

Rural Funds Group

ASX:
RFF

Managed by:



Managing good assets with good people

Financial results presentation

for the year ended 30 June 2020

25 August 2020



Disclaimer and glossary of terms

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Glossary

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; **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); **CAGR** - Compound annual growth rate; **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; **EBITDA** - Earnings Before Interest, Taxes, Depreciation and Amortisation; **Fair value** - Value of an asset as determined by an independent valuation; **Gearing** - Calculated as external borrowings/adjusted total assets; **Group** - Term used for the Rural Funds Group; **ha** - Hectare(s); **LVR** - Loan to valuation ratio, a bank covenant calculated as debt divided by tangible assets (including water entitlements); **ML** - Megalitre; **m** - Million(s); **NAV** - Net asset value, calculated as assets less the value of liabilities (does not recognise fair value of water entitlements); **Pro forma** - Financial statements based on certain assumptions and projections; **Total assets** - Total value of assets as presented on the balance sheet (water entitlements recorded at the lower of cost or fair value); **REIT** - Real Estate Investment Trust; **RFF** - Rural Funds Group (ASX:RFF); **RFM** - Rural Funds Management Limited, manager and responsible entity for the Rural Funds Group.

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1 Financial results

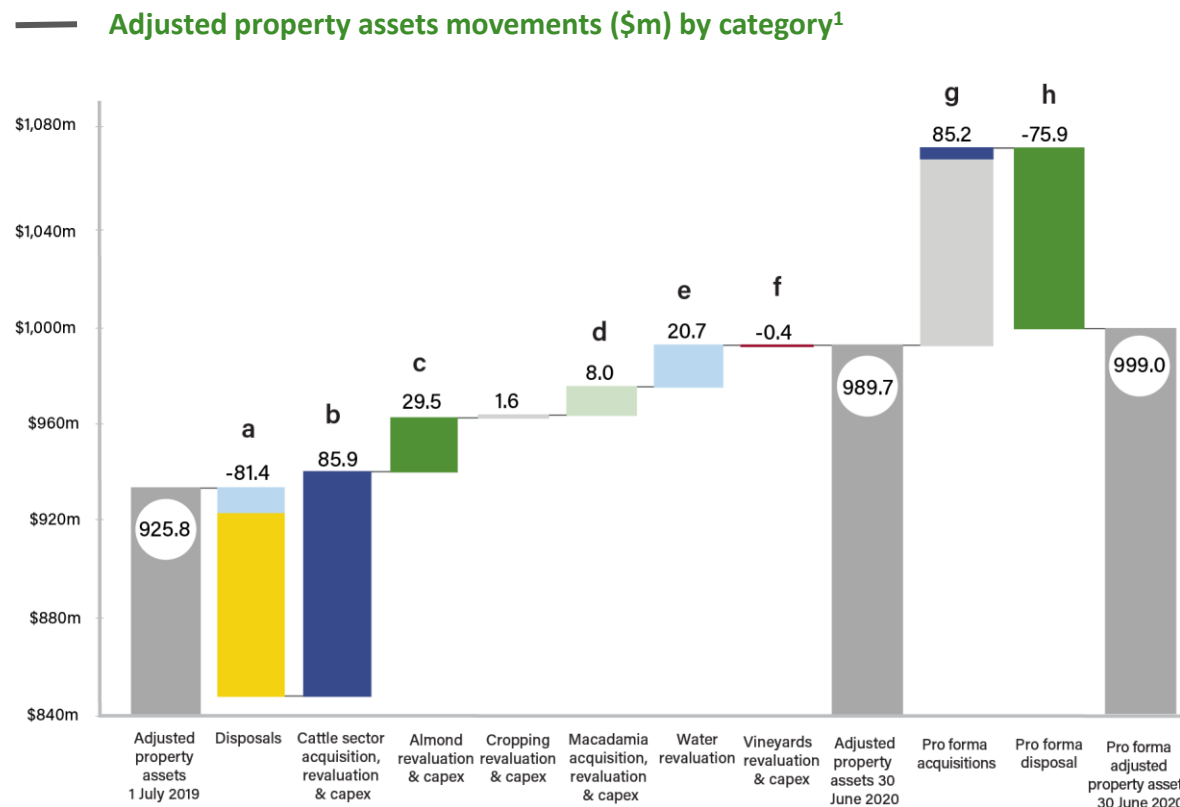


Pruned shiraz grapevines at Kleinig vineyard, Barossa Valley, South Australia, August 2020.

Key property movements

Recycling capital into growth assets.

- Key movements:
 - Disposals:** sale of poultry assets for \$74.7m and unencumbered ground water entitlement for \$6.7m.
 - Cattle:** acquisitions totaling \$67.7m (eight properties and feedlots), revaluations of \$14.3m and development capex of \$3.9m.²
 - Almonds:** revaluations of \$22.3m³ (three orchards) and capex of \$10.8m, net of bearer plant depreciation of \$3.6m.⁴
 - Macadamias:** acquisition of two sugar cane farms (to develop to macadamia orchards) and a macadamia tree nursery totalling \$5.4m, revaluations of \$1.5m and capex of \$1.3m, net of bearer plant depreciation of \$0.2m.⁵
 - Water:** revaluations of unleased water entitlements of \$20.7m.
 - Vineyards:** capex of \$0.5m net of bearer plants depreciation of \$0.9m.⁴
 - Pro forma acquisitions:** Maryborough cropping properties (expected to settle October 2020) and Rockhampton cattle property (expected to settle December 2020). See page 11 for further details.
 - Pro forma disposal:** contracts exchanged for Moorral almond orchard (expected to settle December 2020). See page 12 for further details.
- For details of independent valuations see page 22.



Notes:

- The sector totals presented in the chart are net of written-off transaction costs and inclusive of capex. Acquisition amounts include stamp duty. Revaluations include straight-lining adjustment for rent and finance lease adjustments. Agricultural plant and equipment of \$7.0m is excluded.
- Acquisitions: Beef City feedlot and adjacent land (Aug 2019 \$12.8m and Oct 2019 \$0.5m), WA cattle properties (Feb 2020 \$22.6m), Wattlebank (Jan 2020 \$1.8m), Riverina Beef feedlot (May 2020 \$11.6m), Yarra (May 2020 \$7.6m), Homehill (Jun 2020 \$8.7m) and cattle (\$2.1m). Revaluations includes properties revaluations of \$12.9m, feedlot finance income of \$0.8m and straight-lining adjustment for rent of \$0.6m.
- Properties valuations of \$21.7m and straight-lining adjustment for rent of \$0.6m.
- Directors' valuation applied to bearer plants, which are treated as property, plant and equipment and depreciated in accordance with AASB116.
- Acquisitions: Cygnet (Oct 2019 \$1.6m), Swan Ridge South (Mar 2020 \$1.6m) and Nursery Farm (Mar 2020 \$2.2m). Revaluation includes finance lease adjustments of \$0.8m and properties revaluations of \$0.7m.

Earnings and balance sheet summary

Forecasts achieved, revenue and earnings increased.

- Property revenue increased 8% primarily due to the JBS Australia transactions (feedlot acquisitions and J&F Australia Pty Ltd Guarantee income), cattle property acquisitions, development capital expenditure and lease indexation.
- TCI increased 87% and EPU increased 82% mainly due to independent revaluations for almond and macadamia orchards, cattle properties and water entitlements (see pages 17 and 22).
- AFFO per unit of 13.5 cents in line with forecast.
- DPU of 10.85 cents in line with forecast.
- Gearing of 30% at lower end of 30–35% target range.
- Adjusted NAV per unit \$1.94, representing 8% increase to the prior period.
- Refer to pages 17 to 22 for further information.

Income and earnings metrics

	12 months ended 30 June 2020	12 months ended 30 June 2019
Property revenue - \$	71,978,000	66,391,000
Total comprehensive income (TCI) - \$	61,938,000	33,078,000
Earnings per unit (EPU) ¹ - cents	18.43	10.14
Adjusted funds from operations (AFFO) - \$	45,427,000	43,246,000
AFFO per unit - cents	13.5	13.3
Distributions per unit (DPU) - cents	10.85	10.43
AFFO payout ratio	80%	78%

Balance sheet summary

	As at 30 June 2020	As at 30 June 2019
Total assets - \$	914,920,000	869,087,000
Adjustment for water at fair value - \$	97,699,000	76,769,000
Adjusted total assets ² - \$	1,012,619,000	945,856,000
External borrowings - \$	301,023,000	295,238,000
Gearing ³ - %	29.7%	31.2%
Net asset value (NAV) - \$	557,966,000	525,872,000
NAV per unit - \$	1.65	1.57
Adjusted NAV ² - \$	655,665,000	602,641,000
Adjusted NAV per unit ¹ - \$	1.94	1.80

Notes:

1. Calculated TCI/weighted average units (see page 17).
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. Gearing calculated as external borrowings/adjusted total assets.

An aerial photograph of an almond orchard in full bloom. The trees are covered in white blossoms, creating a dense canopy. In the foreground, a dirt road runs alongside a body of water. Along the road, numerous beehives are arranged in neat rows, showing different colors (white, blue, green, yellow) which correspond to different almond varieties. The background shows a farm building and more trees.

2 Capital management

Beehives adjacent to almond trees in bloom. Striping shows the variation in blossom times caused by different varieties. This creates a longer bloom and pollination period. Moorah, Hillston NSW, August 2020.

Capital management

Limit and tenor being increased.

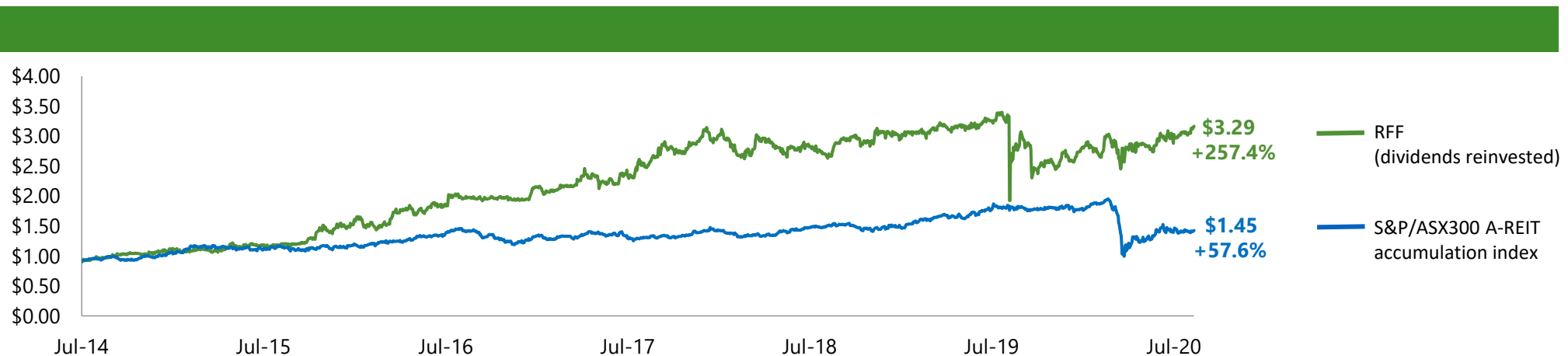
Equity

Item	Details
Trading price	Decrease of 16.5% (\$2.30 to \$1.92) for 28 June 2019 to 30 June 2020. Current price \$2.19 (21 August 2020).
Distribution	Forecast FY21 DPU of 11.28 cents. An increase of 4% from FY20 and in line with target growth.
DRP	Remains open with 1.5% discount. FY20 average DRP participation 18.4%.
Equity raised	Last equity raise July 2018: \$149.5m at \$1.95 per unit to fund JBS transactions and cattle property purchase.

Debt

Item	Details
Facility	RFM has commenced discussions with financiers to refinance the \$225.0m facility due to expire in FY22. RFM expects to complete the negotiations by 2020 calendar year end.
Limit	Current facility limit increase of \$65.0m (to \$400.0m) approved to fund Maryborough properties, with a further \$50.0m approved for future acquisitions.
Maturity	Expiry date November 2021 (\$225.0m) and November 2023 (\$110.0m).
Hedging	Additional interest rate hedges totalling \$60.0m entered into during the period; all commencing in December 2025 with 7 year duration; weighted average fixed rate 1.5%.

Total securityholder return: RFF and S&P/ASX 300 A-REIT accumulation index 1 July 2014 to 21 August 2020¹



Note:

1. S&P/ASX 300 A-REIT Accumulation Index rebased to \$1.00. RFF accumulation return rebased to \$1.00 and assumes dividends reinvested.

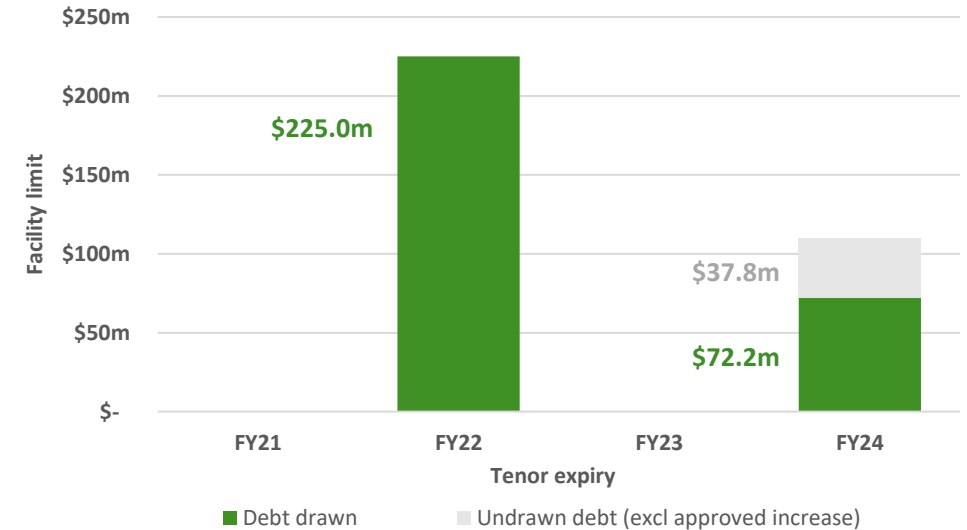
Debt facility and interest rate hedges

Reduced debt costs.

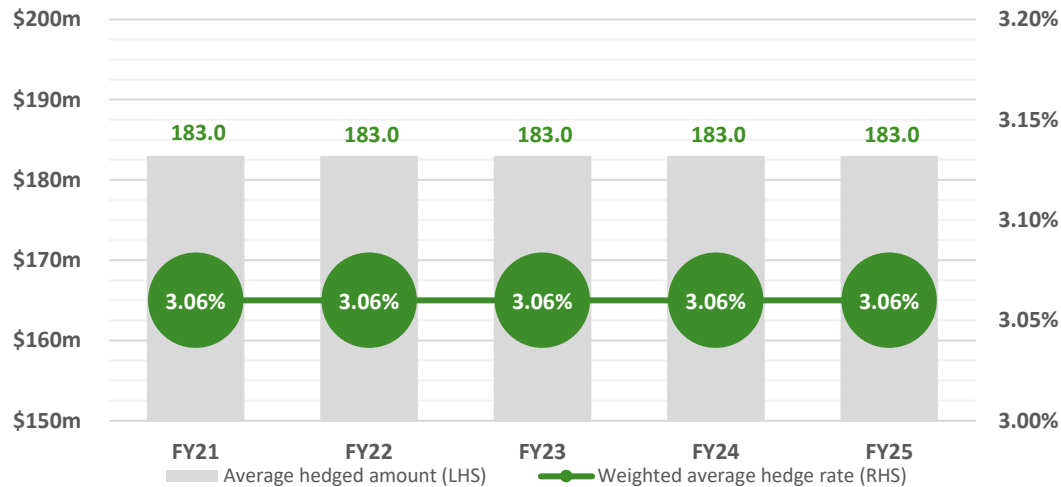
Debt facility metrics

		Proforma 30 June 2020 ⁸	30 June 2020	30 June 2019
Debt facility	Term debt facility limit ^{1, 2}	\$400.0m	\$335.0m	\$335.0m
	Term debt drawn	\$285.9m	\$297.2m	\$291.4m
	Headroom	\$114.1m	\$37.8m	\$43.6m
	Cost of debt ³	3.74%	3.74%	4.18%
Covenants	Loan to Value Ratio (LVR) ^{1, 4}	37.6%	39.1%	40.7%
	Interest Cover Ratio (ICR) ¹	5.85	5.85	5.76
	Adj. Net Tangible Assets (NTA) ¹	\$655.7m	\$655.7m	\$590.1m
Hedging	Total amount hedged ⁵	\$183.0m	\$183.0m	\$163.0m
	Proportion debt hedged ^{1, 6}	64.0%	61.6%	55.9%
	Weighted avg duration ⁷	8.5yrs	8.5yrs	8.0yrs

Debt facility tenor (at 30 June 2020)



Five year hedged (fixed rate) position



Notes:

1. Key financial covenants for FY20: LVR <50%, ICR >3.00x, with distribution permitted at >3.15x, Adj. NTA including water entitlements >\$400m, 40% hedging requirement.
2. Security: real property mortgages, general security agreement, cross guarantees between RFF and subsidiaries.
3. Total interest expense plus cost of hedges, divided by average debt drawn.
4. LVR calculated as term debt drawn plus limited guarantee of \$82.5m divided by directly secured assets based on independent valuations.
5. Current hedges only.
6. Proportion hedged calculated as current hedges/term debt drawn.
7. Duration remaining as at 30 June 2020 and includes forward start hedges.
8. Pro forma to term debt facility includes acquisition of Maryborough properties \$81.1m and cattle property extension \$4.1m, disposal of Moorall (\$96.5m) and approved increase. Term debt facility limit of \$400.0m to step down to \$370.0m at the earlier of the Moorall sale or November 2021.

3

Portfolio update and forecasts



Macadamia orchard harvest, Bundaberg, central Queensland, August 2020.

Macadamia orchard developments

Assets to develop 5,000 ha of macadamia orchards.



Rockhampton

- Three cattle properties totalling 7,419 ha to develop areas to macadamia orchards over time.
- Existing property, Comanche, also suitable for macadamia orchard development.



Bundaberg

- Developments have commenced on two sugar cane farms to convert to 86 ha of macadamia orchards and the expansion of a macadamia tree nursery.



Maryborough

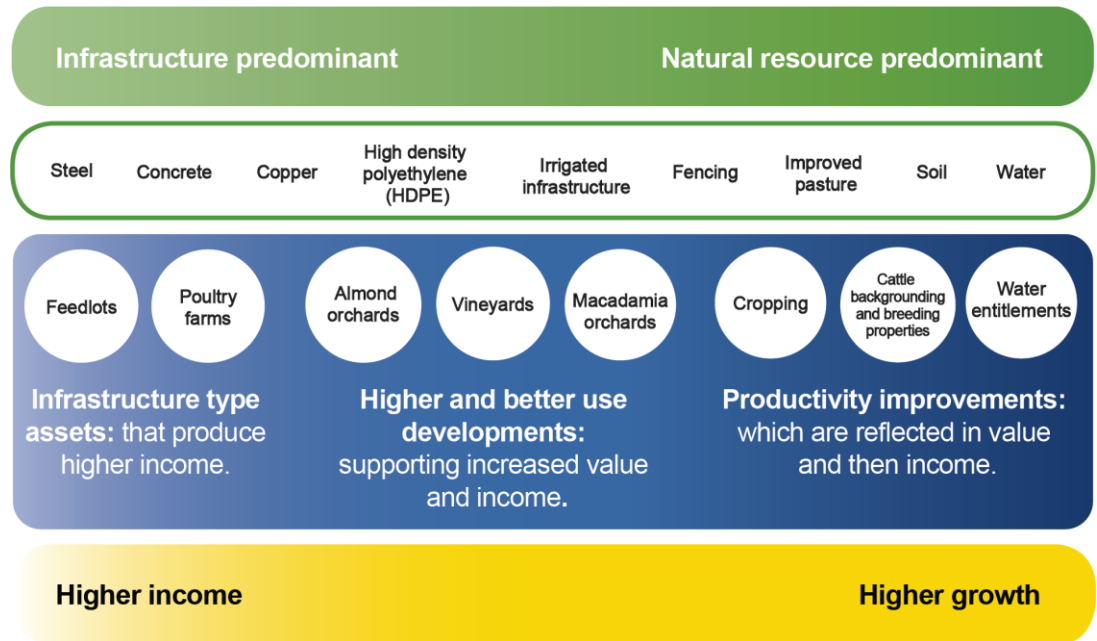
- Twenty-one cropping farms totalling 5,409 ha and 8,060 ML of water entitlements contracted with the intention to progressively convert to approximately 2,200 ha of macadamia orchards. First plantings are expected to commence late FY21.

Investment strategy

Investments across the spectrum seek to achieve distribution growth of 4% p.a.

- Contracts have been exchanged for the sale of Moorral for \$98.0m (subject to various adjustments and inclusions).¹ Book value of Moorral as at 30 June 2020 is \$79.7m².
- Recycling capital into macadamia orchards, provides:
 - Realised gains for reinvestment.
 - Funding for Bundaberg, Maryborough and Rockhampton acquisitions and initial developments (pro forma gearing inclusive of acquisitions and Moorral sale proceeds of 28.3%).
 - Longer weighted average lease expiry as developments progress and are leased.
 - Higher AFFO in the medium and long-term (following an initial reduction), supporting long term distribution growth.
- Other benefits of the macadamia orchard development strategy:
 - A sector in which Australia participates globally.
 - Improved diversification (climatic zone and commodity type).
 - A sector in which RFM has development and operating knowledge.

Spectrum of investment opportunities³



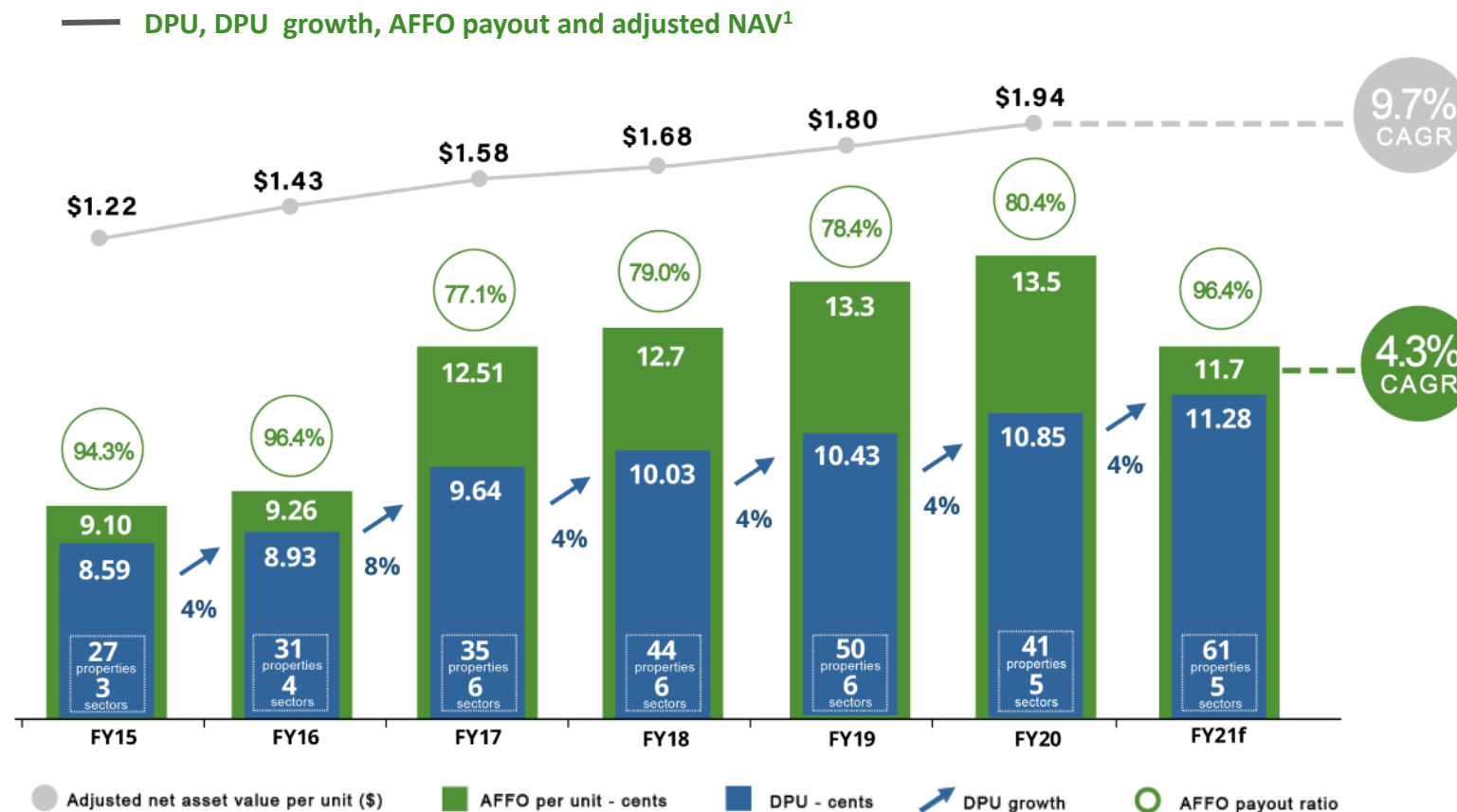
Note:

1. The sale is conditional on completion of due diligence (within 45 days but subject to possible extensions) and Foreign Investment Review Board approval. The sale is forecast to settle Dec 2020. If the Moorral sale does not proceed the Maryborough acquisitions will be funded from the approved increase to the debt facility.
2. Includes plant and equipment approximating \$3.8m and water entitlements held at fair value.
3. The income and growth attributes 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.

Forecasts

FY21 distribution increase of 4%.

- AFFO to decrease as funds are reinvested to macadamia orchard developments which are expected to produce higher income when leased.
- Maryborough macadamia plantings to commence late FY21. To fully develop Maryborough and Rockhampton properties will take several years. To generate AFFO in the interim:
 - Majority of Maryborough farms are expected to be leased as cropping operations (primarily sugar cane), supported by a two-year cane off-take agreement.²
 - Rockhampton assets are expected to be leased as cattle properties.
- FY21 forecasts:
 - AFFO of 11.7 cpu.
 - Payout ratio of 96.4%.
 - DPU of 11.28 cents, in line with 4% growth target.
- No lessee rent relief required due to COVID-19.



Note:

1. Adjusted assets incorporates most recent independent property valuations, inclusive of water entitlements. Pro forma properties and sectors presented where applicable.
2. If the off-take is not provided by the vendor the purchase price of the Maryborough properties will reduce. See disclosure dated 3 August 2020.

4 Conclusion



Winter muster at Cobungra, Victorian high country, August 2020.

Conclusion

Good FY20 financial result. Reconfiguring the portfolio to increase earnings.

- A good financial result:
 - Property revenue growth.
 - Numerous positive independent valuations.
 - AFFO and distribution forecasts met.
 - Divestment of poultry and almond assets¹ to fund acquisitions to develop 5,000 ha of macadamia orchards.
 - Gearing below target range.²

- Reconfiguring the portfolio to increase earnings:
 - Commence macadamia developments and secure lessees.
 - Secure cropping and cattle property lessees on balance of properties.

FY20 financial results highlights	Portfolio highlights
<p>10.85 cents FY20 DISTRIBUTIONS/UNIT ↑ 4% on FY19</p>	<p>10.9 years WEIGHTED AVERAGE LEASE EXPIRY</p>
<p>18.43 cents FY20 EARNINGS/UNIT ↑ 80% on FY19</p>	<p>61 properties¹ ACROSS 5 SECTORS & MULTIPLE CLIMATIC ZONES</p>
<p>\$1.94 ADJ. NAV/UNIT ↑ 8% on FY19</p>	<p>78% REVENUE FROM CORPORATE OR LISTED TENANTS</p>
<p>11.28 cents FY21f DISTRIBUTIONS/UNIT ↑ 4% on FY20</p>	<p>5.2% yield BASED ON FY21f DPU @ \$2.19 CLOSE PRICE 21 AUG 20</p>
<p>28.3%^{1,2} PRO FORMA GEARING (30–35% TARGET)</p>	<p>23 years EXPERIENCE OF MANAGER: RFM</p>

Note:

1. The Moorall almond orchard sale is conditional on completion of due diligence (within 45 days but subject to possible extensions) and Foreign Investment Review Board approval.
2. Pro forma includes acquisition of Maryborough properties, cattle property extension and disposal of Moorall.

5 Appendices



Irrigated wheat three months after sowing, Lynora Downs, central Queensland, August 2020.

FY20 results – summarised comprehensive income

- Property revenue has increased primarily as a result of income from JBS Australia (JBS) transactions (feedlot acquisitions and J&F Australia Pty Ltd (J&F) Guarantee income), cattle property acquisitions, development capital expenditure and lease indexation (including market rent review).
- Other income relates to unleased Murrumbidgee High Security water annual allocation sales.
- Property and other expenses increased largely due to costs associated with the EY independent investigation report (disclosed 8 and 27 August 2019) and associated costs, and increased insurance costs.
- Finance costs increased as a result of debt drawn for acquisitions and capital expenditure.
- Gain on sale of assets primarily related to sale of 1,910 ML unencumbered ground water entitlement.
- Depreciation and impairments related mainly to plant and equipment owned within RF Active.
- Property revaluations of \$21.8m (including bearer plants, investment property, intangibles and other comprehensive income; excluding fair value water revaluations above cost). For total assets reconciliation see page 21.
- Change in fair value to financial assets related to shares owned in macadamia processing company Marquis Macadamias Limited.
- Income tax expense relates to RF Active and AWF (see slide 19).¹ RFT treated as a flow through trust for tax purposes.

Summarised statement of comprehensive income

	12 mths ended 30 June 2020 \$	12 mths ended 30 June 2019 \$
Property revenue	71,978,000	66,391,000
Revenue	71,978,000	66,391,000
Other income	4,401,000	2,541,000
Property expenses	(2,066,000)	(1,595,000)
Other expenses	(5,088,000)	(3,892,000)
Management fees	(9,955,000)	(8,496,000)
Finance costs	(10,881,000)	(9,985,000)
Gain on sale of assets	3,407,000	12,000
Depreciation and impairments	(2,893,000)	(1,230,000)
Property revaluations - Bearer plants	(5,337,000)	4,254,000
Property revaluations - Investment property	14,944,000	8,352,000
Property revaluations - Intangible assets	(798,000)	105,000
Change in fair value of financial assets/liabilities	510,000	(70,000)
Change in fair value of derivatives	(7,624,000)	(18,208,000)
Profit before tax	50,598,000	38,179,000
Income tax expense	(1,610,000)	(4,824,000)
Profit after tax	48,988,000	33,355,000
Other comprehensive income	12,950,000	(277,000)
Total comprehensive income	61,938,000	33,078,000
Weighted average units	336.0m units	326.2m units
Earnings per unit²	18.43 cents	10.14 cents

Notes:

- RFM Australian Wine Fund (AWF) is a subsidiary of Rural Funds Trust (RFT) that has formed its own tax consolidated group.
- Calculated TCI/weighted average units.

FY20 results – AFFO composition

- 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 on unleased properties, applicable cost recovery). Other expenses relate to non-property overheads (e.g. ASX, bank, audit, registry fees, cost recovery).
- Property leases are largely triple net.

Composition of AFFO (pre-tax)

	12 mths ended 30 June 2020 \$	12 mths ended 31 June 2019 \$
Property revenue	69,957,000	65,086,000
Property expenses	(2,066,000)	(1,595,000)
Net property income	67,891,000	63,491,000
Other income	4,401,000	2,541,000
Other expenses	(5,088,000)	(3,892,000)
Management fees	(9,955,000)	(8,496,000)
EBITDA	57,249,000	53,644,000
Income tax payable (RF Active)	(941,000)	(413,000)
Finance costs	(10,881,000)	(9,985,000)
AFFO	45,427,000	43,246,000
AFFO per unit¹	13.5 cents	13.3 cents
DPU	10.85 cents	10.43 cents

Note:

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

FY20 results – reconciliation of net profit to AFFO

- Non-cash items added back to reconcile net profit after tax to AFFO.
- Key adjustments include:
 - Property revaluations includes \$12.9m in cattle properties, \$2.5m in almonds properties, (\$0.5m) in cotton properties and (\$1.3m) in poultry properties.
 - Depreciation and impairments related mainly to plant and equipment owned within RF Active.
 - Gain on sale of assets primarily related to sale of 1,910 ML unencumbered ground water entitlement.
 - Straight-lining reflects a smoothing of rent earned over a lifetime of the lease (under AASB16 for leases with fixed indexation).
 - Interest component of JBS feedlot finance lease reflects indexation due to finance lease classification.
 - Loss on disposal relates to one-off transaction costs associated with the poultry asset sale.

Reconciliation of net profit after tax to AFFO

	12 mths ended 30 June 2020 \$	12 mths ended 30 June 2019 \$
Net profit after income tax	48,988,000	33,355,000
Adjusted for:		
Property revaluations	(13,647,000)	(17,311,000)
Change in fair value of interest rate swaps	7,624,000	18,208,000
Depreciation and impairment	2,893,000	1,230,000
Depreciation - Bearer Plants	4,838,000	4,600,000
Change in fair value of financial assets/liabilities	(510,000)	70,000
Gain on sale of assets	(2,811,000)	(12,000)
Straight-lining of rental income	(1,232,000)	(953,000)
Interest component of JBS feedlot finance lease	(789,000)	(352,000)
Loss on disposal - one off transaction costs	(596,000)	-
FFO	44,758,000	38,835,000
Adjusted for income tax expense	669,000	4,411,000
AFFO	45,427,000	43,246,000
AFFO per unit¹	13.5 cents	13.3 cents

Notes:

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

FY20 results – summarised balance sheet

- Water entitlements are recorded as intangible assets, and held at the lower of cost or fair value in accordance with accounting standards and ASIC guidance. The adjustment for water entitlements shows the difference between book value and fair value (based on current independent valuations).
- Water entitlements total 122,057 ML and water delivery entitlements total 21,430 ML, representing a fair value of \$226.9m or 22% of total adjusted assets.
- See page 22 for details of independent valuations.

Summarised balance sheet

	As at 30 June 2020 \$	As at 30 Jun 2019 \$
Cash	5,085,000	2,588,000
Property investments	892,064,000	849,033,000
Plant and equipment	6,969,000	8,537,000
Other assets	10,802,000	8,929,000
Total assets	914,920,000	869,087,000
Interest bearing liabilities:		
- Current	3,814,000	3,832,000
- Non-current	297,248,000	291,445,000
Derivative financial liabilities	31,665,000	24,041,000
Current tax liabilities	1,533,000	439,000
Deferred tax liabilities	5,855,000	5,778,000
Other liabilities	16,839,000	17,680,000
Total liabilities	356,954,000	343,215,000
Net assets	557,966,000	525,872,000
Units on issue	337,713,420	334,263,593
NAV per unit	1.65	1.57
Adjustment for water entitlements fair value per unit	0.29	0.23
Adjusted NAV per unit	1.94	1.80

FY20 results - total assets reconciliation

Total assets reconciliation

	Investment property	Bearer plants	Intangible assets ^{1, 3}	Financial assets – property ^{2, 3}	Other assets	Total	Adjustment for water entitlements at fair value ^{1, 3}	Adjusted total assets
	\$	\$	\$	\$	\$	\$	\$	\$
Balance as at 30 June 2019	489,327,000	172,915,000	118,531,000	68,260,000	20,054,000	869,087,000	76,769,000	945,856,000
Additions – Cattle	42,461,000	-	2,060,000	2,081,000	-	46,602,000	-	46,602,000
Additions – Cotton	2,170,000	-	-	-	-	2,170,000	-	2,170,000
Additions – Almond orchard	7,911,000	2,897,000	758,000	(758,000)	-	10,808,000	-	10,808,000
Additions – Macadamias	6,233,000	100,000	432,000	-	-	6,765,000	-	6,765,000
Additions – Vineyards	519,000	-	-	-	-	519,000	-	519,000
Disposals	(69,846,000)	-	(3,721,000)	-	-	(73,567,000)	(6,608,000)	(80,175,000)
Depreciation and impairments	-	-	-	-	(2,893,000)	(2,893,000)	-	(2,893,000)
Fair value adjustment ⁴	16,194,000	7,614,000	(798,000)	-	-	23,010,000	27,538,000	50,548,000
Fair value adjustment - discontinued operations	(1,250,000)	-	-	-	-	(1,250,000)	-	(1,250,000)
JBS Feedlots	-	-	-	25,812,000	-	25,812,000	-	25,812,000
Other movements	-	-	-	2,162,000	5,695,000	7,857,000	-	7,857,000
Balance as at 30 June 2020	493,719,000	183,526,000	117,262,000	97,557,000	22,856,000	914,920,000	97,699,000	1,012,619,000

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, equipment finance leases and finance lease with JBS Australia for five feedlots, which are accounted for as financial assets.
- Water entitlements of 122,057 ML and 21,430 ML of water delivery entitlements held by the Group representing a fair value of \$226.9m.
- Fair value adjustments as part of valuations for the year ended 30 Jun 2020.

Valuations, valuers and lease expiry

Independent valuations at least every two years. Rotation of valuers every three years.

Property by sector	State	Brief description	Acquisition date	Adjusted property value 30 June 2020	Valuation date (reporting date)	Valuation	Valuer	
Almonds	Mooral	NSW	808 ha orchard	Apr-2010	\$ 75.9m	Jun-2020	\$ 76.0m	JLL
	Yilgah	NSW	1,006 ha orchard	Jun-2008	\$ 105.1m	Jun-2020	\$ 105.0m	JLL
	Tocabil	NSW	603 ha orchard	Oct-2014	\$ 47.1m	Jun-2020	\$ 47.0m	JLL
	Kerarbury	NSW	2,530 ha orchard	Oct-2015	\$ 223.3m	Jun-2020	\$ 223.0m	JLL
Cattle	Rewan	QLD	17,479 ha property	Aug-2016	\$ 43.2m	Jun-2019	\$ 43.1m	CBRE
	Mutton Hole	QLD	140,300 ha property	Jul-2016	\$ 9.2m	Jun-2019	\$ 8.7m	CBRE
	Oakland Park	QLD	85,500 ha property	Aug-2016	\$ 5.6m	Jun-2019	\$ 5.4m	CBRE
	Natal Aggregation	QLD	390,600 ha property	Dec-2017	\$ 63.7m	Dec-2019	\$ 63.7m	JLL
	Comanche	QLD	7,600 ha property	Jul-2018	\$ 22.0m	Jun-2020	\$ 22.0m	CBRE
	Cerberus	QLD	8,280 ha property	Sep-2018	\$ 13.8m	Jun-2020	\$ 13.8m	CBRE
	Dyamberin	NSW	1,729 ha property	Oct-2018	\$ 13.9m	Jun-2020	\$ 13.9m	Colliers
	Woodburn	NSW	1,063 ha property	Jan-2019	\$ 7.3m	Jun-2020	\$ 7.3m	Colliers
	Cobungra	VIC	6,500 ha property	Mar-2019	\$ 35.1m	Jun-2019	\$ 35.0m	Colliers
	Petro Farm, High Hill & Willara	WA	6,195 ha property	Feb-2020	\$ 21.5m	Jun-2020	\$ 21.5m	JLL
	JBS Caroona, Mungindi, Prime City, Beef City, Riverina	NSW/ QLD	150,000 head feedlots (total)	Oct-2018	\$ 54.8m		\$ 53.4m	Purchase price
	Wattlebank	QLD	321 ha property	Jan-2020	\$ 1.8m	Jun-2020	\$ 1.8m	CBRE
	Homehill	QLD	3,270 ha property	Jun-2020	\$ 7.8m	Jun-2020	\$ 7.8m	CBRE
Yarra	QLD	2,173 ha property	May-2020	\$ 6.2m	Jun-2020	\$ 6.2m	CBRE	
Cropping	Lynora Downs	QLD	4,880 ha property	Dec-2016	\$ 33.7m	Jun-2019	\$ 33.1m	CBRE
	Mayneland	QLD	2,942 ha property	Sep-2018	\$ 17.8m	Jun-2020	\$ 17.5m	JLL
Macadamias	Swan Ridge	QLD	130 ha orchard	Mar-2016	\$ 6.7m	Dec-2019	\$ 6.4m	Colliers
	Moore Park	QLD	104 ha orchard	Mar-2016	\$ 4.0m	Dec-2019	\$ 4.0m	Colliers
	Bonmac	QLD	27 ha orchard	Mar-2016	\$ 2.9m	Dec-2019	\$ 2.9m	Colliers
	Cygnat	QLD	59 ha orchard	Oct-2019	\$ 1.8m		\$ 1.6m	Purchase price
	Swan Ridge South	QLD	123 ha orchard	Mar-2020	\$ 1.6m		\$ 1.6m	Purchase price
	Nursery Farm	QLD	64 ha orchard	May-2020	\$ 3.0m		\$ 2.2m	Purchase price
Vineyards	Kleinig	SA	206 ha vineyard	May-2002	\$ 22.3m	Jun-2019	\$ 22.7m	Colliers
	Geier	SA	243 ha vineyard	Sep-2000	\$ 27.7m	Jun-2019	\$ 28.2m	Colliers
	Dohnt	SA	30 ha vineyard	Sep-2004	\$ 1.0m	Jun-2019	\$ 1.0m	Colliers
	Hahn	SA	50 ha vineyard	Feb-2000	\$ 5.2m	Jun-2019	\$ 4.9m	Colliers
	Mundy and Murphy	SA	55 ha vineyard	Apr-2000	\$ 4.1m	Jun-2019	\$ 3.8m	Colliers
	Rosebank	VIC	82 ha vineyard	Aug-2003	\$ 3.4m	Jun-2019	\$ 3.4m	Colliers
Water	Unencumbered water entitlement - River	NSW	8,754 ML	Dec-2016	\$ 65.2m	Jun-2020	\$ 65.2m	JLL
Adjusted property assets					\$ 957.6m		\$ 953.1m	
Cattle financial lease and other assets					\$ 29.0m			
Plant & equipment					\$ 7.0m			
Other receivables and equipment leases					\$ 3.1m			
Total adjusted property assets					\$ 996.7m			
Pro forma Maryborough acquisitions		QLD	5,409 ha properties	Oct-2020	\$81.1m			Purchase price
Pro forma extension to existing property - Homehill		QLD	1,655 ha property extension	Jul-2020	\$4.1m			Purchase price
Pro forma property disposal - Moorall ¹		NSW	808 ha orchard		(\$79.7m)			
Pro forma total adjusted property assets					\$1,002.2m			

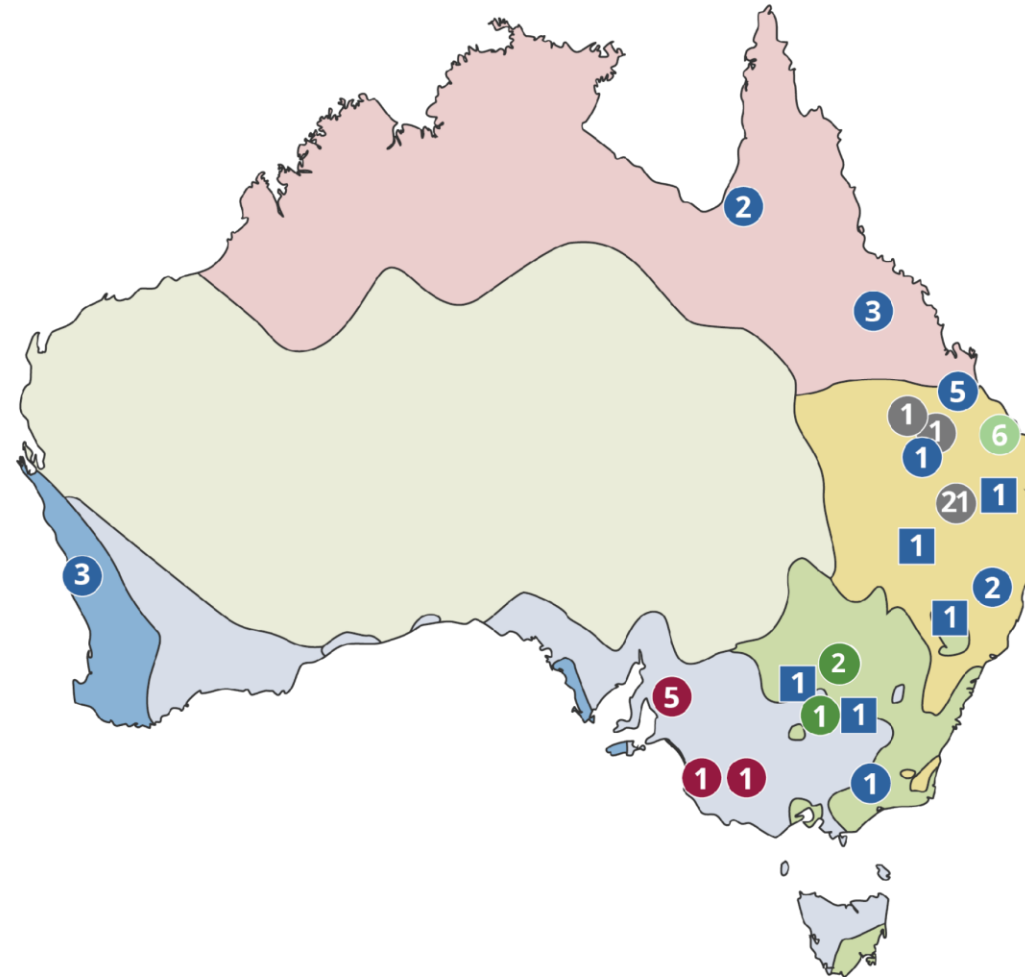
Note:
1. The Moorall almond orchard sale is conditional on completion of due diligence (within 45 days but subject to possible extensions) and Foreign Investment Review Board approval. Includes plant and equipment approximating \$3.8m.

Sectors and assets

Diversification of 61 properties, five agricultural sectors and multiple climatic zones.¹

Cattle	
Properties:	22
Description:	671,010 ha of breeding and backgrounding land. 150,000 head feedlot capacity
FY20 value:	\$334.9m
FY21f rent:	\$25.4m
Water entitlements:	10,550 ML

Vineyards	
Properties:	7
Description:	666 ha of mature vineyards
FY20 value:	\$63.6m
FY21f rent:	\$4.0m
Water entitlements:	936 ML



Cropping	
Properties:	23
Description:	7,822 of irrigated cropping and dryland cropping land, 5,409 ha sugar cane and cropping
FY20 value:	\$51.6m
FY21f rent:	\$3.9m
Water Entitlements	40,425 ML

Macadamias	
Properties:	6
Description:	273 ha of planted area, 86 ha under development and nursery
FY20 value:	\$19.9m
FY21f rent:	\$1.0m
Water entitlements:	1,709 ML

Almonds	
Properties:	3
Description:	4139 ha - 1,006 ha of mature orchards and 3,133 ha of maturing orchards
FY20 value:	\$451.4m
FY21f rent:	\$31.5m
Water entitlements:	51,941 ML

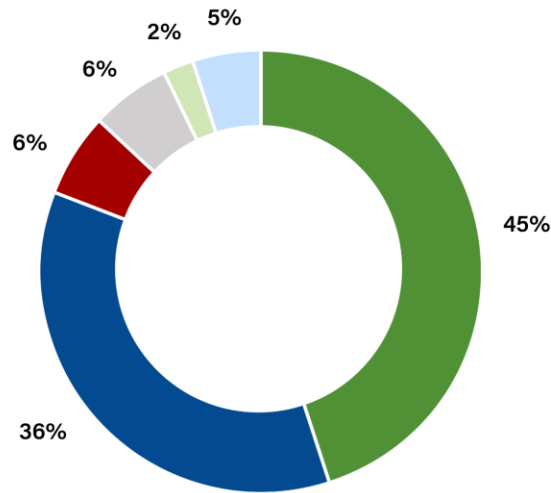
Note:

1. Shaded areas denote climatic zones differentiated by rainfall seasonality. Source: Bureau of Meteorology; see RFF Climatic Diversification discussion paper, 20 Jun 2016. Blue square boxes on map denote cattle feedlots. Number of properties and forecast FY21 rent includes Maryborough properties (expected to settle Oct 2020, shown as cropping until converted to macadamias), and disposal of Moorall (expected to settle Dec 2020). The Moorall almond orchard sale is conditional on completion of due diligence (within 45 days but subject to possible extensions) and Foreign Investment Review Board approval. Murrumbidgee High Security water entitlement (8,754 ML) with a value of \$65.2m not shown. FY20 values and FY21 rent excludes plant and equipment. Numbers in the icons show number of assets in that area.

Forecast FY21 revenue diversification

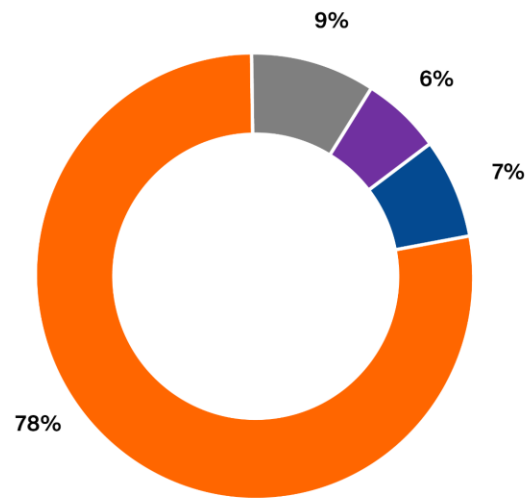
Diversification by agricultural sector, lessee type and indexation mechanism.¹

Agricultural sectors



- Almond
- Cattle
- Vineyards
- Cropping
- Macadamias
- Other

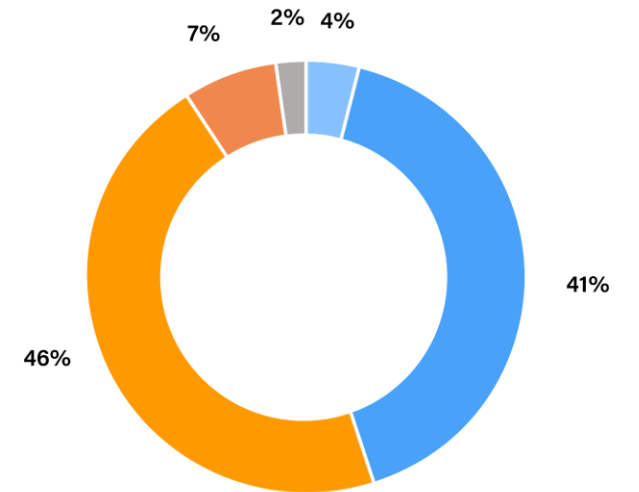
Lessees and counterparts by type²



- RFM Farming operations
- Investment funds
- Private farming
- Listed and corporates



Indexation and mechanisms



- Fixed indexation (2.5%)
- Fixed indexation (2.5%) with market review
- CPI linked indexation
- CPI linked indexation with market review
- Other

Notes:
 1. Figures shown are subject to rounding. Forecast includes the disposal of Moorall (expected to settle Dec 2020). The Moorall almond orchard sale is conditional on completion of due diligence (within 45 days but subject to possible extensions) and Foreign Investment Review Board approval.
 2. Lessees shown by FY21f revenue. Olam refers to Olam Orchards Australia Pty Ltd, a wholly owned subsidiary of SGX-listed Olam International Ltd (SGX: O32). Income from J&F Australia Pty Ltd attributed to JBS Australia. Cotton JV income split 50% RFM and 50% listed and corporate (Queensland Cotton Corporation Pty Ltd). Excludes non-lessee income e.g. annual water allocation sales, and properties where a lessee is currently being sought.

Environment, social and governance (ESG)

RFM has policies and procedures which address ESG issues.

Environment	Social	Governance
<p>Climate change</p> <ul style="list-style-type: none"> Climate diversification strategy. RFM will continue to monitor emissions and seek to implement infrastructure and practice changes. RFM considers climate change may present risks primarily in the form of residual risk of the assets at the end of the lease terms. These risks may be mitigated by how assets are managed. External valuations consider these types of factors as well as other risks when determining the valuations of the assets. <p>Management of natural resources</p> <ul style="list-style-type: none"> Leases require operators to use appropriate agricultural production methods, including minimising environmental impact, protecting biodiversity, management of water and soil health. 	<p>Employment</p> <ul style="list-style-type: none"> RFM, as responsible entity of RFF, has implemented a range of staff related policies including code of conduct, HSE (health, safety and environment), incident management, diversity and equal opportunity. RFM has also implanted an extensive HSE management system to educate employees and contractors. The RFM Board receives a monthly HSE report. <p>Animal welfare</p> <ul style="list-style-type: none"> RFM has policies and procedures in place that are explicit about animal health and welfare. <p>Community engagement</p> <ul style="list-style-type: none"> RFM has committed \$1m over three years to assist farmers in Taken, Cambodia with agricultural practices to improve farm productivity (see adjacent). 	<p>Compliance committee</p> <ul style="list-style-type: none"> RFM has an internal compliance committee consisting of representatives of different business units reporting to the RFM Board of Directors. <p>Conflicts of interest and related party transactions</p> <ul style="list-style-type: none"> RFM always acts in the best interest of the unitholders of the funds it manages. RFM has a Conflict of Interest Management Policy. Additional responsibilities are set out in RFF's Constitution, the Corporations Act, ASX Listing Rules and Australian Financial Services Licence. The RFM Board receives a monthly report covering compliance, any conflicts of interest and related party transactions.

Taken project

In May 2019 Rural Funds Management committed to providing resources and agricultural expertise to improve the economic and social prospects of the village of Taken, located in the Battambang prefecture of western Cambodia.

The aim of the Taken project is to educate and mentor local farmers to develop more modern, sustainable and diversified agricultural enterprises. RFM (not RFF) has committed to providing \$1m over three years, as well as ongoing advice and support to achieve this aim.

To view a video update of the Taken project and see how RFM is “Managing Good Assets with Good People” visit: www.ruralfunds.com.au/mgawgp/.

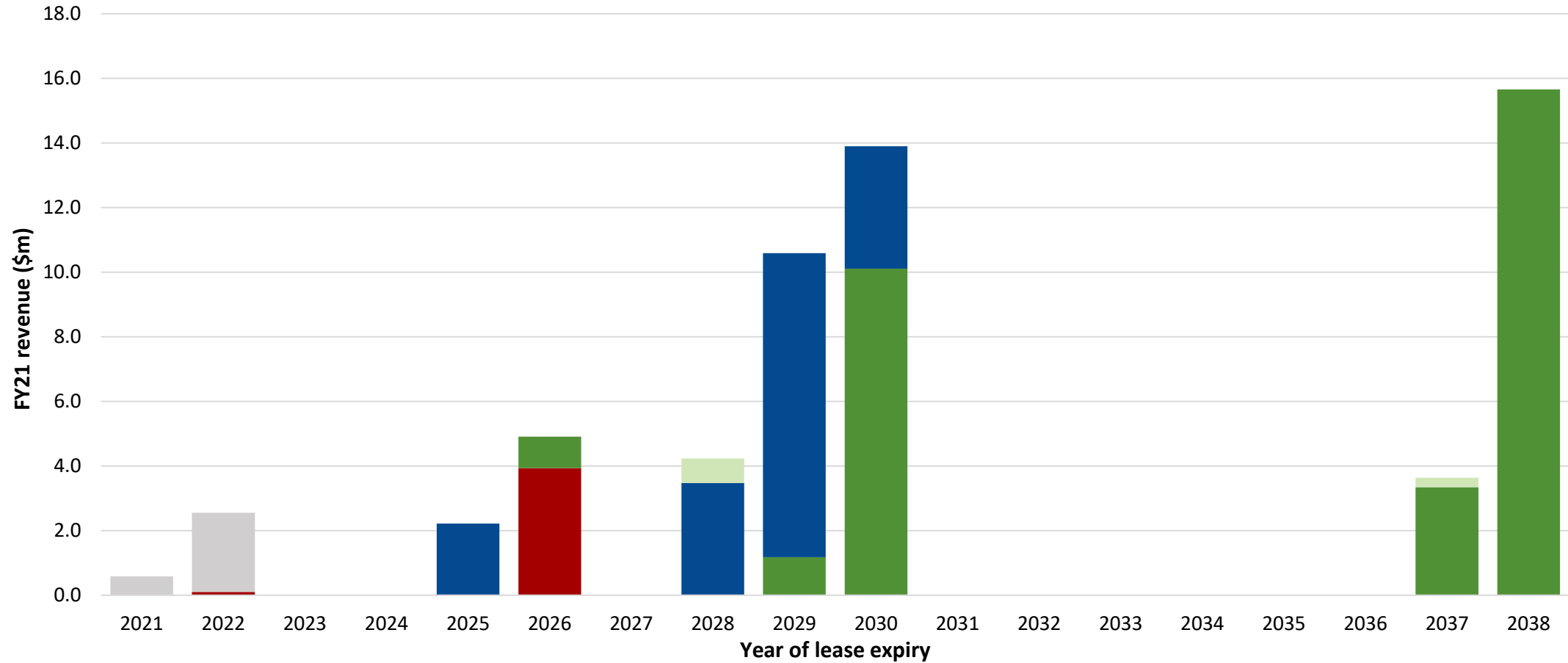


One of the key objectives of the project is to increase rice production (image left) by improving farming practices. New pump, as part of the recently developed irrigation system (image right). Taken, Cambodia.

Lease expiry profile

Portfolio WALE of 10.9 years

Lease expiry profile¹




Vineyards Almonds Cattle Macadamias Cropping

Note:

1. Calculated as the FY21 forecast rent and the year of lease expiry. Excludes properties not leased.

Productivity and higher and better use developments

Developments to occur on 44 properties.¹

 Cattle	Region	Acquisition date	Rent review	Productivity improvements	Initial	Five year developments
Mutton Hole & Oakland Park	Gulf, Qld	July 2016	Year 5	Water points	102	21
			Year 5	Pasture improvement	20,000 ha	20,000 ha
Rewan	central Qld	August 2016	Year 5	Water points	42	40
				Cultivation area	3,432 ha	250 ha
				Pasture improvement	645 ha	200 ha
Natal aggregation	north Qld	December 2017	Year 5	Water points	96	50
Cerberus	central Qld	September 2018	Year 5	Cultivation area	0 ha	600 ha
				Pasture improvement	0 ha	250 ha
Comanche	central Qld	July 2018	Year 5	Cultivation area	0 ha	342 ha
				Irrigated area	0 ha	225 ha
				Pasture improvement	172 ha	595 ha
Dyamberin	New England, NSW	October 2018	Year 5	Grazing area	1,175 ha	Existing area
Woodburn	New England, NSW	January 2019	Year 5	Grazing area	802 ha	Existing area
Cobungra	Victoria	March 2019	Year 5	Grazing area	4,221 ha	Existing area
Petro, High Hill, and Willara	south WA	February 2020	Year 5	Irrigated area	200 ha	Existing area
				Grazing area	5,402 ha	Existing area
 Cropping	Region	Acquisition date		Productivity improvements	Initial	Five year developments
Lynora Downs	central Qld	December 2016		Water storage	10,405 ML	4,142 ML
				Irrigated cropping	779 ha	741 ha
Mayneland	central Qld	September 2018		Water storage	5,700 ML	2,900 ML
				Irrigated cropping	485 ha	246 ha
 Macadamias	Region	Acquisition date		Productivity improvements	Initial	Five year developments
Cygnnet	central Qld	October 2019		Macadamia orchard	0 ha	38 ha
Swan Ridge South	central Qld	March 2020		Macadamia orchard	0 ha	40 ha
Nursery Farm	central Qld	March 2020		Macadamia orchard	12 ha	28 ha
Rockhampton properties	central Qld	Jan - Dec 2020		Macadamia orchard	0 ha	TBC
Maryborough properties	central Qld	Forecast October 2020		Macadamia orchard	0 ha	2,200 ha

Note:

- Five year developments refer to development potential of assets. Pasture improvement 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.

Capital expenditure

Forecast capex of \$29.0m will attract rent as it is deployed.

Capital expenditure profile¹

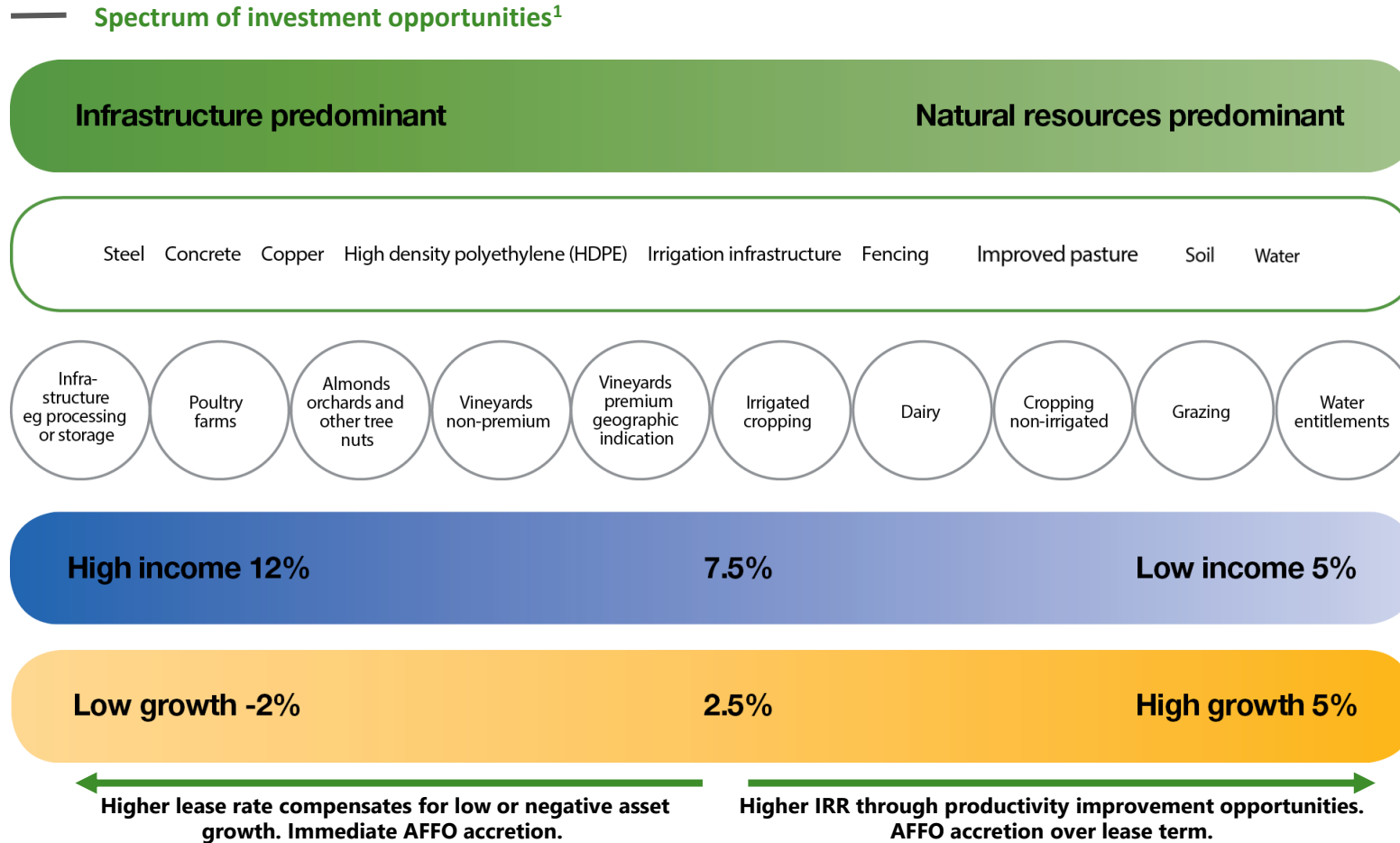
	FY20 (\$m)	FY21f (\$m)	FY22f (\$m)	Total forecast (\$m)	Description
Almonds	10.8	5.7	0.0	5.7	FY21 capex for remaining Kerarbury water delivery infrastructure.
Cattle	3.9	10.8	0.5	11.3	Productivity developments and infrastructure.
Cropping	2.2	10.0	0.0	10.0	Productivity developments and infrastructure.
Vineyards	0.5	0.9	0.9	1.8	Vineyard redevelopment.
Macadamias	1.3	0.2	0.0	0.2	Orchard infrastructure.
Total (\$m)	18.7	27.6	1.4	29.0	

Note:

1. Figures shown are subject to rounding. Forecast capex which does not currently add to rental base is not shown. Includes forecast figures for identified development opportunities which are yet to be finalised with lessees.

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).



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 Apr 2014 and May 2016 for further information.

Rural Funds Management

RFM is a fund and farm manager with 23 years experience in Australian agriculture.

Key information

Information	Details
Established	1997
Assets under management	\$1.3 billion
Ownership	Directors and staff
Farm and operations staff	65
Funds management staff	49
RFM direct operational experience	Cropping: since 1998 Vineyards: since 2000 Poultry: 2003 to 2019 Almonds: since 2006 Macadamias: since 2006 Livestock: since 2010
RFF fee structure	1.05% p.a. adjusted total assets & cost recovery
RFM 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.

RFM Board and RFF corporate management (including tenure)



Guy Paynter
*Non – Executive
 Chairman
 10 years*



David Bryant
*Managing
 Director
 23 years*



Michael Carroll
*Non – Executive
 Director
 10 years*



Julian Widdup
*Non – Executive
 Director
 3 years*



Tim Sheridan
*Chief Operating
 Officer
 12 years*



Daniel Yap
*Chief Financial
 Officer
 8 years*



Emma Spear
*Company Secretary
 11 years*



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



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



David Thomson
*Senior Business
 Manager
 13 years*



Scott Roxburgh
*Business Manager
 10 years*



Peter Wong
*Finance Manager
 3 years*

Rural Funds Group | ASX: RFF

Managed by:



David Bryant



Dan Edwards



Matt Mitchell



Scott Norval



James Powell



Scott Roxburgh



Tim Sheridan



Kristina Smith



Emma Spear



David Thomson



Daryl Winter



Daniel Yap

RFM corporate and farm management (listed alphabetically by surname)

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*managing good assets
with good people:*



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