

Private Land & Property Fund

Quarterly Client Update

Update as at and for the quarter ending 30 June 2024



Investment outlook

While returns of the Private Land and Property Fund (Fund) have been 8.1% on an annualised basis over the three year period to 30 June 2024, and 8.6%p.a. since inception (after fees and tax), the past quarter delivered a 0.7% return. While modestly positive it is pleasing to see returns from both cash income received and property development gains contributing to the overall result. The Fund aims to generate an average long-term return of about 6.5%p.a. over rolling 7yr periods from a combination of income and gains as properties reach full productive capability.

This quarter confirmed that our 2024 Marlborough vineyard grape harvest was substantially lower than what we might expect on average over the medium term. This is the result of a handful of severe frosts in the early part of the season, some of which were affected despite consistent windmill air circulation.

While these lower volumes will affect the level of income we receive from properties that sell crops through supply agreements, there are some positives from an industry perspective. The previous two seasons were 'bumper' vintages and this lower-volume harvest is supportive of maintaining grape prices, by helping avoid oversupply in the market. As it currently stands, we see strong underlying demand continuing because of the lower volumes this season.

It's worth noting again that most of the portfolio invests in properties that generate income via fixed rate leases, and we continue to explore options to diversify the portfolio.

In April we notified the market that we have entered into a conditional agreement to purchase a large scale recently built industrial property, subject to satisfactory completion of due diligence and supervisor approval, both of which are ongoing and well-advanced.

If successful, the property would represent approximately 30% of the Fund's total (gross) property value post transaction. The property is subject to a long-term net lease with a strong tenant.

This purchase represents an exciting addition for the Fund and supplements our core horticultural/agricultural focus with further diversification benefits. As we have previously noted, investments in property outside of our core horticultural and agricultural focus are actively considered where the risk/yield proposition is attractive.

It's important to note that property values do vary over time, though a longer-term perspective is important. The Fund's investment objective remains focused on producing returns over a 7-year rolling period which allows for 'peaks' and 'troughs' in the business and investment cycle.

As well as this opportunity, we continue to actively explore opportunities to broaden and diversify the portfolio and support its income, including taking advantage of opportunities that the move higher in interest rates is now presenting.



Property updates

Vineyards

The vineyards have now lost their leaves and winter pruning and maintenance is well underway.

The pruning strategy employed has a material impact on the expected quality and quantity of growth for the next season. Winter pruning is also one of the biggest vineyard expenditures. Typically cane pruning has been the traditional pruning method of choice, however recent research has shown that a pruning technique known as 'Long Spur' can reduce labour costs while not adversely affecting canopy density and yield. This technique is being trialled at one of our blocks in Marlborough and we're looking forward to comparing results.

Kiwifruit

With the 2023/24 packing season now finished, the industry reported record volumes. Class 1 Trays almost doubled from 2023 to 108,355 at our Kerikeri orchard.

On the back of larger volumes, smaller size profile has been reported in Green and Green Organic fruit, and returns to growers have been clipped slightly due to foreign currency rates, particularly Japanese Yen. However, the outlook is positive for the 2024/25 season with prices forecast to remain robust, albeit perhaps slightly softer than last year.

The lemons previously planted continue to develop and a small first harvest is expected in 2025.

The income received from the fund's kiwifruit property in Kerikeri has remained steady due to the fixed lease, which is due for a market review next quarter.

Avocados

The last quarter has closed the book on the disappointing 2023/24 season. Fewer than 1.5 million trays were exported, compared to 5 million trays during favourable and productive seasons. With that out of the way, early signs point to a more positive outlook for the upcoming season, largely due to two macroenvironmental factors. Firstly, international competitors are likely to experience reduced supply volumes compared to last season. Secondly, the probability of local avocado crops suffering from another perfectly ill-timed weather event is low, and the industry is looking forward to a more normalised year.

Providing some insulation from year to year fluctuations, the income received from our avocado orchard is a fixed lease that comprises rate increases as the orchards reach maturity in 2028. The latest of these stepped increases was in April 2024.



Hops

The hop garden at Waimea West Hops continues to mature and is on-track to reach full maturity by the 2025 season. This will result in increased yields from the current garden. As volumes increase we continue to explore different channels to market in order to maximise value and ensure security of demand.

Weather-related events

Finally, some good weather news to report as our Hawkes Bay vineyards and Bay of Plenty orchards were largely unaffected by the late-June storm which saw emergency warnings to that part of the North Island. Latest reports are of no material damage to report to plant or property.

Key Facts

Private Land and Property Fund (Fund)

Fund Size (net asset value)	\$125.9 million
Inception Date	07/01/2019
Manager	Booster Investment Management Ltd
Supervisor	Public Trust
Fund Type	Portfolio Investment Entity (PIE)

The Fund obtains its property exposure by investing into the Wholesale Portfolio alongside some cash held within the Fund.

Private Land and Property Portfolio (Wholesale Portfolio)

Fund Size (net asset value)	\$125.2 million
Inception Date	13/06/2017
Manager	Booster Investment Management Ltd
Supervisor	Public Trust
Fund Type	Portfolio Investment Entity (PIE)

Fund Performance as at 30 June 2024

The Fund has a minimum suggested investment timeframe of four years, and its performance aims are measured over a 7-year horizon. The return information below includes returns due to property market movements which vary over time, so the range of returns may be different over a longer period. However the Fund aims to achieve a long-run return of 6.5% pa (before tax, after fees) from a combination of rental and crop income, and capital gain from improvements in property productive capacity. Past performance is not an indicator of future performance.

	Before Tax	After Tax at 28% PIR
Last 3 months	0.5%	0.7%
Last 6 months	-2.6%	-2.4%
Last 12 months	-1.6%	-1.6%
Last 2 years (p.a)	5.0%	5.0%
Last 3 years (p.a)	8.3%	8.1%
Last 5 years (p.a)*	8.9%	8.4%
Since inception 13/06/2017 (p.a)*	9.2%	8.6%

All figures are after fees. Please see the Product Disclosure Statement for further details on fees.

*Returns prior to the inception of PLPF in January 2019 are based on the underlying wholesale PLPP return.

Investment Holdings

Wholesale Portfolio	\$	%
Total Assets (millions)		
Property Assets (location / region)		
Awatere Valley, Marlborough Vineyard properties	\$29.0	20.3
Hope, Nelson Region Vineyard properties	\$19.0	13.3
Hawke's Bay Winery building	\$3.1	2.2
Hawke's Bay Vineyard property	\$5.8	4.0
Mahana, Nelson region Winery building & Vineyard property	\$3.7	2.6
Kerikeri, Northland Kiwifruit orchard property	\$19.7	13.7
Waimea, Nelson region Waimea West Hops Ltd	\$11.0	7.7
Southland Dairy farmland	\$32.8	22.9
Bay of Plenty & the Far North Avocado orchards	\$18.0	12.6
Total property assets	\$142.1	
Other Assets		
Cash / Income	\$0.1	
Accrued income	\$1.1	
Total Assets	\$143.3	
Total Liabilities (millions)		
Borrowings with BNZ	\$18.0	
Other liabilities (incl Property Operating Costs)	\$0.0	
Total liabilities	\$18.0	
Net asset value	\$125.2	
Gearing Ratio		12.6

The investment objective and strategy of the Wholesale Portfolio allows it to borrow to invest in more land and properties or to develop land and properties it already holds. Bank of New Zealand (BNZ) has provided a loan facility of up to 50% of the value of the secured properties for use by the Wholesale Portfolio to effect its gearing strategy which results in BNZ holding a security interest over most of the assets held by the Wholesale Portfolio. For further information on the Wholesale Portfolio, please refer to the Fund's PDS and Other Material Information document.

The gearing ratio shows the level of borrowing the Wholesale Portfolio has undertaken as a percentage of total assets.

Disclaimer: The Private Land and Property Fund (Fund) is part of the Booster Investment Scheme 2 which is issued and managed by Booster Investment Management Limited. The Fund's Product Disclosure Statement is available at www.booster.co.nz, by contacting your financial adviser or by calling Booster on 0800 336 338.

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