Vitalharvest Freehold Trust "Vitalharvest REIT"

INVESTOR UPDATE – September 2018

Source: goFARM

goFARM ASSET MANAGEMENT

Manager of Vitalharvest REIT

IMPORTANT INFORMATION AND DISCLAIMER

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Definitions

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SNAPSHOT

The Vitalharvest REIT owns and leases large-scale horticultural assets, which have demonstrated earnings growth, are leased to an industry leading tenant, and provide exposure to growing food demand and future growth opportunities.

Source: goFARM

Liza Whitmore

goFARM Director, CAM CEO

Overview

- Vitalharvest listed on the ASX on 1 August 2018.

- Key features of the Vitalharvest REIT include:
  - One of the largest aggregations of berry and citrus farms in Australia located in prime growing locations.
  - Properties leased to Costa Group (**ASX:CGC**) - Australia's leading horticulture company and largest fresh produce supplier, circa $2.2bn market capitalisation[1].
  - Well established, operationally proven and strategically located assets.
  - Asset diversification by crop type, climatic region, water source and product end markets.
  - Organic growth driven by favourable consumer trends in nutritional foods for Australian and export markets.
  - Additional growth through capex contributions and accretive acquisitions.
  - goFARM is the Manager of the Vitalharvest REIT. The Manager has a successful track record of identifying and negotiating the acquiring and managing agricultural properties, including negotiating attractive lease terms with operators/managers.
  - The Trust Company (RE Services) Limited ACN 003 278 831, is the Responsible Entity.

[1] *as at 5 September 2018*

Source: goFARM

Financial Snapshot

- Under the Leases, Vitalharvest REIT receives a Base Rent plus a Variable Rent component broadly based on CGC's EBT generated from the Properties
  - **Base rent:** 8% return on the total acquisition cost for the Citrus and Berry Properties plus capex contributions by the Landlord
  - **Variable rent (profit share):** 25% share of the CGC's EBT generated from operations at the Properties
- Weighted Average Lease Expiry (WALE) 7.75 years;
- Lease term for the Citrus Properties and Berry Properties expiring 2026 with option to extend for 10 years[1];
- Triple net lease: CGC is responsible for all outgoings and costs associated with the Properties
- **FY18**
  - Total Base Rent and Variable Rent: $23.2m[2]
  - Total Base Rent and Variable Rent for FY18 was forecast in the PDS as $21.3m. The increase in Variable Rent is primarily attributable to favourable performance of the Citrus Properties.
- CBRE independent valuation of the Properties and Water Rights as at 31 May 2018: $238.4 million

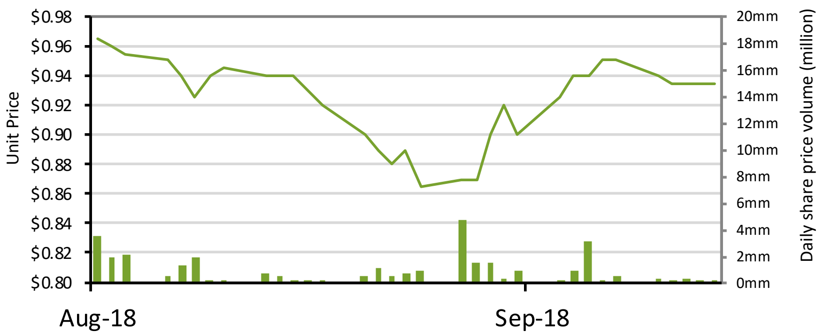
[1] *Other than the Leases of the Dunorlan Property which are consecutive leases with the final lease expiring 2036*
[2] *audited FY18 financial Statements of Vitalharvest Pty Ltd*

Corporate Snapshot

Key metrics	
ASX code	VTH
Unit price as at 14 September 2018	$0.935
Units on issue	185.0m
Market Capitalisation	$173.0m
Net Debt	$95.0m
Enterprise Value	$268.0m
Pro-forma Distribution Yield (as per the PDS)	8.00%
Pro-forma Adjusted# Distribution Yield (as per Audited Accounts)	9.48%

 # Calculated using actual audited FY18 revenue for Vitalharvest Pty Ltd and Pro Forma adjustments as per the PDS

VTH Unit Price Since Listing



Source: CapitalIQ as at 14 Sep 2018

Major unitholder	% unitholding
Auscap	8.32%
Telstra Super	7.57%
Industry Super Holdings	7.56%
Australian Ethical Investment	5.41%
Costa Asset Management	5.41%

Source: CapitalIQ as at 14 Sep 2018

Key Personnel

Liza Whitmore
goFARM Director, CAM CEO

- Joined CAM as CEO since 2011
- Joined Costa Group in 2002 and held a senior management role
- Extensive knowledge of Citrus and Berry Properties and responsible for capex approvals
- CPA, BA Commerce

Liam Lenaghan
goFARM Managing Director

- 20 years agri experience (DRAPAC, Warakirri)
- Founded goFARM in 2011
- Acquired and developed over 23,000 ha prime agricultural landbank
- BS Ag Science, GradDip App.Finance & Invst

Lieutenant General Ken Gillespie AC DSC CSM (ret'd)
Independent Non-Exec Director

- Retired as Chief of the Australian Army in mid-2011
- Chairman of Australian Strategic Policy Institute

Richard Bligh
goFARM Chief Operating Officer

- Leads goFARM's Investment & Management teams
- BA Finance & Mkt, GradDip App.Finance & Invst

Nick Raleigh
goFARM Chief Farming Officer

- Leads goFARM's Asset Management & Research division
- BS Ag Science

Financial Snapshot

Debt

Consistent with the proposed capital structure as set out in the PDS, the Vitalharvest REIT entered into and have fully drawn a series of core debt facilities with NAB, totalling $95m. Additionally, it has a capital expenditure facility (Capex) of $15m which is currently undrawn.

Interest rates have been fixed for $76m of the core debt facilities with a weighted average maturity profile of 7.8 years. The balance of $19m remains on a variable interest rate.

The weighted cost of debt is below the anticipated 4% per annum.

Debt Metrics	Post IPO
Debt Facilities limit	$110.0m
Debt drawn	$95.0m
Gearing*	39.8%
Interest Cover Ratio	6.3x
Target Gearing Ratio	40.0%

*Interest-bearing liabilities divided by the sum of the market value of the Property Portfolio plus the amount of capital expenditure paid in relation to or in respect of each asset in the Property Portfolio since the last independent valuation of that particular asset.

Financial Snapshot

Pro Forma Consolidated Income Statement for the past 3 financial years and FY18

	Pro Forma Historical			Pro Forma per PDS	Pro Forma Adjusted
In $'m	FY15	FY16	FY17	FY18	FY18
Base Rent	7.9	8.4	8.7	9.1	9.06^
Variable Rent	9.0	9.2	7.6	12.2	14.12^
Total revenue	**16.9**	**17.6**	**16.3**	**21.3**	**23.18^**
Fair Value Adjustments	4.8	-	15.2	-	-
Total Other Income	2.8	1.3	2.4	1.6	1.68^
Total Expenses[1]	(1.6)	(1.6)	(1.6)	(1.7)	(1.74)
EBITDA	**22.9**	**17.3**	**32.3**	**21.2**	**23.12#**
Depreciation and amortisation[2]	(0.1)	(0.1)	(4.3)	(8.6)	(8.62)
EBIT	22.8	17.2	28.0	12.6	14.50#
Finance Costs[3]	(3.9)	(3.9)	(3.9)	(3.9)	(3.91)
Interest Income	0.1	0.1	0.1	0.0	0.0
PBT & NPAT	**19.0**	**13.4**	**24.2**	**8.7**	**10.59#**

The Pro Forma Historical Financial Information is derived from the PDS. Pro Forma Adjusted is calculated using the FY18 audited financial statements of Vitalharvest Pty Ltd, adjusted on a Pro Forma basis to reflect the restructure and on-going operations of Vitalharvest REIT as a listed public entity post IPO.

1) *Includes Manager Fees, Responsible Entity Fees, ASX Listing Fees, Audit and Compliance*
2) *Depreciation represents the Accounting Standards amendment to require bearer plants to be depreciated over their useful lives from 1 July 2016.*
3) *This includes interest costs of $3.7m*

^Actual audited FY18 revenue for Vitalharvest Pty Ltd
 # Calculated using actual audited FY18 revenue for Vitalharvest Pty Ltd and Pro Forma adjustments as per the PDS

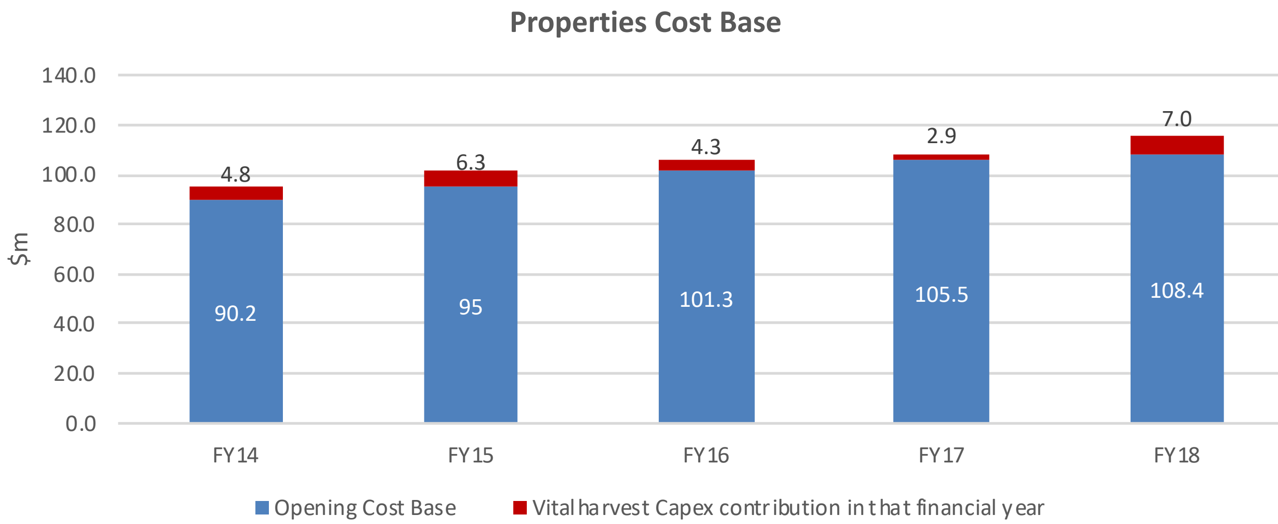
Pro Forma Forecast FY18 Distribution

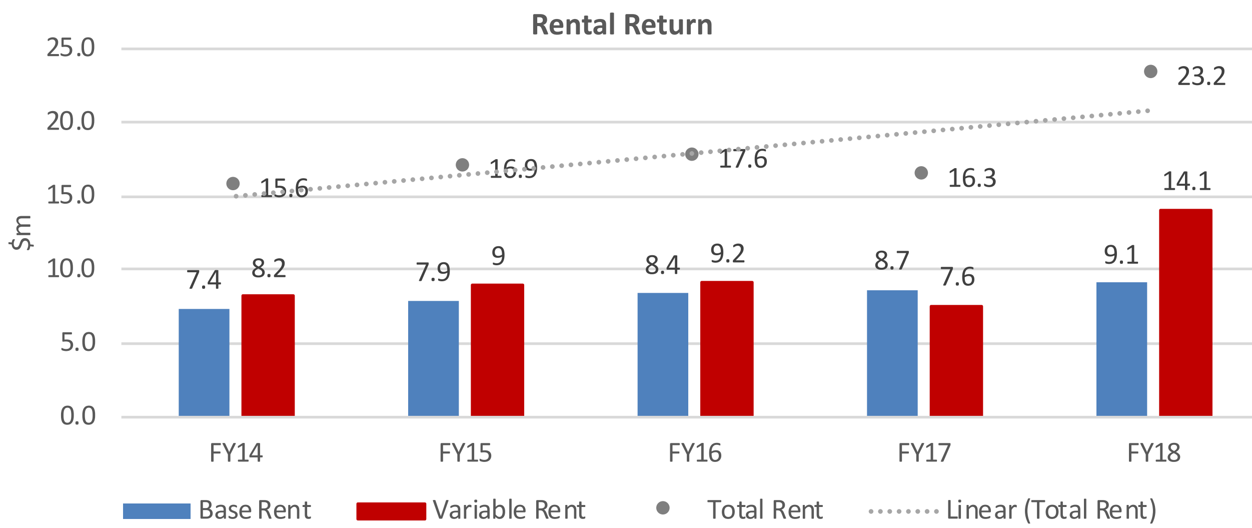
In $'m	Pro Forma per PDS	Pro Forma Adjusted
PBT	8.7	10.59
Non-cash adjustment:		
Grant Related Income	-1.3	-1.38
Dep Exp - Plant & Equip	8.6	8.62
Fair Value Adjustment	0.2	0.21
Debt Establishment Fee Amortisation	0.2	0.18
Funds from Operations (FFO)	**16.4**	**18.22**
Payout ratio (%)	90%	90%
Pro Forma Distribution	14.8	16.40
Units on Issue (#'m)	185	185
Offer Price per Unit ($)	1	n/a
Share Price as at 14 Sept 2018	n/a	0.935
Distribution per Unit (cpu)	8	8.90
Pro Forma Distribution Yield (%)	**8.00%**	**9.48%**

Distribution Policy

- The Distribution Policy is proposed to be to pay out 85% to 100% of Vitalharvest REIT's FFO
- Distributions will be paid bi-annually, with the first Distribution to be paid in March 2019 for the six months ending December 2018

Both Base Rent and Variable Rent streams have a track record of growth





Property	Varieties	Size (ha)	Total Planted (ha)	Citrus Planted Area (ha)
Solora (Bookpurnong)	**CITRUS** Orange Mandarin Lemon Grapefruit **OTHER** Avocado	582	441	
Kangara (Murtho)	**CITRUS** Orange Mandarin Lemon **OTHER** Persimmon Avocado	962	856	
Yandilla (Renmark)	**CITRUS** Orange Mandarin Lemon/Lime Grapefruit **OTHER** Wine Grapes Avocado	1,003	596	
Total		**2,547**	**1,893**	**1,667**

The Citrus Properties are situated in the Riverland region of South Australia which has been growing citrus for over 100 years, and are in close proximity to the Murray River water source. The dry semi-desert environment produces quality citrus with high sugar content, good external fruit colouring and provides good pest management conditions (fruit fly free status).

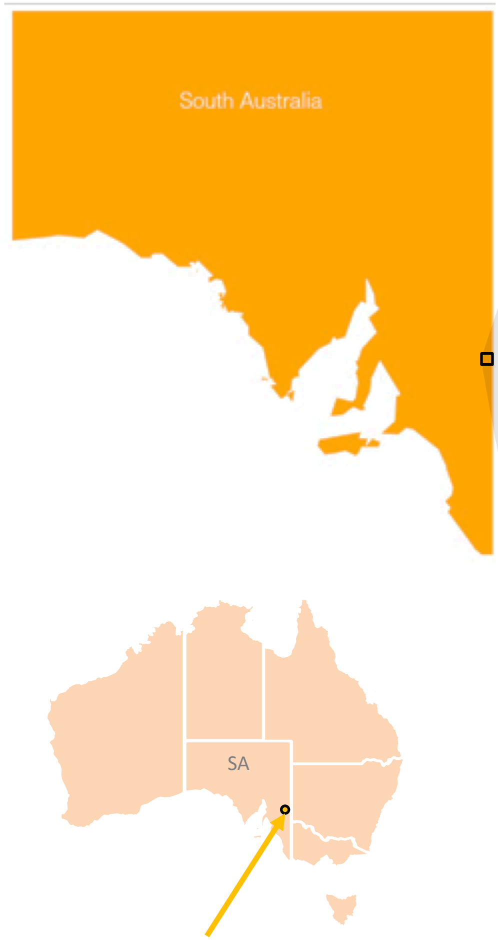
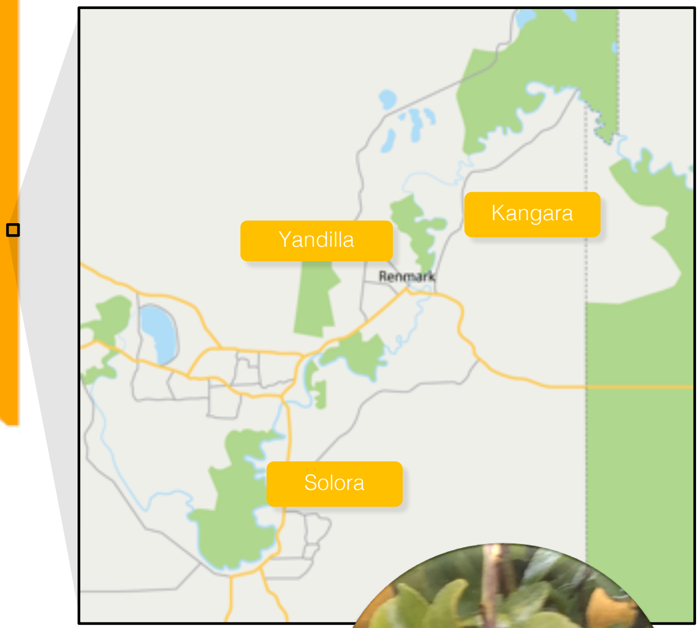


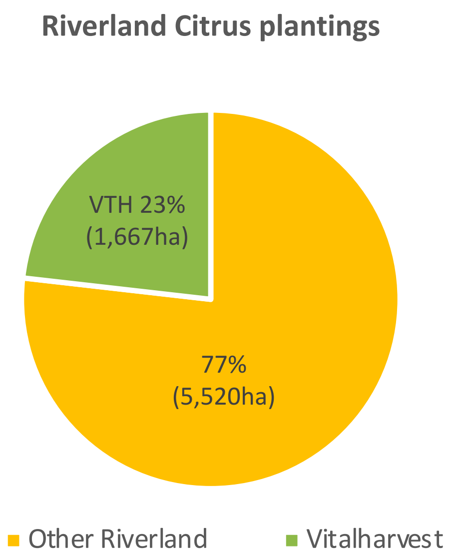
Image sources: Microsoft PowerPoint Copyright Free Plug-In



Source: Vitalharvest

The Riverland is Australia's premium citrus region

- Vitalharvest REIT's three Citrus Properties are well-established, operationally proven and strategically located in the South Australian Riverland.
- The Riverland is Australia's largest region for the production of citrus for fresh consumption.
- It is estimated that Vitalharvest REIT's citrus plantings represent around 23 per cent of total Riverland citrus plantings[1].



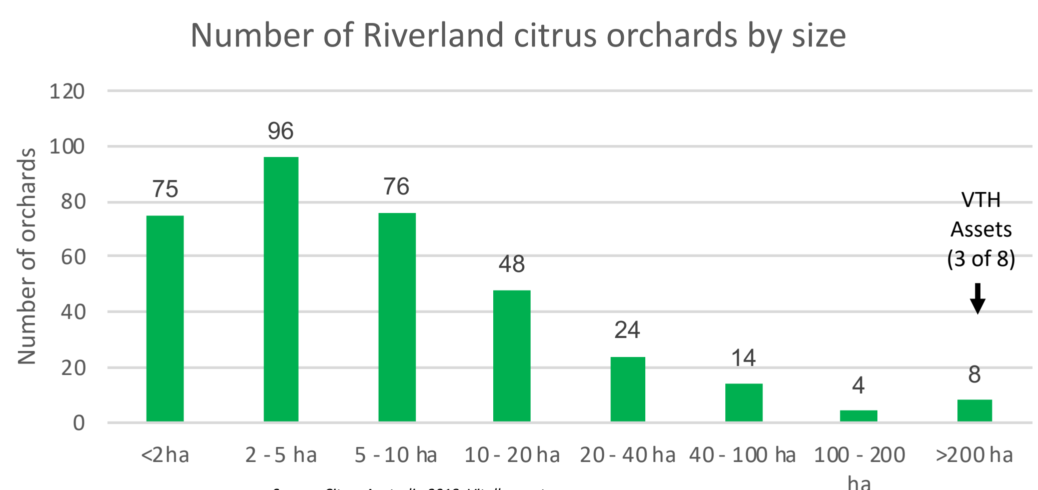
Sources: Citrus Australia 2017 Tree Census, Vitalharvest

[1] *Citrus Australia 2018 (Australian 2017 Citrus Tree Census), Vitalharvest*

The scale and strategic location of the Vitalharvest REIT's Citrus Properties could be difficult for any new entrant or existing land owner to replicate.

Further expansion of Australian citrus production is challenged by:

- Fragmented ownership.
- Limited scale. Citrus Australia's 2017 tree census indicated that the average Riverland citrus orchard is 16ha.
- Limited availability of greenfield sites for new developments.
- Time lags of new plantings to commercial maturity (production).

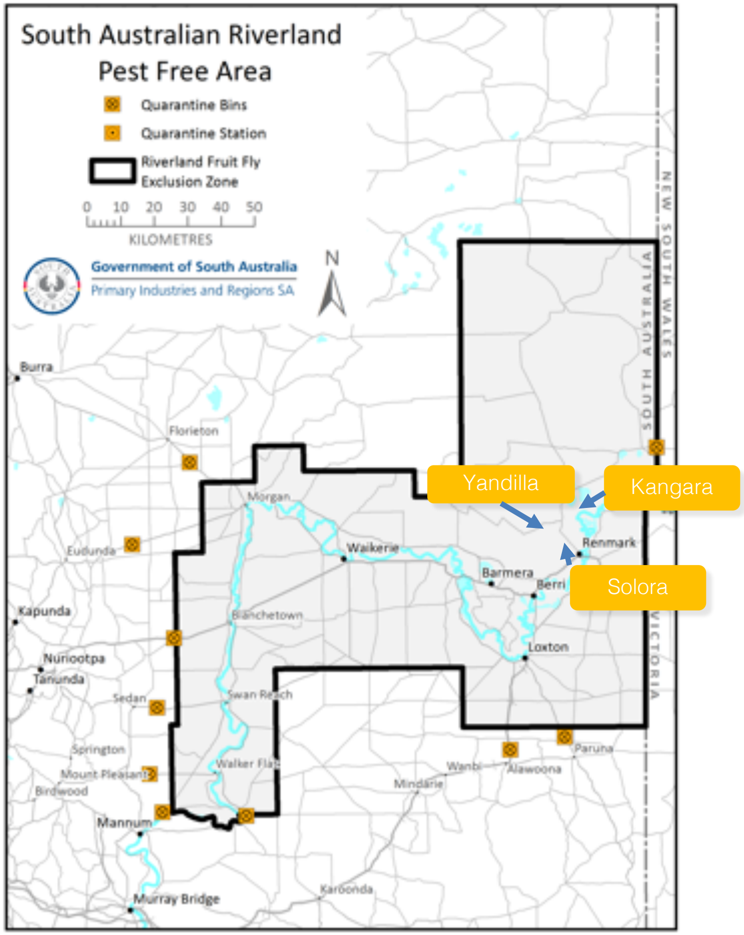


Source: Citrus Australia 2018, Vitalharvest

[1] *Citrus Australia 2018, Vitalharvest*

Riverland Pest Free Area – a competitive advantage

- South Australia's Riverland region is formally recognised as a Pest Free Area for fruit flies, meaning it is free of both Queensland fruit fly and Mediterranean fruit fly.
- This Pest Free Area status is internationally recognised by key export markets, including China, Indonesia, the United States, Thailand, Japan and New Zealand.
- The Pest Free Area means produce from the Riverland can be shipped directly to these countries without the need for disinfestation and cold treatments for fruit fly.
- This significantly reduces costs (estimated at $200 per tonne[1]) and delays for producers and exporters across the supply chain.
- goFARM understands the substantial cost savings to growers and packers will reinforce the Riverland's competitive advantage as Australia's premier citrus growing region.



1. https://www.freshfruitportal.com/news/2017/11/13/pest-free-recognition-south-australian-citrus-boost-exports-china/

Source: http://www.pir.sa.gov.au/biosecurity/fruit_fly/bringing_fruit_and_vegetables_into_south_australia/taking_fruit_and_vegetables_into_the_riverland

Riverland Citrus Aggregation – Other Crops

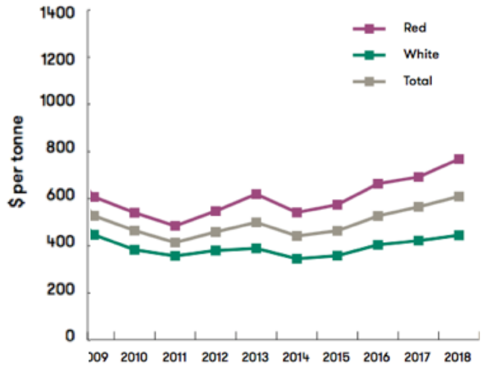
Vitalharvest REIT's Citrus Properties predominantly consists of citrus plantings (88% of the planted area). However, the aggregation also includes sizeable plantings of avocados, persimmons and wine grapes:

- 96ha avocados
- 24.5ha persimmons
- 106ha wine grapes - (approx. 76% red varieties and 24% white varieties)

The outlook is positive for these three high value land uses:

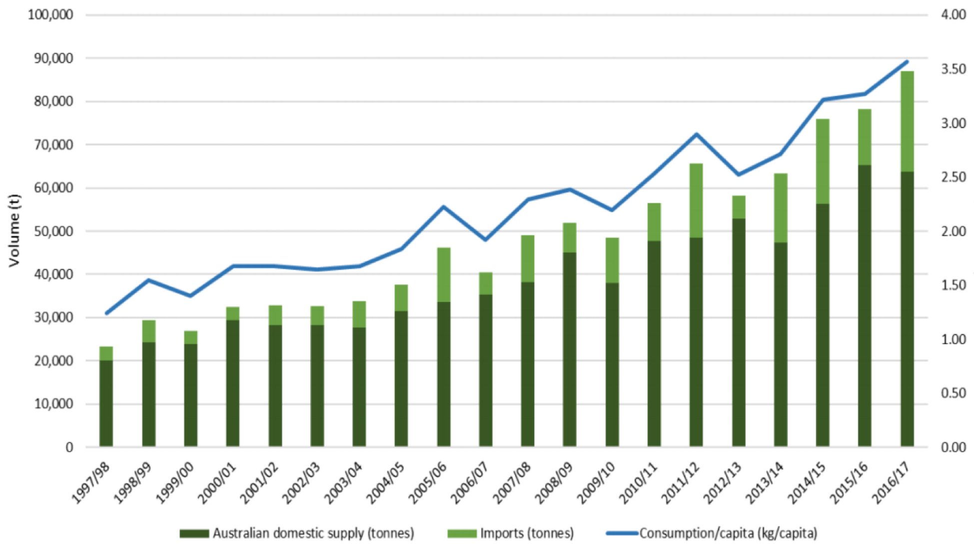
- Domestic consumption of avocados continues to grow rapidly.
- The Australian wine industry is experiencing a period of strong export growth, particularly to China. Riverland Shiraz prices are up 23% year on year (2018).
- Persimmons are a premium product that are highly sought after, particularly in Asian cultures.

Comparison of red and white average wine grape purchase values 2009–2018



Source: Wine Australia, 2018. National Vintage Report 2018.

Australian annual domestic avocado supply, NZ imports and Australian per capita consumption



Source: Horticulture Innovation Australia. https://horticulture.com.au/wp-content/uploads/2018/03/Acocado-Facts-At-A-Glance-2016-17.pdf

3. INDUSTRY LEADING ASSETS – BERRY PORTFOLIO

Property	Varieties	Size (ha)	Planted (ha)
Corindi (NSW)	Blueberries Raspberries	927	281
Tumbarumba (NSW)	Blueberries	71	23
9 Mile (TAS)	Blueberries	103	49
Dunorlan (TAS)	Blackberries	94	17
Total		**1,195**	**370**

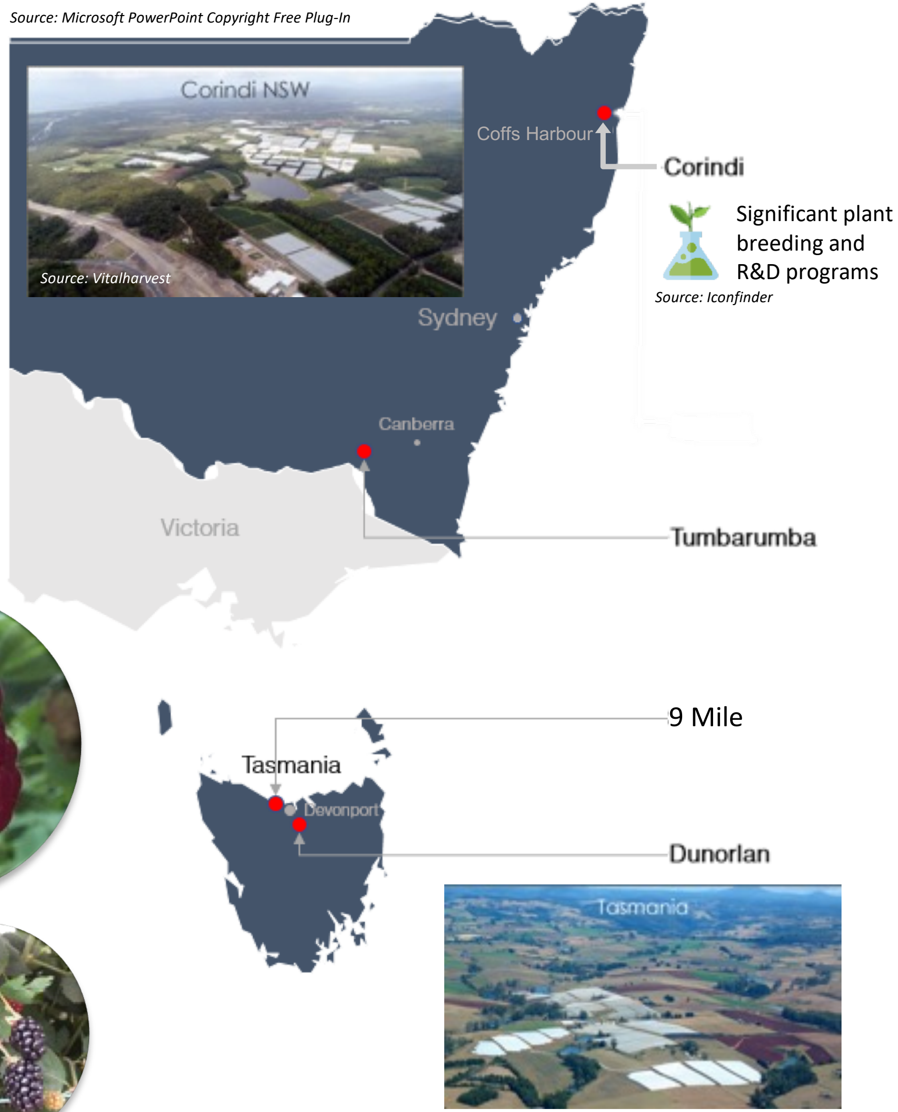
Source: Pathfinder PDS – 3.3 Portfolio breakdown

Vitalharvest REIT owns one of Australia's largest aggregations of berry farms.

The Berry Properties are geographically spread to lengthen the production season and lower production risk.

Source: Vitalharvest

Source: Microsoft PowerPoint Copyright Free Plug-In



Source: Vitalharvest

3. INDUSTRY LEADING ASSETS – BERRY PORTFOLIO

- The Vitalharvest REIT Berry Properties represent one of Australia's largest and advanced berry production operations.
- The Australian Bureau of Statistics (ABS) estimates that the total area of berry plantings in Australia (excluding strawberries) is 2,430ha[1].
- Vitalharvest REIT's total berry plantings area of 370ha therefore represent around 15% of total Australian plantings.
- The Berry Properties are geographically spread across northern NSW, southern NSW, and Tasmania to lengthen the production window and lower production risk.

Highly efficient 'substrate' farming systems

CGC were early adopters of substrate hydroponic production for blueberries and raspberries on the Vitalharvest REIT Berry Properties.

Changing production techniques from 'in soil' to substrate pots under a tunnel structure allows protection from weather and better control of nutrition, which in turn increases production yield and reduces the time taken for plantings to reach commercial maturity[2].

Source: goFARM

[1] *ABS, 2017* [2] *http://www.protectedcroppingaustralia.com/?p=636*

Vitalharvest REIT – Water Overview

- Vitalharvest REIT has invested heavily to mitigate water supply risk as a limiting factor on production.
- Vitalharvest REIT holds a large portfolio of water entitlements to support the water needs of its Citrus Properties.
  - These water entitlements (11,193.79 ML) have been independently valued as at 31 May 2018 at $34.9 million[1]. (Recent dry conditions have driven up the value of water entitlements in many parts of the Murray-Darling Basin (see Aither southern MDB Entitlement Index http://www.aither.com.au/water-markets/aither-southern-mdb-entitlement-index1/)
  - The Citrus Properties have also undertaken substantial capital works (>$5m since the commencement of the Citrus Leases) to improve on-farm water use efficiency.
- Berry Properties source water predominantly from rain water stored in dams on the respective farms.
  - These water entitlements (960.25 ML) have been independently valued as at 31 May 2018 at $2 million.
  - In recent years, a number of capital works programmes (>$4m since the commencement of the Berry Leases) have been undertaken at the Corindi property to increase the reliability of the water supply for irrigation (dam building projects) and to enable water to be more efficiently moved between storage dams (pipelines).

[1] *includes value for 479ML of water entitlements recently transferred as part of the 3IP Grant program*

Source: Vitalharvest

Summary: Citrus Outlook

Strong global fundamentals

Growing demand in Asian export markets and supply challenges in major production regions (e.g. impacts of citrus greening disease in the USA (Florida), China and Brazil).

Australian competitiveness in the global market

High quality fruit and counter-seasonal supply to growing Asian markets, facilitated by improving market access (e.g. China, Indonesia, Korea, and Japan FTAs).

Riverland advantage

The Riverland is Australia's premium fresh citrus production region, supported by a favourable climate and 'Pest-Free' area status. Vitalharvest REIT owns 1,667ha (or approx 23%) of citrus orchards in the Riverland, with the average size of citrus orchard in the Riverland being 16ha.

Source: goFARM

Sources: Citrus Australia 2017 Tree Census, Vitalharvest

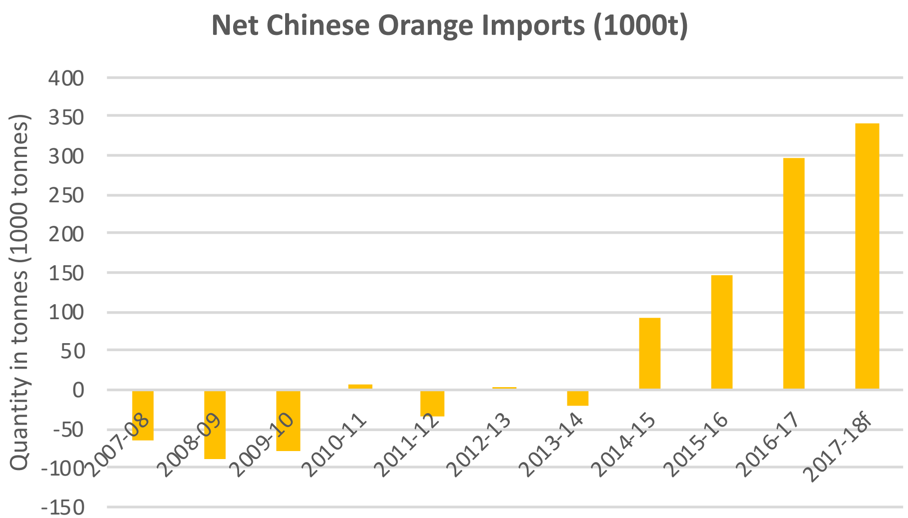
The Global Citrus Industry

Global Supply

- Global citrus production has remained relatively flat in recent years.
- Brazil, China, and EU account for > 60% of global citrus production
- Production in some major growing regions, particularly Florida, Brazil and China is in decline due to 'citrus greening' disease and climate impacts.
- Citrus greening is costly to manage and incurable - it inevitably leads to uncommercial yields and tree death. This disease is not present in Australia.
- These global supply trends are long-term trends and therefore are not easily reversible.

Global Demand

- There is growing global demand for citrus, particularly in Asia and the Middle East.
- In China, consumption of fresh citrus is increasing as the population becomes more urbanised and incomes rise.
- China has shifted from being a net exporter of oranges (around 80,000t in 2008-09) to a net importer of oranges (forecast to be around 350,000t in 2017-18)[1].

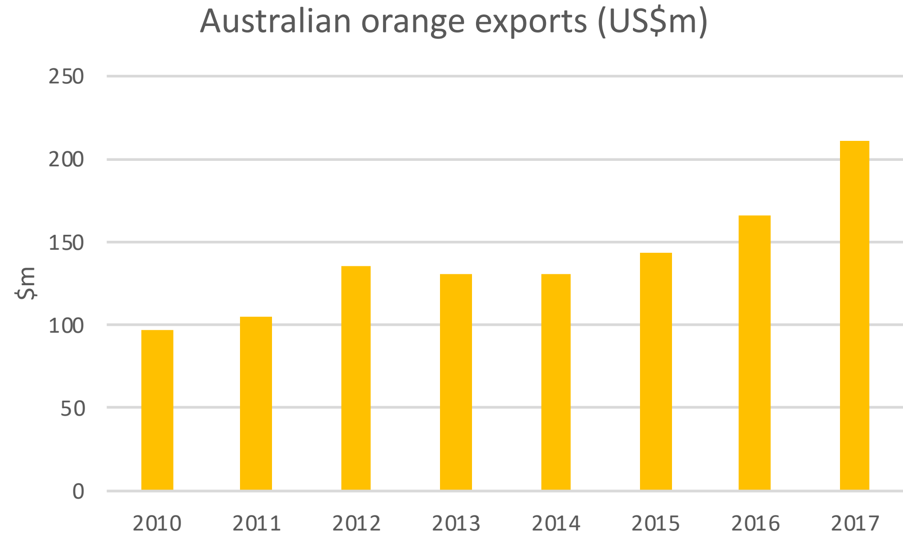


Source: USDA, UN Comtrade

[1] *USDA*

Australian Citrus Outlook

- Australian citrus production is coming off a relatively low baseline. The Millennium drought, high exchange rates, and increased competition from South American exporters (Chile and Peru) in Australia's traditional export market, the USA, impacted productivity and investment confidence for much of the past decade.
- Since 2012/13 export growth has been driven by Australia's high quality fruit, counter-seasonal production, and growing Asian demand.
- Despite a resurgence in demand, due to improved market access to emerging Asian markets (eg. Free Trade Agreements with China, Indonesia, Japan, and Korea), there has yet to be a major supply response in terms of new plantings.



Source: USDA, UN Comtrade

Key statistics – Australian Citrus

- 2016/17 production of 0.5m tonnes
- 2016/17 exported 0.2m tonnes
- 2012/13 to 2016/17 consumption per capita increased by a CAGR of 8.3%, from 9.2 kg to 12.6 kg, based on volume supplied[1].

Sources: Citrus Australia 2017 Tree Census, Vitalharvest

[1] *Horticulture Innovation Australia, 2018*

Citrus Tree Demographics

- It is estimated that only 7% of Australia's citrus plantings (by planted ha) are aged between zero and four years old (**Immature**).
- The average age of Vitalharvest REIT's citrus plantings (by planted area) is 18.2 and approximately 15.1% of the plantings are Immature.
- It is estimated that Vitalharvest REIT's Citrus Properties account for 27.6% of Afourer mandarin plantings in the Riverland (by planted ha).
- Of this, it is estimated that Vitalharvest REIT represents 30.2% of Immature Afourer mandarin plantings in the Riverland (by planted ha). The Afourer mandarin variety is popular in domestic and export markets for its deep orange-red colour, sweet flavour, and easy to peel skin[1].

[1] https://www.dpi.nsw.gov.au/__data/assets/pdf_file/0004/820624/australia-mandarin-production-manual.pdf

Sources: Citrus Australia 2017 Tree Census and Vitalharvest REIT

Summary: Berry Outlook

Global consumer trends

Global consumer preference for healthy eating, convenience and flavour are expected to increase worldwide supply and demand for berries [1].

Large domestic market and high value export opportunities

Australian berry consumption continues to increase. Meanwhile, high value export opportunities to China and Hong Kong are emerging.

Scale and exposure to high value retail

Vitalharvest REIT's Berry Properties are large-scale (approx. 15% of Australian plantings), utilise modern farming systems, and are leased to a high quality tenant (CGC) with strong distribution links to retailers.

Source: goFARM

1. International Bluberry Organization. https://www.internationalblueberry.org/downloads/beyond-health-promoting-produce-consumption-with-an-understanding-of-the-experiences-people-want-from-food/

The Global Berry Industry

Global Supply

- 2016 global blueberry production of 665,000 tonnes
- North & South America currently account for > 60% of the total global blueberry planted area

Source: Vitalharvest PDS

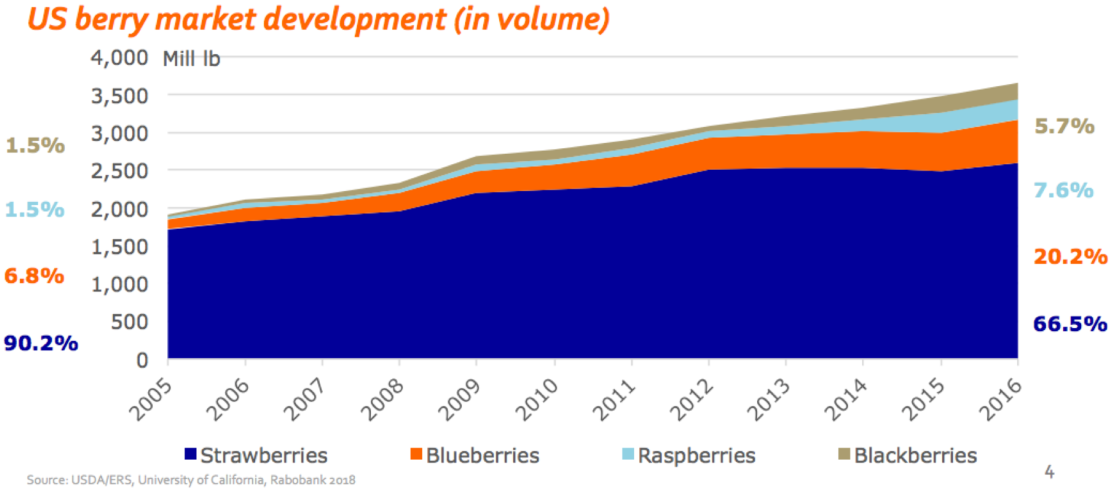
Global Demand

- Between 2013 and 2017 global berry imports increased by an average rate of 7% per year (driven by growing exports from the US, Europe and Asia).
- Blueberries have been reported to be the fastest growing fruit category in China in the higher income class due to increasing recognition of blueberry's nutritional values, with Australian blueberries in particularly high demand due to their high quality.

Source: ANZ. https://bluenotes.anz.com/posts/2018/03/everyone-wants-a-slice-of-china-

Source: PDS

Source: goFARM



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The Australian Berry Industry

Overview – Australian Berry Industry

- 75% of production is consumed domestically (2016/17)
- 2016/17 Production (all berries excluding strawberries) of 15,000 tonnes
- 2012/13 to 2016/17 berry consumption (all berries excluding strawberries) per capita increased by a CAGR of 6.8% while rubus (raspberries and blackberries) consumption per capita grew by a CAGR of 28.8%.

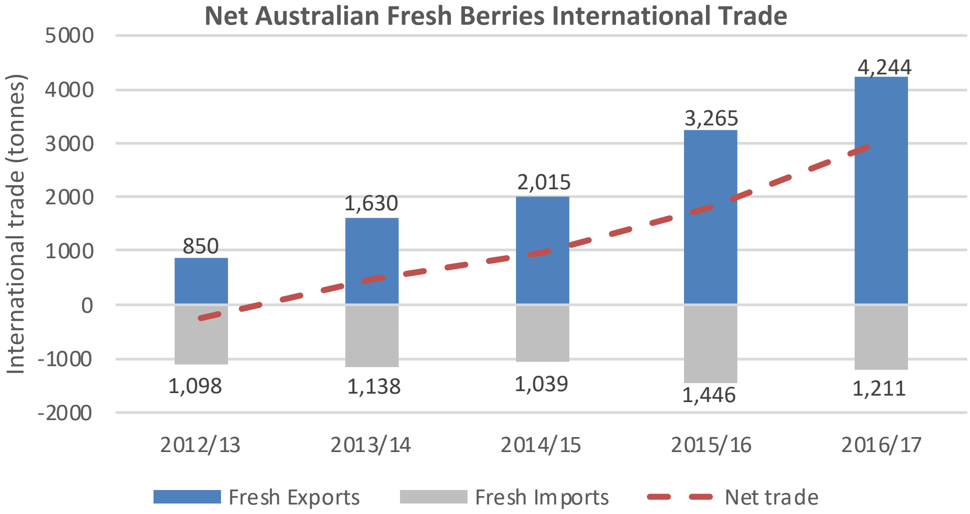
Source: Horticulture Innovation Australia

Source: goFARM

Export Outlook

- Australian fresh berry exports (and net international trade) have increased over the past five years.
- In 2016, Australia exported $8.9 million worth of blueberries to almost 20 countries, including $4.4 million to Hong Kong.
- In October 2017, Australia and China agreed to new horticulture market access priorities that will allow future exports of blueberries to China.

Source: http://minister.agriculture.gov.au/ruston/Pages/Media-Releases/China-agreement-delivers-for-Australian-horticulture.aspx



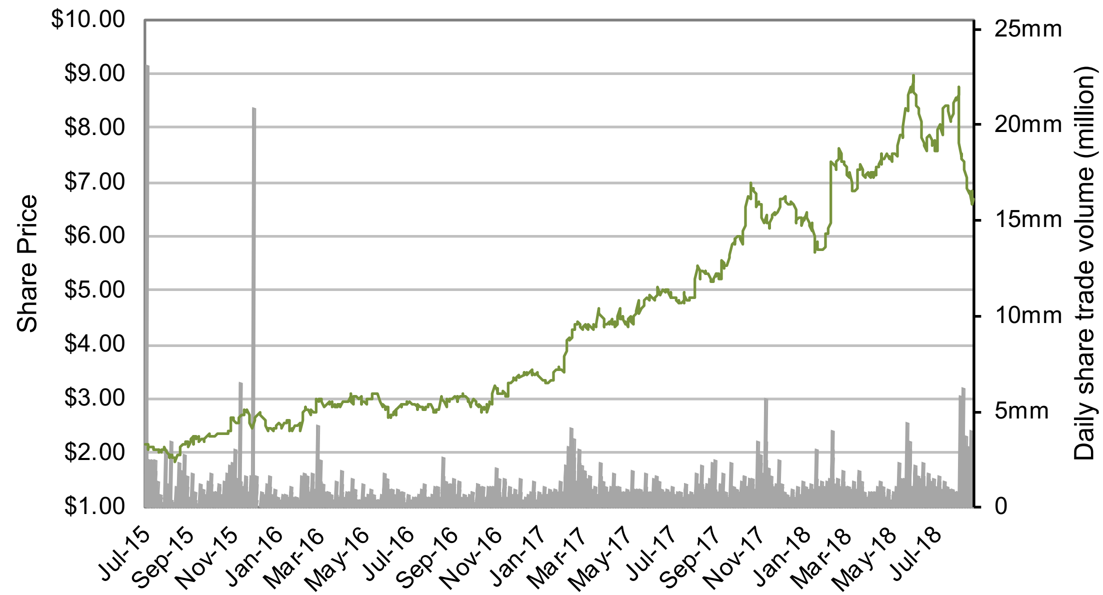
Source: Horticulture Innovation Australia (HIA). 2017. Australian Horticulture Statistics Handbook

Leasing Arrangements with Costa Group

- Citrus and Berry Properties are leased to Costa Group Holdings Ltd (ASX:CGC)
- CGC is Australia's largest fresh horticultural produce supplier
- Citrus and berries are two of CGC's core produce categories
- CGC is well capitalised and has delivered strong earnings growth since IPO
- On 24 August 2018 CGC released its annual results for the Financial Year ending 30 June 2018. Key highlights included:
  - Revenue growth of 10.2% on FY17
  - EBITDA before SGARA and material items (EBITADA-S) growth of 30.9% to $150.8m
  - NPAT - before SGARA and material items (NPAT-S) of $76.7m, or 26.3% growth
  - Citrus revenue growth 31% on FY17

	FY14a	FY15a	FY16a	FY17a	FY18a
Market Cap ($m)	N/A	727.0	931.1	1,574.1	**2,117.5**[1]
Total Debt ($m)	209.8	237.3	103.8	106.8	236.7
Enterprise Value ($m)	N/A	998.9	1,030.9	1,663.3	2,311.0
Revenue ($m)	711.1	736.2	821.9	909.1	1,002.0
EBITDA ($m)	55.7	53.4	56.3	95.1	**139.0**
Operating Cashflow	39.3	28.0	62.8	89.1	104.2

CGC Share Price Since Listing[2]



Source: CapitalIQ

1) CGC market capitalisation as at 1 July 2018
2) CGC Share price as at 14 September 2018

Table & Graph Source: CapitalIQ

Leasing Arrangements with Costa Group

- **Term:** To June 2026 with 10-year option[1]
- **Base rent:** 8% return on the total acquisition cost for the Citrus and Berry Properties plus capex contributions by the Landlord
- **Variable rent (profit share):** 25% share of the CGC's EBT generated from operations at the Properties
- **Triple net:** CGC is responsible for all outgoings and costs associated with the properties
- **Maintenance of properties:** Tree/bush numbers as at lease commencement as adjusted for any additional areas planted during the term of the lease must be maintained by and at CGC expense
- **Rent review in 2026:** if options are exercised, Base Rent will adjust to 8% of the then current market valuations for the Citrus and Berry Properties

1) Other than the Leases of the Dunorlan Property which are consecutive leases with the final lease expiring 2036

Vitalharvest REIT Growth Opportunities

Organic growth opportunities

Drivers of increases in Base Rent include:

- Capex contributed by Vitalharvest REIT
- Market review at 2026 (potential upside of $8.3m[1])

Drivers of increases in Variable Rent include:

- Higher berry yields through conversion to substrate pots
- Stronger consumer demand for existing and new citrus and berry varieties
- Top working (grafting of new varieties onto existing root stock) of the Citrus Properties
- Increased throughput and efficiency at citrus packing facility;
- Increased citrus yields and cost reduction from protective netting; and
- Protective tunnels over new substrate plantings reduce impact of adverse weather conditions
- Capex contributed by Vitalharvest REIT and CGC

Acquisition growth opportunities

- Diversification of the Vitalharvest REIT across more locations, crops, markets, water sources, and tenants.
- The Manager is actively pursuing the acquisition of high quality agricultural properties

Source: goFARM

1) The options to renew cannot be exercised by the Tenant until on or about 30 December 2024, however, had the options to renew been exercised with effect at 31 May 2018 (or if the Farming Properties were leased to a third party at an 8% yield), based on the Independent Valuation Report (vacant possession) of $216.9 million, the Base Rent would have increased from $9.1 million (pro forma FY18 forecast) to $17.4 million

An investment in the Vitalharvest REIT is subject to risk and no guarantee is given as to the future performance of the Vitalharvest REIT, the repayment of capital, or any return on any investment made. The Vitalharvest REIT's income, Distributions, the value of its assets and the value of the Units may be impacted by the following risk factors:

- **Weather and climate risks**
  Extreme weather events including fire, frost, floods, hail or drought and climate change may result in damage to crops at the Properties which may adversely impact Vitalharvest REIT's agricultural productivity and the Tenant's EBT, which in turn may have an adverse impact on the aggregate Rent which Vitalharvest REIT receives and the value of the Properties.

- **Commodity price fluctuations**
  Changes in both global and domestic commodity pricing may affect the Tenants' EBT, in particular, agricultural commodity price fluctuations in berry and citrus prices and fluctuations in the cost of farming inputs including fertiliser and insecticides.
  As such, any negative movement in commodity prices may have an adverse effect on the Tenants' EBT, which in turn may have an adverse impact on the aggregate Rent which Vitalharvest REIT receives and the value of the Properties.

- **Exchange rates**
  The Vitalharvest REIT's revenues are generated in Australian dollars. However a substantial proportion of the citrus products that Costa Group produces in Australia are sold in the world market and typically traded in US dollars. Additionally, some input costs such as chemical fertiliser and fuel may be payable in US dollars. Accordingly, any appreciation or depreciation of the Australian dollar against the US dollar as well as other adverse exchange rate movements could have an adverse effect on the Vitalharvest REIT's future financial performance and position.

- **Loss of citrus market**
  Costa Group exports the majority of its citrus produce to offshore markets. If key offshore markets are closed to Australian citrus produce (i.e. through tariffs and restrictions) or if it becomes uneconomic to export Australian citrus to these markets by virtue of a rising Australian dollar or other costs, this may adversely impact the Tenant's EBT. This may have an adverse impact on the aggregate Rent which Vitalharvest REIT receives and the value of the Properties.

- **Increasing competition**
  The berry and citrus markets are competitive, and if the Tenants are unable to compete effectively, the Tenants' EBT may suffer, which in turn may have an adverse impact on the aggregate Rent which Vitalharvest REIT receives.
  In addition, the Tenants' competitors may introduce new and/or superior citrus or berry varieties which may adversely impact the Tenants' market position and the prices it can command from the market.

- **Impact of new 'Integrity Measure' proposal**
  On 27 March 2018 the Australian Government announced an 'Integrity Measure' proposal whereby foreign investors in Managed Investment Trusts holding agricultural land will not be able to access the concessional rate of withholding tax (currently 15%) in respect of fund payments made on or after 1 July 2019. If enacted, it is expected that this would apply to the Trust. As at the date of this presentation no legislation has been introduced into Parliament.

- **Access to water**
  Due to the highly regulated nature of water from the Murray River system, the Citrus Properties may be exposed to water availability risks which may adversely impact agricultural productivity on the Citrus Properties and the financial position of the Vitalharvest REIT. Changes in government policy relating to the delivery and cost of water may also impact on the cost and the underlying value of the Water Rights and the Properties.

- **Disease and other horticultural risks**
  Plantings at the Properties may be exposed to disease or insect infestation which may adversely impact the viability of the crops in any particular season. This may adversely affect the Tenant's EBT, which in turn may have an adverse impact on the aggregate Rent which Vitalharvest REIT receives. The suitability of the Properties to produce the intended crops in the future and the value of the Properties may also be adversely effected.

- **Breach of the Debt Facilities**
  If an event of default occurs under the Debt Facilities, this could result in NAB demanding immediate repayment of all or part of the Debt Facilities. Vitalharvest REIT may need to dispose of some or all of the Property Portfolio for less than their market value, raise additional equity, or reduce or suspend Distributions in order to repay the Debt Facilities.

- **Risk of disputes**
  There is a risk that Vitalharvest REIT may be subject to certain disputes, claims or pursuit of injunctive or other relief from time to time. While no legal proceedings are presently underway, it is possible for disputes to arise in relation to, for example, disagreements in the calculation of the quantum of the Variable Rent, the use and disclosure of information by Vitalharvest REIT, including in this presentation, and other commercial or ordinary course of business arrangements. Certain agreements may specify alternative dispute resolution mechanisms, but if disputes are unable to be resolved between the relevant parties, it may result in legal proceedings.
  Further details on the key risks to an investment in the Vitalharvest REIT and other general risks are set out in Section 8 of the PDS.