



ASX ANNOUNCEMENT

Market Update - 31 May 2019

About Vitalharvest

Vitalharvest Freehold Trust (ASX:VTH) provides investors with exposure to agricultural property assets whose earnings profile and underlying value are exposed to the growing global agricultural demand for nutritious, healthy food. These assets provide agricultural diversification by way of crop type, climatic region, water source and product end markets.

VTH Revenue Model

VTH's revenue model is structured so as to provide certainty around the minimum level of annual return (base rent) as well as providing upside exposure care of a profit share mechanism (variable rent).

- Base rent is calculated as 8% per annum of historical acquisition costs plus other capital expenditure during the term of the lease (including any Further Term). It is paid by equal monthly instalments in advance.
- The profit share mechanism (variable rent) is calculated as 25% of earning before tax for each of the citrus and berry divisions operated from the VTH properties. Variable rent is paid twice a year.
- Importantly, each category (citrus and berries) is calculated independently of each other (they do not net off against one another), and can never be negative. In the event of any loss, the landlord is not exposed to losses by its tenant, however since commencement of these leases (Oct 2011), variable rent has always contributed to revenue (that is, it has never been nil).

VTH Tenant

All assets currently owned by VTH are leased to wholly-owned subsidiaries of ASX-listed Costa Group (ASX:CGC), one of Australia's largest growers, packers and marketers of fresh fruit and vegetables.



Citrus Update

- VTH owns in excess of 1,700 hectares of citrus plantings in the SA Riverland, of which 1,400 hectares are at mature yield with a further 300 hectares immature. This large area of immature plantings supports future growth in production and earnings.
- In addition to citrus, VTH also owns 100 hectares of avocados (40% mature plantings, 60% immature), 25 hectares of persimmons (20% mature, 80% immature) and approximately 100 hectares of mature wine grapes.
- Citrus is experiencing an 'on year', as confirmed by the tenant who reports citrus volume, quality and demand is strong for the upcoming season.
- Of note, fruit fly was detected at Lindsay Point, Victoria on 21 May 2019. Agriculture Victoria and Primary Industries and Regions South Australia (PIRSA) have implemented quarantine and fruit movement restrictions in-line with the National Fruit Fly Strategy, including a 15km suspension zone.
- This affects VTH to the extent that one portion of VTH's three citrus properties falls within this fruit fly suspension zone. Fruit volume, size or quality is not expected to be impacted; however, it is likely that in preparing the fruit for sale additional costs may be incurred by CGC (freight, third-party packing and cold treatment).

Water Update

- Water supply and security underpins efficient irrigation production systems.
- Water assets are an integral component of VTH's portfolio, including:
 - 10,152ML of high security water entitlements in the sMDB held against the citrus assets; and
 - 3,150ML of water entitlements across the berry assets.
- Water has not been a production limiting factor across either our citrus or berry assets.
- VTH's high security southern Murray-Darling Basin (sMDB) entitlements have received 100% allocation in the current water year. Any additional water needs are met at the cost of the tenant, a portion of which indirectly flows through to VTH's variable rent calculation.
- Influenced by ongoing drought conditions, water continues to be a scarce resource across much of Australia, including the sMDB where water prices are elevated due to reduced seasonal supply. Any future influence of escalated water price will be subject to allocations against entitlements, river system inflows and water market prices.



Berries Update

VTH owns the largest portfolio of blueberry, blackberry and raspberry producing assets in Australia. Under CGC's stewardship, supported by VTH's active capex program, they are also recognised as industry-leading in terms of production system efficiency, yields and quality. This position was confirmed in CGC's market announcement (dated 30 May 2019), stating that VTH's Corindi farm delivered strong blueberry production, including production of the premium Arana offering.

VTH acknowledges CGC's statement that the raspberry category has been disappointing, with one variety producing 'crumbly fruit' late this season. For context, raspberries represent approximately 25% of VTH berry plantings, and the variety in question is circa 35% of the raspberry area.

END.

Liza Whitmore
goFARM Asset Management
Executive Chair

Liam Lenaghan
goFARM Asset Management
Managing Director

About Vitalharvest (ASX:VTH)

Vitalharvest owns one of the largest aggregations of berry and citrus farms in Australia. These are located in prime growing locations in New South Wales, South Australia and Tasmania and leased to Costa Group (ASX:CGC).

Vitalharvest provides investors with exposure to agricultural property assets whose earnings profile and underlying value are exposed to the growing global agricultural demand for nutritious, healthy food. These assets provide agricultural diversification by way of crop type, climatic region, water source and product end markets.

Vitalharvest is an agricultural real estate investment trust managed by goFARM Asset Management (ACN 625 505 455) AR No. 001264243.

The Trust Company (RE Services) Limited (ABN 45 003 278 831) (Responsible Entity), part of Perpetual Limited (ASX:PPT), is the responsible entity for the Vitalharvest Freehold Trust ARSN 626 537 362.

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