

# Rural Funds Group

ASX:  
RFF

Managed by:



Rural Funds Group Stapled Securities Fully Paid (ASX:RFF)  
incorporating Rural Funds Trust (ARSN 112 951 578) and RF Active (ARSN 168 740 805)

Managing good assets with good people

**Rural Funds Management Ltd**

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9 July 2021

Dear Unitholder

## Rural Funds Group Entitlement Offer – Notification to Ineligible Retail Unitholders

On 8 July 2021, Rural Funds Management Limited (ACN 077 492 838; AFSL 226701) ("**RFM**"), as responsible entity of Rural Funds Trust (ARSN 112 951 578) ("**RFT**") and RF Active (ARSN 168 740 805) trading as Rural Funds Group ("**RFF**" or "**Offeror**") announced a fully underwritten 1 for 8.4 accelerated pro rata non-renounceable entitlement offer ("**Entitlement Offer**") to raise approximately A\$100 million. This letter is to inform you about the Entitlement Offer, and to explain why you will not be able to participate in the Entitlement Offer. This letter is not an offer capable of acceptance by you, nor an invitation for you to apply to participate in the Entitlement Offer. **You are not required to do anything in response to this letter, but there may be financial implications for you as a result of the Entitlement Offer that you should be aware of.**

### Details of the Entitlement Offer

The Entitlement Offer is fully underwritten and comprises an institutional component ("**Institutional Entitlement Offer**") and an offer to Eligible Retail Unitholders (as defined below) ("**Retail Entitlement Offer**").

The purpose of the Equity Raising is to provide capital for:

1. The development of 1,000 ha of macadamia orchards;
2. The acquisition of cattle properties to be leased to corporate lessees; and
3. The acquisition of up to 8,338ML of water entitlements for \$38.4m<sup>1</sup> ("**Water Entitlements**").

Over the past two financial years RFF has acquired \$104 million of land and water in Rockhampton, Bundaberg and Maryborough for the development of 5,000 ha of macadamia orchards. Planting has commenced at Maryborough, with 500 ha to be planted by November 2021. An additional 500 ha will be planted by June 2022. The Equity Raising provides funding for these developments.

Planted orchards are tangible assets and more marketable than green field developments. As the orchards mature, they increase in value and may be leased at higher rates. However, as these assets currently achieve lower rates of return, RFM has reduced its FY22 management fee to zero for this portion of the portfolio. RFM is in discussions with several institutional and corporate lessees, and as assets are leased, management fees will resume.<sup>2</sup>

The Equity Raising will also provide \$100 million of capital for additional acquisitions. RFM, in conjunction with several corporate lessees, is seeking to acquire cattle properties which are likely to have similar productivity development potential as RFF's existing cattle properties. In addition, RFM has identified cropping opportunities, also with development potential.

<sup>1</sup> The Water Entitlements are being acquired in two tranches. Contracts have been exchanged for 6,533 ML, there is a risk that the balance may not exchange.

<sup>2</sup> Management fees will only be charged when assets generate market rates of income via leasing as cattle or cropping properties, or macadamia orchards.

Finally, the Equity Raising will be used to acquire Water Entitlements in the NSW Riverina, which are leased to a private farming company. The lease term will be five years and is adjusted funds from operations (AFFO) accretive. RFF believes demand for secure water in this region will increase over the long term, as permanent plantings such as almond orchards continue.

The Retail Entitlement Offer is being made to Eligible Retail Unitholders (as defined below) on the basis of 1 new unit in RFF ("**New Unit**") for every 8.4 existing units ("**Existing Units**") held at 7.00pm (AEST) on Monday, 12 July 2021 ("**Record Date**"), at an offer price of \$2.47 per New Unit.

Documents relating to the Retail Entitlement Offer will be lodged with the ASX and dispatched to Eligible Retail Unitholders on 14 July 2021.

### **Eligibility to participate in the Retail Entitlement Offer**

An **Eligible Retail Unitholder** is a holder of unit in RFF who:

- was a registered holder of Existing Units as at 7.00pm (AEST) on the Record Date;
- has a registered address on the RFF Unitholder register in Australia or New Zealand
- is not in the United States and is not acting for the account or benefit of a person in the United States (to the extent such person is a holder of unit in RFF for the account or benefit of such person in the United States);
- did not receive an offer to participate (other than a nominee) or were otherwise ineligible to participate under the Institutional Entitlement Offer; and
- is eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer.

If you are a retail Unitholder that is not an Eligible Retail Unitholder, then you are an **Ineligible Retail Unitholder**.

Given the relatively small number of Ineligible Retail Unitholders and the cost and complexity of complying with the legal requirements to enable the Entitlement Offer to be made to those Ineligible Retail Unitholders, RFF has decided, as permitted by relevant regulations, not to extend the Entitlement Offer to those Ineligible Retail Unitholders.

As a retail Unitholder and because your registered address is not in Australia or New Zealand you do not meet the criteria for an Eligible Retail Unitholder, and therefore RFF is unable to extend to you the opportunity to participate in the Retail Entitlement Offer. If our records are incorrect on this matter, please contact the RFF Unitholder information line on the details below.

As the Retail Entitlement Offer is non-renounceable, entitlements in respect of the New Units you would have been entitled to if you were an Eligible Retail Unitholder will lapse and you will not receive any payment or other value for your entitlements in respect of any New Units that would have been offered to you if you had been an Eligible Retail Unitholder.

An **Institutional Unitholder** is a holder of units in RFF on the Record Date, to whom:

- an offer of New Units may be made in Australia without a disclosure document or product disclosure statement (as defined in the Corporations Act) on the basis that such a person is an "exempt investor" as defined in ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84; or
- an offer of New Units may be made outside Australia without registration, lodgement of a formal disclosure document or other formal filing in accordance with the laws of that particular foreign jurisdiction (or in any other jurisdiction to the extent the issuers are willing to comply with such requirements).

### **You are not required to do anything in response to this letter**

You do not need to respond to this letter. If you have questions in relation to any of the matters described above, please call the RFF Unitholder information line on 1800 026 665 (within Australia) or on +61 2 6203 9700 (outside Australia) at any time from 8.30am to 5.00pm (AEST) Monday to Friday (excluding public holidays) during the Retail Entitlement Offer Period.

On behalf of RFF and my fellow directors, I thank you for your ongoing support.

Yours faithfully



**David Bryant**  
Managing Director

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### Important Notices

This letter does not constitute or form part of an offer, invitation, solicitation, advice or recommendation with respect to the issue, purchase or sale of any unit in RFF. In particular, this letter does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The New Units that will be offered and sold in the Entitlement Offer have not been, nor will be, registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Units must not be offered or sold to persons in the United States or persons acting for the account or benefit of persons in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.

The provision of this letter is not, and should not be considered as, financial product advice. The information in this letter is general information only, and does not take into account your individual objectives, taxation position, financial situation or needs. Before acting on the information, you should consider the appropriateness of the information, having regard to your objectives, taxation position, financial situation or needs. If you are unsure of your position, please contact your accountant, tax advisor, stockbroker or other professional advisor.

### Rural Funds Group (RFF)

Rural Funds Group is an agricultural Real Estate Investment Trust (REIT) listed on the ASX under RFF. RFF owns a diversified portfolio of Australian agricultural assets which are leased predominantly to corporate agricultural operators. RFF target distribution growth of 4% per annum by owning and improving farms that are leased to good counterparties. RFF is a stapled security, incorporating Rural Funds Trust (ARSN 112 951 578) and RF Active (ARSN 168 740 805).

### Rural Funds Management (RFM)

Rural Funds Management Ltd (RFM) is the responsible entity and manager of RFF. RFM is an agricultural fund and asset manager established in 1997. The management team includes specialist fund managers, finance professionals, horticulturists, agronomists and other agricultural managers. RFM's company culture is informed by its long-standing motto "Managing good assets with good people".

#### Authorised by:

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