

MyFarm KiwiFruit Fund Limited Partnership

Information Brief: Wednesday 24th July, 2024

10% p.a.*

Targeted total return, incl. capital growth



An opportunity to invest in a diversified portfolio of established SunGold™ kiwifruit orchards and Zespri shares that is targeting a total annual return of 10%*.

Introducing the MyFarm KiwiFruit Fund

The MyFarm KiwiFruit Fund provides investors with proportional ownership of 17 established SunGold™ kiwifruit orchards spread between the Bay of Plenty and Northland and a sizeable holding of Zespri shares (ZGL). The orchards cover a total area of 160 hectares, with nearly all (97%) licenced with SunGold™ kiwifruit. The Fund aims to hold 15% of its assets as Zespri shares, which have historically yielded attractive dividends that are only available to kiwifruit grower shareholders.

The Fund was formed on 1 July 2024 as a result of the amalgamation of 11 limited partnerships. This Offer is to raise \$10 million (plus oversubscriptions) and will enable the Fund to lower debt and increase its holdings of ZGL shares.

Why does the kiwifruit industry show good potential?

The kiwifruit industry has grown to be New Zealand's biggest horticultural export. From March 2000 to March 2023, the 12-month rolling total of kiwifruit export receipts grew by 571 percent, compared to a 299 percent growth in quantity.²

The sources of this industry success remain. Firstly, SunGold™ is a successful kiwifruit variety, protected by Plant Variety Rights through to 2039. It is a fruit with health attributes, it is highly productive, stores well and consumers are prepared to pay a high price for it. Orchardists can generate high operating margins, providing the potential for high profits and strong cashflows.

Secondly, the industry has been very well supported by Zespri, the world's biggest kiwifruit exporter and the single desk marketer for New Zealand kiwifruit. Zespri has global brand recognition and can efficiently marshal research and resources to enhance the industry.

Thirdly, Zespri's mandate includes the development of new high-value kiwifruit varieties in partnership with Plant and Food Research. This breeding work has the potential to create the next commercial orchard development opportunity for the Fund.

Why is the Fund looking to invest in Zespri shares?

Only kiwifruit growers can invest in dividend paying Zespri shares, which have historically provided gross dividend yields of between 15-25%. Zespri's forecast for the 2025 dividend continues to be in line with this (between 18.2 -19.6% based

- **Strong Target Returns:** Targeted cash distributions of 7.5% p.a., paid quarterly (post fees, pre-tax). Targeted total return, including capital growth, of 10% p.a.*
- **Exciting sector:** Kiwifruit has grown strongly and is forecast to be a \$3.2 bn export industry in 2025¹; SunGold™ is the most profitable variety.
- **Risk mitigation from multiple incomes streams:** A unique mix of lease, production and dividend income; the Fund owns a diverse portfolio of 17 established orchards spread across the Bay of Plenty (77%) and Northland (23%).
- **Access to Zespri shares:** historic gross yield of 15-25% p.a.; ownership restricted to kiwifruit growers.
- **Benefits of scale:** assets approaching \$200 million; reduced finance and overhead costs; balance of mature and developing orchards.

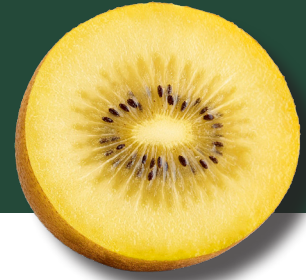
on a \$4.50 share price). The Fund is modelling net dividends of \$0.96/share p.a. over the five years to FY29.

What are the benefits of the Fund?

The scale and diversification of the Fund provide several benefits for investors. Approaching \$200 million in assets, the Fund's geographically spread orchard portfolio and its holding of Zespri shares help to mitigate commercial and horticultural risk. The Fund's scale enables it to negotiate lower costs on key services such as finance, whilst also providing a wider range of strategic options - for instance the Fund intends to reinvest and to continually improve the quality of its existing assets, with the aim of providing capital growth, and could look to acquire new orchards.

The benefits of experience

A further strength is that the Fund represents known assets, known orchard lessees and managers and has an experienced management and governance team. The 17 orchards that make up the MyFarm KiwiFruit Fund were syndicated between 2017 to 2022.



Offer Details

Target cash distributions	7.5% p.a., paid quarterly (after fees, before tax)*. In the first year of the Fund, distributions are forecast at 4.5% p.a.
Target total return	10% p.a. (including cash and capital growth, after fees, before tax)*
Capitalisation	Initial equity on formation \$117.3 million and \$80.4 million of debt. The Fund is seeking to raise up to \$37 million of capital by May 2026, with \$10 million (plus oversubscriptions) sought in this offer period.
Key SIPO terms	<ul style="list-style-type: none"> Target loan-to-value ratio of 20 - 35%. Target ZGL shareholdings to the greater of three shares per tray of mature production or 15% of total Fund assets. 75% or more of the orchard portfolio (by value) to be located in the Bay of Plenty.
Minimum investment	\$20,000, thereafter increments of \$1,000.
Fees	<ul style="list-style-type: none"> A one-off establishment fee of 1.5% of new capital raised. Annual management fee of 0.75% of NAV. A capped annual performance fee of 15% of the pre-tax returns above an 8% p.a. threshold, measured on a three year rolling average basis.
Risks	All investments carry risks. To find out more about the factors which will determine returns, and the risks associated with this investment, please refer to the Information Memorandum, available at www.myfarm.co.nz/kiwifruit-fund
Structure and Tax status	The MyFarm KiwiFruit Fund is structured as a Limited Partnership. The Limited Partnership is not a tax entity; tax will be the responsibility of investors in the MyFarm KiwiFruit Fund.
Liquidity	The MyFarm KiwiFruit Fund will be hosted on the Syndex exchange – www.syndex.exchange – which offers the ability to list units for sale year-round. In addition, the Fund plans to support quarterly Unit auctions. The Fund also has the ability to buy and cancel units where this is in the best interests of the Fund.

Interested in finding out more?

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Introducing MyFarm Investments

MyFarm is one of New Zealand's leading specialist primary sector investment firms, with over \$575m of assets under management.

Since 1990, MyFarm have provided investors with exposure to productive primary assets, allowing participation in New Zealand's vibrant rural economy.

Note: The offer described in this Investment Brief is only open to investors who fall within the exclusions applicable to offers made to "wholesale investors" as set out in Schedule 1, clauses 3 (2)(a)-(c) and 3 (3)(a)-(b)(ii) of the Financial Markets Conducts Act 2013 (FMCA). You can obtain further information on FMCA requirements, and whether you fall within the requirements for wholesale investors and the exclusions for wholesale offers at www.myfarm.co.nz/fmca

This investment described in this Information Brief is not suitable for or available to retail investors.

* The Fund is targeting total returns of 10% per annum (cash distributions plus capital growth) from year two of the Fund. In the first year of the Fund, distributions are forecast at 4.5% p.a. Returns may vary.

¹ Ministry of Primary Industries (2024) Situation and Outlook for Primary Industries, <https://www.mpi.govt.nz/dmsdocument/62637-Situation-and-Outlook-for-Primary-Industries-SOPI-June-2024>.

² BERL 1 NZKGI - Robertson, N. (2023). Single Point of Entry for kiwifruit exporting: Impacts on the New Zealand kiwifruit industry.

BERL. Retrieved from <https://canopy.zespri.com/content/dam/new-canopy/nz/en/documents/public/news/2023-NZKGI-Report-on-Single-Desk.pdf>