Newsletter

EDITION 25

Rural Funds Management

Managing **good assets** with **good people**

About Rural Funds Management

Rural Funds Management Limited (RFM) is one of the oldest and most experienced agricultural fund managers in Australia. Established in 1997, RFM employs over 260 staff in fund and asset management activities and manages approximately $2.7 billion of agricultural assets. The company operates from a head office in Canberra and has additional offices in Sydney and regional Queensland.

RFM has a depth of experience accumulated over 29 years owning, developing and operating Australian farmland, agricultural infrastructure and other assets. Sector experience includes almonds, poultry, macadamias, cattle, cropping, viticulture and water. Assets are located throughout New South Wales, Queensland, South Australia, Western Australia and Victoria.

RFM is the responsible entity for Rural Funds Group (RFF), an ASX-listed real estate investment trust that owns a $2.1 billion portfolio of diversified agricultural assets including almond and macadamia orchards, premium vineyards, water entitlements, cattle and cropping assets.

RFM's company culture is informed by a precision-based approach to asset management and its longstanding motto of "Managing good assets with good people".

Scan the QR code to learn more.

Cover image: Wheat at Kaiuroo, central Queensland, October 2025.
Image on top: Dowlings macadamia orchard, Maryborough Queensland, June 2026.

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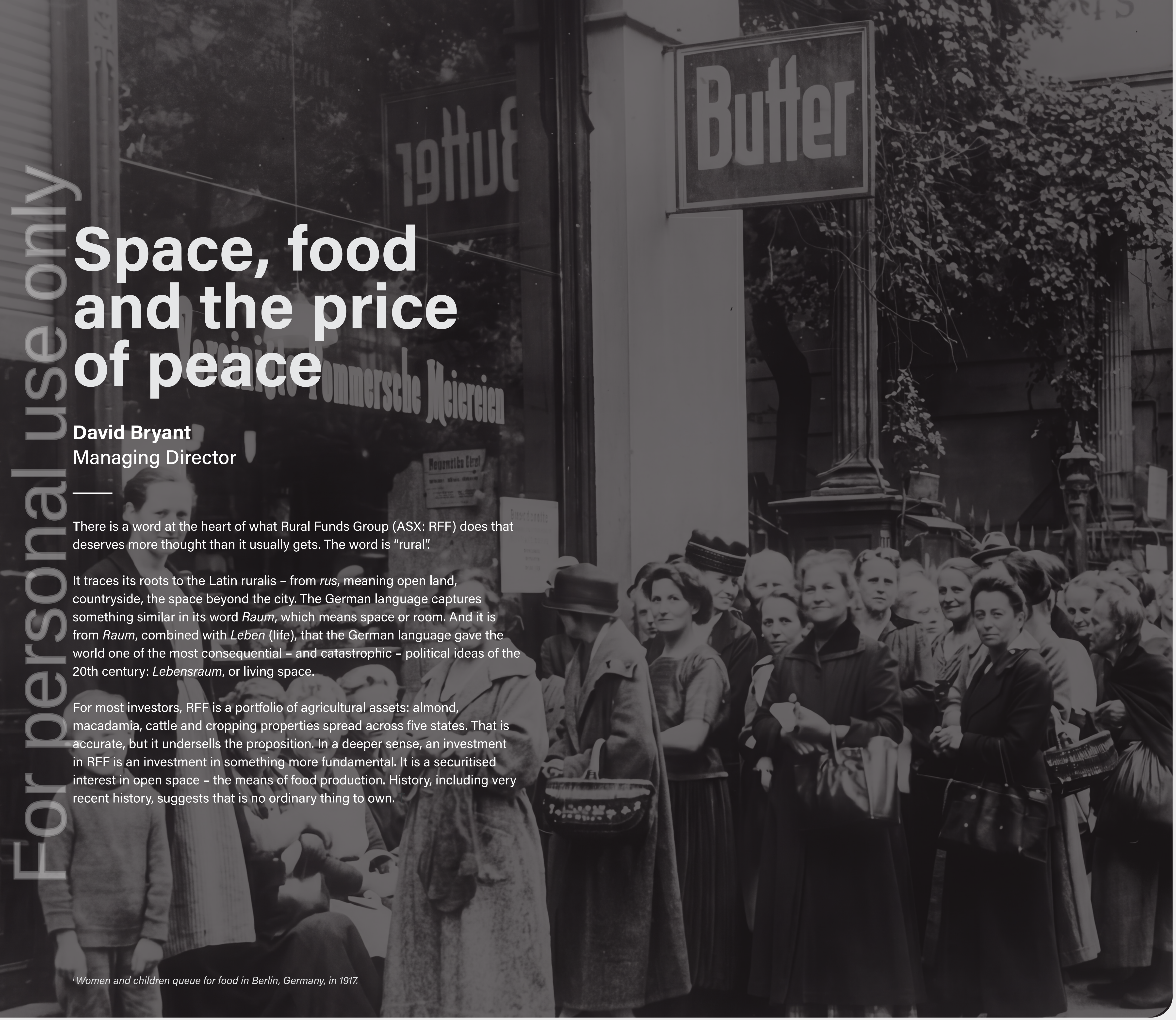


Space, food and the price of peace

David Bryant
Managing Director

There is a word at the heart of what Rural Funds Group (ASX: RFF) does that deserves more thought than it usually gets. The word is "rural".

It traces its roots to the Latin ruralis – from *rus*, meaning open land, countryside, the space beyond the city. The German language captures something similar in its word *Raum*, which means space or room. And it is from *Raum*, combined with *Leben* (life), that the German language gave the world one of the most consequential – and catastrophic – political ideas of the 20th century: *Lebensraum*, or living space.

For most investors, RFF is a portfolio of agricultural assets: almond, macadamia, cattle and cropping properties spread across five states. That is accurate, but it undersells the proposition. In a deeper sense, an investment in RFF is an investment in something more fundamental. It is a securitised interest in open space – the means of food production. History, including very recent history, suggests that is no ordinary thing to own.

[1] *Women and children queue for food in Berlin, Germany, in 1917.*

The ideology of space

In his sweeping biography *Hitler: A Global Biography*, Cambridge historian Brendan Simms argues that the driving obsession behind Adolf Hitler's strategic thinking was not merely racial ideology but a deep, consuming anxiety about Germany's economic and physical vulnerability. At the centre of that anxiety was food.

The lesson Hitler drew from the First World War was searing. The Allied naval blockade of Germany between 1914 and 1919 had strangled the country's food supply. By the end of the war, Germany's urban population was starving, with an estimated 763,000 people dying from malnutrition. For Hitler, this was not simply a military defeat – it was a civilisational humiliation caused by dependence. Germany had gone to war as a substantial food importer and had paid for that vulnerability with the lives of its people.

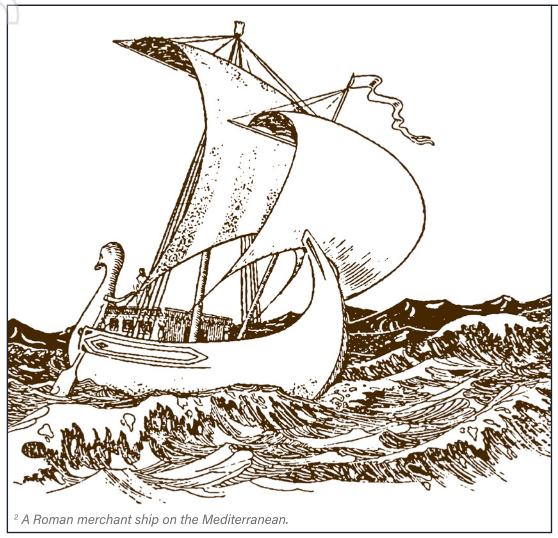
The Allied naval blockade caused food shortages that built support during the war for a *Lebensraum* that would expand Germany eastward into Russia, securing control of resources that would prevent such a situation from occurring again. The concept – living space – was precisely that: the acquisition of agricultural territory sufficient to make Germany self-sufficient, immune to blockade, and master of its own food supply.

From early in his political life, Hitler wanted to conquer "living-space" for Germany in Eastern Europe and draw on the huge grain resources of Ukraine to feed the German armed forces. This was not peripheral to his thinking – it was the engine of it. When Germany invaded Poland on 1 September 1939, triggering declarations of war by Britain and France two days later, the seizure of agricultural land was woven into the strategic rationale. In Hitler's view, hunger and malnutrition were a key reason behind Germany's defeat in the First World War, and securing food for his troops became a key priority as he led his nation into the Second World War.

The horror that followed – including the Nazi "Hunger Plan" that systematically starved millions of Soviet civilians to redirect food to German forces – was the grotesque endpoint of a political project that began, at its core, with the fear of famine.

Food and the origins of conflict

The Second World War is perhaps the starkest example, but it is far from the only one. The relationship between food insecurity and armed conflict runs through history with uncomfortable regularity:



[2] A Roman merchant ship on the Mediterranean.

The Roman Republic expanded aggressively into Sicily and North Africa in part to secure grain supplies for its growing urban population.

The Mongol conquests of the 13th century were driven partly by the need to move vast populations and their herds to new pastures.

Japan's expansion into Manchuria in the 1930s was motivated substantially by the desire to access food-producing land for a rapidly industrialising nation that feared it could not feed itself.

[3] Memorial to the victims of the Holodomor.

The Holodomor of 1932–33, in which Soviet policies engineered a famine that killed millions of Ukrainians, was in part an instrument for suppressing a nation that sat atop some of the most fertile grain-producing land on earth. That history casts a long shadow: the contest for control of Ukrainian farmland and grain exports remains a live dimension of the current Russia–Ukraine conflict, with both sides acutely aware that whoever commands the breadbasket commands strategic leverage.

The Biafran War of 1967–70 and the Sudanese conflicts of recent decades have each involved the control of agricultural land as a central element.

[4] A young boy selling bread in Egypt.

The Arab Spring of 2011, while politically complex, was ignited in part by a spike in global food prices that made bread unaffordable for millions of people from Tunisia to Egypt.

The pattern is consistent: where populations fear that food will run short, the political temperature rises. Where governments cannot feed their people, regimes fall or reach for weapons.

The quiet revolution in the paddock

For much of the 20th century, the spectre of mass famine appeared to recede – not because the world became more peaceful, but because agriculture became dramatically more productive.

The development of synthetic nitrogen fertiliser, pioneered through the Haber-Bosch process in the early 1900s, transformed what was possible on a given hectare of land. The May 2016 edition of this newsletter examined the green revolution and the role of synthetic fertilisers in transforming global agricultural output. Combined with steady improvements in plant breeding – higher-yielding wheat varieties, disease-resistant rice, hybrid corn – synthetic nitrogen allowed farmers to produce far more food from the same area of ground. Countries that had been chronic food importers became self-sufficient in staples. The green revolution of the 1960s and 1970s extended those gains across Asia and Latin America, lifting hundreds of millions of people out of hunger.

Understanding capital growth

May 2016

The result, paradoxically, is that the world now feeds roughly eight billion people from not much more arable land than it used in 1960. What changed was not the size of the paddock but what could be coaxed from it.
That achievement, however, rests on a surprisingly fragile foundation – and recent events have exposed just how fragile.

Natal Aggregation, RFF's largest property by area spanning 390,600 ha, Charters Towers Queensland, April 2026.

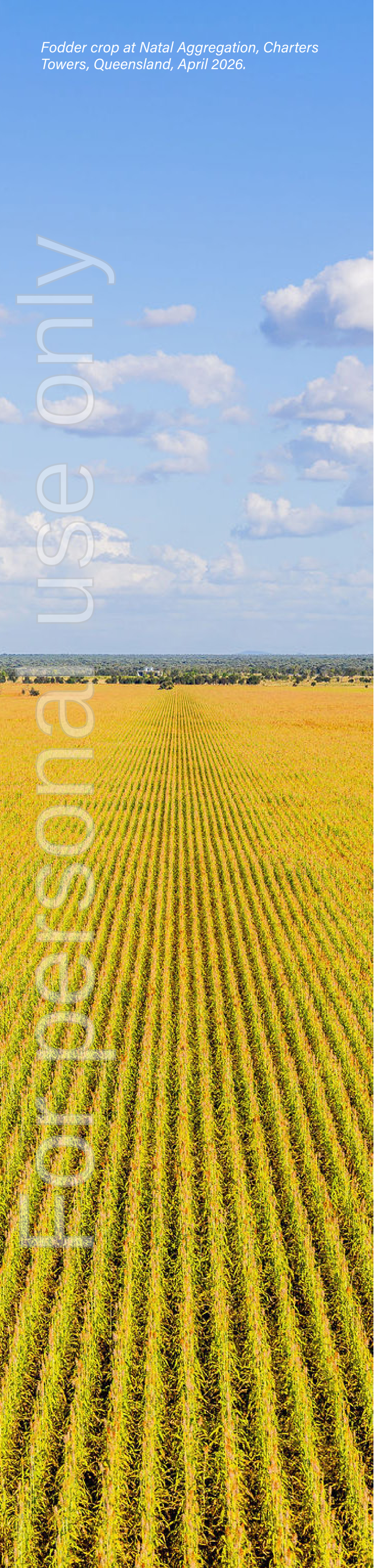
The chokepoint

On 28 February 2026, the United States and Israel launched strikes on Iran. Within days, the Strait of Hormuz – the narrow waterway between the Persian Gulf and the Gulf of Oman, through which a quarter of the world's seaborne oil passes – was effectively closed to commercial shipping. Traffic through the Strait fell from around 130 ships a day before the crisis to single digits in early March, a decline of more than 95%.

The energy implications were immediate and dramatic. But the agricultural consequences may prove equally significant, and they are less well understood.

In 2024, up to 30% of global fertiliser trade passed through the Strait of Hormuz from the Persian Gulf to export markets around the world, as well as an estimated 20% of liquefied natural gas (LNG) – a key fertiliser feedstock – and 27% of globally traded oil. Natural gas is the primary raw material for the production of urea fertiliser, which contains around 47% nitrogen. When the gas stops moving, the fertiliser either stops being made or becomes dramatically more expensive to produce.

Global urea prices had already risen 18% in 2025, remaining above pre-pandemic levels. By mid-March 2026, they had climbed a further 26% from pre-war levels, reaching $585 per metric tonne. Some market participants reported Egyptian urea – a widely watched benchmark – reaching


Fodder crop at Natal Aggregation, Charters Towers, Queensland, April 2026.

$700 per tonne, up from $400–$490 before the conflict began.

What this means for the world's food supply

Nitrogen is not a luxury input. It accounts for about 59% of total global fertiliser use and is an indispensable input at every stage of the growing cycle, including protein synthesis and photosynthetic efficiency. Roughly 45% of global nitrogenous fertiliser use goes toward growing staple grain and cereal crops like wheat, rice and maize – crops that together provide over 40% of global caloric intake.

When fertiliser becomes expensive or scarce, farmers face a stark choice: pay more and hope commodity prices follow or apply less and accept lower yields. For smallholder and subsistence farmers in South Asia and sub-Saharan Africa, there is often no real choice at all – they simply cannot afford the input, and their yields fall.

The United States Department of Agriculture's Prospective Planting report estimated that in 2026, plantings of corn and wheat acreage – both nitrogen-fertiliser-intensive crops – will likely fall 3% each relative to 2025. That is a meaningful reduction in global supply of the two crops that, along with rice, form the caloric bedrock of human civilisation.

Dawid Heyl, co-portfolio manager for the global natural resources strategy at Ninety One – an asset manager with approximately A$325 billion in funds under management – told CNBC that if agricultural yields were hypothetically impacted by 5% this year, "I don't think we'll be looking at starvation, but it would certainly cause food inflation," noting that emerging market countries were more likely to feel the brunt of the impact. "Unfortunately, the poorer countries in the world are quite often more exposed to these crises."

The United Nations World Food Programme has modelled the humanitarian consequences of a prolonged Hormuz closure. Under a scenario where the Strait remained closed through June 2026 and crude oil prices stayed at or above $100 per barrel, it projects that about 45 million additional people could face food insecurity.

These are not abstract numbers. They represent households in Nigeria, Bangladesh and Indonesia for whom a 20% rise in the price of rice or flour is the difference between eating adequately and not eating at all.

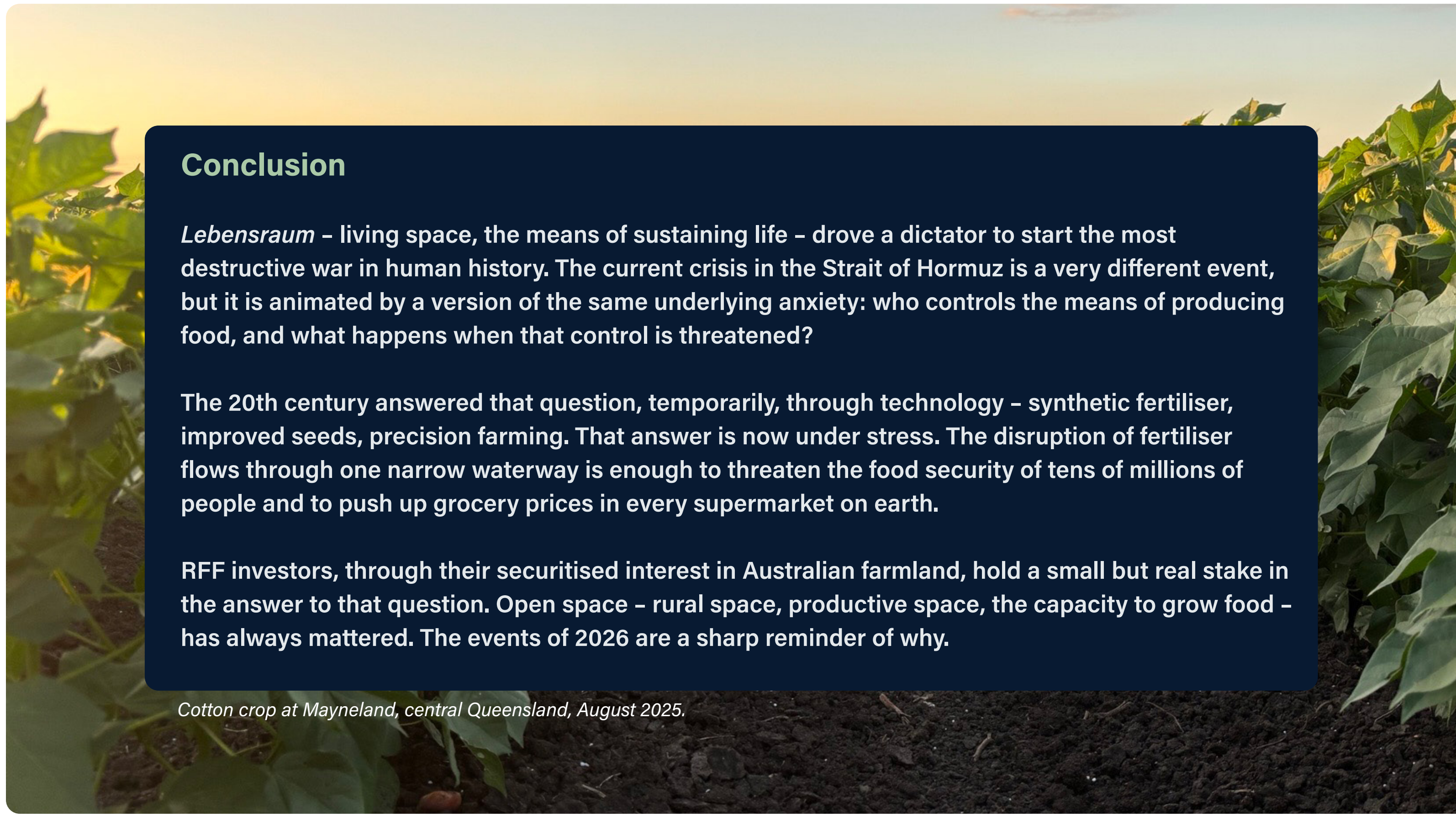
Wealthier consumers will not be immune. Higher energy, fertiliser and transport costs – including freight rates, fuel prices and insurance premiums – may increase food costs and intensify cost-of-living pressures across all economies. Unlike past food crises driven by poor harvests or export bans – where the problem was too little output – the current shock strikes at the input side of agriculture. It is the raw materials that make modern food production possible that are now constrained, meaning the effects will work through every growing season until the supply chains are restored.

What this means for investors in RFF

Here is where the long arc of this argument connects back to the farm paddocks of Australia.

Rural Funds Group holds a diversified portfolio of Australian agricultural assets – orchards, cattle properties, cropping land and water entitlements across five states. Australia is a net food exporter. It produces substantially more food than its population of 26 million consumes, and its agricultural assets sit outside the geopolitical fault lines that have placed the Persian Gulf's fertiliser trade at risk. Australian farmers are not immune to higher input costs – no farmer anywhere is – but the country's fundamental asset position is one of abundance rather than scarcity – as we have ample *Lebensraum*.

For an investor holding RFF units, this matters in a way that is easy to overlook. The unit price on any given day reflects sentiment, interest rates, earnings forecasts and the mechanics of the listed market. But beneath all of that sits something older and more durable: productive land, water entitlements and the infrastructure to grow food. In a world where the connection between geopolitical instability and food security is becoming harder to ignore, those assets carry a significance that extends well beyond the quarterly distribution.



Conclusion

Lebensraum **– living space, the means of sustaining life – drove a dictator to start the most destructive war in human history. The current crisis in the Strait of Hormuz is a very different event, but it is animated by a version of the same underlying anxiety: who controls the means of producing food, and what happens when that control is threatened?**

The 20th century answered that question, temporarily, through technology – synthetic fertiliser, improved seeds, precision farming. That answer is now under stress. The disruption of fertiliser flows through one narrow waterway is enough to threaten the food security of tens of millions of people and to push up grocery prices in every supermarket on earth.

RFF investors, through their securitised interest in Australian farmland, hold a small but real stake in the answer to that question. Open space – rural space, productive space, the capacity to grow food – has always mattered. The events of 2026 are a sharp reminder of why.

Cotton crop at Mayneland, central Queensland, August 2025.

Sources
1. *Women and children queue for food in Berlin, Germany, in 1917. Alemy DP92FD.*
2. *A Roman merchant ship on the Mediterranean. Adobe Stock #294478216*
3. *Memorial to the victims of Holodomor. Adobe Stock #8078846.*
4. *A young boy selling bread in Egypt, Adobe Stock #52663384.*

Cattle grazing on developed cultivation area, Rewan, central Queensland, August 2023.

Rural Funds Group update: asset sales

Rural Funds Management (RFM) has previously outlined to investors a plan to reduce Rural Funds Group's (ASX: RFF) gearing to within its target range of 30–35%, by selling assets at an appropriate time. In July, asset sales of $255.6m were announced, at an average premium of 22.7% to their current values, which brings gearing down to 31.6% on a pro forma basis.[1]

Sale contracts have recently been exchanged for four cattle properties: Rewan, Cobungra, Wyseby and Cerberus, as well as 2,500 ML of Murrumbidgee River water entitlements. The following article provides a background to RFF's cattle strategy, the assets disposed and the benefits these transactions bring to the portfolio.

Lower debt
Sale proceeds will be used to reduce borrowings, lowering interest costs.

Increased earnings
Lower interest costs from reduced debt have a positive impact on adjusted funds from operations (AFFO).

Greater flexibility
Improved capacity to fund future investment opportunities, including additional capital expenditure within the existing portfolio.

Cattle property sales

Figure 1, which was first set out as part of at RFF's listing in 2014, has been used for over a decade to illustrate RFM's strategy to invest across multiple agricultural sectors, and recognises that different sectors generate different rates of income and growth. RFM's objective is for RFF to own a mix of assets that funds distributions while supporting capital growth over time.

On the far right of the spectrum of investment opportunities are 'natural resource predominant' cattle assets which benefit from productivity improvements. The return profile from these assets is characterised as having lower income production than 'infrastructure predominant' assets but higher capital growth potential.

At the February 2026 results presentation, RFM advised that the sale of cattle properties was part of the strategy to bring RFF's gearing back within its target range. Chief Operating Officer Tim Sheridan explained that the natural resource assets identified for sale were selected primarily because their income yields had compressed following strong appreciation in land values.

[1]Pro forma gearing (31 December 2025) – calculated as external borrowings/adjusted total assets, adjusted for estimated sales proceeds and 2H26 forecast capex.

Sale outcomes

Rewan
Estimated net sale proceeds of $106.9m, 47% above its book value, and 243% above purchase price in 2016.

Cobungra
Estimated net sale proceeds of $50.3m, 5% lower than book value, and 37% above purchase price in 2019 (conditional on Foreign Investment Review Board approval).

Wyseby
Estimated net sale proceeds of $43.2m, 23% above its book value, and 17% above purchase price in 2023.

Cerberus
Estimated net sale proceeds of $34.1m, 30% above its book value, and 216% above purchase price in 2018.

Figure 1: Spectrum of investment opportunities[2]

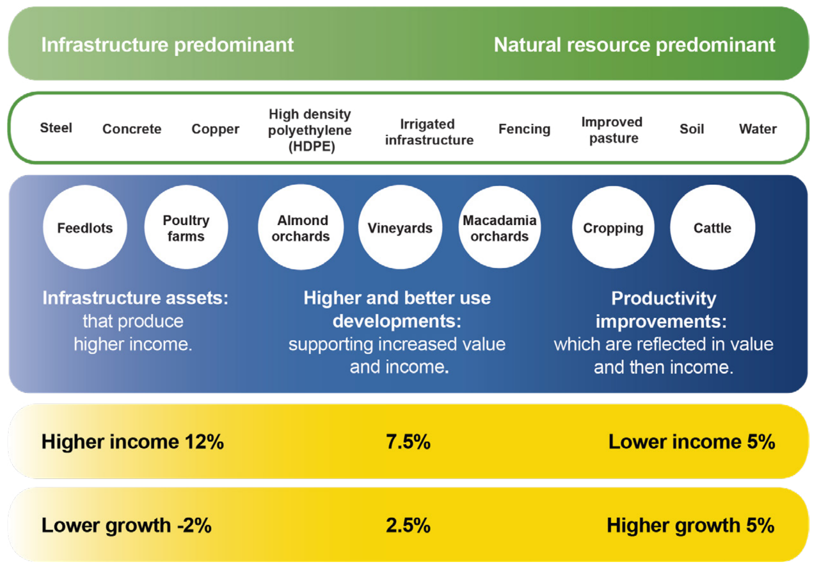
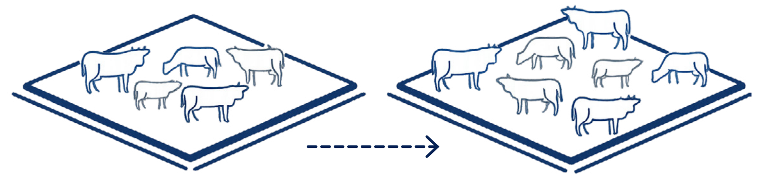


Figure 2: Productivity improvement strategy



Productivity developments seek to increase the production of a given commodity, seeking higher operating returns and asset values.

RFF's entry into the cattle sector

RFF first entered the cattle sector in July 2016, when RFM raised $61.0m through an entitlement offer to fund the acquisition of three Queensland cattle properties totalling about 243,300 ha. The purchase included two breeding properties in the Gulf of Carpentaria, Mutton Hole and Oakland Park, together with Rewan in central Queensland.

Rewan provided backgrounding and finishing land for cattle bred on the Gulf properties. Together, the properties formed an integrated breeding-to-finishing system.

When outlining the rational for the entry into the sector, Managing Director David Bryant noted that the cattle sector had seen a once-in-a-decade increase in livestock prices, *without* a corresponding increase in land values.

The decision to invest into the sector was also part of RFF's broader productivity improvement strategy, to seek higher returns from assets by undertaking productivity developments (Figure 2).

[2]The income and growth figures presented above have been provided to differentiate the profile of income and growth that can be derived from different assets. They are based on RFM's experience and historical observations of agricultural lease transactions and historical rates of growth. They are neither forecasts nor projections of future returns. Past performance is not a guide to future performance.

The cattle portfolio has since been expanded across Queensland, New South Wales, Victoria and Western Australia. This included the addition of feedlot infrastructure to provide investors exposure to the full supply chain, from breeding through to grain-fed finishing. As at 31 December 2025, RFF's cattle portfolio had grown to 21 properties and feedlots valued at $634.5m.

With productivity improvements now largely complete across the segment, several of these assets have reached a mature stage. Their sales allow RFF to realise the value of carrying out those improvements and can direct the proceeds towards reducing debt, creating the capacity to invest in opportunities with greater earnings potential.

Of the 21 cattle assets, four have been contracted for sale – Rewan, Cobungra, Wyseby and Cerberus – for combined net proceeds of $234.5m. This reflects the broader appreciation in property values in this sector following the increase in commodity prices, as well as the value created through the RFF's productivity improvement strategy.

Scan the QR code to view the Rewan property profile and development history.

Rewan case study

Rewan was one of the first cattle properties acquired by RFF and forms part of the assets contracted for sale, as disclosed in July. Over that time Rewan has generated an internal rate of return (IRR) of 22% for RFF Unitholders.

The property comprises 17,479 ha of primarily backgrounding and finishing country and is located near Rolleston in central Queensland. It was purchased in July 2016 for $31.2m.[3]

At acquisition, RFM articulated a strategy to lift the value and income-earning potential of the property through productivity improvements, including pasture improvement, expanded cultivation area and new watering points. Over the past ten years, these improvements have seen an increase in adult equivalents (AE), a measure of cattle-carrying capacity.

Rewan was initially leased to a subsidiary of RFM while the productivity developments commenced and a long-term third-party lessee was identified.

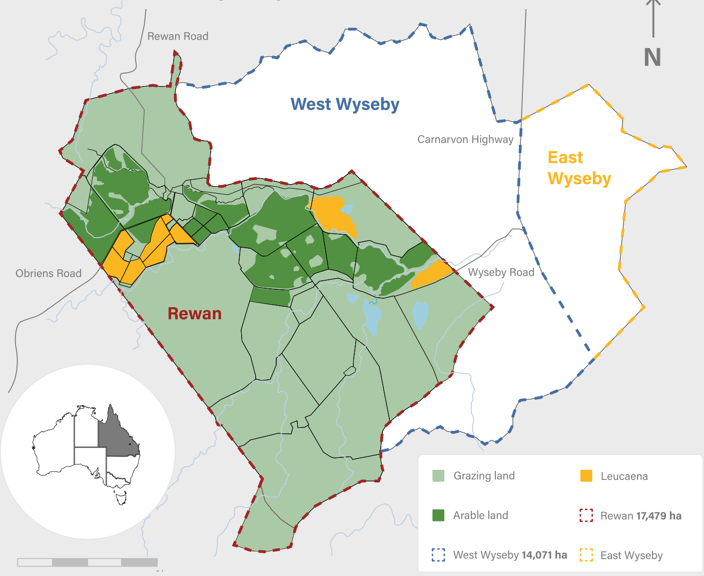
In October 2019 the property was leased to the Australian Agricultural Company (ASX: AAC) under a ten-year lease after being independently valued at $43.1m, an uplift of 38% on its purchase price.

Rewan was the first property AAC leased from RFF, introducing another high-quality lessee into the portfolio. AAC has since leased an additional two cattle properties from RFF; Comanche and Homehill in central Queensland.

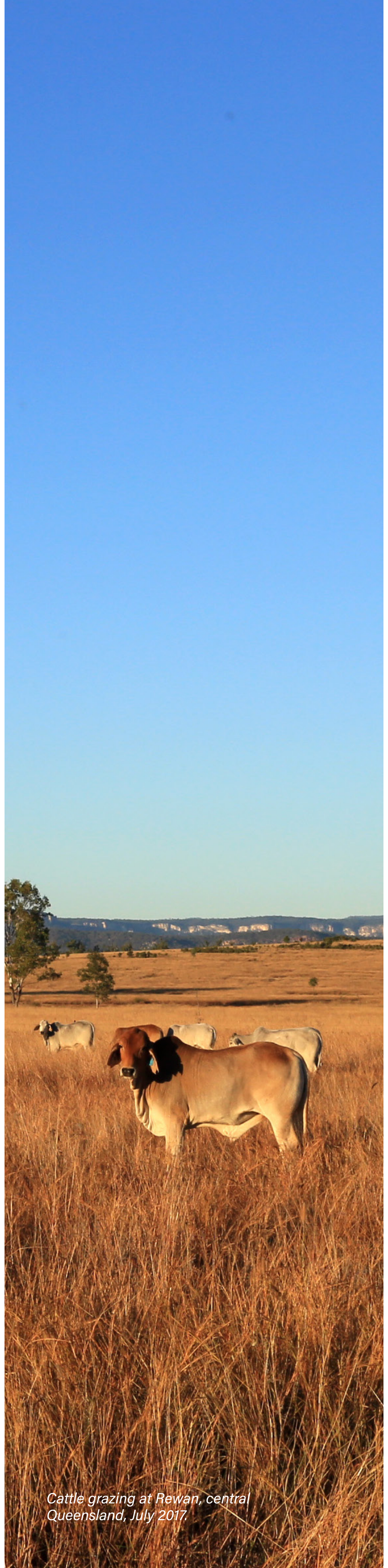
In June 2023 a property adjacent to Rewan, Wyseby, was acquired by RFF for its potential to be aggregated with Rewan.[4] As planned, in FY26 the property was subdivided with the co-owners into East Wyseby and West Wyseby, RFF's portion (see Figure 3).

The combination of higher land values, the opportunity to form an aggregation with Wyseby, and the RFM-led productivity improvements have supported a sale at a significant premium to book value. Both properties have been sold to the same purchaser.

Figure 3: Rewan and Wyseby



[3] Acquisition value includes transaction costs. Figure subject to rounding.
[4] A 57% interest in Wyseby was acquired as a tenants-in-common arrangement.



Cattle grazing at Rewan, central Queensland, July 2017

Other asset sales

Water entitlement sale

The sale of water entitlements has also formed part of RFF's broader asset divestment program.

In December 2016, RFF purchased 9,549 ML of high-security water entitlements on the Murrumbidgee River for $34.4m. At the February financial results presentation, 6,254 ML of these entitlements were already sold or contracted, and RFF has now sold the final tranche of 2,500 ML for net proceeds of $21.1m. These water entitlements were sold at a 134% premium to the purchase price. The remaining 795 ML from the original water entitlement purchase was added to the Kerarbury almond orchard lease.

Importantly, the water entitlements sold were not needed to support RFF's existing properties and were therefore surplus to portfolio requirements. While these entitlements have delivered strong capital growth, the income from annual allocation sales has been modest in recent years and below RFF's cost of debt.

Growing AFFO

The assets sales are expected to have a positive impact on RFF's cash generation, or adjusted funds from operations (AFFO).

Firstly, largely because of the high capital growth described previously, the income generated by some of the assets sold is below the current cost of debt. Using the proceeds from these asset sales to repay debt will therefore improve AFFO.

Another implication of the asset sales is that they will allow an increase to the J&F Guarantee arrangement. The J&F Guarantee is a security arrangement, in place since 2018, that supports a cattle finance facility for JBS Australia (JBS), a long-standing lessee of RFF's feedlots. RFF receives an income return for the provision of the Guarantee.

Figure 4 shows prior increases to the Guarantee as JBS's operational requirements have grown. Unitholders approved increases to the Guarantee in 2020 and 2022. In April 2026 they approved a further two increases:

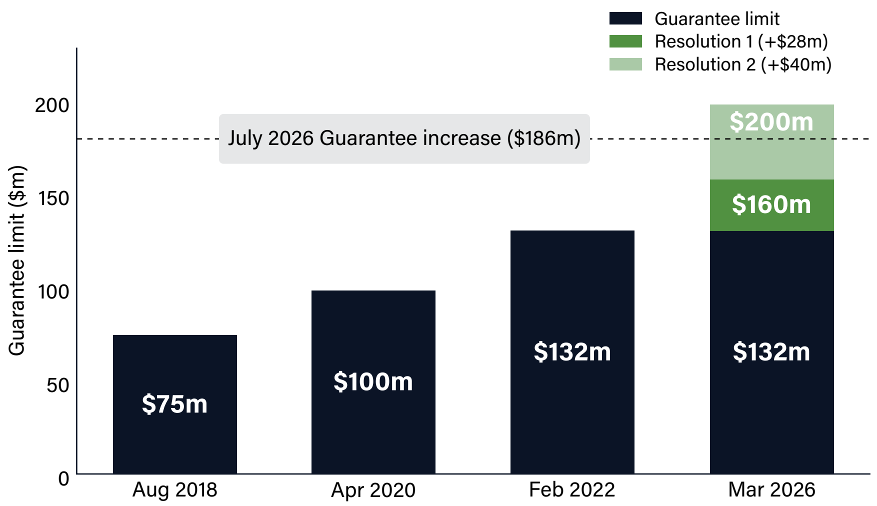
1. an immediate $28.0m increase, lifting the limit to $160.0m (Resolution 1)
2. pre-approval for a future increase of up to $40.0m, lifting the limit to $200.0m to allow for future JBS operational requirements, which importantly was contingent on $80.0m of asset sales (Resolution 2).

Subsequently, JBS have requested an increase to the Guarantee to $186.0m in the near term. Because income from the Guarantee requires no additional capital, it is also accretive to RFF's earnings.

Beyond this, lower gearing following the asset sales has improved RFF's capacity to fund future investment opportunities, including additional capital expenditure within the existing portfolio. One such opportunity includes JBS's future capital expenditure requirements which would in-turn generate additional lease income.

RFM will continue to assess appropriate investment opportunities consistent with RFF's long-term strategy of seeking to improve income and capital growth over time.

Figure 4: History of J&F Guarantee increases



Conclusion

These four cattle property sales, together with the final tranche of Murrumbidgee River water entitlements, provides a return to RFF's target gearing range. The assets sold – Rewan, Cobungra, Wyseby and Cerberus – were selected for divestment because of the productivity improvements that RFM set out to achieve at acquisition, among other factors.

RFF's pro forma gearing is expected to fall to 31.6%, from 39.1% at 31 December 2025, bringing the Group back within its 30–35% target range. Beyond the immediate deleveraging effect, the proceeds also satisfy the condition precedent for another increase to the J&F Guarantee, adding further accretive earnings without additional capital deployed.

For unitholders, the outcome is a lower-geared balance sheet with improved capacity to redeploy capital into opportunities offering stronger earnings potential, while the underlying strategy of investing across the full spectrum of infrastructure to natural resources remains unchanged. Further details will be provided as part of the FY26 results in August 2026.

Mustering cattle at Rewan, central Queensland, January 2017

Retail investor asset tour: Victoria

Unitholders are invited to tour Rosebank vineyard in Victoria's Grampians region on 1 October 2026.

Attendees will travel with and be guided through the vineyard by senior RFM management.

Spaces are limited, register your interest via the QR code.

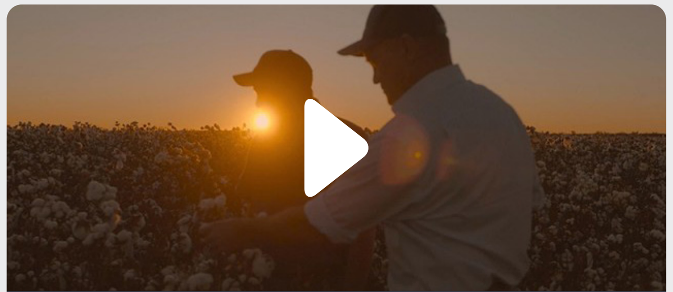
Shiraz grapes at Rosebank vineyard, Grampions wine region western Victoria, March 2019

Indicative itinerary:

7:00am	Melbourne pick up
8:30am	Ballarat pick up
10:00am	Tour Rosebank vineyard with management
12:00pm	Lunch
2:30pm	Depart for Ballarat and Melbourne

Video updates

Scan the QR codes below to watch videos covering key aspects of our cropping and horticulture operations.

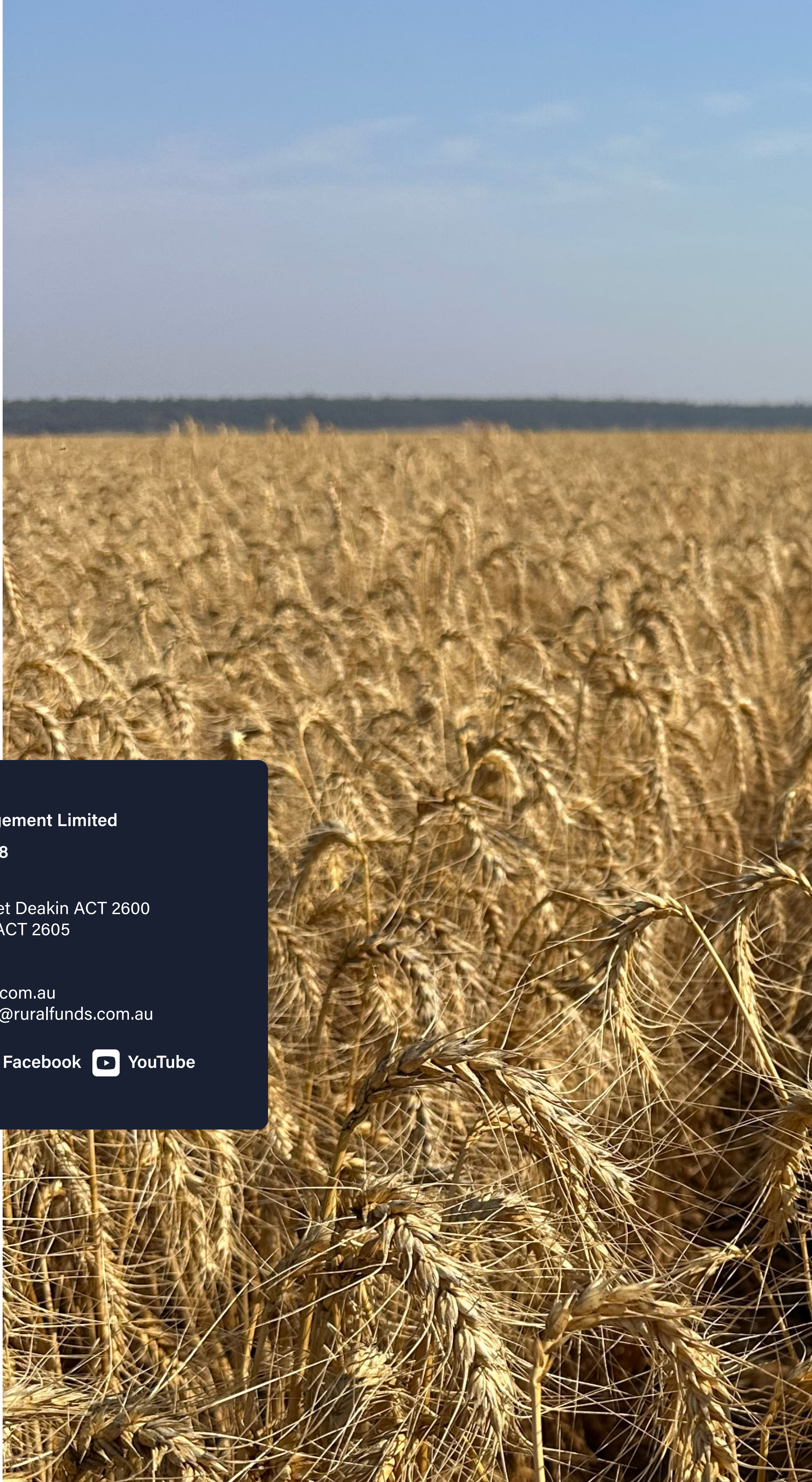


Cotton overview

Matt Mitchell, RFM National Manager - Cropping, provides an overview of cotton production in Australia and outlines RFM's approach to growing cotton in central Queensland.

Permanent sample plots on macadamia orchards

Dr Dan Manson, RFM Horticulturalist, discusses the use of permanent sample plots (PSP's) on RFF macadamia orchards.



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