

## INVESTMENT OVERVIEW

**JUNE 2018**

**DUXTON BROADACRE FARMS LTD**

*ACN 129 249 243*



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**PREPARED AND PRESENTED BY**

DUXTON CAPITAL (AUSTRALIA) PTY LTD  
DUXTON BROADACRE FARMS LIMITED

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# DUXTON BROADACRE FARMS LTD

## [ASX:DBF]

### INVESTMENT OVERVIEW

Duxton Broadacre Farms Limited ("Duxton Broadacre" or "DBF" or "the Company") presents an opportunity to invest in the Australian grain industry via a portfolio of diversified dryland and irrigated broadacre aggregations.

Global grain consumption has consistently risen over the past 50 years and is forecast to increase 13% over its current level by 2026, driven by population growth and rising per capita incomes in emerging economies. Demand is forecast to outstrip supply, continuing to support a strong export market, which the Australian grain industry is well positioned to meet.

The Company seeks to capitalise on the increasing demand for grain as a vital input into a range of staple food products and the livestock industry. The Company intends to acquire and aggregate land-rich parcels of properties that have clear scope for development to improve operational efficiencies and to produce a diverse range of commodities to reduce risk.

UNDERVALUED FARMLAND (AUSTRALIA)

BOTTOM OF THE CYCLE

INCREASING GLOBAL DEMAND FOR PRODUCT

ECONOMIES OF SCALE

INFLATIONARY HEDGE & LOW CORRELATION

CAPITAL GROWTH POTENTIAL

DIVERSE RANGE OF COMMODITIES

ANNUAL OPERATIONAL YIELDS

PRUDENT LEVELS OF DEBT

AUSTRALIAN LISTED PRODUCT (A\$)

RELATIVELY LOW MANAGEMENT FEE

OUTPERFORMANCE

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# SUMMARY

## KEY FACTS AND INVESTMENT INFORMATION

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<b>SECURITIES ON ISSUE (31 MAY 2018)</b>	43,533,699 Shares
<b>MARKET CAP (31 MAY 2018)</b>	A\$69,653,918 (\$1.60/share)
<b>ASX CODE</b>	DBF Listed 8 February 2018, \$1.50 / share
<b>INVESTMENT UNIVERSE</b>	Australian Broadacre Farming Industry
<b>INVESTMENT MANAGER</b>	Duxton Capital (Australia) Pty Ltd (refer page 19 for more information)
<b>DIVIDENDS</b>	The Company intends to generate an income stream for investors in the form of franked dividends. The amount of any dividend will be at the discretion of the Board and will depend on a number of factors, however the Company will aim to pay out 40% to 60% of its operating profit to Shareholders annually from March 2019 onwards.
<b>KEY OBJECTIVES</b>	<ul style="list-style-type: none"><li>• Provide a listed investment vehicle that gives investors direct exposure to a diverse commodity production portfolio;</li><li>• Generate an income stream for investors from the yield of the portfolio in the form of dividends; and</li><li>• Provide capital growth over the long term and to benefit over the long term from the forecast appreciation in grain prices from their current historical record lows (inflation adjusted, USD/tonne).</li></ul>

# DUXTON BROADACRE FARMS LTD

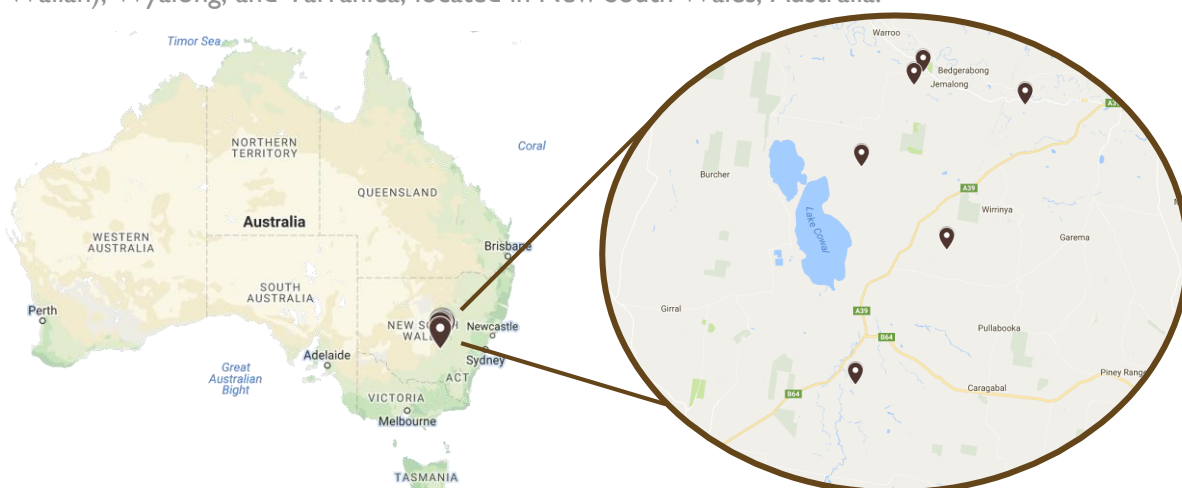
## [ASX:DBF]

### INVESTMENT OVERVIEW

The key components of the Company's business model include:

- Diversification in farming approaches (both dryland and irrigated/mixed farming) and commodity production;
- Investing in properties with access to multiple water sources;
- Implementing quality, traceable cropping systems; and
- Improving operational efficiencies through economies of scale.

The Company's objective is to create a diversified portfolio of high-quality, efficient broadacre aggregations to capitalise on the growing demand for grains, livestock and cotton. Duxton Broadacre Farms comprises three aggregations, Merriment (including Cowaribin and Wallah Wallah), Wyalong, and Yarranlea, located in New South Wales, Australia.



Duxton Broadacre Farms achieves economies of scale and manages risk through management of three large farms in close proximity, producing a diverse range of grains and other commodities.

As at 31 May 2018	Merriment (incl. Cowaribin & Wallah Wallah)	Wyalong	Yarranlea	SUMMARY
Location	Forbes, NSW	West Wyalong, NSW	Forbes, NSW	<b>NSW</b>
Hectares	2,934 owned	14,344 owned	2,184 owned	<b>19,462 ha owned</b>
Grains Production	Wheat, Barley, Corn, Canola, Pulses	Wheat, Barley, Canola	Wheat, Barley, Canola	<b>Diversified</b>
Other Commodities	Lucerne and Livestock		Livestock	<b>Diversified</b>
Water Entitlements				<b>7,927 owned 6,798 leased (incl. 2,661 ML pending settlement)</b>

# DUXTON BROADACRE FARMS LTD

## [ASX:DBF]

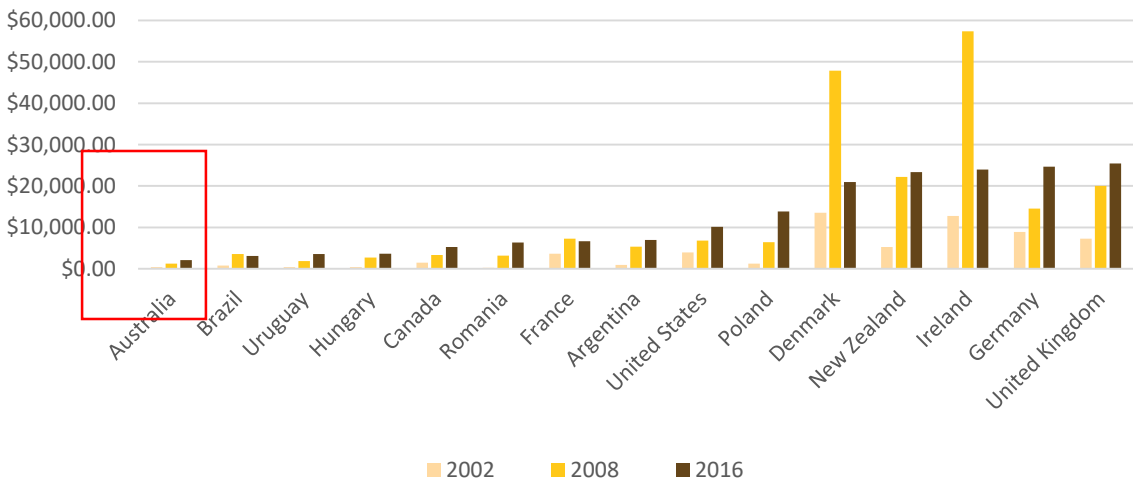
### INVESTMENT OVERVIEW

Duxton Broadacre Farms investment portfolio was valued in March 2017 at **\$58.34 million** (Yarranlea valued in October 2017). Further detail is available on the website: [www.duxtonbroadacre.com](http://www.duxtonbroadacre.com).

PROPERTY	Valuation (land, structures, water)
Yarranlea (3)	\$7,435,000
Merriment (1)	\$2,000,000
Cowaribin (1)	\$2,100,000
Wallah Wallah (1)	\$7,000,000
Timberscombe (2)	\$24,000,000
Kentucky (2)	\$15,800,000
<b>Total</b>	<b>\$58,335,000</b>

Based on global farmland index information, published by Savilles, the cost of Australian farmland per hectare is the lowest in the world. **The average farmland value in Australia is US\$2,117 per hectare while the global average is US\$12,000 per hectare.** Australian average farmland values are 79% cheaper than the United States representing a strong value opportunity compared to its peers. There are of course a range of reasons for differences in pricing, from subsidies, tariffs and other barriers, as well as productivity, soils and climate.

### AVERAGE FARMLAND VALUES (\$US / ha)



Sources: Savilles, 2018, Global Farmland Index

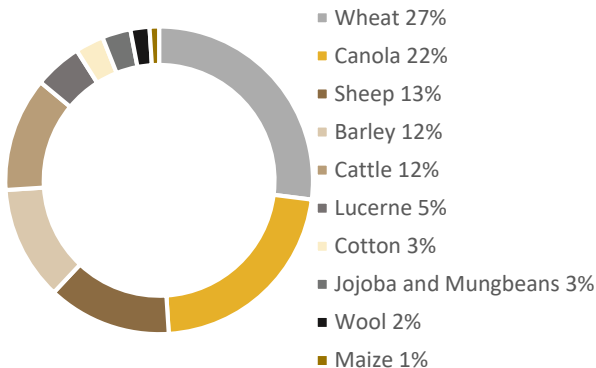
# DUXTON BROADACRE FARMS LTD

## [ASX:DBF]

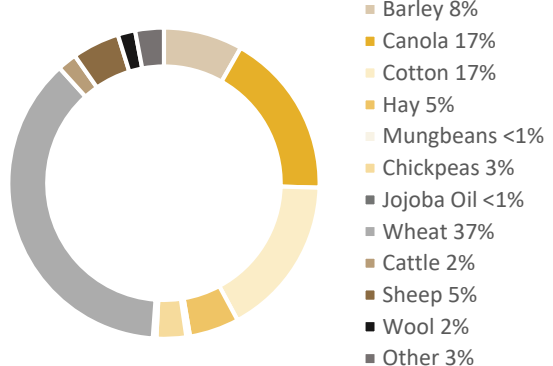
### INVESTMENT OVERVIEW

One of the Company's key objectives is to diversify production methods and crops as a means of mitigating risk and maximising returns. The pie charts below show a breakdown of the Company's gross turnover from commodity production for the financial year ended 30 June 2017 and the budgeted breakdown for the financial year ending 30 June 2018. The Company mitigates customer risk by ensuring it is not selling all of its products to a single customer. The Company also only deals with reputable clients. The majority of the Company's customers are domestic.

#### DBF REVENUE BY COMMODITY (FY17) — per Prospectus



#### DBF BUDGET REVENUE BY COMMODITY (FY18)



#### KEY COSTS

The key costs incurred by the Company in operating its business include:

- Salaries and wages;
- Inputs (such as seed fertilisers, chemicals, water and energy);
- Repairs and maintenance;
- Capital expenditure;
- Financing;
- Corporate overheads (such as ASX costs, Investment Management fees etc.).

#### DEBT

The Company may hold both long-term and short-term financial debt. Borrowings may not exceed 40% of the Company's GAV, and are currently at ~12% of GAV. It is intended that the debt facility will remain so as to take advantage of opportunistic acquisitions and to provide working capital financing.

#### HEDGING STRATEGIES

The Company implements a number of strategies to hedge pricing risk. These strategies include standard industry practices of forward sales, derivatives and long-term contracts.

The Company also spreads sales out over the year to smooth seasonal fluctuations and uses market intelligence to aid in hedging strategies. The hedging strategies for particular commodities are detailed below.

- Winter crops: combination of forward sales and derivatives;
- Cotton: forward sales;
- Livestock: predominantly spot market, however sometimes forward sales; and
- Hay: mixture of long term contracts (store and deliver) and spot sales.

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# DUXTON BROADACRE FARMS LTD

## THIS SECTION OUTLINES THE KEY STRENGTHS OF DUXTON BROADACRE FARMS

### INCOME AND CAPITAL GAINS

The Company seeks to generate income and capital gains for Investors through the operation of broadacre aggregations in Australia, that are positioned to benefit from potential increases in grain prices (among other commodity prices) and appreciation in land values.

The Company intends to focus on using a diversified farming model to maximise return on its assets and create shareholder value. The Company also intends to grow the business steadily and carefully manage the bottom line while reacting quickly to acquisition opportunities.

### DIVERSIFICATION

The Company's objective is to create a diversified portfolio of high-quality, efficient broadacre aggregations. The Company intends to diversify across a range of vectors, including crops, water sources, farm management and farming systems. The current portfolio produces a diverse range of commodities, including wheat, cotton, canola, barley, pulses, lucerne and corn.

By diversifying across vectors, the Company intends to provide shareholders with both ongoing annual operational yield and longer-term capital growth whilst mitigating risk.

### GROWING CONSUMPTION

Global grain consumption has consistently risen over the past 50 years and is expected to continue, driven by population growth and rising per capita incomes in emerging economies. Grain consumption is forecast to increase by 13% over its current level to reach 2.86 billion tonnes consumed by 2026.

### BOTTOM OF THE CYCLE

The inflation adjusted price of wheat per tonne (\$US) is currently among the lowest it has ever been on record (since 1866), reflecting high supply. However, according to independent reports from sources such as The World Bank, soft commodity prices are now in the early stages of a new cycle – the upward leg. Driven by the structural imbalance in the global markets, The World Bank predicts a 15% increase in nominal wheat prices over the next 8 years. This cyclical turnaround in prices over the long-term suggests an opportune time for investment in agriculture, including grains.

### LOW COST OF LAND

The cost of Australian farmland per hectare is the lowest in the world. The average farmland value in Australia is US\$2,117 per hectare while the global average is US\$12,000 per hectare. Australia is also ranked as one of the highest investment opportunities along with the United States due to being politically and economically stable, and having liquidity in the market. Australian average farmland values are 79% cheaper than the United States representing a strong value opportunity compared to its peers.

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# DUXTON BROADACRE FARMS LTD

## THIS SECTION OUTLINES THE KEY STRENGTHS OF DUXTON BROADACRE FARMS

### CONSOLIDATION

The majority of Australian grain farms are family owned and operated with more than 60% comprising non-employed enterprises. In 2015 only 10% of Australia's grain farms planted more than 2,400 hectares. The Company considers that there is large scope for corporatisation and consolidation to increase scale and operational efficiencies in the Australian grain industry.

### EXPERIENCED MANAGEMENT

**Board** The Board of Directors is highly experienced in the agricultural sphere, with a combined 120 years' experience amongst them in investing and managing agricultural businesses. This experience extends across both Australian and international agriculture.

**Investment Management** The Investment Manager is highly experienced in the agriculture industry. As a group, the Investment Manager holds an average of 11 years' experience and a combined 249 years' experience. The Duxton Group has been developing and executing agricultural investment strategies for clients since 2007.

**Farm Management** The Company's Managing Director is Anthony (Tony) Hamilton. Tony has been farming since 1982 and has extensive experience in managing broadacre properties. Tony is a Graduate of the Australian Institute of Company Directors and holds a PhD in Agronomy and Plant physiology and a B.Sc.Agr (Hons) from the University of Sydney.

### WATER SECURITY

The Company's existing portfolio has access to 14,725 ML of water entitlements through both ownership and leases. Furthermore, the Company's expansion strategy will focus on acquiring properties with access to a diverse range of water sources. The ample water availability on one of the Merriment properties also provides benefits to the other Merriment properties. For example, water may be transferred from one property to another in dry years in order to finish crops when premiums would be expected. The Company believes the current portfolio has access to sufficient water entitlements to support current production and some expansion surrounding the Merriment properties.

### UNDERREPRESENTED ON ASX

The majority of Australian agricultural businesses are family owned and operated. As such, Australian agricultural investment opportunities and, in particular, Australian grain investment opportunities, are underrepresented on the ASX. The Company provides investors with direct access to an asset class which has traditionally generally only been available privately to sophisticated or institutional investors.

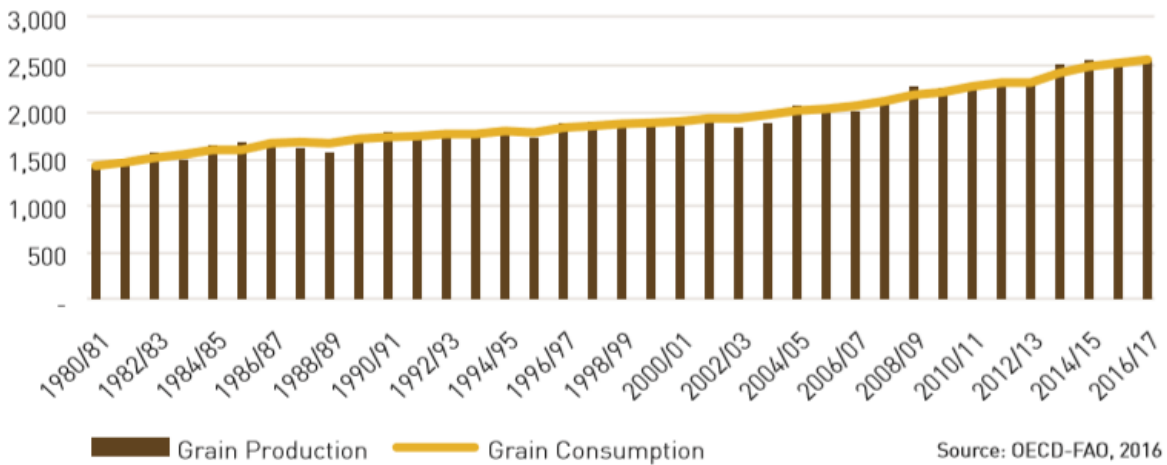


# GLOBAL GRAIN INDUSTRY

## SUPPLY AND DEMAND TRENDS FOR THE GLOBAL GRAIN INDUSTRY

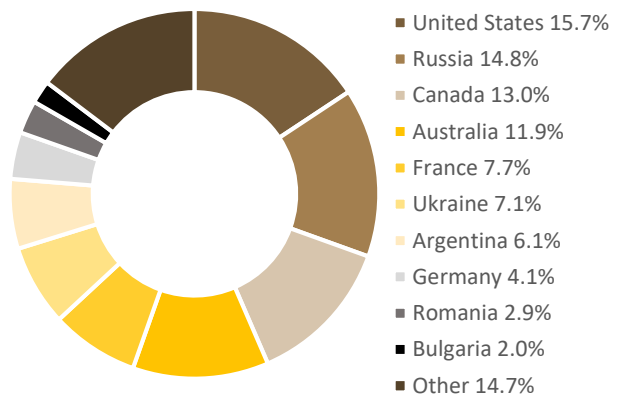
Global demand for grains is expected to increase over the next five years. By 2026, global per grain consumption is forecast to increase by 13% over its current level, to reach 2.86 billion tonnes consumed. This growth in demand is likely to continue to be driven by population growth, and a substitution of wheat for traditional grains in emerging regions such as Asia and Africa.

### GLOBAL GRAIN PRODUCTION AND CONSUMPTION (million tonnes)



The grain industry is categorized by four types of products: wheat, coarse grains (which includes barley, sorghum, corn, oats and triticale), legumes and oilseeds. As at June 2017, the top three producers of grain were the United States (592.8 million metric tonnes), China (411.3 million metric tonnes) and Brazil (223.4 million metric tonnes)<sup>1</sup>. Approximately 15% of annual global grain production is traded on the global market<sup>2</sup>. Of this trade, wheat is the most important. In 2017, global wheat exports were valued at approximately US\$39 billion<sup>3</sup>. As shown in the graph, Australia is the 4th largest exporter of wheat, after Canada, the US and Russia.

### WORLD WHEAT EXPORTS BY REGION (value)



Sources: 1 United States Department of Agriculture, June 2017, World Agricultural Production  
 2 Food and Agriculture Organisation of the United Nations, June 2017, Crop Prospects and Food Situation  
 3 World's Top Exports, 2018

# GLOBAL GRAIN INDUSTRY

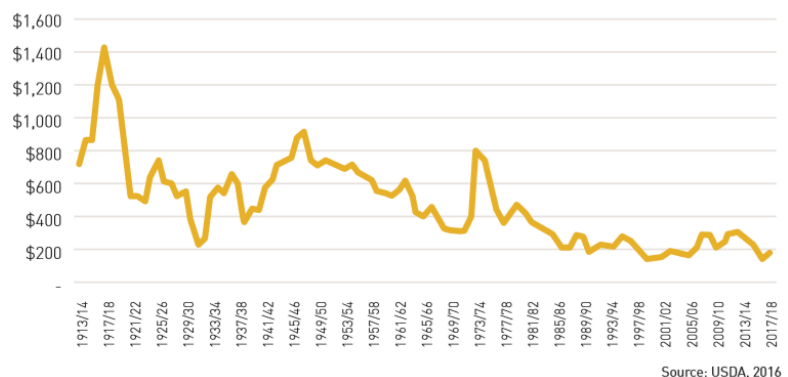
## PRICING TRENDS FOR THE GLOBAL GRAIN INDUSTRY

Grain prices are typically driven by international supply; the greater the supply of grains, the lower the price. Following favourable growing conditions in 2016/17, global grain production reached 2.6 billion tonnes, exceeding the previous record high by 139 million tonnes set in 2015/16<sup>4</sup>. These high levels of world grain supply and high volumes of opening stocks placing downward pressure on prices<sup>5</sup>:

- The world wheat indicator price fell from US\$348 a tonne in 2012/13 to US\$194 a tonne in 2016/17;
- The world coarse grains indicator price was an average of 48% lower in 2016/17 compared to 2012/13 at US\$154 a tonne; and
- The world price for barley was an average of 44% lower in 2016/17 compared to 2012/13 at US\$142 a tonne.

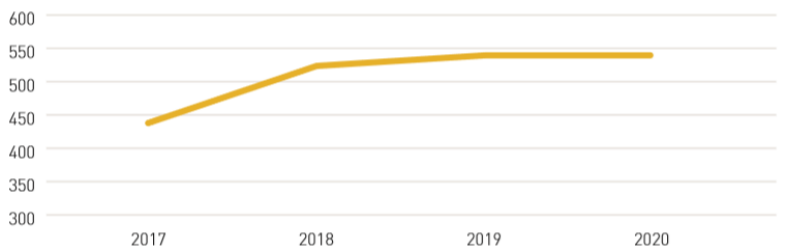
However, according to independent reports, global grain prices are now in the early stages of a new cycle – the upward leg.

### WORLD WHEAT PRICES



Source: USDA, 2016

### WHEAT FUTURES (USc/bushel)



Source: Bloomberg, 2017

In 2017, wheat prices increased 36% following a reduced crop outlook in the major grain trading regions<sup>6</sup>. Wheat prices are forecast to increase 30.1% to reach US\$543.1/bushel by 2020<sup>7</sup>. Driven by the structural imbalance in the global markets, the World Bank predicts a 15% increase in wheat prices over the next 8 years. This cyclical turnaround in prices over the long term suggests an opportune time for investment in agriculture, including grains.

Inflation Adjusted Price (US\$ / t)	Current Level	Minimum	Maximum
Wheat	\$169.02	\$133.80 (1999/2000)	\$1,432.51 (1917/1918)
Sorghum	\$114.17	\$90.64 (1999/2000)	\$790.80 (1947/1948)
Barley	\$211.28	\$136.48 (1998/1999)	\$1,070.87 (1917/1918)
Corn / Maize	\$125.98	\$98.62 (2005/2006)	\$1,045.78 (1917/1918)

Sources: 4 Lyddon, C, 2016, Another record breaking harvest

5 ABARES, 2016, Agricultural commodities September quarter 2016; ABARES, 2017, Weekly Update; Labour Solutions Australia, 2012, Coarse Grains; Bloomberg, 2017

6 Bloomberg 7 Chicago Board of Trade, 2017

# AUSTRALIAN GRAIN INDUSTRY

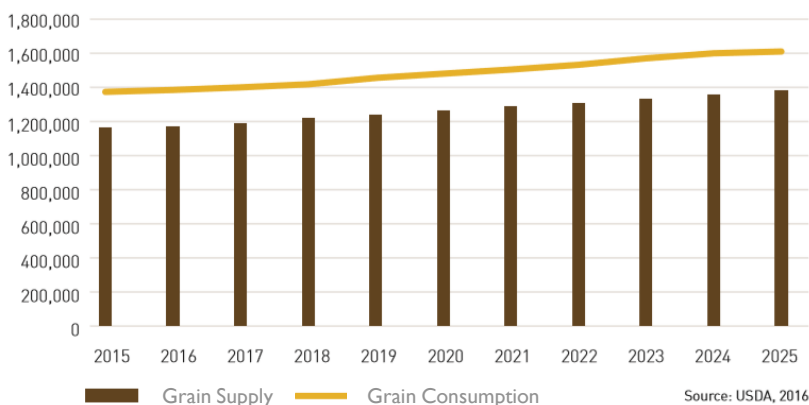
## WHY INVEST IN THE AUSTRALIAN GRAIN INDUSTRY

In 2016/17, Australia produced 45 million tonnes of grains from 22.9 million hectares, generating \$13.5 billion in revenue. The Australian grain industry exports approximately 60% of this production (by value and 70% by volume), with the other 40% being consumed domestically<sup>8</sup>. Grain production is predominantly focused in New South Wales, Victoria, South Australia and Western Australia.

### EXPORT MARKET

The majority of world grain crops are consumed in developing countries. Population growth and continuing economic development are key drivers of increasing global grain consumption. As global population grows, the demand for grains will increase more rapidly. Grain is required not only for human consumption, but also as feed for animals. Demand, especially within emerging economies, is forecast to outstrip supply, which will continue to support a strong export market. The Australian grain industry is well positioned to meet this increasing demand.

### FORECAST GRAIN SUPPLY AND DEMAND IN DEVELOPING COUNTRIES ('000 tonnes)



- ✓ Positive, green, clean reputation
- ✓ Consistent high quality
- ✓ Aust. Grain exports account for 10% of the global market (\$8.1bn generated in 2016)<sup>9</sup>
- ✓ Asian countries account for 63% of Aust. Grain export, 30% of which goes to South East Asia<sup>10</sup>
- ✓ Exports to China have increased x4 over the last 6 years

### FREE TRADE AGREEMENTS

While Australia is well positioned geographically and has a low cost of production, the ability to penetrate emerging markets has been constrained by government intervention in large grain-consuming countries<sup>11</sup>. This government intervention has historically distorted market signals in the international market and encouraged additional production at a price less than the real cost of production. However, the World Trade Organisation (WTO) has implemented an agreement to end global agricultural export subsidies<sup>12</sup>. Under this agreement, tariffs on Australian wheat exported under the ASEAN FTA were eliminated in 2016 (to all countries except Laos and Cambodia). All tariffs on other grains exported under this FTA will be eliminated by 2020. The removal of these subsidies is likely to increase Australia's competitiveness in the global grain market.

Sources: 8 IBISWorld, November 2016, Grain Growing in Australia

9 GrainGrowers, 2016, State of the Australian Grains Industry 2016

10 GrainGrowers, 2016, State of the Australian Grains Industry 2016

11 GrainGrowers, 2016, State of the Australian Grains Industry 2016 12 World Trade Organisation, The Agricultural Agreement

# AUSTRALIAN GRAIN INDUSTRY

## WHY INVEST IN THE AUSTRALIAN GRAIN INDUSTRY

The Australian grain industry is predominantly family owned. Production focuses on both summer and winter crops, categorized by four types of products: wheat, coarse grains, legumes and oilseeds. Australia’s primary crop is wheat and production accounts for approximately half of the country’s total annual grain production.

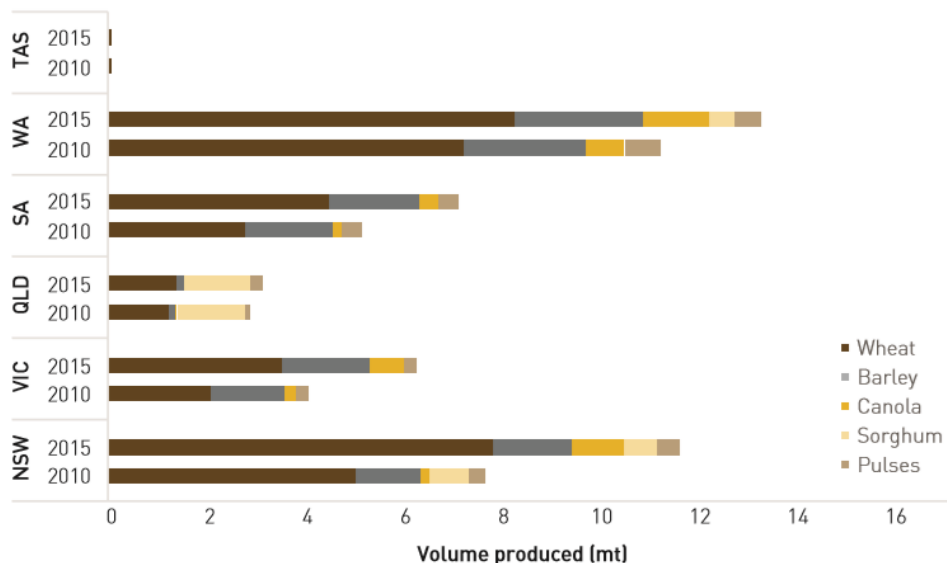
The largest domestic market for Australian grain is the livestock industry, accounting for 20.4% of Australia’s grain production<sup>13</sup>. In 2016, the grain industry generated \$13.5 billion<sup>14</sup>. Driven by growing demand, the grain industry is forecast to generate annual revenue growth of 2.1% per annum over the next five years<sup>15</sup>.

### GRAIN FARMLAND

Australian grain production is predominantly focused in three broad regions; the Northern region, comprising Queensland and northern New South Wales; the Southern region, comprising central and southern New South Wales, Victoria, south-eastern South Australia and Tasmania; the Western region comprising Western Australia. Grain production by state is shown below.

In 2015, the NSW grain industry was valued at \$2.85 billion, representing approximately 30% of Australia’s total industry production<sup>16</sup>. The central and southern cropping regions of NSW are characterised by their diverse range of soil types and dependence on seasonal rainfall.

### PRODUCTION BY STATE (5-YR AVERAGE 2010-2015)



Note: Grains include wheat, coarse grains (ex rice), oilseeds and pulses

Data source: ABARES (2016)

Sources: 13 IBISWorld, November 2016, Grain Growing in Australia  
 14 GrainGrowers, 2016, State of the Australian Grains Industry 2016  
 15 IBISWorld, November 2016, Grain Growing in Australia  
 16 ABARES, 2016, Agricultural Commodity Statistics 2015-16

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# DUXTON BROADACRE FARMS LTD

## THIS SECTION OUTLINES THE KEY RISKS OF DUXTON BROADACRE FARMS

### ADVERSE WEATHER CONDITIONS

Adverse weather conditions such as fires, frost, drought, flooding, outbreak of diseases or other matters beyond the control of the Company may, directly or indirectly have a material and adverse effect on the operations of the Company and hence the Company's financial position generally, and consequently the income available for distribution to Shareholders and acquisition of additional properties and/or value of its Properties.

### COMMODITY PRICES

Australian commodity prices are determined by supply and demand dynamics. For example, grain prices are determined by a number of factors, including demand and supply in the domestic and international grain markets, product type, seasonal factors, demand from grain processors and import quotas and/or tariffs. Changes in global commodity pricing will affect the revenue earned by the Company. As such, any negative movement in commodity prices may have an adverse effect on the Company's revenue and its ability to meet its obligations to stakeholders and generate a profit.

### INPUT COSTS

Fertiliser, irrigation, fuel (diesel) and electricity represent significant input costs in the production of grains. If fertiliser, irrigation and/or energy prices were to rise, this may impact the Company's profitability.

### ILLIQUIDITY

Investments in agricultural land, as with other investments in land, are relatively illiquid. Such illiquidity may affect the Company's ability to vary its investment portfolio or liquidate part of its assets in response to changes in economic, financial, real estate market or other conditions. For instance, the Company may be unable to liquidate its holdings in agricultural land or may be forced to give a substantial reduction in the price that may otherwise be sought for such assets to ensure a sale.

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# DUXTON BROADACRE FARMS LTD

## THIS SECTION OUTLINES THE KEY RISKS OF DUXTON BROADACRE FARMS

### ACQUISITION RISK

The Company intends to actively acquire additional broadacre farms which it believes give scope to improve operational efficiencies, farm yields and returns. The success of the Company depends in part on its ability to identify and acquire suitable properties at a price that will allow a significant uplift in value once a suitable Farm Manager is appointed to manage the Property. The risks associated with these acquisitions include pricing and integration risks. There is a risk that farm investments will not perform as well as expected and, accordingly, could result in a material adverse effect on the value of the Company.

### DISEASE / ANIMAL HEALTH RISK

Australia's bio-security regulations and strict quarantine regimes are highly regarded. However, there is no guarantee that serious contagious diseases that affect global crops or livestock can be prevented from being introduced in Australia. Any significant disease that affects crops or livestock may have an adverse effect on production and hence the Company's ability to generate revenue. Further, a significant pest outbreak (for example, a mice or locust plague) could adversely affect production, revenue and profitability.

### FOREIGN EXCHANGE RISK

The Company's revenue is driven by commodity prices which are generally set in USD. Therefore, an appreciation of the AUD against the USD would reduce the AUD revenue received by the Company and hence impact its profitability.

### KEY MANAGEMENT

The responsibility for the day-to-day farm management and operations of the Company rests with its experienced Farm Managers and key management team. If one or more of these ceases their engagement with the Company, the Company may be adversely impacted. The services provided by the Investment Manager will be key to achieving the Company's investment objectives. Failure to develop and implement adequate acquisitions and strategies may adversely impact the performance of the Company. Failure of the Board in providing adequate oversight and executing appropriate investment and divestment proposals may also impact the profitability of the Company.

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# ECONOMIC OBSERVATIONS

## SOME KEY CONSIDERATIONS FOR INVESTORS IN THE AUSTRALIAN GRAIN AND AGRICULTURE INDUSTRY

### OUTPERFORMANCE

Investment in farmland has the potential to generate both capital and operating returns through a combination of appreciation in the land value and the income from the sale of the commodity produced on it. Historically, global agriculture has outperformed traditional asset classes such as equities and bonds on a risk adjusted basis. Australian agriculture has also historically generated risk adjusted returns greater than these traditional asset classes.

Australian agriculture has historically, on average, generated risk-adjusted returns greater than Australian equities and Australian bonds. Analysis of Australian grain farms with gross turnover greater than \$1 million shows that these farms outperformed Australian equities, Australian bonds and inflation between 1993 to 2016. Furthermore, these grain farms exhibited lower volatility than the traditional asset classes, such as equities and bonds, over the same period, producing a more attractive risk/return profile.

### LOW CORRELATION

Global farmland has historically demonstrated low correlation to traditional asset classes, such as equities and bonds, providing diversification benefits to an investment portfolio.

Analysis shows that on average between 1993 to 2016, Australian grain farms demonstrated low correlation to Australian equities and Australian bonds. This suggests that including an Australian grain farms investment in a portfolio may provide diversification benefits.

### INFLATION HEDGE

Historically, global farmland has served as an effective inflation hedge. Australian farmland has historically exhibited a positive correlation to inflation. This suggests that Australian grain farms may be an effective hedge against inflation and a capital preservation vehicle.

Real assets, such as farmland, generally perform well during inflationary periods for a number of reasons, including:

- the permanent and tangible nature of the assets mean the value of these investments tends to rise as inflation rises;
- agricultural commodities are significant components of the Consumer Price Index. As commodity prices rise with inflation, the profitability and land value of farmland increase; and
- farmland is a finite resource.

### AUSTRALIAN LISTED PRODUCT

The Company is the only ASX listed vehicle of its type in Australia providing its investors with direct exposure to grain production.

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# ECONOMIC OBSERVATIONS

## AUSTRALIAN GRAIN INDUSTRY

### OUTPERFORMANCE

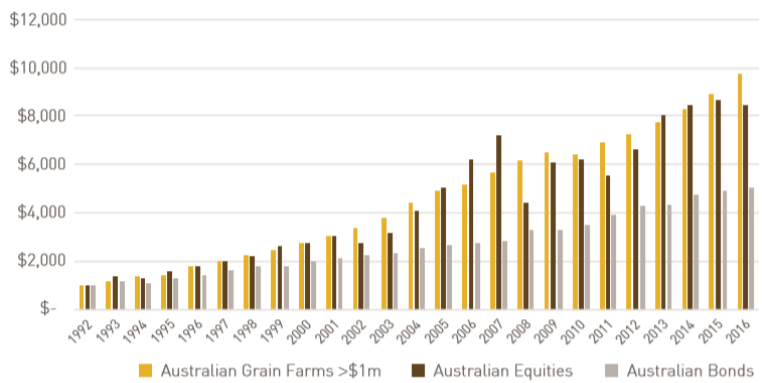
Over the past 20 years, Australian farmland values have generated annual growth of 6.6%, on average. NSW farmland values over the same period have demonstrated average annual growth of 7.0%<sup>18</sup>. In comparison, inflation has averaged 2.8% over the same period. Throughout the Global Financial Crisis, NSW agriculture showed positive growth in land values, unlike other property investment sectors<sup>19</sup>.

Analysis of Australian grain farms with gross turnover greater than \$1 million shows that these farms outperformed, on a risk adjusted basis, Australian equities, Australian bonds and inflation between 1993 and 2016.

Over the period, Australian grain farms with gross turnover greater than \$1 million generated, on average, annualised returns of 10.07% per annum. In comparison, Australian equities generated on average, an annualised return of 10.73% per annum and Australian bonds generated 7.13% per annum.

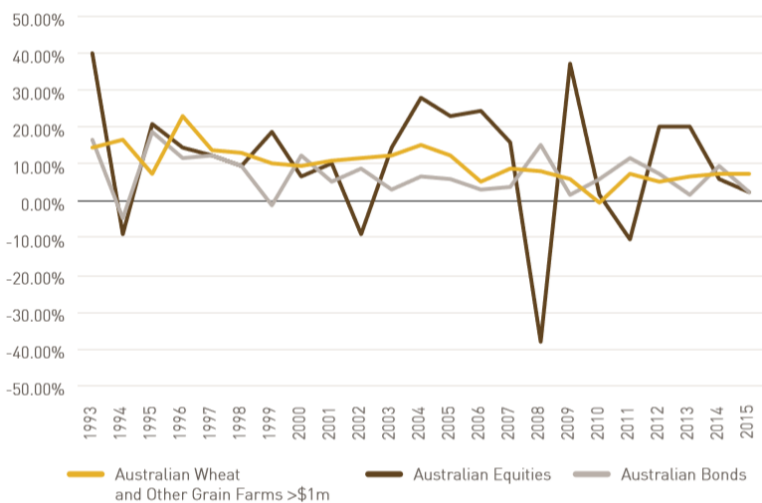
Furthermore, these grain farms exhibited lower volatility than the traditional asset classes, such as equities and bonds, over the same period, producing a more attractive risk/return profile<sup>20</sup>.

### VALUE OF \$1,000 INVESTED IN 1992



Source: USDA, Eurostat and various other data sources/estimates

### RETURNS OF SELECTED ASSET CLASSES (1993 – 2016)



Source: Bloomberg, Department of Agriculture and Water Resources, RBA, 2017

Sources 18 Rural Bank, 2018, Australian Farmland Values 2017

19 Eves, C, 2016, 'The analysis of NSW rural property: 1990-2014', Queensland University of Technology

20 Calculations completed by Duxton Capital (Australia) using data sourced from the Department of Agriculture and Water Resources AgSurf database



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# DUXTON BROADACRE FARMS BOARD

THE BOARD HAS EXTENSIVE EXPERIENCE IN THE  
AUSTRALIAN GRAIN INDUSTRY



**ED PETER**

Chairman of the Board

Ed Peter is the co-founder and Chairman of Duxton Asset Management ("Duxton"). Prior to forming Duxton in 2009, Ed was Head of Deutsche Asset Management Asia Pacific ("DeAM Asia"), Middle East and North Africa. Ed has been exposed to the Australian water market since 1999.



**TONY HAMILTON**

Managing Director

Tony Hamilton has been engaged in grain farming since 1982. Tony is a Graduate of the Australian Institute of Company Directors, was a Nuffield Scholar in 2003 and holds a PhD in Agronomy and Plant Physiology and a B.Sc.Agr (Hons) from the University of Sydney.



**STEPHEN DUERDEN**

Non-Executive Director

Stephen Duerden is the CEO of Duxton Capital (Australia) Pty Ltd. Stephen has over 28 years of experience in investment management and joined Duxton in May 2009. Prior to this Stephen was the COO of Deutsche Asset Management (Asia) Pte Ltd.



**MARK HARVEY**

Independent Director / Deputy Chair

Mark Harvey has more than 40 years of experience in agriculture and agribusiness. He was one of the founders of Paramount Seeds which specialised in research, development and marketing of new field crop, was a founding partners of Seed Genetics, and in April 2013 was elected as Director (now Chairman) of S&W Seed Co (NASDAQ listed).



**WADE DABINETT**

Independent Director

Wade Dabinett has over 13 years of experience in the Australian grain industry, encompasses grain trading, storage, handling and production. He is Chairman of Grain Producers SA, and Chair of GPSA's sub-committees for Transport & Supply Chain, Agricultural Security & Priority. He is also a councillor representing Grains on Primary Producers SA.



**DONALD STEPHENS**

Company Secretary

Donald Stephens is a Chartered Accountant and corporate adviser with over 20 years of experience in the accounting industry. Mr Stephens holds a number of positions as a public company Director and Company Secretary as well providing corporate advisory services to a wide range of organisations

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# DUXTON BROADACRE FARMS MANAGEMENT

## THE CURRENT FARM MANAGEMENT TEAM, RESPONSIBLE FOR MANAGING MERRIMENT, WYALONG AND YARRANLEA

### **TONY HAMILTON**

Managing Director

Tony Hamilton has been engaged in grain farming since 1982. Tony is a Graduate of the Australian Institute of Company Directors, was a Nuffield Scholar in 2003 and holds a PhD in Agronomy and Plant Physiology and a B.Sc.Agr (Hons) from the University of Sydney.

### **DUSTIN KEMP**

Merriment Operations and Livestock Manager

Dustin Kemp, Merriment Operations and Livestock Manager  
Dustin is responsible for all aspects of sheep and cattle husbandry, including marketing, procurement, logistics, staff management and engaging contractors. He is committed to animal welfare in the livestock production system. Dustin Kemp has a Certificate IV in agriculture and has been the Merriment Operations and Livestock Manager since 2013.

### **ANDREW GARLAND**

Wyalong Operations Manager

Andrew Garland is the Operations and Farming Manager at Wyalong. Andrew fulfils the daily operations of a farm manager including chemical and fertiliser procurement, external contractor coordination, harvest and sowing coordination and logistics. Andrew previously managed key properties in southern NSW. He also has substantial experience in growing seed crops and has been nationally recognised for canola seed production.

### **BRENDAN BURLEY**

Merriment Cropping Manager

Brendan is responsible for all aspects of summer and winter cropping in the Merriment module. Brendan Burley has a BSc in agriculture and has been Cropping Manager since 2011.

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# INVESTMENT MANAGER

## DUXTON CAPITAL (AUSTRALIA) PTY LTD



Duxton Broadacre Farms is managed by Executive and management staff internally, as well as by Duxton Capital (Australia), part of the Duxton Group as a wholly owned subsidiary of Duxton Capital Pte Ltd.

The Group manages over A\$765 million in assets (at 30 April 2018). The members of the Duxton Group have been exposed to Australian water markets since 1999.

The Australian Management team is supported by the Duxton Group's investment team in Singapore. The Duxton Group's executive management team has an average of 28 years of industry experience.

The Duxton investment team of 23 staff is based in Singapore and Australia with an average of 11 years of industry experience in agricultural investments, emerging market private equity, complex assets and listed equities, and a total of 249 years of combined industry experience.

Duxton Broadacre Farms has access to specialist industry knowledge and key networks developed over many years in agriculture and broadacre farming.

The Duxton Group is fully owned by Ed Peter, Stephen Duerden, Desmond Sheehy, the Group's co-founders, and Scott Jaffray.

### **MANAGEMENT & PERFORMANCE FEE**

Duxton Capital (Australia) as the Investment Manager receives a management fee of 0.85% p.a. of the net asset value (NAV) of the Company. This fee only commences from 1 July 2018 onwards.

Duxton Capital (Australia) is entitled to a performance fee (subject to a high watermark) of 5% p.a. payable on annual returns above 8%, and 10% p.a. on annual returns above 12%. The Investment Manager is also paid for reimbursable costs.

The Investment Manager is also entitled to a termination fee, subject to some conditions.



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# CONTACT US

PLEASE FEEL FREE TO CONTACT US ANYTIME



**WILL BRENNAN**  
Analyst



**LAUREN THIEL**  
Business Development

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