

Rural Funds Group | ASX: RFF



Managed by:



Financial results presentation

Half year ended 31 December 2016

21 February 2017

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1 Highlights

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Results highlights

Acquisitions, developments and rent indexation have improved key metrics

Financial metrics	Dec 16	Dec 15	Movement	Further details
Earnings	8.55 cpu	3.41 cpu	+150%	p.10
Adjusted funds from operations (AFFO)	6.29 cpu	4.26 cpu	+48%	p.11
Distributions	4.82 cpu	4.47 cpu	+8%	p.9
FY17 forecast AFFO	12.42 cpu	9.26 cpu ¹	+34%	p.22
FY17 forecast distributions	9.64 cpu	8.93 cpu ¹	+8%	p.22
Balance sheet metrics	Dec 16	June 16	Movement	Further details
Adjusted total assets	\$552.4m	\$407.5m	+36%	p.27
Gearing	40.1%	36.7%	+3.4%	p.9
Adjusted NAV per unit	\$1.50	\$1.43	+5%	p.26

Note:
¹ FY16 actual

Key events and portfolio highlights

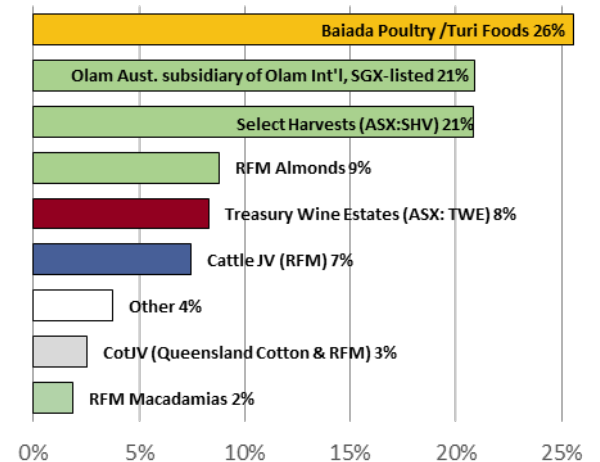
Strategic acquisitions and an improvement to the debt facility

July 16	<ul style="list-style-type: none"> \$61.0m equity raised via a fully underwritten Entitlement Offer at \$1.475 per unit with 59% of investors participating. Funds applied to; cattle assets, macadamia orchards and an expansion of an almond orchard development
Oct 16	<ul style="list-style-type: none"> \$34.4m acquisition (debt funded) of 9,549 megalitre (ML) high security Murrumbidgee River water entitlement, a cornerstone asset to underpin future horticultural developments. Settled December 2016
Nov 16	<ul style="list-style-type: none"> \$26.5m acquisition (debt funded) of a 4,880 hectare cotton property, Lynora Downs, located in Central Queensland with 18,487ML of water entitlements. Leased to CotJV (a joint venture comprising Queensland Cotton Corporation and RFM) on a 5 year lease with a 5 year option to extend. Settled December 2016
Dec 16	<ul style="list-style-type: none"> Implemented a syndicated debt facility comprising ANZ and Rabobank following a tender process, incorporating a limit increase (\$200m to \$250m), tenor increase (Dec 2018 to Dec 2019) and interest cost reduction
Dec 16	<ul style="list-style-type: none"> Independent valuations arranged for almond orchards under development as well as cattle and cotton assets. Announced January 2017

Portfolio highlights

Number of properties / sectors	35 / 6
Property locations	Qld, NSW, Vic, SA
WALE ¹	13.1 years
Forecast DPU yield (paid qtrly) ²	5.5%
FY18 forecast distribution growth	4%

Key counterparts by FY17 revenue³



Notes:

¹ Lease expiries weighted by forecast FY17 rental income, expressed in years from 31 December 2016 and excludes Murrumbidgee HS water (refer page 28)

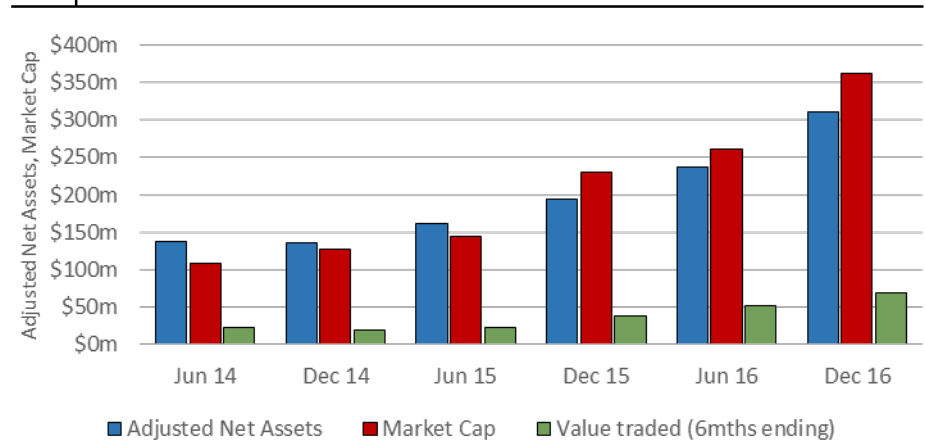
² Calculated forecast FY17 distribution per unit (DPU) of 9.64 cents divided by 17 February 2017 closing price of \$1.765

³ Key counterparts shown e.g. RFM Poultry (lessee), has grower contracts with Baiada Poultry Pty Ltd and Turi Foods Pty Ltd

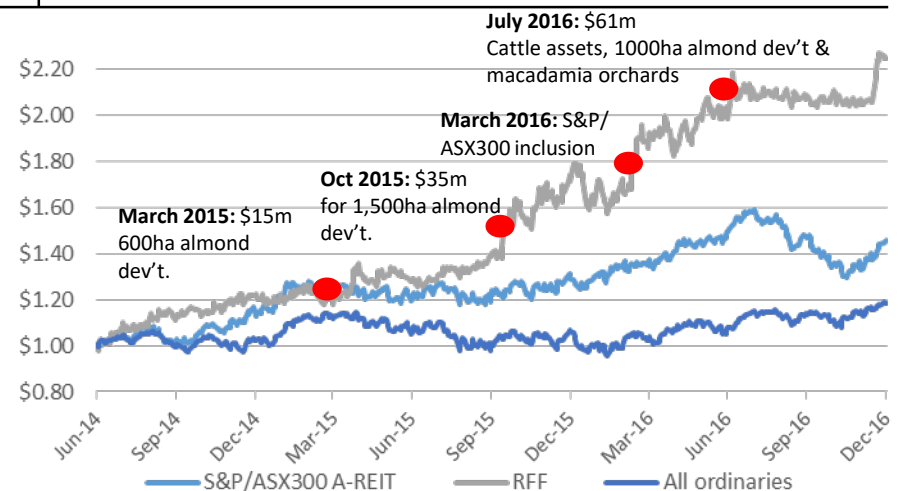
Diligent management of existing assets and examination of measured growth opportunities

- RFM will continue to execute on strategy:
 - focusing on existing portfolio; and
 - expanding scale through selective acquisitions
- The purpose of this strategy is to:
 - increase earnings and distribution growth;
 - enhance diversification;
 - improve liquidity and maximise returns to unitholders; and
 - lower operating costs per unit
- RFM has outlined a number of principles which underpin our approach to the assessment of new investments (see page 23 for further details):
 - Agricultural REIT structure
 - Manage good assets with good people
 - Sector diversification
 - Climatic diversification
 - Productivity capex opportunities
 - Sectors where RFM has operational knowledge

Net asset, market cap and liquidity growth



Total return 1 July 2014 – 31 Dec 2016^{1,2}



Notes:

¹ Total return assumes \$1.00 invested July 2014 and all distributions are reinvested at the DRP price. Total return of indices as provided by S&P. Data current to 31 December 2016

² Graph labels denote amount of equity raised and the key assets where equity was applied

2 Results

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HY17 results summary

Metrics as at 31 December 2016

Income	Net profit before income tax	17,533,000
	Total comprehensive income	19,814,000
	Adjusted funds from operations (AFFO)	12,634,000
	AFFO per unit ¹	6.29 cents
	Earnings per unit	8.55 cents
Portfolio	Net asset value (NAV)	277,279,000
	Adjusted NAV ²	311,200,000
	NAV per unit	1.34
	Adjusted NAV per unit	1.50
Balance sheet	Total assets	518,445,000
	Adjusted total assets	552,366,000
	External borrowings	221,549,000
	Gearing ³	40.1%
Distributions	Total distributions	9,984,000
	CPU per distribution per quarter	2.41 cents
	Total distributions per unit	4.82 cents
	Payout ratio	76%

- AFFO \$12.6m (pre-tax) and AFFO per unit 6.29 cents in line with previous forecast
- Increase in distributions of 8% from FY16 as per forecast
- Gearing of 40.1% following HY17 acquisitions
- Total assets \$518.4m up from \$379.0m (at 30 June 2016) primarily due to:
 - planned capital expenditure;
 - new acquisitions; and
 - unrealised gain on Kerarbury property following 31 December independent valuation

Notes:

¹For reconciliation see page 25

² Adjusted assets incorporates most recent property valuations, inclusive of water entitlements

³Gearing calculated as external borrowings / adjusted total assets

HY17 results - comprehensive

Summarised statement of comprehensive income

	6 mths ended 31 Dec 2016	Restated ¹ 6 mths ended 31 Dec 2015
	\$	\$
Property revenue	19,642,000	12,453,000
Revenue	19,642,000	12,453,000
Other income	120,000	19,000
Share of net profit – equity accounted investments	1,707,000	69,000
Property expenses and overheads	(1,699,000)	(2,255,000)
Management fees	(2,091,000)	(1,466,000)
Property revaluations – Investment property	(2,194,000)	(1,009,000)
Property revaluations – Bearer plants ¹	527,000	(296,000)
Finance costs	(3,503,000)	(2,644,000)
Change in fair value of derivatives	5,622,000	(818,000)
Depreciation and impairments	(620,000)	(339,000)
Gain/(loss) on sale of assets	22,000	18,000
Profit before tax	17,533,000	3,732,000
Income tax (expense)/benefit	(374,000)	(236,000)
Profit after tax	17,159,000	3,496,000
Other comprehensive income ¹	2,655,000	1,436,000
Total comprehensive income	19,814,000	4,932,000
Earnings per unit	8.55 cents	3.41 cents

- Revenue has increased primarily as a result of acquisitions and planned capital expenditure
- Property and overhead expenses impacted by one-off adjustments and costs. Scale advantages achieved on growing revenue base
- Finance costs increase a result of larger facility, offset by lower interest rates and banking margins
- Income tax relates to RF Active and AWF². RFT treated as a flow through trust for tax purposes
- Property revaluations based on holding water entitlements at cost. Net increase largely due to revaluation of investment properties¹
- Reconciliation to AFFO provided in page 25

Note:

¹ Restatement relates to accounting policy change for bearer plants. Bearer plants previously recognised as biological assets are now recognised under plant and equipment. Revaluations can now be taken through other comprehensive income, previously through property revaluations

² RFM Australian Wine Fund (AWF) is a subsidiary of Rural Funds Trust (RFT) that has formed a tax consolidated group

HY17 results AFFO

Composition of AFFO (pre-tax)

	6 mths ended 31 Dec 2016	Restated ¹ 6 mths ended 31 Dec 2015
	\$	\$
Property revenue	19,642,000	12,453,000
Direct property costs	(408,000)	(680,000)
Net property income	19,234,000	11,773,000
Other income	120,000	19,000
Share of net profit – equity accounted investments	165,000	69,000
Fund overheads	(1,291,000)	(1,575,000)
Management fees	(2,091,000)	(1,466,000)
EBIT	16,137,000	8,820,000
Finance costs	(3,503,000)	(2,644,000)
Adjusted funds from operations	12,634,000	6,176,000
AFFO per unit ²	6.29 cents	4.26 cents
Distributions per unit	4.82 cents	4.47 cents

- AFFO is pre-tax and excludes fair value adjustments, depreciation and impairment to represent RFF's property rental business
- AFFO higher due to increase in revenue from new acquisitions, capex and rental indexation mechanisms (see page 17)
- Property leases are largely triple net
- With RFF's asset and revenue growth, economies of scale are achieved resulting in lower operating costs on a per unit basis
- Reconciliation to net profit after tax provided in page 25

Notes:

¹ Restatement relates to accounting policy change for bearer plants

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

3

Capital management

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Capital management

Improved debt facility and expanded equity base

Equity	
Share (Unit) price	11% increase for period 30 June 2016 to 31 December 2016 (\$1.58 to \$1.75)
Distribution	Forecast FY17 of 9.64 cpu, up 8% on FY16
DRP	Remains open with 1.5% discount
Equity raised	\$61.0m Entitlement Offer at \$1.475 per unit completed in July 2016

Debt facility	
Facility	Syndicate (ANZ and Rabobank) with bi-lateral pricing and common terms (e.g. financial covenants, reporting and undertakings). No amortisation requirement
Limit	Limit increased to \$250.0m in December 2016. In addition, a further \$50.0m approved for future acquisitions
Maturity	Expiry date extended to December 2019
Funding lines available	Undrawn debt capacity of \$31.5m on current facility limit (see page 14)
Hedging	\$20.0m interest rate hedge implemented January 2017, commencing July 2017 and expiring 2027

Debt facility

Interest rate strategy balances protection from fixed rates with exposure to floating rates

Debt metrics

	31 Dec 2016	30 June 2016
Term debt facility limit ^{1,2}	\$250.0m ³	\$200.0m
Term debt drawn	\$218.5m	\$146.5m
Headroom	\$31.5m ³	\$53.5m
Loan to Value Ratio (LVR) ⁴	42.4%	42.5%
Debt Facility expiry	19 Dec 2019	18 Dec 2018
Interest Cover Ratio ⁵	6.07x	4.66x
Hedging requirement ⁶	>50%	>50%
Portion hedged ^{6,7,8}	40.3%	60.1%
Weighted average hedge expiry ⁸	28 Mar 2022	7 Sep 2021
Weighted average hedge rate ⁹	3.43%	3.43%
Effective cost of total debt ⁵	4.16%	4.77%

Notes:

¹ Key financial covenants for FY17: LVR <50%, Interest Cover Ratio >2.75x, with distribution permitted at >2.95x, Net Tangible Assets (including water entitlements) >\$200 million

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

³ Does not include additional \$50m for future acquisitions, see page 13

⁴ LVR calculated as term debt drawn/directly secured assets

⁵ 31 December 2016 ICR of 6.07 & effective cost of total debt are for 6mth period

⁶ Hedging may vary from covenant with bank agreement

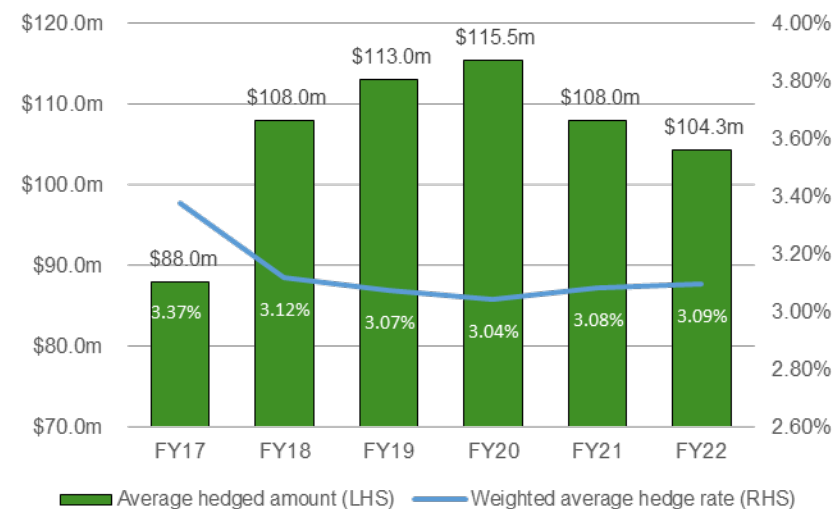
⁷ Proportion hedged based on term debt drawn

⁸ Includes hedges not yet commenced

⁹ Excludes hedges not yet commenced

- Debt facility reviewed, with syndication implemented and debt tenor increased (see disclosure 24 August 2016)
- Ongoing monitoring of hedge positions:
 - \$20m hedge entered into January 2017, commencing July 2017; also
 - \$50m existing interest rate hedges expire March 2017, replaced with \$50m new hedges at lower rates

5 year hedged (fixed rate) position



4


Portfolio update

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Portfolio snapshot

A growing, diversified portfolio of assets and lessees¹

 **Cattle**


Properties: 3
 Value: \$52.1m
 Lessee: Cattle JV
 WALE: 9.5yrs
 FY17 f'cast rent: \$3.1m
 % of FY17 revenue: 7%

 **Vineyards**


Properties: 7
 Value: \$42.7m
 Lessee: TWE
 WALE: 9.4yrs
 FY17 f'cast rent: \$3.4m
 % of FY17 revenue: 8%

 **Cotton**


No. propties: 1
 Value: \$25.8m
 Lessee: Cotton JV
 WALE: 5.3 yrs
 FY17 f'cast rent: \$1.0m
 % of FY17 revenue: 2%

 **Macadamias**

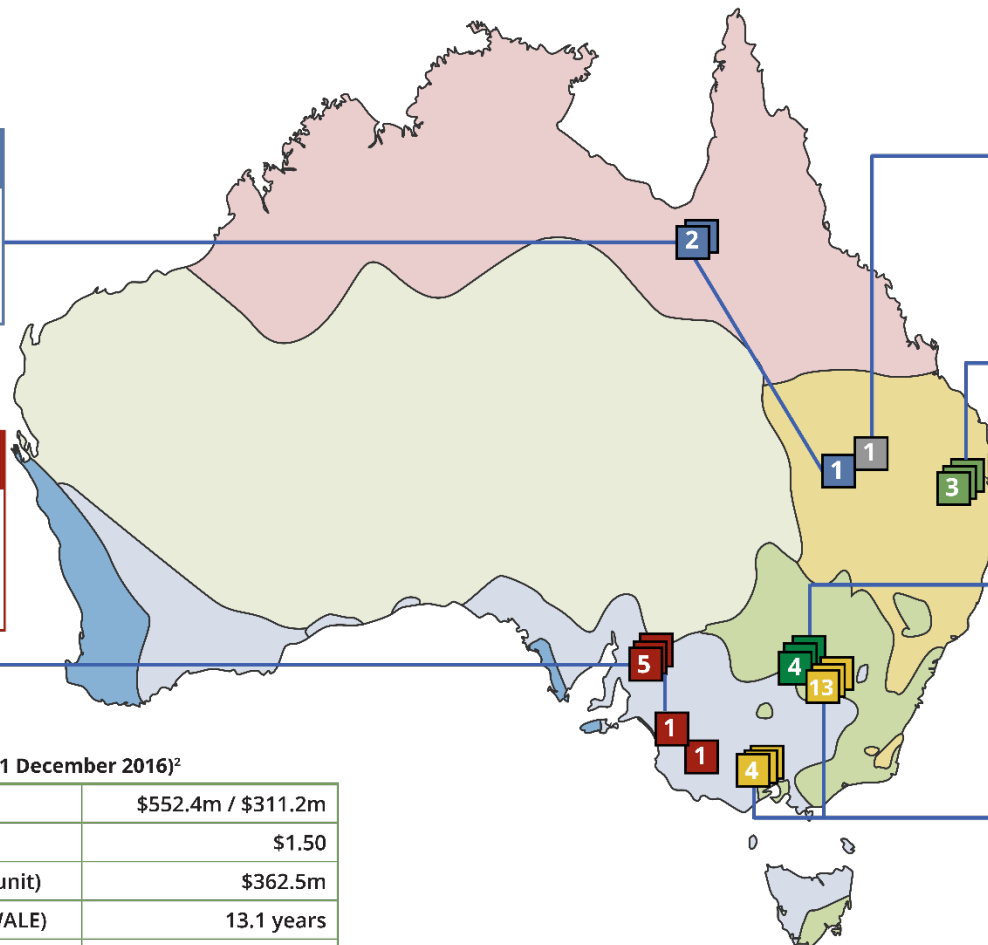
Properties: 3
 Value: \$8.2m
 Lessees: 2007 Macgrove Project & RFM
 WALE: 13.3 yrs
 FY17 f'cast rent: \$0.8m
 % of FY17 revenue: 2%

 **Almonds**

Properties: 4
 Value: \$273.7m
 Lessees: SHV, Olam, RFM Almond schemes & RFM
 WALE: 16.1 yrs
 FY17 f'cast rent: \$20.7m
 % of FY17 revenue: 51%

 **Poultry**

Properties: 17 farms (154 sheds)
 Value: \$87.2m
 Lessee: RFM Poultry
 WALE: 10.3yrs
 FY17 f'cast rent: \$10.5m
 % of FY17 revenue: 26%



Key information (as at 31 December 2016)²

Adjusted Total / Net Assets	\$552.4m / \$311.2m
Adjusted NAV per unit	\$1.50
Market capitalisation (\$1.745 per unit)	\$362.5m
Weighted Average Lease Expiry (WALE)	13.1 years
AFFO per unit / DPU (FY17 forecast)	12.42 / 9.64 cents
FY18 forecast distribution growth rate	4% p.a.

Notes:

¹ Shaded areas denote different climatic zones. Source: Bureau of Meteorology (BOM). See page 33

² See page 28 for details

Development and other capex

Development and other capex attracts additional lease income¹

Development and capex timetable

			1H17	2H17	FY18	FY19	FY20	Total (\$m)
Almonds: Kerarbury	Development	2,500 ha orchard ²	\$23.7	\$18.4	\$31.1	\$13.7	\$26.9	\$113.8
Almonds: Tocabil	Development	600 ha orchard ³	\$2.2	\$5.1	\$3.4	\$0.7	-	\$11.4
Almonds: Yilgah & Moorabool	Capex	Irrigation	\$1.2	\$0.7	\$0.3	-	-	\$2.2
Cattle	Capex	Water infrastructure & pasture improvements ⁴	\$0.7	\$0.3	\$0.5	-	-	\$1.5
Cotton	Capex	Water infrastructure ⁴	-	\$2.7	\$3.2	-	-	\$5.8
Vineyards	Capex	Grafting ⁵	\$0.1	\$0.3	\$1.3	\$0.1	-	\$1.9
Macadamias	Capex	Irrigation & machinery	\$0.2	\$0.8	\$0.3	-	-	\$1.3
Total (\$m)			\$28.2	\$25.8	\$40.0	\$14.5	\$26.9	\$137.6

Notes:

¹ Development and capex activities are undertaken by lessees. Capital deployed accrues rent

² Capital expenditure of \$80.6m to 31 December 2016, 1,218 ha planted and 21,093 HSEML water acquired (6,907 HSEML required in staged acquisitions by 30 Sept 2020)

³ Capital expenditure of \$24.4m to 31 December 2016, plantings complete (CY16) and 5,717 HSEML water acquired (1,483 HSEML forecast to be acquired by 30 June 2017).

Remaining capital expenditure to be deployed for further irrigation infrastructure, and planned initial maintenance costs

⁴ Capital expenditure for productivity improvements attracts additional rent, and aims to increase property values and improve counterpart profitability

⁵ Grafting and redevelopment program agreed with TWE

Almond developments update

Olam almond developments are on track

2015 Tocabil plantings



600 ha planting complete CY16 (planted in two stages). Tree development is exceeding expectations. Image taken Dec 2016



Water storage and pump station. Remaining capex will be applied to further irrigation infrastructure, water entitlements and planned initial maintenance costs. Image taken Dec 2016

2016 Kerarbury plantings



1,218 ha of almond trees planted CY16. Approx. a further 1,282 ha forecast to be planted CY17. Image taken Dec 2016



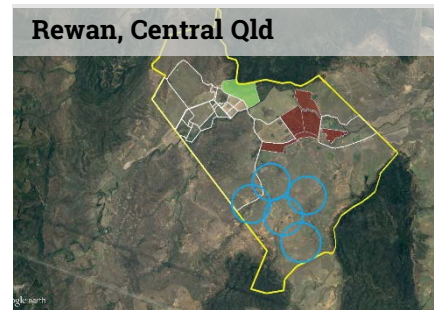
First pumping station for Kerarbury. Pumps can deliver 2,400 litres per second to the orchard. Image taken Dec 2016

Cattle capex update

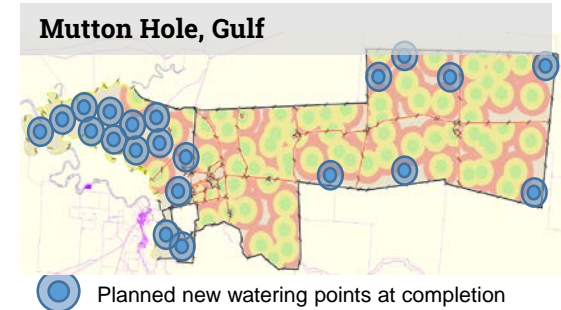
RFF is funding capex with the aim of improving asset values and performance

- Capex (forecast \$1.5m) is being deployed for watering infrastructure and pasture improvements (Fig 1). Aim is to improve productivity of the properties as measured by; carrying capacity (stocking rate), weight gain and calving rates. See page 35 for details
- RFM's observation of productivity to date is that it will exceed initial assumptions (Fig 2), specifically:
 - Gulf properties (Mutton Hole & Oakland):
 - calving rate and weaning weight are expected in CY17 to exceed Scenario 1 assumptions (to be confirmed in April muster); and
 - carrying 13,000 head of breeders, expected to increase by an additional 1,000 head
 - Central Qld (Rewan):
 - daily weight gain higher than Scenario 1 assumptions; and
 - carrying capacity approx. 15% higher
- The Eastern Young Cattle Indicator (EYCI) remains at similar levels as of July 2016 (\$3.22/kg lwt)

Fig 1: Cattle property capex



Rewan capex: Water infrastructure - new troughs and bores (blue circles in map above). Pasture improvement - expansion of leucaena and 715 ha developed for cultivation (shaded areas) currently 1,030 ha



Gulf properties capex: Watering infrastructure - 8 new watering points and 4 expanded. Pasture improvement - Stylo aerially sown (20,000 ha)

Fig 2: Initial forecast cost of production¹

Breeder assumptions: Gulf properties (Mutton Hole & Oakland)	Scenario 1	Scenario 2
Calving rate (% p.a.)	55.0%	62.5%
Weaning weight (kg/hd)	175	175
Breeders (total hd)	12,000	12,000
Backgrounding assumptions: Central Qld (Rewan)		
Weight gain (kg/day)	0.6	0.7
Stocking rate (total hd)	8,500	8,500
Consolidated cost of production		
Total kg produced	3,016,500	3,484,250
Cost of production (\$/kg lwt)	\$2.04	\$1.77

Note:

¹ RFM disclosed the forecast cost of production for the lessee (CJV) on 5 July 2016. Scenario 1 reflects initial expectations and Scenario 2 following productivity capex

Other capex update

RFF is funding capex with the aim of improving asset values and performance

- Cotton property - Stage 1 development (forecast capex \$5.8m):
 - increase the water storage capacity
 - expand the area for irrigated cotton
 - improve the property's production capacity and reliability
- Vineyards (forecast capex \$1.9m):
 - Grafting of 70 ha to Cabernet Sauvignon and Shiraz at lessee's request
- Macadamia orchards (forecast capex \$1.3m):
 - Automation of irrigation infrastructure to seek yield improvements and necessary upgrades to processing infrastructure

Lynora Downs (cotton property)



The irrigated cropping area will be expanded from 780 ha to 1,420 ha. Additional water storage will be developed (from 10,400 ML to 14,650 ML capacity) to enable the full utilisation of water entitlements. Left: Existing siphon irrigation (Jan 17). Right: Scrapers prepare dryland cropping area for new irrigated fields (Feb 17)

Swan Ridge (macadamia orchard)



Automation of irrigation infrastructure consistent with the approach to water and nutrient application on RFF almond orchards, aiming to lift yields and reduce costs

5 Outlook

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RFF remains on track for existing guidance

- AFFO and DPU forecast remains consistent with existing guidance
- FY17 distributions are expected to continue to have a majority tax deferred component arising from almond development capital expenditure
- Retained earnings are a key part of funding almond orchard developments and other capital expenditure

Key forecasts FY17

AFFO per unit	12.42 cents
Distributions per unit	9.64 cents
Payout ratio	78%
FY18 distribution growth rate	4%
Distribution payment frequency	Quarterly
Forecast income yield ¹	5.5%

Notes:

¹ FY17 forecast DPU of 9.64 cents divided by 17 February 2017 closing price of \$1.765

Areas of focus for management

RFM continues oversee and manage existing assets, including the capex and development programs, while pursuing new investments and lessees

Principles underpinning assessment of new investments

- | | | |
|---|---|--|
| ✓ | Maintain the agricultural REIT structure | Provides exposure to income and capital growth without the agricultural operating risks associated with a direct investment (see page 32) |
| ✓ | Manage good assets with good people | 'Good assets' are in sectors where Australia has a comparative advantage or exhibit qualities which make them less likely to be sensitive to commodity price cycles, such as a low cost of production. 'Good people' refers to the integrity and intelligence of both RFM management and lessees. RFM's motto since 1997 |
| ✓ | Enhance sector diversification | Investing across a range of sectors on the spectrum of investment opportunities with the objective of growing NAV, FFO and DPU over medium to long term (see page 34) |
| ✓ | Enhance climatic diversification | Strategic geographic diversification reduces lessee concentration in any one climatic zone and introduces new commodities and counterparts (see page 33) |
| ✓ | Identify investments which may benefit from productivity capex | Productivity capex aims to increase lease income, asset (i.e. farm) values and counterpart profitability (see page 35) |
| ✓ | Invest in sectors where RFM has an operational knowledge | RFM is a fund and farm manager with 20 years of experience which benefits RFF as a long-term lessor of agricultural assets (see page 36) |

6

Appendices

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Reconciliation of net profit after tax to AFFO

	6 mths ended 31 Dec 2016	Restated ¹ 6 mths ended 31 Dec 2015
	\$	\$
Net profit before tax	17,533,000	3,732,000
Adjusted for:		
Property revaluations	1,667,000	1,305,000
Property revaluation - associate	(1,542,000)	-
Change in fair value of derivatives	(5,622,000)	818,000
Depreciation and impairment	620,000	339,000
Gain on sale of assets	(22,000)	(18,000)
AFFO	12,634,000	6,176,000
AFFO per unit ²	6.29 cents	4.26 cents

- Table adds back non cash items to reconcile net profit after tax to AFFO
- Major items for FY17
 - \$1.7m property revaluations largely due to revaluation of poultry farms, consistent with management's approach to depreciate the sheds
 - \$1.5m share of net profit of associate (Perth Markets Ltd) attributable to change in fair value of investment property
 - \$5.6m unrealised gain on interest rate hedges

Notes:

¹Restatement relates to accounting policy change for bearer plants

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

Summarised balance sheet

	As at 31 Dec 2016 \$	Restated ¹ As at 30 June 2016 \$
Cash	4,731,000	3,034,000
Property investments	483,254,000	351,691,000
Plant and equipment	5,259,000	4,178,000
Equity accounted investments	7,463,000	9,041,000
Deferred tax assets	751,000	1,120,000
Other assets	16,987,000	9,975,000
Total assets	518,445,000	379,039,000
Interest bearing liabilities		
- Current	3,049,000	3,030,000
- Non-current	218,500,000	146,500,000
Derivative financial liabilities	3,569,000	9,190,000
Other liabilities	16,048,000	12,455,000
Total liabilities	241,166,000	171,175,000
Net assets	277,279,000	207,864,000
Units on issue	207,336,535	165,357,290

- Net assets \$277.3m
- NAV per unit \$1.34
- Adjusted NAV per unit \$1.50 (refer to page 27 for further details)
- Equity raising totalling \$61.0m undertaken in July 2016
- Units on issue increased by 41,979,245
- Change in total assets primarily due to:
 - Cattle properties and breeding herd acquisition \$52.1m
 - Murrumbidgee high security water acquisition \$34.4m
 - Cotton property acquisition \$26.6m
 - Almond orchard development - Kerarbury \$23.7m
 - Almond orchard development - Tocabil \$2.2m
- Total interest bearing liabilities \$221.5m
- Gearing 40.1%

Notes:

¹Restatement relates to accounting policy change for bearer plants

Total assets reconciliation

	Investment property	Bearer plants ¹	Intangible Assets ^{2,4}	Financial assets ^{3,4}	Other assets	Total	Adjustment for water entitlements at fair values ^{2,4}	Adjusted total assets
	\$	\$	\$	\$	\$	\$	\$	\$
Balance as at 30 June 2016	168,951,000	113,206,000	59,691,000	9,843,000	27,348,000	379,039,000	28,415,000	407,454,000
Additions – Cattle	42,220,000	-	-	-	-	42,220,000	-	42,220,000
Additions – Cotton	22,935,000	-	3,672,000	-	-	26,607,000	-	26,607,000
Additions – Almond orchard (Kerarbury)	7,530,000	5,880,000	7,442,000	2,888,000	-	23,740,000	-	23,740,000
Additions – Almond orchard (Tocabil)	531,000	1,207,000	461,000	-	-	2,199,000	-	2,199,000
Additions – Murrumbidgee HS Water	-	-	34,430,000	-	-	34,430,000	-	34,430,000
Additions net of disposals	885,000	149,000	547,000	-	-	1,581,000	-	1,581,000
Depreciation and impairments	-	-	(112,000)	(105,000)	(403,000)	(620,000)	-	(620,000)
Fair value adjustment ⁵	(2,194,000)	3,197,000	-	-	-	1,003,000	5,506,000	6,509,000
Breeder herd lease ⁶	-	-	-	-	9,736,000	9,736,000	-	9,736,000
Other movements	-	-	-	-	(1,490,000)	(1,490,000)	-	(1,490,000)
Balance as at 31 December 2016	240,858,000	123,639,000	106,131,000	12,626,000	35,191,000	518,445,000	33,921,000	552,366,000

Notes:

¹ Previously classified as biological assets due to change in accounting policy

² Accounting standards and ASIC guidance require water entitlements to be recorded as intangible assets, and held at the lower of cost or fair value. The adjustment for water entitlements shows the adjustment to the fair value of the water entitlements held

³ Relates to water entitlements held as part of the investment in Barossa Infrastructure Limited and Coleambally Irrigation Co-operative Limited, which are accounted for as financial assets

⁴ Water entitlements totalling 100,218 ML held by the Group representing a fair value of \$152.7m or 28% of total adjusted assets

⁵ Fair value adjustments as part of 31 December 2016 valuations. Growth of bearer plants are based on increases in the value of almond orchards, macadamia orchards and vines

⁶ Breeder herd lease structured as a finance lease with no price risk impact on lessor associated with movements in value of the breeder herd (approx. 11,000 head). Herd dynamics must be maintained during lease term (measured primarily by independent value, average age and livestock condition) tracked by NLLS system.

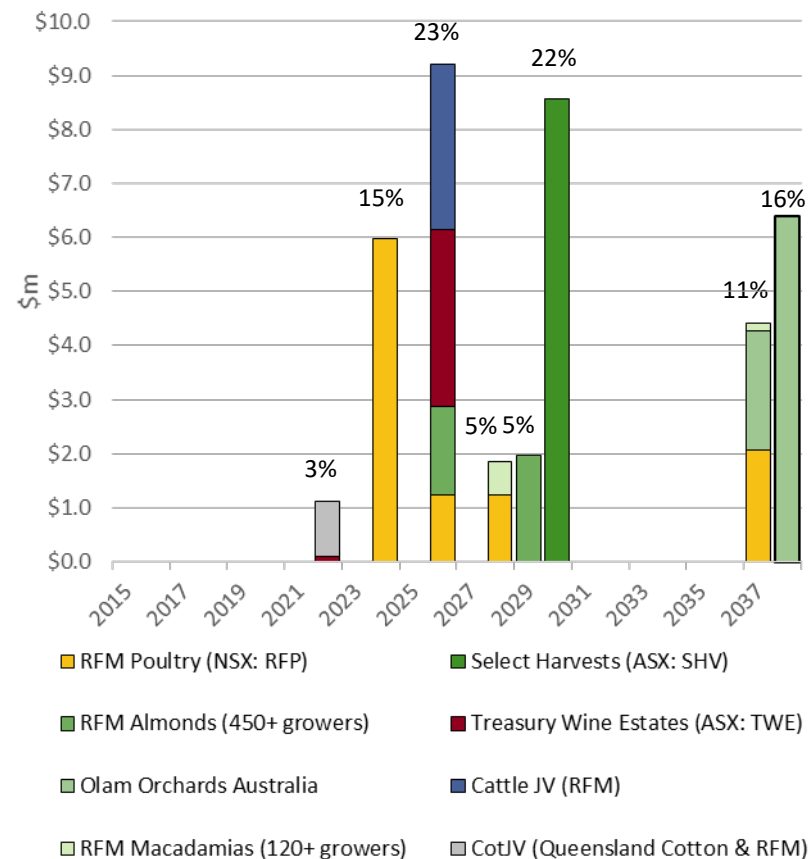
Rural Funds Group (RFF)

RFF is an agricultural REIT

Key information as 31 December 2016

Adjusted total assets ¹	\$552.4m
Adjusted net assets ¹	\$311.2m
Adjusted NAV per unit ¹	\$1.50
Market capitalisation (\$1.745 per unit)	\$362.5m
Number of properties	35
Number of agricultural sectors	6
Weighted average lease expiry (WALE) ²	13.1 years
Gearing ³	40.1%
AFFO per unit (FY17 forecast)	12.42 cents
Distributions per unit (FY17 forecast)	9.64 cents
Distribution payment frequency	Quarterly
Forecast distribution yield (paid quarterly) ⁴	5.5%
FY18 forecast distribution growth	4%

Weighted average lease expiry profile²



Notes:

¹ Adjusted assets incorporates most recent independent property valuations, inclusive of water entitlements

² Lease expiries weighted by forecast FY17 rental income, expressed in years from 31 December 2016

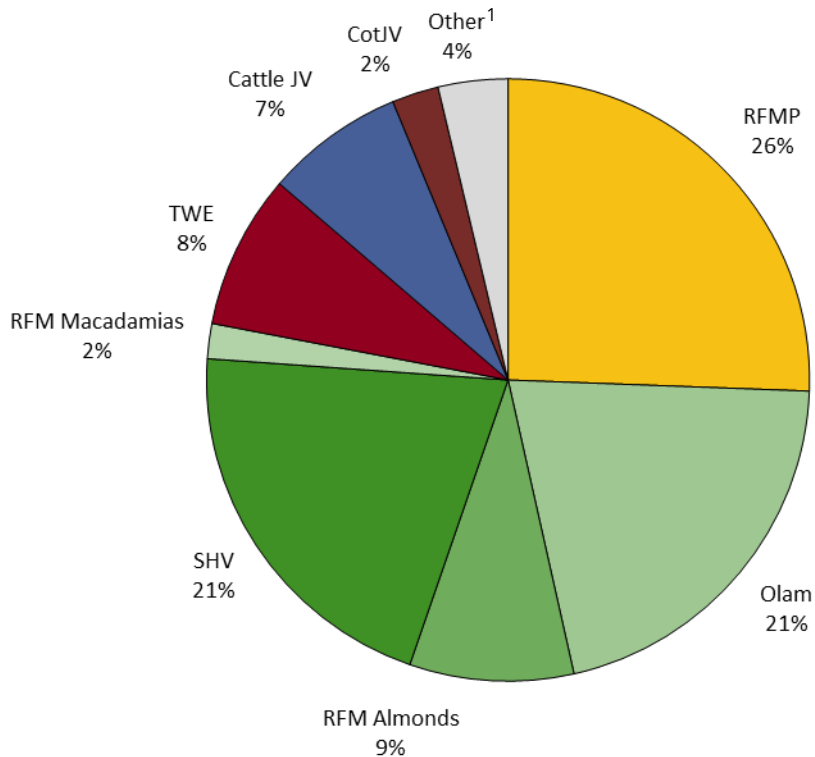
³ Gearing calculated as external borrowings/adjusted total assets

⁴ Calculated forecast FY17 distribution of 9.64 cpu divided by 17 February 2017 closing price of \$1.765

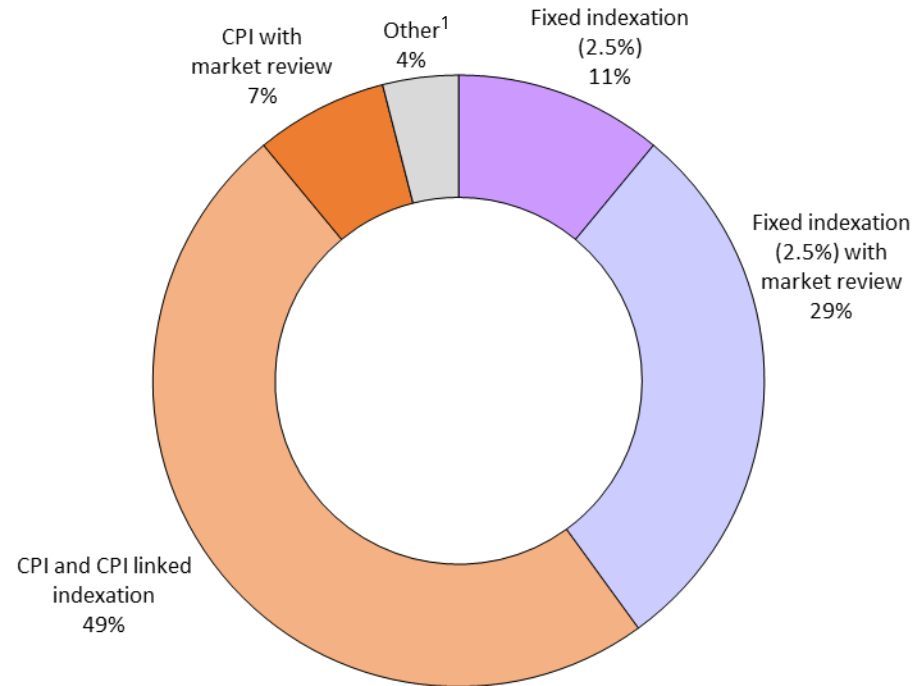
Key assets and counterparts

RFF is diversified by agricultural sectors, lessees and indexation mechanisms

FY17 forecast revenue








Indexation mechanisms by FY17 forecast revenue



Note:

¹ Other refers predominately to Plant and Equipment lease income, which has no indexation

Key assets and counterparts

	Almond orchards	Poultry farms	Vineyards	Cattle assets	Cotton assets
					
Brief description:	1,814 ha mature almond orchards and 3,100 ha of orchards under development	154 sheds on 17 farms	666 ha mature vineyards on seven properties	Three cattle properties and breeding herd	4,880 ha cropping property
Water:¹	78,640 ML HSE: 65,974 ML	1,432 ML HSE: 915 ML	936 ML HSE: 936 ML	70 ML HSE: 70 ML	18,487 ML HSE: 12,085 ML
Valuation²:	\$273.7m	\$87.2m	\$42.7m	\$42.4m properties + \$9.7m cattle	\$25.8m
FY17 forecast rent:	\$20.7m	\$10.5m	\$3.4m	\$3.1m ⁴	\$1.0m ⁴
Key lessees/ counterparts:	<p>Olam Orchards Australia Pty Ltd</p> <ul style="list-style-type: none"> - wholly owned subsidiary of SGX-listed Olam International Ltd, A\$5.1b, 2nd largest global almond grower <p>Select Harvests (ASX:SHV)</p> <ul style="list-style-type: none"> - Australia's largest vertically integrated nut and health food company <p>RFM</p>	<p>RFM Poultry (NSX: RFP)</p> <ul style="list-style-type: none"> - RFP has grower contracts with Baiada Poultry Pty Ltd and Turi Foods <p>Baiada Poultry Pty Ltd²</p> <ul style="list-style-type: none"> - One of two largest processors in Australia. Key brands: Steggles, Lilydale <p>Turi Foods Pty Ltd³</p> <ul style="list-style-type: none"> - Largest processor in Victoria, third in Australia 	<p>Treasury Wine Estates (ASX:TWE)</p> <ul style="list-style-type: none"> - World's largest listed pure-play wine company, A\$6.8b - Key brands: Penfolds, Wolf Blass, Seppelt 	<p>Cattle JV Pty Ltd</p> <ul style="list-style-type: none"> - Wholly owned subsidiary of RFM (step-in obligation in the event of lessee default) - RFM's internal cattle expertise (7 yrs) enhanced by external consultants 	<p>CotJV Pty Ltd</p> <ul style="list-style-type: none"> - 50:50 joint venture between Queensland Cotton and RFM - Queensland Cotton is a wholly owned subsidiary of the Olam Group, one of the world's largest cotton companies - RFM has been farming cotton for approx. 20 yrs

Notes:

¹ HSE = high security equivalent water entitlements, calculated by applying RFM's assessment of the average annual allocation received based on historical data. Other key water assets include a 9,549 ML Murrumbidgee high security water entitlement, see ASX disclosure 10 Oct 2016

² Valuations at 31 December 2016 include water entitlements held at fair value. Macadamia's valued at \$8.4m, FY17 forecast rent \$0.8m. Independent valuations for almonds, cattle and cotton. Poultry farms use directors valuation consistent with managements approach to depreciate assets

³ Lessee: RFM Poultry (NSX: RFP), has grower contracts with Baiada Poultry Pty Ltd and Turi Foods Pty Ltd

⁴ Cattle properties settled July-August 2016, Lynora Downs cotton property settled December 2016

Key assets and leases further details

	Almond orchards	Poultry farms	Vineyards	Cattle assets	Cotton assets
Description:	<p>1,814 ha across two mature almond orchards located near Hillston, NSW. Leased to SHV (1,221 ha), RFM Almond Funds (551 ha) and RFM (42 ha).</p> <p>3,100 ha of orchards under development in two locations; Hillston & Darlington Point, NSW. Developed and leased by Olam Orchards Australia Pty Ltd.</p>	<p>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 8 and 32 years.</p> <p>Griffith assets located within a 8km radius of the processing facility and contribute ~50% throughput.</p> <p>RFM has managed growing operations since 2003.</p>	<p>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.</p> <p>Vineyards have historically contributed essential quantities of Icon, A and B grade fruit for key premium labels.</p>	<p>Three cattle properties forming an integrated breeding to finishing system. Two breeding properties located in the Gulf of Carpentaria, Qld (225,800 ha) and breeding herd. High value backgrounding and finishing property (17,500 ha) located in central Qld.</p>	<p>4,880 ha cropping property located at the northern end of the Arcadia Valley in central Queensland, approximately 130 radial km from Olam cotton gins in Emerald and Moura.</p>
Capital commitments:	<ul style="list-style-type: none"> – R&M on account of lessee – Development and replacement capital items on account of lessor subject to additional lease income 	<ul style="list-style-type: none"> – R&M and ongoing capital expenditure on account of lessee 	<ul style="list-style-type: none"> – R&M on account of lessee – Development and replacement capital items on account of lessor subject to additional lease income and rent review 	<ul style="list-style-type: none"> – R&M (inc herd maintenance) on account of lessee – Capital expenditure on account of lessor subject to additional lease income 	<ul style="list-style-type: none"> – R&M on account of lessee – Capital expenditure on account of lessor subject to additional lease income
WALE¹:	16.1 yrs	10.3 yrs	9.4 yrs	9.5 yrs	5.3 yrs
Indexation / market review:	RFM & SHV: 2.5% p.a. & SHV 3 yearly market review. Olam: CPI	65% of CPI capped at 2%	2.5% p.a. and market review on 1 July 2017	CPI + EYCI based indexation & market review at yr 5 (property)	CPI
Payment freq:	Quarterly in advance ²	Quarterly in advance	Quarterly in advance	Quarterly in advance	Quarterly in advance
Valuer:	CBRE Valuations Colliers International (Tocabil only)	Opteon Property Group	Gaetjens Pickett Valuers	CBRE Valuations (Central Qld) Herron Todd White (Gulf)	CBRE Valuations
Valuation methodology:	Primary: Encumbered Secondary: DCF grower cash flows & comparative sales	Primary: Encumbered Secondary: Multiple direct farm profit & comparative sales	Primary: Encumbered Secondary: Comparative sales	Primary: Encumbered Secondary: Comparative sales	Primary: Encumbered Secondary: Comparative sales

Notes:

¹ Lease expiries weighted by forecast FY17 rental income

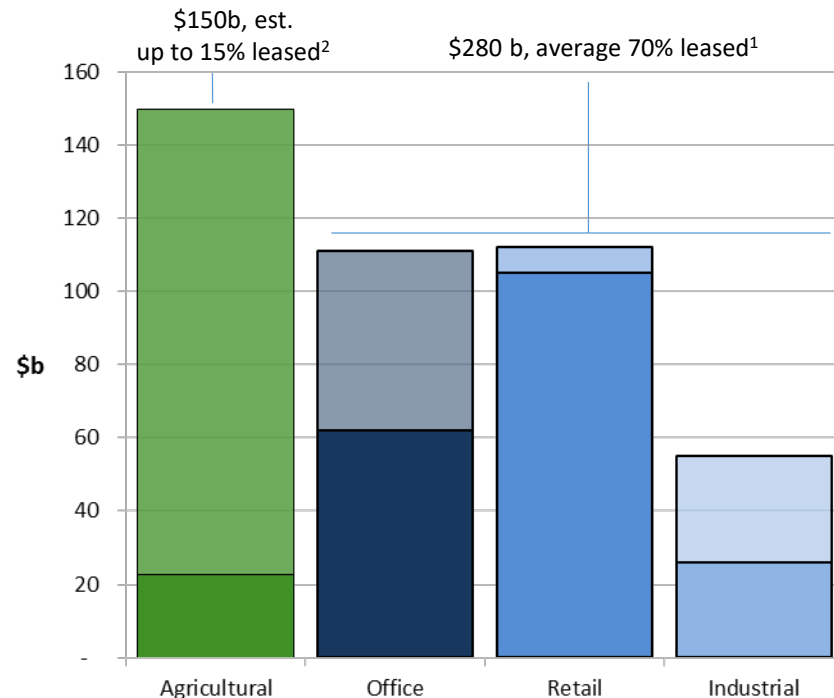
² Excludes AF06 which pays annually in October

Agricultural REIT structure

RFF's REIT model benefits from trends supporting agriculture and has significant expansion potential in Australia

- Macro economic trends supporting agriculture:
 - Population growth: world's population expected to increase 35% from 7 billion to 9.3 billion in 2050;
 - Emerging Asian middle class: rising wealth and incomes leading to increased calorie consumption / higher protein diets
 - Constrained global supply of agricultural land and water
- Agricultural property leasing observations:
 - Provides exposure to the income and capital growth (e.g. long term Australian agricultural land values 4.8% CAGR³) without the agricultural operating risks associated with a direct investment
 - Provides agricultural operators greater balance sheet flexibility
 - The sector in Australia is underserved, e.g. US and parts of Europe approx. 40% of agricultural property is leased⁴
 - A greater potential ability to expand than traditional property sectors

Australian property sectors estimates¹



Notes:

¹ The heavily shaded area denotes proportion of institutional ownership. Source: Higgins, Dr D.M. (2013) 'Australian Commercial Property Investment Market: Styles, Performance and Funding', RMIT University.

² RFM estimates the value of investment grade agricultural properties in Australia to be \$150b, based on available data (see RFM Newsletter April 2014). Data on the level of institutional ownership and leasing is difficult to obtain. RFM has previously estimated this level to be within 5 to 15%. Other studies include: BDO, (2015) 'An analysis: Australian Superannuation Fund Investment in Agriculture' and RIRDC (2011), Foreign investment and Australian agriculture

³ 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

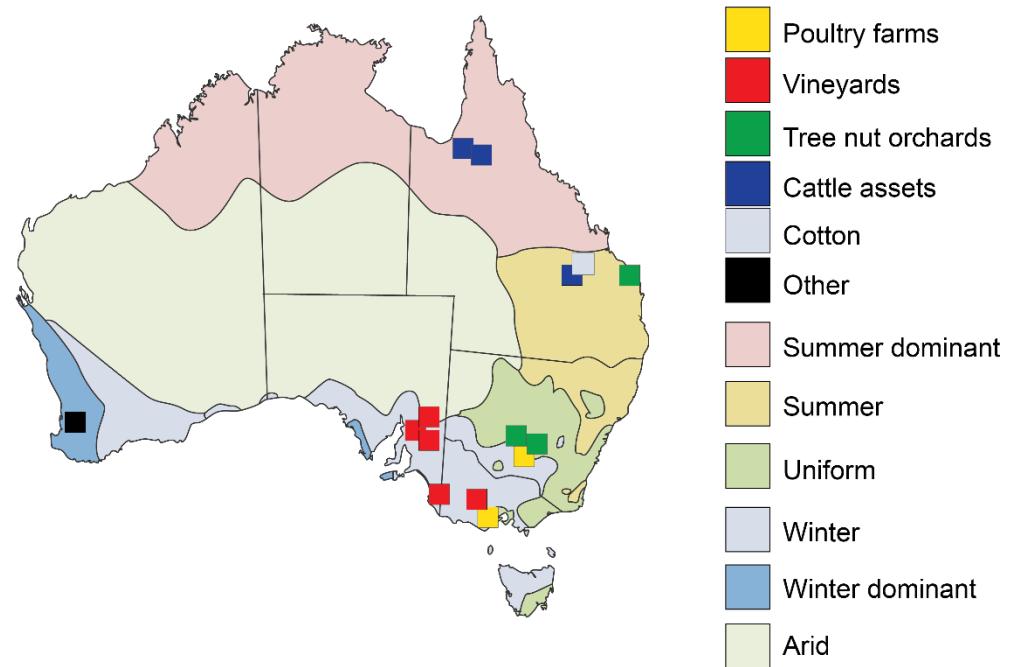
⁴ Stead, David. (2004) 'Agricultural Tenures and Tithes' & USDA Agricultural Resources and Environmental Indicators (2003)

Climate diversification strategy

Strategic geographic diversification reduces lessee concentration in any one climatic zone and introduces new commodities and counterparts

- The benefits of climatically diversifying RFF's portfolio include¹:
 - Moderating the likelihood of multiple lessees experiencing wetter or drier conditions at the same time;
 - The introduction of new commodities with different production cycles and commodity prices;
 - Reduced exposure to the effects of large scale climatic systems (e.g. El Niño); and
 - Moderation of the long-term exposure to possible climate change impacts

Climatic zones and RFF assets²



Notes:

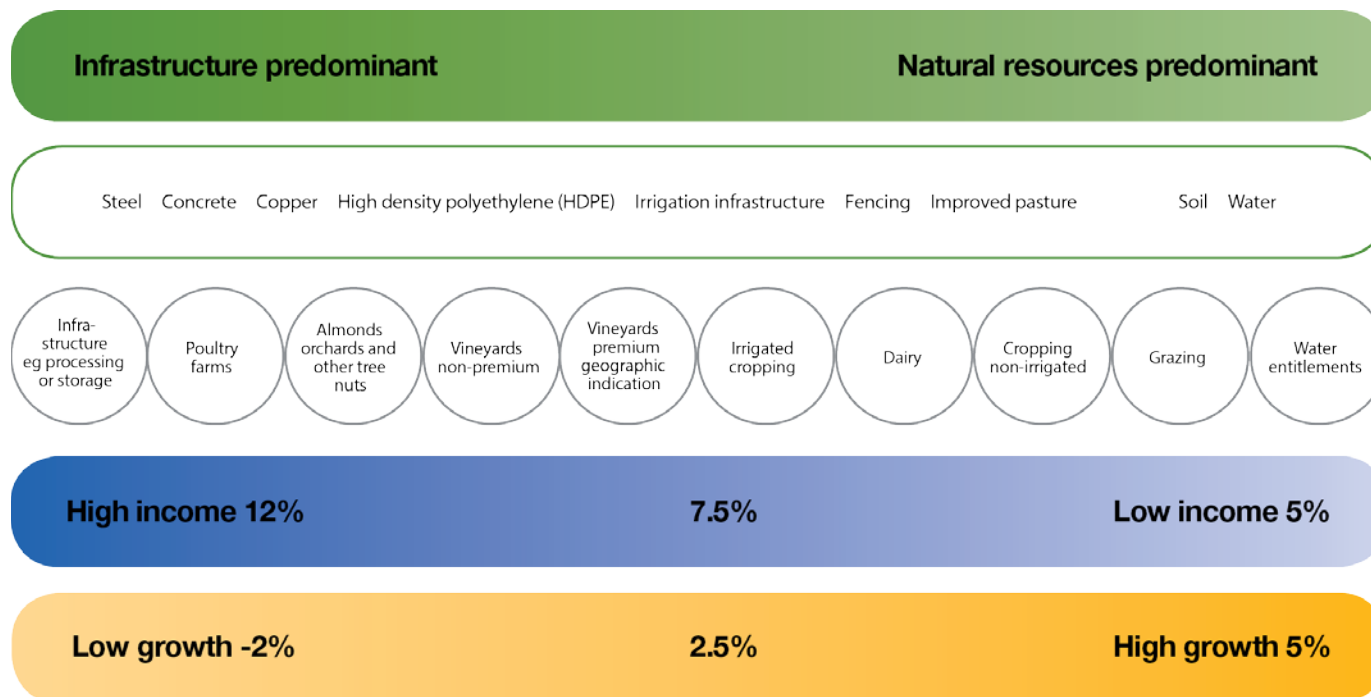
¹ RFM (2016), RFF Climatic diversification discussion paper, see ASX announcements 9 and 20 June 2016

² Source: Australian Bureau of Meteorology. Based on median annual rainfall and seasonal incidence determined from the ratio of the median rainfall November to April and May to October over 100 year period from 1900-1999. RFF property locations are approximate

Sector diversification strategy

Acquiring natural resource predominant assets complement existing infrastructure predominant assets and aims to grow NAV, FFO and DPU over medium to long term

Spectrum of investment opportunities¹



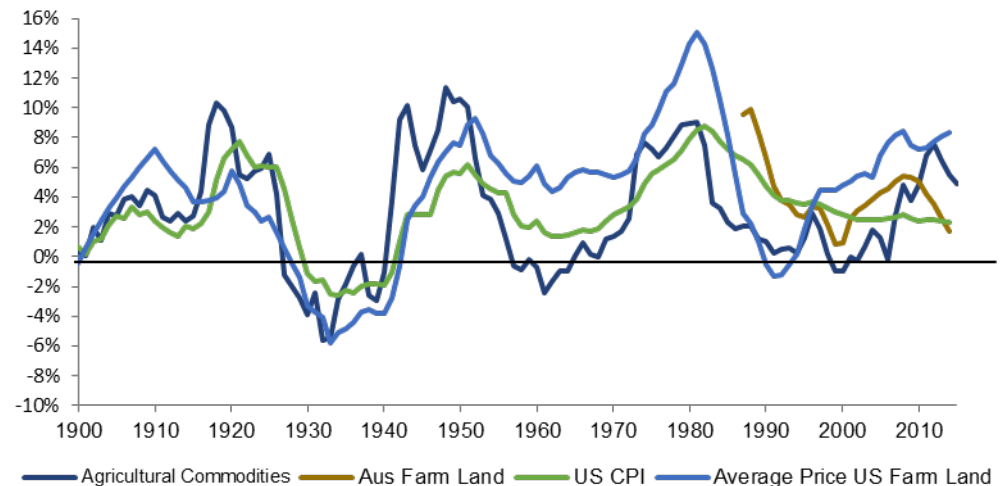
Note:
¹ The income and growth figures presented in the figure above have been provided to differentiate the profile of income and growth that can be derived from different assets. They are based on RFM's experience and observations of agricultural lease transactions and historical rates of growth. They are neither forecasts nor projections of future returns. Past performance is not a guide to future performance. See RFM Newsletters dated April 2014 and May 2016 for further information

Productivity capex

Productivity capex aims to increase farm values, lease income and counterpart profitability

- Gains in farming productivity (e.g. via technology or science) have historically supported capital growth in farm values through increased operator profitability
- The objective of RFF's budgeted productivity capex is to:
 - increase farm values
 - increase AFFO through market rent reviews
 - improve counterpart profitability
- For example, RFM aims to increase the productivity (carrying capacity, daily weight gain and calving rates) on cattle properties purchased July 2016, through:
 - expanding existing legume plantings (see pictures right)
 - increasing existing watering points

125 yrs of agricultural returns (10yr moving avg of % price change)¹



Productivity capex examples



Legumes such as leucaena (above left) and stylo (above right) can provide substantial productivity gains^{2,3}

Notes:

¹ Source: Rural Funds Management, Data sources: US Census Bureau and R.J. Schiller. See RFM Newsletter dated May & November 2015 for further information

² MLA (October 2015) Bannockburn PDS report: The economic performance of beef cattle finishing systems used on the North-Eastern Downs

³ MLA (November 2011) Analysis of the potential to manipulate the rumen of northern beef cattle to improve performance

Fund and farm manager

RFM is a fund and farm manager with 20 years experience in Australian agriculture

Key information

Established	1997										
Assets under management	\$608m										
Ownership	Directors & staff										
Assets under management (by fund)	<table border="0"> <tr> <td>Rural Funds Group:</td> <td>\$552</td> </tr> <tr> <td>RFM Poultry:</td> <td>\$8m</td> </tr> <tr> <td>Almond Funds 06-08:</td> <td>\$38m</td> </tr> <tr> <td>2007 Macgrove Project:</td> <td>\$10m</td> </tr> </table>	Rural Funds Group:	\$552	RFM Poultry:	\$8m	Almond Funds 06-08:	\$38m	2007 Macgrove Project:	\$10m		
Rural Funds Group:	\$552										
RFM Poultry:	\$8m										
Almond Funds 06-08:	\$38m										
2007 Macgrove Project:	\$10m										
Asset locations	NSW, SA, VIC, QLD, WA										
Farm management & operations staff	50										
Funds management staff	35										
RFM direct operational experience	<table border="0"> <tr> <td>Almonds:</td> <td>Since 2006</td> </tr> <tr> <td>Vineyards:</td> <td>Since 2000</td> </tr> <tr> <td>Poultry:</td> <td>Since 2003</td> </tr> <tr> <td>Livestock:</td> <td>Since 2010</td> </tr> <tr> <td>Cotton:</td> <td>Since 1998</td> </tr> </table>	Almonds:	Since 2006	Vineyards:	Since 2000	Poultry:	Since 2003	Livestock:	Since 2010	Cotton:	Since 1998
Almonds:	Since 2006										
Vineyards:	Since 2000										
Poultry:	Since 2003										
Livestock:	Since 2010										
Cotton:	Since 1998										
Management team tenure	10+yrs (avg.)										
RFF fee structure	1.05% p.a. gross assets & cost recovery										

Key responsibilities

Oversight as a fund and asset manager including:

- Compliance to financial, farming and reporting requirements of leases
- Water asset management including obtaining approvals, engagement with government
- Management of infrastructure e.g. ongoing and development capex
- Coordination of annual independent valuations
- Facilitating acquisitions
- Managing lessee/customer relationships



managing good assets with good people

RFM Board and management team

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

Board



Guy Paynter
 Non-executive
 Chairman

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



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 \$500m in asset acquisitions across eight Australian agricultural regions, including negotiating the acquisition of more than 35 properties and over 100,000 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
- Chair of RFM Audit Committee



Julian Widdup
 Non-Executive
 Director

- Fund manager and asset consultant with extensive experience in major infrastructure acquisition and asset management
- Former executive of infrastructure investment management companies, Palisade Investment Partners and Access Capital Advisers (now Whitehelm Capital)
- Previous director of Palisade Investment Partners, Darwin International Airport, Alice Springs Airport, NZ timberland company Taumata Plantations Limited, Regional Livestock Exchange Investment Company, Merredin Energy power generation company, Victorian and AgriBioscience Research Facility
- Member of RFM Audit Committee

Contacts



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 Management activities, as well as the Farm Management activities of the National Manager of each of Poultry, Almonds, Cattle 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



Dan Edwards
 Business Manager
 Rural Funds Group

- Joined RFM in 2005
- Manages leases with major counterparts and water resources
- Responsible for the analysis of RFF financial performance, and the analysis of future development and investment opportunities
- Responsible for the operational support and day-to-day funds management of RFF



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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