



Fund Update 21 August 2025

Arrow Primary Infrastructure Fund

Dear Investor

Financial Results FY2025

We are pleased to provide you with an update on the Arrow Primary Infrastructure Fund and advise that the Fund's Annual Report for the financial year ended 30 June 2025 is now available on our website at: <https://www.arrowfunds.com.au/fund-announcements/fund-reports/>.

The Fund continues to deliver on its mandate of providing consistent returns through investment in high-quality agricultural infrastructure assets across Australia. This can be seen by the fact that we have been able to continue with a distribution rate of 8.0 cents per unit with 85% of the Fund's properties on long-term leases with excellent tenants - the other 15% (Boombera Park Macadamias & Cobbitty Glasshouse) being under development.

Higher than normal interest rates impacted the Fund's financials in FY2025. Also, frustrating wet weather conditions at Bombera Park throughout March to May 2025 together with the required takeover of Green Camel's operations at the Fund's Cobbitty glasshouse at the end of October 2024 consumed a lot of our management's time and energy, luckily with no material impact on the Fund's financial results. On all three of these matters we are already seeing improvement as we enter FY2026.

All 22 properties in the Fund are in good shape, having improved with the various initiatives Arrow has implemented.

In FY2025, the 3-year, major capital development works at the Fund's poultry properties leased to Baiada were completed. This has been an investment of \$44.9 million since 2022, resulting in the construction of 38 additional breeder sheds and increased production capacity for our major tenant. The Fund's 13 poultry properties highlight the long-term relationships and significant position the Fund has in one of Australia's strongest and best performing agricultural industries.

Base rental income for FY2025 was \$32.1 million, up \$1.8 million on the previous year as a result of annual increases together with rent increases due to property development expenditure paid by the Fund.

Normalised earnings, which excludes non-operating adjustments such as property revaluations, movements in derivatives and non-cash items, was down 1.0% to \$11.8 million for FY2025. This was slightly better than our budget despite an increase in interest rates, which were expected to fall slightly. The average interest rate paid by the Fund for FY2025 was 5.24% which was higher than the 5.21% paid in FY2024. Our forecast interest rate for the Fund for FY2026 is 4.71%.

The Fund continues to hold \$77.2 million in fixed interest rate derivatives, which provides a hedge for 37.8% of the Fund's interest rate exposure at an equivalent fixed rate of 4.1%.

The Fund's property assets have continued to increase in value to \$428.1 million at 30 June 2025. This was up by \$0.7 million in addition to the substantial capital expenditure made during FY2025. All property valuations are supported by independent valuers, who review their valuations at each six-monthly reporting period.

As investors would be aware, the Fund's Net Asset Value (NAV) has plateaued at around \$1.22 cents for the last three years. This is a direct reflection of the Fund's Bombera Park property not being tenanted, and our decision to continue with a consistent distribution per unit (DPU) of 8.0 cents when the Fund's earnings per unit (EPU) was closer to 6.0 cents. Whilst this represents a dilution in capital,

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we believe that a consistent 8.0 cents distribution is the right option at this stage, given that the NAV has been maintained and the valuation of Boombera Park is increasing as its macadamia trees mature.

Key Financial Metrics for the financial year:

	FY2025	FY2024	Change
Base rent	\$32.1m	\$30.3m	+ 6.0%
Base rent (excluding BPM)	\$27.3m	\$26.0m	+ 4.9%
Normalised earnings	\$11.8m	\$11.9m	- 1.0%
Normalised earnings/unit (EPU)	6.23 cents	6.32 cents	- 1.4%
Distribution/unit (DPU)	8.0 cents	8.0 cents	0.0%

	30-Jun-25	30-Jun-24	Change
NAV	\$1.2204	\$1.2290	- 0.7%
Total assets	\$443.7m	\$429.4m	+ 3.3%
Total debt	\$204.1m	\$191.3m	+ 6.7%
LVR	47.7%	45.8%	+ 4.1%
Hedging (interest cover on debt)	37.8%	40.4%	- 6.4%

Our website includes a snapshot of the Fund as at 30 June 2025 – see <https://www.arrowfunds.com.au/fund-details/fund-snapshot/>. The snapshot shows some additional financial metrics and highlights the results of our long-term focus on premium Australian Primary Infrastructure properties.

Fund Performance	10 Years	5 Years	3 Years	1 Year
Income Return (% pa)	10.41	8.34	6.60	6.62
Capital Return (% pa)	6.79	6.44	(0.49)	(0.70)
Total Return (% pa)	17.19	14.78	6.11	5.92

Committed future revenue for the Fund is also solid, with a weighted average lease expiry (WALE) of 12.67 years as at 30 June 2025 (excluding the Fund's Boombera Park and Cobbitty Glasshouse properties, as they are tenanted by Arrow Operations Trust subsidiaries). The occupancy rate at 30 June 2025 has been calculated at 84.8% as we have again excluded the two subsidiaries for the same reason.

Boombera Park

As previously advised, commercial operations at this property are carried out by Boombera Park Macadamias Pty Ltd (BPM), which has its own management team.

FY2025 has been a challenging year for Boombera Park, as it has been for all macadamia growers in the Northern Rivers area of NSW. Heavy rainfall throughout March, April and May 2025 (including Cyclone Alfred) impacted the number of days that operations could be carried out, including harvesting. This year saw our first harvest of nuts from the property's older trees, which were planted in 2019/2020. The shortened harvest period and reduced tonnage had minimal financial impact, given the low volume expected from our immature trees.

Macadamia prices are continuing to improve and we remain committed to proving up the Boombera Park orchard and maximising its value for unit holders.

Having completed the initial property development phase we are now in the second phase of tree establishment, during which our focus is to prove up the orchard's nut production capability as the trees mature. It is our view that Boombera Park's value will be maximised, either by lease or sale, when the property enters its commercial production phase within the next three years.

Cobbitty glasshouse

Although only a small portion of the Fund's portfolio (1.9%), we have applied significant time and resources to assist in the transition of the glasshouse operator, from Green Camel (in Administration) to Eco Fresh Organics Pty Ltd, a subsidiary of Arrow Operations Trust.

Commencing on 25 October 2024, significant improvements have been made to the glasshouse operation so that it can produce consistent, year-round organic tomatoes. The Eco Fresh business finished with a break-even result for the 8 months to 30 June 2025, after paying a commercial rent to the Fund for that period.

The future ownership and direction of Eco Fresh will be decided once the new business consolidates and improves its performance.

Outlook

Our Fund is invested in a strategic portfolio of Australian agricultural and horticultural properties, in sustainable and strong industries with good outlooks for FY2026 and beyond.

Recent cuts in interest rates have been a positive for our Fund and for most businesses in Australia.

As mentioned, our forecast interest rate for the Fund's borrowings in FY2026 is 4.71% per annum, some 53 basis points lower than that paid in FY2025.

Lower interest rates increase the Fund's earnings per unit (EPU) and we expect to significantly close the gap between the distribution paid per unit (DPU) and EPU in FY2026.

Reduced interest rates also have the added benefit of improving property valuations, by lowering the capitalisation and discount rates used by independent valuers, as well as boosting demand from those investors looking for yield.

We are looking forward to FY2026 with optimism and improved returns for our investors.

If you are interested in acquiring additional units in our Fund, you can let us know by email at enquiries@arrowfunds.com.au and we will add you to our Buyers List.

Please visit our website for the latest news and information on the Fund.

Thank you for your continued support.

Yours sincerely



ANDREW ASHBOLT
MANAGING DIRECTOR