

## FUND UPDATE

21 May 2019

### **Arrow Primary Infrastructure Fund acquires new pig grow-out facility**

The directors of Arrow Funds Management are pleased to announce that they have contracted to acquire and lease back a brand new pig grow-out facility operated by Pigco Pty Ltd (**Pigco**) at Thyra, near Moama in New South Wales. The Thyra acquisition cost will be \$17.045 million, representing 6.5% of the Fund's total assets. The property will be leased back to Pigco on a 20 year lease, with a further two 10 year options.

The 468 ha property comprises a recently constructed grower facility with 28 sheds with a licensed carrying capacity of 25,000 pigs. Other improvements include two automatic feeding systems and the latest effluent management systems including a bio-digester which produces methane gas to power an on-site bio-gas generator set, which will power the entire (off-grid) site.

This latest acquisition fits perfectly with the investment goals of the Fund – to own Australian primary industry properties which have a competitive advantage with sustainable, long-term prospects; are strategically located, with leading operational management, and are capable of performing in the top quartile of their industry.



Pigco is a private company owned by its Chairman David Shelmerdine and Managing Director/CEO Ian Peace, together with associated investors.

The site has been designed to grow out pigs that have been bred on other properties within the Pigco group. It is intended that the site will produce approximately 105,000 grower pigs per annum for delivery to wholesale meat processors.

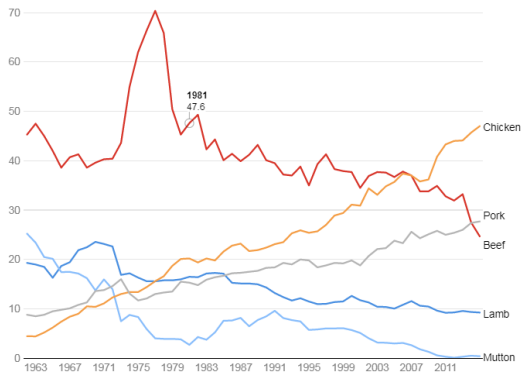
The site has licences to access water from the Moira Private Irrigation Scheme, which draws from the Murray River, as well as a licenced groundwater bore, which is not currently utilised.

The property represents a best practice, sustainable way of agriculture: effluent is collected in a management system that produces methane gas used to power the whole site and waste water is treated and utilised on-site via two centre pivot irrigators to grow crops, which remove the nutrient as hay or grain.



The Pork industry in Australia accounts for approximately 2.13% of total farm production by value or approximately \$830 million annually. The industry comprises approximately 1,500 farmers across most states, with the main production centres being New South Wales, Victoria and Queensland.

Meat consumption in Australia (kilos, per capita, by type) 1962-2016



Pig meat consumption in Australia has increased in recent years and now ranks second to chicken on a consumption per capita basis.

Arrow believes that the industry is at the start of a process of consolidation, similar to that experienced in the poultry meat industry over the last 20 years, as costs of production continue to rise, compressing farm gross margins.

We believe that Pigco's timing with their construction of a well located, modern, larger-scale operation such as Thyra with its automatic feeding systems provides an efficient grow-out facility with economies of scale.

The Thyra acquisition and leaseback transaction is accretive to the Fund's Earnings per Unit (EPU) and its Weighted Average Lease Expiry (WALE). Rental income from the property will be increased annually by +2.25% and, as with all of the Fund's "triple net" leases, all operating, property holding, and repairs & maintenance expenses are paid by the tenant.

The transaction will settle following completion of building works, which is anticipated to be in the last weeks of June 2019.

ANDREW ASHBOLT  
MANAGING DIRECTOR