

AAM Diversified Agriculture Fund

Rating: Recommended

Report Date: November 2019

Product	AAM Diversified Agriculture Fund
Fund Structure	Closed end unit trust
Fund Manager	AAM Investment Group Pty Ltd (AAMIG)
AFSL	No.458978
Trustee	AAM Licensees Pty Ltd (AAML)
Custodian	Perpetual Corporate Trust Limited (PCTL)
Registry	Mainstream Fund Services Pty Ltd
Legal Advisors	Jones Day Pty Ltd
Auditors	BDO Audit
Inception Date	Q4 2019
Target Equity Raise	The target initial Fund size will be \$60 million
Distribution	Quarterly
Investment Objective	The Fund will be established to acquire premium agriculture enterprises where AAM's management can create a platform for stable cash earnings and capital growth
Target	Target annual distribution yield 7-8%, total return on equity invested of over 12% per annum over the Fund Term
Fund Term	7 years, with possible extension of up to three years
Minimum Investment	\$100,000
Liquidity	Do not have any redemption rights to withdraw from the Fund. The Trustee may from time to time elect to make offers to unitholders pursuant to which they may elect to withdraw.
Asset Management Fees	1.00% per annum of the Gross Asset Value calculated and accrued daily and paid monthly in arrears
Fund Management Fees	0.25% per annum of the Gross Asset Value calculated and accrued daily and paid monthly in arrears
Performance Fee	20% of the portion of the outperformance of the Fund over a total return (after other fees) for investors and subject to a high-water mark
Acquisition Fee	1.25% of the Gross Asset Valuation payable to the Manager upon completion of the acquisition of the assets by the Fund
Capital Raising Fee	2.5% of the total value of equity capital raised in the Fund

ATCHISON CONSULTANTS

SUMMARY

AAM Investment Group (AAM) is launching the AAM Diversified Agriculture Fund (Fund) which will provide a diversified portfolio in Australian agriculture. The Fund will own land, water, livestock and infrastructure together with the agricultural operations on the land.

The Fund will provide investors with exposure by sector through the supply chain in multiple regions applying leading sustainable farming practices. Historical performance of agriculture indicates that a diversified agricultural portfolio will provide enhanced volatility adjusted returns.

AAM is an Australian owned and operated provider of strategic investment services, asset management and operational management services focusing on Australian agricultural industries. AAM has almost 17 years' experience in agriculture. AAM contributes considerable expertise in operating large-scale agribusiness operations for both institutional and sophisticated investors.

The investment team will initially consist of an experienced team of four senior managers and three portfolio managers. Members of the Investment Committee are Garry Edwards, Tim Gallagher, Ben Matigian and Liam O' Brian. Liam is the independent member, while others are employed by AAM.

Australia holds unique natural attributes that are advantageous for investment in agriculture. Some of these attributes include production of premium products, application of advanced technology and low sovereign risk. The AAM philosophy is active management of investments, with a relentless focus on operational efficiencies, sustainability and enhancement of returns for investors.

Objectives are stable cash distributions, development potential and capital growth of real assets with a target distribution yield of 7-8% and a total return of over 12% p.a. A weighting to high yielding income style investments will apply. Target assets are scalable enterprises valued between \$20m to \$100m, which hold potential for diversified revenue streams through precision agricultural management and sustainable farming practices.

AAM will actively manage the portfolio with a focus on operational efficiencies, sustainability and maximising returns for investors.

Portfolio management team will focus on diversification of operations which provide investments with multiple revenue streams through the year.

- Infrastructure
 - ❖ Acquire intensive farming operation in poultry primarily, which are underpinned by long-term offtake contracts and provide low commodity price risk.
- Integrated Livestock Operations
 - ❖ Creating a geographically diverse livestock supply chain of breeding, backgrounding and fattening properties.
- Cropping
 - ❖ Alternative crops provide multiple revenue sources by planting during varying times of the year, maximising benefits of weather patterns and price.
- Production Regions
 - ❖ Movement of livestock between assets in order to maximise the productive performance through access to multiple regions which will mitigate single weather events.
- Sustainable Farming Practices
 - ❖ Identifying opportunities of sustainable and innovative agricultural solutions including significant renewable and waste to energy solutions.
 - ❖ Employing a holistic approach to sustainability with an emphasis on production and food systems.

AAM seeks to operate premium, high value, large scale agricultural and production enterprises with emphasis on performance, animal welfare and environmental responsibility.

The manager follows a robust investment process. Investment criteria will combine requirements for both portfolio management and operational management.

Steps in the investment process follow:

- Investment Criteria
- Initial Screening
- Evaluation
- Negotiate and complete transaction
- Commitment

Consolidation of the industry and ongoing demand from institutional investors in agriculture will provide exit opportunities by achieving critical scale.

Approvals by the Investment Committee regarding investment opportunities must receive 100% vote in favour.

A comprehensive risk management system has been established by the manager. Risks have been acknowledged including general economic and financial market conditions risk; political, regulatory and environmental activism risk; operational risk; infrastructure and finance risk. Methods which will mitigate those risks have been established. Risks will be assessed quarterly.

AAM has a Risk and Compliance Officer who recently joined the compliance department.

The asset management fee is 1.00% of the Gross Asset Value (GAV) of the Fund. The fund management fee is 0.25% of the GAV of the Fund. These fees are calculated and paid monthly in arrears. Performance fee is 20% of the portion of total return to investors over the target return, payable to the Manager at the end of each financial year.

An acquisition fee of 1.25% is payable.

The Fund is a stapled structure comprising the AAM Diversified Agriculture Real Asset Trust (Real Asset Trust) and AAM Diversified Agriculture Operating Trust (Operating Trust), which collectively are the Fund.

The Real Asset Trust will be a 'flow through trust' under Australian tax law, which means income earned can be distributed untaxed at trust level.

The Operating Trust will be a public trading trust under Australian tax law, which will be taxed as though it is a company.

RATING CONSIDERATIONS

The Fund will fully distribute net income quarterly. Distribution should be assessable for investors in the year as per their unique tax profile.

AAM has delivered a track record through the launch and sale of three operating businesses in agriculture. A regional livestock exchange, lamb processing and a livestock tracing software system were developed or enhanced through management skills. In all cases significant value was created for investors.

The weighted portfolio of three recently established funds has delivered a 7.9% distribution yield and a capital growth of 16.1% in the financial year 2019.

Conclusion

AAM has a distinctive approach for management of a portfolio of investment into the agriculture sector, which includes both assets and operations along the supply chain. The management team are highly credentialed and have extensive experience in agriculture asset management and operating businesses. The proposition has considerable merit.

Strengths

- Diversification by intensive poultry meat production, livestock, cropping and production regions provides investments with multiple revenue streams.
- A strong focus on sustainable and innovative agricultural solutions will have financial benefits.
- AAM has a team providing a high level of skill in both agriculture asset selection and agriculture businesses.
- A well organised investment process applies supported by a strong Investment Committee overseeing portfolio and operational management.
- AAM has a thorough and well documented risk management process.
- AAM has a strong track record in agriculture operations value creation.

Weaknesses

- The manager does not have a long-term performance history in public funds management.
- It is an illiquid fund.
- Limited ability to achieve diversification at the early stage will arise due to initial small scale.
- Fees are material.

RATING			
Not Investment Grade	Investment Grade	Recommended	Highly Recommended

Contents

Rating Definitions	6
AAM Diversified Agriculture Fund	7
Organisation	7
Business Philosophy.....	7
Investment Structure	8
Fund Management Agreement.....	9
Asset Management Agreement.....	9
Enterprise Management Agreement.....	9
People and Resources	9
Investment Team.....	9
Operations Team.....	11
Investment Committee.....	12
Investment Process	13
Investment Philosophy.....	13
Investment Objective.....	13
Investment Style.....	13
Investment Strategy of Portfolio Management.....	14
Investment Strategy of Asset Management.....	14
Investment Process.....	15
Exit 17	
Sustainability	17
Impact of Sustainability.....	18
Service Provider.....	18
Risk Management and Compliance	18
Risk Assessment.....	18
Risk Management.....	19
Compliance.....	22
Fee Structure	23
Taxation	24
Customer Service	24
Liquidity	24
Track Record	25
Appendix A – Investment Structure	27

Appendix B – Balanced Regular Cash Generation	28
Appendix C – Investment Process	29
Appendix D – Fund Performance – FY19	30
Sources of Information	31
Report Expiry Date	31
Statement of Analyst Interest and Certification, Warning and Disclosure	31
Analyst Interest and Certification:	31
Warning (General Advice Only):	31
Disclosure (Commissioned Research):	31
Atchison Consultants	31
Licence	32
Contact Details	32

Rating Definitions

Atchison Consultants' ratings are multi-factor, encompassing ownership and organisation, staff, investment objective and process, governance and compliance, customer service, liquidity, fees and other costs and performance.

Highly Recommended – The manager and its product have excelled across all our assessment criteria. We expect the manager's product to perform well ahead of a reasonably appropriate risk and return objective for the product over a full investment cycle.

Recommended – The manager's product has consistently outperformed the median manager across our assessment criteria. We expect the manager to perform ahead of a reasonably appropriate risk and return objective for the product over a full investment cycle.

Investment Grade – The manager satisfies most, if not all, of our rating criteria. We are satisfied in its ability to perform at a reasonably appropriate risk and return objective over a full investment cycle. This rating can apply to new or recently established managers who demonstrate they have in place the experience, resources and systems which we expect will result in performance at or above the reasonably appropriate investment objective for the product over a full investment cycle. Similarly, it can apply to a new product from a new or established manager.

Not Investment Grade – The manager rates poorly in all or most of our ratings criteria.

AAM Diversified Agriculture Fund

AAM Investment Group (AAM) has launched the AAM Diversified Agriculture Fund (Fund) to create a diversified portfolio in Australian agriculture. The fund will own land, water, livestock and infrastructure together with the agricultural operations on the land. The Fund will target to provide investors stable income and reliable total return on investments in part through development of land and operations.

The Fund will provide investors with exposure by sector through the supply chain in multiple regions applying leading sustainable farming practice. Historical agriculture performance indicates that a diversified agricultural portfolio will provide enhanced volatility adjusted returns.

Organisation

AAM is an Australian owned and operating company who provides strategic investment services. AAM

AAM has almost 17 years' experience in agriculture starting from May 2003. AAM owners developed technology systems and a leading agriculture technology platform - Livestock Exchange. This was the technology underpinning Australia's domestic and export market access. At divestment Livestock Exchange, held 95% market share, processing \$6.7bn in livestock transactions domestically and over \$9.0bn globally on an annual basis. AAM is currently Australia's leading provider of integrated services to the Australian agricultural infrastructure sector. It is the only services provider within the industry with fully qualified staff, who are trained and independently audited and verified in animal welfare, workplace safety and livestock handling procedures.

AAM has expertise in operating large-scale businesses in agriculture. AAM is the market leader in strategic technology development and adoption, based around objective analysis of data points and automation of agribusiness systems and processes.

AAM has demonstrated their ability to strategically acquire, operate and divest agriculture assets across a number of sectors maximising returns on investments.

Information about the founder and chief executive indicates their extensive experience.

Garry Edwards – Managing Director & Founder

Garry Edwards is the Founder of the AAM Investment Group. He has over 20 years' experience in investments and management within the Australian agribusiness sector. In his early career, Garry created the Livestock Exchange technology platform that today underpins Australia's multi-billion-dollar livestock industry through the National Livestock Identification System (NLIS).

Timothy Gallagher – Chief Executive Officer

Tim has extensive experience in the management and development of livestock and farming operations, having held a number of key executive positions with Australian Agricultural Company (AACo). With over 25 years in agriculture production and livestock supply chains across a range of disciplines, Tim is uniquely qualified to assess the benefits and risks associated with agribusiness investments, and to identify and extract value from opportunities through an active management approach and strategic capital investment. Tim leads a team of operational professionals, managing a large portfolio of assets around Australia.

Business Philosophy

AAM aims to actively manage investments, with a relentless focus on operational efficiencies, sustainability and the enhancement of returns from both agriculture assets and operations.

As an agricultural investment manager, they believe that enterprises can be developed and provide consistent and reliable cash yields.

They have a wealth of knowledge and experience in the Australian agricultural sector and have established significant relationships in a broad range of enterprises in agricultural production and processing.

As an agricultural operational manager, their philosophy is to take an entire supply chain approach to maximise financial rewards and minimise input costs and expenses. They approach operational and fiduciary management professionally and actively engage in management of the businesses utilising data as a management tool. They share knowledge and challenge in supply chain operations which maximises value of each investment. Extensive experience in the development and redevelopment of mainstream agricultural enterprises enables them to deliver turn-key solutions across a broad range of capital investment in agriculture sectors by increasing production, reducing operational expenditure and improving return on investment.

Investment Structure

The Fund is a stapled structure comprising the AAM Diversified Agriculture Real Asset Trust (Real Asset Trust) and AAM Diversified Agriculture Operating Trust (Operating Trust), which collectively are the Fund.

The Real Asset Trust and Operating Trust are both unregistered wholesale managed investment schemes, structured as unit trusts, with AAM Licensees Pty Ltd (AAML) as Trustee (Trustee).

The Investors of the Real Asset Trust will also be Investors in the Operating Trust and each Investor will have the same proportionate interest in each Trust. Investors are required to subscribe for Units in both Trusts and they may not be transferred separately.

The Real Asset Trust will acquire units in Real Asset Sub-Trusts that hold the real property, property plant and equipment including fixtures.

The Operating Trust will be a trading trust and will hold units in Operating Sub-Trusts.

The operational management of the assets will be undertaken by AAMOps.

Debt facilities will be held at the sub-trust level.

The Manager will be an Investor in the Fund. These Units will be held by an entity associated with AAM.

The Trustee will apportion the unit price to the Real Asset Trust and the Operating Trust in accordance with the valuation policy.

The Trustee of the Trust has entered into agreements with AAMOps which will provide various services to the Trust.

Refer to Appendix A for a representation of the investment structure.

The purpose of the offer at the first stage is to raise funds for the acquisition of the Seed Assets for the AAM Diversified Agriculture Fund.

The Seed Assets for the AAM Diversified Agriculture Fund will be:

- Investment in AAM's Southern Cross Poultry Fund (SCPF) which will allow SCPF to acquire an additional 48 broiler sheds.
- 100% acquisition of a portfolio of mixed livestock and cropping properties in New South Wales which is referred to as Sunshine Farms Aggregation (SFA)

Capital raised in excess of the Target Fund Commitment will be applied to execute on planned Phase 2 Investments.

These additional investments align with AAM's strategy and complements the existing portfolio of assets. AAM's Investment Committee extensively review and approve each investment which it believed aligns to AAM's Investments Criteria. Phase 2 includes:

- A premium Central Queensland pastoral operation with a carrying capacity of 9,000 AE

(cattle) or 67,500 DSE (sheep). This property asset is under detailed due diligence by AAM and can be executed prior to 30 June 2020

- Investments that satisfy AAM’s Investment Criteria and have been approved by AAM’s Investment Committee.

Fund Management Agreement

AAM will provide funds management services to the Fund. The services include management of the Fund and the obligations of AAML in relation to reporting, accounting and fulfilment of the obligations of the Trustee under the Constitution of the Fund.

In accordance with the Constitution, AAML as Trustee of the Fund will remain primarily liable for the discharge of its fiduciary and contractual obligations to the Fund. However, by this agreement, AAM is contractually bound to undertake the actions and services required on behalf of AAML and the Fund.

Asset Management Agreement

AAMOps will provide asset management services to manage the real property assets of the Fund.

The services include managing the debt security over the property, appointing and monitoring any external property managers relating to the properties, reviewing the market position of the real property assets and providing advice as to value accretion, development or divestment opportunities relating to any asset or assets.

The fee payable to AAMOps in accordance with this agreement is equal to and in lieu of the fee otherwise payable to AAML as Trustee for Fund-level asset management services in accordance with the Constitution of the Fund.

Enterprise Management Agreement

The agreement is the basis the Manager, through AAMOps, will provide operational management services to the Sub-Trust Operating Company. By operation of this agreement, AAMOps will provide operational management services to the Sub-Trust

Operating Company, including all aspects of managing the Sub-Trust Operating Company and the operational assets and enterprises of the Fund.

Under this Agreement, AAMOp is paid by way of reimbursement of the costs incurred in providing the services to the Operating Company. These reimbursable costs are budgeted on an annual basis and recovered on a monthly basis.

People and Resources

Investment Team

The Fund Investment Team will initially consist of:

- Managing Director, Responsible Manager (Garry Edwards);
- Chief Executive Officer, Responsible Manager (Timothy Gallagher);
- General Manager Investments, Responsible Manager (Ben Matigian);
- General Manager Capital Markets (Nathan Doake)
- Southern Portfolio Manager (Nathan Morris);
- Northern Portfolio Manager (Ben Wratten)
- Sustainability Portfolio Manager (Ben Edser)

Details of key investment personnel are shown in Table 1

Table 1: Investment Team

Investment Team		
Name	Position	Total Years Exp.
Garry Edwards	Managing Director	24
Timothy Gallagher	Chief Executive Officer	25
Ben Matigian	General Manager Investments	17.5
Nathan Doake	General Manager Capital Markets	20
Nathan Morris	Southern Portfolio Manager	18
Ben Wratten	Northern Portfolio Manager	25
Ben Edser	Sustainability Portfolio Manager	10
Average		19.9

Garry Edwards (Managing Director & Founder)

Garry is the Founder and Managing Director of the AAM and is responsible for the overall direction of the business. Garry drives the growth of the business, identifying key regions and investment opportunities which he believes AAM can add value through its operational team.

Garry has over 20 years' experience in investments and management within the Australian agribusiness sector. As an equity investor, he has developed assets and opportunities in livestock production, livestock marketing, value added marketing and processing, and has consistently delivered superior financial returns.

In 2003 Garry created the Livestock Exchange technology platform that today underpins Australia's multibillion-dollar livestock industry through the National Livestock Identification System (NLIS). Today, Australia is the envy of all other livestock export markets due to the value attributed to commodities that fall under the NLIS program due to their enhanced market access.

Garry has extensive experience in a diverse range of agricultural businesses from family operations through to large scale integrated corporate agricultural operations across a range of industry sectors.

In 2007, Garry founded the company that today is AAM commencing the development, operation and management of a portfolio of agricultural assets on behalf of Australian Superannuation funds which today trade over \$1 billion of livestock annually.

Timothy Gallagher (Chief Executive Officer)

Tim is the Chief Executive Officer for AAM, primarily responsible for all operational aspects of the AAM business.

Tim has extensive experience in the management and development of livestock and farming operations. This experience provides AAM with a stable platform to execute on the strategic plans

identified during the due diligence of each investment. With over 25 years management and development experience in agriculture operation and livestock supply chains across a range of disciplines. This experience provides AAM with a stable platform to execute on the strategic plans identified during the due diligence of each investment. Tim has also been responsible for the oversight of large diversified irrigated and dryland cropping aggregations in central and southern Queensland producing cotton and cereal crops.

From 2011 Tim was Managing Director of CRF Limited (CRF), one of Australia's largest lamb processors. Until 2010, Tim held a number of key executive positions with Australian Agriculture Company (AACo). Prior to his role as General Manager of Station Operations, Tim was responsible for developing AACo's supply chain for live export, domestic and branded feedlot and wagyu markets.

Ben Matigian (General Manager Investments)

Ben is responsible for all aspects of the investment process from due diligence of new assets to the fund management of the existing funds. Ben manages a team of investment professional that support the operational team in developing the financial and commercial aspects of each project. Ben has over 17 years of banking and finance experience spanning across mergers and acquisitions, debt finance, capital structuring, ratings advisory and transaction advisory. Ben has an extensive background in structuring and distributing debt and equity transactions throughout the U.K. and Australia. Ben holds a Bachelor of Commerce from the University of Queensland, is a Certified Practising Accountant (CPA) and an associate member of the Chartered Institute of Securities & Investments (CISI).

Nathan Doake (General Manager Capital Markets)

Nathan joined AAM in August 2019 after spending over 20 years in banking and capital markets in Australia. Nathan's role as General Manager Capital Markets is the lead for capital raising activity across AAM. This role leads the identification, assessment,

brand and company investor market strategy and the development of investor relationship networks throughout Australia and globally. It also encompasses strategic elements around deal, investment and portfolio structuring to achieve strategic outcomes for AAM's investors. Nathan has extensive background in capital markets enabling investors to access a broad range of income and investment opportunities to support investor portfolio diversification and develop new avenues of access to capital for issuers. Nathan's experience encompasses product origination, syndication and distribution across public and private capital markets.

Nathan Morris (Southern Portfolio Manager)

Nathan is responsible for the day to day operational oversight of the Southern Cross Poultry Fund. Nathan will also drive the operational team in the Sunshine Farms Aggregation. Nathan has dedicated his entire professional career to the Australian Agricultural industry, gaining extensive experience across a broad range of large-scale agricultural enterprises. Nathan brings extensive operational expertise to the AAM team having managed and operated numerous large-scale agricultural assets in both a personal and professional manner.

This experience and passion allow him to provide AAM with strategic planning, vision, leadership and expertise in people management. Nathan has a deep understanding of production systems and plays a leading role for AAM in implementing innovative operational practices. Nathan has built a strong rapport with key Agricultural figures and is well networked throughout the agricultural industry and as such has an exceptional skill in identifying potential opportunities and assisting rural families with their succession requirements.

Ben Wratten (Northern Portfolio Manager)

Ben oversees all operational aspects of AAM's livestock infrastructure and northern portfolio. Ben's portfolio responsibilities include efficient and effective operation of all sites for all stakeholders.

Ben brings a wealth of beef expertise having worked in the corporate beef sector for over 20 years. Ben has been the General Manager for Andrew Forrest's Minderoo Group, a vertically integrated beef business. At Minderoo, Ben developed and operated Minderoo's irrigated fodder production and aquifer recharge program. Ben was also a Director on Andrew Forrest's Harvey Beef enterprise. Prior to Minderoo, Ben spent 13 years at AACo. as the Regional Manager for AACo's Victoria River Group properties and Darwin Floodplains. Ben was responsible for managing 105,000 cattle, over 7 large scale properties.

Ben Edser (Sustainability Portfolio Manager)

Ben is responsible for driving the sustainability initiatives across the AAM portfolio of assets. Ben is a key part of the management team which is responsible for the Southern Cross Poultry Fund and the Sustainable Softwood Trust. Ben is an agricultural sustainability and property expert, with an extensive background in analysing and undertaking due diligence on agricultural and farming systems internationally. Ben drives a number of key project initiatives associated with the AAM's assets, including renewable energy projects and establishing an onsite composting enterprise at the SCPF Operation. Ben has furthered his knowledge around sustainability initiatives, renewable energy, and intensive agricultural system through undertaking a Nuffield Farming Scholarship in 2016 where he investigated how intensive farming operations can effectively manage waste for organic fertiliser production, soil conditioning, or as an input to co-generation of renewable energy.

Operations Team

The Operations Team will initially consist of:

- Chief Executive Officer, Responsible Manager (Timothy Gallagher);
- Southern Portfolio Manager (Nathan Morris);
- Northern Portfolio Manager (Ben Wratten)
- Sustainability Portfolio Manager (Ben Edser)

Details of key operating personnel are shown in Table 2

Table 2: Operating Team

Operating Team		
Name	Position	Total Years Exp.
Timothy Gallagher	Chief Executive Officer	25
Nathan Morris	Southern Portfolio Manager	18
Ben Wratten	Northern Portfolio Manager	25
Ben Edser	Sustainability Portfolio Manager	10
Average		19.5

Investment Committee

The Investment Committee will be comprised by Garry Edwards, Tim Gallagher, Ben Matigian and Liam O' Brian. Liam is the independent member in the committee, while others are employed AAM and AAMOp. The approvals by the Investment Committee regarding investment opportunities must receive 100% vote in favour.

Liam O'Brien has worked as a governance, risk and compliance professional for 17 years. Liam has worked across a number of industries, including transport & logistics, insurance, management consulting, agriculture and energy, though always with an anchor investing and financial services. In that time, he has fulfilled senior leadership positions for some of Queensland's largest companies. He has been active in industry and professional organisations, as a director of the GRC institute and subject matter expert for Governance Institute and Risk Management Institute of Australia. Moreover, Liam has set up and run businesses designed to take advantage of clever approaches to regulation. His firm W. Wightman Advisory has a reputation for negotiating with a variety of regulators on behalf of clients in unique circumstances.

The primary functions of the Investment Committee and its members are to:

- Review and assess proposals for the acquisition or disposal of investments (including funding and security arrangements, due diligence, market research and feasibility material) prepared by or on behalf of the Fund.
- Make recommendations to the Investment Team on all investments and divestments of the Fund regarding Investment Criteria.
- Review and provide advice to the Investment Team on all related party transactions for the Fund which involves the companies and/or its associates.
- Provide advice and guidance to the Investment Team on strategic and business planning issues for the Fund.

The Investment Committee members have extensive experience in managing agricultural businesses and financing these businesses. Members are responsible for the oversight of management. Generally, the Investment Committee meeting will be held monthly.

Investment Process

Investment Philosophy

AAM's vision is to promote investment that leads change in the agricultural industry to create a positive and sustainable legacy. The landscape of the Australian agricultural industry is evolving. Global demand for protein has increased year on year. The investment team will focus on the assets that provide the investors with a diversified suite of income streams from different sectors and production regions. The assets will have identifiable features with multiple uses that effectively reduces exposure to any individual commodities. In addition, the assets in the portfolio will have potential development capacity that will generate capital growth.

The manager believes Australia holds unique natural attributes that are advantageous for investment by the global market, which have been listed:

- Significant population growth and a larger Asian middle class leads to strong demand for Australian products.
- Production of premium products that are increasingly valuable in global markets.
- Application of advanced technology to enable precision and repeatability.
- With low sovereign risk, Australia is a safe place to invest capital.
- Macroeconomic conditions make Australia competitive on a global scale.
- An export market supported by efficient infrastructure and transport systems.
- Variety of soil types across the country providing a diversified mix of agricultural commodities.

Through the Fund, investors can gain access to various elements of agricultural supply chains including production and processing assets. Diversification by products, gives exposure to alternative consumer preferences domestically and internationally.

AAM will maximise the productive performance of livestock through movement between assets. AAM's target is to develop a portfolio of assets in excess of \$500m which will benefit investors through income returns and capital growth from multiple uncorrelated activities. A diversified portfolio of this scale would be an attractive investment proposition for investors looking to secure a large-scale investment in the Australian agricultural sector.

Investment Objective

The Fund is being established to acquire premium agricultural enterprises where AAM's precision management can create a platform for stable cash earnings and capital growth.

It is targeting a distribution yield of 7-8% and a total return of over 12% p.a. with a strong weighting to high yielding income style investments such as poultry infrastructure.

Target assets are scalable enterprises valued between \$20m to \$100m, which hold potential for diversified revenue streams through precision agricultural management and sustainable farming practices.

Investment Style

The Fund manager will pursue a strategy to enhance investors' returns by:

- Sustainable active management focusing on operational enhancement of the portfolio assets.
- Diversifying across a variety of agricultural assets and locations.
- Targeting a balance between stable income and capital growth through an owner operator structure.

Investment Strategy of Portfolio Management

AAM's goal is to provide Investors exposure with a geographic and sector diverse, real asset agricultural portfolio. In doing so, AAM aims to intensify the development and sustainability of its Portfolio Assets.

In terms of the diversified sector allocation, the portfolio will invest in poultry and other intensive farming operations where key variable inputs are secured and offtake agreements are structured appropriately. Livestock operations will be acquired where integration can be achieved across geographically diverse supply chains. Geographically diverse and complementary cropping assets will be included in the portfolio.

The portfolio will be built across production regions allowing the movement of livestock between assets so the manager can maximise the productive performance of the herd.

AAM's core strategy in developing this portfolio is to make strategic decisions and complete the portfolio at multiple levels, such as:

- A balance of income and infrastructure style investment with strategic and growth style.
- Diversification and complementarity in the mainstream agriculture verticals.
- Creating a portfolio to mitigate risk and provide multiple revenue sources by linking the supply chain and reaching significant scale.
- Utilising AAM's expertise to manage the operations to enhance the value of the portfolio assets through the creation of sustainable and efficient businesses.
- Development of water infrastructure and acquire water licences to underpin the operations of the portfolio assets.
- AAM employs a holistic approach to sustainability underpinning the asset portfolio and investment horizon by integrating economically viable, socially responsible and ecologically sound management and operational practices

Investments made by the Fund will fundamentally be classed as an Income investment or a Strategic investment.

Income investment

- Target investments that produce higher or stable distribution yield.
- Operations either underpinned by long term supply agreement or offtake agreements.
- Investments generally backed by significant infrastructure on real assets.

Strategic investment

- Investments that have the opportunity to create value from undertaking material capital works on the assets to either change the use of the land or expand the productive capacity of the land.
- Targeted at increasing the capital value of the asset and creating an operation which can sustainably produce stable income streams for the Fund.

Investment Strategy of Asset Management

Diversification of operations aims to provide investments with multiple revenue streams:

- Infrastructure
 - ❖ Target to acquire additional poultry operations that are underpinned by long term offtake contracts.
 - ❖ Intensive farming operations where key variable inputs are secured and offtake agreements are structured appropriately.
 - ❖ Other agricultural infrastructure assets that can provide low commodity price risk.
- Integrated livestock operations
 - ❖ Cattle and sheep operations can be acquired to provide a geographically diverse supply chain of assets.
 - ❖ Establish integration within the cattle sector, creating a supply chain of breeding, backgrounding and fattening properties.

- ❖ Additional margin can be earned when third parties are not utilised for any of the supply elements.
- Cropping
 - ❖ Alternative crops are planted during varying times of the year as most crops are either summer or winter crops.
 - ❖ Crop cycles will be consistently adjusted to maximise the benefit of each crop given the price and demand dynamic of each commodity.
- Production regions
 - ❖ Portfolio of assets in various regions will allow the movement of livestock between assets.
 - ❖ Access to multiple regions can mitigate single weather events for a single location.
- Sustainable farming practices
 - ❖ Identifying opportunities of sustainable and innovative agricultural solutions including significant energy solutions.
 - ❖ Employing a holistic approach to sustainability with an emphasis on production and food systems.

Refer to Appendix B for a representation of the balanced regular cash generation.

Investment Process

The manager follows a robust investment process to ensure that all investments meet the Investment Criteria and have the potential to deliver the target returns.

Investment Criteria

Before AAM considers investing, the following principles are applied:

- Does AAM have the expertise to operate the assets?
- Can AAM add value to the operating business and the underlying asset?
- Can AAM deploy the capital and management required to optimise the asset?

- Can AAM diversify the income streams through optimising the asset and introducing sustainability measures?
- Can AAM generate stable cash yields of 7%+ within three to five years of acquiring the asset?
- Does the asset complement with the existing portfolio?

Underlying these principles is the ability of AAM to source investment opportunities which will build a successful portfolio of agriculture assets. AAM has the capability to access wide ranging transactions alternatives which allows the investment manager to be generally selective. It will improve the portfolio diversification on a well-planned and high calibre basis.

AAM has an excellent reputation which will provide a pipeline of investment opportunities from the broader market.

Initial Screening

AAM has a “funnelling process” which screens each potential investment that has been originated through investment criteria described above. This screen will determine whether it is worthwhile investing the time to progress it in the first Investment Committee meeting. Detailed financial models and products models will be applied in the screening process.

Evaluation

The first Investment Committee meeting will have an initial approval for the Investment Team taking detailed investigation in evaluation process. As the Investment Committee has 100% vote right, every investment opportunity should get approvals from the Investment Committee meeting. The purpose of providing an evaluation process is as follows:

- Determining if there is a valuation gap between the vendor and the Fund, and if so whether it can be bridged.

- Preventing the Fund from incurring significant costs where there is little chance of success.
- Seeking potential opportunity on alternative use for the land and assets, value add on putting more facilities and development planning.
- Matching expertise to operate the assets
- Conducting a comprehensive due diligence based on both commercial and technical outcomes.

The process of completing the due diligence is as follows:

- At a minimum, engage the following experts to carry out due diligence on the asset: legal advisers, tax advisers, accountants and technical and specialist industry advisers.
- Each opportunity will require approval from the Investment Committee, with conflicted members excluded from voting.
- Adviser mandates will be crafted to ensure their scope of work is appropriate (which will include identifying any ESG issues) and their reports add value to and inform the final investment decision.
- Building a comprehensive financial model that will be audited by both internal and external experts.
- Conducting site visits, interview current operating teams of assets and determine whether management has appropriate skill base and depth.
- Engage in extensive Q&A with target management and advisers.

A detailed due diligence report will be handed to the Investment Committee for discussion.

Negotiate and complete transaction

The offer will be tailored by the Investment Team after collecting input from both internal and external parties. A formal meeting with the Investment Committee members will only happen once all due diligence is completed. The Investment Committee members will convene to discuss an

indicative offer once all the following steps are completed:

- Due diligence of a project or an asset is completed.
- Due diligence deck is circulated amongst all members on the Investment Committee.
- Due diligence process will have the site visit and inspection.
- A draft investment proposal has been prepared.
- An indicative offer will typically be non-binding and address certain key commercial terms, including approvals and financing that may be required.
- Legal agreements will be advised by legal advisors.

An approval will be granted by the Investment Committee prior to the submission of any indicative offers. The offer will come to the vendor of the asset for negotiations.

At negotiation stage, the Portfolio Manager will endeavour to allocate risks in the key provisions of the transaction documents (i.e. representations and warranties, indemnifications, limitations of liability, remedies and payment terms) to parties (i.e. vendor, offer provider, service provider) who are most able to influence and mitigate the relevant risk. This helps to align investors' interests and maximise value in the transaction. Prior to the preparation of the transaction documents, the Portfolio Manager must seek approval from the Investment Committee.

Commitment

The final commitment will be prepared by the investment manager after the transaction has been approved by the Investment Committee.

The documents should be prepared including the following details:

- Proposed final offer price and structure.
- Outstanding transactional issues.
- Overview of the asset/business, corporate structure and staff.
- Financials.
- Macro-economic considerations.
- Cost analysis.
- Predicted returns for investors and sources and uses of funds.
- Key risks and upside opportunities.
- Investment team recommendation.
- Summary of due diligence reports.

Exit

Consolidation within the industry will continue as succession through generations requires new capital. International capital from institutions is also investing. These will provide prospective exit alternatives for the assets in the fund.

Sustainability

AAM promotes investment that leads change in the agricultural industry to create a positive and sustainable legacy. The Fund will focus on the following criteria to add the sustainable farming practice in their decision-making process and operating business:

- Embracing and focusing on a diverse range of principles and practices to support and enhance the diversified asset base and portfolio sustainability.
- Identifying opportunities and maximising asset performance through the implementation of sustainable and innovative agricultural solutions.
- Significant energy solutions are being rolled out across parts of the AAM's investment portfolio. These currently take the form of integrating new technologies, platforms and innovative business models and practices to support resilient performance to meet current and

future needs for food, fibre, energy and ecosystems.

- Employing a holistic approach to sustainability underpinning the asset portfolio and investment horizon by integrating economically viable, socially responsible and ecologically sound management and operational practices. AAM also employs the principles of the circular economy in operational practices across its portfolio of assets.
- AAM's investment sustainability principles place an emphasis on production and food systems that are profitable, environmentally sound, energy efficient and improve the social and physical environment.

AAM aims to set a precedent in the Australian market for achievement of sustainable farming.

Completed Projects

Initiatives delivered at Southern Cross Poultry Fund include installation of 1.4MW of Solar PV achieving full export capability, negotiating a virtual metering point with the network provider and implementing a favourable tariff agreement, which in total has reduced cost of power by 50% since acquiring the assets. Additionally, development of efficient waste management solutions for 20,000 tonnes of waste (converting spent litter into an effective soil conditioner) providing cost reduction and revenue generation.

Commissioned Projects

AAM is undertaking detailed feasibilities around waste-to-energy technologies including anaerobic digestion and gasification. Technologies could provide sufficient energy output to power 1,000 homes, which would convert the poultry assets from power consumers to exporting 10 times the quantity of energy consumed prior to this installation. With a target commission date of January 2020, this project will see a 2.28MWh of batteries installed at Riverlands Free Range, further reducing cost of energy and providing revenue

generating opportunities with large potential upside underpinned by continued policy uncertainty and market volatility.

AAM has commissioned a report to monitor, measure and quantify carbon emission footprint and carbon abatement expectations through the adoption of precision agriculture, new technology and renewable energy projects.

Impact of Sustainability

AAM focus on positive impact farming and sustainable management of natural resources. AAM seeks to operate premium, high value, large scale agricultural and production enterprises with emphasis on performance, animal welfare and environmental responsibility.

Environment

Within its management portfolio, AAM has invested in assets to create sustainable on-site fresh water harvesting systems, reducing demand on potable supplies in local communities by 95%, whilst also incorporating effluent management systems which process and treat 100% of any effluent waste in an environmentally sustainable manner.

Communities

Additionally, the Fund's investments have a significant impact upon the communities it serves. It maximises local employment, provides training for local workforces and positively impact the economic and social fabric of the communities. AAM operates businesses that bring increased activity, impacting local business, school enrolments, transport infrastructure and tourism.

Their investments in localities is long term and sustainable, providing a basis for further growth and engagement.

Animal Welfare

AAM believes that animal welfare is a key responsibility of all participants in the livestock supply chain and is pivotal to the long-term commercial viability of any large-scale livestock

business. AAM implements good animal welfare practices which are ethically correct, ensuring the safety and quality of the food products produced by livestock being transacted through facilities it operates and manages and compliant with market perspective and exceed all industry standards.

Service Provider

AAM has appointed AAM Licensees Pty Ltd, a subsidiary of AAM Investment Group as the responsible entity or Trustee. It is the holder of an Australian Financial Services Licence (AFSL No. 458978). It provides regulatory oversight. The Fund engage relevant specialist advisers (law firms, accountants and industry consultants) with strong reputations and experience in their fields.

The Trustee has appointed Perpetual Corporate Trust Limited as Custodian of the Assets of the Fund. The relationship between the Manager, the Custodian and the Fund is governed by a Custody Agreement. The role of Perpetual is to hold the assets of the Fund as agent of the Trustee.

The manager has appointed Mainstream Fund Services Pty Ltd as the registry provider to the Fund. A Registry Agreement will govern the relationship between the Trustee and the Registry Provider. The Registry Agreement has been entered into for a five-year term.

Risk Management and Compliance

Risk Assessment

The Fund Manager has established a risk management system for its proposed financial services business, which it has been practiced on their existing funds:

- Identifying the main risks that are likely to arise.
- Categorising those risks and rating their impact.
- Establishing appropriate control measures.
- Committing to a review of its risk management system.

The Fund will assess quarterly to ensure no material changes to the risk identified during due diligence and disclosed in their Fund offering documents. The risk management system will reflect the specialised nature of the Fund and also to general investment risks.

Risk Management

Agricultural Risk Management

The nature events such as fire, drought, unseasonal rain, frost, windstorm, etc, as well as par animal husbandry practices, poor feed quality, human error and interruptions of the water supply may impact yields which may affect the performance of the investment in the Fund.

The risks and mitigation strategies that the Fund Manager specifically focuses on include:

- The manager will take out insurance, where commercially reasonable.
- Development of water storage on farms and acquiring water licenses can support the management of dryer conditions.
- The ILT disease remains the largest risk associated with the poultry assets within the Fund. The chicken processor's operations could seek a temporary injunction of placing birds. This could limit the income being generated from the sheds whilst the injunction is in place.

Infrastructure Risk Management

Infrastructure including access to power, water, pipelines, pumps, equipment and transport is crucial to the success of the assets of the Fund. Any failure of damage to or restrictions on access to infrastructure facilities may impact the performance.

The manager will develop water storage on farms and acquire water licenses to mitigate the risks. The operation company has enough experienced staff to maintain those infrastructures.

Commodity Price Risk Management

Commodity prices are driven by a number of factors that are outside of the control of the manager. Supply and demand drivers will influence commodity prices. Negative movements in the commodity prices will have a negative impact on unhedged products that the Fund is seeking and may reduce the profitability of the Fund.

The manager will seek to hedge certain commodities where feasible and economic to do so, based on their experience of livestock price movements.

Authorisation and Licence Risk Management

The Fund may require a range of licences, permits, accreditations or certifications relating to food standards, animal welfare, workers compensation and the environment to successfully operate its business. If the Fund is unable to grant these licences, permits or certifications in the future, or any existing authorisations. It may increase costs or adversely impact the Fund's performance.

The manager has developed comprehensive short, medium and long-term business plans beforehand. They have well prepared timeline to face those risks and find alternative authorisations and licences before they are expired.

Finance Risk Management

The Fund relies on debt financing to fund its operations and its banking facilities will periodically need to be refinanced. The Fund may also seek to raise additional debt finance in the future to grow the business. If there is a deterioration in the level of liquidity in debt markets, or the terms on which debt is available, it may prevent the Fund from being able to refinance some or all of its debt on current terms or at all.

The Fund has engaged finance advisors to provide reviews for the debt conditions and capabilities. In addition, the Investment Management team has members who have extensive background in structuring and distributing equity and debt transactions.

Failure of Information Technology Systems Risk Management

The manager depends on accurate and timely information and numerical data from information technology systems to aid operating business, financial reporting and decision making. Failure of information technology systems could adversely affect day-to-day operations and decision-making processes which indirectly effect on the Fund's performance.

The management team has separate information systems on investment and operating. All the team members are familiar with the system and have backup versions.

Liquidity of Interests Risk Management

The Fund will not be listed on any stock exchange. Investments have a minimum seven-year term and it is unlikely that there will be a liquid secondary market for investors. Investors do not have any redemption rights to withdraw from the Fund once an investment has been made and no cooling-off rights apply under the *Corporations Act 2001 (Cth)*. The Fund is only suitable for investors who are willing to hold their investment to the end of its term.

There may be relatively few potential buyers or sellers of the Units at any time. This may affect the prevailing market price at which the investors may be able to sell their Units. This may result in investors receiving a market price for their Units that is less or more than the price that investors paid.

The manager will assist when investors want to sell Units.

Litigation Risk Management

The Fund may, from time to time, be involved in legal proceedings with a variety of parties. The outcome of litigation cannot be predicted with certainty, and adverse litigation outcomes could adversely affect the financial performance of the Fund.

The Trustee will appoint professional legal firm to handle the litigation and mitigate the impact to the Fund.

General Economic and Financial Market Conditions Risk Management

General economic circumstances in the world economy could change and cause adverse consequences to the Fund. Instability in Australian or global financial markets or changes in regulatory, political, or market conditions or other factors outside the control of the Fund could materially and adversely affect Fund returns. Borrowing costs may rise and may increase the possibility that the Fund may be unable to make principal and interest payments on debts incurred. Credit from banks or other lending institutions may become less available and interest costs may increase. Such changes in economic and market conditions may adversely impact the Fund's ability to consummate transactions or impair the ability of the Fund to complete transactions on acceptable terms.

The Fund will engage financial advisory service from third parties to mitigate the risk. The Investment Team has members who have extensive experience in structuring and distributing debt transactions.

Political, Regulatory and Environmental Activism Risk Management

There is a possibility that new laws and regulations, stricter enforcement of existing laws, imposition of new remediation requirements or interruption of supply due to environmental activism, may change the current market practices which could adversely affect the Fund's financial performance.

Assets acquire by the Fund will have potential alternative use for different products. Moreover, the Fund is working closely with local government to improve the environmental conditions.

Adverse Taxation Changes Risk Management

There is the potential for changes to tax laws. The Fund is potentially exposed to changes in tax legislation or interpretation in that jurisdiction. Any change to the rates of taxes imposed on the Fund is likely to affect returns to investors.

The Fund will appoint a professional accounting firm to optimise the structure with tax issues.

Dilution Risk Management

An investment in the Fund may be subject to dilution in the future. Dilution may occur if the Fund is required to issue additional Units. As a result, an existing investor's proportionate interest in the Fund may be reduced. This has an effect on voting, dividends and value rights among other things.

The Fund has a proposed timeline for the capital raising and the asset pipeline. Investors invest in the Fund will be fully informed by the Investment Team before any new issue of Units take place.

Administrative Risk Management

External service providers will be appointed to provide administration, keeping the register of unitholders, arranging for the issue and redemption (if applicable) of units and calculation of asset valuations and fees.

- Fund Administrator – Mainstream Fund Service Pty Ltd, register of unitholders.
- Financial advisors – industry, customer, financial and valuation information.
- Legal Advisors – Jones Day Pty Ltd, legal, regulatory and transactional risks (jurisdictional and contractual).
- Tax advisers – BDO Audit, taxation landscape and transaction structuring.

- Technical and specialist industry advisers – bespoke technical information about the asset.
- Audit – BDO Audit.

The Fund Manager will conduct an annual review of all service providers. In the event of a negative finding, a more thorough questionnaire would be requested from the external provider.

Operational Risk Management

Garry Edwards and Timothy Gallagher are responsible for the Fund's operations. Each employee will have a job description and key performance targets. The remuneration structure will fully align the AAM Fund employees with the interests of the investors and will include a base salary and appropriate market based short and long-term incentives. Employee incentive payments will be assessed by reference to key performance metrics, which will include financial, professional, workplace and ESG factors.

Development Risk Management

The Fund intends to invest in brownfield and greenfield projects and will accept development risk to some extent. However, this risk will be mitigated contractually to achieve appropriate risk allocation.

Additionally, the Fund Manager will oversee outsourced or contracted development managers.

Keyman Risk Management

Key man risk with respect to senior management team will be mitigated by the involvement of Ben Matigian and Nathan Doake, who have sufficient management and industry experience to manage those responsibilities while searching for a replacement.

Conversely, the senior management team are deeply engaged in all aspects of the business and could substitute into any or the portfolio management roles.

Conflict of Interests Risk Management

AAM maintains and complies with a group-wide conflict of interest policy that governs the way in which conflicts of interest are managed. AAM's conflict of interest policy requires conflicts to be assessed and steps implemented by AAM's compliance department to manage the conflict. A conflict of interest may arise where there is the potential for the interest of the manager and related entities and the interests of investors to conflict. AAM's conflict measures ensure that the appointment is in the best interest of investors and where applicable, on arm's length commercial terms.

Through the application of AAM's conflicts of interest policy, AAM is committed to identify and monitor all potential conflicts of interest and avoid conflicts of interest where this is the only way to properly protect investors' interest. AAM will take appropriate steps to ensure the fair treatment of the Fund and all investors potentially impacted by the conflict. Dealing in an open manner and disclosing its conflicts of interest wherever this is likely to be relevant to investors.

Compliance

AAM has a full time Risk & Compliance Officer. The officer will cooperate with the Trustee in ensuring compliance with matters as required under the Corporations Act and the Constitutions. The key purpose of the role is to lead all aspects of AAM and its subsidiaries, relating to the compliance and reporting obligations, governance across multiple entities providing advice and training as require.

The Risk & Compliance Officer provides oversight on core legal compliance, governance and multiple agreements as well. The main responsibilities are listed below:

- Develop, review and maintain compliance standards and policies.

- Oversee systems and processes to manage compliance, reporting, and management of breaches.
- Manage the day to day compliance function partnering with various stakeholders and business units.
- Conduct regular reviews of business activities for adherence to regulatory requirements, internal policies and procedures.
- Review new business initiatives, operational procedures and major operational and systems changes from a regulatory perspective.
- Interact with regulators including handling of regulatory enquiries, exams and investigations (ASIC/APRA), industry regulatory group interactions (ACSA/ASLA) and clients on due diligence matters.
- Manage the compliance program including participating in regulatory risk assessments across AAM providing input into policies, performing training and designing and executing compliance desk reviews.
- Develop and review agreements and establish systems to manage the Agreement.
- Monitor the management of the contractual obligations and agreements between AAM entities.
- Provide assistance with the assessment of compliance issues after evaluating compliance with relevant regulations, identifying issues and assessing the impact of regulatory change.
- Advise and review content of marketing material, IM, application forms, research reports, platform applications and other regulatory documents in a compliance perspective.
- Assist in the development and continuous improvement regarding compliance, risk and report on issues.
- Monitor and report compliance with all reporting obligations under the agreements including fund management, asset management, custodian, registry and others.

- Prepare management and governance reports, including quarterly compliance reports to the board.

The compliance officer will also be responsible for management of dealings with related parties where there is conflict of interest.

Fee Structure

Management Fee

Asset Management Fee of 1.00% of the Gross Asset Value (GAV) of the Fund. This fee is calculated and paid monthly in arrears from the Fund.

Fund Management Fee of 0.25% of the Gross Asset Value of the Fund. This fee is calculated and paid monthly in arrears from the Fund.

Management Fees charged by any alternative AAM Managed Fund which the Fund has invested will reduce the Management Fee payable to AAM from the Fund.

Annual Performance Fee

Annual Performance Fee (APF) is payable to the Manager at the end of each financial year. If payable, the Manager may elect to take the Annual Performance Fee as Units in the Fund. The Manager can only accept the Annual Performance Fee in cash if the Distribution Yield is greater than the Target Distribution Yield during the Calculation Period.

Annual Performance Fee is subject to a High-Water Mark which means that it will not be paid unless the Closing NAV exceeds the highest Closing NAV at which the Annual Performance Fee has ever been paid to the Manager.

The Annual Performance Fee is 20% of the portion of total return to investors over a Target Total Return.

Asset Acquisition Fee

This is an initial fee in consideration for the identification and analysis of the purchase of assets

for in the portfolio, procuring debt and structuring the investment. The Asset Acquisition Fee is equal to 1.25% of the purchase price of assets acquired by the Fund and is payable from the assets of the Fund upon completion of the purchase or relevant future acquisitions.

Capital Raising Fee

A Capital Raising Fee of 2.50% of the value of equity introduced into the Fund and will be payable at the time of allotment of Units in the Fund.

Termination Fee

Under the terms of the Constitutions, investors in the Fund have certain rights to remove the Trustee including a right of termination if the Trustee becomes insolvent or breaches its obligations under the Constitutions in a material respect and such breach cannot be rectified or is not remedied within 60 days after receiving notice of that breach. No termination fee is payable to the manager or the Trustee if the Management Agreement is terminated in accordance with these rights. Investors may seek to remove the Trustee by Extraordinary Resolution of Investors, with at least 90 days written notice.

If the manager is removed by Extraordinary Resolution of Investors, the manager is entitled to a further fee payable from the assets of the Trust equal to the sum of all periodic fees (the Management Fee and Performance Fee, which accrued in the 12-month period up to the date of termination).

Transaction Purchase and Offer Costs

Transaction purchase costs are costs incurred by the Fund in relation to any transaction undertaken on behalf of the Fund. For example, buying and selling property and other Fund assets. The transaction costs include stamp duty, debt establishment fees, due diligence costs, legal fees, valuation fees and external consultants engaged by the manager on the acquisition. They are paid out of the assets of

the Fund or where incurred by the manager or the Trustee on behalf of the Fund, reimbursed to the manager or Trustee out of assets of the Fund.

Debt establishment fees will be paid to the financiers to establish the debt facilities to undertake this transaction.

The Fund will incur a number of costs associated with the offer to investors. For instance, the costs of preparing the Information Memorandum, legal fees to establish the Fund, costs of establishing and maintaining the register of investors and all other costs associated with the offer. Costs incurred by the Fund associated with the offer will be funded by proceeds of the offer and where incurred by the manager or the Trustee, reimbursed to the manager or the Trustee.

Operating Costs of the Fund

The Fund will incur costs relating to the operation of the assets. These costs will include but not limit to employment, administration, utilities, government charges, maintenance, management and all other costs normally associated with operating an agriculture business.

Distribute Return to Investors

The Fund will act as a flow through entity which fully distributes net income received by the Fund in a quarterly basis, after allowing for all fees and expenses in respect of the Fund.

Investors are given the opportunity to reinvest their distributions each quarter.

Refer to Appendix C for a representation of the investment process.

Taxation

The Fund is an Australian investment vehicle that invests in Australian agriculture. The investment vehicles are Unit Trusts. A unit trust with certain investors is a trading trust unless it only holds eligible investments.

As the sole or predominant activity of the Real Asset Trust will be to acquire and lease land and fixtures to the Operating Trust, it will be a 'flow through trust' under Australian tax law, which means income can be distributed untaxed at the Trust level.

As the primary activity of the Operating Trusts will be conducting businesses as trading companies. Such business is not an 'eligible investment' activity and the Operating Trust will be a public trading trust under Australian tax law.

The Fund will fully distribute its net income quarterly, which should be assessable to unitholders in respect of that year as per their unique tax profile.

Investors should seek professional taxation advice prior to investing in the Fund.

Customer Service

All customers have access to customer service and investment reporting. The following statements will be provided to investors:

- Quarterly internal unit price
- Annual unit price after external valuation
- Quarterly Fund Management reports
- Analyst Fund Manager Report
- Annual reports
- Asset and Fund performance and returns

Liquidity

Investors in the Fund will have no right to withdraw from the Fund during the term of their investment. Nevertheless, the Trustee may from time to time elect to make offers to unitholders pursuant to which they may elect to withdraw. This may occur, for example, where the Fund receives oversubscriptions in respect of a future capital raising event. The Trustee may in those circumstances elect to offer unitholders the opportunity to withdraw from the scheme by way of redemption funded with the oversubscription funds or otherwise to facilitate a sale transaction between potential new investors and unitholders interested

in selling some or all of their holding. It is intended that a sell spread of 3% of total transaction value will be applied where a unitholder elects to withdraw from the Fund by way of redemption (with the benefit of this spread to be realised by the Fund) although the Trustee may elect to waive this spread from time to time in its discretion.

Additionally, The Manager will facilitate sale of investors' units when requested by the investor, with first option being granted to fund Investors.

Track Record

Southern Cross Poultry Fund (SCPF)

SCPF is made up of 42 modern chicken growing facilities across 7 farms in South Australia, growing 10m birds p.a. SCPF is responsible for growing chickens under contract with Ingham's from the time of delivery (generally one day after hatching) to collection (up to 54 days later). Income is underpinned by a fixed price offtake agreement with Ingham's until 2024 plus a five-year extension option by mutual agreement (2029). Positive impact farming, including sustainability initiatives, low carbon renewable energy installations, climate focused technology solutions, and value adding on-site waste management have been implemented across the facilities to reduce operating expenditure and provide additional revenue streams for the SCPF. The SCPF has an 9 – 10% target yield (100% tax deferred). SCPF in FY20 is expected to expand with the acquisition of 48 additional sheds in Murray Bridge, South Australia. Further initiatives into positive impact farming will reduce operating expenditure and provide additional revenue streams for the SCPF.

Pastoral Development Trust (PDT)

PDT owns and operates Legune Station which is located in the Northern Territory close to the Western Australia border.

- Legune Station consists of 285,270 ha of pastoral land with the potential to be a highly

profitable cattle station with diversified income streams.

- 30,000 head of brahman cattle, selling ~10,000 p.a. into the live export market.
- Legune Station is home to Australia's largest private dam with 35,100ML of water storage on site which AAM will use to develop a large-scale complementary farming operation.
- The strategy is to expand the cattle herd and develop an irrigated cropping program to sustainably utilise water stored on the property.
- PDT and Seafarms have executed a 90-year Sub-Lease and Cooperation Agreement where Seafarms will lease a parcel of land on Legune Station for their proposed prawn farm.

Sustainable Softwood Trust (SST)

SST is a standalone saw milling facility, located on the Central Tablelands of NSW. The sawmill is an established and stable business with a history of producing strong and predictable cash returns.

The sawmill processes 92,000m³ of softwood logs and has development approval for expansion to 210,000m³ p.a. SST has long term log supply agreements with State Government owned Forestry Corporation of NSW and other private operators. AAM's strategy for the Australian Softwood business is to continue to focus on securing long-term supply partners and as such the business has chosen not to compete with exporters on spot purchase contracts. Since its inception in January 2019, Australian Softwoods has focused on driving operational efficiencies that will continue into FY20.

Table 3 has shown the performance of the weighted portfolio that AAM currently managed.

Table 3: Fund Performance – FY19

	AAMIG Weighted Portfolio	FUM
Actual Cash Yield Paid	6.0%	
Cash Yield Annualised	7.9%	
Growth	16.1%	
Total Return	22.1%	

Source: AAMIG *Based on 6 months' earnings

Refer to Appendix D for a detailed fund performance in the financial year 2019.

Prior to launching the existing trusts, AAM's track record dates back to its inception in 2007.

Regional Livestock Exchange (RLX)

RLX is an operating business that facilitates transactions of over \$1bn of livestock annually. RLX has been able to achieve more than 40% cost savings across a portfolio of assets in the meat and livestock supply chain. Funded by a diverse range of Australian institutional superannuation and high net worth investor's via Palisade Investment Partners. AAM manages eight RLX sites across three states. RLX is close to completing a full energy efficiency rollout, which includes LED lighting and solar installations on each of the site. On completion, energy consumption will be reduced by approximately 50% across the portfolio

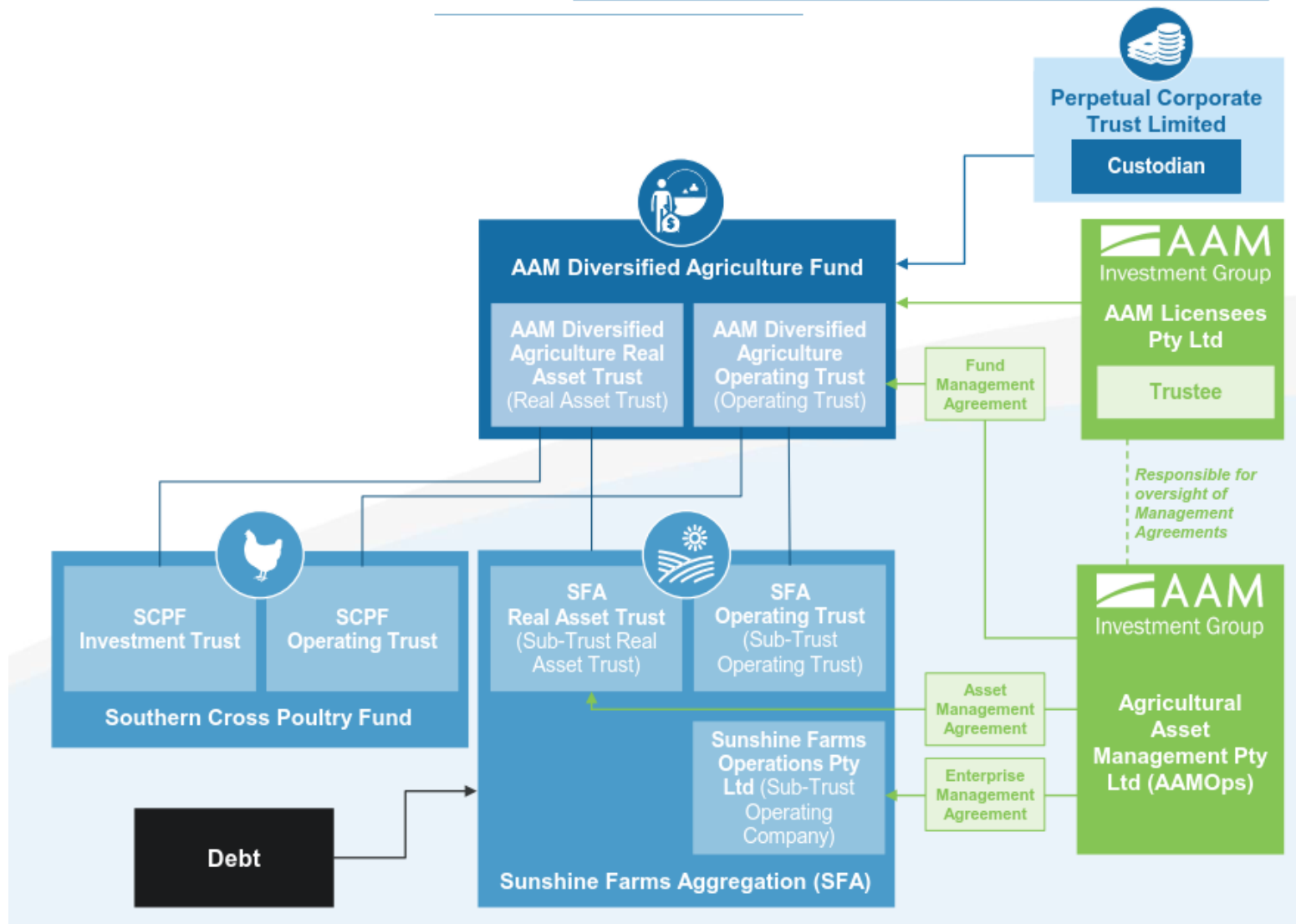
CRF

CRF is one of the Australia's largest lamb processing facilities based in Colac, Victoria. Operational initiatives including data generation and analysis drove an increase in processing numbers from 900,000 to 1.5 million annually within two and half years by the same number of staff under AAM's strategy. The value of the business appreciated 2.5 times over the same time period.

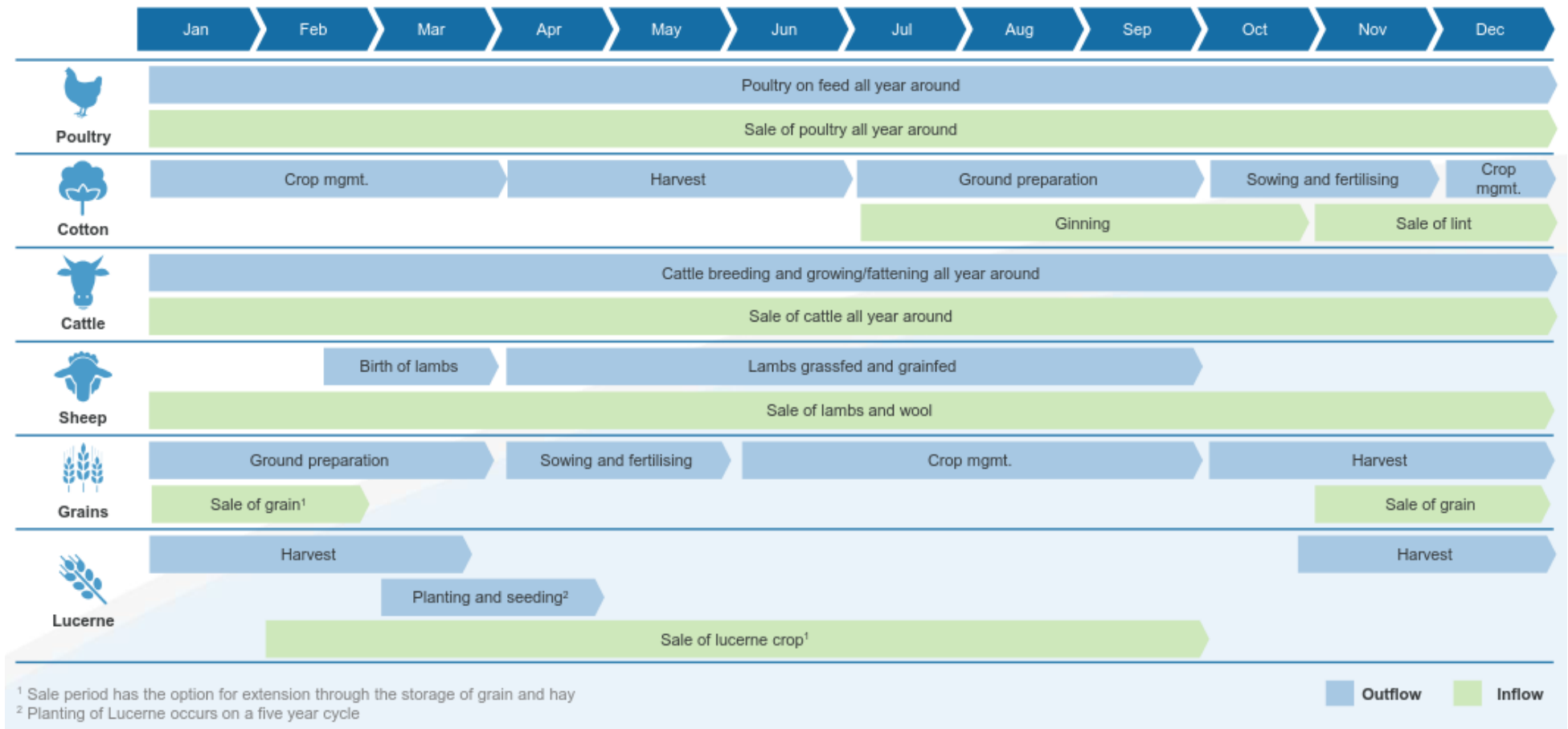
Livestock Exchange

Established in 2003 to improve livestock traceability and management systems and facilitate enhanced livestock transactions and transparency. At divestment, held 95% market share, processing \$6.7bn in livestock transactions domestically and over \$9.0bn globally on an annual basis. The business and intellectual property was divested over a 4 year period to a global agribusiness listed on the New York Stock Exchange commencing August 2011.

Appendix A – Investment Structure



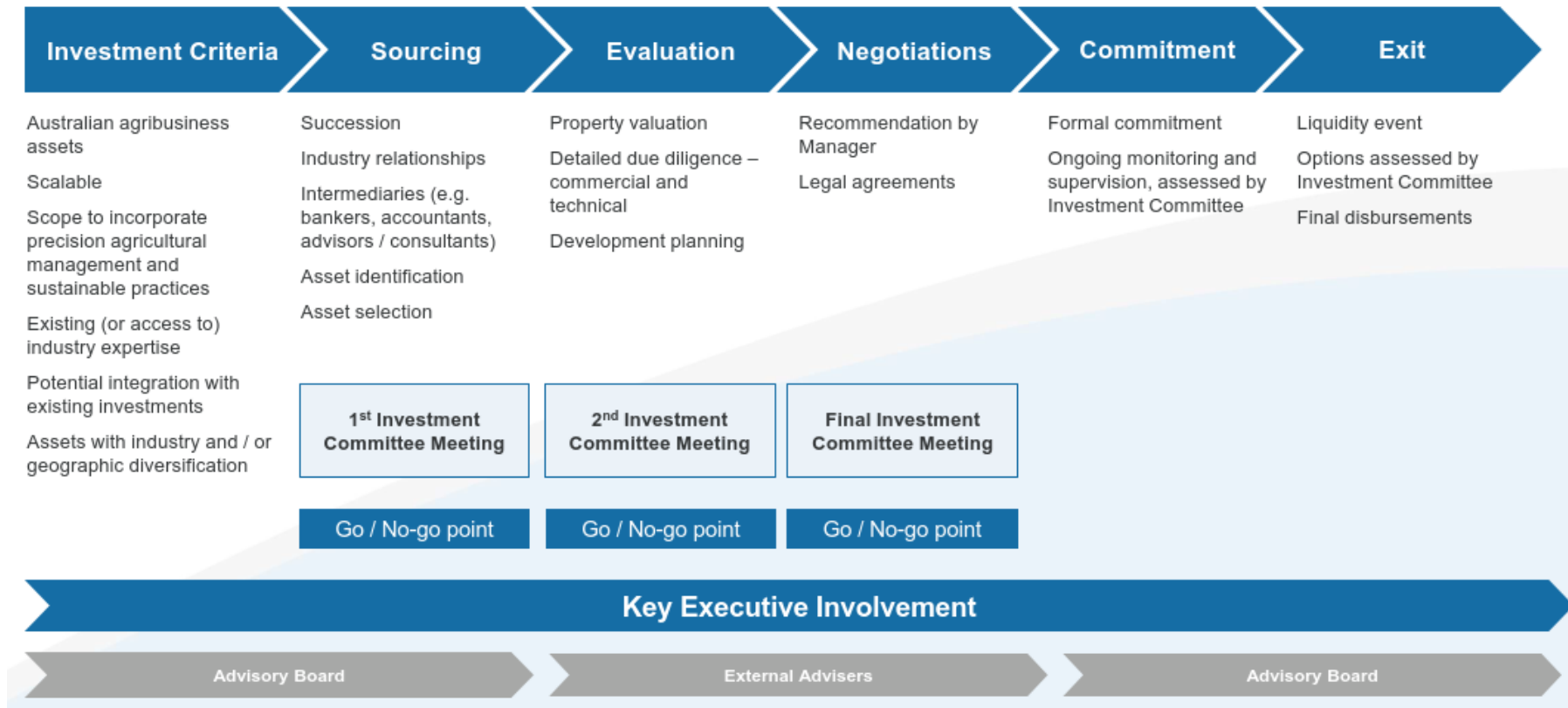
Appendix B – Balanced Regular Cash Generation



Appendix C – Investment Process




Investment Process

The Manager follows a robust investment process to ensure that all investments meet the Investment Criteria and have the potential to deliver the target returns



Appendix D – Fund Performance – FY19

Fund Performance – FY2019

	 Southern Cross Poultry Fund	 Pastoral Development Trust	 Sustainable Softwood Trust	AAM FUM Weighted Portfolio
Fund Inception Date	February 2018	December 2018	January 2019	-
Taxable	100% tax deferred	100% tax deferred	Not taxable in FY2019	-
Actual Distribution Paid¹	9.8%	2.3%	5.4% ²	6.0%
Annualised Distribution Yield¹	9.8%	4.2%	11.3%	7.9%
FY2019 Growth¹	12.2%	27.6%	0.0%	16.1%
FY2019 Total Return¹	22.0%	29.9%	5.4%²	22.1%

¹ Past performance is not a reliable indicator of future performance

² Based off 6 months earnings

Sources of Information

The following sources of information have been relied upon in preparing this report:

- Investment Memorandum (Dated: November 2019)
- Pitch Book (Dated: November 2019)
- Compliance Framework (Dated: October 2019)
- Quarterly Report (Dated: September 2019)

Report Expiry Date

Date Report Prepared: 12 November 2019

Report Expiry Date: The Atchison Consultants report is a point in time assessment and expires after 12 months or if there are any material changes in relation to the information contained in this report or any disclosure or offer document issued in relation to this offer. Atchison Consultants reserves the right change its opinion, rating and/or withdraw the report at any time on reasonable grounds.

Report Prepared By: Jeremy Jiang

Report Authorised By: Ken Atchison

Statement of Analyst Interest and Certification, Warning and Disclosure

Atchison Consultants' Financial Services Guide has been provided to AAM Diversified Agriculture Fund. Retail investors may obtain this directly from Atchison Consultants using the contact details below. The Financial Services Guide is designed to assist retail investors in their use of any financial product advice in this Report.

Analyst Interest and Certification:

The Analyst(s) does not hold an investment in this product. The Analyst(s) certifies that with respect to content covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the product; and (2) no part of his or her compensation was, is, or will be, directly or

indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

Warning (General Advice Only):

This report is prepared for The AAM Diversified Agriculture Fund. The report contains recommendations and advice of a general nature and does not have regard to the particular circumstances or needs of any specific person who may read it. Investors should assess either personally or with the assistance of a licensed financial adviser whether the Atchison Consultants recommendation or advice is appropriate to their situation before making an investment decision. The information contained in the report is believed to be reliable, but its completeness and accuracy is not guaranteed. Opinions expressed may change without notice. Atchison Consultants does not accept any liability, whether direct or indirect arising from the use of information contained in this report. No part of this report is to be construed as a solicitation to buy or sell any investment. Atchison Consultants does not accept any responsibility to inform you of any matter that subsequently comes to its notice, which may affect any of the information contained in this report. The performance of the investment in this report is not a representation as to future performance or likely return.

Disclosure (Commissioned Research):

Atchison Consultants has received a fixed fee, established prior to commencement of work from AAM Diversified Agriculture Fund for the preparation of this report. Atchison Consultants applies a strict and rigorous process for the production of research reports and has no direct or indirect interest in the success or otherwise of this investment.

Atchison Consultants

Atchison Consultants was established in 2001 by Ken Atchison and consists of a team of investment

professionals based in Melbourne with extensive experience in all aspects of financial markets.

The principal focus of the business is the provision of advice, research and analysis across all components of managing investment portfolios by financial institutions, superannuation and insurance funds and investment managers.

Licence

TAG Asset Consulting Group Pty Ltd (ABN 58 097 703 047), trading as Atchison Consultants, is the holder of Australian Financial Services Licence Number 230846.

Contact Details

Atchison Consultants

Address: Level 3, 155 Queen Street,
Melbourne, Victoria 3000

Phone: 03 9642 3835

Fax: 03 9642 8886

Email: ken@atchison.com.au

Website: www.atchison.com.au