

Rural Funds Group | ASX: RFF

Managed by:
 Rural
Funds
Management



**Domestic and offshore
investor presentation**

October 2018

Disclaimer

This presentation has been prepared by Rural Funds Management Limited (ACN 077 492 838, AFSL 226 701) (**RFM**) as the responsible entity of Rural Funds Group (**RFF**). RFF is a stapled security, incorporating Rural Funds Trust (ARSN 112 951 578) and RF Active (ARSN 168 740 805). The information contained in this presentation is not investment or financial product advice and is not intended to be used as the basis for making an investment decision. Please note that, in providing this presentation, RFM has not considered the investment objectives, financial circumstances or particular needs of any particular recipients.

This presentation is not, and does not constitute, an offer to sell or the solicitation, invitation or recommendation to purchase any securities, and neither this presentation nor anything contained herein shall form the basis of any contract or commitment. In particular, this presentation does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States. This presentation must not be released or distributed in the United States. Any securities described in this presentation have not been, and will not be, registered under the *US Securities Act of 1933* and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the *US Securities Act* and applicable US state securities laws.

RFM has prepared this presentation based on information available to it at the time of preparation. No representation or warranty is made as to the fairness, accuracy or completeness of the information, opinions and conclusions contained in this presentation or any other information that RFM otherwise provides. To the maximum extent permitted by law, RFM, its related bodies corporate and its officers, employees and advisers are not liable for any direct, indirect or consequential loss or damage suffered by any person as a result of relying on this presentation or otherwise in connection with it.

This presentation includes “forward-looking statements”. These forward-looking statements are based on current views, expectations and beliefs as at the date they are expressed. They involve known and unknown risks, uncertainties and other factors which could cause the actual results, performance or achievements of RFF to be materially different from those expressed or implied by the forward-looking statements. Accordingly, there can be no assurance or guarantee regarding these statements and you must not place undue reliance on these forward-looking statements. RFM and RFF disclaim any responsibility for the accuracy or completeness of any forward-looking statements.

1. Strategy and overview
2. FY18 results highlights
3. Portfolio update
4. Factors supporting ongoing growth
5. Conclusion
6. Appendices

RFM presenters



David Bryant
Managing Director



Jonty Ephron
Chief Operating Officer



James Powell
*General Manager -
Investor Relations &
Marketing*



Strategy and overview

1

*Cabernet grapes ripe for harvest, Geier vineyard, Barossa Valley,
South Australia, March 2018*

Investment overview and strategy

Rural Funds Group (ASX:RFF) is an agricultural real estate investment trust (REIT) that leases properties to agricultural operators and processors.

Strategy

- To generate a stable income plus capital growth by owning and improving farms.

Objectives

- Grow adjusted funds from operations (AFFO) per unit through lease indexation, reinvestment of retained AFFO and market rent review mechanisms.
- Grow distributions consistently at 4% p.a.
- Maintain gearing between 30-35%.
- Increase sector and climatic diversification, liquidity and scale.

Key principles underpinning assessment of acquisition opportunities

- 1 Maintain agricultural REIT structure.
- 2 Invest in sectors where Australia possesses a comparative advantage.
- 3 Enhance sector diversification.
- 4 Enhance climatic diversification.
- 5 Identify investments which may benefit from productivity capex.
- 6 Invest in sectors where RFM has direct operational knowledge.

Sectors and assets

A portfolio of 47 properties across 6 agricultural sectors in multiple climatic zones.^{1,2}

Cattle³

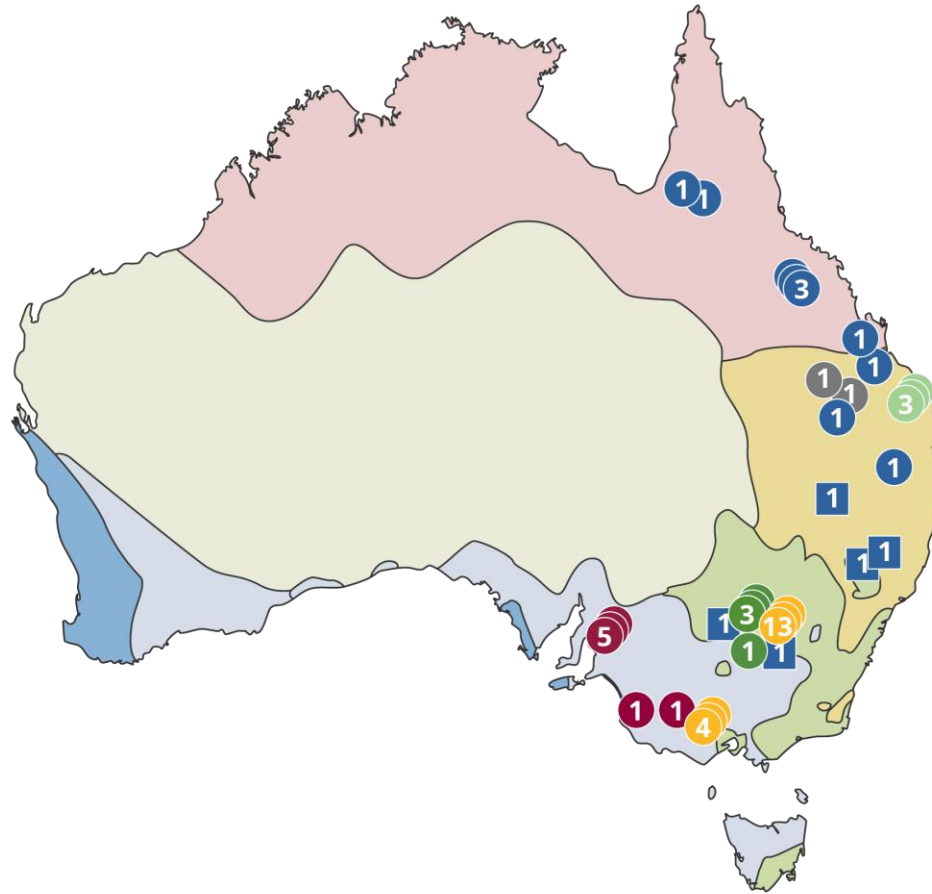
Properties: 14
 Description: 659,915 ha of breeding and backgrounding land. 150,000 SCU feed lot capacity
 Value: \$222.7m
 FY19f rent: \$15.9m

Vineyards

Properties: 7
 Description: 666 ha of premium vineyards
 Value: \$47.9m
 FY19f rent: \$3.8m

Poultry

Properties: 17
 Description: 154 broiler chicken sheds
 Value: \$80.8m
 FY19f rent: \$10.7m



Cotton

Properties: 2
 Description: 1,487 ha of irrigated cropping and 4,103 ha of dryland cropping land
 Value: \$48.8m
 FY19f rent: \$3.1m

Macadamias

Properties: 3
 Description: 259 ha of orchards
 Value: \$13.6m
 FY19f rent: \$1.4m

Almonds

Properties: 4
 Description: 1,814 ha of mature orchards and 3,100 ha of recently developed orchards
 Value: \$374.9m
 FY19f rent: \$29.7m

Notes:

1. Shaded areas denote climatic zones differentiated by rainfall seasonality. Source: Bureau of Meteorology. Climatic diversification reduces lessee concentration in any one climatic zone and introduces new commodities and counterparts. See RFF Climatic Diversification discussion paper, 20 June 2016.
2. Murrumbidgee High Security water entitlement (8,754 ML) valued at \$32.8m not shown in above map. FY19 forecast allocation revenue \$1.8m.
3. Cattle sector value includes: Gulf properties, Rewan, Natal Aggregation, Comanche, feedlots, Cerberus, Dyamberin, breeder herd lease, Camm loan and plant and equipment leased on cattle properties. Blue square boxes on map indicate feedlots.

Key lessees and counterparts

Lessees and counterparts include leading agricultural producers and processors.

Top 80% lessees/counterparts weighted by FY19f revenue

| | | | |
|-----------------------------------|---|--|-------|
| Olam Orchards Australia |  | Largest almond grower in Australia, producing approximately 45% of the national crop. Wholly owned subsidiary of SGX-listed Olam International Ltd (SGX: O32), one of the worlds largest agribusinesses with 204 processing facilities globally and a market capitalisation of AUD\$6.7b. | 23.5% |
| RFM Poultry & Baiada ¹ |  | One of the two largest integrated poultry breeding, growing and processors in Australia. Retail brands include Steggles and Lilydale. | 15.9% |
| Select Harvests |  | One of Australia's largest almond growers and the country's leading manufacturer, processor and marketer of nut products to Australian and international markets. ASX-listed (ASX: SHV) with a market capitalisation of \$0.5b. | 13.8% |
| JBS Australia |  | Australia's largest cattle lot feeder and processor with five feedlots and 10 processing facilities. A subsidiary of the Brazilian-listed JBS S.A. (BZ: JBSS3) that has a market capitalisation of AUD\$9.1b. JBS S.A. employs 235,000 people globally and is the world's largest beef and poultry producer and second largest pork and lamb producer. | 8.9% |
| Cattle JV ² |  | A farm and fund manager with over 20 years' experience operating assets in multiple agricultural sectors including cattle, almonds, poultry, cotton, vineyards and macadamias. | 6.3% |
| Treasury Wine Estates |  | World's largest listed pure-play wine company. Winemaking facilities in Australia, New Zealand and the United States. Key brands include Penfolds and Wolf Blass. ASX-listed (ASX: TWE) with a market capitalisation of \$12.8b. | 5.6% |
| DA and JF Camm |  | Part of the Camm Agricultural Group, an integrated cattle business operating nine properties including a 9,000 SCU feedlot in southern Queensland. | 5% |

Notes:

- RFM Poultry, lessee to RFF, has grower contracts with Baiada Poultry Pty Ltd.
- Cattle JV is a wholly owned subsidiary of Rural Funds Management.

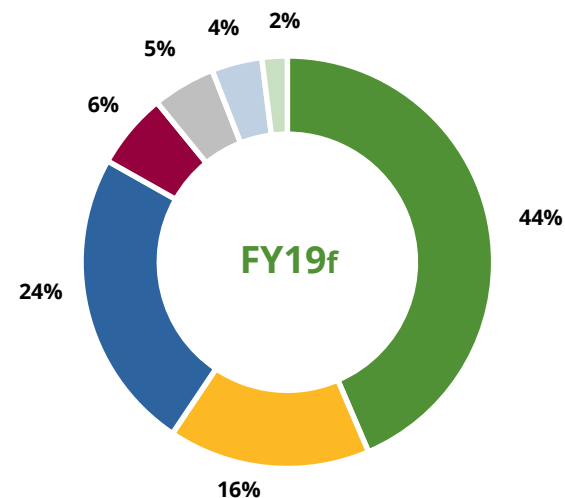
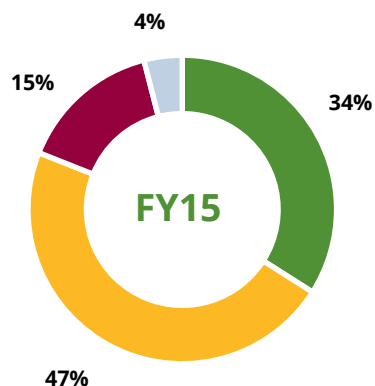
Diversification, scale and liquidity

Improved sector diversification, scale and liquidity.

Key portfolio metrics by 30 June 2015 and pro forma 30 June 2018 revenue

Sector revenue

- Almonds
- Cattle
- Poultry
- Vineyards
- Cotton
- Macadamias
- Other



30 June 2015

Pro forma
30 June 2018¹

Adjusted total assets

\$407.5m

\$836.8m

Number of properties

27

47

Units on issue

132.1m

332.3m

Liquidity (daily units traded)

169,828

384,103

Note:

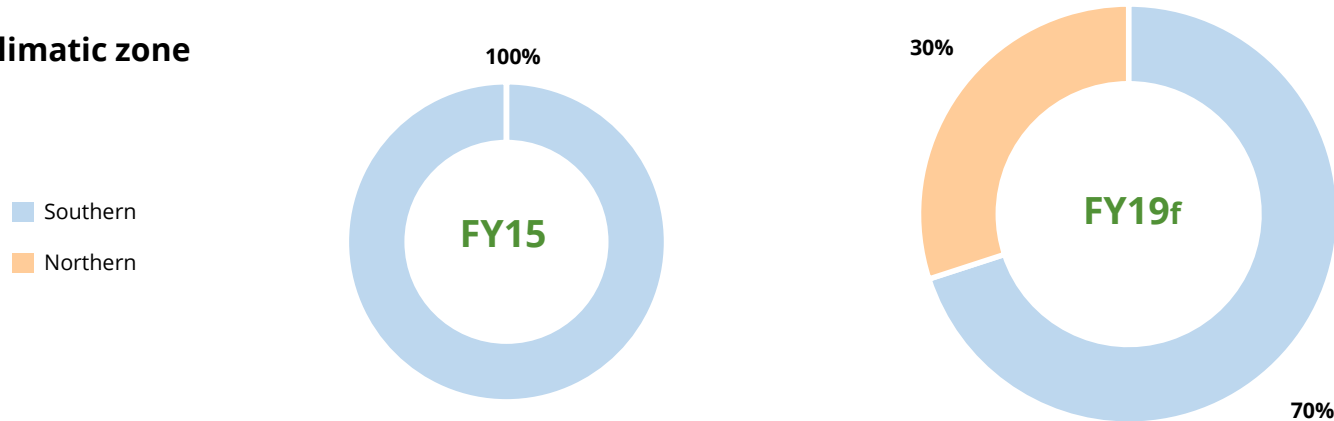
1. Pro forma 30 June 2018 adjustment for \$149.5m equity raising announced 13 July 2018 for JBS and Comanche, and subsequently announced acquisitions of Cerberus, Mayneland and Dyamberin.

Climatic and sector type diversification

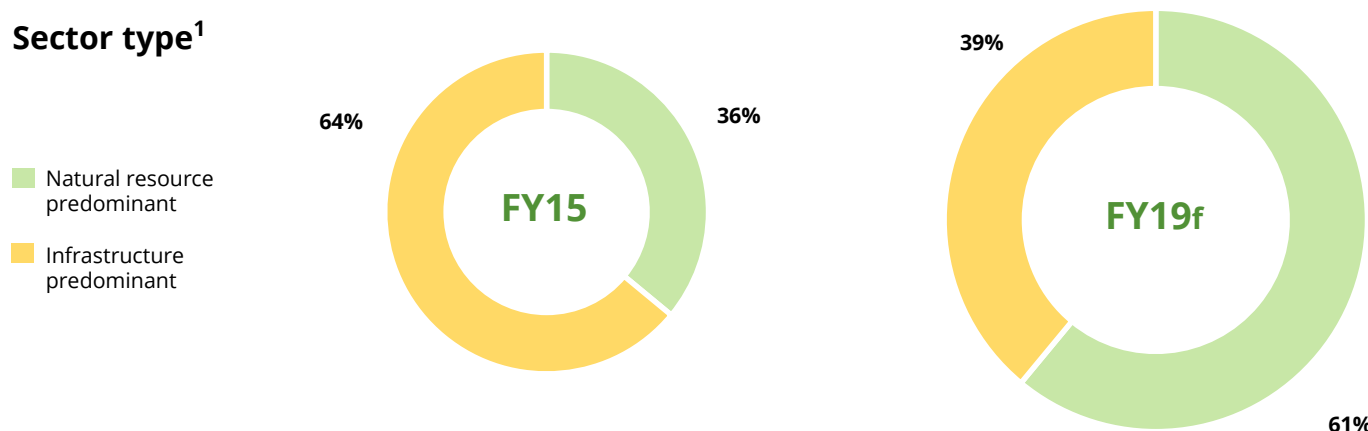
Climatic diversification seeks to reduce the likelihood of multiple lessees experiencing wetter or drier conditions at the same time. Natural resource predominant assets can benefit from productivity development.

Climatic zone and sector type diversification by 30 June 2015 and FY19 forecast revenue

Climatic zone



Sector type¹



Note:










1. Assumes poultry is infrastructure predominant, vineyards and cattle natural resource predominant, and almond/macadamia orchards split equally.

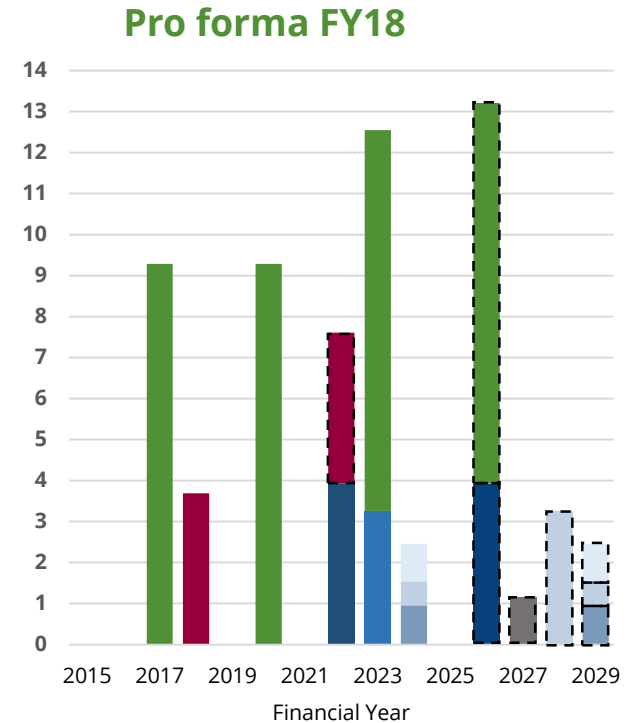
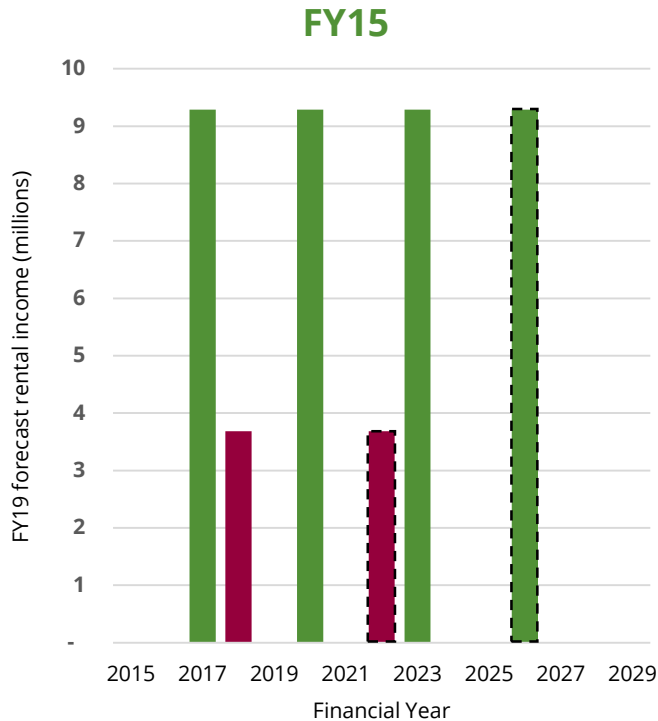
Leases with market rent reviews

Leases with markets rent reviews seek to enhance AFFO growth, particularly in natural resource predominant sectors.

Market rent reviews at 30 June 2015 and pro forma 30 June 2018

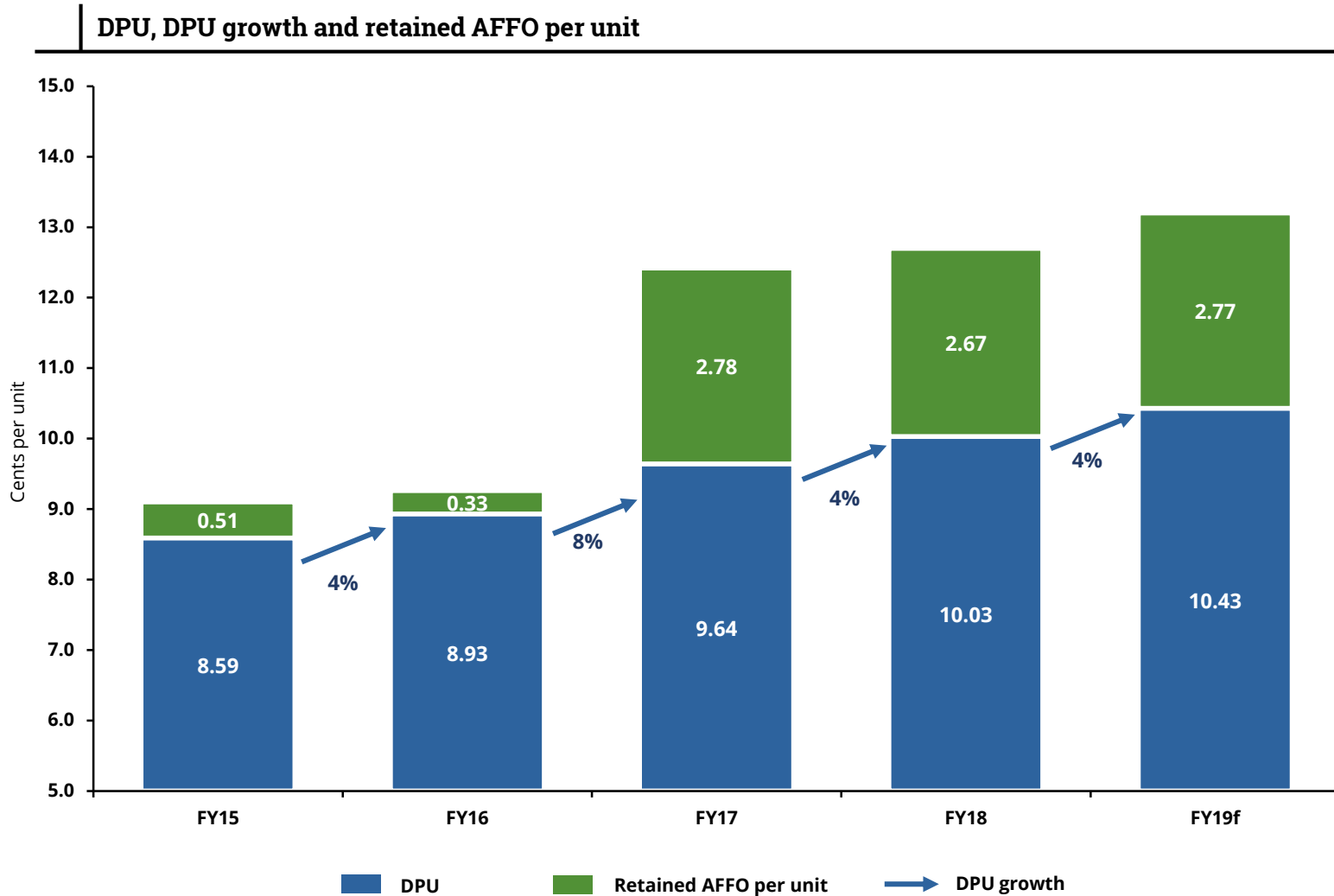
Rent reviews by sector and asset

- Almonds**
 -  Yilgah & Moorabool
 - Vineyards**
 -  Vineyards
 - Cattle**
 -  Rewan & Gulf properties
 -  Natal aggregation
 -  Comanche
 -  Cerberus
 -  Dyamberin
 - Cotton**
 -  Lynora Downs
-  denotes lease renewal



Distribution growth

A combination of lease indexation, reinvestment of retained AFFO and market rent review mechanisms has enable DPU growth to be maintained at least 4% per annum.





FY18 results highlights

Mutton Hole steers grazing forage oats crop, prior to being sold into feedlots, Rewan, Rolleston, Queensland, August 2018

2

FY18 financial results highlights

EPU, AFFO and NAV growth driven by acquisitions, development capex and valuation increases.

Key highlights

| | 30 June 2018 ¹ | Change from 30 June 2017 |
|--|---------------------------|-----------------------------|
| Financial metrics | | |
| Pro forma adjusted total assets ² | \$836.7m | ↑ 42.4% |
| Pro forma adjusted NAV per unit ² | \$1.72 | ↑ 8.9% |
| Earnings per unit (EPU) ³ | 17.3 cents | ↑ 3.6% |
| Adj. funds from operations (AFFO) per unit | 12.7 cents | ↑ 1.6% |
| Distributions per unit (DPU) | 10.0 cents | ↑ 4.0% |
| Capital management | | |
| Pro forma gearing ⁴ | 28.9% | ↑ 0.4% |
| Effective cost of total debt | 4.00% | ↓ 0.1% |
| Pro forma proportion of debt hedged ⁵ | 45.3% | ↓ 8.2% |
| Weighted avg duration ⁶ | 7.3 yrs | ↓ 3.9% |
| Portfolio management | | |
| Pro forma number of properties | 47 | ↑ 34.0% |
| Pro forma weighted avg lease expiry (WALE) | 11.9 yrs | ↓ 9.8% |
| FY19 forecasts⁷ | | |
| AFFO per unit | 13.2 cents | ↑ 5.6% |
| DPU forecast | 10.4 cents | ↑ 4.0% |
| AFFO payout ratio forecast | 79% | ↓ 1.2% |

- Increase in assets is due to:
 - acquisitions in the cattle and cotton sectors
 - almond orchard development capital expenditure
 - valuation increases of cattle, almond and macadamia assets.
- EPU for the period higher mainly due to additional lease income from acquisitions and capital expenditure and non-cash changes in the fair value of investment properties.
- FY18 AFFO growth impacted by delayed settlement of Natal cattle property aggregation (equity raised June 2017, settlement occurred December 2017).
- Debt facility remains within covenants. Debt facility limit \$300m, pro forma debt drawn \$239m.
- Pro forma gearing of 29% below target of 30-35%.

Notes:

1. Pro forma numbers presented for adj total assets, adj NAV, gearing, proportion of debt hedged, number of properties and WALE. Pro forma includes adjustment for \$149.5m equity raising announced 13 July 2018 for JBS and Comanche, and subsequently announced acquisitions of Cerberus, Mayneland and Dyamberin.
2. Assets adjusted for the independent valuation of water entitlements which are recognised at the lower of cost or fair value on balance sheet.
3. Calculated TCI/weighted average units.
4. Gearing calculated as external borrowings/adjusted total assets.
5. Proportion hedged calculated as current hedges/term debt drawn, and may vary from covenant with bank consent.
6. Duration remaining as at 30 June 2018 and includes forward start hedges.
7. Change from 30 June 2017 shows change between the FY18 forecast (disclosed 22 Aug 17) and FY19 forecast.

Recent equity raises and acquisitions

Since the July 2018 equity raise liquidity has improved and three properties in cattle and cotton sectors have been contracted to be acquired.

Trading price, volume and key events (1 July 2017 – 26 September 2018)





Portfolio update

Rotation crop (chickpeas), Mayneland, central Queensland, September 2018

3

Drought update

Assets are leased with sufficient water entitlements considering factors such as sector type and the average rainfall of the assets location.

Cattle



Properties: 14
 Water: 3,862 ML
 High Security Equivalent:² 3,626 ML

Vineyards



Properties: 7
 Water: 948 ML
 High Security Equivalent: 948 ML

Poultry



Properties: 17
 Water: 1,432 ML
 High Security Equivalent: 915 ML

Cotton



Properties: 2
 Water: 32,365 ML
 High Security Equivalent: 13,812 ML

Macadamias

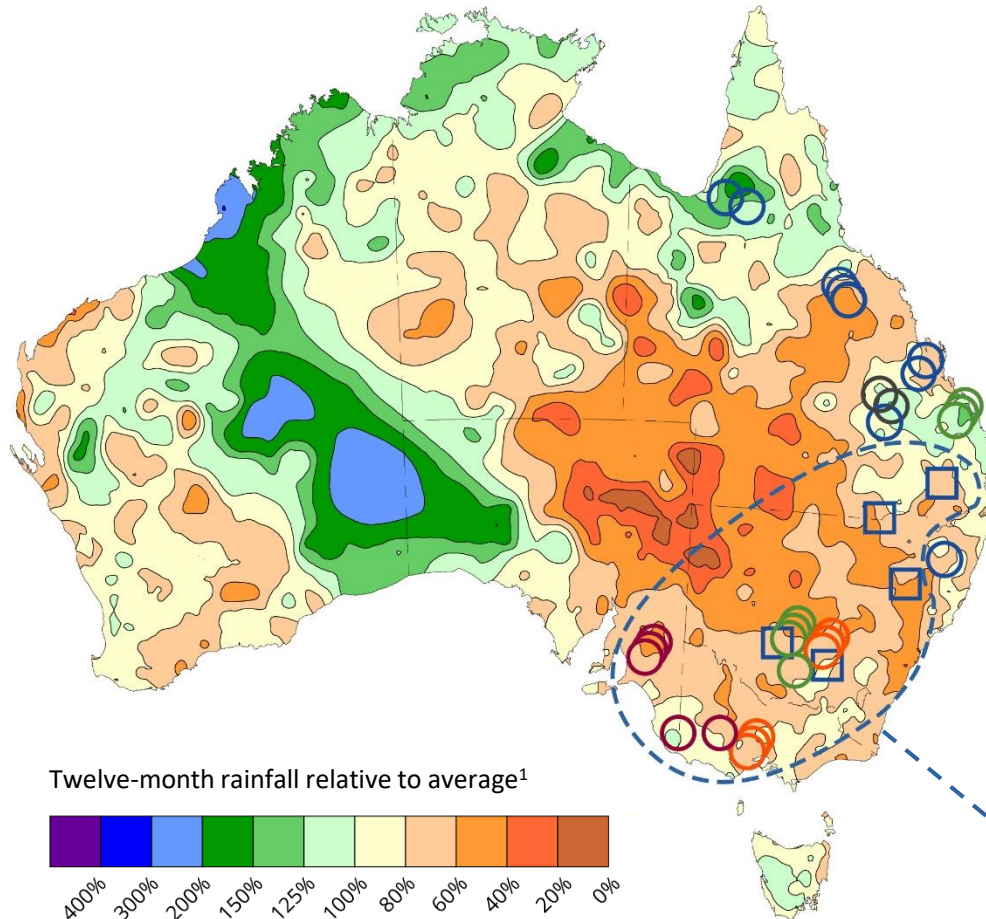


Properties: 3
 Water: 923 ML
 High Security Equivalent: 836 ML

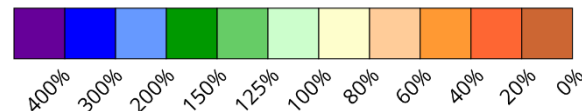
Almonds









Properties: 4
 Water: 67,886 ML
 High Security Equivalent: 56,362 ML



Twelve-month rainfall relative to average¹



-  Cattle properties
-  Tree nut orchards
-  Poultry assets
-  Cotton asset
-  Vineyards
-  Cattle feedlots

Assets supported by High Security and aquifer water entitlements.

Notes:
 1. Source: Bureau of Meteorology, twelve-monthly rainfall percentages (1 October 2017 to 30 September 2018) to mean.
 2. High Security Equivalent is the gross water holding adjusted for average historic reliability. Therefore High Security Equivalent presents the average amount of water available each year, based on historic irrigation water availability.

JBS transaction update

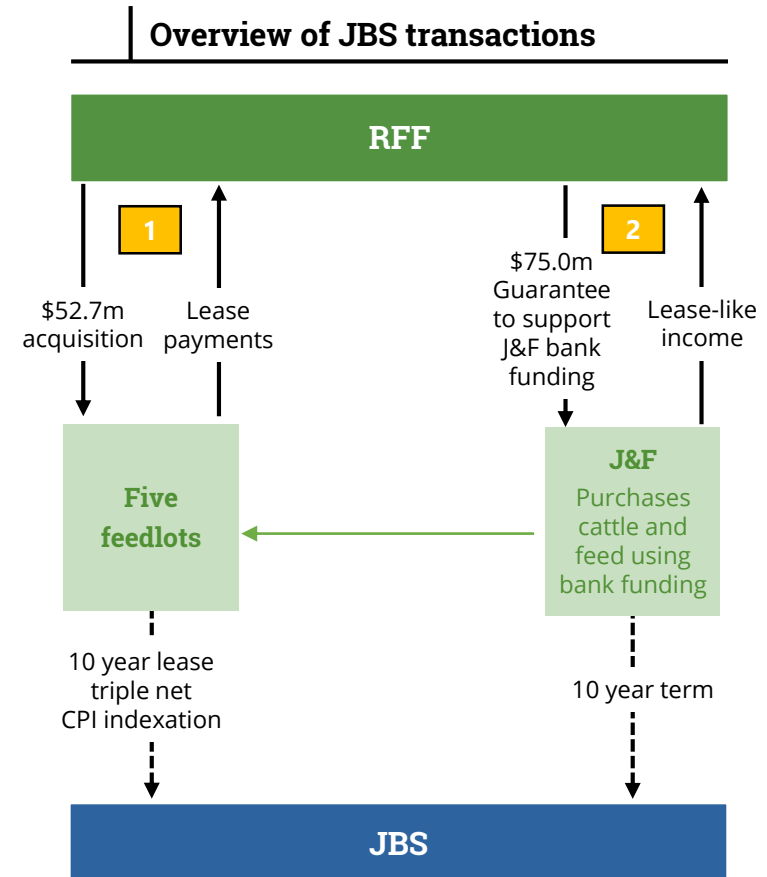
Acquisition of the feedlots has received FIRB approval. The Guarantee commenced in August.

1 Feedlots: Foreign Investment Review Board approval has been granted for RFF to acquire the five feedlots from JBS:

- Three feedlots are expected to settle at the end of October.
- Two feedlots are still subject to subdivision approvals and are expected to settle by the end of December.

2 Guarantee: Unitholder approval was provided on 10 August (with 99.8% support) for the Guarantee to proceed. A monthly lease-like income return is paid for the Guarantee, which commenced 22 August:

- J&F, an entity external to RFF, will be financed by bank debt backed by cattle within the feedlots and the Guarantee.
- The Guarantee has no direct operating risk. Counterpart performance is guaranteed by the JBS parent company Baybrick Pty Ltd, a \$2.3b entity¹, and secured through the feedlots.
- The Guarantee does not require a transfer of cash and is recorded as a contingent liability. As such, gearing capacity² created through the JBS transactions and associated equity raise can be used for new acquisitions.





Notes:

1. As per FY17 consolidated accounts (see disclosure 13 July 2018).
2. The full amount of the Guarantee is included in RFF's LVR calculation.

Recent property acquisitions update

All properties have the potential for additional development. Development capex will attract rent and all leases have a market rent review mechanism.

| |  Comanche |  Mayneland |  Cerberus |  Dyamberin |
|---|--|---|--|---|
| Sector | <ul style="list-style-type: none"> Cattle | <ul style="list-style-type: none"> Cotton | <ul style="list-style-type: none"> Cattle | <ul style="list-style-type: none"> Cattle |
| Purchase price | <ul style="list-style-type: none"> \$15.7m plus \$0.9m stamp duty | <ul style="list-style-type: none"> \$18.0m plus \$1.4m stamp duty | <ul style="list-style-type: none"> \$10.0m plus \$0.6m stamp duty | <ul style="list-style-type: none"> \$13.4m plus \$0.7m stamp duty |
| Description | <ul style="list-style-type: none"> 7,600 ha property, suitable for breeding and backgrounding | <ul style="list-style-type: none"> 531 ha of irrigated area, 1,757 ha of dryland area and 14,180 ML of water entitlements | <ul style="list-style-type: none"> 8,280 ha property, suitable for breeding and backgrounding | <ul style="list-style-type: none"> 1,728 ha property, suitable for breeding and backgrounding |
| Location | <ul style="list-style-type: none"> 86 km west of Rockhampton in central Queensland. | <ul style="list-style-type: none"> Rolleston, 25kms from Lynora Downs in central Queensland. | <ul style="list-style-type: none"> 140 km north west of Rockhampton in central Queensland. | <ul style="list-style-type: none"> New England region of NSW. |
| Lessee | <ul style="list-style-type: none"> To be leased to Elrose Enterprises Pty Ltd, a Brahman cattle stud business seeking to expand operations. | <ul style="list-style-type: none"> RFM will operate the property until the completion of the current cotton crop and will pay rent on terms consistent with Cotton JV's lease of Lynora Downs. This will ensure continuity of income to RFF whilst a process of selecting a lessee is conducted prior to the FY20 cotton season. | <ul style="list-style-type: none"> Leased to Katena Pty Ltd, which operates a Queensland-based cattle business. | <ul style="list-style-type: none"> Leased to Stone Axe Pastoral Company, a Wagyu producer that operate three properties in the region. Acquisition of a nearby property to be leased to Stone Axe likely. |
| Term and rent review¹ | <ul style="list-style-type: none"> Lease term of 10 years with market rent review at year five. | <ul style="list-style-type: none"> TBA | <ul style="list-style-type: none"> Lease term of 10 years with market rent review at year five. | <ul style="list-style-type: none"> Lease term of 10 years with market rent review at year five. |
| Settlement | <ul style="list-style-type: none"> May 2018 | <ul style="list-style-type: none"> September 2018 | <ul style="list-style-type: none"> September 2018 | <ul style="list-style-type: none"> Expected to settle October 2018 |



Note:

1. Additional lease details page 29.

Natural resource developments

Productivity developments continue on the existing natural resource predominant assets. Recently acquired assets have similar potential for productivity improvements.



|  Cattle | Initial | FY17 | FY18 | FY19f | FY20f | Total |
|--|-----------|-----------|----------|--------|----------|-----------|
| Mutton Hole and Oakland Park | | | | | | |
| Water points | 102 | 4 | 5 | 4 | - | 115 |
| Pasture improvements | 20,000 ha | 20,000 ha | - | - | - | 40,000 ha |
| Rewan | | | | | | |
| Water points | 42 | 10 | 30 | - | - | 82 |
| Cultivation area | 1,830 ha | 668 ha | 554 ha | 200 ha | - | 3,252 ha |
| Pasture improvements | 485 ha | - | 160 ha | 400 ha | - | 1,045 ha |
| Natal aggregation | | | | | | |
| Water points | 96 | - | 8 | 30 | - | 134 |
| Cerberus² | | | | | | |
| Cultivation area | - | - | - | - | 200 ha | 200 ha |
| Pasture improvements | - | - | - | - | 500 ha | 500 ha |
| Comanche² | | | | | | |
| Cultivation area | 1,000 ha | - | - | - | 500 ha | 1,500 ha |
| Pasture improvements | 172 ha | - | - | - | 500 ha | 672 ha |
| Dyamberin² | | | | | | |
| Pasture improvements | - | - | - | - | 500 ha | 500 ha |
|  Cotton | Initial | FY17 | FY18 | FY19f | FY20f | Total |
| Lynora Downs | | | | | | |
| Water storage | 10,405 ML | - | 4,142 ML | - | - | 14,547 ML |
| Irrigated cropping | 779 ha | - | 177 ha | 223 ha | - | 1,179 ha |
| Mayneland² | | | | | | |
| Water storage | 6,450 ML | - | - | - | 2,500 ML | 8,950 ML |
| Irrigated cropping | 531 ha | - | - | - | 579 ha | 1,110 ha |

Notes:

1. Pasture improvement refers to planting of Stylo on Mutton Hole and Oakland Park, and Leucaena on Comanche and Rewan.
2. Indicates development opportunities on Cerberus, Comanche, Dyamberin and Mayneland that have been identified but are yet to be finalised and confirmed with lessees.



Factors supporting ongoing growth

Cattle grazing on an oats crop with Carnarvon Gorge in the background, Rewan, Rolleston, central Queensland, August 2018

4

Manager with multi sector expertise

RFM is a fund and farm manager with 21 years' experience in Australian agriculture, with operational and development experience across multiple agricultural sectors.

1997

1997

RFM established by David Bryant.

1998-2018

Land and water acquired at Hillston, NSW, to develop irrigated cotton fields. Cotton crops planted each year.

2000

Vineyards developed in the Barossa Valley & Adelaide Hills, SA. Continue to supply icon quality grapes to Treasury Wine Estates.

2003-2006

Purchase of Bartter Enterprises 110 broiler chicken sheds in Griffith NSW, becoming one of Australia's largest contract chicken growers. Developed an additional 24 sheds in Griffith, NSW and 20 sheds in Lethbridge, Vic.

2006-2010

Developed 1,814 ha of almond orchards at Hillston, NSW, one of the first commercial plantings in the Riverina. An additional 3,100 ha of almond orchards developed in conjunction with Olam Orchards Australia.

2016

Acquired and operate 254 ha of macadamia orchards. Acquired and operate one backgrounding and two breeding cattle properties.

2018

Key farm management team and sector experience



Daryl Winter
National Manager
- Horticulture

39 yrs



Adriaan Shields
National Manager
- Poultry

18 yrs



Matthew Mitchell
National Manager -
Cropping & Livestock

24 yrs



Scott Norval
National Manager
- Macadamias

16 yrs



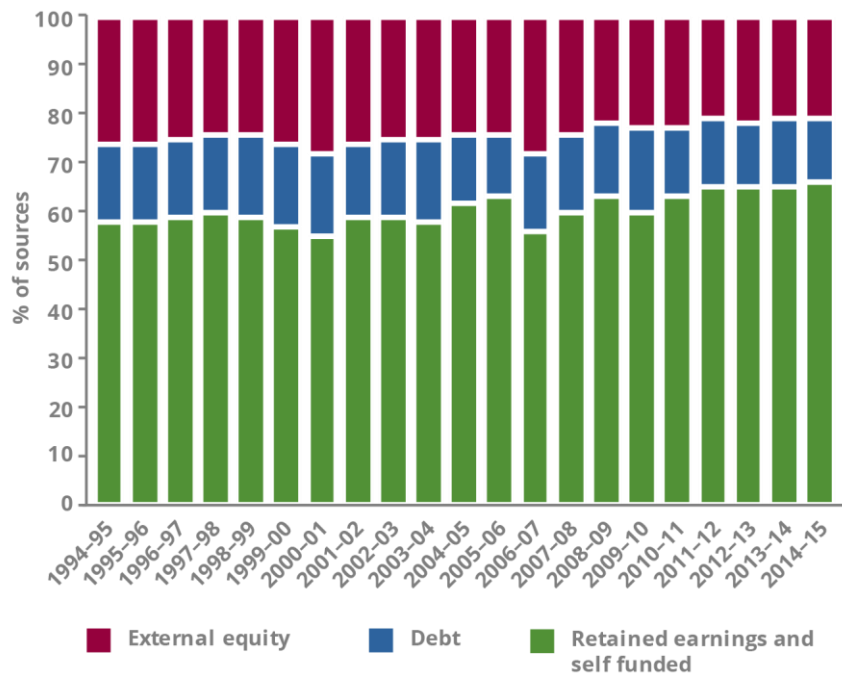
Tim Sheridan
Executive -
Acquisitions & Cattle

10 yrs

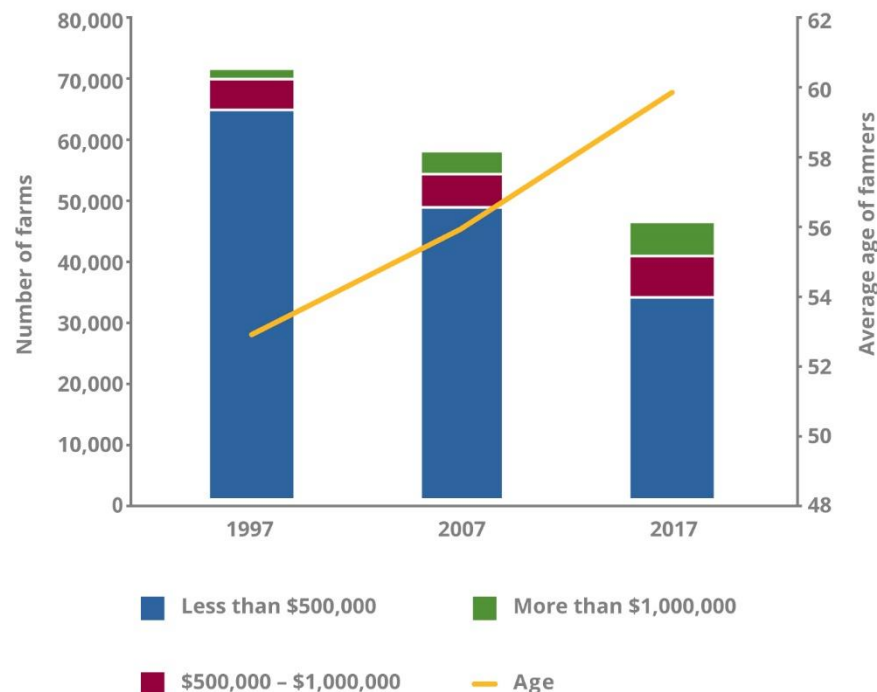
Favourable acquisition environment

Capital constraints have limited operator's ability to undertake productivity improvements. The need for intergenerational transfer provides acquisition and development opportunities.

Capital sources for investment update¹



Farms by size and average age of farmers²



Notes:

1. ABARES, AGSURF Data 2017.
2. Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) AGSURF Data 2018. Data represents ABARES defined broadacre sector of Australian agriculture (cropping, livestock and mixed operation thereof). Broadacre data set used in order to show segmentation by size of farm. Total farm number for 2017 was 85,681. Size of farm is defined as gross turnover (total cash receipts plus build up of trading stocks).



Conclusion

*Poultry sheds with recently installed 100 kilowatt rooftop solar panels,
Lethbridge, Victoria, January 2018*

5

Continued growth in line with stated strategy and objectives

RFM continues to grow RFF in line with stated strategy and objectives:

- Increased sector diversification, liquidity and scale.
- Improved portfolio weightings by climatic zone and natural resource vs. infrastructure predominant sector type.
- Increased pipeline of future market rent reviews.
- Growing distributions consistently at 4% p.a.

FY18 results consistent with forecasts

The FY18 AFFO per unit result of 12.7 cents per unit was consistent with prior forecasts. Other key financial and portfolio highlights include:

- Forecast DPU growth 4%.
- Forecast payout ratio of 79%.
- Pro forma gearing 29%.
- Weighted average lease expiry of 11.9 years.

JBS transaction nearing completion

Unit holder approval of 99.8% was received for the Guarantee:

- Income from the provision of the Guarantee commenced 22 August.
- Consequent gearing capacity is being invested in natural resource assets with development potential. Three properties (combined transaction value of \$44.1m) announced to date.

Ongoing acquisition opportunities

RFM continues to analyse potential investments across multiple sectors already within the portfolio. The prospects for future growth remain positive, supported by:

- A manager with multi sector expertise.
- Structural trends unique to the agricultural sector including a growing need for succession funding and operators with limited access to external capital.



Appendices

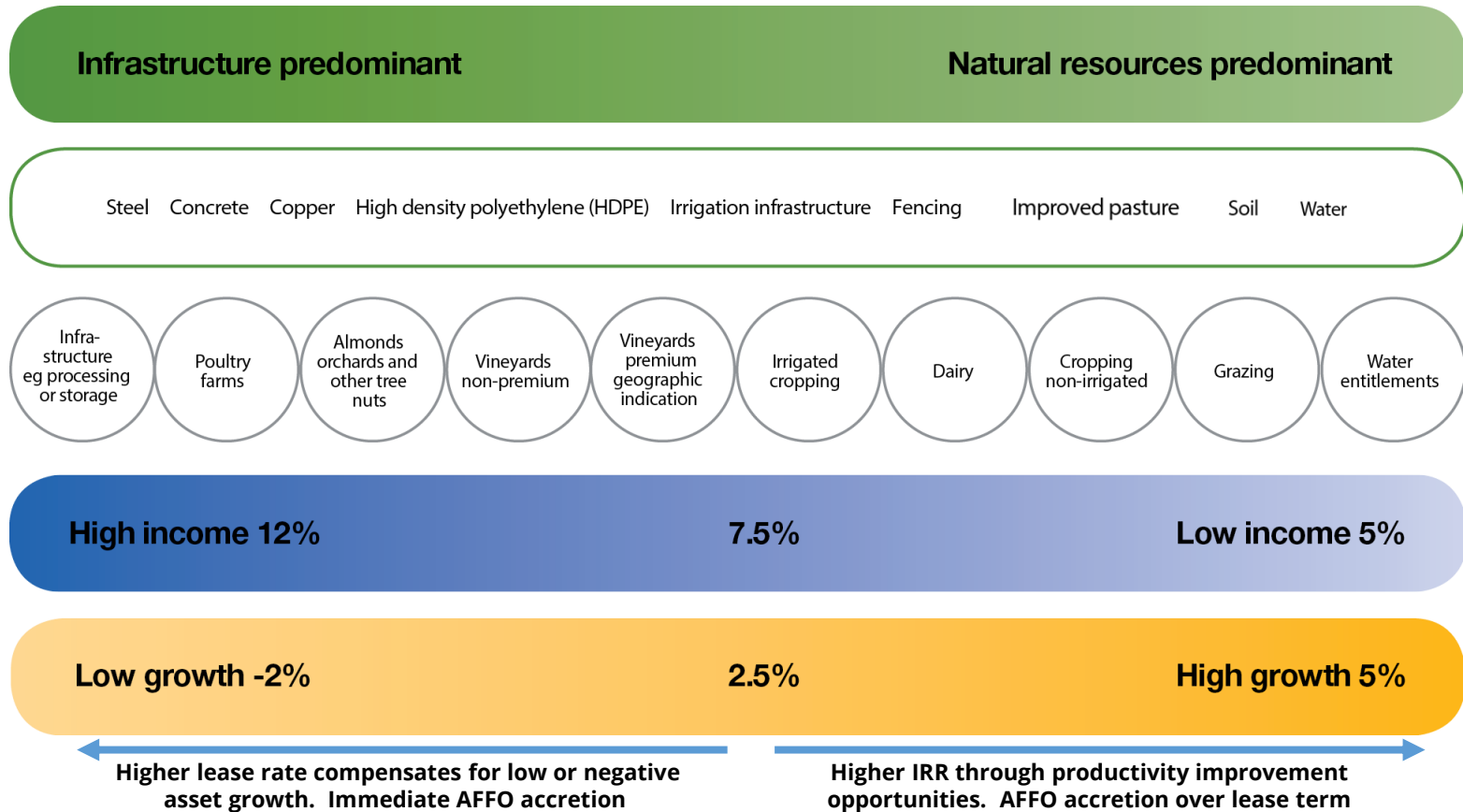
*Macadamia trees, Swan Ridge Orchard, Bundaberg, Queensland,
December 2016*

6

Spectrum of investment opportunities






Strategy to invest across the full range of the asset continuum, whilst ensuring the asset mix continues to fund distributions (Explanatory Memorandum, October 2013)

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.

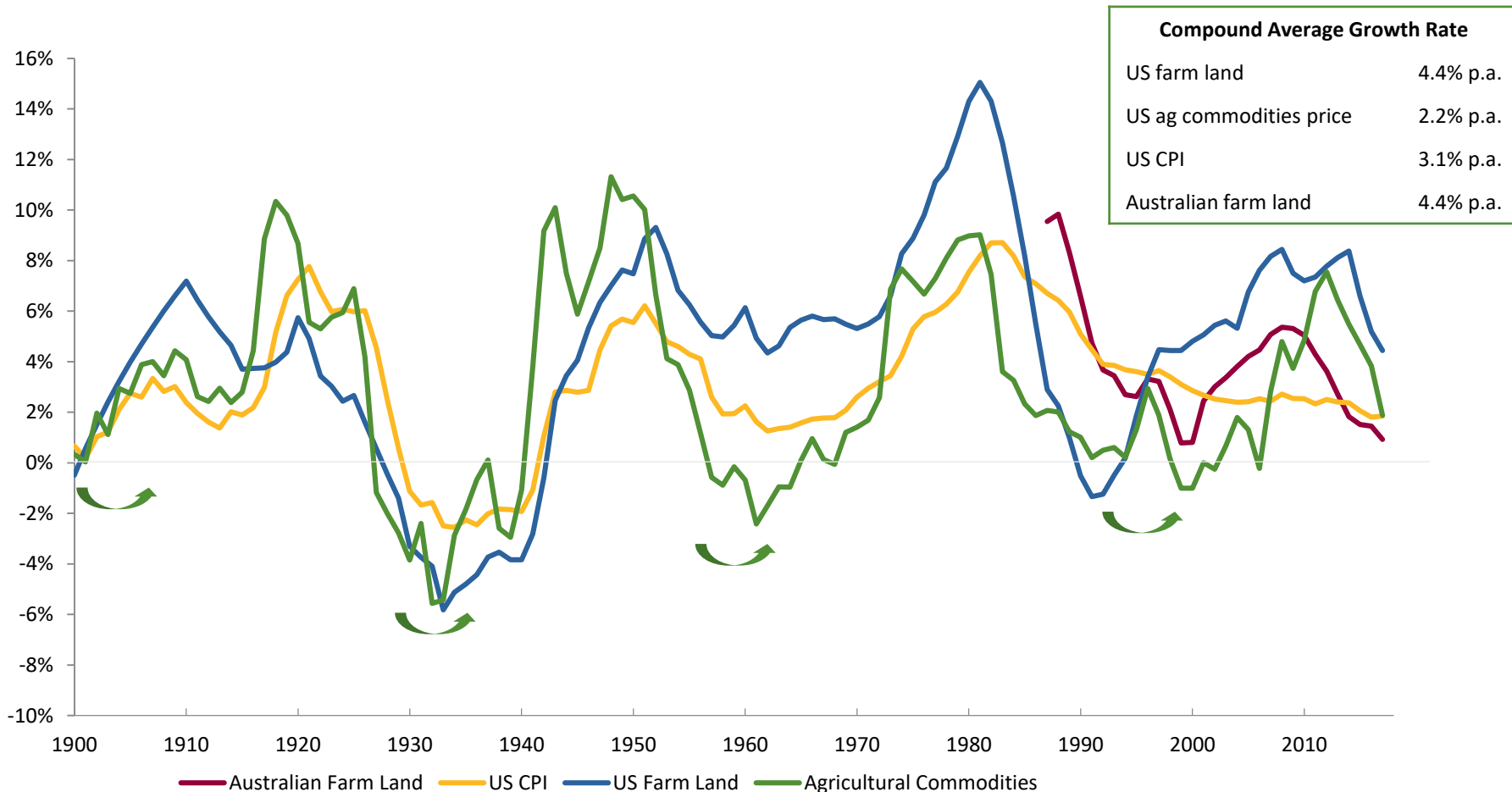
Forecast development and capex

| | FY19f (\$m) | FY20f (\$m) | Total (\$m) | Description |
|--|-------------|-------------|-------------|---|
|  Almonds | 24.1 | 18.3 | 42.4 | FY19 capex pertains to remaining establishment costs primarily on Kerarbury. Additional expenses for irrigation, water and frost fans on Tocabil, Yilgah & Moorah. FY20 represents water acquisitions for Kerarbury. This commitment may be met by utilising the Murrumbidgee HS water which is currently not leased. |
|  Cattle | 2.9 | 2.1 | 5.0 | FY19 and FY20 capex pertains to productivity developments on cattle properties, including water points, cultivation area, improved pasture. Includes forecast figures for identified development opportunities which are yet to be finalised and confirmed with lessees. |
|  Cotton | 3.0 | 6.1 | 9.1 | FY19 and FY20 capex pertains to productivity developments on cotton properties including additional water storage and expansion of irrigated cotton areas. Includes forecast figures for identified development opportunities which are yet to be finalised and confirmed with lessees. |
|  Vineyards | 0.2 | - | 0.2 | Grafting and redevelopment. |
|  Macadamias | 0.3 | - | 0.3 | Irrigation and dehusking shed. |
| Total (\$m) | 30.5 | 26.5 | 57.0 | |

Productivity and agricultural investment returns

Productivity gains have significant implications for farm land values. Over the period 1900 to 2017 agricultural commodities declined in real terms compared to farm land which has appreciated

Commodities, CPI and farm land values (1890 to 2017) - 10 yr rolling average % price change¹



Note:

1. Sources: US Bureau of Labor Statistics, PPI for Farm Products - BLS Series ID WPU01 (US Ag commodities). U.S. Stock Markets 1871-Present, R Shiller (US CPI). USDA Land Values 2018 Summary (US farm land). RFM research, ABARES Farm Returns (Australian farm land).

Recent acquisitions: key details

| | Comanche | Cerberus | Dyamberin | Mayneland |
|--------------------------------|---|---|---|--|
| Lessee | <ul style="list-style-type: none"> Elrose Enterprises Pty Ltd | <ul style="list-style-type: none"> Katena Pty Ltd | <ul style="list-style-type: none"> Stone Axe Pastoral Company | <ul style="list-style-type: none"> An independent party will run a process to select a lessee. RFM to operate in the interim. |
| Lease term | <ul style="list-style-type: none"> 10 years | <ul style="list-style-type: none"> 10 years | <ul style="list-style-type: none"> 10 years | <ul style="list-style-type: none"> TBA |
| Payment frequency | <ul style="list-style-type: none"> Quarterly in advance | <ul style="list-style-type: none"> Quarterly in advance | <ul style="list-style-type: none"> Quarterly in advance | <ul style="list-style-type: none"> TBA |
| Indexation | <ul style="list-style-type: none"> 2.5% p.a. | <ul style="list-style-type: none"> 2.5% p.a. plus Eastern Young Cattle Indicator adjustment mechanism (up to an additional 150bps above base rate). | <ul style="list-style-type: none"> 2.5% p.a. | <ul style="list-style-type: none"> TBA |
| Market rent review | <ul style="list-style-type: none"> Year 5 | <ul style="list-style-type: none"> Year 5 | <ul style="list-style-type: none"> Year 5 | <ul style="list-style-type: none"> TBA |
| Cattle finance facility | <ul style="list-style-type: none"> N/A | <ul style="list-style-type: none"> \$1.6m cattle financing facility, five year term for funding trade cattle. Lessee bears operating risks. | <ul style="list-style-type: none"> N/A | <ul style="list-style-type: none"> N/A |
| Productivity capex | <ul style="list-style-type: none"> Development program aims to improve property infrastructure and increase carrying capacity through development of additional cultivation area and Leucaena plantings. Final details to be finalised. | <ul style="list-style-type: none"> Development program aims to improve property infrastructure and increase carrying capacity through development of additional cultivation area and Leucaena plantings. Final details to be finalised. | <ul style="list-style-type: none"> Development program aims to increase carrying capacity through development of additional improved pasture area. Final details to be finalised. | <ul style="list-style-type: none"> TBA |

Rural Funds Management

RFM is a fund and farm manager with 21 years experience in Australian agriculture and is the manager of the Rural Funds Group.

Key information

| | |
|-----------------------------------|---|
| Established | 1997 |
| | Total \$892m |
| Assets under management | Rural Funds Group: \$837m RFM Poultry: \$9m Almond Funds 06-08: \$35m 2007 Macgrove Project: \$11m |
| Ownership | Directors & staff |
| Farm & operations staff | 50 |
| Funds management staff | 35 |
| RFM direct operational experience | Cotton: since 1998 Vineyards: since 2000 Poultry: since 2003 Almonds: since 2006 Macadamias: since 2006 Livestock: since 2010 |
| RFF fee structure | 1.05% p.a. adjusted total assets & cost recovery |
| RFF key responsibilities | <ul style="list-style-type: none"> • Compliance to financial, farming and reporting requirements of leases • Water asset management including obtaining approvals and engagement with government • Management of infrastructure e.g. ongoing and development capital expenditure • Coordination of regular independent valuations • Facilitating acquisitions • Managing lessee/customer relationships. |

Board and management team contacts and tenure



Guy Paynter
Non-Executive Chairman

8 yrs



David Bryant
Managing Director

21 yrs



Michael Carroll
Non-Executive Director

8 yrs



Julian Widdup
Non-Executive Director

1 yr



Stuart Waight
Executive

15 yrs



Daniel Yap
Financial Controller

6 yrs



Jonty Ephron
Chief Operating Officer

<1 yr



Tim Sheridan
Executive – Acquisitions & cattle

10 yrs



Emma Spear
Company Secretary

10 yrs



Dan Edwards
Business Manager Rural Funds Group

13 yrs



James Powell
General Manager - Investor Relations & Marketing

10 yrs

Glossary and table of abbreviations

| Term | Definition |
|------------------------------|---|
| Adjusted NAV | Net Asset Value (NAV) adjusted for the independent valuation of water entitlements |
| Adjusted total assets | Total assets adjusted for the independent valuation of water entitlements |
| AE | Adult Equivalent - cattle properties are analysed and valued with reference to AE, much like other farms are analysed on a per hectare basis (an AE is defined as a 450 kg Bos Taurus steer at maintenance) |
| ASX | Australian Securities Exchange |
| AFFO | Adjusted funds from operations - a financial metric used in the REIT sector to measure available cash flow from operations (adjustment relates to non-cash tax expense) |
| Contingent liability | A liability that may occur depending on the outcome of a future event |
| Counterpart | A party other than RFF involved in a financial transaction, usually referring to the lessee of a property |
| CPI | Consumer Price Index |
| DPU | Distributions per Unit |
| Ex-entitlement | Units acquired ex-entitlement are not eligible to participate in the entitlement offer |
| Fair value | Value of an asset as determined by an independent valuation |
| Feedlots | A facility where livestock are provided a nutritious diet for the purpose of producing beef of a consistent quality and quantity |
| Finished weight | When cattle reach a weight which meets the desired market specifications |

| Term | Definition |
|-----------------------------------|--|
| Gearing | Calculated as external borrowings divided by adjusted total assets |
| ha | Hectare(s) - an area of 10,000m ² |
| Improved pasture | Pasture with higher relative level of nutrition that is sown to increase livestock weight gain |
| Inducted | Management process when cattle arrive at a feedlot whereby record keeping and health checks are undertaken |
| Liveweight | The weight of a live animal, as opposed to the carcase weight |
| LVR | Loan to valuation ratio - a bank covenant, calculated as debt divided by tangible assets (including water entitlements) |
| ML | Megalitre - a volume of 1,000,000 litres |
| m | Million(s) |
| NAV | Net asset value - calculated as assets less the value of liabilities (does not recognise fair value of water entitlements) |
| Processor | The operator of a slaughtering facility at which cattle are slaughtered and broken down into saleable beef |
| Pro forma | Financial statements based on certain assumptions and projections |
| Standard Cattle Unit (SCU) | A measure of feedlot capacity - one Standard Cattle Unit is equivalent to an animal with a liveweight of 600 kg |
| Total assets | Total value of assets as presented on the balance sheet (water entitlements recorded at the lower of cost or fair value) |
| Record date | Date at which unitholders must own a unit in order to be eligible to receive an upcoming distribution |
| RFF | Rural Funds Group (ASX:RFF) |
| RFM | Rural Funds Management Limited - manager and responsible entity for the Rural Funds Group |



Rural Funds Management

Managing good assets with good people

Rural Funds Management Ltd

ACN 077 492 838

AFSL 226701

Canberra Office

Level 2, 2 King Street

Deakin ACT 2600

Telephone: +61 2 6203 9700

Facsimile: +61 2 6281 5077

Website: ruralfunds.com.au



For further information:

David Bryant

Managing Director

Rural Funds Management

T 02 6203 9700

E DBryant@ruralfunds.com.au

For media enquiries:

Stuart Waight

Executive

Rural Funds Management

T 0419 126 689

E SWaight@ruralfunds.com.au

Investor relations enquiries:

James Powell

General Manager - Investor

Relations & Marketing

Rural Funds Management

T 0420 279 374

E JPowell@ruralfunds.com.au