



**Rural Funds Management Ltd**

ABN 65 077 492 838  
AFSL 226701

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Locked Bag 150 Kingston ACT 2604

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## RFM StockBank ARSN 153 436 803

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14 July 2016

### Introduction

Rural Funds Management Limited ABN 65 077 492 838 (**RFM**) is the Responsible Entity (**RE**) for RFM StockBank ARSN 153 436 803 (**StockBank** or **the scheme**).

The Australian Securities and Investments Commission (**ASIC**) Regulatory Guide (**RG**) 232 applies to agribusiness schemes, which are defined as “managed investment schemes that engage in primary production activities”. StockBank is an agribusiness scheme as defined by RG232.

Under RG232, RFM as the RE for StockBank must report against five disclosure benchmarks (**benchmark reporting**) and five disclosure principles (**disclosure**). RFM’s benchmark reporting and disclosure will assist retail investors to analyse the relative risks and returns of an investment in StockBank.

RFM will provide StockBank investors with updated benchmark reporting and disclosure and any material changes by posting the information on the RFM website at [www.ruralfunds.com.au](http://www.ruralfunds.com.au).



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## Benchmark Reporting

Benchmark	Compliance
<p><b>Benchmark 1: Fee structures</b></p> <p>The scheme is structured so that either:</p> <p>(a) investors are required to pay annual fees (or contributions) to the responsible entity that are sufficient to fund the operation of the agribusiness scheme for the relevant financial year; or</p> <p>(b) the up-front fees (or contributions) investors pay when they invest is sufficient to cover the operation of the agribusiness scheme until the proceeds of sale of produce are available and this money is held on trust for the investors in that agribusiness scheme.</p> <p>Any fees (or contributions) received by the responsible entity from investors in the agribusiness scheme are:</p> <p>(a) held separately from the other assets of the responsible entity for the benefit of the investors and only available for the operation of that agribusiness scheme and are subject to annual audit; and</p> <p>(b) only used by the responsible entity to meet any expenses that are incurred in the operation of that agribusiness scheme during the period to be covered by the payment.</p>	<p>Yes</p>
<p><b>Benchmark 2: Responsible entity or related party ownership of interests in the scheme</b></p> <p>The responsible entity and its related parties own less than 5% in aggregate by value of the interests in the agribusiness scheme except for any interests acquired through the default by a member of the agribusiness scheme.<sup>1</sup></p>	<p>Yes</p>
<p><b>Benchmark 3: Annual reporting to members</b></p> <p>The responsible entity provides members with a report at least annually that contains relevant scheme-specific information.</p>	<p>Yes</p>

<sup>1</sup> Rural Funds Group a \$220 million, ASX listed stapled trust (of which RFM is the responsible entity) holds, at the date of this disclosure, 33.23% of the issued units in StockBank.



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Benchmark	Compliance
<p><b>Benchmark 4: Experts</b> Where the responsible entity engages an expert to provide a professional or expert opinion on the agribusiness scheme the responsible entity only engages an expert that is independent.</p>	Yes
<p><b>Benchmark 5: Appointing and monitoring service providers</b> The responsible entity only engages key service providers necessary for the operation of the agribusiness scheme where: (a) the engagement is subject to a written agreement approved by the board of the responsible entity in accordance with a documented policy; (b) the agreement is subject to annual review against set performance criteria or measures; and (c) the agreement is subject to certification by the board, at the time each agreement is entered into, that the agreement is on an arm's length basis.</p>	Yes

## Disclosure

Disclosure Principle	Disclosure
<p><b>Disclosure Principle 1: Investor financing arrangements</b> If the responsible entity or a related party is providing finance, or expects to receive payment for arranging finance for investors in the agribusiness scheme to fund an investment into the scheme, the responsible entity should clearly disclose certain information in the PDS.</p>	Neither RFM nor its related parties provide finance to StockBank investors.

Disclosure Principle	Disclosure		
<p><b>Disclosure Principle 2: Track record of the responsible entity in operating agribusiness schemes</b></p> <p>The responsible entity of an agribusiness scheme should disclose the experience and resources it has available to operate the agribusiness scheme and the agribusiness enterprise.</p> <p>Where the responsible entity has operated other agribusiness schemes, it should disclose:</p> <p>(a) the number of agribusiness schemes it currently operates;</p> <p>(b) the types of agribusiness scheme being operated;</p> <p>(c) the period of time that it has been operating the agribusiness schemes; and</p> <p>(d) whether any of the agribusiness schemes operated by the responsible entity have produced, or are producing, positive returns net of contributions for the investors in those agribusiness schemes.</p>	<b>Scheme</b>	<b>Type</b>	<b>Commencement date</b>
	Rural Funds Trust ARSN 112 951 578	Horticultural land, vineyards, chicken growing sheds and water entitlements	February 2005
	RF Active ARSN 168 740 805	Agricultural operations	April 2014
	Together, Rural Funds Trust and RF Active form a stapled investment vehicle and trade on the ASX as the Rural Funds Group (ASX Code: RFF).		
	RFM Almond Fund 2006	Almond growing	January 2006
	RFM Almond Fund 2007	Almond growing	March 2010
	RFM Almond Fund 2008	Almond growing	March 2010
	2007 Macgrove Project	Macadamia growing	February 2016
	RFM StockBank	Livestock leasing	October 2011
	RFM Poultry (NSX: RFP)	Poultry operations	July 2013



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Disclosure Principle	Disclosure
	<p>ARSN 164 851 218</p> <p>All historical fund financial performance is disclosed on RFM's website <a href="http://www.ruralfunds.com.au">www.ruralfunds.com.au</a>.</p>
<p><b>Disclosure Principle 3: Responsible entity's financial position</b></p> <p>The responsible entity should disclose a summary of its financial position in any PDS, including details of any known unfunded obligations in respect of the schemes it operates.</p> <p>The responsible entity should disclose if it:</p> <p>(a) is reliant on funding from external or related parties to perform the functions and obligations to members in relation to the agribusiness scheme;</p> <p>(b) has entered into guarantees or indemnities with external or related parties; or</p> <p>(c) is a member of a tax consolidation group.</p> <p>It should also disclose the measures it has in place to address the risks arising out of these arrangements to its financial position and its ability to meet its obligations in relation to the agribusiness scheme.</p> <p>If the responsible entity is reliant on funding from external or related parties to perform its functions and fulfil its obligations in relation to the agribusiness scheme, it should disclose the extent of the reliance.</p> <p>If the responsible entity has entered into any guarantee or indemnity with external or related parties, it should explain:</p>	<p>RFM is not reliant on funding from external or related parties to perform its obligations and functions to members. RFM has not entered into any guarantees or indemnities with external or related parties. RFM is not part of a tax consolidation group.</p>



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Disclosure Principle	Disclosure
<p>(a) what each guarantee or indemnity is, including the names of the parties to the guarantee; and</p> <p>(b) the potential implications of entering into these arrangements on the financial position of the responsible entity if the other parties are unable to meet their obligations.</p> <p>If the responsible entity is a member of a tax consolidation group, it should disclose details of:</p> <p>(a) whether a tax-sharing agreement is in place and the parties to the tax-sharing agreement; and</p> <p>(b) if no tax-sharing agreement is in place, the potential implications of not having this.</p>	
<p><b>Disclosure Principle 4: Land, licences and water</b></p> <p>The responsible entity should disclose the arrangements entered into to secure rights of access or tenure to the resources and infrastructure required to operate the agribusiness scheme, including any land, licences or leases, and water required, and whether these arrangements:</p> <p>(a) provide for access for the life of the agribusiness scheme; and</p> <p>(b) are entered into on an arm's length basis.</p> <p>The responsible entity should disclose:</p> <p>(a) the risks associated with these arrangements;</p> <p>(b) the consequences of a failure by the responsible entity to pay amounts due under these arrangements, and any breaches of these arrangements or agreements underlying these arrangements; and</p>	<p>StockBank enters into an Operating Contract with each Operator. Under the Operating Contract, it is the Operator's responsibility to maintain sufficient pasture and water required to fatten the StockBank livestock. StockBank retains ownership of all livestock.</p> <p>AgLink, an entity associated with shareholders in RFM, will provide access to its properties for fattening and finishing of sheep. This transaction is on commercial arm's length terms. The services provided by AgLink can be readily replaced, and will also be provided by other unrelated parties. The RFM Conflict of Interest Management Policy ensures that all transactions occur on a commercial arm's length basis.</p> <p>RFM does not use StockBank assets as security for any borrowing by RFM.</p>



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Disclosure Principle	Disclosure
<p>(c) any measures the responsible entity has implemented, or will implement, to address these risks.</p> <p>The responsible entity should disclose the identity, where known, of the owner of the resources and infrastructure referred to in RG 232.96, the terms of use and whether security has been given over these assets.</p> <p>The responsible entity should disclose (where applicable) for any leases, licences, rights or infrastructure required for the operation of the agribusiness scheme:</p> <p>(a) whether the responsible entity treats the leases and licences or rights as scheme property;</p> <p>(b) the identity of the parties to the leases, licences and/or rights; and</p> <p>(c) whether any action in relation to a lease, licence or right needed for the operation of the agribusiness scheme, which is not an obligation of the responsible entity, could endanger the relevant lease, licence or right. Disclosure should clarify the risk of this occurring and how it may affect the agribusiness scheme.</p> <p>If land, licences or water assets are, or are proposed to be, used as security for borrowings by the responsible entity, the responsible entity should disclose the level of actual or proposed gearing, and the risks associated with this gearing, in the PDS and in the report provided to members under Benchmark 3.</p>	



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Disclosure Principle	Disclosure
<p><b>Disclosure Principle 5: Replacement of the responsible entity</b></p> <p>The responsible entity should disclose whether there are any restrictions on the ability of any replacement responsible entity to access the resources required to continue to operate the agribusiness scheme (including but not limited to any leases, licences, land, water and money held for the purposes of operating the scheme).</p> <p>The responsible entity should disclose:</p> <ul style="list-style-type: none"> <li>(a) whether the responsible entity or related parties are eligible for any payment or fee that is payable if the responsible entity is replaced, or is to be replaced, and, if so, the amount or method for calculation of this fee;</li> <li>(b) the effect of a change in responsible entity on any agreements entered into between investors and the responsible entity or other parties in relation to the agribusiness scheme;</li> <li>(c) any obligation to repay fees already paid to the responsible entity to the incoming responsible entity if the responsible entity changes; and</li> <li>(d) the risk to, and impact on, investors if the responsible entity changes.</li> </ul>	<p>StockBank has entered into individual agreements with Operators and Agents with RFM as RE, to facilitate the operation of StockBank. If RFM was replaced by a new RE, the new RE would need to take over those agreements in order for StockBank to remain operational.</p> <p>The key risk for StockBank investors if RFM is replaced is to ensure any replacement RE has the expertise to conduct StockBank's farming operations.</p> <p>RFM is not eligible to receive any payment or fee if it is replaced as responsible entity, other than any accrued, but unpaid management fees and reimbursements.</p>