

# Rural Funds Group

ASX:  
RFF

Managed by:



Rural  
Funds  
Management

## Financial results presentation

For the year ended 30 June 2019

August 2019

# 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. Financial results
2. Capital management
3. Portfolio update
4. Outlook and conclusion
5. Appendices

## RFM presenters



**David Bryant**  
*Managing Director*



**Stuart Waight**  
*Executive Manager*



**Daniel Yap**  
*Financial Controller*



**James Powell**  
*General Manager -  
Investor Relations and  
Marketing*

# 1

## Financial results



*Harvested almonds positioned for drying, Hillston, New South Wales, April 2019.*

# FY19 financial results

**FY19 AFFO per unit growth of 4.7%. Forecast FY20 DPU of 10.85 cents, an increase of 4.0%.**

## Income and earnings metrics

	12 months ended 30 June 2019	12 months ended 30 June 2018
Property revenue (\$)	66,391,000	51,087,000
Total comprehensive income (TCI) (\$)	33,078,000	44,012,000
Earnings per unit (EPU) <sup>1</sup> (cents)	10.1	17.3
Adjusted funds from operations (AFFO) (\$)	43,246,000	32,323,000
AFFO per unit (cents)	13.3	12.7
Distributions per unit (DPU) (cents)	10.43	10.03
AFFO payout ratio	78%	79%

## Forecasts

	FY20f	FY19f
AFFO per unit (cents)	14.0	13.3
DPU (cents)	10.85	10.43
AFFO payout ratio	77%	78%

- Property revenue increased by 30% due to JBS transactions, acquisitions, development capital expenditure, and lease indexation.
- TCI and EPU lower mainly due to \$18m non-cash revaluation decrements on interest rate swaps.
- FY19 AFFO per unit growth of 4.7% in line with forecast.
- FY20 forecast AFFO per unit of 14.0 cents represents 5.3% increase to FY19.
- FY20 DPU forecast of 10.85 cents (disclosed 21 February 2019), consistent with 4% annual growth target. Represents a forecast payout ratio of 77%.
- Refer to pages 19 to 23 for further information.

Note:

1. Calculated TCI/weighted average units (see page 19).

# FY19 financial results

Gearing remains within the target range of 30-35%.

## Balance sheet summary

	As at 30 June 2019 \$	As at 30 June 2018 \$
Total assets	869,087,000	637,808,000
Adjusted for water at fair value	76,769,000	49,841,000
Adjusted total assets <sup>1</sup>	945,856,000	723,649,000
External borrowings	295,238,000	273,161,000
Gearing <sup>2</sup>	31.2%	37.7%
Net asset value (NAV)	525,872,000	378,735,000
NAV per unit	1.57	1.48
Adjusted NAV <sup>1</sup>	602,641,000	428,576,000
Adjusted NAV per unit <sup>1</sup>	1.80	1.68

## Key portfolio metrics

	As at 30 June 2019	As at 30 June 2018
Number of properties <sup>3</sup>	50	38
Weighted avg. lease expiry (WALE)	11.3 years	12.4 years
CPI linked vs fixed indexation	58% / 40%	60% / 38%
Units on issue	334.3m	255.6m

- Increase in adjusted total assets of \$222.2m primarily due to acquisitions, capex and revaluations of almond orchards, vineyards and water entitlement (see page 7).
- Gearing of 31% remains within target range of 30-35%, with sufficient capacity to settle remaining acquisitions<sup>3</sup> and committed capital expenditure (see page 26).
- Adjusted NAV per unit growth of 7%, primarily attributable to independent revaluations of almond orchards, vineyards and water entitlement (see page 7).
- WALE of 11.3 years provides stability of income and long term rental growth via a mix of rent reviews and indexation.
- Refer to pages 19 to 23 for further information.

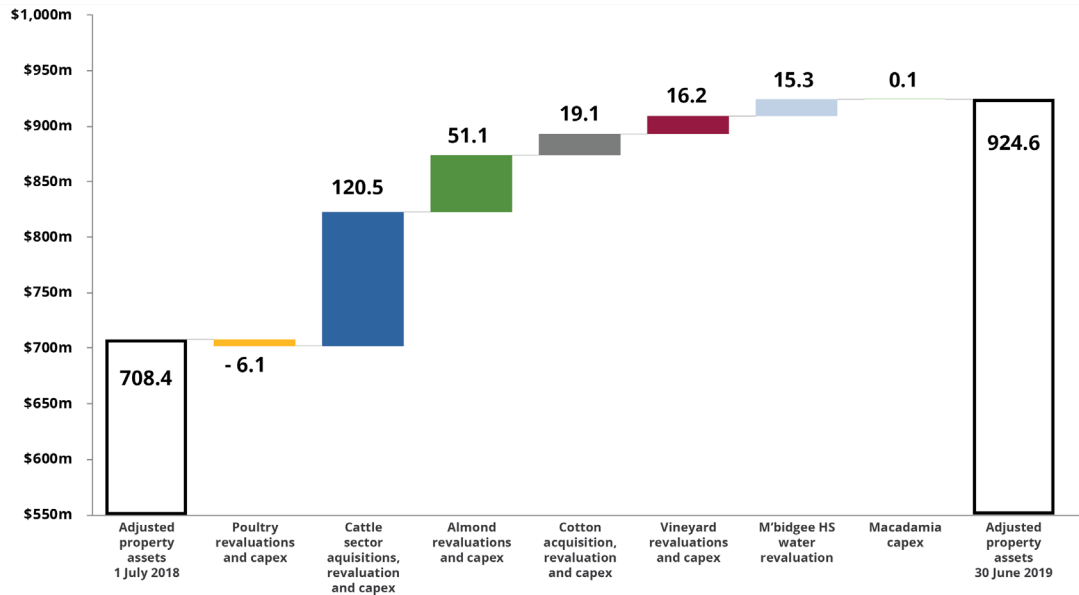
### Notes:

1. Assets adjusted for the independent valuation of water entitlements which are recognised at the lower of cost or fair value on balance sheet.
2. Gearing calculated as external borrowings/adjusted total assets.
3. Includes Beef City feedlot (settled Aug 2019), Riverina Beef feedlot (expected to settle Dec 2019), Cygnet macadamia development (expected to settle Nov 2019).

# FY19 financial results

Six properties and three cattle feedlots were acquired during the period.

Adjusted property assets movements (\$m) by sector<sup>1</sup>



- Poultry revaluation of (\$7.0m) offset by capex of \$0.9m.<sup>2</sup>
- Cattle acquisitions, revaluations and capex includes acquisitions of \$114.9m during the period.<sup>3</sup>
- Almond revaluation and capex includes independent valuation increases of \$15.9m, primarily attributable to the Kerarbury almond orchard.
- Cotton acquisition, revaluation and capex includes Mayneland acquisition of \$17.9m.<sup>3</sup>
- Vineyards revaluations and capex includes revaluation of \$15.8m, representing a 33% increase.
- Murrumbidgee High Security water entitlement of 8,754 ML revalued to \$5,500/ML.
- See page 26 for capex details and page 28 for details of independent valuations.

Notes:

1. The sector totals presented in the chart are net of written-off transaction costs and inclusive of capex. Acquisition amounts include stamp duty.
2. Directors' valuation applied to certain poultry assets, consistent with management's approach to reflect increasing average age of the infrastructure.
3. Acquisitions during the period include: Comanche \$16.7m (settled Aug 18), Cerberus \$10.9m (settled Sep 18), Mayneland \$17.9m (settled Sep 18), Dyamberin \$14.2m (settled Oct 18), Mungindi, Caroon and Prime City feedlots \$28.7m (settled Oct 18), Woodburn \$7.5m (settled Jan 19), and Cobungra \$36.9m (settled Mar 19). Acquisitions outside the period include: Beef City feedlot \$12.7m (settled Aug 19); Riverina Beef feedlot \$11.3m, expected to settle Dec 19 following the completion of the planned subdivision from an adjacent processing facility; Cygnet \$1.6m, a property to be developed to macadamias (expected to settle Nov 19).

# 2 Capital management



*Kleinig Vineyard during harvest, South Australia, March 2019.*



# Capital management

Debt facility increased in line with growing equity base.

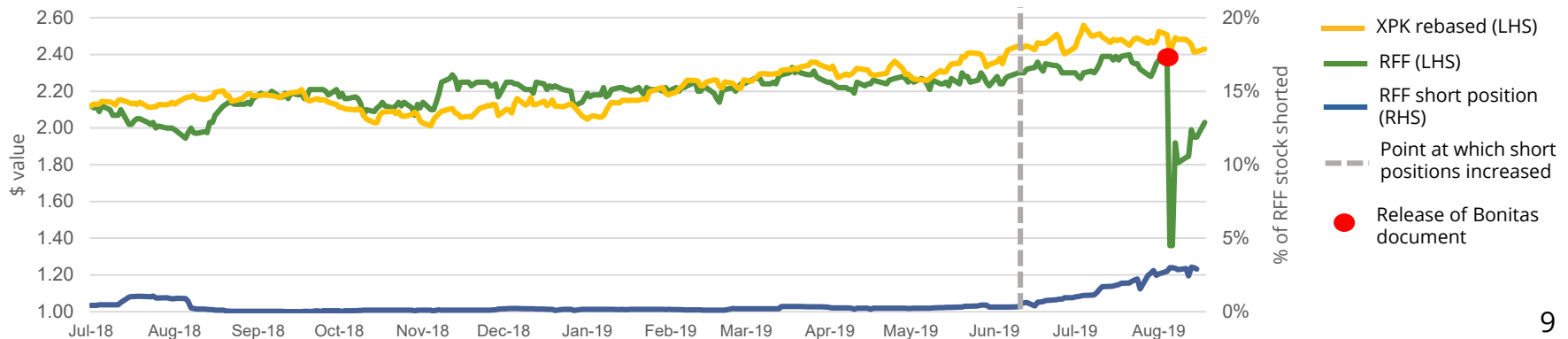
## Equity

<b>Trading price</b>	Increase of 10.0% for the period 2 July 2018 to 28 June 2019 (\$2.09 to \$2.30).
<b>Distribution</b>	Forecast FY20 DPU of 10.85 cents. An increase of 4% from FY19 and in line with target growth.
<b>DRP</b>	Remains open with 1.5% discount. FY19 average DRP participation 13.0%.
<b>Equity raised</b>	July 2018: \$149.5m at \$1.95 per unit to equity fund JBS transactions and the purchase of a cattle property.

## Debt

<b>Facility</b>	Facility was refinanced in November 2018, with limit increased and split into two tranches of three and five years. In addition, the Net Tangible Assets (including water entitlements) covenant was increased from >\$200.0m to >\$400.0m, due to the increase in asset base and debt facility limit.
<b>Limit</b>	Current facility limit increase of \$60.0m to \$335.0m, with a further \$50.0m approved for future acquisitions.
<b>Maturity</b>	Expiry date November 2021 (\$225.0m) and November 2023 (\$110.0m).
<b>Hedging</b>	Additional interest rate hedges totalling \$30.0m entered into during the period (\$15.0m commencing March 2022, 11.0 year duration, 2.8% fixed rate; \$15.0m commencing Dec 2025, 7.25 year duration, 3.2% fixed rate).

## Trading price compared to S&P/ASX300 A-REIT index (XPK) from 1 Jul 18 to 19 Aug 19 (rebased)



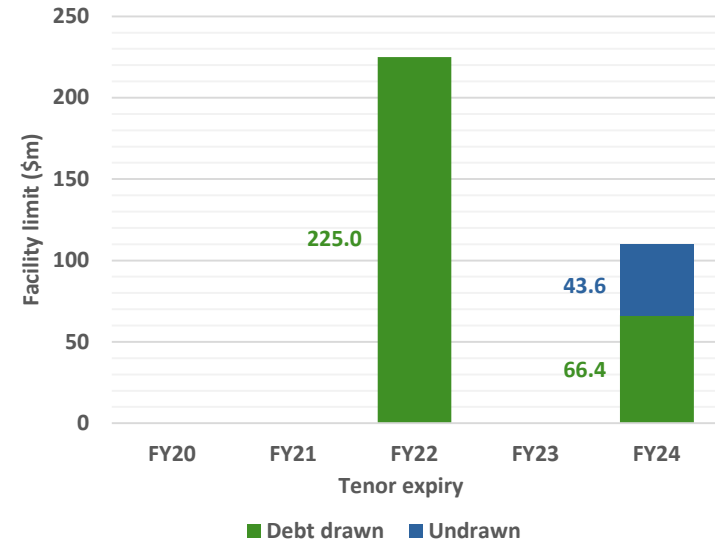
# Debt facility and interest rate hedges

## Increased facility limit and tenor.

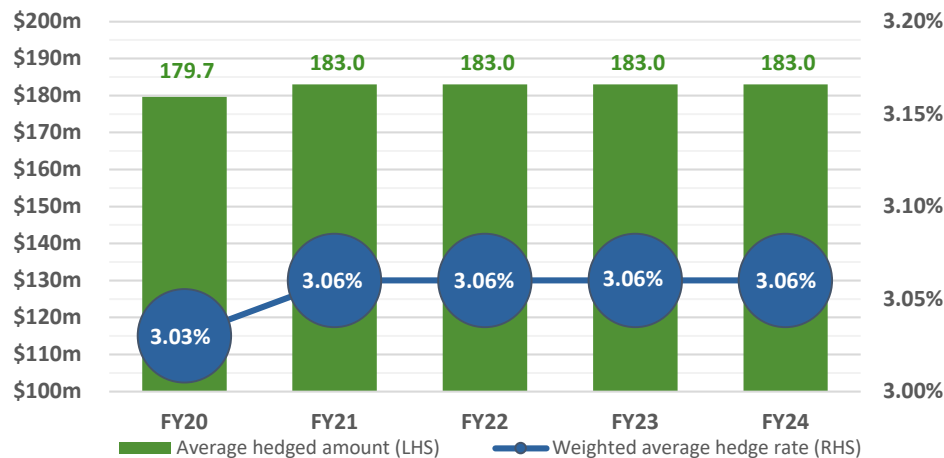
### Debt metrics

		30 June 2019	30 June 2018
<b>Debt facility</b>	Term debt facility limit <sup>1,2</sup>	335.0m	275.0m
	Term debt drawn	291.4m	269.8m
	Headroom	43.6m	5.2m
	Effective cost of total debt	4.18%	4.00%
<b>Covenants</b>	Loan to Value Ratio (LVR) <sup>3</sup>	40.7%	41.1%
	Interest Cover Ratio (ICR)	5.76x	4.73x
	Net Tangible Assets (NTA) <sup>1</sup>	602.6m	428.6m
<b>Hedging</b>	Total amount hedged <sup>4</sup>	163.0m	108.0m
	Proportion debt hedged <sup>5</sup>	55.9%	40.0%
	Weighted avg duration (yrs) <sup>6</sup>	8.0 yrs	7.3 yrs

### Debt facility tenor



### 5 year hedged (fixed rate) position



#### Notes:

- Key financial covenants for FY19: LVR <50%, ICR >3.00x, with distribution permitted at >3.15x, NTA including water entitlements >\$400m, 40% hedging requirement.
- Security: Real property mortgages, general security agreement, cross guarantees between RFF and subsidiaries.
- LVR calculated as term debt drawn plus limited guarantee of \$75.0m divided by directly secured assets based on independent valuations.
- Current hedges only.
- Proportion hedged calculated as current hedges/term debt drawn.
- Duration remaining as at 30 June 2019 and includes forward start hedges.

# 3

## Portfolio update

*Swan Ridge macadamia orchard; variation in canopy colour is due to tree variety, Queensland, July 2019.*

## RFM continues to develop assets. New lessees improve counterpart profile.

### Lease of Rewan to Australian Agricultural Company (ASX: AAC)

- The lease of Rewan to AAC is expected to commence 1 October 2019. Rewan was previously leased by Cattle JV Pty Ltd, a wholly owned subsidiary of RFM. The new lease provides the following benefits:
  - Another high quality lessee.
  - Validates investment in natural resource predominant assets with development potential, to increase productivity, value and lease income.

### Merger and listing of three tax-effective Managed Investment Schemes (MIS)

- RFM has proposed a merger to the investors of three tax-effective MIS which are lessees to RFF. The investors of these schemes will vote on the proposal on 28 August 2019.
  - If approved the merged entity will be renamed RFM Almond Fund (RAF), a non-tax effective MIS. RAF will apply to be listed on the National Stock Exchange in FY20.
  - RAF will have an improved capital structure including access to bank debt. This compares to the current structures in which operating profits and shortfalls are distributed or invoiced to investors respectively.

### Development of Mayneland (cotton)

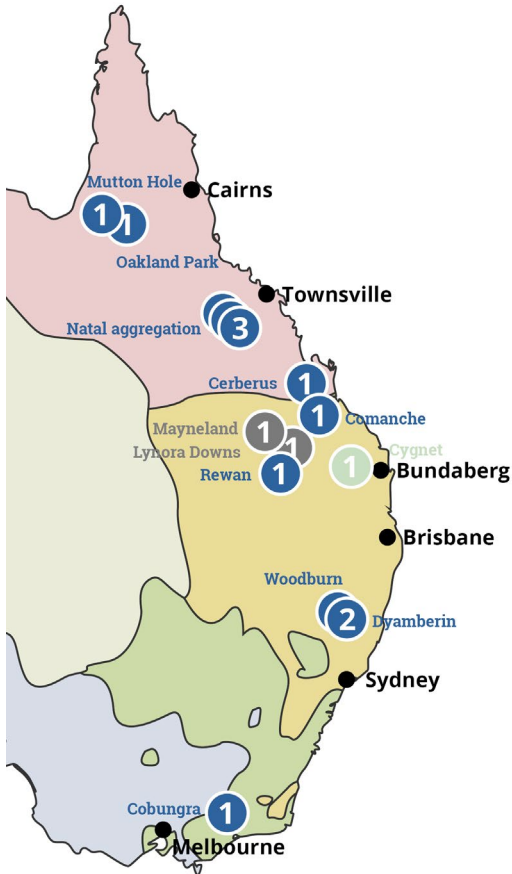
- Mayneland, a 2,942 ha cotton property in central Queensland, was acquired by RFF in September 2018:
  - RFM will lease Mayneland for FY20 and implement the development programme to improve the productivity of this asset. A third party lessee will be sought for FY21 and beyond.




### Development of Cygnet (macadamias)

- Cygnet, a 60 ha property located near Bundaberg in central Queensland, is expected to settle in November 2019:
  - RFM will initiate the development of a 40 ha macadamia orchard (see page 13). A third party lessee will be sought.

# Developments

Productivity developments continue on natural resource predominant assets, seeking to improve value and income over time.



 Cattle	Productivity improvements <sup>1</sup>	Initial	FY17	FY18	FY19	FY20f	FY21f
Mutton Hole and Oakland Park	Water points	102	4	5	2	6	-
	Pasture improvements	20,000 ha	20,000 ha	-	-	-	-
Rewan	Water points	42	10	30	-	-	-
	Cultivation area	1,830 ha	668 ha	554 ha	380 ha	287 ha	-
	Pasture improvements	485 ha	-	160 ha	-	125 ha	320 ha
Natal aggregation	Water points	96	-	8	2	13	20
Cerberus	Cultivation area	-	-	-	-	-	200 ha
	Pasture improvements	-	-	-	-	250 ha	250 ha
Comanche	Cultivation area	1,000 ha	-	-	-	-	500 ha
	Pasture improvements	172 ha	-	-	-	-	500 ha
Dyamberin	Grazing area	1,175 ha	-	-	-	-	-
Woodburn	Grazing area	802 ha	-	-	-	-	-
Cobungra	Grazing area	4,221 ha	-	-	-	-	-
 Cotton	Productivity improvements	Initial	FY17	FY18	FY19	FY20f	FY21f
Lynora Downs	Water storage	10,405 ML	-	4,142 ML	-	-	-
	Irrigated cropping	779 ha	-	177 ha	174 ha	-	-
Mayneland	Water storage	5,700 ML	-	-	-	-	2,900 ML
	Irrigated cropping	485 ha	-	-	-	-	246 ha
 Macadamias	Development	Initial	FY17	FY18	FY19	FY20f	FY21f
Cygnat	Macadamia orchard	-	-	-	-	40 ha	-

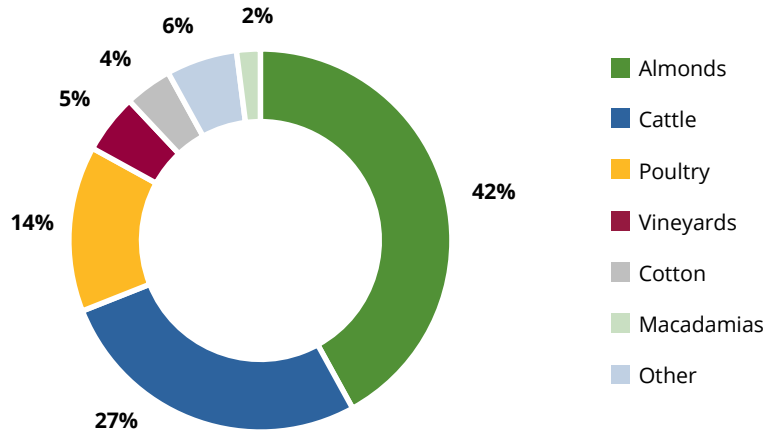
Notes:

1. Pasture development refers to stylo on RFF's North Qld properties, and intensive pastures including Leucaena on Central Qld properties. Cultivation area refers to development of additional areas for planting forage crops such as oats. Development of grazing area for southern properties involves investments such as fertiliser to improve production of the existing area.
2. Shaded areas denote climatic zones differentiated by rainfall seasonality. Source: Bureau of Meteorology; see RFF Climatic Diversification discussion paper, 20 June 2016.

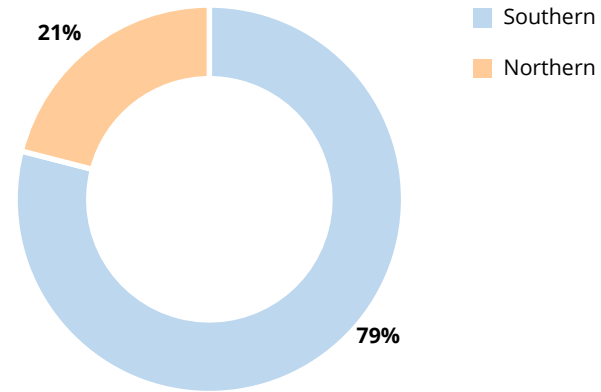
# Portfolio diversification

RFM continues to seek to diversify RFF by sector, asset type and climatic zone.

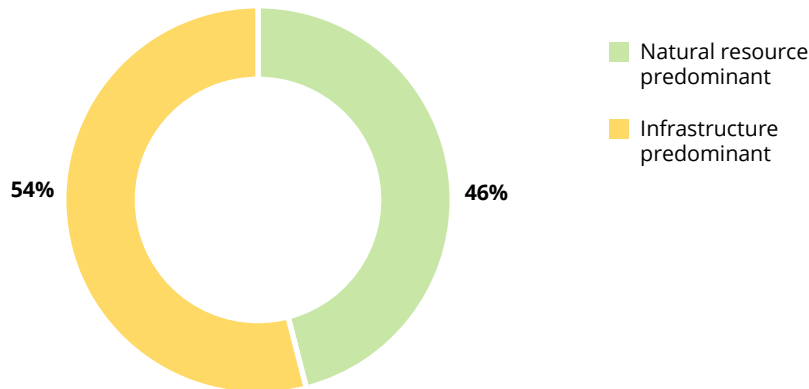
Sector (FY20f revenue)



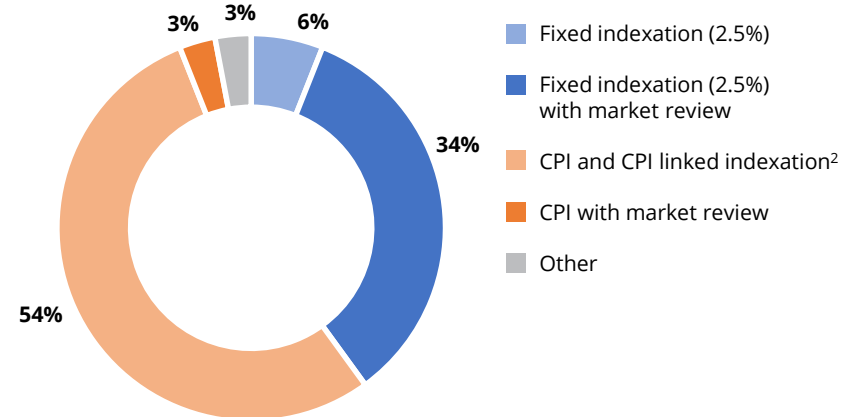
Climatic zone (FY20f revenue)



Asset type (FY20f revenue)<sup>1</sup>



Indexation (FY20f revenue)



Notes:

- Assumes: Poultry, feedlots (and guarantee fee) are infrastructure predominant; vineyards, cotton, and, cattle properties are natural resource predominant; almond and macadamia orchards are split equally.
- CPI linked indexation refers to RFM Poultry which is 65% of CPI capped at 2%.

# 4 Outlook and conclusion

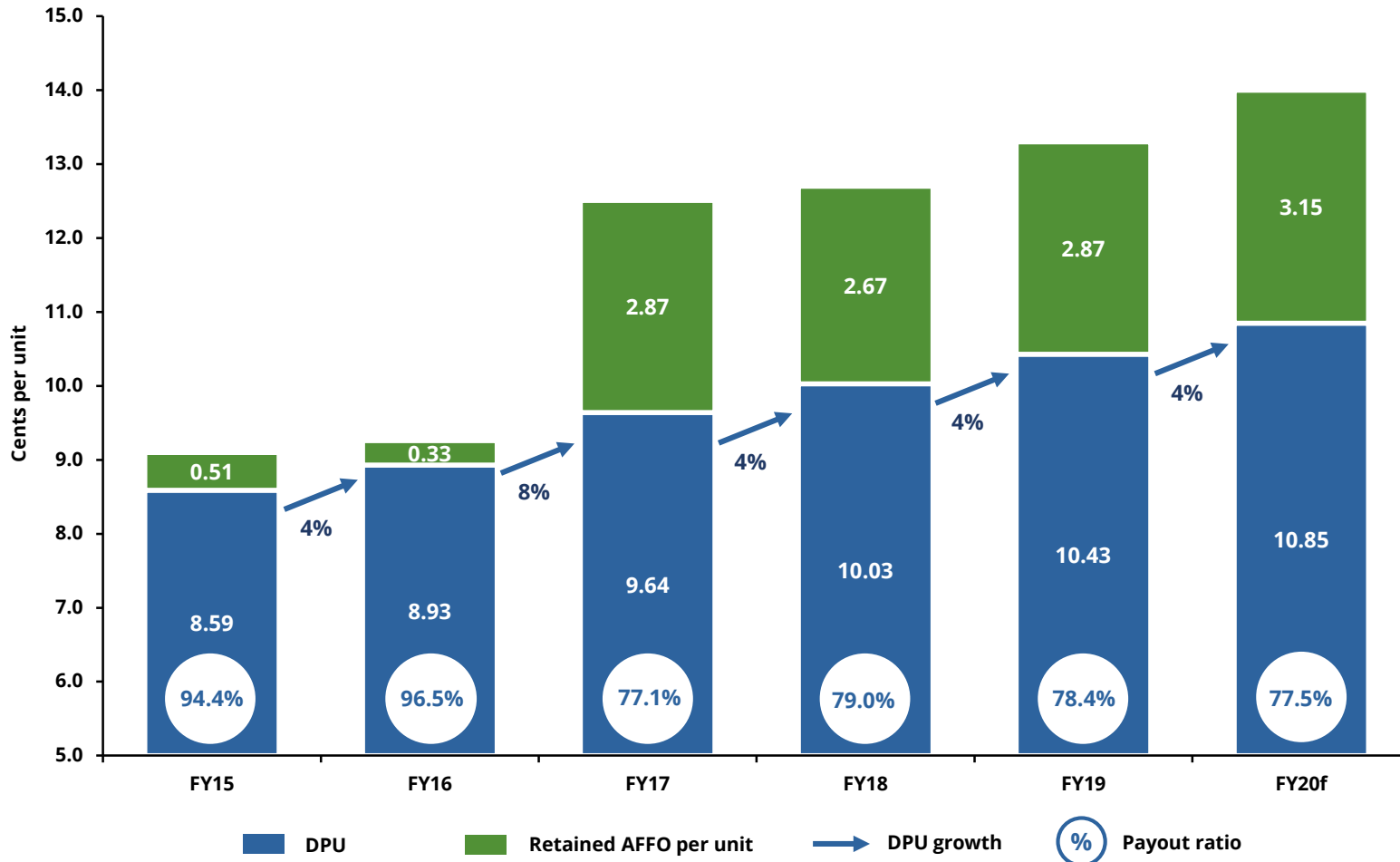


*Cattle grazing, Rewan, central Queensland, June 2019.*

# Continued distribution growth

AFFO growth is derived from lease indexation, reinvestment of retained AFFO and market rent reviews. Distribution growth of 4% p.a. is forecast.

DPU, DPU growth, AFFO retention and payout ratio





**RFM continues to oversee and manage existing assets, including capex and developments, while pursuing new acquisitions with the potential for productivity development.**

---

## Consistent portfolio objectives

Consistent portfolio objectives:

- Grow AFFO per unit through lease indexation, reinvestment of retained AFFO and market rent review mechanisms.
  - Grow distributions at 4% p.a.
  - Maintain gearing between target range of 30%-35%.
  - Increase sector and climatic diversification, liquidity and scale.
- 

## Attractive portfolio attributes

Key fund attributes:

- Forecast FY20 AFFO yield of 7.0%<sup>1</sup> and forecast payout ratio of 78%.
  - Forecast FY20 DPU of 10.85 cents, consistent with annual growth target of 4%.
  - Gearing of 31.2% within target of 30-35%.
  - Weighted average lease expiry of 11.3 years.
  - Diversification across 50 properties, six agricultural sectors and multiple climatic zones.
  - A manager with multi-sector operating expertise.
  - Ongoing acquisition opportunities driven by structural trends unique to the agricultural sector. These include a growing need for succession funding and operators with limited access to external capital.
- 

Note:

1. Calculated as FY20f AFFO of 14.0 cents divided by 21 August 2019 closing price of \$2.00.

# 5 Appendices



*Mayneland cotton crop, central Queensland, March 2019.*

# FY19 results - comprehensive income

## Summarised statement of comprehensive income

	12 mths ended 30 June 2019 \$	12 mths ended 30 June 2018 \$ restated <sup>1</sup>
Property revenue	66,391,000	51,087,000
<b>Revenue</b>	<b>66,391,000</b>	<b>51,087,000</b>
Other income	2,541,000	1,183,000
Property expenses	(1,595,000)	(1,383,000)
Other expenses	(3,892,000)	(2,971,000)
Management fees	(8,496,000)	(6,263,000)
Finance costs	(9,985,000)	(9,053,000)
Gain on sale of assets	12,000	17,000
Depreciation and impairments	(1,125,000)	(947,000)
Property revaluations - Bearer plants	4,254,000	(6,160,000)
Property revaluations - Investment property	8,352,000	7,398,000
Change in fair value of financial assets/liabilities	(70,000)	-
Change in fair value of derivatives	(18,208,000)	(1,956,000)
<b>Profit before tax</b>	<b>38,179,000</b>	<b>30,952,000</b>
Income tax expense	(4,824,000)	(1,057,000)
<b>Profit after tax</b>	<b>33,355,000</b>	<b>29,895,000</b>
Other comprehensive income	(277,000)	14,117,000
<b>Total comprehensive income</b>	<b>33,078,000</b>	<b>44,012,000</b>
Weighted average units	326,169,808	255,028,372
<b>Earnings per unit<sup>3</sup></b>	<b>10.14 cents</b>	<b>17.26 cents</b>

- Property revenue has increased primarily as a result of income from new investments, development capital expenditure and lease indexation.
- Other income relates to unleased Murrumbidgee High Security water annual allocation sales.
- Property and other expenses increased largely due to costs associated with the JBS transaction, insurance, and subsequent property acquisitions.
- Depreciation and impairments related mainly to plant and equipment depreciation owned within RF Active.
- Income tax expense relates to RF Active and revaluations of assets within AWF (see slide 21).<sup>2</sup> RFT treated as a flow through trust for tax purposes.

### Notes:

1. Restatement relates to the depreciation of bearer plants in FY18. Restatement resulted in a reclassification between bearer plants revaluation taken through profit and loss and other comprehensive income. There has been no change to total comprehensive income, the balance sheet or AFFO.
2. RFM Australian Wine Fund (AWF) is a subsidiary of Rural Funds Trust (RFT) that has formed a tax consolidated group.
3. Calculated TCI/weighted average units.

# FY19 results - AFFO

## Composition of AFFO (pre-tax)

	12 mths ended 30 June 2019 \$	12 mths ended 30 June 2018 \$
Property revenue	65,086,000	51,087,000
Property expenses	(1,595,000)	(1,383,000)
<b>Net property income</b>	<b>63,491,000</b>	<b>49,704,000</b>
Other income	2,541,000	1,183,000
Other expenses	(3,892,000)	(2,971,000)
Management fees	(8,496,000)	(6,263,000)
<b>EBITDA</b>	<b>53,644,000</b>	<b>41,653,000</b>
Income tax payable (RF Active)	(413,000)	(277,000)
Finance costs	(9,985,000)	(9,053,000)
<b>AFFO</b>	<b>43,246,000</b>	<b>32,323,000</b>
<b>AFFO per unit<sup>1</sup></b>	<b>13.3 cents</b>	<b>12.7 cents</b>
DPU	10.43 cents	10.03 cents

- AFFO is pre-tax and excludes fair value adjustments, depreciation and impairment to represent RFF's property rental business.
- Property expenses relate to costs directly attributable to the properties (e.g. insurance, rates, applicable cost recovery). Other expenses relate to non-property overheads (e.g. ASX/bank/audit/registry fees, cost recovery).
- Adjustment to funds from operations (FFO) pertains to tax expense of \$0.4m primarily relating to RF Active (see page 21).
- Property leases are largely triple net.

Note:

1. Based on the weighted average number of units on issue during the year.

# FY19 results - reconciliation of net profit

## Reconciliation of net profit after tax to AFFO

	12 mths ended 30 June 2019 \$	12 mths ended 30 June 2018 \$ restated <sup>1</sup>
Net profit after income tax	33,355,000	29,895,000
Adjusted for:		
Property revaluations	(12,606,000)	(1,238,000)
Change in fair value of interest rate swaps	18,208,000	1,956,000
Depreciation and impairment	1,125,000	947,000
Change in fair value of financial assets/liabilities	70,000	-
Gain/loss on sale of assets	(12,000)	(17,000)
Straight-lining of rental income <sup>2</sup>	(953,000)	-
Interest component of JBS feedlot finance lease <sup>3</sup>	(352,000)	-
<b>FFO</b>	<b>38,835,000</b>	<b>31,543,000</b>
Adjusted for income tax expense (AWF)	4,411,000	780,000
<b>AFFO</b>	<b>43,246,000</b>	<b>32,323,000</b>
AFFO per unit <sup>4</sup>	13.3 cents	12.7 cents

- Non cash items added back to reconcile net profit after tax to AFFO.
- Major items for FY19:
  - \$12.6m property revaluations largely due to revaluation of Kerarbury almond orchard and vineyards.
  - \$18.2m unrealised loss on interest rate hedges.
  - \$1.1m depreciation and impairment, primarily relating to plant and equipment in RF Active.

### Notes:

1. Restatement relates to the depreciation of bearer plants. Restatement resulted in a reclassification between revaluation taken through profit and loss and revaluation taken through other comprehensive income. There has been no change to total comprehensive income, the balance sheet or AFFO.
2. AASB16 requires income from leases which have a fixed indexation to be recorded in property revenue on a straight-line basis to reflect a smoothing of the rent earned over the life of the lease. This is adjusted to reflect the rent that is actually received.
3. Adjustment to reflect the rent that is actually received and not the interest recorded as finance income as a result of the finance lease classification.
4. Based on the weighted average number of units on issue during the year.

# FY19 results - summarised balance sheet

## Summarised balance sheet

	As at 30 June 2019 \$	As at 30 Jun 2018 \$
Cash	2,588,000	1,210,000
Property investments	849,033,000	658,593,000
Plant and equipment	8,537,000	5,480,000
Other assets	8,929,000	8,525,000
<b>Total assets</b>	<b>869,087,000</b>	<b>673,808,000</b>
Interest bearing liabilities:		
- Current	3,832,000	3,361,000
- Non-current	291,445,000	269,800,000
Derivative financial liabilities	24,041,000	5,834,000
Current tax liabilities	439,000	277,000
Deferred tax liabilities	5,778,000	1,406,000
Other liabilities	17,680,000	14,395,000
<b>Total liabilities</b>	<b>343,215,000</b>	<b>295,073,000</b>
<b>Net assets</b>	<b>525,872,000</b>	<b>378,735,000</b>
Units on issue	334,263,593	255,630,515
<b>NAV per unit</b>	<b>1.57</b>	<b>1.48</b>
Adjustment for water entitlements fair value per unit	0.23	0.20
<b>Adjusted NAV per unit</b>	<b>1.80</b>	<b>1.68</b>

- 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 difference between book value and fair value (based on current independent valuations).
- Water entitlements totalling 116,829 ML and water delivery entitlements of 21,430 ML representing a fair value of \$208.0m or 22% of total adjusted assets.
- See page 28 for details of independent valuations.

# FY19 results - total assets reconciliation

## Total assets reconciliation

	Investment property	Bearer plants	Intangible assets <sup>1,3</sup>	Financial assets - property <sup>2,3</sup>	Other assets	Total	Adjustment for water entitlements at fair values <sup>1,3</sup>	Adjusted total assets
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance as at 30 June 2018</b>	<b>357,518,000</b>	<b>157,239,000</b>	<b>106,926,000</b>	<b>36,910,000</b>	<b>15,215,000</b>	<b>673,808,000</b>	<b>49,841,000</b>	<b>723,649,000</b>
Additions – Cattle	87,415,000	-	1,599,000	-	-	89,013,000	-	89,013,000
Additions – Cotton	21,063,000	-	-	-	-	21,063,000	-	21,063,000
Additions – Almond orchard	13,923,000	11,470,000	9,901,000	-	-	35,294,000	-	35,294,000
Additions – Poultry	932,000	-	-	-	-	932,000	-	932,000
Additions net of disposals	324,000	227,000	-	-	-	551,000	-	551,000
Depreciation and impairments	-	-	105,000	-	(1,230,000)	(1,125,000)	-	(1,125,000)
Fair value adjustment <sup>4</sup>	8,352,000	3,979,000	-	-	-	12,331,000	26,928,000	39,259,000
Breeder herd lease <sup>5</sup>	-	-	-	252,000	-	252,000	-	252,000
JBS Feedlots	-	-	-	29,034,000	-	29,034,000	-	29,034,000
Cattle facility - Katena	-	-	-	1,100,000	-	1,100,000	-	1,100,000
Almondco Shares	-	-	-	-	2,003,000	2,003,000	-	2,003,000
Other movements <sup>6</sup>	(200,000)	-	-	964,000	4,066,000	4,830,000	-	4,830,000
<b>Balance as at 30 June 2019</b>	<b>489,327,000</b>	<b>172,915,000</b>	<b>118,531,000</b>	<b>68,260,000</b>	<b>20,054,000</b>	<b>869,087,000</b>	<b>76,769,000</b>	<b>945,856,000</b>

### Notes:

- 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.
- Relates to water entitlements held as part of the investment in Barossa Infrastructure Limited, Coleambally Irrigation Co-operative Limited, breeder herd finance lease, loan to Camm, loan to Katena, straight-lined asset and finance lease with JBS Australia for three feedlots, which are accounted for as financial assets.
- Water entitlements of 116,829 ML and 21,430 ML of water delivery entitlements held by the Group representing a fair value of \$208.0m.
- Fair value adjustments as part of valuations for the year ended 30 June 2019.
- 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. 17,000 head).
- Investment property includes amortisation of lease incentive relating to the Natal properties.





# Key lessees and counterparts

## Lessees and counterparts include leading agricultural producers and processors.

### Top lessees/counterparts by FY20f revenue

<b>Olam Orchards Australia</b>		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 A\$6.6b.	22.7%
<b>RFM Poultry, Baiada and Turosi</b>		RFM Poultry, lessee to RFF, has grower contracts with Baiada Poultry Pty Ltd and Turi Foods Pty Ltd. Baiada is one of the two largest integrated poultry breeding, growing and processors in Australia. Retail brands include Steggle's and Lilydale.	13.7%
<b>Select Harvests</b>		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.	13.3%
<b>JBS Australia</b>		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 A\$15.0b. 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.	10.1%
<b>RFM Almond Fund</b>		RFM will hold a Unitholder meeting on 28 August to approve the merger of three funds to the renamed RFM Almond Fund (RAF). RAF will operate 592 ha almond orchard and have approx. 430 investors. RFM intends to apply for RAF to be listed on the NSX in FY20.	6.1%
<b>Treasury Wine Estates</b>		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.	4.9%
<b>DA and JF Camm</b>		Part of the Camm Agricultural Group, an integrated cattle business operating nine properties including a 9,000 SCU feedlot in southern Queensland.	4.7%
<b>Stone Axe</b>		Established in 2014 by Mathew Walker and James Robinson, Stone Axe Pastoral Company is a premium beef company. Stone Axe's core focus is its vertically-integrated premium full-blood Wagyu production. Its equity investors include Roc Partners and the NSW State Government.	4.6%
<b>Cattle JV</b>		Cattle JV is a wholly owned subsidiary of RFM. A farm and fund manager with over 20 years' experience operating assets in multiple agricultural sectors including cattle, almonds, poultry, cotton, vineyards and macadamias.	3.3%
<b>Cotton JV &amp; Queensland Cotton</b>		Cotton JV Pty Ltd is a joint venture between Queensland Cotton and RFM. Queensland Cotton, a subsidiary of Olam, is the largest cotton merchant in Australia. Owing 10 ginning facilities across Queensland and New South Wales, Queensland Cotton delivers cotton to major global markets. RFM has over 20 years of cotton growing experience.	3.0%
<b>Australian Agricultural Company</b>		Established in 1824, Australian Agricultural Company (AACo) is Australia's largest integrated cattle and beef producer, and the oldest continuously operating company in Australia. AAcO operates a balance of properties, feedlots and farms comprising approximately 6.4 million hectares of land in Queensland and the Northern Territory, or 1% of Australia's landmass. ASX-listed (ASX: AAC) with a market capitalisation of \$0.6b.	2.2%

# Forecast capital expenditure

Forecast capex of \$25.0m will attract rent as it is deployed.

	FY19 (\$m)	FY20f (\$m)	FY21f (\$m)	Total forecast (\$m)	Description
<b>Almonds</b>	17.6	9.9	-	<b>9.9</b>	Water acquisitions for Kerarbury complete in FY19. FY20 capex primarily for remaining Kerarbury infrastructure.
<b>Cattle<sup>1</sup></b>	1.1	2.7	3.9	<b>6.6</b>	Productivity developments and infrastructure (see page 13).
<b>Poultry<sup>2</sup></b>	1.4	-	-	-	Water sanitation plant and equipment.
<b>Cotton<sup>1</sup></b>		2.6	4.3	<b>6.9</b>	Productivity developments and infrastructure (see page 13).
<b>Vineyards</b>		0.1	0.1	<b>0.2</b>	Grafting and redevelopment.
<b>Macadamias</b>		1.2	0.2	<b>1.4</b>	Infrastructure and Cygnet development.
<b>Total (\$m)</b>	<b>20.1</b>	<b>17.5</b>	<b>8.5</b>	<b>25.0</b>	

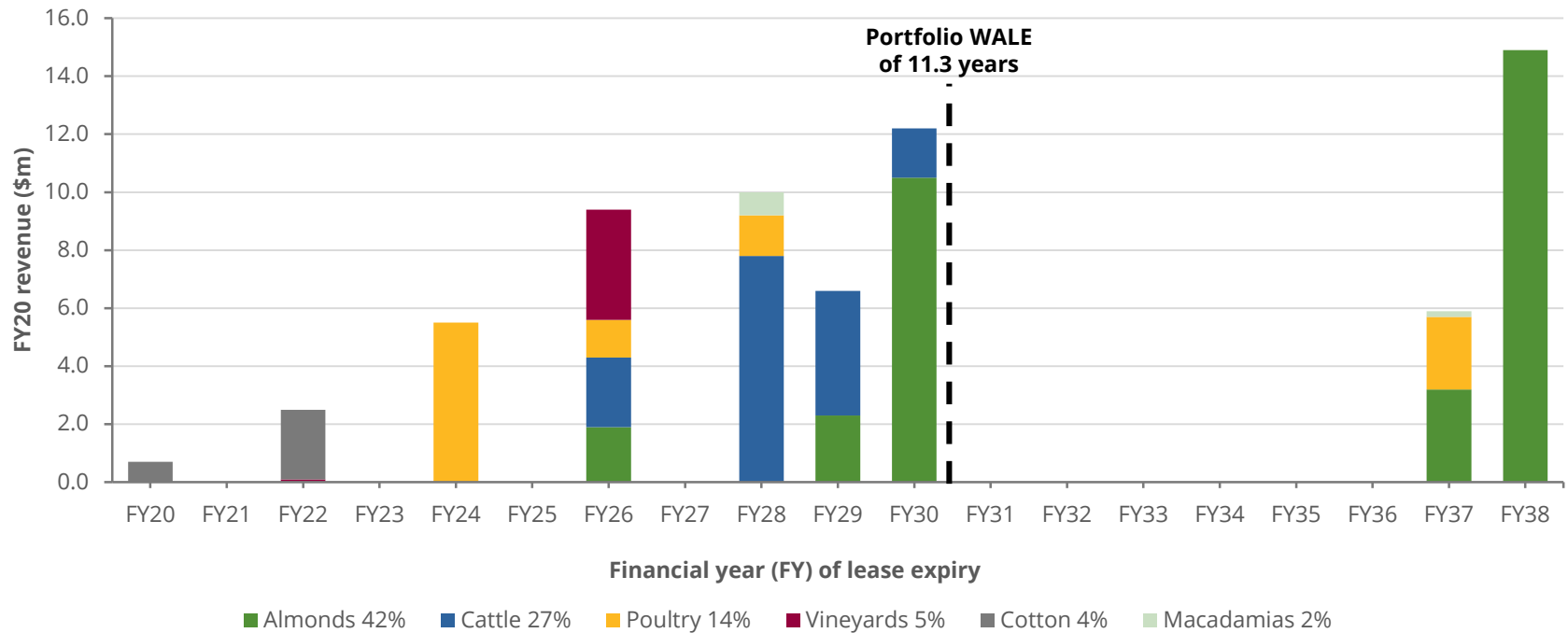
Notes:

1. Includes forecast figures for identified development opportunities which are yet to be finalised with lessees.
2. Capital expenditure of \$0.8m (FY20) will not attract rent.

# Lease expiry profile

Portfolio WALE of 11.3 years.

## Lease expiry profile



# Independent valuations

RFM has a policy to independently value assets at least every two years and rotate valuers every three years.

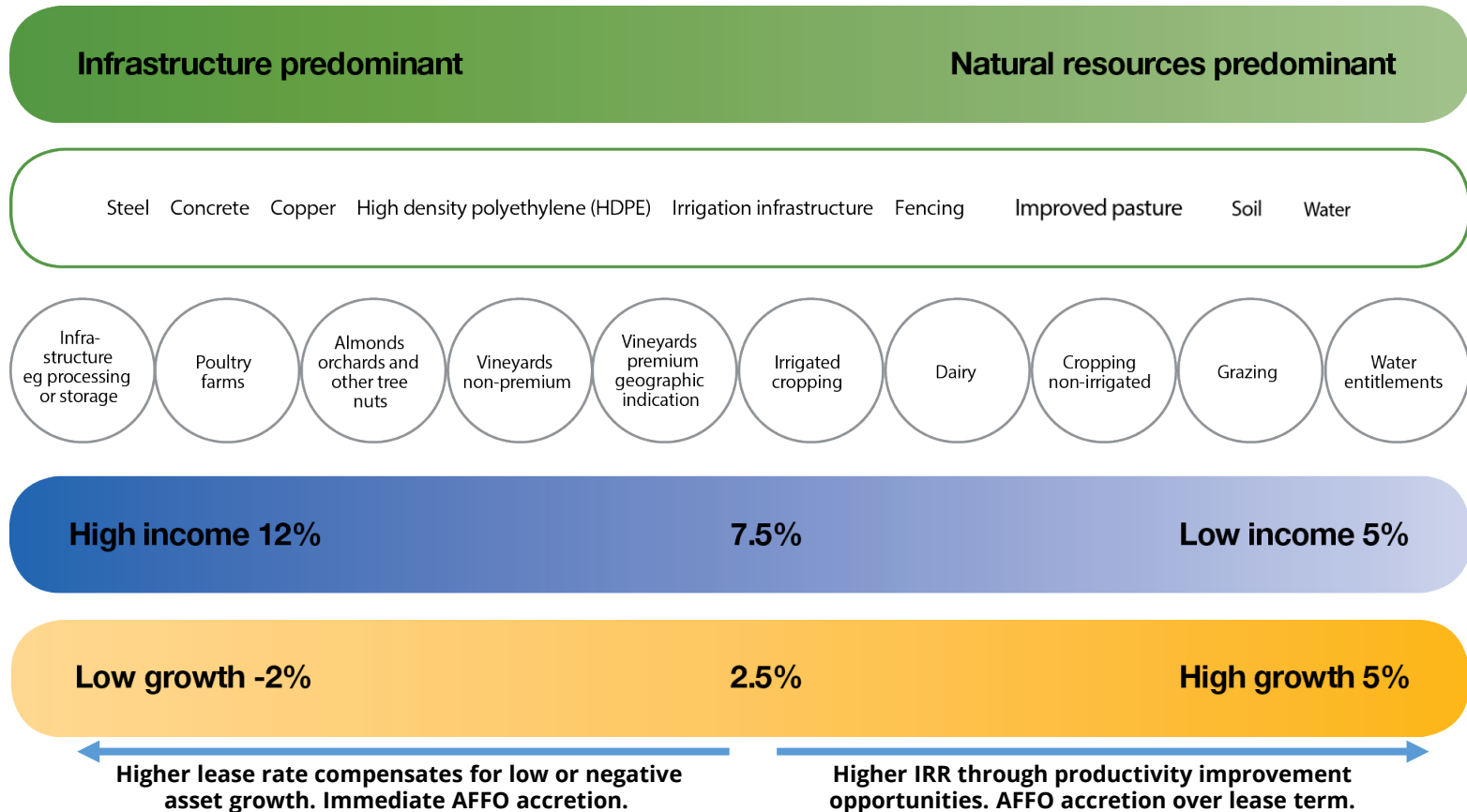
## Asset and last independent valuation date

Sector	Asset	Brief asset description	Last independent valuation (by reporting date)	Valuer
Almonds	Mooral	808 ha mature orchard, NSW	June 2019	JLL
	Yilgah	1,006 ha mature orchard, NSW	June 2019	JLL
	Tocabil	600 ha orchard, NSW	June 2019	JLL
	Kerarbury	2,500 ha orchard under development, NSW	December 2018	CBRE
Cattle	Mutton Hole	140,300 ha breeding property, Qld	June 2019	CBRE
	Oakland Park	85,500 ha breeding property, Qld	June 2019	CBRE
	Rewan	17,479 ha backgrounding property, Qld	June 2019	CBRE
	Natal Aggregation	390,600 ha breeding and backgrounding properties, Qld	December 2017	CBRE
	Comanche	7,600 ha breeding and backgrounding property, Qld	June 2018	CBRE
	Cerberus	8,280 ha breeding and backgrounding property, Qld	December 2018	CBRE
	Dyam berin	1,728 ha breeding and backgrounding property, NSW	December 2018	CBRE
	Woodburn	1,062 ha breeding and backgrounding property, NSW	December 2018	CBRE
Cotton	Cobungra	6,500 ha breeding and backgrounding property, Vic	June 2019	Colliers
	Lynora Downs	4,880 ha cropping property, Qld	June 2019	CBRE
Poultry	Mayneland	2,942 ha cropping property, Qld	December 2018	JLL
	Griffith sheds	134 sheds on 13 farms, NSW	June 2018	Opteon
Macadamias	Lethbridge sheds	20 sheds on four farms, Vic	June 2018	Opteon
	Swan Ridge, Moore Park, Bonmac	259 ha orchards, Qld	June 2018	CBRE
Vineyards	Kleinig, Geier, Hahn, Mundy, Murphy, Rosebank, Dohnt	666 ha vineyards, SA and Vic	June 2019	Colliers
Water	Murrumbidgee High Security	8,754 ML entitlement	June 2019	CBRE

# 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 opportunities<sup>1</sup>



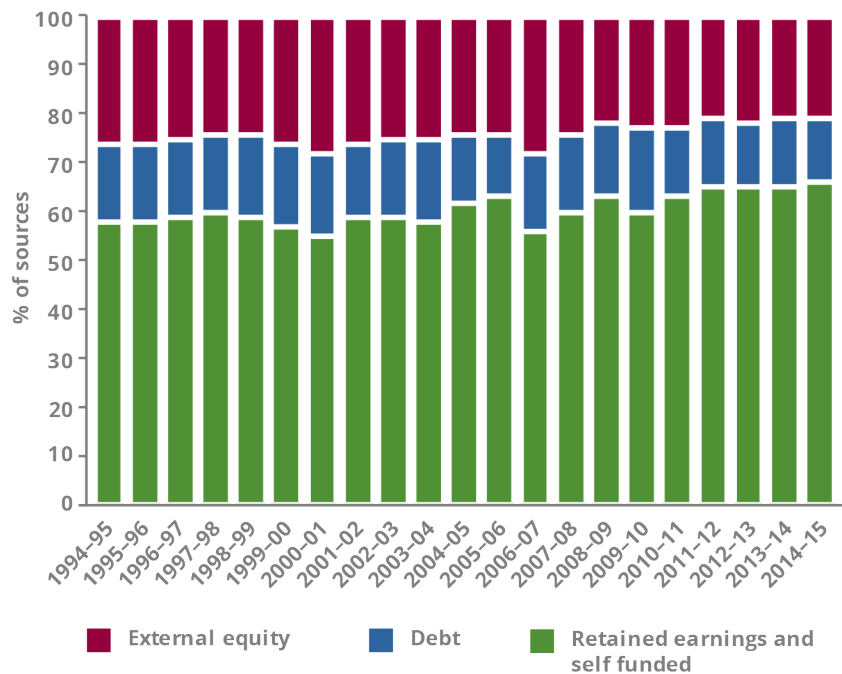
Note:

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.

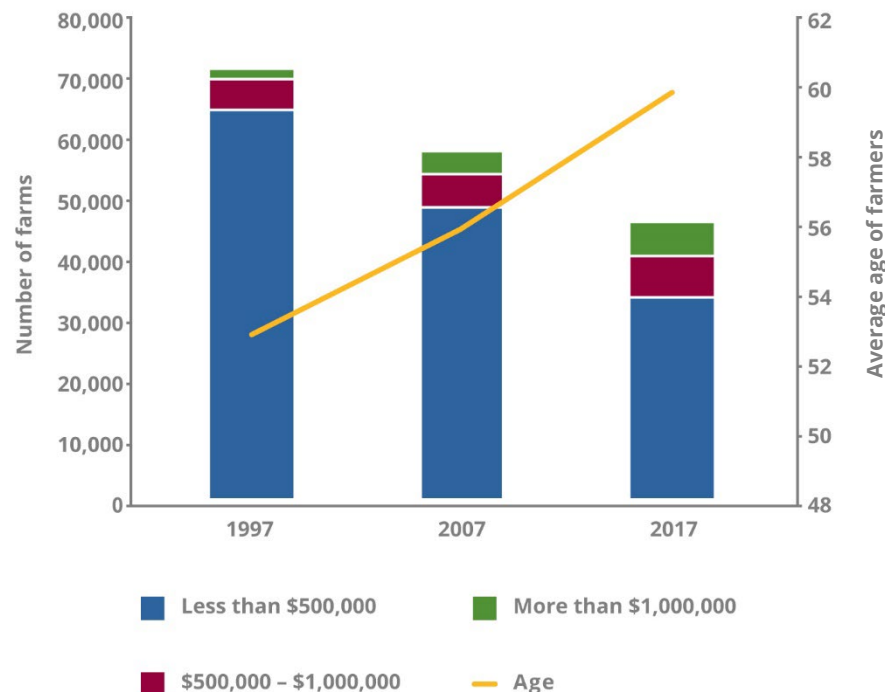
# Acquisition environment

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

### Capital sources for investment update<sup>1</sup>



### Farms by size and average age of farmers<sup>2</sup>



Notes:

1. Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) AGSURF Data 2017.
2. 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).

# Rural Funds Management

RFM is a fund and farm manager with 22 years' experience in Australian agriculture.

## Key information

Established	1997
Assets under management	\$1.2 billion
Ownership	Directors and staff
Farm and operations staff	111
Funds management staff	52
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"> <li>• Compliance to financial, farming and reporting requirements of leases.</li> <li>• Water asset management including obtaining approvals and engagement with government.</li> <li>• Management of infrastructure e.g. ongoing and development capital expenditure.</li> <li>• Coordination of regular independent valuations.</li> <li>• Facilitating acquisitions.</li> <li>• Managing lessee/customer relationships.</li> </ul>

## Board and management team contacts and tenure



**Guy Paynter**  
Non – Executive Chairman

9 years



**David Bryant**  
Managing Director

22 years



**Michael Carroll**  
Non – Executive Director

9 years



**Julian Widdup**  
Non – Executive Director

2 years



**Stuart Waight**  
Executive Manager

16 years



**Tim Sheridan**  
Chief Operating Officer

11 years



**Daniel Yap**  
Financial Controller

7 years



**Harvey Gaynor**  
General Manager – Farming

Less than 1 year



**Emma Spear**  
Company Secretary

11 years



**Dan Edwards**  
National Manager – Rural Funds Group

14 years



**James Powell**  
General Manager – Investor Relations and Marketing

11 years

# Glossary and table of abbreviations

Term	Definition
<b>Adjusted NAV</b>	Net Asset Value (NAV) adjusted for the independent valuation of water entitlements
<b>Adjusted total assets</b>	Total assets adjusted for the independent valuation of water entitlements
<b>ASX</b>	Australian Securities Exchange
<b>AFFO</b>	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)
<b>Counterpart</b>	A party other than RFF involved in a financial transaction, usually referring to the lessee of a property
<b>CPI</b>	Consumer Price Index
<b>DPU</b>	Distributions per Unit
<b>Fair value</b>	Value of an asset as determined by an independent valuation
<b>Feedlots</b>	A facility where livestock are provided a nutritious diet for the purpose of producing beef of a consistent quality and quantity
<b>FIRB</b>	The Foreign Investment Review Board
<b>Gearing</b>	Calculated as external borrowings divided by adjusted total assets

Term	Definition
<b>ha</b>	Hectare(s) - an area of 10,000m <sup>2</sup>
<b>Improved pasture</b>	Pasture with higher relative level of nutrition that is sown to increase livestock weight gain
<b>LVR</b>	Loan to valuation ratio - a bank covenant, calculated as debt divided by tangible assets (including water entitlements)
<b>ML</b>	Megalitre - a volume of 1,000,000 litres
<b>m</b>	Million(s)
<b>NAV</b>	Net asset value - calculated as assets less the value of liabilities (does not recognise fair value of water entitlements)
<b>Processor</b>	The operator of a slaughtering facility at which cattle are slaughtered and broken down into saleable beef
<b>Pro forma</b>	Financial statements based on certain assumptions and projections
<b>Standard Cattle Unit (SCU)</b>	A measure of feedlot capacity - one Standard Cattle Unit is equivalent to an animal with a liveweight of 600 kg
<b>Total assets</b>	Total value of assets as presented on the balance sheet (water entitlements recorded at the lower of cost or fair value)
<b>RFF</b>	Rural Funds Group (ASX:RFF)
<b>RFM</b>	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](http://ruralfunds.com.au)



**For further information:**

**David Bryant**

Managing Director

Rural Funds Management

T 02 6203 9700

E [DBryant@ruralfunds.com.au](mailto:DBryant@ruralfunds.com.au)

**For media enquiries:**

**Stuart Waight**

Executive Manager

Rural Funds Management

T 0419 126 689

E [SWaight@ruralfunds.com.au](mailto:SWaight@ruralfunds.com.au)

**Investor relations enquiries:**

**James Powell**

General Manager - Investor

Relations and Marketing

Rural Funds Management

T 0420 279 374

E [JPowell@ruralfunds.com.au](mailto:JPowell@ruralfunds.com.au)