

Private Land & Property Fund

Quarterly Client Update

Update as at and for the quarter ending 31 December 2023



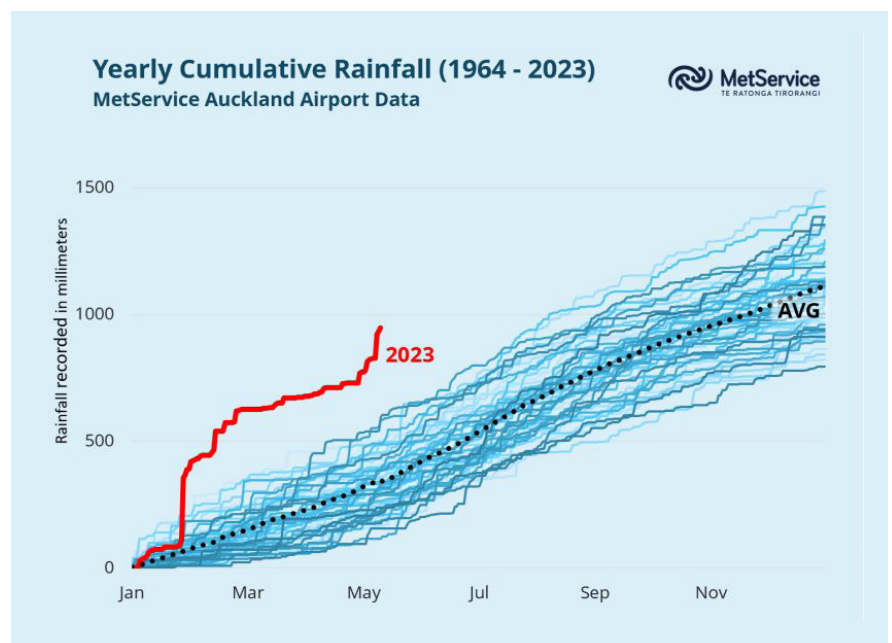
Industry spotlight: Avocados

The Fund owns several avocado orchards across Bay of Plenty and Northland, which are leased on a long-term basis to the Darling Group.

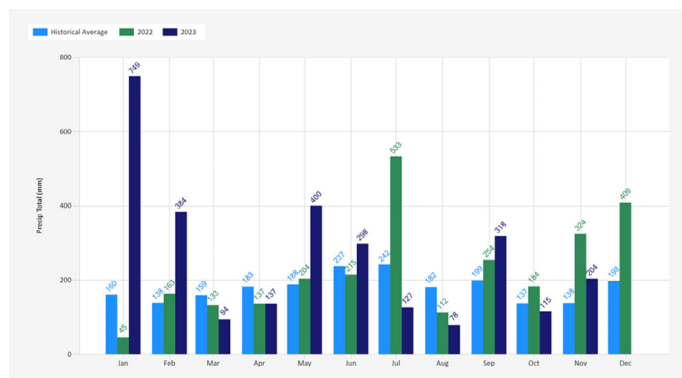
The New Zealand avocado industry has faced several headwinds lately, so it is worth outlining what is happening in the industry and why we are comfortable with holding avocado orchards as part of our long term fund strategy.

Over the past two years, avocado prices have dropped significantly, and volumes have been highly volatile. This has been due to two key external factors:

- Extreme weather events. Taking Cyclone Gabrielle as an example, the cyclonic conditions experienced over the past two years can result in significant fruit loss and damage. Gabrielle decimated the avocado crop, resulting in overall very poor fruit quality.
- General climatic conditions: As those in Auckland well know, the past 12 months has seen abnormally high rainfall. The MetService graph for the first half of 2023 demonstrates just how abnormal this rain was:



And those in Tauranga had a similar weather pattern – and an especially miserable January 2023!



Adverse growing conditions unsurprisingly affects quality and fruit yields.

Overall, these two factors have meant that not only has there been less volume harvested, but lower fruit quality also meant that the fruit that was harvested attracted lower prices, and was less suitable for export. This in turn forced growers to sell volume in the domestic market, which put further pressure on the price.

It is worth noting at this point that PLPF's income on these orchards is not directly affected by the variance in price and yields as the properties are leased (this is a deliberate decision to provide resilience and cashflow stability). However, where we have seen the impact is some softening of capital values for avocado orchards which we have reflected in the portfolio based on external valuations which we sought.

Despite these headwinds, as Managers we are comfortable with our holdings. They are high quality, well managed orchards and looking ahead, we expect more normal growing conditions than the past two years have delivered, resulting in improved grower returns.

The headwinds faced by the avocado industry also highlight the importance of maintaining diversification across different crop types and geographically around New Zealand, as well as using fixed rate leases to smooth income levels where appropriate, as part of the portfolio's overall approach.



Investment performance

Overall, the medium-term performance of the Fund continues to track in line with its objective, with annualised before tax returns of 12.5% over the last 3 years.

The Fund aims to generate an average long-term return of about 6.5%p.a. over rolling 7 year periods from a combination of income and gains as properties reach full productive capability. Changes in the valuation of properties due to general property market movements will also impact the return of the Fund, but these returns are not the Fund's primary objective.

The Fund has derived just under 30% of the medium to long term returns from gains as plantings on properties mature and just over 30% of returns from cash income. The remainder of the returns are from market movements.

Cash income, received primarily from leases but also includes some crop receipts, is typically distributed to investors. Whilst lease income generally offers more stable returns the total cash return of the fund will fluctuate with the crop yields. The 2023 grape harvest was smaller than forecast which has impacted the overall cash yield of the fund.

As properties reach full maturity, it is expected returns will shift more towards cash income. We continue to look for opportunities to add properties to the portfolio, including where the opportunity to develop the productive capability of that property exists.

Shorter-term performance over the last quarter has been lower due to several factors. The avocado market has faced a number of challenges recently and we received updated independent valuations which resulted in a reduction in the carrying value of our three avocado orchards. Whilst disappointing, this affected only around 12% of the portfolio and we remain confident of the long term benefit of these investments within the portfolio.

Marlborough was impacted by a frost at the end of October, and it is anticipated this will impact the 2024 grape yields. Inflationary pressure has also impacted the viticulture sector with vineyard costs increased across the industry. The combined impacts is a lowered forecast for the 2024 harvest receipts for our Marlborough vineyards, which has affected the earnings accrued within the Fund.

Key Facts

Private Land and Property Fund (Fund)

Fund Size (net asset value)	\$132.0 million
Inception Date	07/01/2019
Manager	Booster Investment Management Ltd
Supervisor	Public Trust
Fund Type	Portfolio Investment Entity (PIE)

The Fund obtains its property exposure by investing into the Wholesale Portfolio alongside some cash held within the Fund.

Private Land and Property Portfolio (Wholesale Portfolio)

Fund Size (net asset value)	\$130.7 million
Inception Date	13/06/2017
Manager	Booster Investment Management Ltd
Supervisor	Public Trust
Fund Type	Portfolio Investment Entity (PIE)

Fund Performance as at 31 December 2023

The Fund has a minimum suggested investment timeframe of four years, and its performance aims are measured over a 7-year horizon. The return information below includes returns due to property market movements which vary over time, so the range of returns may be different over a longer period. However the fund aims to achieve a long-run return of 6.5% pa (before tax, after fees) from a combination of rental and crop income, and capital gain from improvements in property productive capacity. Past performance is not an indicator of future performance.

	Before Tax	After Tax at 28% PIR
Last 3 months	0.7%	0.6%
Last 6 months	1.0%	0.8%
Last 12 months	8.4%	8.7%
Last 2 years (p.a)	10.6%	10.4%
Last 3 years (p.a)	12.5%	12.1%
Last 5 years (p.a)*	10.4%	9.7%
Since inception 13/06/2017 (p.a)*	10.4%	9.6%

All figures are after fees. Please see the Product Disclosure Statement for further details on fees.

*Returns prior to the inception of PLPF in January 2019 are based on the underlying wholesale PLPP return.

Disclaimer: The Private Land and Property Fund (Fund) is part of the Booster Investment Scheme 2 which is issued and managed by Booster Investment Management Limited. The Fund's Product Disclosure Statement is available at www.booster.co.nz, by contacting your financial adviser or by calling Booster on 0800 336 338.

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Investment Holdings

Wholesale Portfolio	\$	%
Total Assets (millions)		
Property Assets (location / region)		
Awatere Valley, Marlborough <i>Vineyard properties</i>	\$28.9	19.7
Hope, Nelson Region <i>Vineyard properties</i>	\$18.9	12.9
Hawke's Bay <i>Winery building</i>	\$3.2	2.2
Hawke's Bay <i>Vineyard property</i>	\$5.9	4.0
Mahana, Nelson region <i>Winery building & Vineyard property</i>	\$3.7	2.5
Kerikeri, Northland <i>Kiwifruit orchard property</i>	\$23.4	16.0
Waimea, Nelson region <i>Waimea West Hops Ltd</i>	\$10.6	7.2
Southland <i>Dairy farmland</i>	\$32.8	22.4
Bay of Plenty & the Far North <i>Avocado orchards</i>	\$17.9	12.2
Total property assets	\$145.3	
Other Assets		
Cash / Income	\$0.2	
Accrued income	\$1.1	
Total Assets	\$146.6	
Total Liabilities (millions)		
Borrowings with BNZ	\$15.8	
Other liabilities (incl Property Operating Costs)	\$0.0	
Total liabilities	\$15.8	
Net asset value	\$130.7	
Gearing Ratio		10.8

The investment objective and strategy of the Wholesale Portfolio allows it to borrow to invest in more land and properties or to develop land and properties it already holds. Bank of New Zealand (BNZ) has provided a loan facility of up to 50% of the value of the secured properties for use by the Wholesale Portfolio to effect its gearing strategy which results in BNZ holding a security interest over most of the assets held by the Wholesale Portfolio. For further information on the Wholesale Portfolio, please refer to the Fund's PDS and Other Material Information document.

The gearing ratio shows the level of borrowing the Wholesale Portfolio has undertaken as a percentage of total assets.