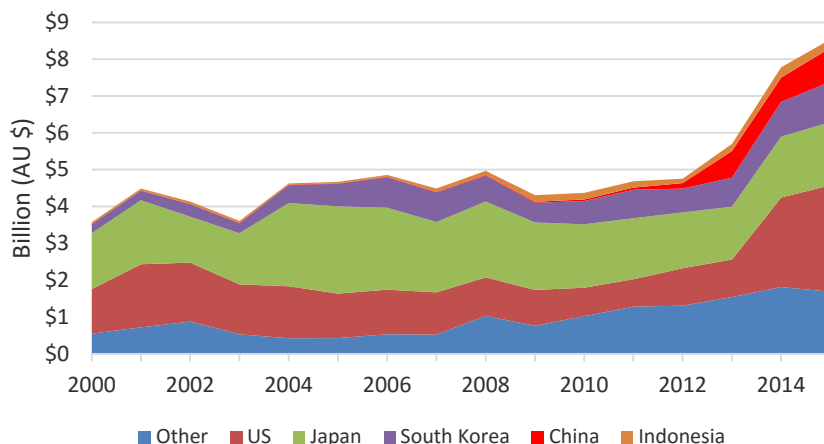
Australian cattle industry – demand

GDP per capita and beef consumption¹



- There is a strong positive relationship between income levels and the consumption of beef²
- As China's middle class continues to grow, demand for beef is expected to increase from 7.2 million tonnes in 2015 to 8.4 million tonnes in 2024, an increase of 17%³
- Based on OECD research, it is estimated the world will consume an additional 300 million head of cattle per year by 2024

Australian beef export values (2000 – 2015)⁴



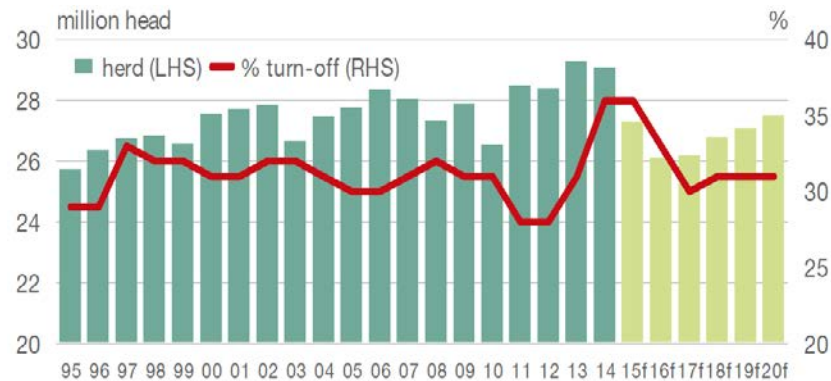
- Australian beef exports have increased by 76% from 2000 to 2015
- Exports for 2015 were valued at \$9.3 billion, 84% above the ten-year average
- Export values to China increased 54% year-on-year, and exceeded \$1 billion for the first time ever

Sources:

¹OECD & IMF ²World Health Organisation ³OECD ⁴Meat & Livestock Australia (MLA)

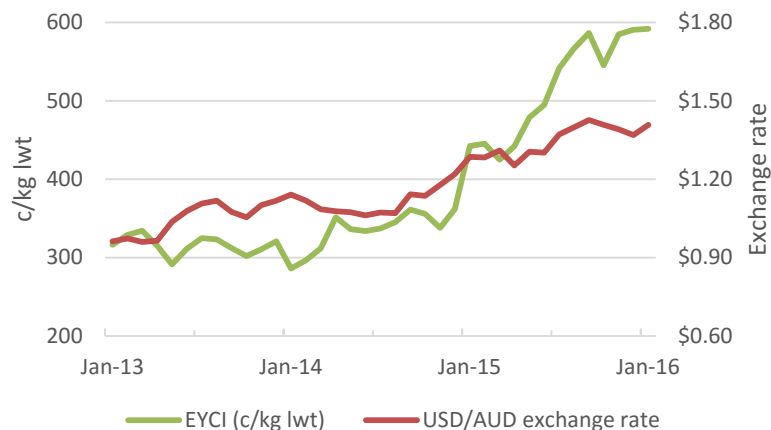
Australian cattle industry – supply

Total herd – historical and forecast¹



- Destocking due to drought resulted in high slaughter numbers
- The Australian cattle herd is forecast to decline to 26.2 million head by 30 June 2016, the lowest level since 1994
- The slaughter of female cattle is expected to reduce the breeder population by 11% from its peak of 13.2 million head in 2014

Cattle prices and exchange rate (inverted)²



- Low herd numbers are expected to drive strong competition between re-stockers, feedlots and processors
- Declining AUD has contributed to increased beef prices
- Existing and new export markets are growing
- These three factors have contributed to the increase in the AUD cattle price

Sources:

¹ Meat & Livestock Australia (MLA)

² Eastern Young Cattle Indicator (EYCI)

RFM is currently exploring investment opportunities in cattle

- An investment in the cattle sector may be attractive for the following reasons:
 - Large industry with comparative advantage
 - Potential for high capital and income growth
 - Land value and rental growth is yet to reflect historical high cattle prices
 - Potential to increase productivity through capital investment
 - Positive long term sector outlook
 - Climatic diversification consistent with RFM strategy
 - Increased exposure to natural resource predominant assets
 - RFM management and directors have significant cattle industry experience

RFF has appealing investment qualities

1. REIT structure
2. Quality assets; quality lessees
3. A growing fund in a growing sector
4. Managed by RFM



Appendices



HY2016 results summary

Metrics as at 31 December 2015

Income	Net profit before income tax	\$5,182,000
	Total comprehensive income	\$4,932,000
	Adjusted funds from operations (AFFO)	\$6,194,000
	AFFO per unit ¹	4.3 cents
	Earnings per unit	3.4 cents
Portfolio	Net asset value (NAV)	\$184,078,000
	Adjusted NAV	\$193,653,000
	NAV per unit	1.12
	Adjusted NAV per unit	1.18
Balance sheet	Total assets	\$302,480,000
	Adjusted total assets	\$312,055,000
	External borrowings	\$105,334,000
	Gearing ²	33.8%
Distributions	Declared at:	
	September 2015	\$2,955,000
	December 2015	\$3,670,000
	CPU per distribution	2.23 cents
	Total distributions (cpu)	4.47 cents

- AFFO \$6.2m (pre-tax) and AFFO per unit 4.3 cents in line with previous forecast to 30 June 2016
- Increase in distributions of 4% in line with previous forecast
- Gearing of 33.8% within target range
- Total assets \$302.5m up from \$252.7m at 30 June 2015 primarily due to planned capital expenditure

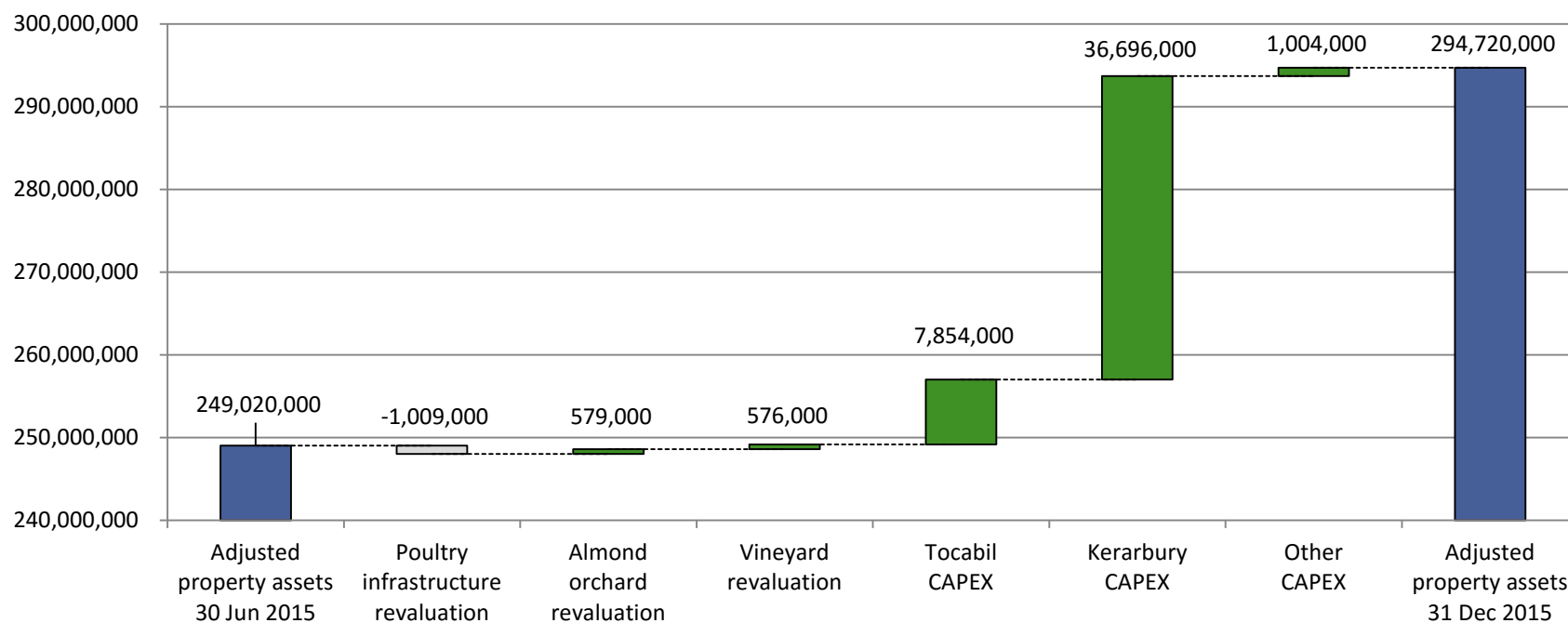
Notes:

¹For reconciliation see slide 26

²Gearing calculated as external borrowings / adjusted total assets

HY2016 property reconciliation

Adjusted property assets reconciliation HY2016



- Directors' valuations for 31 December 2015. Assets are independently valued annually on an encumbered basis
- Directors' valuations utilise 30 June independent valuations adjusted for timing to 31 December
- Main movements for period are attributable to the Tocabil development and Kerarbury acquisition and development. These developments are forecast to total \$141.6m through to FY2020
- 'Other' capital expenditure relates to Moorah and Yilgah almond orchards

HY2016 AFFO composition

Composition of AFFO (pre-tax)

	6 mths ended 31 December 2015	6 mths ended 31 December 2014
	\$	\$
Property revenue	12,453,000	10,686,000
Direct property costs	(680,000)	(581,000)
Net property income	11,773,000	10,105,000
Other income	19,000	139,000
Share of net profit – equity accounted investments	69,000	38,000
Fund overheads	(1,557,000)	(1,426,000)
Management fees	(1,466,000)	(1,227,000)
EBIT	8,838,000	7,629,000
Finance costs	(2,644,000)	(2,632,000)
Adjusted funds from operations	6,194,000	4,997,000
AFFO per unit ²	4.28 cents	4.26 cents

- AFFO¹ is pre-tax and excludes fair value adjustments, depreciation and impairment to represent RFF's property rental business
- AFFO lower in first half due to the issue of new units in the period, revenue to increase as developments progress
- Property leases are largely triple net

Notes:

¹ Adjusted to present on a pre-tax basis

² Based on the weighted average number of units on issue during the period

Debt facility

Debt metrics

	31 Dec 2015	30 June 2015
Term debt facility limit ^{1, 2}	\$136.0m	\$103.0m
Term debt drawn	\$103.0m	\$89.7m
Headroom	\$33.0m	\$13.3m
Loan to Value Ratio (LVR) ³	39.1%	36.7%
Debt Facility expiry	18 Dec 2018	18 Dec 2018
Interest Cover Ratio ⁴	3.46x	3.16x
Hedging requirement	>50%	>50%
Proportion hedged ⁵	85.4%	83.7%
Weighted average hedge expiry ⁶	22 Nov 2018	30 Sep 2017
Effective hedge rate ⁶	3.43%	3.44%
Effective cost of total debt ⁴	5.02%	5.48%

Notes:

¹Key financial covenants for FY16: LVR <50%, Interest Cover Ratio >2.5x, with distribution permitted at >2.75x, Net Tangible Assets >\$100 million

²Security: Real property mortgages, general security agreement, cross guarantees between RFF and subsidiaries

³LVR calculated as term debt drawn/independent market valuation of secured assets

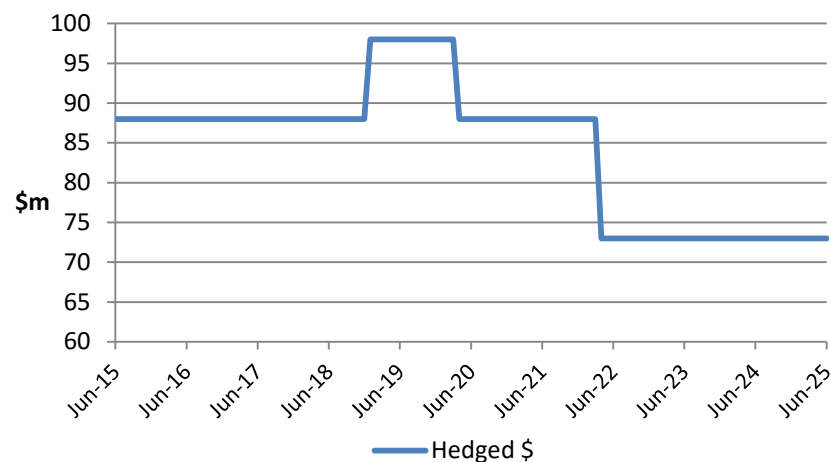
⁴31 December 2015 result is for 6 month period

⁵Proportion hedged based on term debt drawn

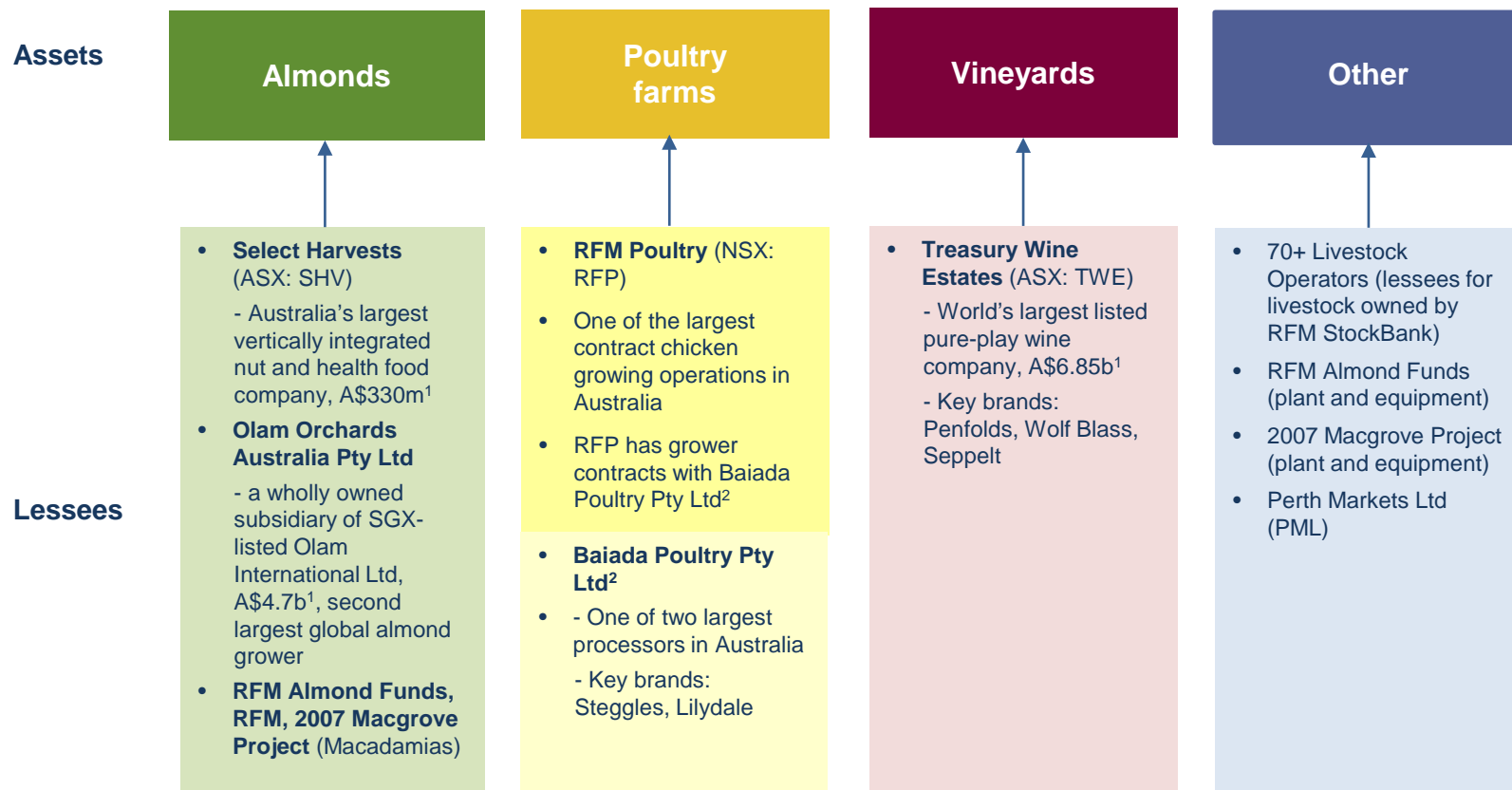
⁶Excludes hedges not yet commenced

- Key changes for FY15:
 - Negotiated lower debt cost, effective FY16
 - Increased amount and tenor of interest rate hedges to more closely align with weighted average expiry profile of leases
- Amortisation of \$2m per annum commencing 31 March 2016
- Gearing at 31 December 2015 33.8%
- Macadamia and PML acquisitions will add 2.9% to gearing

10 year hedged (fixed rate) position



RFF has attracted a range of quality lessees



Notes:

¹Market capitalisation as at 16 March 2016

²RFP grower contracts with Barter Enterprises, a wholly owned subsidiary of Baiada Poultry Pty Ltd, and are for same length as RFF lease with RFP and are take-or-pay contracts

Key assets further details

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.

WALE¹: 16.2 yrs

Indexation and market review: RFM & SHV: 2.5% p.a. & SHV market review on 1 July 2016, 3 yearly thereafter. Olam: CPI

Directors' valuation² 31/12/15: \$161.8m

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.

WALE¹: 11.3 yrs

Indexation: 65% of CPI capped at 2%

Directors' valuation² 31/12/15: \$93.0m

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.

WALE¹: 6.5 yrs

Indexation and market review: 2.5% p.a. and market review on 1 July 2017

Directors' valuation² 31/12/15: \$40.0m

Notes:

¹ Lease expiries weighted by forecast FY16 rental income

² Directors' valuations include water stated at fair value

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 a 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

Corporate information



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