

Warakirri Diversified Agriculture Fund

Quarterly Report

December 2023



PORTFOLIO SNAPSHOT

Financial Highlights	\$137.9m Property Assets ¹	\$114.5m Equity	21.26% Gearing ²	8.65% Projected IRR ³
Asset Profile	8 Production Regions	6 Agri Sectors	7 Climate Zones	1,529 Hectares
Lease Profile	7 Tenant Partners	11 yrs. WALE ⁴	100% Occupancy	6.76% Avg Gross Rental Yield ⁵

¹ Fund assets at fair market value. Excludes other balance sheet items. ² Ratio of bank debt to gross asset value. 50% initial leverage cap per asset, returning to max 25% steady state by asset within 12 months of acquisition. ³ Projected portfolio total internal rate of return (after fees and fund costs, but before investor tax and performance fees)
⁴ WALE – weighted average lease expiry by income ⁵ Current Average Gross Rental Yield on Asset Market Values before leverage, fees, costs and tax.

FUND PERFORMANCE

	3 Months	1 Year (%)	2 Years (% pa)	Since Inception (% pa)
Distribution Return	1.23%	4.69%	4.73%	4.46%
Capital Return	(1.19%)	(1.58%)	0.89%	1.65%
Total Return	0.04%	3.11%	5.63%	6.11%

Returns are after fees and fund costs, before investor tax and performance fees. Inception date was 13 May 2020. Since Inception Return calculations begin as at the first (modestly sized) capital call made in May 2020 and include over 5 months of data before the Fund settled on its first asset on 30 October 2020. The associated return drag from this period early in the formation phase will normalise over time.

Distribution
(Quarter ended 31 Dec. 2023)

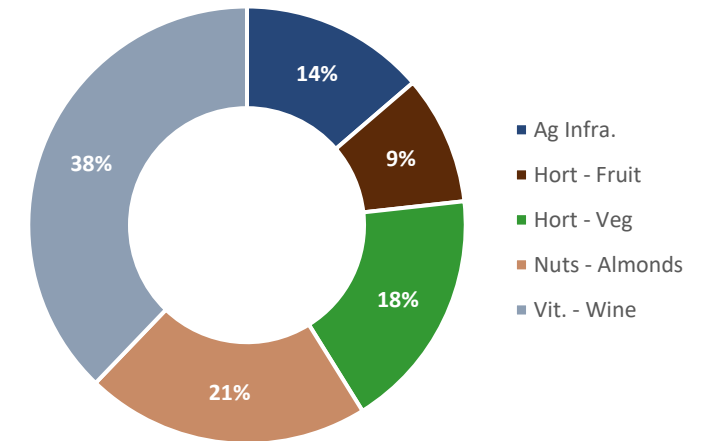
1.31 cpu

Unit Price
(31 Dec. Post-Distribution)

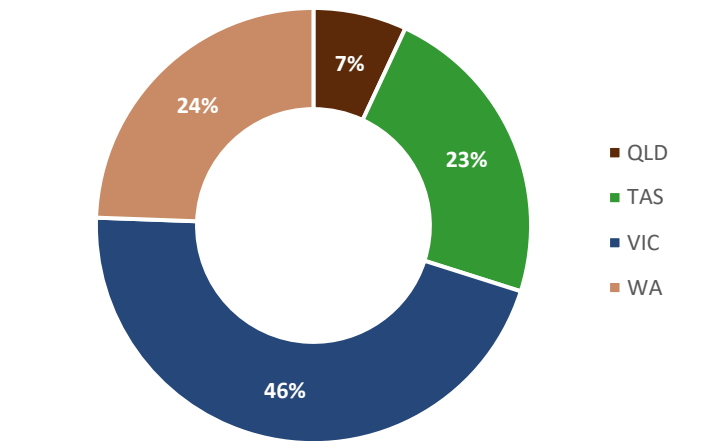
A\$1.0613



Portfolio Sector Allocation (by value)



Geographic Allocation (by value)



“Chromy Estate”, Tasmania



“Mondall”, Victoria



PORTFOLIO MANAGER UPDATE

Welcome to the December quarter 2023 update for the Warakirri Diversified Agriculture Fund (Fund), and Happy New Year.

As foreshadowed in the September report, the Fund made two exciting new investments this quarter, taking the portfolio to over \$140m in total assets. Secured as part of a 15 year lease deal with Perth based Fogarty Wine Group, the \$22m initial investment features two established vineyards, Amadeus Vineyard and Smithbrook Estate, located in WA's Margaret River and Pemberton wine regions.

Executed late in October, these new investments are accretive to Fund returns and the portfolio WALE. The assets also enhance portfolio diversification by geography, climate, water source and counterparty; nicely complementing the Fund's existing premium wine sector exposure in Tasmania.

The Fund's new Tenant Partner from this deal, Fogarty Wine Group (FWG), is another leading Australian wine business. Western Australian-based, the family-controlled wine group produces world-class wines across some of Australia's best wine regions. Grapes produced in the two vineyards acquired by the Fund feature in FWG brands Deepwoods, Evans and Tate, Millbrook, and the single vineyard Smithbrook label associated with the Pemberton property. Further insights on FWG are included in the Tenant Partner Profile feature below.

The Fund has again posted a good, steady income return this quarter, but overall performance has been influenced by the new acquisitions (transacted mid-way through the period) and revaluations on two assets. Fund level net income has allowed for a distribution of 1.31 cents per unit to all unit holders invested at December 31 2023. This is in line with 1.32 cents at September end, but we expect income returns to trend stronger in 2024 as the new investments make accretive, steady state contributions from this quarter onward.

As part of the Fund's rolling quarterly cycle, two fund assets, "Mills Lane" and "Mondall", were independently valued this quarter. For the former, it's the third revaluation since this asset was acquired in 2021, while "Mondall" joins the valuation cycle for the first time, just eight months from acquisition and ahead of it's first rent review. "Mills Lane",

the Fund's Gippsland (Vic) soft leaf salad and herb asset, posted a modest +0.4% uplift on the back of its valuation result. "Mondall", the Sunraysia (Vic) almond orchard, was valued slightly lower than it's purchase value (-3%) reflecting a slight softening in cap rates in response to rising interest rates and the timing of the valuation relative to its first rent review still to come in April. All else being equal, we anticipate the "Mondall" value will increase post this rent review and the next valuation after a full year of ownership. At \$137.9m, the total portfolio valuation is approximately 8% above the combined purchase price of the eight Fund assets.

At December end the Fund's unit price closed at \$1.06, slightly lower than the September quarter price of \$1.07. There are now 106.6 million units on issue, up 3% from September.

The Fund has now achieved a since inception total return of 6.11% p.a. driven primarily by rental income and complimented with the modest average annual capital return booked so far. Since the first distribution in March 2021, the Fund has paid an average annualised yield of approximately 4.46% after fees and Fund costs, while capital return has added a further 1.65% p.a over this same period from inception. The Fund's one and two year performance track record is also summarized in the table above, with total returns of 3.11% and 5.63% over these timeframes respectively.

As noted above, with further deployment and scale efficiencies across cost and cash management, we anticipate that distributions will continue trending toward target levels over the coming 12 months. And with good inflows and balance sheet capacity, the Fund remains well positioned for further investment opportunities coming down the pipeline.

Hitting the ground running in the new year, the team are actively engaged on a number of prospects in the tree crop and ag-infrastructure sectors. We have a particular focus on diversification into NSW and opportunities to expand the Fund's Qld exposure. And in respect to sectors, citrus, other fruit and nuts remain key focus areas.

Thank you for your ongoing support of the Fund. If you have any queries, please don't hesitate to get in touch with one of the team.

Steve Jarrott
Portfolio Manager



TENANT PARTNER PROFILE – FOGARTY WINE GROUP

The Fund's newest Tenant Partner, Fogarty Wine Group (FWG), is a family-owned operation based in Perth, Western Australia. The business is not only one of Australia's most awarded wine producers, but a best in class, market leading vineyard operator, producing a strong range of ultra-premium wines across a number of great brands and regions.

Since FWG's first wine sector investment in 1996, the group has expanded to become the largest wine producer in WA and also a major player in Tasmania, assembling an impressive portfolio of winery assets and a strong stable of premium labels. After a successful corporate career and long-held passion for wine, FWG originated when Peter Fogarty planted the first vines at his family property, Chestnut Farm, in the Perth Hills. Several years later Millbrook Winery was established on the site, complete with a winery, tasting room and restaurant.

Today, the FWG portfolio comprises wine brands from six different regions of Australia: Deep Woods Estate and Evans & Tate in Margaret River, Millbrook Winery in the Perth Hills and Smithbrook in Pemberton (all WA), Dalwhinnie in the Pyrenees (Victoria), Lake's Folly in the Hunter Valley (NSW), and Lowestoft and Tasmanian Vintners in Tasmania. And the Fogarty family is highly involved across the business. This includes Peter as executive chairman and all three of his children: John as chief viticulturalist, Mark as executive director and Anna as brand manager.

A key focus for the group has been locations selected for terroir that allow for distinctive, world-class wines to be produced. In support of their strategy and premium wine making ability, the FWG range has seen good success at recent wine shows, including Best Chardonnay, Best White and Wine of Show at the 2023 Sydney Wine Show. And FWG's Lowestoft 2022 La Maison Pinot Noir also won Australia's most prestigious wine award, the Jimmy Watson Memorial Trophy for Best Young Red at the Melbourne Royal Wine Awards 2023. The 2022 La Maison was also awarded the James Halliday Trophy for Best Pinot Noir.

Commenting on their transaction with the Fund, Peter Fogarty said: "We are pleased to be partnering with Warakirri on two of our vineyard assets. With significant expansion of our owned vineyards in Tasmania, we saw the opportunity to balance our owned versus leased vineyard portfolio and Warakirri presented as the best partner for these vineyard assets. The reallocation of capital allows Fogarty Wine Group to plant additional vines on our vineyards owned in Margaret River and Tasmania as well as support funding for the ongoing growth of our ultra-premium wine brands."

For more information visit <https://www.fogarty.wine/>

