

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 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 New Zealand 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

- **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.

dividend continues to be in line with this (between 18.2 -19.6% based 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 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.

