

# Rural Funds Group | ASX: RFF

## Retail Offer Booklet

### Issuer

Rural Funds Management Limited  
ACN 077 492 838, AFSL 226701  
as Responsible Entity of Rural Funds Trust ARSN 112 951 578 and RF Active  
ARN 168 740 805 trading as **Rural Funds Group (ASX: RFF)**

3 for 10 accelerated pro rata non-renounceable entitlement offer at \$1.95 per Unit.

**Last date for acceptance and payment:**  
**5.00pm Australian Eastern Standard Time (AEST) on 1 August 2018**

If you are an Eligible Retail Unitholder, this is an important document that requires your immediate attention. It should be read in its entirety. If, after reading this document, you have any questions about the securities being offered for issue under it, or any other matter, you should contact your stockbroker, solicitor, accountant or other professional adviser.

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

### Joint Lead Managers and Underwriters

UBS AG, Australia Branch ABN 47 088 129 613  
Bell Potter Securities Limited ABN 25 006 390 772  
Wilsons Corporate Finance Limited ABN 65 057 547 323

**Issue Date**  
13 July 2018

Managed by:



# IMPORTANT NOTICES

This Retail Offer Booklet is issued by Rural Funds Management Limited (ABN 65 077 492 838) (the **“Responsible Entity”** or **“RFM”**) as the Responsible Entity of the Rural Funds Group (“**RFF**” or the **“Fund”**) and is dated 13 July 2018.

This Retail Offer Booklet and the Entitlement and Acceptance Form are important and require your immediate attention. You should read these documents carefully and in their entirety, before deciding whether or not to participate in the Retail Entitlement Offer.

You should consider the risk factors outlined in the Investor Presentation, which is included in this Retail Offer Booklet at section 3, and the tax implications outlined in section 4 of this Retail Offer Booklet. The potential tax effects of the Entitlement Offer will vary between individual investors, and each investor should seek their own professional taxation advice before deciding whether or not to participate in the Retail Entitlement Offer. The information provided in this Retail Offer Booklet does not constitute financial product advice.

**Neither this Retail Offer Booklet nor the Entitlement and Acceptance Form is a product disclosure statement for the purposes of the Corporations Act 2001. Accordingly, these documents do not contain all of the information which a prospective investor may require to make an investment decision. They do not, and are not required to, contain all of the information that would otherwise be required to be disclosed in a product disclosure statement. They are not required to be, and will not be, lodged with ASIC.**

The Retail Offer Booklet should be read in conjunction with RFF's continuous disclosure announcements made to the Australian Securities Exchange (“**ASX**”) available at [www.asx.com.au](http://www.asx.com.au).

The Responsible Entity does not give any undertaking or representation that information in this Retail Offer Booklet will be updated, except to the minimum extent required by law. Neither the Responsible Entity nor any other person warrants or guarantees the future performance of RFF or any return on any investment made under this Retail Offer Booklet.

## Past performance

Investors should note that RFF's past performance, including past Unit price performance, cannot be relied upon as an indicator of (and provides no guidance as to) RFF's future performance including RFF's future financial position or unit price performance.

## Forward-looking statements

This Retail Offer Booklet contains certain ‘forward-looking statements’. Forward-looking statements include those containing words such as: ‘anticipate’, ‘believe’, ‘expect’, ‘project’, ‘forecast’, ‘estimate’, ‘likely’, ‘intend’, and other similar expressions. Any forward-looking statements, opinions and estimates provided in this Retail Offer Booklet are based on assumptions and are subject to change without notice and involve known or unknown risk and uncertainties and other factors that are beyond the control of the Responsible Entity.

Forward-looking statements may include indications, projections, forecasts and guidance on earnings, distributions and other estimates. Forward-looking statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Actual results, performance or achievements may differ

materially from those expressed or implied in such statements and any projections and assumptions on which those statements are based. Readers are cautioned not to place undue reliance on forward-looking statements and, except as required by law or regulations, the Responsible Entity assumes no obligation to update these forward-looking statements. To the maximum extent permitted by law, the Responsible Entity, the Underwriters and their directors, officers, employees, agents, associates and advisers disclaim any obligation or undertaking to release any updates or revisions to the information to reflect any change in the expectations or assumptions. Moreover, they do not make any representation or warranty, express or implied, as to the accuracy, reliability or completeness of such information, or likelihood of fulfilment of any forward-looking statement or any event or results expressed or implied in any forward-looking statement, and disclaim all responsibility and liability for these forward-looking statements (including, without limitation, liability for negligence).

## Risks

Refer to the ‘Key Risks’ section of the Investor Presentation included in section 3 of this Retail Offer Booklet for a summary of general and specific risk factors that may affect RFF.

## Financial information

Unless otherwise stated, all numbers in this Retail Offer Booklet are in A\$ and financial data is presented as at 31 December 2017.

## Times and dates

Times and dates in this Retail Offer Booklet are indicative only and subject to change. All times and dates refer to Australian Eastern Standard Time. Refer to the Key Dates section of this Retail Offer Booklet for more details.

## No overseas registration

This Retail Offer Booklet does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Units or the Retail Entitlement Offer, or to otherwise permit an offering of Units, in any jurisdiction outside Australia and New Zealand.

The distribution of this Retail Offer Booklet (including in electronic form) outside Australia and New Zealand may be restricted by law and persons who come into possession of this Retail Offer Booklet outside Australia and New Zealand should observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of the applicable securities laws.

In particular, the Units have not been, and will not be, registered under the US Securities Act of 1933 (“**US Securities Act**”), and may not be offered or sold in the United States or to, or for the account or benefit of, persons in the United States unless the Units are registered under the **US Securities Act**, or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the **US Securities Act**.

**The Investor Presentation, included in this Retail Offer Booklet at section 3, contains other important notices, disclaimers and acknowledgements. Please see section 5.17 of this Retail Offer Booklet for important Eligible Unitholder declarations in relation to the Retail Entitlement Offer.**

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## Contact details

Website: [www.ruralfunds.com.au](http://www.ruralfunds.com.au)  
Email (investors): [investorservices@ruralfunds.com.au](mailto:investorservices@ruralfunds.com.au)  
Email (advisers): [adviserservices@ruralfunds.com.au](mailto:adviserservices@ruralfunds.com.au)  
Phone (investors): 1800 026 665  
Phone (advisers): 1300 880 295  
Fax: 1800 625 518  
Postal: Locked Bag 150 Kingston ACT 2604

## Enquiries

If you have any questions, please consult your financial adviser or other professional adviser, or call Rural Funds Management on 1800 026 665 (from within Australia) or +61 2 6203 9700 (from outside Australia) from 8.30am to 5.00pm (AEST), Monday to Friday.

# LETTER FROM THE CHAIRMAN AND MANAGING DIRECTOR

Dear Unitholder

Rural Funds Management Limited ("RFM"), as Responsible Entity and manager of Rural Funds Group ("RFF"), is pleased to offer you the opportunity to participate in a fully underwritten 3 for 10 accelerated non-renounceable entitlement offer of new units in RFF ("New Units") at an offer price of \$1.95 per New Unit ("Offer Price").

## Entitlement Offer

On 12 July 2018, RFM announced its intention to raise approximately \$149.5 million via a fully underwritten 3 for 10 accelerated non-renounceable entitlement offer ("Entitlement Offer") at the Offer Price.

The Entitlement Offer comprises:

- > an offer to Eligible Institutional Unitholders ("Institutional Entitlement Offer"); and
- > an offer to Eligible Retail Unitholders ("Retail Entitlement Offer") to which this Retail Offer Booklet relates.

The Institutional Entitlement Offer was successfully completed on 12 July 2018 and raised approximately \$42 million.

The Entitlement Offer is fully underwritten by UBS AG, Australia Branch, Bell Potter Securities Limited and Wilsons Corporate Finance Limited ("Underwriters") subject to the terms of an underwriting agreement (see section 5.11 for more details).

## Use of proceeds

Proceeds from the Entitlement Offer will be used to acquire JBS Australia's ("JBS") five Australian feedlots and associated cropping land and water entitlements ("Feedlots") for \$52.7 million including stamp duty. RFF will also provide a \$75.0 million guarantee ("Guarantee") to J&F Australia Pty Ltd ("J&F"), an entity that will be a wholly-owned subsidiary of RFM. This will enable JBS to replace an existing arrangement for the supply of cattle for its grainfed business. The Guarantee is subject to Unitholder approval at a general meeting to be held on 10 August 2018.

The Feedlots and Guarantee reflect a total capital commitment by RFF of \$127.7 million ("JBS Agreements").

On 17 May 2018, RFM announced that RFF had entered into a contract to acquire a cattle property located in central Queensland ("Comanche") for \$16.6 million including stamp duty, which together with the JBS Agreements will comprise the "Transactions".

## Strategic rationale

The Transactions will provide a number of benefits to RFF, including:

- > Good assets with a good counterpart:
  - Feedlots are located in grain and cattle growing regions, and are operated by JBS, Australia's largest beef processor.
  - Comanche offers productivity improvement potential similar to that demonstrated on RFF's existing cattle properties.
- > Improving RFF's sector diversification by increasing exposure to the cattle sector, which is a sector in which Australia possesses a comparative advantage and RFM has direct operational knowledge.

- > Accretive to AFFO as well as creating balance sheet capacity for future acquisitions.
- > Consistent with REIT structure, as Feedlots are underpinned by a 10 year<sup>1</sup> triple net lease with CPI indexation. The Guarantee provides a return underpinned by a 10 year agreement with no direct operating risk. The Comanche lease will have similar terms to RFF's existing cattle leases.

RFM is pleased to provide Eligible Retail Unitholders with an opportunity to increase their investment in RFF and participate in the expected benefits of the acquisitions and long-term growth of RFF.

#### Retail Entitlement Offer

This letter relates to the Retail Entitlement Offer, which will raise approximately \$108 million. Under the Retail Entitlement Offer, Eligible Retail Unitholders can subscribe for 3 New Units for every 10 Units they hold as at the Record Date at an Offer Price of \$1.95 per New Unit. The Offer Price under the Retail Entitlement Offer is the same Offer Price as for the Institutional Entitlement Offer, and represents a:

- > 5.8% discount to RFF's last close price on 10 July 2018 of \$2.07
- > 7.0% discount to RFF's 5-day volume weighted average price ("VWAP") of \$2.10
- > 4.5% discount to the theoretical ex-rights price ("TERP") of \$2.04<sup>2</sup>
- > forecast FY19 distribution yield of 5.3%

New Units issued will rank equally with existing Units in RFF and will be fully entitled to the distribution for the quarter ending 30 September 2018, which is expected to be 2.61 cents per Unit.

The number of New Units which you are entitled to subscribe for under the Retail Entitlement Offer ("Entitlement") is set out in your personalised Entitlement and Acceptance Form that will accompany this Retail Offer Booklet when it is dispatched to Eligible Retail Unitholders on 18 July 2018.

If you wish to participate in the Retail Entitlement Offer you must ensure that your Application Monies are received before 5.00pm (AEST) on 1 August 2018 ("Final Retail Closing Date"), otherwise your rights under the Retail Entitlement Offer will lapse. Instructions for how to pay your Application Monies are set out in your personalised Entitlement and Acceptance Form that will accompany this Retail Offer Booklet when it is dispatched to you. Additionally, you have the opportunity to apply and pay for your Entitlements before 5.00pm (AEST) on 24 July 2018 ("Early Retail Closing Date"), and your New Units will be allotted on 26 July 2018.

You should seek appropriate professional advice before making any investment decisions. If you have any questions about the Retail Entitlement Offer, please contact RFM Investor Services on 1800 026 665 (from within Australia) or +61 2 6203 9700 (from outside Australia) from 8.30am to 5.00pm (AEST), Monday to Friday prior to the Final Retail Closing Date.

If you do not wish to take up any of your Entitlement, you do not have to take any action.

The RFM Directors encourage you to participate in the Entitlement Offer and thank you for your continued support.

Yours faithfully




**Guy Paynter**  
Chairman

**David Bryant**  
Managing Director

<sup>1</sup> The cattle agreements between J&F and JBS are for a period of 10 years and are expected to commence shortly after Unitholder approval is received. The leases over the Feedlots will have the same end date as the cattle agreements and will only commence once FIRB and other approvals, including two subdivisions, have been obtained, and thus will have a shorter term.

<sup>2</sup> TERP is calculated with reference to the last close price of \$2.07 on 10 July 2018.

# SUMMARY OF THE ENTITLEMENT OFFER

<b>RATIO</b>	3 New Units for every 10 Existing Units
<b>ISSUE PRICE</b>	\$1.95 per New Unit
<b>SIZE</b>	Approximately 76,689,155 New Units
<b>GROSS PROCEEDS</b>	Approximately \$149.5 million

## KEY DATES

EVENT	DATE
Trading halt, Institutional Entitlement Offer opens	Thursday, 12 July 2018
Institutional Entitlement Offer closes	Thursday, 12 July 2018
Trading of Units recommences on ASX on an 'ex-entitlement' basis	Friday, 13 July 2018
Record Date for determining entitlement to subscribe for New Units	7.00pm (AEST), Monday, 16 July 2018
Retail Entitlement Offer Booklet is dispatched and Retail Entitlement Offer opens	Wednesday, 18 July 2018
Early Retail Closing Date	5.00pm (AEST), Tuesday, 24 July 2018
Settlement of New Units issued under the Institutional Entitlement Offer and Retail Entitlement Offer for applications received by the Early Retail Closing Date	Wednesday, 25 July 2018
Allotment and normal trading of New Units issued under the Institutional Entitlement Offer and Retail Entitlement Offer for applications received by the Early Retail Closing Date	Thursday, 26 July 2018
Retail Entitlement Offer closes	5.00pm (AEST), Wednesday, 1 August 2018
Allotment of remaining New Units issued under the Retail Entitlement Offer	Wednesday, 8 August 2018
Dispatch of holding statements and normal trading of remaining New Units issued under the Retail Entitlement Offer	Thursday, 9 August 2018

*This timetable is indicative only and subject to change. The Responsible Entity may vary these dates, in consultation with the Underwriters, subject to the ASX Listing Rules. The last day for extension of the closing date is Friday 27 July 2018. An extension of the Closing Date will delay the anticipated date for issue of the New Units.*

*The Responsible Entity also reserves the right not to proceed with the whole or part of the Entitlement Offer any time prior to issue of the New Units. In that event, the relevant Application Monies (without interest) will be returned in full to Applicants.*

## Capital structure

Subject to rounding down of fractional Entitlements, the equity structure of RFF following the issue of New Units is expected to be as follows:

Units on issue as at 12 July 2018 (announcement of the Entitlement Offer)	255,630,515
New Units to be issued under the Entitlement Offer	76,689,155
Units on issue after the Entitlement Offer	332,319,670

## Underwriting

The Entitlement Offer is fully underwritten by UBS AG, Australia Branch, Bell Potter Securities Limited and Wilsons Corporate Finance Limited.

## Risks

The key risks associated with an investment in RFF are set out in the Investor Presentation in section 3 of this Retail Offer Booklet.

# WHAT SHOULD YOU DO?

## 1. Read this Retail Offer Booklet and the accompanying Entitlement and Acceptance Form

This Retail Offer Booklet and the accompanying personalised Entitlement and Acceptance Form contain important information about the Retail Entitlement Offer. You should read them carefully and in their entirety before deciding whether or not to participate in the Retail Entitlement Offer.

Eligible Retail Unitholders will receive a personalised Entitlement and Acceptance Form, accompanying this Retail Offer Booklet, setting out their Entitlement. Those Unitholders who have elected to receive notices by email, will receive an email with a direct link to their personalised Entitlement and Acceptance Form and the Retail Offer Booklet. Those Unitholders who have not elected to receive notices by email will receive both documents by post.

The Retail Entitlement Offer is not being made under a product disclosure statement and therefore does not contain all of the information that must be disclosed in a product disclosure statement. The Retail Entitlement Offer is being made pursuant to provisions of the *Corporations Act 2001*, which allow rights issues and related issues to be made by providing certain confirmations to the market on the basis that all information that investors and their professional advisers would reasonably require to make an informed investment decision in relation to the Retail Entitlement Offer, when read with this Retail Offer Booklet and the accompanying information, is publicly available. You should read the publicly available information on the Fund and the Entitlement Offer (for example, available on [www.ruralfunds.com.au/rural-funds-group/](http://www.ruralfunds.com.au/rural-funds-group/) or [www.asx.com.au](http://www.asx.com.au)) prior to deciding whether to accept your Entitlement and apply for New Units.

## 2. Consider the Retail Entitlement Offer in light of your particular investment objectives and circumstances

The Responsible Entity recommends that you seek appropriate professional advice before making an investment decision.

An investment in New Units is subject to investment risks as well as other known and unknown risks, some of which are beyond the control of the Responsible Entity, including the possible loss of income and principal invested. The Responsible Entity does not guarantee any particular rate of return or the performance of the Fund, nor does it guarantee the repayment of capital from the Fund or any particular tax treatment. In considering an investment in New Units, investors should have regard to (amongst other things) the 'Key risks' section in the Investor Presentation located at section 3 of this Retail Offer Booklet and the disclaimers outlined in this Retail Offer Booklet.

### 3. What are your options?

If you are an Eligible Retail Unitholder, you have three options in relation to the Retail Entitlement Offer: you may subscribe for all, some, or none of your Entitlement. **Eligible Retail Unitholders are not able to subscribe for more than their Entitlement.**

Allotment of New Units offered under the Early Retail Entitlement Offer will take place on 26 July 2018 and the allotment of New Units offered under the Retail Entitlement Offer will take place on 8 August 2018.

Eligible Retail Unitholders who do not participate in the Retail Entitlement Offer, or participate for an amount less than their Entitlement, will have their percentage holding in the Fund reduced.

Eligible Retail Unitholders who fully participate in the Retail Entitlement Offer will see their percentage holding in the Fund remain the same.

**This is an accelerated non-renounceable Entitlement Offer, and Entitlements cannot be traded or otherwise transferred on the ASX or any other exchange or privately. If you do not participate in the Retail Entitlement Offer, you will not receive any value for your Entitlement.**

### 4. Apply for New Units

To participate in the Retail Entitlement Offer, you must complete and lodge a valid Entitlement and Acceptance Form and Applicable Monies for New Units, or make a payment via BPAY, by 5.00pm (AEST) on 1 August 2018. You can also apply and pay by the Early Retail Closing Date, and be allotted New Units on 26 July 2018. See section 1.3 for more information.

**If you take no action, your Entitlement under the Retail Entitlement Offer will lapse.**

### 5. Questions

If you have any questions relating to the Retail Entitlement Offer, you can contact Rural Funds Management Limited on 1800 026 665 (from within Australia) or +61 2 6203 9700 (from outside Australia) from 8.30am to 5.00pm (AEST), Monday to Friday.

# OVERVIEW OF THE ENTITLEMENT OFFER

## 1.1 Overview

Rural Funds Group ("RFF") is a stapled security comprising two trusts: Rural Funds Trust and RF Active. Rural Funds Trust holds the majority of RFF's assets including the agricultural land, water and infrastructure from which it derives a passive income stream. At 31 December 2017 RF Active held around 8.59% of RFF's assets, comprising Murrumbidgee River high-security water entitlements, breeding cattle and plant and equipment. RF Active assets are considered to be operational in nature.

The Responsible Entity is offering Eligible Unitholders the opportunity to subscribe for 3 New Units for every 10 Existing Units held on the Record Date at an issue price per New Unit of \$1.95. The Entitlement Offer is non-renounceable, which means that the Entitlements are non-transferable and cannot be sold or traded. The Entitlement Offer comprises:

- > the Institutional Entitlement Offer; and
- > the Retail Entitlement Offer (to which this Retail Entitlement Offer Booklet relates).

The Entitlement Offer is fully underwritten, and seeks to raise approximately \$149.5 million. The Offer Price under the Retail Entitlement Offer is the same as the Offer Price under the Institutional Entitlement Offer.

RFF raised approximately \$42 million through the Institutional Entitlement Offer<sup>3</sup> and is seeking to raise approximately \$108 million under the Retail Entitlement Offer.

The Entitlement Offer is non-renounceable which means that the Entitlements cannot be traded or otherwise transferred on the ASX or any other exchange or privately. If you do not participate in the Entitlement Offer, you will not receive any value for your Entitlement.

All New Units issued under the Entitlement Offer will be eligible to receive the quarterly distribution for the period ending 30 September 2018.

Information regarding the Entitlement Offer is contained in the ASX Announcement and the Investor Presentation at section 3 of this Retail Entitlement Offer Booklet.

## 1.2 Institutional Entitlement Offer

On 12 July 2018, Eligible Institutional Unitholders were given the opportunity to take up all or part of their Entitlement under the Institutional Entitlement Offer.

The Institutional Entitlement Offer to raise approximately \$42 million, at an Offer Price of \$1.95 per New Unit was successfully conducted on 12 July 2018. New Units are expected to be allotted on 26 July 2018 under the Institutional Entitlement Offer.

## 1.3 Retail Entitlement Offer

Eligible Retail Unitholders are being sent by email or post this Retail Entitlement Offer Booklet with a personalised Entitlement and Acceptance Form so that they may subscribe for all or part of their Entitlement.

The Retail Entitlement Offer constitutes an offer only to Eligible Unitholders, being Unitholders on the Record Date who have a registered address in Australia or New Zealand, and are eligible under all applicable laws to receive an offer under the Retail Entitlement Offer. A person in the United States or acting for the account or benefit of a person in the United States or an Institutional Unitholder is not entitled to participate in the Retail Entitlement Offer.

<sup>3</sup> Subject to settlement of the Institutional Entitlement Offer, which is scheduled to occur on 25 July 2018. The Institutional Entitlement Offer is fully underwritten (refer to section 5.11 for a description of key terms of the Underwriting Agreement).

Eligible Retail Unitholders have the opportunity to be allotted New Units up to their Entitlement at the same time as Eligible Institutional Unitholders under the Institutional Entitlement Offer, if they submit an Application and their relevant Application Monies are received by 5.00pm (AEST) on 24 July 2018 in accordance with their Entitlement and Acceptance Form. Otherwise, the Retail Entitlement Offer closes at 5.00pm (AEST) on 1 August 2018, with New Units to be allotted on 8 August 2018.

## 1.4 Ranking of New Units

New Units will be issued on a fully paid basis and will rank equally with Existing Units.

## 1.5 Reconciliation and fractional entitlements

The Responsible Entity may need to issue a small quantity of additional New Units to ensure all Eligible Institutional Unitholders and Eligible Retail Unitholders have the opportunity to receive their full Entitlement. The price, at which these Units will be issued, will be the same as the Offer Price of \$1.95.

The Responsible Entity may reduce the number of New Units allocated to Eligible Institutional Unitholders and Eligible Retail Unitholders if their Entitlement claims prove to be overstated.

To the extent that application of the offer ratio of 3 New Units for every 10 Existing Units results in a fractional entitlement to New Units for a particular Unitholder, that Unitholder's Entitlement shall be rounded down to the next whole number of New Units.

## 1.6 Control

Whilst some existing Unitholders may take a sub-underwriting position for the Entitlement Offer, RFM does not consider the issue of the New Units under the Entitlement Offer will have a material impact on the control of RFF.

## 1.7 Underwriting

The Entitlement Offer is fully underwritten by UBS AG, Australia Branch, Bell Potter Securities Limited and Wilsons Corporate Finance Limited. See section 5.11 for further information regarding the underwriting arrangements.

## 1.8 Use of funds

RFF will use the proceeds of the Entitlement Offer to fund two transactions.

RFM, as Responsible Entity of RFF, has agreed to acquire five Australian feedlots, associated water entitlements and adjacent cropping land ("Feedlots") from JBS Australia ("JBS") for \$52.7 million including stamp duty. The Feedlots will then be leased back to JBS via a 10 year triple net lease<sup>4</sup>. RFF will also provide a \$75.0 million limited guarantee ("Guarantee") to J&F Australia Pty Ltd ("J&F"), an entity to be acquired by RFM. J&F will supply JBS with cattle, feed and associated inputs up to a limit of \$250.0 million, enabling JBS to replace an existing arrangement. The Feedlots and Guarantee reflect a total capital commitment by RFF of \$127.7 million.

Proceeds of the Entitlement Offer will also be used to repay debt utilised to fund the purchase of Comanche, a 7,600 ha cattle property located 86km west of Rockhampton ("Comanche") for \$16.6 million including stamp duty. Settlement is expected to occur in July 2018 and the purchase price includes 864 ML of water entitlements.

In the event the Guarantee is not approved, and thus J&F and the Feedlots are not acquired, RFF will use the proceeds of the Entitlement Offer to repay debt which will be deployed for capital expenditure and other acquisitions.

<sup>4</sup> The cattle agreements between J&F and JBS are for a period of 10 years and are expected to commence shortly after Unitholder approval is received. The leases over the Feedlots will have the same end date as the cattle agreements and will only commence once FIRB and other approvals, including two subdivisions, have been obtained, and thus will have a shorter term.

## 1.9 Allotment

It is expected that allotment of the New Units under the Retail Entitlement Offer will take place no more than five business days after the close of the Retail Entitlement Offer.

Application Monies will be held by the Responsible Entity on trust for Applicants until the New Units are allotted. No interest will be paid on Application Monies.

It is the responsibility of Applicants to determine the number of New Units allotted and issued to them prior to trading in the New Units. The sale by an Applicant of New Units prior to receiving their holding statement is at the Applicant's own risk.

## 1.10 Quotation and trading

The Responsible Entity will make an application within seven days from the date of this Offer for quotation of the New Units on the ASX.

Subject to ASX approval being granted, it is expected that:

- > normal trading of New Units allotted under the Institutional Entitlement Offer and Retail Entitlement Offer for applications received by the Early Retail Closing Date will commence on 26 July 2018; and
- > normal trading of New Units allotted under the Retail Entitlement Offer will commence on 9 August 2018.

## 1.11 Holding statements

Holding statements are expected to be dispatched to Eligible Unitholders:

- > on 26 July 2018 in respect of New Units allotted under the Institutional Entitlement Offer and the Retail Entitlement Offer for applications received by the Early Retail Closing Date; and
- > on 9 August 2018 in respect of New Units allotted under the Retail Entitlement Offer for applications received after the Early Retail Closing Date and, on or before, the Final Retail Closing Date.

It is the responsibility of each Applicant to confirm their holding before trading in New Units. Any Applicant who sells New Units before receiving confirmation of their holding in the form of their holding statement will do so at their own risk. The Responsible Entity and the Underwriters disclaim all liability whether in negligence or otherwise (and to the maximum extent permitted by law) to persons who trade New Units before receiving their holding statements, whether on the basis of confirmation of the allocation provided by the Responsible Entity, the Registry or the Underwriters.

## 1.12 Withdrawal of the Entitlement Offer

The Responsible Entity reserves the right to withdraw the Entitlement Offer at any time, in which case the Responsible Entity will refund any Application Monies already received in accordance with the *Corporations Act 2001* and will do so without interest.

# HOW TO APPLY – ELIGIBLE RETAIL UNITHOLDERS

## 2.1 Eligible Retail Unitholders

An Eligible Retail Unitholder is generally a person or entity who holds Existing Units on the Record Date and who has a registered address in Australia or New Zealand and is not located in the US and is not a US Person (or a person acting for the account or benefit of a US Person).

Eligible Retail Unitholders will receive a personalised Entitlement and Acceptance Form, accompanying this Retail Offer Booklet, setting out their Entitlement. Those Unitholders who have elected to receive notices by email will receive an email with a direct link to their personalised Entitlement and Acceptance Form and the Retail Offer Booklet. Those Unitholders who have not elected to receive notices by email will receive both documents by post.

Eligible Retail Unitholders may:

- > take up all or part of their Entitlement by the Early Retail Closing Date or the Final Retail Closing Date (refer to section 2.2); or
- > do nothing and allow their Entitlement to lapse. It is not possible to sell or transfer your Entitlement if you decide not to take it up (refer to section 2.3).

Eligible Retail Unitholders are not able to subscribe for more than their Entitlement.

## 2.2 How can Eligible Retail Unitholders take up their Entitlement?

You should read this Retail Offer Booklet and the Entitlement and Acceptance Form and seek appropriate professional advice if necessary. If you then wish to take up some or all of your Entitlement, there are two different ways you can submit your Application and Application Monies.

### 2.2.1 Payment via BPAY

To apply and pay via BPAY, you should make your payment in respect of the full Application Monies via BPAY for the number of New Units you wish to subscribe for, being the issue price of \$1.95 per New Unit multiplied by the number of New Units you are applying for.

If you have multiple holdings, you will have multiple BPAY reference numbers. To ensure you receive your Entitlement in respect of each holding, you must use the reference number shown on each personalised Entitlement and Acceptance Form when paying for any New Units that you wish to apply for in respect of that holding.

If you wish to participate in the Early Retail Offer and be allotted New Units at the same time as the Eligible Institutional Unitholders, your Application Monies must be received via BPAY only, by the Early Retail Closing Date, being 5.00pm (AEST) on 24 July 2018.

Alternatively, if your Application Monies are received after the Early Retail Closing Date, but before the Final Retail Closing Date, your Application will be processed with the Retail Entitlement Offer, which closes at 5.00pm (AEST) on 1 August 2018 and New Units will be allotted on 8 August 2018. **Payment of the Application Monies will not be accepted after the Final Retail Closing Date, being 5.00pm (AEST) on 1 August 2018. New Units will not be issued for monies received after this date.**

You can only make a payment via BPAY if you are the holder of an account with an Australian financial institution. If you choose to pay via BPAY, you are **not required to submit the Entitlement and Acceptance Form** but are taken to make the statements on that form and representations outlined below in section 2.4 "Implications of making an Application", including the Eligible Unitholder declarations set out in section 5.17 of this Retail Offer Booklet.

Please be aware of cut-off times with regards to electronic payment. These vary between financial institutions, and you should take this into consideration when making payment of Application Monies. If the amount of Application Monies is insufficient to pay in full for the number of New Units you applied for, you will be taken to have applied for such whole number of New Units which is covered in full by your Application Monies. Alternatively, your Application may be rejected.

## **2.2.2 Submit your completed Entitlement and Acceptance Form together with a cheque, bank draft or money order for all Application Monies**

To apply and pay by cheque, bank draft or money order, you should complete the personalised Entitlement and Acceptance Form accompanying this Retail Offer Booklet indicating the number of New Units you wish to subscribe for. The form must be returned to the Registry (address details below) together with a cheque, bank draft or money order, which must be:

- > in respect of the full Application Monies (being \$1.95 multiplied by the number of New Units you wish to subscribe for);
- > in Australian currency drawn on an Australian branch of a financial institution; and
- > made payable to 'Rural Funds Group' and crossed 'Not Negotiable'.

Cash payments will **not** be accepted. Receipts for payment will not be issued.

If you wish to be allotted New Units, your Entitlement and Acceptance Form and your Application Monies must be received by the Registry no later than the Final Retail Closing Date, being 5.00pm (AEST) on 1 August 2018. Entitlement and Acceptance Forms (and payments for Application Monies) will not be accepted after the Final Retail Closing Date and no New Units will be issued to you in respect of that Application.

You need to ensure that your completed Entitlement and Acceptance Form and a cheque, bank draft or money order in respect of the full Application Monies reaches the Registry at the following address:

### **Postal Address**

#### **Mail to:**

Rural Funds Group Offer  
Boardroom Pty Limited  
GPO Box 3993  
SYDNEY NSW 2001

For the convenience of Eligible Retail Unitholders to whom this Retail Offer Booklet has been posted, a reply paid envelope addressed to the Registry has been enclosed.

Do **not** send your Entitlement and Acceptance Forms (and payments for any Application Monies) to the Responsible Entity's registered address or corporate offices.

**Note that if you have more than one holding of Units, you will be sent more than one personalised Entitlement and Acceptance Form, and you will have separate Entitlements for each separate holding. A separate Entitlement and Acceptance Form and payment of Application Monies must be completed for each separate Entitlement you hold.**

Any Application Monies received for more than your Entitlement to New Units will be refunded as soon as practicable after allotment. No interest will be paid to Applicants on any Application Monies received or refunded.

## 2.3 Take no action and allow all of your Entitlement to lapse

If you are an Eligible Retail Unitholder and you do nothing, the Entitlement in respect of your Existing Units will lapse. If this occurs, then your proportionate interest in the Fund will be reduced to the extent that New Units are issued to other Unitholders and Institutional Investors.

## 2.4 Implications of making an Application

Returning a completed Entitlement and Acceptance Form or paying any Application Monies for New Units via BPAY will be taken to constitute a representation by the Eligible Unitholder that they:

- > have received a copy of this Retail Offer Booklet accompanying the Entitlement and Acceptance Form, and have read them in their entirety;
- > have made the Eligible Unitholder declarations set out in section 5.17 of this Retail Offer Booklet; and
- > acknowledge that once the Entitlement and Acceptance Form is returned, or a BPAY payment instruction is given in relation to any Application Monies, the Application may not be varied or withdrawn except as required by law.

## 2.5 Enquiries

This Retail Offer Booklet and the accompanying Entitlement and Acceptance Form are important and require your immediate attention. You should read them in their entirety. If you are in doubt as to the course you should follow, you should consult your stockbroker, solicitor, accountant or other professional adviser. If you:

- > have questions in relation to the Existing Units upon which your Entitlement has been calculated; or
- > have questions on how to complete the Entitlement and Acceptance Form or take up your Entitlement; or
- > have lost your Entitlement and Acceptance Form and would like a replacement form,

please call Rural Funds Management on 1800 026 665 (from within Australia) or +61 2 6203 9700 (from outside Australia) from 8.30am to 5.00pm (AEST), Monday to Friday.

# ASX ANNOUNCEMENT AND INVESTOR PRESENTATION

**Rural Funds Group** | ASX:  
RFF



Rural Funds Management Ltd  
ABN 65 077 492 838  
AFSL 226701

Level 2, 2 King Street Deakin ACT 2600  
Locked Bag 150 Kingston ACT 2604

P 02 6281 9700

F 02 6281 5077

E management@ruralfunds.com.au

W www.ruralfunds.com.au

**ASX Release**

12 July 2018

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**Subject: \$149.5 million Equity Raising and webinar invitation**

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Rural Funds Management Limited ("RFM"), the responsible entity and manager of Rural Funds Group ("RFF"), is pleased to announce that it has negotiated a transaction involving:

1. the acquisition of JBS Australia's ("JBS") five Australian feedlots and associated cropping land for \$52.7 million including stamp duty ("Feedlots") and
2. the provision of a \$75.0 million limited guarantee ("Guarantee") to J&F Australia Pty Ltd ("J&F") that will enable JBS to replace an existing arrangement for the supply of cattle for its grainfed business.

The Feedlots and Guarantee reflect a total investment by RFF of \$127.7 million ("JBS Agreements").

**Webinar details**

RFM Managing Director, David Bryant will host a webinar to detail the Entitlement Offer and transaction overview at 11.00am AEST, Thursday, 12 July 2018. Participants can register via the following link:

<https://attendee.gotowebinar.com/register/266170166859349507>

## Transaction details

On 17 May 2018, RFM announced that RFF had entered into a contract to acquire a cattle property located in central Queensland ("Comanche") for \$16.6 million including stamp duty, which together with the JBS Agreements comprise the "Transactions".

The Transactions and associated costs will be equity funded via a fully underwritten \$149.5 million accelerated non-renounceable entitlement offer ("Equity Raising"). Eligible Unitholders will have the opportunity to subscribe for 3 new units in RFF ("Units") for each 10 existing Units at an issue price of \$1.95.

The Transactions will provide a number of benefits to RFF, including:

- Good assets with a good counterpart:
  - Feedlots are located in grain and cattle growing regions, and are operated by JBS, Australia's largest beef processor.
  - Comanche offers productivity improvement potential, similar to that demonstrated on RFF's existing cattle properties.
- Consistent with REIT structure:
  - Feedlots are underpinned by a 10 year<sup>1</sup> triple net lease with CPI indexation. The Guarantee provides a return underpinned by a 10 year agreement with no direct operating risk.
  - Comanche lease will have similar attributes to existing cattle leases.
- Improves sector diversification:
  - Increases exposure to the cattle sector, a sector in which Australia possesses a comparative advantage and RFM has direct operational knowledge.
- Accretive to AFFO as well as creating balance sheet capacity for future acquisitions:
  - See Financial impact (below) for further details.

## JBS Agreements

The Feedlots comprise five Australian feedlots and associated cropping land with a combined stocking capacity of 150,000 SCU<sup>2</sup>. The Feedlots are located in grain and cattle growing regions in close proximity to processing facilities and major population centres. The Feedlots include Australia's only two integrated feedlot and processing facilities which reduces freight costs and market price risk, and can improve weight gain performance.

The Feedlots will be secured by a triple net lease to JBS with CPI indexation for a term of approximately 10 years<sup>3</sup>. RFF holds a put option, and JBS holds a call option, over the Feedlots which can be exercised in year 10 at a price equal to the purchase price of the Feedlots (plus any capex) indexed at CPI<sup>4</sup>.

<sup>1</sup> The cattle agreements between J&F and JBS are for a period of 10 years and are expected to commence shortly after Unitholder approval is received. The leases over the Feedlots will have the same end date as the cattle agreements and will only commence once FIRB and other approvals, including two subdivisions, have been obtained, and thus have a shorter term.

<sup>2</sup> A Standard Cattle Unit ("SCU") is defined as an animal of 600kg liveweight, at the time of exit from the feedlot.

<sup>3</sup> The cattle agreements between J&F and JBS are for a period of 10 years and are expected to commence shortly after Unitholder approval is received. The leases over the Feedlots will have the same end date as the cattle agreements and will only commence once FIRB and other approvals, including two subdivisions, have been obtained, and thus have a shorter term.

<sup>4</sup> A call option is also held by JBS which can be exercised from year six. In the event this call option is exercised prior to year 10, a break fee is payable to RFF and RFF has the right to terminate the Guarantee.

The Guarantee is being provided to J&F, a special purpose vehicle wholly owned by RFM. J&F will supply JBS with cattle, feed and associated costs up to a limit of \$250 million, which will be financed by bank debt and secured against the Guarantee. The Guarantee will not require a transfer of cash and will be recorded as a contingent liability for RFF. RFF will be paid an ongoing fee for the Guarantee, which has a term of 10 years. RFF will not be exposed to direct operating risks. J&F will be exposed to mortality of cattle above a certain threshold, however insurance against cattle mortality has been arranged.

As J&F will be owned by RFM, the Guarantee is considered a transaction with a person of influence under the ASX Listing Rules and requires RFF Unitholder approval. A Unitholder general meeting is being convened to consider and to vote on the Guarantee on 10 August 2018 ("Meeting"). An Independent Expert has concluded that the Guarantee is fair and reasonable to the Non-Associated Unitholders of RFF under the requirements of Listing Rule 10 and Chapter 2E of the Corporations Act.

The acquisition of the Feedlots is conditional upon Unitholder approval of the Guarantee at the Meeting. The Equity Raising will be completed prior to the Meeting and is not subject to Unitholder approval. More information on the Meeting is contained in the Notices of Meeting and Explanatory Memorandum that will be released on Friday, 13 July 2018.

#### **Financial impact**

The Transactions and Equity Raising are expected to:

- be accretive to FY19 AFFO per Unit, forecast to be 13.2 cents per Unit;
- maintain FY19 payout ratio, forecast to be 79%;
- increase pro forma adjusted NAV per Unit as at 31 December 2017 to \$1.67; and
- reduce pro forma gearing as at 31 December 2017 to 24.0%, compared to RFF's gearing target of 35%.

RFF re-affirms previous guidance, including:

- FY18 AFFO per Unit of 12.7 cents;
- FY18 DPU of 10.03 cents; and
- FY19 DPU of 10.43 cents, representing growth of 4% per annum.

#### **Equity Raising**

The Equity Raising is a fully-underwritten 3 for 10 accelerated non-renounceable entitlement offer to raise \$149.5 million.

The fixed issue price of \$1.95 per Unit represents a:

- 5.8% discount to RFF's last close price on 10 July 2018 of \$2.07;
- 7.0% discount to RFF's 5-day VWAP to 10 July 2018 of \$2.10;
- 4.5% discount to the theoretical ex-rights price of \$2.04; and
- FY19 distribution yield of 5.3%.

New Units issued will rank equally with existing Units in RFF and will be fully entitled to the distribution for the quarter ending 30 September 2018, which is expected to be 2.61 cents per Unit.

RFM, together with Chairman Guy Paynter and Director Mike Carroll, holds approximately 3.9% of RFF Units on issue and have committed to taking up their entitlement in full amounting to approximately \$5.8 million. Managing Director David Bryant holds 1.0% of RFF units and will not be taking up his entitlement.

The Equity Raising is fully underwritten by UBS AG, Australia Branch, Bell Potter Securities Ltd and Wilsons Corporate Finance Ltd.

The institutional component of the Equity Raising will be conducted today, and the retail component will open on 18 July 2018 and close at 5.00pm on 1 August 2018.

#### **Additional information**

Additional information regarding the Equity Raising is contained in the investor presentation released to the ASX today. A retail offer booklet will be released separately and sent to Eligible Retail Unitholders. Those Unitholders who have elected to receive notices by email will receive an email with a direct link to their personalised Entitlement and Acceptance Form and the Retail Offer Booklet. Those Unitholders who have not elected to receive notices by email will receive both documents by post.

If you have any questions about the Retail Entitlement Offer, please do not hesitate to contact RFM Investor Services on 1800 026 665 (from within Australia) or +61 2 6203 9700 (from outside Australia) between 8:30am and 5:00pm (Sydney time), Monday to Friday during the Retail Offer Period.

#### **Key dates**

Event	Date (2018)
Trading halt and Institutional Entitlement Offer bookbuild	Thursday, 12 July
Trading of Units recommences on ASX on an 'ex-entitlement' basis	Friday, 13 July
Record Date for Equity Raising	7:00PM, Monday, 16 July
Retail Entitlement Offer Booklet is dispatched and Retail Entitlement Offer opens	Wednesday, 18 July
Early Retail Entitlement Offer acceptances due	5:00PM, Tuesday, 24 July
Settlement of Units issued under the Institutional Entitlement Offer and Early Retail Entitlement Offer	Wednesday, 25 July
Allotment and normal trading of Units issued under the Institutional Entitlement Offer and Early Retail Entitlement Offer	Thursday, 26 July

Event	Date (2018)
Retail Entitlement Offer closes	5:00PM, Wednesday, 1 August
Allotment of remaining Units issued under the Retail Entitlement Offer	Wednesday, 8 August
Dispatch of holding statement and normal trading of remaining Units issues under the Retail Entitlement Offer	Thursday, 9 August
Unitholder general meeting	Friday, 10 August

All dates and times referred to are based on Sydney time and are subject to change. RFF reserves the right to vary these dates or to withdraw the entitlement offer at any time.

-ends-

#### About Rural Funds Group (RFF)

RFF owns a diversified portfolio of high quality Australian agricultural assets. RFF's investment objective is to generate a stable income stream derived from leasing its assets to suitable counterparts and capital growth through any appreciation in the value of those assets. RFF is a stapled security, incorporating Rural Funds Trust (ARSN 112 951 578) and RF Active (ARSN 168 740 805), trading under the ASX code 'RFF'. Rural Funds Management Ltd (RFM) is the responsible entity of RFF.

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For further information:

**David Bryant**  
Managing Director  
Rural Funds Management  
T 02 6203 9700  
E DBryant@ruralfunds.com.au

For media enquiries:

**Stuart Waight**  
Executive  
Rural Funds Management  
T 0419 126 689  
E SWaight@ruralfunds.com.au

For investor relations enquiries:

**James Powell**  
General Manager – Investor Relations & Marketing  
Rural Funds Management  
T 0420 279 374  
E JPowell@ruralfunds.com.au

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**Rural Funds Group | ASX: RFF**

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Management



**3 for 10 accelerated pro rata non-renounceable entitlement offer to raise \$149.5m**

**12 July 2018**

Not for release or distribution in the United States

**Disclaimer**

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Funds  
Management

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.

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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.

All dollar values are in Australian dollars unless otherwise stated. The pro forma financial information included in this presentation has been prepared in accordance with Australian market practice and does not purport to be in compliance with Article 11 of Regulation S-X promulgated by the US Securities and Exchange Commission.

*Cover image – Riverina Beef Feedlot, Yanco, New South Wales, November 2013*

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## Contents

Managed by:  
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Funds  
Management

**Section 1:** Transactions overview



**David Bryant**  
Managing Director

**Section 2:** Offer details



**Stuart Wright**  
Executive

### Appendices:

- A. Additional details of the Transactions
- B. Portfolio and strategy
- C. Glossary of terms and abbreviations
- D. Key risks
- E. International offer restrictions



**Daniel Yap**  
Financial Controller



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

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*Country suitable to both backgrounding (foreground of picture) and breeding (background of picture), Comanche, Rockhampton, central Queensland, May 2018*

## Overview



### Proceeds from the \$149.5m Equity Raising will be used to fully fund two Transactions.

	<ul style="list-style-type: none"> <li>Rural Funds Management ("RFM"), as responsible entity of the Rural Funds Group ("RFF"), has entered into two "Transactions" in the cattle sector:           <ol style="list-style-type: none"> <li>an arrangement ("JBS Agreements") with JBS Australia ("JBS") which involves:               <ol style="list-style-type: none"> <li>the acquisition and subsequent execution of a 10 year finance lease for JBS' five Australian feedlots ("Feedlots"); and</li> <li>a 10 year limited guarantee ("Guarantee") that will enable JBS to replace an existing arrangement for the supply of cattle to the Feedlots and grain fed business.</li> </ol> </li> <li>the purchase of a cattle property ("Comanche") announced on 17 May 2018.</li> </ol> </li> </ul>	Page 6
<b>Transactions</b>		
	<ul style="list-style-type: none"> <li>The Transactions and associated costs will be equity funded via a fully underwritten \$149.5m accelerated non-renounceable entitlement offer ("Equity Raising").</li> <li>Eligible Unitholders will have the opportunity to subscribe for 3 New Units for each 10 existing Units at an issue price of \$1.95.</li> </ul>	Page 13
<b>Equity Raising</b>		Page 14
	<ul style="list-style-type: none"> <li>The Guarantee will be provided to an entity to be acquired by RFM. It is therefore considered a transaction with a related party under the ASX Listing Rules and requires Unitholder approval, via a meeting to be held on 10 August 2018. An Independent Expert has concluded the Guarantee is fair and reasonable to the Non-Associated Unitholders of RFF under the requirements of Listing Rule 10 and Chapter 2E of the Corporations Act.</li> <li>The Equity Raising will be completed prior to the Unitholder meeting and is not subject to Unitholder approval.</li> </ul>	Page 22
<b>Financial impact</b>		
	<ul style="list-style-type: none"> <li>Accretive to AFFO per unit; FY19 forecast 13.2 cents.</li> <li>FY19 forecast payout ratio maintained at 79%; distributions per unit ("DPU") of 10.43 cents reaffirmed.</li> <li>Accretive to pro forma 31 December 2017 adjusted NAV per unit; forecast to be \$1.67.</li> <li>Increased balance sheet capacity; pro forma 31 December 2017 gearing 24.0%.</li> </ul>	Page 9
		Page 9
		Page 9
		Page 9

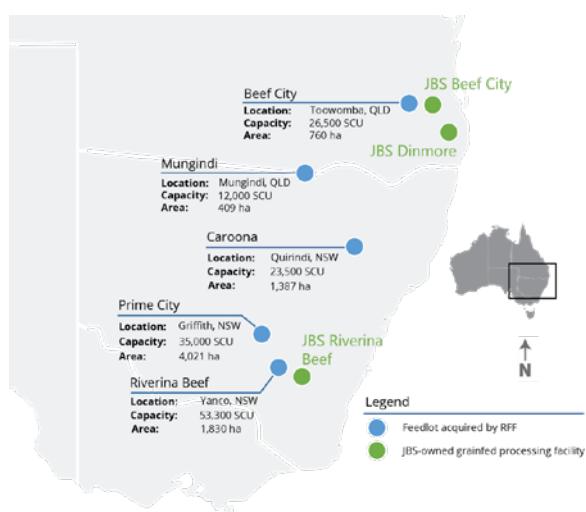
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## Feedlots



### JBS is Australia's largest lot feeder and cattle processor. The Feedlots are integral to the supply of cattle to JBS processing facilities.

#### JBS Feedlots and processing facilities<sup>1</sup>



RFF will enter into a finance lease for JBS five Feedlots<sup>2</sup>:

1. Purchase price of \$52.7m.
2. Lease term of 10 years.
3. CPI indexation.
4. Triple net structure.
5. Call option for JBS to buy the Feedlots back, and a put option for RFF to sell the Feedlots to JBS, at year 10.<sup>3</sup> The exercise price is the purchase price indexed at CPI.
6. JBS will continue to operate and manage the Feedlots as usual, whilst freeing up capital to pursue future opportunities.
7. The leases are guaranteed by JBS parent company, Baybrick Pty Ltd<sup>4</sup>, which has net assets of \$2.3b.
8. The Guarantee provided by RFF will support the acquisition of cattle for the Feedlots. See page 7.

Notes:

1. A Standard Cattle Unit (SCU) is defined as an animal of 600 kg liveweight, at the time of exit from the feedlot.
2. See page 20 for further details of the Feedlots lease, including commencement terms.
3. The call option held by JBS can be exercised from year six but will incur a break fee if exercised before year ten. In the event the Feedlots are called by JBS prior to year 10, RFF has the right to cease the Guarantee. See page 21 for further details.
4. See page 17 for further details of JBS, Baybrick and JBS S.A.

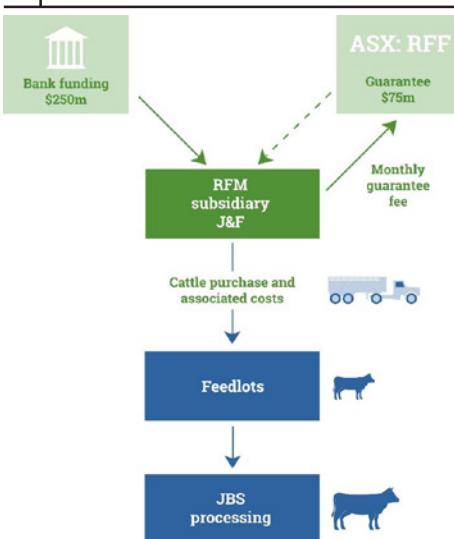
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## Guarantee to J&F Australia Pty Ltd (“J&F”)

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 Rural Funds Management

**JBS is seeking to replace an existing supply arrangement of cattle for its Feedlots and processing facilities.**

### Overview of Guarantee to J&F



RFF will provide a limited Guarantee<sup>1</sup> to an existing entity called J&F which acquires cattle for JBS' Feedlots:

1. RFM will acquire J&F<sup>2</sup> and appoint JBS as exclusive agent and manager.
2. J&F acquires cattle for delivery to the Feedlots leased by JBS. J&F also funds associated costs such as inbound freight and feed.
3. J&F will be financed by \$250.0m of bank debt, backed by RFF limited Guarantee of \$75.0m and the cattle acquired.
4. RFF will be paid a monthly fee for the Guarantee.
5. The Guarantee has no direct operating risk. Counterpart performance is guaranteed by the JBS parent company Baybrick Pty Ltd and secured through the Feedlots.
6. The Guarantee does not require RFF to transfer cash and will be recognised as a contingent liability. Equity Raising proceeds for the Guarantee will be used to reduce RFF debt and therefore interest expense.

Notes:

1. See page 21 for further details of Guarantee.
2. As J&F will be a wholly owned subsidiary of RFM, and as a related party to RFF, Unitholder approval is required to approve the Guarantee. An Independent Expert has concluded that the Guarantee is fair and reasonable to the Non-Associated Unitholders of RFF under the requirements of Listing Rule 10 and Chapter 2E of the Corporations Act. See page 22 for further details.

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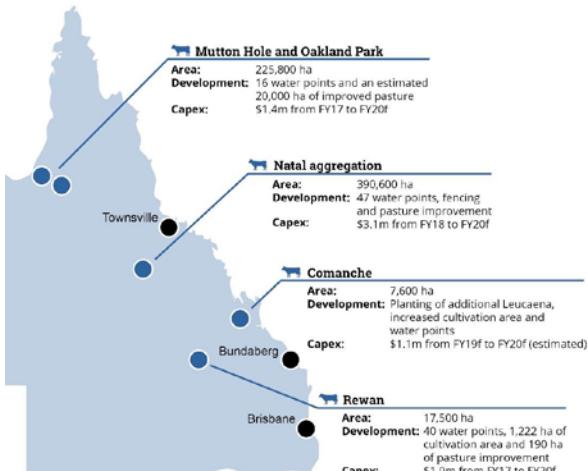
## Comanche

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 Rural Funds Management

**Comanche offers similar opportunities for productivity gains that have been proven on existing RFF cattle properties.**

- On 17 May 2018 RFM announced the purchase of Comanche for \$16.6m including stamp duty.
- Comanche is a 7,600 ha cattle property located 86 km west of Rockhampton in Queensland. The purchase price includes 864 ML of water entitlements.
- The current carrying capacity is 3,500 Adult Equivalents (AE)<sup>1</sup>. RFM is targeting an additional 650 AE in a stage one development; budgeted at \$1.1m, by planting additional Leucaena, increasing cultivation area and developing additional watering points.
- The productivity development strategy is consistent with those proven on existing RFF cattle properties.
- RFM is arranging a lessee and will guarantee the rent for the period from settlement until a lessee is secured. Settlement is expected to occur in July 2018.

### Qld cattle property productivity developments



Note:

1. Adult Equivalent. Cattle properties are analysed and valued with reference to AE, much like other farms are analysed on a per hectare basis (an AE is defined as a 450 kg Bos Taurus steer at maintenance).

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## Financial impact

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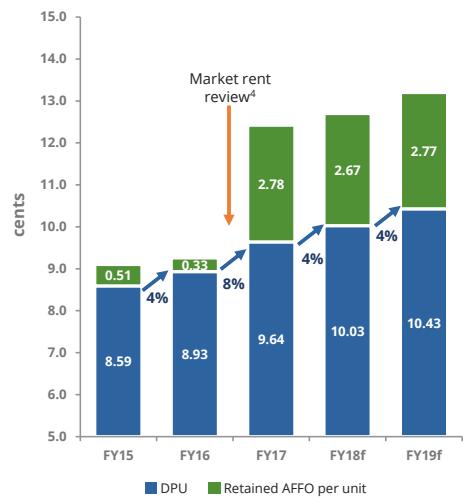
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**Lower gearing allows RFM to target investments that can improve AFFO growth through market rent reviews.**

### Financial forecasts

	FY18	FY19	Change (%)
AFFO per unit	12.7 cents	13.2 cents <sup>1</sup>	3.9%
DPU	10.03 cents	10.43 cents	4.0%
Payout ratio	79%	79%	-
Retained AFFO	\$6.8m	\$9.0m	32.4%

### DPU, DPU growth and retained AFFO per unit



### Key balance sheet metrics

	31 Dec 2017	Pro forma	Change (%)
Adjusted total assets	\$687.4m	\$756.7m	10.1%
Adjusted net assets	\$409.0m	\$553.3m	35.3%
Adjusted NAV per unit	\$1.60	\$1.67	4.4%
Gearing <sup>2</sup>	37.4%	24.0%	-13.4%
LVR <sup>3</sup>	40.1%	36.1%	-4.0%

Notes:

1. AFFO forecast reflects the impact of the issuance of New Units in July and August 2018 but only a partial year impact of the Transactions, reflecting expected settlement dates.
2. Calculated as external borrowings divided by adjusted total assets.
3. Calculated as term debt drawn plus contingent liabilities relating to the limited guarantee of \$75m divided by directly secured assets based on independent valuations plus the Feedlots and Comanche acquisition values.
4. FY17 AFFO increased, in part, due to a Select Harvests rent review in respect to almond orchards.

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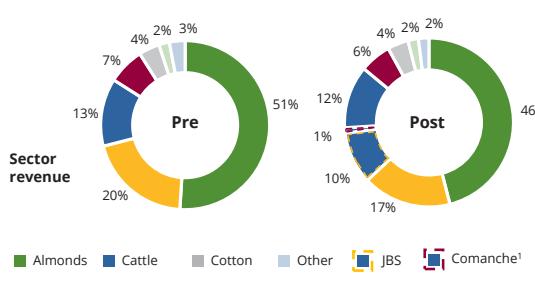
## Portfolio impact

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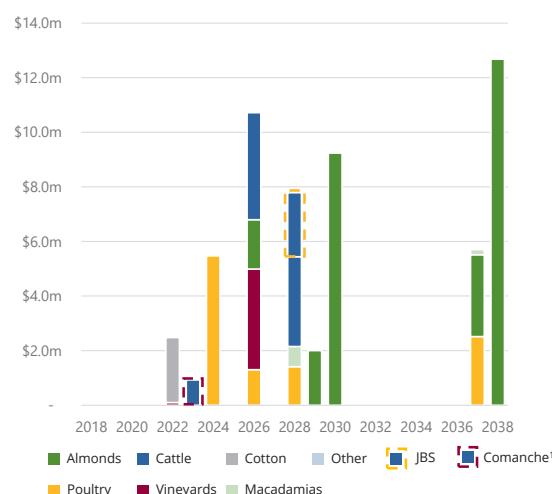
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Management

**The Transactions result in increased scale and improved sector diversification.**

### Pre and post-transaction portfolio metrics<sup>1</sup>



### WALE expiry profile by lessee<sup>3</sup>



Notes:

1. Pie charts show FY18f vs FY19f diversification by revenue including Comanche where lease terms are to be finalised (assumes 5-year lease and lease rate consistent with cattle sector).
2. Pro forma 31 December 2017 adjusted total assets \$756.7m (see page 26 for further details).
3. Weighted average lease expiry (WALE) bar chart shows forecast FY19 revenue in the year in which the lease expires. Forecast revenue includes revenue derived from forecast capex, as well as Comanche where lease terms are to be finalised (assumes 5-year lease and lease rate consistent with cattle sector). The WALE is expressed in years from 31 December 2017. The WALE increase is due to deployment of almond orchard capex on longer term leases within the portfolio.

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## Key benefits

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 Rural Funds Management

The Transactions are consistent with key acquisition criteria.

### Good assets with a good counterpart

- Feedlots are located in grain and cattle growing regions, and are operated by JBS, Australia's largest beef processor.
- Comanche offers productivity improvement potential similar to that demonstrated on existing cattle properties.

### Consistent with REIT structure

- Feedlots are underpinned by a 10 year<sup>1</sup> triple net lease with CPI indexation.
- Guarantee provides a return underpinned by a 10 year agreement with no direct operating risk.
- Comanche lease will have similar attributes to existing cattle leases.

### Improves sector diversification

- Increases exposure to the cattle sector, a sector in which Australia possesses a comparative advantage and RFM has direct operational knowledge.

### AFFO accretive

- Accretive to FY19 AFFO per unit, which is forecast to be 13.2 cents.
- Maintains conservative FY19 forecast payout ratio at 79% and increases retained AFFO to \$9.0m, which can be re-invested into income generating assets and support RFF's 4% DPU growth target.

### Balance sheet capacity for acquisitions

- Reduces pro forma gearing to 24.0%, below RFF's gearing target of 35%.
- RFM continues to identify potential acquisitions and the Equity Raising enhances financial capacity to pursue these opportunities, whilst maintaining an appropriate capital structure.

Note:

1. See pages 20 and 21 for further details of Guarantee and Feedlots lease, including commencement terms.

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## 2 Offer details

*Mungindi Feedlot feed mill, Mungindi, Queensland, January 2013*

## Source and uses of funds



**The Equity Raising will fully fund the Transactions.**

Source and uses of funds	
Source of funds	\$m
Equity Raising	149.5
<b>Total source</b>	<b>149.5</b>
Uses of funds	\$m
Acquisition of Feedlots (incl. stamp duty)	52.7
Debt reduction associated with Guarantee <sup>1</sup>	75.0
Acquisition of Comanche (incl. stamp duty)	16.6
Transaction costs	5.2
<b>Total uses</b>	<b>149.5</b>

- Proceeds from the Equity Raising will be used to fund:
  - acquisition of the Feedlots from JBS for \$52.7m (incl. stamp duty);
  - a \$75.0m limited Guarantee to J&F which will:
    - be used to reduce term debt;
    - not require a transfer of cash; and
    - be recorded as a contingent liability.
  - the acquisition of Comanche for \$16.6m (incl. stamp duty); and
  - transaction costs.
- On completion of the Equity Raising:
  - pro forma gearing will reduce from 37.4% to 24.0%.<sup>2</sup>
  - pro forma LVR will reduce from 40.1% to 36.1%.<sup>3</sup> The \$75m guarantee is treated as a liability for the purposes of the LVR calculations.
- RFF's target gearing is 35%.

Notes:

1. Guarantee does not require RFF to transfer cash unless it is called and will be recognised as a contingent liability in the notes to the Financial Statements.
2. Gearing calculated as external borrowings divided by adjusted total assets. Pro forma for 31 December 2017.
3. LVR calculated as term debt drawn plus contingent liabilities relating to the limited guarantee of \$75m divided by directly secured assets based on independent valuations plus the Feedlots and Comanche acquisition values.

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## Equity Raising details



**New Units will be entitled to the 30 September distribution of 2.61 cents per unit.**

<b>Structure</b>	<ul style="list-style-type: none"> <li>• Fully underwritten 3 for 10 accelerated non-renounceable entitlement offer to raise \$149.5m.</li> </ul>
<b>Pricing</b>	<ul style="list-style-type: none"> <li>• Offer price of \$1.95 per unit, representing:           <ul style="list-style-type: none"> <li>– 5.8% discount to the last close price of \$2.07 on 10 July 2018</li> <li>– 7.0% discount to the 5-day VWAP of \$2.10</li> <li>– 4.5% discount to the theoretical ex-rights price ("TERP") of \$2.04<sup>1</sup></li> <li>– Forecast FY19 distribution yield of 5.3%</li> </ul> </li> </ul>
<b>Ranking</b>	<ul style="list-style-type: none"> <li>• New Units will rank equally with RFF's existing Units.</li> <li>• New Units will be entitled to the distribution payable for the quarter ending 30 September 2018, forecast to be 2.61 cents per unit.</li> </ul>
<b>RFM and directors' participation</b>	<ul style="list-style-type: none"> <li>• RFM, together with Chairman Guy Paynter and Director Michael Carroll, hold 3.9% of RFF units on issue and have committed to taking up their entitlement in full amounting to approximately \$5.8m. Managing Director David Bryant holds 1.0% of RFF units and will not be taking up his entitlement.</li> </ul>
<b>Retail Offer jurisdictions</b>	<ul style="list-style-type: none"> <li>• Registered addresses for retail investors - Australia and New Zealand.</li> </ul>
<b>Underwriters</b>	<ul style="list-style-type: none"> <li>• UBS AG, Australia Branch, Bell Potter Securities Ltd and Wilsons Corporate Finance Ltd.</li> </ul>

Note:

1. TERP is calculated with reference to the last close price of \$2.07 on 10 July 2018.

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## Indicative timetable

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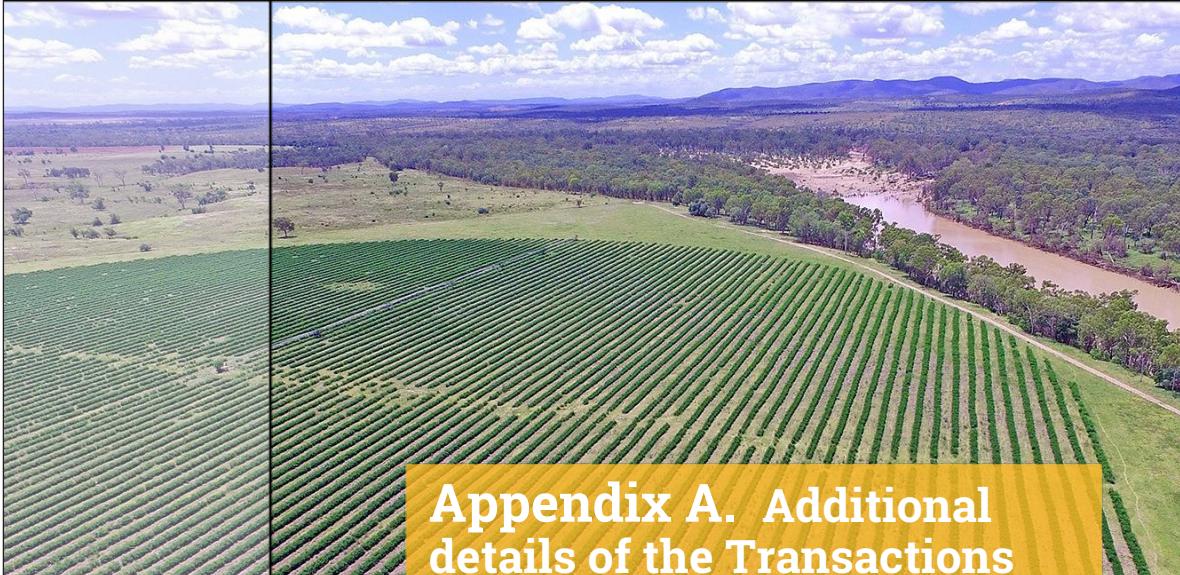
**Retail Entitlement Offer closes 1 August 2018.**

Event	Date (2018)
Institutional Entitlement Offer bookbuild	Thursday, 12 July
Trading of units recommences on ASX on an ex-entitlement basis	Friday, 13 July
Record date for Entitlement Offer	7:00pm, Monday, 16 July
Retail Entitlement Offer Booklet dispatched and Retail Entitlement Offer opens	Wednesday, 18 July
Early Retail Entitlement Offer acceptances due	5:00pm, Tuesday, 24 July
Settlement of units issued under the Institutional Entitlement Offer and Early Retail Entitlement Offer	Wednesday, 25 July
Allotment and normal trading of units issued under the Institutional Entitlement Offer and Early Retail Entitlement Offer	Thursday, 26 July
Retail Entitlement Offer closes	5:00pm, Wednesday, 1 August
Allotment of remaining units issued under the Retail Entitlement Offer	Wednesday, 8 August
Normal trading of remaining units issued under the Retail Entitlement Offer	Thursday, 9 August
Unitholder general meeting to consider the Guarantee	Friday, 10 August

All dates and times are indicative only and subject to change. Unless otherwise specified, all times and dates refer to AEST.

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## Appendix A. Additional details of the Transactions

*Leucaena plantings under centre pivots using irrigation water from Fitzroy River, Comanche, Rockhampton, central Queensland, May 2018*

## JBS overview of operations



**JBS is the largest cattle processor domestically and a subsidiary of JBS S.A., the largest protein processor globally.**

- JBS Australia Pty Ltd, a subsidiary of Baybrick Pty Ltd<sup>2</sup>, is Australia's largest meat processor and exporter.
  - Baybrick Pty Ltd<sup>2</sup> also owns Primo Smallgoods, Australia's largest manufacturer of ham, bacon, salami and deli meats.
  - JBS S.A.:
    - established in 1953 (Brazil) and is listed on the Sao Paulo Stock Exchange with a market capitalisation of approximately R\$25.9b (A\$8.9b) and FY17 net revenue R\$163.2b (A\$61.7b)
    - world's largest beef producer, leather processor, chicken producer and second largest pork and lamb producer
    - more than 400 production facilities and 235,000 employees.

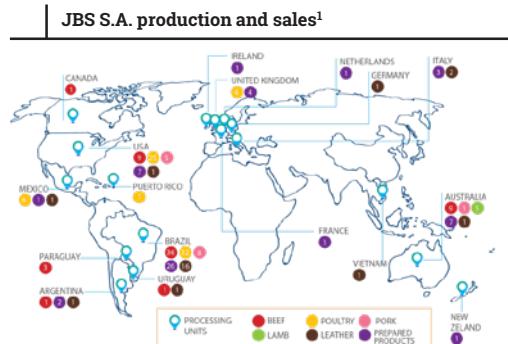
## Baybrick Pty Ltd – FY17 key details (consolidated)<sup>2</sup>

Revenue	\$5.8b
Profit (after income tax expenses)	\$75.7m
Gross assets	\$2.8b
Net assets	\$2.3b
Employees	10,800

## Notes:

- NOTES:

  1. Source: JBS, (2016), *Annual Sustainability Report*.
  2. For the 12 months ended 31 December 2017, Baybrick Pty Ltd is a wholly owned subsidiary of JBS S.A.
  3. Source: Internal research and Beef Central. Figures are approximate.



## Australian feedlot and processing overview<sup>3</sup>

<b>Largest cattle processors</b>	<b>No. of facilities</b>	<b>Capacity (head/day)</b>
1. JBS	8	8,800
2. Teys Australia	6	5,900
3. NH Food Australia	3	4,300
4. Thomas Food Int	1	900
<b>Largest lot feeders</b>	<b>No. of feedlots</b>	<b>Capacity (SCU)</b>
1. JBS	5	150,000
2. Teys Australia	3	67,000
3. Whyalla	1	56,000
4. Mort & Co.	3	52,000

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## **Feedlots and the cattle industry**



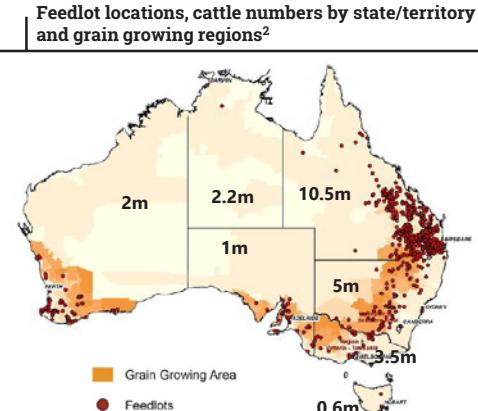
**Feedlots are an integral part of the supply chain of Australia's largest agricultural industry.**

- A cattle feedlot is a facility where livestock are provided a nutritious diet for the purpose of producing beef of a consistent quality and quantity (called ‘finishing’).
  - Approximately 40% of Australia’s total beef supply is finished in feedlots. Cattle are:
    1. acquired by the feedlot operator between 380kg to 500kg.
    2. inducted on arrival, which includes recording the livestock key details (breed, age and weight) and providing any required medicines.
    3. placed in ‘yards’ which provides continual access to feed and water to promote rapid weight gain (up to 2kg/day).
    4. sold to a processor when they reach approximately 600kg, after an average of 95 days.<sup>1</sup> Cattle for specific programs can be fed for up to 400 days.
  - Feedlot economics are improved by being located in areas that are in close proximity to feeder cattle and grain supplies.
  - Processors will generally source cattle from a combination of company-owned and external feedlots. Company-owned feedlots reduce freight costs, market price risk and can improve weight gain and performance.
  - There are 450 accredited feedlots in Australia with a production value of approximately \$2.5b.<sup>2</sup>

## Notes

- Notes:

  1. Source: Australian Lot Feeders' Association.
  2. Source: Meat & Livestock Australia.
  3. Illustrative purposes only.



### Key stages in beef production<sup>3</sup>

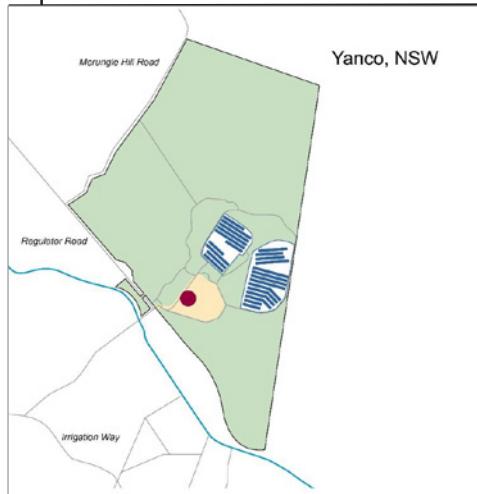


**150kg cattle  
'weaned'**

150-450kg cattle  
'backgrounded'

**400-600kg cattle  
'finished' in a  
feedlot prior to  
processing**

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<h2>Details of Riverina Beef and Beef City Feedlots</h2>		 Managed by: Rural Funds Management															
<p><b>Australia's only two integrated feedlot and processing facilities reduce freight costs and market price risk, and can improve weight gain performance.</b></p>																	
<p><b>Riverina Beef<sup>1</sup></b></p>  <p>Yanco, NSW</p> <p>Note: 1. Processing facilities are not being acquired by RFF.</p> <table border="1"> <tr> <td>Property and cultivation area</td> <td>1,831 ha developed to irrigation, dryland cropping and grazing land</td> </tr> <tr> <td>Feedlots</td> <td>53,300 SCU feedlot, 72 holding pens</td> </tr> <tr> <td>JBS processing facility</td> <td>600 cattle per day processing facility</td> </tr> <tr> <td>Processing facility associated land</td> <td>Not being acquired by RFF</td> </tr> </table>	Property and cultivation area	1,831 ha developed to irrigation, dryland cropping and grazing land	Feedlots	53,300 SCU feedlot, 72 holding pens	JBS processing facility	600 cattle per day processing facility	Processing facility associated land	Not being acquired by RFF	<p><b>Beef City<sup>1</sup></b></p>  <p>Toowoomba, QLD</p> <table border="1"> <tr> <td>Property and cultivation area</td> <td>761 ha developed to irrigation, dryland cropping and grazing land</td> </tr> <tr> <td>Feedlots</td> <td>26,500 SCU feedlot, 87 holding pens</td> </tr> <tr> <td>JBS processing facility</td> <td>1,092 cattle per day processing facility</td> </tr> <tr> <td>Processing facility associated land</td> <td>Not being acquired by RFF</td> </tr> </table>	Property and cultivation area	761 ha developed to irrigation, dryland cropping and grazing land	Feedlots	26,500 SCU feedlot, 87 holding pens	JBS processing facility	1,092 cattle per day processing facility	Processing facility associated land	Not being acquired by RFF
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<h2>Details of the Feedlots</h2>		 Managed by: Rural Funds Management
<p><b>The Feedlots are leased on a triple net basis and are indexed at CPI.</b></p>		
<p><b>Key property and lease terms</b></p>		
Description	<ul style="list-style-type: none"> <li>Five feedlots with water entitlements, and adjacent cropping land for a purchase price of \$52.7m including stamp duty.</li> </ul>	
Return	<ul style="list-style-type: none"> <li>Lease payment from JBS Australia Pty Limited (lessee).</li> </ul>	
Guarantee	<ul style="list-style-type: none"> <li>Provided by Baybrick Pty Ltd a subsidiary of JBS S.A.</li> </ul>	
Term	<ul style="list-style-type: none"> <li>The Feedlot leases are for a term of 10 years from the commencement of the Guarantee. Feedlot acquisitions are subject to FIRB and other approvals, including two subdivisions, resulting in a lease term of slightly less than 10 years.</li> </ul>	
Rent indexation	<ul style="list-style-type: none"> <li>CPI.</li> </ul>	
Payment	<ul style="list-style-type: none"> <li>Monthly in advance.</li> </ul>	
Lease structure	<ul style="list-style-type: none"> <li>Triple net leases.</li> </ul>	
Capital expenditure	<ul style="list-style-type: none"> <li>Lessee responsible for all maintenance capital expenditure required to maintain the same capacity, productivity and functionality of the Feedlots. At JBS' request, RFF may fund capital expenditure to increase the capacity, productivity and functionality of the Feedlots, which will attract additional rent.</li> </ul>	
Security deposit	<ul style="list-style-type: none"> <li>Six months rent payable on commencement.</li> </ul>	
Put and call option	<ul style="list-style-type: none"> <li>JBS has a call option to acquire the Feedlots for the CPI-adjusted purchase price, inclusive of stamp duty and capex, if:           <ul style="list-style-type: none"> <li>J&amp;F breaches certain commercial terms;</li> <li>RFF wishes to dispose of the Feedlots;</li> <li>a JBS competitor acquires more than 50% of RFF units on issue;</li> <li>a change of control of RFF;</li> <li>RFF makes a warranty claim of more than \$1m; and</li> <li>at JBS' discretion, from year six to year ten. This will incur a break fee payable to RFF, calculated as \$2m in year six (assuming all five Feedlots are called), reducing proportionally each year to nil at the end of year ten. In this event RFF has the right to terminate the Guarantee.</li> </ul> </li> <li>If JBS does not exercise the call option in year 10 RFF can:           <ul style="list-style-type: none"> <li>retain the Feedlots. In this event RFF can exercise a call option to acquire an additional 11,775 ML of water entitlements for the cropping operation associated with the Feedlots;</li> <li>put the Feedlots to JBS for the CPI-adjusted purchase price, inclusive of stamp duty and capex; or</li> <li>negotiate to extend the existing agreements for an additional term.</li> </ul> </li> </ul>	
Settlement	<ul style="list-style-type: none"> <li>Settlement of the Feedlots will be staged and is expected to occur from October 2018, conditional upon RFF Unitholder approval of the Guarantee, FIRB and other Government approvals (for example subdivisions). If any of the feedlots do not settle RFF will obtain a mortgage over the relevant feedlot. This will not impact the provision of the Guarantee to J&amp;F.</li> </ul>	
Management fee	<ul style="list-style-type: none"> <li>1.05% management fee (exclusive of GST), calculated on the asset value, paid by RFF to RFM.</li> </ul>	

## Details of the Guarantee and J&F



**The Guarantee is for a 10 year term and will earn a return without any direct operating risk.**

### Key terms of the Guarantee and J&F

Description	<ul style="list-style-type: none"> <li>A \$75m limited guarantee ("Guarantee") is provided by RFF to a special purpose vehicle called J&amp;F Australia Pty Ltd (J&amp;F). The Guarantee will:           <ul style="list-style-type: none"> <li>earn a monthly income return, <b>based on a costs plus arrangement</b>, net of RFF's interest savings (see point below);</li> <li>not require a transfer of cash, and will be used to reduce RFF's debt, in turn reducing RFF's interest costs;</li> <li>be recorded as a contingent liability within RFF; and</li> <li>be used as security for \$75m of J&amp;F's debt facility for cattle purchases, feed and other costs associated with finishing the cattle on the Feedlots. Any changes in interest costs are borne by JBS.</li> </ul> </li> <li><b>JBS will retain responsibility for the management of the Feedlots and J&amp;F has appointed JBS as its exclusive agent and manager.</b></li> <li>The bank loans totalling \$250m (or above that amount at RFM's discretion) are supported by the Guarantee and the cattle. In the event of a JBS default:           <ol style="list-style-type: none"> <li>the Guarantee would be called but limited to \$75m;</li> <li>J&amp;F would cease buying cattle, and commence selling cattle in the Feedlots;</li> <li>as cattle are sold, J&amp;F bank loans would be repaid. Given that lot-fed cattle can gain 2kg per day, and are sold on a per kg basis, a material fall in cattle price would be required to crystallise a shortfall; and</li> <li>surplus proceeds will be paid to RFF, limited to \$75m.</li> </ol> </li> </ul>
Return	<ul style="list-style-type: none"> <li>The Guarantee will earn a return on equity calculated on \$75m. The return on equity rate will flex between an agreed range, depending on the level of debt drawn within J&amp;F. The minimum Guarantee return on equity rate is calculated on drawn debt of \$216m and the maximum calculated on drawn debt of \$250m.</li> <li><b>The return rate is in the range of 9.40% to 11.18%, subject to various adjustments and inclusive of interest rate offset savings in RFF.</b></li> </ul>
Guarantee	<ul style="list-style-type: none"> <li>Baybrick Pty Ltd, a subsidiary of JBS S.A., guarantees the obligations of JBS.</li> </ul>
Term	<ul style="list-style-type: none"> <li>10 years</li> </ul>
Cattle ownership	<ul style="list-style-type: none"> <li>Cattle are owned by J&amp;F and act as security until they are acquired by JBS once they have achieved desired weight, typically after 100-140 days.</li> </ul>
Mortalities	<ul style="list-style-type: none"> <li><b>J&amp;F is responsible for mortality of cattle above a certain threshold. RFM intends to arrange insurance for mortality above this threshold.</b></li> </ul>
Operating risk	<ul style="list-style-type: none"> <li>RFF and J&amp;F will not be exposed to operating risks of the Feedlots given the nature of the agreements with JBS.</li> <li><b>JBS is responsible for cattle and feedlot management under a Cattle Agency Agreement and Cattle Management Agreement.</b></li> </ul>
Management fee and cost recovery	<ul style="list-style-type: none"> <li>1.05% p.a. management fee (exclusive of GST), calculated on the \$75m Guarantee, plus cost recovery, paid monthly by J&amp;F to RFM. RFM will not charge any additional management fee within RFF and there is no management fee charged on the \$250m loan facilities.</li> </ul>
Termination	<ul style="list-style-type: none"> <li>Bank withdraws the J&amp;F bank loan.</li> <li><b>JBS exercises the call option over the Feedlots from year 6 (at RFM's option).</b></li> <li>Default of agreement between J&amp;F and JBS.</li> </ul>
Commencement	<ul style="list-style-type: none"> <li>Commencement of the Guarantee expected in August 2018, subject to RFF Unitholder approval.</li> </ul>

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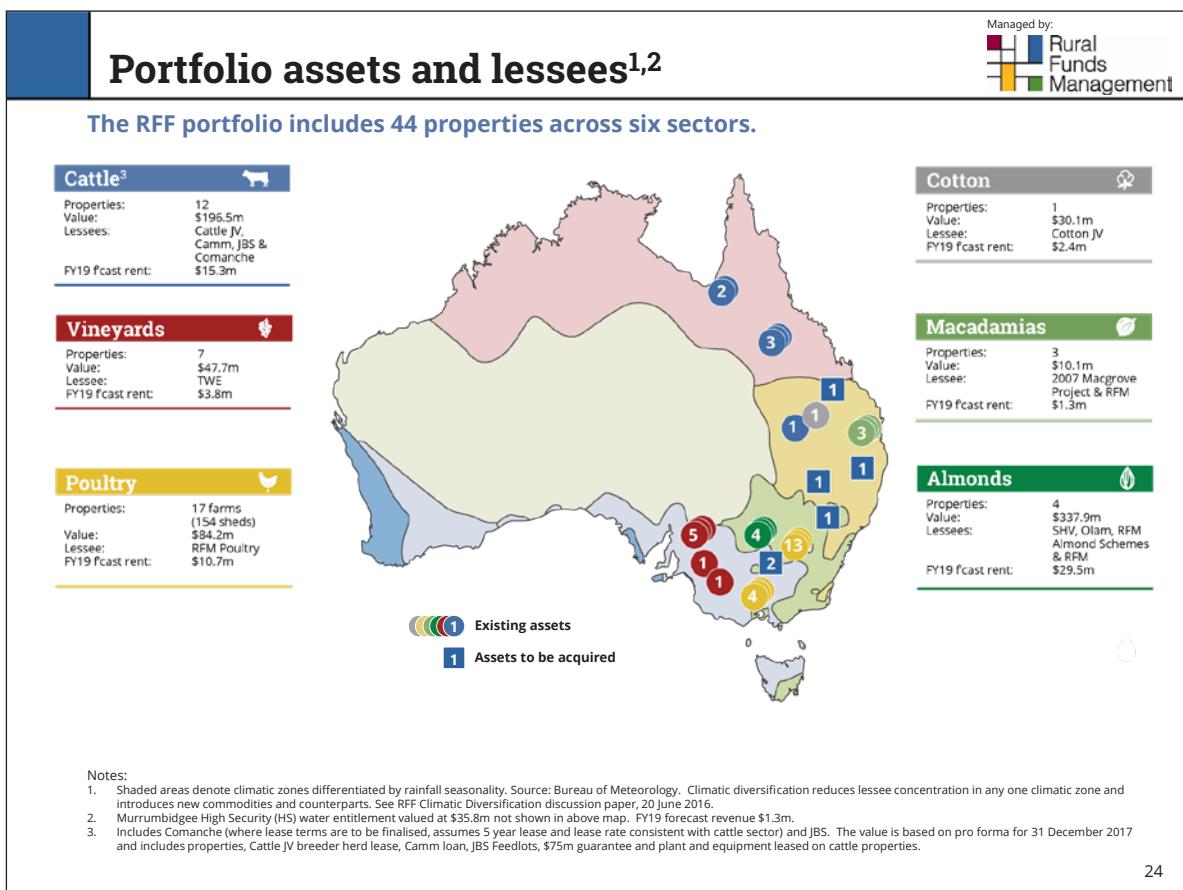
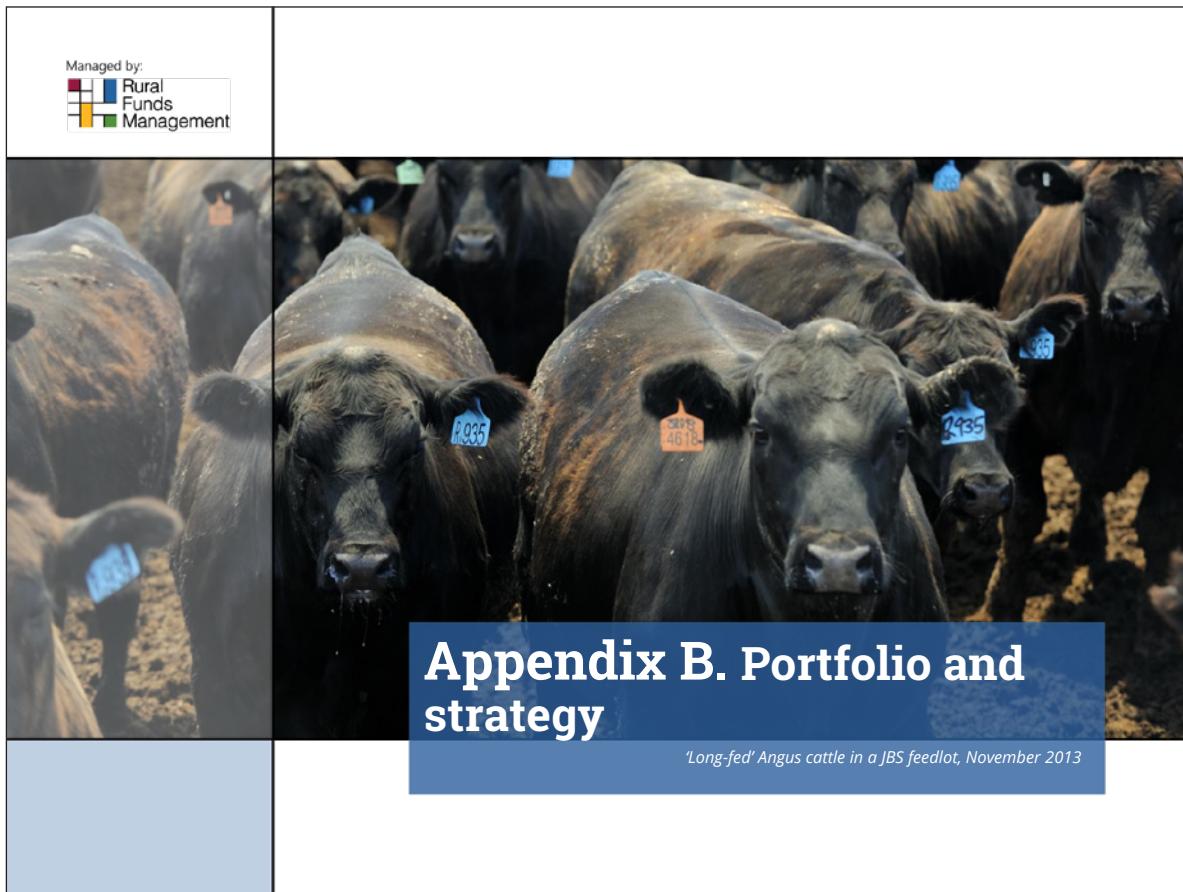
## Unitholder approval of Guarantee



**The Independent Expert has concluded that the Guarantee is fair and reasonable to the Non-Associated Unitholders of RFF under the requirements of Listing Rule 10 and Chapter 2E of the Corporations Act.**

- J&F will be acquired and operated by RFM rather than RFF:
  - this allows the separation of operating risks and responsibilities, and ensures RFF remains a Real Estate Investment Trust (REIT) for accounting purposes, and in substance.
  - this structure does not increase management fees paid to RFM. A 1.05% p.a. management fee (exclusive of GST), calculated on the \$75m Guarantee, plus cost recovery, is paid monthly by J&F to RFM. There is no management fee charged on the \$250m loan facilities and RFM will not charge any additional management fee within RFF.
- As J&F will be owned by RFM, the Guarantee is considered a transaction with a related party under the ASX Listing Rules and requires RFF Unitholder approval:
  - via an ordinary resolution (50% threshold) at a meeting scheduled for 10 August 2018.
  - an Independent Expert has concluded that the Guarantee is fair and reasonable to the Non-Associated Unitholders of RFF under the requirements of Listing Rule 10 and Chapter 2E of the Corporations Act.
- RFF Unitholder approval is not required for the Equity Raising or the purchase of the Feedlots, however the purchase of the Feedlots will not proceed unless RFF Unitholders approve the Guarantee:
  - in the event the Guarantee is not approved, and thus J&F and the Feedlots are not acquired, RFF will use the Equity Raising to repay debt which will be deployed for capital expenditure and other acquisitions.
  - key financial metrics in this scenario are:
    - forecast FY19 AFFO 11.3 cpu;
    - forecast FY19 DPU maintained at 10.43 cpu; and
    - pro forma gearing to reduce to 18.3%.

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## Development and capital expenditure update

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RFF's development and capital expenditure commitments are fully funded from retained AFFO and gearing capacity.

	FY18f (\$m)	FY19f (\$m)	FY20f (\$m)	Total (\$m)	Development update	Lease term remaining & indexation
Kerarbury (almonds)	36.4	17.3	18.3 <sup>1</sup>	72.0	2,500 ha land and irrigation development complete. 300 ha of trees to be planted 2018, remaining capital expenditure for establishment costs and water	20 yrs; CPI
Tocabil (almonds)	3.5	3.7	-	7.1	Remaining capital expenditure for infrastructure and water	19 yrs; CPI
Yilgah & Mooral (almonds)	1.0	3.0	-	3.9	Irrigation	8-12 yrs; fixed (2.5%) + rent review (Select Harvests Ltd lease)
Gulf properties & Rewan (cattle)	1.0	0.9	-	1.9	Additional 34 water points, 554 ha cultivation area and 190 ha improved pasture	8 yrs; CPI + rent review
Natal aggregation (cattle)	0.4	1.9	0.4	2.7	Additional 47 water points and fencing	10 yrs; fixed (2.5%) + rent review
Comanche (cattle) <sup>2</sup>	-	0.8	0.3	1.1	Additional water points, cultivation area and improved pasture	TBA
Lynora Downs (cotton)	2.4	3.1	-	5.5	4,142 ML water storage cell completed, ongoing 400 ha expansion of irrigated cotton area	4 yrs; CPI
Kleinig, Murphy and Mundy (vineyards)	1.1	0.2	-	1.3	Grafting and redevelopment	8 yrs; fixed (2.5%) + rent review
Moore Park, Bonmac (macadamias)	0.3	0.3	-	0.6	Irrigation	10 yrs; CPI/fixed component + rent review (RFM lease)
<b>Total (\$m)</b>	<b>46.1</b>	<b>31.2</b>	<b>19.0</b>	<b>96.2</b>		

Notes:

1. \$18.3m represents water acquisitions. This commitment may be met by utilising the Murrumbidgee HS water which is currently not leased.

2. Comanche lease and capex details are yet to be finalised.

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## Pro forma 31 December 2017 summarised balance sheet

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Net assets will increase to \$553m and gearing will decrease to 24% as the Guarantee will not require a transfer of cash unless triggered.

(\$m)	31 December 2017	Transactions and Equity Raising <sup>2</sup>	Pro forma
Cash	2.6	-	2.6
Property investments <sup>1</sup>	670.5	69.3	739.8
Other assets	14.3	-	14.3
<b>Adjusted total assets</b>	<b>687.4</b>	<b>69.3</b>	<b>756.7</b>
Interest bearing liabilities	256.8	(75.0) <sup>2</sup>	181.8
Other liabilities	21.6	-	21.6
<b>Total liabilities</b>	<b>278.4</b>	<b>(75.0)</b>	<b>203.4</b>
<b>Adjusted net assets</b>	<b>409.0</b>	<b>144.3</b>	<b>553.3</b>
Units on issue (m)	255.0	76.7	331.7
<b>Adjusted NAV per unit (\$)<sup>1</sup></b>	<b>1.60</b>	-	<b>1.67</b>
<b>Gearing<sup>3</sup></b>	<b>37.4%</b>		<b>24.0%</b>
<b>LVR<sup>4</sup></b>	<b>40.1%</b>		<b>36.1%</b>

Notes:

1. Includes the Feedlots which are expected to be accounted for as a finance lease and as shown as financial assets on the Balance Sheet and finance income on the Statement of Comprehensive Income. Adjusted for water entitlements totalling 98,682 ML and water delivery entitlements of 21,430 ML representing a fair value of \$166.0m.

2. Equity Raising proceeds relating to the Guarantee are used to repay debt. The Guarantee is expected to be treated as a contingent liability.

3. Calculated as external borrowings divided by adjusted total assets.

4. Calculated as term debt drawn plus contingent liabilities relating to the limited guarantee of \$75m divided by directly secured assets based on independent valuations plus the Feedlots and Comanche acquisition values.

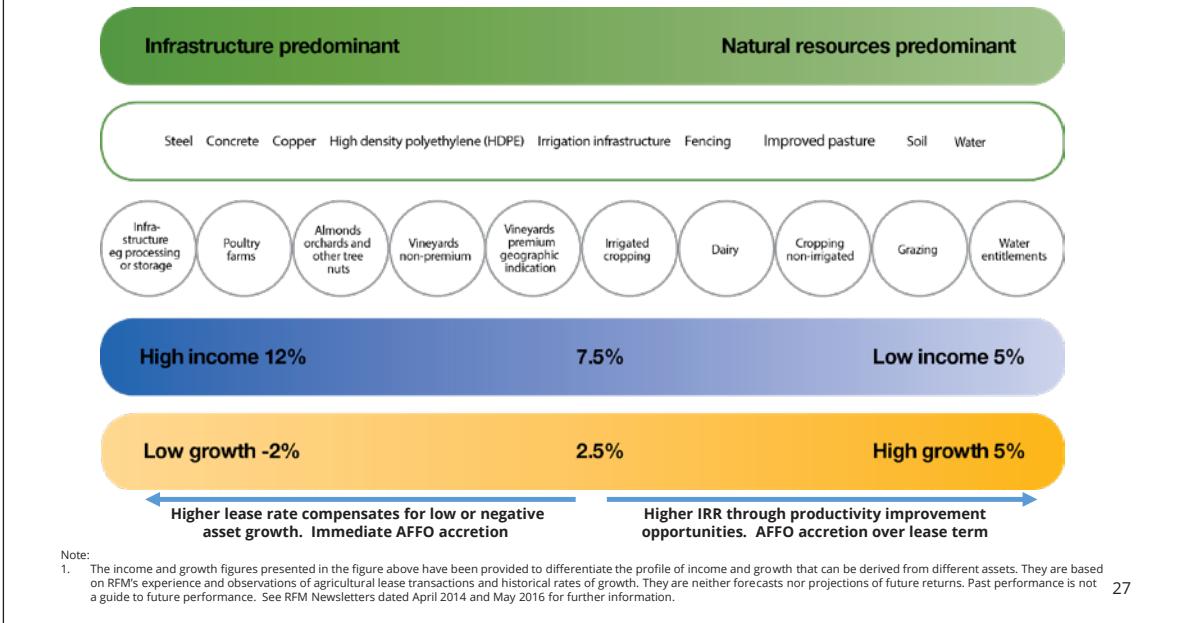
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## Acquisition strategy

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Management

**RFM's strategy is to invest in infrastructure and natural resource predominant assets with the aim of increasing the DPU growth rate over time. The returns from the Feedlots are consistent with total return noted in the spectrum after taking into account the CPI-adjusted Put and Call Option.**

### Spectrum of investment opportunities<sup>1</sup>



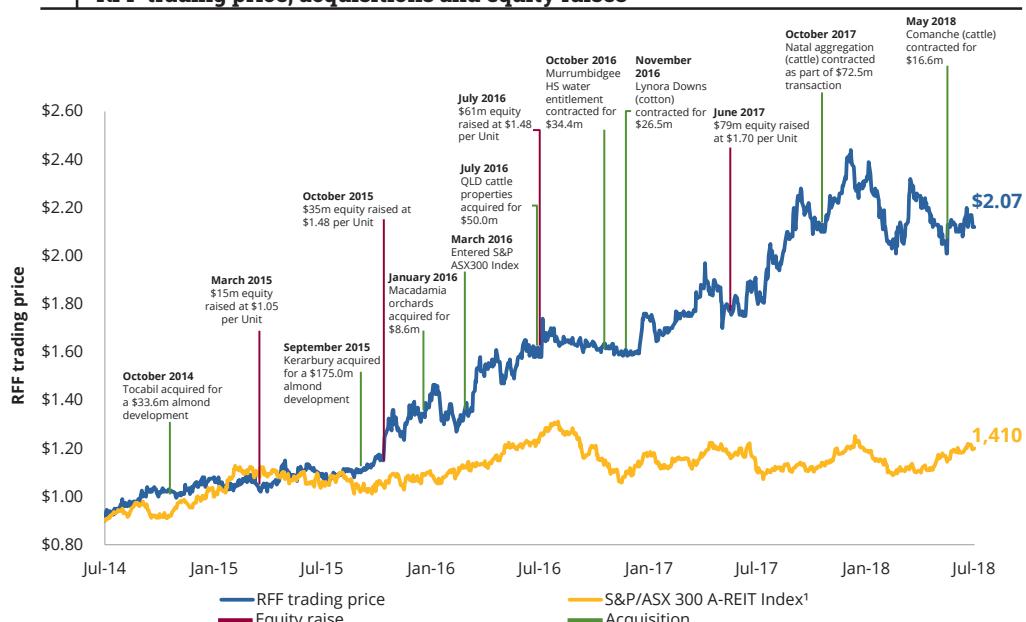
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## Acquisition track record and performance

Managed by:  
 Rural  
Funds  
Management

**RFM has a track record of acquiring assets to improve the financial performance of RFF. Equity funding the Transactions creates capacity for further debt funded acquisitions.**

### RFF trading price, acquisitions and equity raises<sup>1</sup>



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## Acquisition criteria



RFM considers six principles when evaluating acquisition opportunities.

### Key principles underpinning assessment of acquisition opportunities

- |  |   |
|--|---|
| <b>1</b> Maintain <b>agricultural REIT</b> structure                           | ✓ Income secured by long-term leases to quality tenants without the agricultural operating risks associated with a direct investment.                       |
| <b>2</b> Manage <b>good assets</b> with <b>good people</b>                     | ✓ Quality assets in sectors where Australia possesses a competitive advantage, longevity and scale.   |
| <b>3</b> Enhance <b>sector diversification</b>                                 | ✓ RFM's strategy is to invest in multiple sectors across the spectrum of investment opportunities with the aim of increasing the DPU growth rate over time. |
| <b>4</b> Enhance <b>climatic diversification</b>                               | ✓ Geographic diversification and introduction of new counterparties in different climatic zones.  |
| <b>5</b> Identify investments which may benefit from <b>productivity capex</b> | ✓ Productivity improvements, which over time grow asset value, rental income, and improve counterparty profitability.                                       |
| <b>6</b> Invest in sectors where RFM has <b>direct operational knowledge</b>   | ✓ RFM is a fund and farm manager with 21 years of experience, which benefits RFF in assessing acquisitions.   |

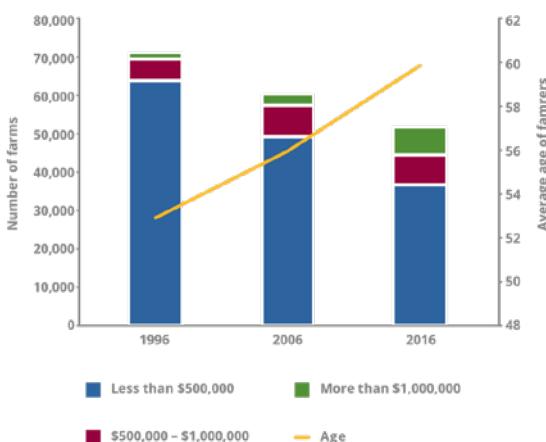
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## Acquisition environment

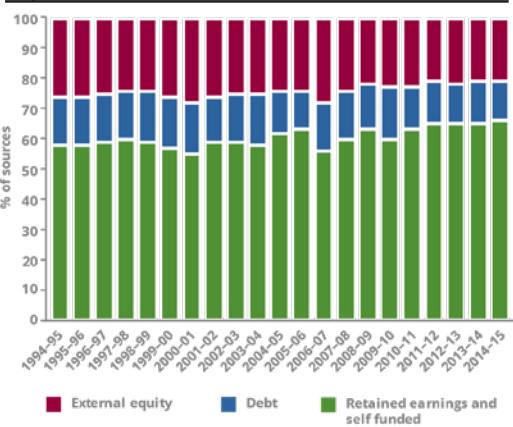


The agricultural sector is fragmented and includes owner/operators with limited access to external capital. The need for intergenerational transfer of farms provides acquisition and development opportunities.

### Farms by size and average age of farmers<sup>1</sup>



### Capital sources for investment<sup>2</sup>

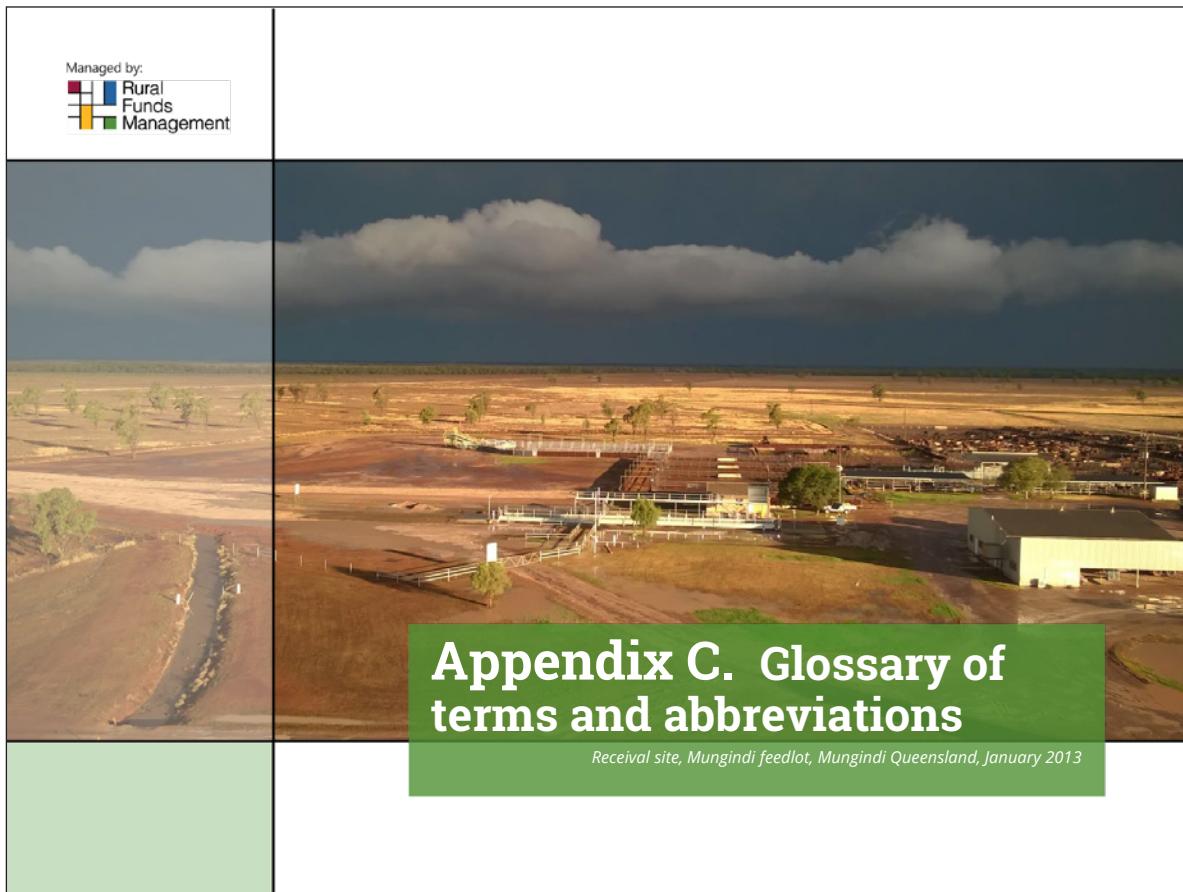


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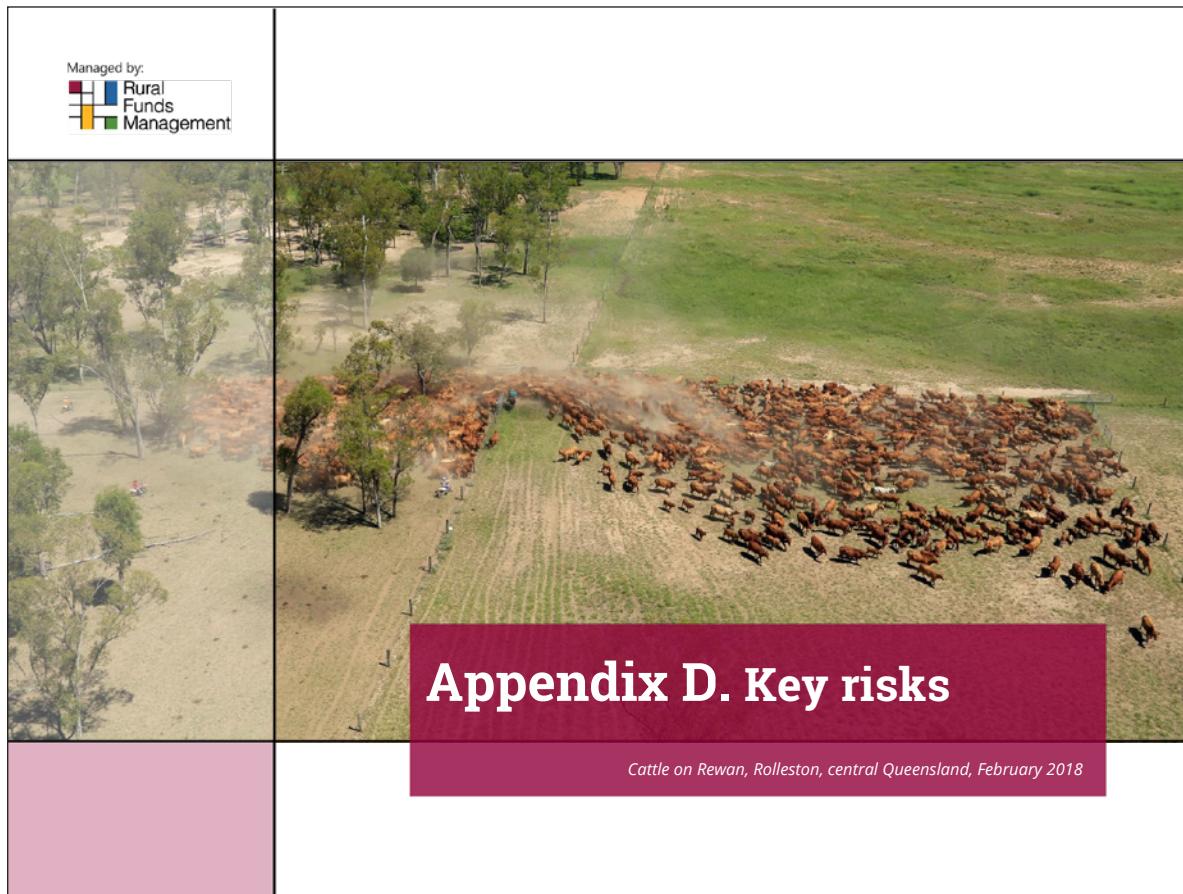
1. Source: Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) AGSURF Data 2018. Data represents ABARES defined broadacre sector of Australian agriculture (cropping, livestock and mixed operation thereof). Broadacre data set used in order to show segmentation by size of farm.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

2. Source: ABARES, AGSURF Data 2017.

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<b>Glossary and table of abbreviations</b>		Managed by: Rural Funds Management	
<b>Term</b>	<b>Definition</b>	<b>Term</b>	<b>Definition</b>
<b>Adjusted NAV</b>	Net Asset Value (NAV) adjusted for the independent valuation of water entitlements	<b>Gearing</b>	Calculated as external borrowings divided by adjusted total assets
<b>Adjusted total assets</b>	Total assets adjusted for the independent valuation of water entitlements	<b>ha</b>	Hectare(s) - an area of 10,000 m <sup>2</sup>
<b>AE</b>	Adult Equivalent - cattle properties are analysed and valued with reference to AE, much like other farms are analysed on a per hectare basis (an AE is defined as a 450 kg Bos Taurus steer at maintenance)	<b>Improved pasture</b>	Pasture with higher relative level of nutrition that is sown to increase livestock weight gain
<b>ASX</b>	Australian Securities Exchange	<b>Inducted</b>	Management process when cattle arrive at a feedlot whereby record keeping and health checks are undertaken
<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>Liveweight</b>	The weight of a live animal, as opposed to the carcass weight
<b>Contingent liability</b>	A liability that may occur depending on the outcome of a future event	<b>LVR</b>	Loan to valuation ratio - a bank covenant, calculated as debt divided by tangible assets (including water entitlements)
<b>Counterpart</b>	A party other than RFF involved in a financial transaction, usually referring to the lessee of a property	<b>ML</b>	Megalitre - a volume of 1,000,000 litres
<b>CPI</b>	Consumer Price Index	<b>m</b>	Million(s)
<b>DPU</b>	Distributions per Unit	<b>NAV</b>	Net asset value - calculated as assets less the value of liabilities (does not recognise fair value of water entitlements)
<b>Ex- entitlement</b>	Units acquired ex-entitlement are not eligible to participate in the entitlement offer	<b>Processor</b>	The operator of a slaughtering facility at which cattle are slaughtered and broken down into saleable beef
<b>Fair value</b>	Value of an asset as determined by an independent valuation	<b>Pro forma</b>	Financial statements based on certain assumptions and projections
<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>Standard Cattle Unit</b>	A measure of feedlot capacity - one Standard Cattle Unit is equivalent to an animal with a liveweight of 600 kg
<b>Finished weight</b>	When cattle reach a weight which meets the desired market specifications	<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>Record date</b>	Date at which unitholders must own a unit in order to be eligible to receive an upcoming distribution
		<b>RFF</b>	Rural Funds Group (ASX:RFF)
		<b>RFM</b>	Rural Funds Management Limited - manager and responsible entity for the Rural Funds Group



<b>Key risks</b>	
	Managed by: 
<b>Specific risks</b>	<p>An investment in RFF, like any investment, involves risk. These risks can be broadly divided between specific risks, property market risks, and general risks relevant to RFF.</p> <p>Whilst the assumptions used in generating the forward looking statements within this presentation are considered reasonable, a number of these risk factors could affect these forward-looking statements. Most risk factors are outside the control of RFM.</p> <p>Detailed below are what RFM considers to be material risk factors, however this is not an exhaustive list. Investors should make their own independent assessment of the Offer.</p>
<b>Risk</b>	<b>Summary</b>
<b>Counterparty</b>	<p>All land and infrastructure assets owned by RFF are leased and as such Unitholders are not directly exposed to agricultural operational risk.</p> <p>There is a risk that a counterparty may default on its financial or operational lease obligations to RFF. Any financial default would reduce RFF's revenue and its ability to meet its debt obligations and to pay distributions. An operational default by a counterparty may require RFF to meet operating obligations until a new lessee is contracted. In the case of a default by a counterparty, the health or quality of RFF's asset may be adversely affected.</p> <p>JBS Australia (JBS) is a wholly owned subsidiary of JBS S.A., a company that is listed on the Brazilian Stock Exchange. The JBS S.A. founders, who retain control of 42% of the JBS S.A. stock, have been convicted of bribery and other similar charges in relation to activities associated with the Brazilian Government. RFM is not aware of any other misconduct or possible charges, however it is possible that if charges were to be laid in the future, the reputation or financial standing of JBS could be impacted.</p> <p>RFF has several lessees, with the largest lessee (by rental income) being Olam Orchards Australia Pty Ltd, representing 24% of RFF's forecast revenue stream during the 2019 financial year.</p>
<b>Rental risk - timing of development expenditure</b>	<p>RFF has entered into leases with Olam Orchards Australia Pty Ltd that require RFF to fund orchard development expenditure. There is a risk that delays in developing the orchards, or the timing of the expenditure, may result in a reduction or deferral of rent to be received under the lease until the development is completed.</p> <p>RFF has entered into contracts to acquire and lease to JBS five Feedlots. There is a risk that delays in the settlement of the Feedlots, or the inability to complete settlement, may result in a reduction or deferral of rent to be received under the lease. RFM expects that the settlement of the five Feedlots will occur in a staged manner as the various governmental approvals are received, including subdivision approval required for two feedlots.</p>
<b>Takeover</b>	<p>RFM, an experienced agricultural manager, is the responsible entity of RFF. Another entity may seek to take over RFF or replace RFM as responsible entity. Any change of responsible entity will require Unitholders' approval of an ordinary resolution at a Unitholder meeting.</p>
<b>Future distributions or reduction in distributions</b>	<p>RFF must meet its operating expenses, capital commitments and debt servicing obligations before distributions can be made to Unitholders. These items are subject to interest rate movements and changes in costs. Consequently, distributions may vary.</p>
<b>Suspension event</b>	<p>RFF Poultry has chicken growing contracts with Barter Enterprises (a wholly owned subsidiary of Baiada Poultry) that expire over the period from 31 March 2024 to 3 July 2036. RFM Poultry is dependent on the income from those contracts to meet its obligations to RFF under the leases.</p> <p>There is a risk that a suspension event could occur under the terms of the chicken growing contracts. Under the terms of the RFM Poultry lease, any reduction in the grower fee revenue relating to a suspension event will result in a proportional reduction in the rent payable to RFF.</p> <p>The Barter Enterprises growing contracts include the following suspension events, which, if triggered, mean all obligations under the relevant growing contract, including payments to RFM Poultry, are suspended until the suspension event is rectified.</p> <p>In the event RFM Poultry suffers a suspension event, this will have a corresponding suspension or reduction in the lease payments received by RFF under its lease with RFM Poultry. If the suspension event persists for longer than six months, the growing contract may be terminated by either party by giving one months' notice. Suspension events for all chicken growing contracts include: act of God; epidemics, fires, industrial disputes by Barter employees, livestock husbandry issues, disease caused by RFM Poultry and chicken meat importation.</p>

Key risks		Managed by: 
Specific risks (continued)		
Risk	Summary	
<b>Competition</b>	RFM has a significant track record in identifying, acquiring and managing agricultural properties in Australia. A number of competitors exist for potential acquisitions, which could impact upon RFM's ability to execute RFF's business strategy and thus its financial performance.	
<b>Acquisition risk</b>	In order to drive future growth of the business of RFF, RFM intends to develop a significant acquisition pipeline. There is no guarantee that RFM will be able to execute any future acquisitions.	
<b>Legislative (stapled structures)</b>	The Department of Treasury released a paper on 27 March 2018 called "Stapled Structures - Details of integrity package", which proposed to prevent agricultural Managed Investment Trusts (MITs). The impact of preventing agricultural MITs would mean that RFF would be taxed as a public trading trust and not a flow-through trust. The paper noted a commencement period of 1 July 2019 and a transition period of seven years for arrangements in existence at the date of government announcement of this package.	
<b>Business strategy</b>	RFM's business strategy for RFF is focused on building RFF's portfolio and cash yield through the management, acquisition and development of agricultural assets. RFF's future growth is dependent on the successful execution of this strategy. Any change or impediment to implementing this strategy including the access to funding may adversely impact RFF's operations and future financial performance.	
<b>Asset valuations</b>	The rental yield and profitability of RFF is influenced by the valuations and other industry market indicators of the leased properties, biological assets and water rights. Factors affecting asset valuations include capitalisation and discount rates, the economic growth outlook, and demand for end-market products such as chicken meat, almonds, beef, cotton, macadamias and wine. Such impacts on property valuations may lead to variations in the valuation of RFF and the rental yields RFF is able to achieve.	
<b>Insurance</b>	RFF enters into insurance policies on its properties with policy specifications and insured limits that it believes to be customary in the industry. However, potential losses of a catastrophic nature, such as those arising from war, terrorism, insects or severe flooding, may be uninsurable, or not insurable on reasonable financial terms, may not be insured at full replacement costs, or may be subject to large excesses.	
<b>Interest rate risk and hedging</b>	The Feedlots being acquired by RFF from JBS will be stocked with cattle that are owned by J&F, a wholly owned subsidiary of RFM. All cattle operations will be managed by JBS, who bear responsibility for mortalities up to a certain threshold. RFM intends to mitigate the mortality risk above this threshold through insurance. It is intended insurance be retained for the period of the lease, however there is no guarantee that it will be obtainable for the entire lease term, or that the insurance will provide cover for all events or diseases that may occur in the future. Any claim on the policy will incur a deductible (excess). In addition, although J&F meet the cost of insurance, any increase in the cost of the premium would result in a net decrease in the return paid to RFF.	
<b>RFM Poultry right of rent review</b>	RFF holds interest bearing debt and as such it is exposed to movements in interest rates. RFF undertakes interest rate hedging to help protect against changes in interest rates and interest rate swaps are currently used for this purpose. These swaps provide more certainty in a changing interest rate market and will result in a higher or lower interest expense, and cash flow, relative to the floating rate market. Accounting policies require interest rate swaps to be recorded at fair value and this may lead to fluctuations in comprehensive income, however these market adjustments are non cash and do not impact AFFO.	
<b>Gearing and refinancing</b>	Under the terms of the RFM Poultry lease, there is a right of rent review where there is material permanent change to the profitability of chicken growing activities. Any reduction in RFM Poultry's profitability may result in a reduction in the rent payable to RFF.	
	RFF maintains target gearing of 35%. RFF has secured a debt facility that sets limits for the next 1.5 years. Beyond this, there is a risk that RFF's bank could reduce the gearing limit and/or fees and charges. In these circumstances, where asset values have not increased sufficiently to offset any decrease in gearing limits, RFF may be required to sell assets and reduce or suspend distributions to retire debt.	
	RFF has provided a \$75m limited Guarantee to J&F in order to secure bank funding that will be used by JBS to stock and manage RFM owned Feedlots. J&F has secured \$250 million of funding from two major Australian banks. The facilities have a term of two years, and although it is likely that they will be renewed, there is no guarantee that the funding will be available for the ten year terms of the cattle agreements. Under the cattle agreements, J&F has the right to terminate those agreements should funding not be available.	

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Key risks		Managed by: 
Specific risks (continued)		
Risk	Summary	
<b>Conflict of interest and related party transactions</b>	RFM is the responsible entity for RFF and for a number of other funds and operates farming businesses in its own right. It is possible that investment opportunities will arise for RFF through RFM's relationship with those other funds. Therefore, from time to time, RFM may face a conflict of interest that arises because of its role as the responsible entity for RFF and its role as the responsible entity for other funds as a farm manager. In the case of the JBS transaction, J&F, which will be a wholly owned subsidiary of RFM, has entered into agreements with JBS to acquire cattle on behalf of J&F, manage those cattle through to finished weight, and then acquire the cattle from J&F. The cattle will be grown out on RFF's Feedlots and RFF is providing a guarantee of \$75m so that J&F may access bank funding to stock and manage the Feedlots. Unitholder approval will be sought for the provision of the guarantee. Related party transactions are subject to compliance with the Corporations Act 2001 (Cth), ASX Listing Rules and RFM Conflict of Interest Management Policy.	
<b>Inflation</b>	Inflation risk is the uncertainty over the future real value of your investment and specifically whether revenue or profitability will increase at least in line with inflation. The Select Harvests and Treasury Wine Estates leases allow for annual indexing of 2.5% p.a. with three and five yearly reviews to market respectively. The RFM Poultry lease is subject to indexation of 65% of CPI capped at 2% p.a. The leases to RFM's Almond Funds are subject to fixed indexation of 2.5% p.a. The lease to RFM of the Bonmac macadamia orchard allows for annual indexing of 2.5% p.a. with three yearly reviews to market. The CJV leases are subject to CPI and EYCI linked movements. The leases to Olam, Cotton JV, JBS Australia, and 2007 Macgrove Project are indexed at CPI annually.	
<b>Force majeure</b>	The RFM Almond Fund 2006, Camm and Treasury Wine Estates leases have no force majeure provisions. The leases to the 2007 Macgrove Project, Select Harvests, RFM (Macadamia lease) and Olam excuse the lessee from the performance of their obligations under the lease following the occurrence of a force majeure event. The remainder of the leases excuse the lessee from the performance of their obligations under the lease, with the exception of payment of rent, following the occurrence of a force majeure event. In addition, the Olam Kerarbury lease has additional force majeure conditions covering the development period. During the development period there is a risk of force majeure events that prevents the development of the almond orchard, such as an extreme climatic event which are beyond the control of either party. Unitholders have no direct control over the decisions that affect the day-to-day management of RFF.	
<b>Reliance on RFM's skills</b>	Instead they rely on the skills of RFM and RFM's employees to manage RFF assets. An RFM employee may have a specialist skill set that is used to manage those assets. If that RFM employee resigns, then RFM may not be able to replace that specialist skill set quickly or easily.	

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## Key risks



### Property Market risks

Risk	Summary
<b>Decline in asset value</b>	RFF owns property including land, water and infrastructure for agricultural production. The value of these assets may rise or fall because of general economic conditions, local and global agricultural conditions, changes in independent valuation methodologies, and changes in discount rates.
<b>Destruction or damage of property</b>	It is possible that the assets owned by RFF could be destroyed or damaged by natural or other events. RFM will maintain appropriate levels of insurance, provided it is economically sensible to do so.
<b>Property illiquidity</b>	The majority of assets owned by RFF are large scale. Given this scale, the number of potential buyers is limited. Therefore, the sale of assets at an appropriate price may take longer to realise.
<b>Reduction in water entitlements</b>	Pursuant to the terms of the Treasury Wine Estates leases, and the lease for the RFM Almond Funds 2007 and 2008, where there is a reduction in water entitlements, RFF is required by the terms of the leases to replace the entitlements from an alternative source. Failure to do so may result in a rent abatement or a right to terminate the lease.  Under the terms of the Select Harvests leases, RFF is not required to replace any reduction in entitlements and there is no rental abatement at the time of the reduction. However the reduction will be taken into account in determining the orchard value at the next review date; and therefore is likely to result in a rental reduction then.  Under the terms of the Kerarbury and Tocabil leases with Olam, any reduction in water entitlements results in a rent abatement. If RFF secures additional water, rent is payable based on the capital cost of the purchase. In the event that a reduction results in less than 8 ML/ha (Kerarbury) and 10 ML/ha (Tocabil) being available and not replaced by RFF within 18 months of the reduction taking effect, Olam have the right to surrender an area in order to bring the entitlement back to 8 ML/ha (Kerarbury) and 10ML/ha (Tocabil). If the remaining area is less than 800 ha for Kerarbury and 300 ha for Tocabil, Olam have the right to terminate the entire lease.  There is no such requirement in any of the other existing leases. Annual water allocation risks are on account of the Lessees.
<b>Climate risk and climate change risk</b>	RFM monitors the impact of climate change on RFF's portfolio of assets and has implemented a Climatic Diversification strategy, including acquiring assets across different growing regions and asset classes.
<b>Environmental management</b>	There is a risk that RFF doesn't protect or sustainably manage its natural resources. In aiming to work sustainably, wherever practical RFF will: <ul style="list-style-type: none"><li>• monitor industry developments and adopt farm management practices that incorporate the latest research findings and technologies, to minimise environmental impacts and better utilise the natural resources;</li><li>• maximise water use efficiency through the utilisation of modern, well managed irrigation systems;</li><li>• ensure water management practices take account of water quality and minimise run-off;</li><li>• adopt nutrient management practices which improve long term soil health and ensure that pest and weed management requiring the use of chemicals, occurs in a safe and environmentally responsible manner; and</li><li>• ensure that our staff understand and are focused on sustainable farming principles and adhere to environmental legislation and regulations.</li></ul>

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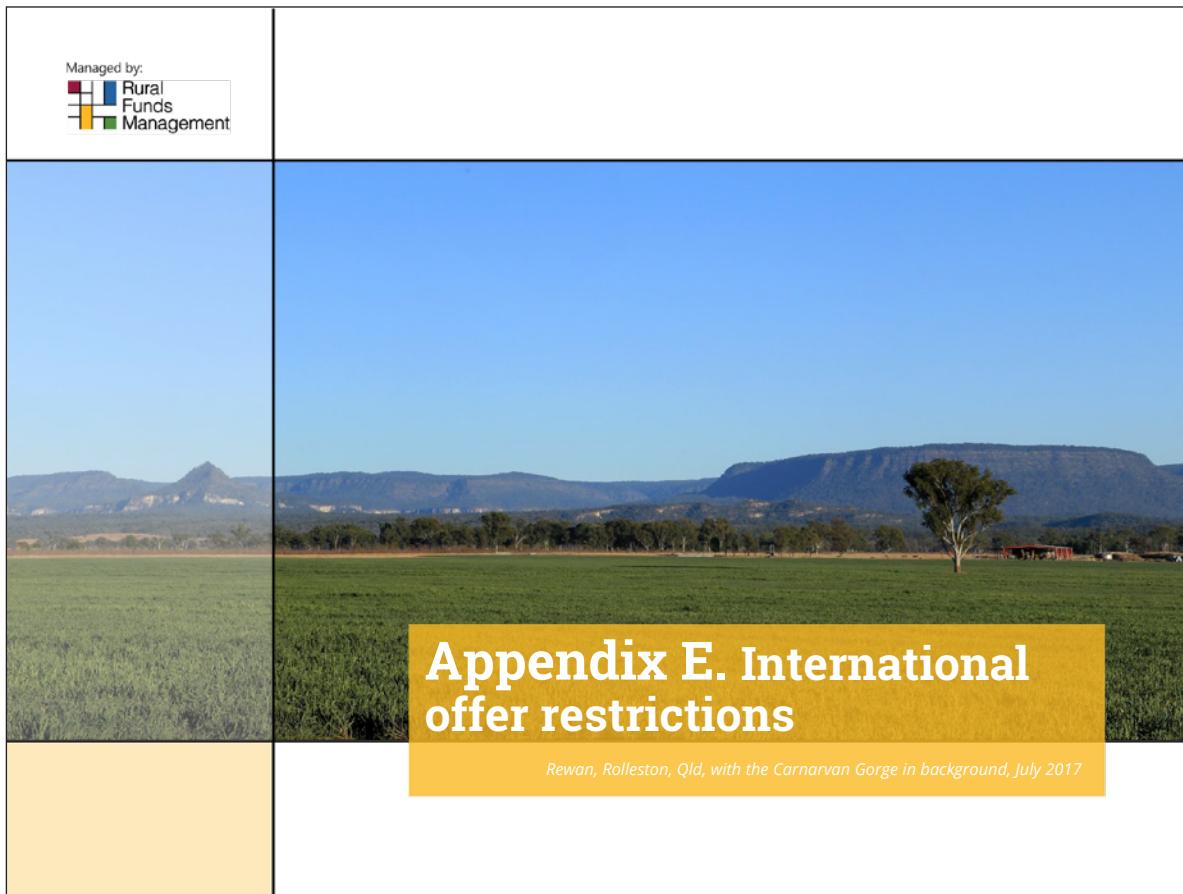
## Key risks



### General risks

Risk	Summary
<b>Change in economic conditions</b>	The following economic conditions may impact RFF's financial performance: <ul style="list-style-type: none"><li>▪ national economic growth;</li><li>▪ industry change;</li><li>▪ interest rates;</li><li>▪ inflation;</li><li>▪ exchange rates; and</li><li>▪ changes to government economic policy.</li></ul>
<b>Change in political and regulatory environment</b>	The following international or domestic political conditions (as well as others that are not listed here) may adversely affect RFF's assets: <ul style="list-style-type: none"><li>▪ legislative changes;</li><li>▪ regulatory changes;</li><li>▪ taxation changes; and</li><li>▪ foreign policy changes (including the status of trade agreements).</li></ul>
<b>Taxation changes</b>	As a Unitholder, you should be aware that taxation law can change, which may materially impact your taxation position or the value of your investment in RFF. The taxation position of your investment may also be affected by changes to the operations of RFF such as the deferral or acceleration of development activities on individual properties.
<b>Units trading at below net asset value</b>	The buying and selling of Units is conducted on the ASX. The trading price of the Units will be dependent on the financial performance of RFF.
<b>Liquidity</b>	The ability to sell your Units will depend on the availability of buyers. Larger stocks generally have a higher level of liquidity or turnover than smaller stocks.

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# Rural Funds Management

Managed by:  


Key information		Board and management team contacts and tenure			
<b>Established</b>	1997		<b>Guy Paynter</b> Non-Executive Chairman 8 yrs		<b>David Bryant</b> Managing Director 21 yrs
<b>Assets under management</b>	Total \$743m  Rural Funds Group: \$687m RFM Poultry: \$9m Almond Funds 06-08: \$35m 2007 Macgrove Project: \$12m		<b>Michael Carroll</b> Non-Executive Director 8 yrs		<b>Julian Widdup</b> Non-Executive Director 1 yr
<b>Ownership</b>	Directors & staff		<b>Stuart Waight</b> Executive 15 yrs		<b>Andrea Lemmon</b> Executive Manager, Funds Management 21 yrs
<b>Farm &amp; operations staff</b>	50		<b>Daniel Yap</b> Financial Controller 6 yrs		<b>Jonty Ephron</b> Chief Operating Officer Less than 1 yr
<b>Funds management staff</b>	35		<b>Dan Edwards</b> Business Manager, Rural Funds Group 13 yrs		<b>Tim Sheridan</b> Executive – Acquisitions & cattle 10 yrs
<b>RFM direct operational experience</b>	Cotton: since 1998 Vineyards: since 2000 Poultry: since 2003 Almonds: since 2006 Macadamias: since 2006 Livestock: since 2010		<b>James Powell</b> General Manager - Investor Relations & Marketing 10 yrs		
<b>RFF fee structure</b>	1.05% p.a. adjusted total assets & cost recovery				
<b>RFF key responsibilities</b>	<ul style="list-style-type: none"> <li>Compliance to financial, farming and reporting requirements of leases</li> <li>Water asset management including obtaining approvals, 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>				

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 <b>Rural Funds Management</b> Managing good assets with good people	<p><b>Rural Funds Management Ltd</b>          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: <a href="http://ruralfunds.com.au">ruralfunds.com.au</a></p>     	
<b>For further information:</b> <b>David Bryant</b> Managing Director Rural Funds Management T 02 6203 9700 E <a href="mailto:DBryant@ruralfunds.com.au">DBryant@ruralfunds.com.au</a>	<b>For media enquiries:</b> <b>Stuart Waight</b> Executive Rural Funds Management T 0419 126 689 E <a href="mailto:SWaight@ruralfunds.com.au">SWaight@ruralfunds.com.au</a>	<b>Investor relations enquiries:</b> <b>James Powell</b> General Manager - Investor Relations & Marketing Rural Funds Management T 0420 279 374 E <a href="mailto:JPowell@ruralfunds.com.au">JPowell@ruralfunds.com.au</a>

# TAXATION

## 4.1 Introduction

This section is a summary of the key Australian tax issues for Unitholders who are residents for Australian tax purposes, who hold their Units on capital account.

This section has been prepared on the basis of taxation law as at 11 July 2018. As taxation law and its interpretation of it by the Australian Taxation Office and the courts is subject to change, Unitholders should be aware that the taxation consequences of their holding units could change in the future.

Unitholders should be aware that the actual tax implications of investing in Units may differ depending on their individual circumstances.

Neither RFM nor its directors are registered under the Tax Agent Services Regime to provide tax advice to individual Unitholders. Accordingly, Unitholders should take advice from an appropriately qualified adviser on the taxation implications of the arrangements, taking into account their particular circumstances.

Unitholders who are residents of, or subject to taxation in, other countries should also obtain advice on the tax consequences in that country.

## 4.2 Taxation of New Units

The New Units will rank equally with all other Units in relation to future distributions and will be taxed in the same manner as each Unitholders' Existing Units (as outlined below).

## 4.3 Holding of Units

Each of the components of a stapled Unit is treated separately for tax purposes. Unitholders may receive distributions from Rural Funds Trust and distributions from RF Active. The tax consequences of each are outlined below.

## 4.4 Taxation of distributions from Rural Funds Trust

Rural Funds Trust only holds assets that derive rental or other 'passive' income. On the basis that this continues to be the case, Rural Funds Trust should be a 'flow through' fund (rather than a public trading trust) for tax purposes.

Rural Funds Trust will not be liable for any income tax, if at all times the Unitholders have been allocated the net taxable income of Rural Funds Trust. The net taxable income of Rural Funds Trust will generally be taxed in the hands of Unitholders.

Each year, Unitholders will include in their assessable income, that portion of the net taxable income of Rural Funds Trust to which they become entitled. This includes distributions that are reinvested to subscribe for additional Units and income to which a Unitholder becomes entitled, but has not yet received.

Distributions from Rural Funds Trust might include capital gains (including gains subject to the general 50% capital gains tax ("CGT") discount), imputation credits or foreign tax credits. Unitholders may benefit from the receipt of discount capital gains, imputation credits and foreign tax credits by way of distribution from Rural Funds Trust, depending on their personal circumstances.

Distributions made by Rural Funds Trust may also include non-assessable amounts. If all or part of a distribution by Rural Funds Trust is not subject to tax in the hands of the Unitholder (other than a distribution of the discount component of a capital gain), the Unitholder's CGT cost base in their Rural Funds Trust Units will be reduced for CGT purposes by the amount of the non-assessable component.

The cost base of a Rural Funds Trust Unit will generally include the expenditure incurred to acquire the Unit, such as the issue or purchase price, and any incidental costs of acquisition and disposal.

If a Unitholder's CGT cost base in the Rural Funds Trust Units is reduced to zero, the Unitholder will make a capital gain in respect of any excess non-assessable amounts received from Rural Funds Trust.

A Unitholder who is an individual, the trustee of a trust or a complying superannuation entity may be entitled to claim the CGT discount to reduce any capital gain in respect of their Rural Funds Trust Units, if those Units have been held for at least 12 months. The CGT discount is applied to reduce the capital gain after applying any available capital losses.

On 27 March 2018 the Government announced a proposal to amend the law in respect of stapled structures and Managed Investment Trusts holding agricultural land. Under the proposals, agricultural land is to be excluded from being an 'eligible investment business' for a Managed Investment Trust. This proposal is intended to apply from 1 July 2019, though may be deferred under transitional measures. If the measures are ultimately enacted it may mean that the Rural Funds Trust is taxed in a similar manner to RF Active.

## 4.5 Taxation of distributions from RF Active

RF Active is taxed as a public trading trust. As a public trading trust, RF Active:

- > pays tax at the corporate tax rate on the profit it generates from its operational activities; and
- > may, from time to time, make distributions to Unitholders of the profit generated from its trading activities.

Distributions by RF Active to Unitholders will be regarded as dividends for tax purposes (which may be franked). Unitholders will be assessed on any distributions received from RF Active in the year of income in which the distribution is paid (even if the distribution is reinvested).

Any franking credit attached to a distribution (dividend) represents the tax paid on the profits from which the distribution has been paid. Where distributions are wholly or partly franked, the Unitholder's assessable income may include the amount of the distribution, plus an additional amount in respect of the attached franking credit.

Where a franking credit is included in the Unitholder's assessable income, the Unitholder will be entitled to a tax rebate equal to the amount of the franking credit.

In certain circumstances, the franking credit may not be included in the Unitholder's assessable income – for example, where the Unitholder has both purchased and sold Units within 45 days of the ex-distribution date, or otherwise does not hold Units sufficiently at risk.

## 4.6 Disposal of Units

When a Unitholder disposes of Units, the CGT issues related to the disposal of the Rural Funds Trust Units and RF Active Units should be determined separately. That is, the disposal of a Unit will involve two CGT events – the disposal of Units in Rural Funds Trust and the disposal of Units in RF Active – and the calculation of the capital gain or loss must be performed separately for each CGT event.

On disposal of a Unit, the capital proceeds will need to be apportioned between the two CGT events on the basis of what is reasonably attributable to each CGT event.

Unitholders may make a capital gain or incur a capital loss on the disposal of Units, whether disposal occurs by way of sale or upon redemption. The amount of any capital gain or loss will be calculated as the difference between the capital proceeds received for the disposal and the cost base of the Rural Funds Trust Units and RF Active Units, respectively. The cost base of a CGT asset (i.e. each Unit) generally includes the expenditure incurred to acquire the CGT asset such as the issue or purchase price, and any incidental costs of acquisition and disposal.

Depending upon the circumstances in which Unitholders acquired their Units, an apportionment may also need to be performed to determine the cost base of each CGT asset. Again, the basis of apportioning the expenditure incurred to acquire the Units between the two CGT assets will be by reference to what is reasonably attributable to each CGT asset.

Units issued under the Entitlement Offer will be acquired for CGT purposes on the date of the allotment of Units under the Entitlement Offer.

A Unitholder who is an individual, the trustee of a trust or a complying superannuation entity may be entitled to claim the CGT discount in calculating any capital gain on disposal of their Units, if those Units were acquired at least 12 months prior. The CGT discount is applied to reduce the capital gain after any available capital losses are applied. A Unitholder that is an individual or the trustee of a trust may reduce the capital gain by 50%. A Unitholder that is a complying superannuation entity may discount the capital gain by 33 $\frac{1}{3}$ %. No CGT discount is available to a Unitholder that is a company.

## 4.7 Tax File Numbers

An Applicant is not required to quote a tax file number ("TFN") when applying for New Units. However, if a TFN or an Australian Business Number ("ABN") is not provided by a Unitholder who is a resident for Australian tax purposes (and a relevant exemption has not been quoted by the Applicant), tax will be withheld from the payment of distributions by Rural Funds Trust (at the highest marginal tax rate), and from any unfranked component of distributions paid by RF Active.

# IMPORTANT INFORMATION FOR UNITHOLDERS

## 5.1 No product disclosure statement

The Entitlement Offer complies with the requirements of section 1012DAA of the *Corporations Act 2001* as modified by Australian Securities and Investments Corporation's ("ASIC") (Non-Traditional Rights Issues) Instrument 2016/84 and any ASIC relief applicable to the Responsible Entity or the Fund. This Retail Offer Booklet is not required to be lodged or registered with ASIC and no product disclosure statement for the Entitlement Offer will be prepared.

## 5.2 Availability of Retail Offer Booklet

Unitholders with registered addresses in Australia and New Zealand can obtain a copy of this Retail Offer Booklet during the Retail Offer Period on the Responsible Entity's website at [www.ruralfunds.com.au/rural-funds-group/](http://www.ruralfunds.com.au/rural-funds-group/). If accessing the document electronically, ensure you download the Retail Offer Booklet in its entirety. Alternatively, you can call Rural Funds Management on 1800 026 665 (from within Australia) or +61 2 6203 9700 (from outside Australia) from 8.30am to 5.00pm (AEST), Monday to Friday.

Eligible Retail Unitholders with registered addresses in Australia and New Zealand will be emailed a copy of this Retail Offer Booklet and their Entitlement and Acceptance Form if they have elected to receive notices by email, otherwise Eligible Unitholders will be posted a copy. You should ensure that you read the Retail Offer Booklet and the Entitlement and Acceptance Form in their entirety.

The electronic version of this Retail Offer Booklet on the Responsible Entity's website will not include a personalised Entitlement and Acceptance Form. You can obtain a personalised Entitlement and Acceptance Form by calling RFM's Investor Services team on 1800 026 665, or by logging into the *InvestorServe* portal via the Registry's online system and accessing your individual investment portfolio at <https://www.investorserve.com.au/>. Your personalised Entitlement and Acceptance Form can be located under the *Online Statements/Advices* tab. You will only be entitled to accept the Retail Entitlement Offer by completing your personalised Entitlement and Acceptance Form that accompanies this Retail Offer Booklet, or by making a payment of Application Monies via BPAY using the information contained on your personalised Entitlement and Acceptance Form (refer to section 2.2 for further information). Please carefully read the instructions on the accompanying Entitlement and Acceptance Form.

Unitholders in other jurisdictions, or who are US Persons, or are acting for the account or benefit of US Persons, are not entitled to access the electronic version of the Retail Offer Booklet on the Responsible Entity's website.

## 5.3 Continuous disclosure requirements

The Fund is a disclosing entity under the *Corporations Act 2001* and is subject to regular reporting and disclosure obligations under the *Corporations Act 2001* and the ASX Listing Rules, including the preparation of annual reports and half-yearly reports.

The Responsible Entity is required to notify the ASX of information about specific events and matters as they arise for the purposes of the ASX making that information available to markets conducted by the ASX. In particular, the Responsible Entity has an obligation under the ASX Listing Rules (subject to certain exceptions) to notify the ASX immediately if there is, or it becomes aware of, any information which a reasonable person would expect to have a material effect on the price or value of Units in the Fund. That information is available to the public from the ASX.

Some documents are required to be lodged with ASIC in relation to the Fund. These documents may be obtained from, or inspected at, an ASIC office.

## 5.4 Not investment advice

The Responsible Entity recommends that you consult your professional adviser before deciding to invest. The information provided in this Retail Offer Booklet and the accompanying personalised Entitlement and Acceptance Form does not constitute financial product advice and has been prepared without taking into account your individual investment objectives, financial circumstances or particular needs. The information should not be considered to comprise all the information which a Unitholder may require in order to determine whether or not to subscribe for New Units.

## 5.5 Risk factors

The Investor Presentation details important factors and risks that could affect the financial and operating performance of the Fund. Please refer to the 'Key risks' in the Investor Presentation located at section 3 of this Retail Offer Booklet for details. You should consider these risk factors carefully in light of your personal circumstances, including financial and taxation issues, before making an investment decision in connection with the Retail Entitlement Offer.

## 5.6 Financial information

The summary financials as set out in the Investor Presentation at section 3 of this Retail Offer Booklet have been prepared in abbreviated form in accordance with the recognition and measurement principles of Australian International Financial Reporting Standards ("AIFRS"). However, they do not contain all the disclosures that are usually provided in an annual report prepared in accordance with the *Corporations Act 2001*.

The summary financials have not been subject to audit.

## 5.7 No authorisation

No person is authorised to give any information or make any representation in connection with the Entitlement Offer which is not contained in this Retail Offer Booklet. Any information or representation not contained in this Retail Offer Booklet may not be relied on as having been authorised by the Responsible Entity in connection with the Entitlement Offer.

## 5.8 No cooling-off rights

Cooling-off rights do not apply to a subscription for New Units under the Entitlement Offer. This means that you cannot withdraw your Application once it has been accepted, except as required by law.

## 5.9 Foreign jurisdictions – restrictions and limitations

The Retail Entitlement Offer will not be made to Unitholders with registered addresses outside Australia and New Zealand. The Responsible Entity has determined that it would be unreasonable to make the Retail Entitlement Offer to Unitholders residing outside Australia or New Zealand, having regard to the number of relevant Unitholders outside of Australia and New Zealand and the costs in complying with the legal and regulatory requirements outside those jurisdictions.

### New Zealand

The New Units are not being offered to the public within New Zealand other than to existing Unitholders with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the *Financial Markets Conduct Act 2013* and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016. This Retail Offer Booklet has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority. This document is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

### **No offer in other jurisdictions**

No action has been taken to register the New Units or otherwise permit an offering of New Units in any jurisdiction outside Australia and New Zealand. This Retail Offer Booklet and the Entitlement and Acceptance Form do not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. In particular, this Retail Offer Booklet and the Entitlement and Acceptance Form do not constitute an offer of Units to persons in the United States or to any person acting for the account or benefit of a person in the United States.

The distribution of this Retail Offer Booklet and/or the Entitlement and Acceptance Form outside Australia and New Zealand may be restricted by law. If you come into possession of this Retail Offer Booklet and/or the Entitlement and Acceptance Form, you should observe any such restrictions. Any failure to comply with such restrictions may contravene applicable securities laws.

## **5.10 Notice to nominees and custodians**

Nominees and custodians may not distribute any part of this Retail Offer Booklet or any Entitlement and Acceptance Form, or participate in the Retail Entitlement Offer on behalf of any beneficial Unitholder, in any country outside Australia and New Zealand, except to institutional and professional investors in Hong Kong, Singapore and Japan as contemplated in the "International Offer restrictions" section of the Investor Presentation.

The Responsible Entity is not required to determine whether or not any Unitholder is acting as a nominee or custodian, or determine the identity or residence of any beneficial owners of Existing Units or Entitlements. Where any person is acting as a nominee or custodian for a foreign person, that person, in dealing with its beneficiary, will need to assess whether indirect participation in the Entitlement Offer by the beneficiary complies with applicable foreign laws. See the "International Offer restrictions" section of the Investor Presentation for further information.

## **5.11 Underwriting arrangements and fees**

UBS AG, Australia Branch, Bell Potter Securities Limited and Wilsons Corporate Finance Limited will act as Joint Lead Managers and Underwriters.

The Responsible Entity has entered into an Underwriting Agreement with the Underwriters in respect of the Entitlement Offer. The Underwriters have underwritten the full amount of the Entitlement Offer on the terms set out in the Underwriting Agreement. Customary with these types of arrangements:

- a. the Underwriting Agreement includes a number of termination events including market related termination events in respect of a 10% or more fall in the S&P/ASX 200 Index;
- b. the Underwriters will receive:
  - i. an underwriting fee of an amount equal to 1.70% (exclusive of GST) to the Underwriters in their Respective Proportions;
  - ii. a management fee of an amount equal to 0.50% (exclusive of GST) of the Offer proceeds for the Entitlement Offer payable to UBS AG, Australia Branch; and
  - iii. a discretionary fee of an amount up to 0.80% (exclusive of GST) of the Offer proceeds for the Entitlement Offer payable to the Underwriters in such proportions as the Responsible Entity determines in its absolute discretion.

The Responsible Entity, on behalf of the Fund, has agreed to indemnify the Underwriters and others against their losses in connection with the Entitlement Offer.

The Underwriters are able to procure any person to sub-underwrite the Entitlement Offer.

## 5.12 Indemnities

Subject to certain exceptions, the Responsible Entity has agreed to indemnify the Underwriters, their affiliates, related bodies corporate, directors, officers, employees, partners, agents and advisers (each an Indemnified Party) from and against all losses incurred by, or claims made against, an Indemnified Party in connection with the Offer and appointment of the Underwriters under the Underwriting Agreement.

## 5.13 Consents

None of the parties referred to in the Corporate Directory of this Retail Offer Booklet (other than the Responsible Entity), have made or authorised the making of any statement that is included in this Retail Offer Booklet or any statement on which a statement in this Retail Offer Booklet is based.

To the maximum extent permitted by law, each of these parties expressly disclaims and takes no responsibility for any statements in or omissions from this Retail Offer Booklet other than references to its name or a statement or report included in this Retail Offer Booklet with the consent of that party as specified above.

## 5.14 Directors' intention

The Chairman of the Responsible Entity, Leslie Guy Julian Paynter intends to apply for his full Entitlement.

The Managing Director of the Responsible Entity, David Anthony Bryant intends to apply for his full Entitlement in respect of the following Unitholdings:

- > Rural Funds Management Limited; and
- > David Anthony Bryant as trustee for John Bryant.

Mr Bryant will not take up his Entitlement in respect of his Unitholding in Bryant Family Services Pty Ltd as trustee for BFS Superannuation Fund.

Michael Carroll, a Non-Executive Director of the Responsible Entity, intends to apply for his full Entitlement.

Julian James Widdup, a Non-Executive Director of the Responsible Entity, holds no units in RFF. There is no Entitlement to be filled.

## 5.15 Privacy

As a Unitholder, the Responsible Entity and the Registry have already collected certain personal information from you. If you apply for New Units, the Responsible Entity and the Registry may update that personal information or collect additional personal information. Such information may be used to assess your acceptance of New Units, service your needs as a Unitholder, provide facilities and services that you request and carry out appropriate administration.

To do that, the Responsible Entity and the Registry may disclose your personal information for purposes related to your Unitholding to their agents, contractors or third-party service providers to whom they outsource services. In addition, your personal information may be used by the Responsible Entity in order to assess your Application for New Units, and by the Registry for ongoing administration of the register, printers and mailing houses for the purposes of preparation and distribution of Unitholder information and for handling of mail, or as otherwise authorised under the *Privacy Act 1988* (Cth).

If you do not provide us with your personal information, we may not be able to process your Application. In most cases, you can gain access to your personal information held by (or on behalf of) the Responsible Entity or the Registry. We aim to ensure that the personal information we retain about you is accurate, complete and up to date. To assist us with this, please contact us if any of the details you have provided change. If you have concerns about the completeness or accuracy of the information we have about you, we will take steps to correct it.

You can request access to your personal information by telephoning or writing to the Responsible Entity, through the Registry as follows:

Boardroom Pty Limited  
GPO Box 3993  
SYDNEY NSW 2001  
Phone: 1300 737 760

## 5.16 Governing law

This Retail Offer Booklet, the Entitlement Offer and the contracts formed on acceptance of the Entitlement and Acceptance Forms are governed by the law applicable in New South Wales, Australia. Each Unitholder who applies for New Units submits to the jurisdiction of the courts of New South Wales, Australia.

## 5.17 Eligible Unitholder Declarations

### Important

If you make an Application, you will be taken to make the following declarations to the Responsible Entity:

- > Agree to be bound by the terms of the Retail Entitlement Offer;
- > Authorise the Responsible Entity to register you as the holder of the New Units allotted to you;
- > Declare that all details and statements in the Entitlement and Acceptance Form are complete and accurate;
- > Declare that you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations;
- > Acknowledge that once the Responsible Entity receives the Entitlement and Acceptance Form or any payment of Applications Monies via BPAY, you may not withdraw it;
- > Agree to apply for the number of New Units specified in the Entitlement and Acceptance Form or for which you have submitted payment of any Application Monies via BPAY at the issue price of \$1.95 per New Unit;
- > Agree to be issued the number of New Units that you apply for;
- > Authorise the Responsible Entity, the Underwriters, the Registry and their respective officers or agents, to do anything on your behalf necessary for the New Units to be issued to you, including to act on instruction of the Registry upon using the contact details set out in the Entitlement and Acceptance Form;
- > Declare that you are the current registered holder of Existing Units and are an Australian or New Zealand resident;
- > Acknowledge that the information contained in this Retail Offer Booklet and the Entitlement and Acceptance Form is not investment advice nor a recommendation that New Units are suitable for you given your investment objectives, financial situation or particular needs and is not a product disclosure statement, does not contain all of the information that you may require in order to assess an investment in the Fund and is given in the context of the Fund's past and ongoing continuous disclosure announcements to the ASX;
- > Represent and warrant that the law of any other place does not prohibit you from being given this Retail Offer Booklet and the Entitlement and Acceptance Form, nor does it prohibit you from making an Application for New Units;
- > Acknowledge the statement of risks in the 'Key risks' section of the Investor Presentation located at section 3 of this Retail Offer Booklet, and that investments in the Fund are subject to investment risk;

- > Acknowledge that neither the Responsible Entity, its directors, officers, employees, agents, consultants, nor advisers, nor the Underwriters, guarantee the performance of the Fund, nor do they guarantee the repayment of capital from the Fund;
- > Represent and warrant (for the benefit of the Responsible Entity, the Underwriters and their respective affiliates) that you are not in the United States and that you are not acting for the account or benefit of a person in the United States;
- > Acknowledge that on the Record Date, you have a registered address in Australia or New Zealand;
- > Acknowledge that the Entitlements and the New Units have not and will not be registered under the *US Securities Act* or the securities laws of any state or other jurisdictions of the United States, or in any other jurisdiction outside Australia and New Zealand and, accordingly, the Entitlements may not be taken up and the New Units may not be offered, sold or otherwise transferred in the United States or to, or for the account or benefit of any person in the United States, except in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of the *US Securities Act* and any other applicable securities laws;
- > Agree not to send the Retail Offer Booklet, the Entitlement and Acceptance Form or any other material relating to the Retail Offer to any person in the United States or that is acting for the account or benefit of a person in the United States; and
- > Agree to provide (and direct your nominee or custodian to provide) any requested substantiation of your eligibility to participate in the Retail Entitlement Offer and/or your holding of Units on the Record Date.

# GLOSSARY

TERM	DEFINITION
A\$	Australian dollars
ABN	Australian Business Number
AEST	Australian Eastern Standard Time
Allotment	The allotment of New Units issued under the Institutional and Retail Entitlement Offer for which valid Applications have been received by the relevant Closing Date
Allotment Date	The date of the Allotment being: <ul style="list-style-type: none"> <li>&gt; Thursday, 26 July 2018 for the Institutional and Early Retail Entitlement Offer; and</li> <li>&gt; Wednesday, 8 August 2018 for the Retail Entitlement Offer</li> </ul>
Applicant	An existing Unitholder who subscribes for New Units under the Retail Entitlement Offer
Application	An application to subscribe for New Units under the Retail Entitlement Offer
Application Monies or Applicable Monies	Monies received from Applicants in respect of their Application
ARSN	Australian Registered Scheme Number
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited (ABN 98 008 624 691) or the financial market operated by that entity known as the Australian Securities Exchange
ASX Announcement	The announcement released to ASX on Thursday, 12 July 2018 in relation to the Entitlement Offer and included in this Retail Offer Booklet in section 3
ASX Listing Rules	The official listing rules of ASX, as amended or replaced from time to time except to the extent of any waiver granted by ASX
BPAY	Refers to BPAY®, a wholly owned subsidiary of Cardlink Services Limited ACN 003 311 644, being a fast, secure and convenient bill payments service offered through over 156 Australian financial institutions
Corporations Act 2001	<i>Corporations Act 2001 (Cth)</i>
Early Retail Closing Date	The last date for Eligible Unitholders to lodge an Application for the Early Retail Offer, being 5.00pm (AEST), Tuesday, 24 July 2018
Eligible Institutional Unitholder	An Institutional Unitholder on the Record Date who: <ul style="list-style-type: none"> <li>&gt; is not an ineligible Institutional Unitholder; and</li> <li>&gt; has successfully received an invitation from the Underwriters to participate in the Institutional Entitlement Offer</li> </ul>
Eligible Retail Unitholder	A Unitholder on the Record Date who: <ul style="list-style-type: none"> <li>&gt; has a registered address in Australia or New Zealand;</li> <li>&gt; is not in the United States or acting for the account or benefit of a person in the United States;</li> <li>&gt; is not an Institutional Unitholder; and</li> <li>&gt; is eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer</li> </ul>
Eligible Unitholder	An Eligible Institutional Unitholder or an Eligible Retail Unitholder

TERM	DEFINITION
<b>Entitlement</b>	The entitlement to 3 New Units for every 10 Existing Units held on the Record Date by Eligible Unitholders
<b>Entitlement and Acceptance Form</b>	The Entitlement and Acceptance Form accompanying this Retail Offer Booklet upon which an Application can be made
<b>Entitlement Offer or Offer</b>	The offer of New Units under the Institutional Entitlement Offer and the Retail Entitlement Offer
<b>Existing Unit</b>	A Unit on issue on or before the Record Date
<b>Final Allotment Date</b>	Wednesday, 8 August 2018
<b>Final Retail Closing Date</b>	The last date for Eligible Retail Unitholders to lodge an Application for the Retail Entitlement Offer, being 5.00pm (AEST), Wednesday, 1 August 2018
<b>Fund</b>	Rural Funds Trust ARSN 112 951 578 and RF Active ARSN 168 740 805 trading as Rural Funds Group (ASX: RFF)
<b>Indemnified Party</b>	Includes the Underwriters, their affiliates, related bodies corporate, directors, officers, employees, partners, agents and advisers
<b>Ineligible Unitholder</b>	A Unitholder with a holding on the Record Date, who is neither an Eligible Institutional Unitholder nor an Eligible Retail Unitholder
<b>Institutional Entitlement Offer</b>	The offer of New Units to Eligible Institutional Unitholders
<b>Institutional Investor</b>	A person: <ul style="list-style-type: none"> <li>&gt; with a registered address in Australia, who is an “exempt investor” as defined in ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84; or</li> <li>&gt; in certain jurisdictions outside Australia, to whom offers for issue of Units may lawfully be made without the need for a lodged product disclosure statement, prospectus or other disclosure document or other lodgement, registration, filing with or approval by a governmental agency (other than one with which the Responsible Entity is willing, in its absolute discretion, to comply)</li> </ul>
<b>Institutional Unitholder</b>	A holder of Units on the Record Date who is an Institutional Investor
<b>Investor Presentation</b>	The investor presentation in connection with the Entitlement Offer dated Thursday, 12 July 2018 and included in this Retail Offer Booklet in section 3
<b>Joint Lead Managers and Underwriters</b>	<ul style="list-style-type: none"> <li>&gt; UBS AG, Australia Branch ABN 47 088 129 613 AFSL No. 231087</li> <li>&gt; Bell Potter Securities Limited ABN 25 006 390 772 AFSL No. 243480</li> <li>&gt; Wilsons Corporate Finance Limited ABN 65 057 547 323 AFSL No. 238383</li> </ul>
<b>New Units</b>	The Units offered under the Entitlement Offer
<b>Offer Price or Issue Price</b>	The offer price per New Unit, being \$1.95 per New Unit
<b>Privacy Act</b>	Means the <i>Privacy Act 1988</i> (Cth)
<b>Record Date</b>	The time and date for determining which Unitholders are entitled to an Entitlement under the Entitlement Offer, being 7.00pm (AEST) Monday, 16 July 2018
<b>Registry</b>	Boardroom Pty Limited ABN 14 003 209 836
<b>Respective Proportions</b>	Means: <ul style="list-style-type: none"> <li>&gt; in the case of UBS AG, Australia Branch, 40%;</li> <li>&gt; in the case of Bell Potter Securities Limited, 40%; and</li> <li>&gt; in the case of Wilsons Corporate Finance Limited, 20%</li> </ul>

TERM	DEFINITION
<b>Responsible Entity or RFM</b>	Rural Funds Management Limited ABN 65 077 492 838, as Responsible Entity of the Fund
<b>Retail Entitlement Offer</b>	The offer of New Units to Eligible Retail Unitholders
<b>Retail Entitlement Offer Booklet or Retail Offer Booklet</b>	This booklet dated Friday, 13 July 2018, including the Investor Presentation and the ASX Announcement
<b>Retail Offer Period</b>	The period commencing on the opening date of the Retail Entitlement Offer, as specified in the Key Dates section of this Retail Offer Booklet, and ending on the Final Retail Closing Date (being 9.00am (AEST), Wednesday, 18 July 2018 to 5.00pm (AEST), Wednesday, 1 August 2018)
<b>RF Active or RFA</b>	RF Active ARSN 168 740 805
<b>RFF</b>	Rural Funds Group (ASX: RFF) a stapled entity comprising Rural Funds Trust ARSN 112 951 578 and RF Active ARSN 168 740 805
<b>Rural Funds Trust or RFT</b>	Rural Funds Trust ARSN 112 951 578
<b>Tax Agent Services Regime</b>	Describes the regime outlined in the Tax Laws Amendment (Tax Agent Services) Bill 2007 and taken up in the <i>Tax Agent Services Act 2009</i> and the <i>Tax Agent Services Regulations 2009</i>
<b>Underwriters</b>	<ul style="list-style-type: none"> <li>&gt; UBS AG, Australia Branch ABN 47 088 129 613 AFSL No. 231087</li> <li>&gt; Bell Potter Securities Limited ABN 25 006 390 772 AFSL No. 243480</li> <li>&gt; Wilsons Corporate Finance Limited ABN 65 057 547 323 AFSL No. 238383</li> </ul>
<b>Underwriting Agreement</b>	The Underwriting Agreement dated Thursday, 12 July 2018 between the Responsible Entity and the Underwriters, as described in section 5.11
<b>Unit</b>	A stapled security comprising one fully paid, ordinary Unit in Rural Funds Trust which is stapled to one fully paid, ordinary Unit in RF Active
<b>Unitholder or Member</b>	The registered holder of an Existing Unit
<b>Unitholding</b>	One or more stapled securities or Units
<b>US or United States</b>	United States of America, its territories and possessions, any state of the United States and the District of Columbia
<b>US Person</b>	The meaning given in Rule 902(k) of <i>Regulation S</i> under the <i>US Securities Act 1933</i> , as amended
<b>US Securities Act</b>	The <i>US Securities Act of 1933</i> , as amended

# CORPORATE DIRECTORY

Rural Funds Group (ASX: RFF)  
Rural Funds Trust ARSN 112 951 578  
RF Active ARSN 168 740 805

## Responsible Entity

**Rural Funds Management Limited**  
ACN 077 492 838  
AFSL 226701  
Investor Services: 1800 026 665  
Adviser Services: 1300 880 295

## Joint Lead Managers and Underwriters

**UBS AG, Australia Branch**  
Level 16, Chifley Tower  
2 Chifley Square  
SYDNEY NSW 2000

**Bell Potter Securities Limited**  
Level 29  
101 Collins Street  
MELBOURNE VIC 3000

**Wilsons Corporate Finance Limited**  
Level 14  
99 Elizabeth Street  
SYDNEY NSW 2000

## Registry

**Boardroom Pty Limited**  
Level 12  
225 George Street  
SYDNEY NSW 2000

## Legal Adviser

**McCullough Robertson Lawyers**  
Level 32, MLC Centre  
19 Martin Place  
SYDNEY NSW 2000

## Auditor

**PricewaterhouseCoopers**  
One International Towers  
Watermans Quay  
BARANGAROO NSW 2000

Managed by:



02 6203 9700



02 6281 5077



management@ruralfunds.com.au



[www.ruralfunds.com.au](http://www.ruralfunds.com.au)

**Rural Funds Management Ltd**

ABN 65 077 492 838  
AFSL 226701

Level 2, 2 King Street Deakin ACT 2600  
Locked Bag 150 Kingston ACT 2604