

RFM Poultry (RFP)

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NSX Release

Subject: RFM Poultry (RFP) Investor Update

As 2015 draws to a close, Rural Funds Management (RFM) is pleased to present an update to RFM Poultry (RFP) investors.

RFP Fund Performance

The RFP unit price has ranged from 88 cents to \$1 per unit since the release of the fund's FY15 financial accounts on 9 September. Units were trading at 95 cents per unit (cpu) at the time of publishing this update; a 17% increase for the calendar year to date and a 50% increase in price since listing on the National Stock Exchange of Australia (NSX) in March 2014 (Figure 1).

RFP has also continued to deliver strong returns via quarterly distributions of 3.59 cpu each (including franking) paid in January, April, July and October 2015. Looking ahead, the next RFP distribution will be paid on or around 29 January 2016 with a record date of 31 December 2015.

RFP was initially listed on the NSX as a sensible mechanism to provide liquidity for unitholders. There has been 12% turnover in the fund this calendar year. For those investors looking to trade RFP units, a list of brokers is available on the [NSX website](#).

In its FY15 financial results presentation, RFP reported net profit after tax of \$1.5m and earnings per unit of 21.96 cents. While this exceeded forecasts, the fund expects to return to normal levels of profit in FY16. Previously forecast distributions per unit are maintained at 10.05 cents paid and 4.31 cents franking credits (total 14.36 cents per unit).

The Dividend Reinvestment Plan (DRP) remains suspended so that RFP's capital management is efficient. As the FY15 accounts showed, the RFP balance sheet holds modest cash reserves which reflect the operational nature of the business and may assist future growth opportunities.

Figure 1 – RFP Unit price since listing



A Growing Chicken Market

While RFP's revenue is based on the size of chicken growing facilities rather than exposure to chicken meat prices, the fund is operating in a sector enjoying positive fundamentals. Domestic consumption of chicken is rising with very little competition from imports.

The Australian Chicken Meat Federation (ACMF) predicts that Australians will consume 47.1 kg of chicken meat per person in 2017/18, which is up from actual consumption of 44 kg per person in 2011/12. In comparison, Australians ate 31.9 kg of beef and 25.4 kg of pork in 2011/12.¹

ACMF puts this increased consumption down to a greater diversity of chicken products available, improved quality and consistency of chicken meat, price competitiveness and improved industry marketing. The price of chicken meat is decreasing in real terms while beef and pork products continue to rise, making it more appealing to consumers at around \$5.50 per kg. Almost 90% of consumers eat chicken at least once a week, and one-in-three consume chicken more than three times per week, according to a 2010 ACMF survey.

While global production is rising sharply, competition from overseas is not a current concern as chicken meat cannot easily be imported into Australia due to strict quarantine conditions. Most imports are tinned chicken products which have been heat treated.

In summary, Australian poultry is a sector with a sound outlook.

RFP Operations Update

RFP, as one of the largest chicken growers in Australia, is focused on continually improving the efficiency of its operations and bird welfare.

Management is maintaining compliance with RSPCA guidelines across the 134 chicken sheds operating in Griffith NSW. Compliance with the guidelines involves maintaining acceptable stocking densities, adequate lighting and providing an environment which encourages natural behaviours.

Another important focus will be maintaining the relationship with chicken processor Baiada, which acquired Bartter Enterprises and the Steggles brand in 2009. Baiada recently expanded its plant in Hanwood, just outside Griffith, NSW, to provide capacity to process 1.5 million chickens per week.

Looking ahead, RFM is exploring new opportunities to grow the fund and looks forward to continuing to deliver strong results in 2016.

RFM, as responsible entity for RFP, wishes all investors and advisers a safe and happy holiday period.

Yours sincerely

Stuart Waight

Chief Operating Officer

About RFM Poultry (RFP) ARSN 164 851 218

RFP is one of Australia's largest contract chicken growers producing approximately 30 million chickens every year. The chicken growing facilities that RFP operates are situated in Griffith, New South Wales and Lethbridge, Victoria. These facilities are leased from the Rural Funds Group, a listed entity that owns a suite of agricultural assets including poultry farms, almond orchards and vineyards. All chicken production is backed by long term grower contracts with a large national processor. RFM is the responsible entity of RFP.

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