

We are the
nexus between
farmer and
investor.

agCap



agCap Dairy Asset Management



Summary

agCap is an agriculture asset manager specialising in pasture-based Australian dairy farm operations and management.

Established in 2006, agCap has a long history of operational excellence in delivering institutional grade farm management solutions for clients.

The team at agCap collectively have over 85 years' experience of operation and management of Australian dairy farms in key dairy districts in Australia, including Southern NSW, Southeast SA, Victoria, and Tasmania. Whilst working together at agCap since 2013, the team successfully completed a turnaround of the Sustainable Agriculture Fund's Tasmanian dairy assets in preparation for a highly successful fund exit.

Through this, agCap has developed a series of fundamental principles – Focus, Alignment, Commitment, Tracking, and Stretch or 'F.A.C.T.S.'. These F.A.C.T.S are fundamental in our operating model and together focus on impacting profit, predictability and sustainability.

agCap believe that, under the right conditions and long-term approach, this unique model can deliver long-term sustainable top quartile returns to owners with consistent high-quality production.

Current Operating Environment

The underlying principles of sustainable pasture-based dairy farming; efficient people with good processes, productive pastures, and healthy animals have not changed in the previous two decades; however, the environment in which we operate has. With greater visibility and traceability being imposed on the market by customers, consumers, media and regulators; operators that embrace transparency and accountability proactively, will be best placed to manage on-going market change and react faster and more effectively.

Conscious of these social and regulatory changes, agCap has the tools, processes, and systems that allow us to provide evidence-based reporting that will support our social license to operate.

agCap solutions are focused on the sustainability of communities, jobs, farms, suppliers, production, staff, livestock, and the environment – that is, we believe that our responsibility extends beyond the farm gate and that creating a healthy and sustainable ecosystem ultimately creates a more stable operating environment. Our systems and models aim to improve information flow to get the right information to the right people at the right time.



agCap

Background

agCap was established in 2006, as the manager and trustee of the \$185m Sustainable Agriculture Fund (SAF), a collection of seventeen farms managed via five aggregations.

SAF was managed on behalf of seven Australian institutional superannuation funds and investors and was successfully sold in 2017 to a series of domestic and international buyers in line with the end of the fund life.

The Fund was structured around a key theme of diversification by segment (cropping, dairy, and livestock), geography and water source. The management of SAF provided agCap with deep insight into the interconnectivity of the agriculture ecosystem; a unique perspective and key competitive advantage over other single commodity farmers.

Part of the Sustainable Agriculture Fund included the successful management of the Cradle Coast Aggregation (CCA) – four Northern Tasmanian dairy farms milking a total of 2,900 cows. This resulted in agCap building considerable IP, deep knowledge, a sustainable operating model for aggregated dairy farm businesses and a team of people with broad ag experience from the paddock to the board room table.

The current agCap management team commenced in January 2013 and led a turn around that resulted in a stable workforce with no sharefarmer turnover in five years; production increase from 370 kgMS to 480 kgMS per cow and gross EBIT of \$5.65m. This sustainable performance occurred through a period when many competitors struggled to cope with the volatility (price and climate) and milk processor disruption.

The learnings from this operation have been distilled into a series of fundamental farming principles, a focus on process and measurement, all connected with a sustainable overlay.



Farming Fundamentals

The agCap farming fundamentals are based on:

Focus:

- Strong focus on the whole farm system: people, process, livestock, and pastures;
- Well defined farming systems that are understandable and replicable, and
- Clear focus with defined non-negotiables. These are the high-level parameters that are essential to your business and are basically set in stone.

Alignment:

- Alignment from the farm workers through to the farm owners;
- Farming systems aligned to farm owner goals, and
- Livestock and people that match the farming system.

Commitment:

- A culture that ensures all parties are committed, and
- Build long term relationships with service providers, contractors, suppliers and milk processors.

Track:

- Strong communication at all levels to track our progress, and
- Regular reporting to effectively monitor progress.

Stretch:

- Farm objectives that are challenging but achievable;
- Challenge ourselves to produce more with less and ensure that sustainability is embedded in our everyday farming practices, and
- Ensure that animal and people welfare are a daily priority.

Team

The agCap team has been working together since 2013 and has significant experience in dairy operations and managing large scale corporate investors.



Chief Executive Officer - Wolfie Wagner

Wolfie has 30 years' experience in the livestock industry, in particular, the dairy industry at all levels of production including as a farmer, in consulting and research.

Wolfie previously worked at the Geoffrey Gardiner Dairy Foundation in establishing nationwide benchmarks for dairy farm performance and was a previous winner of the Genetics Australia Dairy Share Farmer of the Year for Victoria and southern New South Wales.

Wolfie was also a former member of the DairyTas Board. Wolfie joined agCap in 2013.



Shirley Harlock — Independent Chair

With extensive experience in the dairy industry, Shirley has been involved in a number of industry bodies including the past Chair of the Robotic Research project at Camden for Dairy Australia, past chair of Dairy Food Safety Victoria, past director of Australian Dairy Farmers and has been a former Vice President of United Dairy Farmers, Victoria.

As a partner of Wollaston Farms, Shirley's farming enterprise includes a dairy property at Warrnambool and a mixed beef and sheep property with her family at Bool Lagoon, in South Australia.

Shirley has been honoured as the 2015 recipient of the ADIC Outstanding Service Award and has been inducted onto the Victorian Honour Roll of Women.



Manager - Finance — Meaghan Ryan

With an agricultural background and financial experience in the commercial property sector, Meaghan brings a strong accounting discipline to the agCap team.

Meaghan is responsible for preparation of management and statutory accounts as well as the farm management software. Meaghan has a Bachelor of Commerce from La Trobe University. Meaghan joined agCap in 2013.



Fred Grimwade — Independent Director

Fred is a Principal and Director of Fawcner Capital, a specialist corporate advisory firm. Fred is a non-executive director of a number of listed companies including Select Harvests, Australian United Investments and XRF Scientific.

Fred has extensive experience in the finance, investment management and agriculture sectors. He was previously the Managing Director of Colonial Agriculture Company and head of Private Equity at Colonial First State Investments. With a Bachelor of Laws and Commerce from the University of Melbourne and an MBA from Columbia University, Fred has had a diverse career including roles at King & Wood Mallesons, McKinsey & Co., Goldman, Sachs & Co., WMC and Colonial.

Fred is a Fellow of the Australian Institute of Company Directors and the Governance Institute of Australia.



Manager - Marketing, Admin & Accounts — Jasmine Hassett

Jasmine provides administrative and accounting support to the agCap team and is responsible for the roll-out of the business livery and marketing collateral.

With a strong attention to detail and 'can-do' attitude to her work, Jasmine is an integral member of the team. Jasmine joined agCap in 2015.



Cameron Griffin — Non-Executive Director

Cameron has 22 years of finance and investment management experience having worked in Australia, the United Kingdom and United States of America.

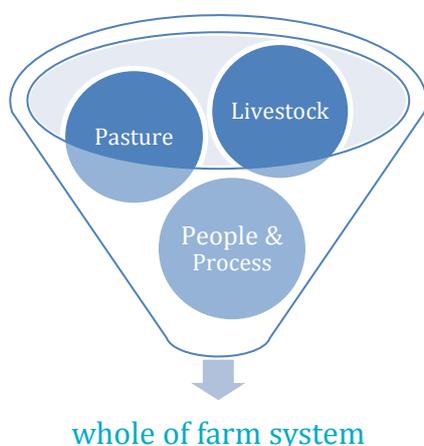
He currently manages the direct investment portfolio of the Fitzpatrick Family Office specialising in alternative asset investments and holds a number of board or advisory panel roles including LatAm Autos, Equiem and Proterra including representation on a number of subcommittees. Cameron previously worked at Hastings Funds Management in infrastructure equity and debt investments and EY Corporate Finance.

Cameron has completed studies at the University of Melbourne, Chartered Accountants Australia and New Zealand and Harvard Business School.

Farm System Management Model

At its core, the agCap dairy asset management model concentrates on the whole farm system and strives to find the balance for your business and circumstances. We define three key 'buckets' that aim to ensure that people, process, livestock, and pastures are structured and aligned to cohesively interact to ensure the best prospect of assets performing sustainably above average over the long term.

We also understand that different customers require different management solutions, and therefore agCap offers three levels of management solutions to suit the needs of the client: collectively aimed at maximizing profit and mitigating risk of the whole farm system, whilst providing evidence-based reports that support our social license to operate.



The best farmers (and their advisors) avoid the common mistake of decision makers of seeing the problem/decision only in part. They use the whole farm approach and accept that a farm is a combination of all things. Prof Bill Malcolm, 2018

People and process – agCap believe that people and process are a key part of any production system. Together, they must match the other elements of the farming system and complement the other 'buckets' to improve the operational efficiency of the farm. Our people are recruited via a disciplined process and should have a strong culture of focus and commitment. agCap reporting templates empower farm and financial reporting and ensure that decision making is data based.

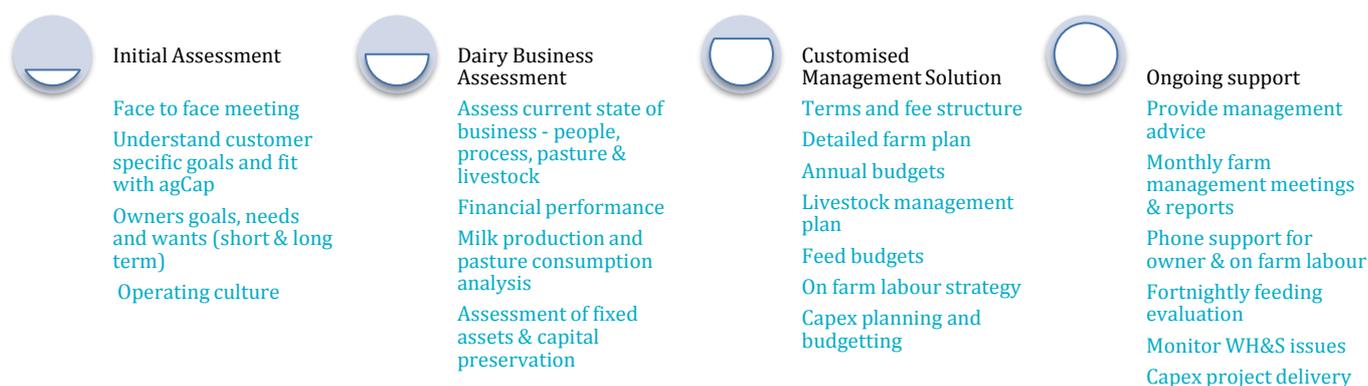
Pasture – agCap models are used to predict the seasonal growth curve and total pasture production of an individual farm. This allows us to determine the sustainable stocking rate which supports the economic model of more than 60% of a cow's total diet consumed as directly grazed pasture. agCap supports and mentors the on-farm team to achieve top quartile grazing management.

Livestock – agCap believes that livestock should be matched to the farming system and long-term breeding programs should be in line with 1:1:5 principles: 1 calf per cow per annum, 1kg milk solids per 1kg liveweight and more than 5 lactations per cow on average. Livestock traceability and performance monitoring are essential to enable the tracking of our farm business performance.



Implementation Process

agCap has developed a series of tools and a defined process that allows it to diagnose a situation quickly, and then recommend a series of management models, that align with needs and timetable of the client.



Management Solution Suite

agCap provides the following management solutions that are designed around the client's circumstances as assessed in the above diagnostic process. After assessing the status of the operations and intent of the client, agCap can align the short- and long-term goals with a sustainable plan on how to get there. The execution of these plans is fundamental to long term success and understanding the balance of the ecosystem in which we operate requires ongoing attention and controls.

By offering the range of products, agCap can help clients focus on short-term profitability or turnaround of underperforming operations through to long-term business plan creation and execution.

With its experience in managing the Sustainable Agriculture Fund, agCap understands the balance between future positioning, sustainability, and current profitability.

The below models are structured to find the balance between those factors:

1. End to end holistic asset management – long term, resulting in sustainable solutions.
2. Intermediate management solutions – up to two years with clearly defined objectives.
3. Short term management solutions focusing on a smaller number of issues.

We will tailor management solutions and fee structures in a manner that demonstrate our willingness to align with our customers and accept some performance risk in our remuneration. We think this demonstrates a strong belief in our model, and a willingness to stand beside our clients.



Output

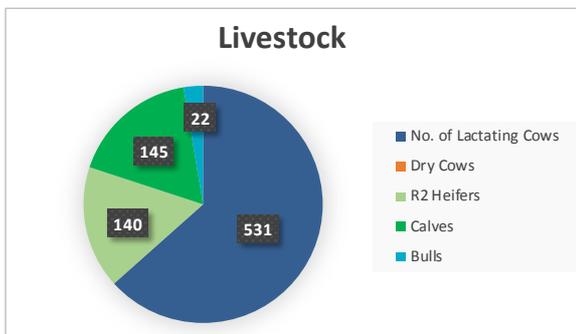
The outputs are a key communication and alignment tool that is shared from farm to board room. They ensure that all parties understand where they sit in the system and create awareness of the impact of decisions in line with the overarching objectives. agCap believes that this is a valuable component in educating the team and removing the risks of silos that can build up within organizations.

Impact	Outputs	Opportunities
Sustainability <i>People</i> <i>Livestock</i> <i>Environment</i>	High retention rate of key people Increased longevity to more than 5 lactations per cow leading to decreased depreciation and replacement costs Produce more with less preserving our national resources	Create work environments that encourage best practice and long-term job satisfaction Utilize single calving systems with breeding programs based on fertility Continually measure key inputs and balance against outputs
Profit	Maximize profit based on $\text{Profit} = \text{kgMS} \times \text{EBIT/kgMS}$	Maximize output whilst controlling/optimizing cost of production
Predictability	Accurate budgets and production forecasting Monthly report (financial, physical and production)	Utilize the agCap proven budgeting and reporting tools Farming system and stocking rate matched to the local environment and potential pasture production

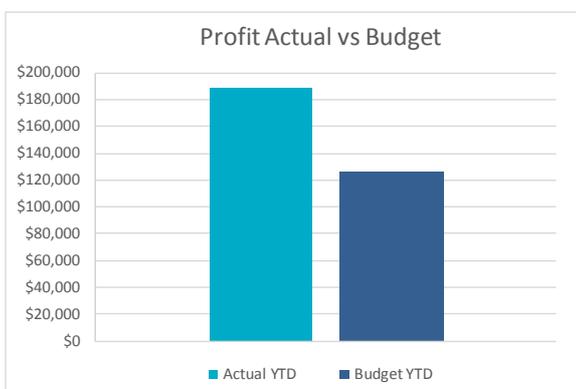


Monthly agCap Report Dashboard (CCA Farm YTD March 2018)

ASSETS	Farm
No. of Lactating Cows	531
Total Hectares	206.66
Effective Hectares	186
\$ Value of Property (inc water)	\$ 3,539,112
\$ Cattle value on hand	\$ 943,550
\$ Plant and Equipment	\$ 66,713
Total \$ Value	\$ 4,549,375
\$ Value / Hectare	\$ 22,014

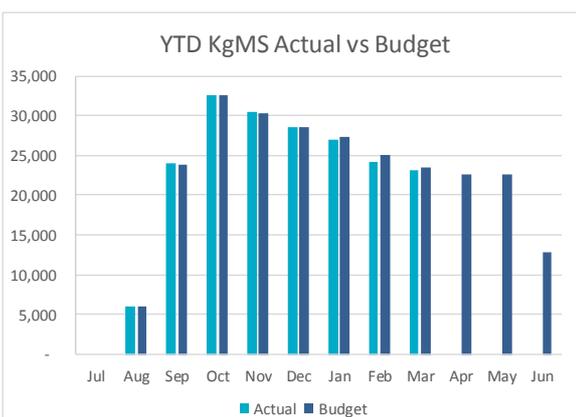


YTD Key metrics	Farm	
	Actual	Budget
Cost of Production \$/kgMS	(4.63)	(4.96)
Total Income \$/kgMS (net)	5.59	5.62
Net Cost of Production \$/kgMS	0.96	0.66
YTD Total Income	1,095,361	1,109,901
YTD EBIT	188,540	132,904
YTD Milk price	5.36	5.35
YTD ROA	4.14%	2.92%
YTD kgMS	195,826	197,415
kgMS/Lactating cow	368.79	371.78
KgMS/Effective ha	1,052.83	1,061.37



March Key measures	Farm		
	Mar Actual	Mar Budget	Variance
KgMS	23,092	23,468	- 376
Milk Price	6.54	5.55	0.99

	kgMS - Farm	
	Actual	Budget
Jul		
Aug	6,110.82	6,052.00
Sep	23,995.25	23,879.00
Oct	32,508.81	32,485.00
Nov	30,458.62	30,359.00
Dec	28,568.98	28,482.00
Jan	26,919.18	27,254.00
Feb	24,172.28	24,989.00
Mar	23,091.64	23,467.99
Apr		22,598.00
May		22,589.00
Jun		12,845.00





Risk Management Framework

Governance

agCap recognizes the value of robust corporate governance. As a holder of an Australian Financial Services License, we are regulated by the Australian Securities and Investment Commission; and our financial accounts and AFSL compliance are externally audited each year.

agCap has put in place structures and processes to ensure appropriate governance and to deliver sustainable performance to our clients. We have formal policies and procedures to cover a range of issues including conflicts of interest, breach reporting, and complaints handling. Our robust risk management processes and a strong culture are aligned with clients' needs and expectations.

Quality Assurance

agCap takes pride in quality outputs with strict quality control. Our board works closely with the management team to ensure transparency and honesty in our dealings.

Independence

agCap is not affiliated with any milk processor. We strive to negotiate beneficial outcomes for our clients and endeavor to build long term relationships.

Confidentiality

Confidentiality is paramount, and we are always prepared to execute non-disclosure agreements prior to commencing work with new clients.



Engagement Structure

Standard terms summary

The terms of engagement will be structured to meet the client's needs and create alignment between the farm management team, agCap, and the farm owner/investor. Standard items covered include:

- Length of term
- Periodic review terms and conditions
- Chart of accountability and responsibility of each party involved in the contract
- Organizational chart showing the delegations and reporting structures
- Contractual arrangements and agreements as applicable

Fee Model Structures

Our fee structure will be based on the findings from our Dairy Business Assessment which is conducted during our on-farm discovery phase. Fees will generally comprise a base management fee and performance fees that are designed to align remuneration with performance.

Base management fees can be calculated as:

- Rate per kgMS;
- Percentage of assets under management;
- Fixed monthly fee, or
- Fee for service

Performance fees

- Profit share
- Performance-based hurdles



Testimonials

“It is pleasing that the agCap model in dairy is NOT typical; it has been developed with careful thought regarding both the long-term interest of investors and those who make daily decisions in generating returns.”

John Mulvany
OMJ Consulting
Dairy Consultant to agCap

Electrically speaking, within the time our company worked on agCap properties, attention to detail and safety were #1 priority. A quick fix was not an option – do it once and do it right was the motto used on many occasions. This was reflected in a large decrease in maintenance work performed as the years moved on, rather using our time on-farm improvements and upgrades.

agCap properties were very well ran and managed from staff and workers to sharefarmers and team managers; using a very easy process for our company to follow, in order to complete the best job possible.

Brad Crowden
Director, Andrew Dare
Electrical Services
Deloraine, Tasmania

Next Steps

Contact agCap to obtain more information regarding our Dairy Business Assessment and tailored management solutions for your dairy farming business.

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References provided on request